



**LHT HOLDINGS LIMITED**  
**联合木业控股有限公司**

(Incorporated in the Republic of Singapore on 29 August 1980)

**PROSPECTUS DATED 15 July 1999**



Application has been made to the Stock Exchange of Singapore Limited ("SES") for permission to deal in and for quotation for all the ordinary shares of \$0.10 each ("Shares") in the capital of LHT Holdings Limited (the "Company") already issued as well as the new Shares which are the subject of this Invitation ("New Shares"). Such permission will be granted when the Company has been admitted to the Official List of the SES. Acceptance of applications will be conditional upon permission being granted to deal in and for quotation for all of the issued shares as well as the New Shares. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, if the said permission is not granted. The SES assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SES is not to be taken as an indication of the merits of the Invitation, the Company, its subsidiaries or the Shares.

A copy of this Prospectus has been lodged with and registered by the Registrar of Companies and Businesses in Singapore who takes no responsibility for its contents.

**Invitation in respect of 50,000,000 New Shares of \$0.10 each comprising:-**

- (1) 20,000,000 Offer Shares at \$0.18 for each Offer Share by way of public offer; and**
- (2) 30,000,000 Placement Shares by way of placement, comprising:-**
  - (a) a minimum of 25,000,000 Placement Shares at \$0.18 for each Placement Share; and**
  - (b) up to 5,000,000 Reserved Shares at \$0.18 for each Reserved Share reserved for employees and business associates of the Group,**

**payable in full on application**

Manager, Underwriter and Placement Agent



**LHT HOLDINGS LIMITED**  
**联合木业控股有限公司**

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Technical Wood Hot Steam Moulding Press



Computerised Automated Assembly System

**LHT Holdings**

**LHT Holdings:- Important component in the manufacturing and distribution chain**



Teamwork - a vital part of success.

- With more than two decades of experience, LHT Holdings Limited is today one of the leading home-grown manufacturers of wooden pallets and cases.
- The Group's products are important for efficient handling of raw materials, end products, equipment etc, and form part of the value chain for diverse industries such as electronics, petrochemicals, warehousing logistics, engineering and others.
- The Group is a local pioneer in the manufacture of Technical Wood which is made of recycled waste wood materials using modern technology, and serves as an environmentally friendly alternative to timber. Technical Wood provides numerous advantages over timber, and forms a key element in the Group's growth plans.
- In FY98, the Group recorded a turnover of S\$25.3 million and a profit before tax of S\$3.7 million.

one of the homegrown manufacturers



Automated Pallet Assembly Line

Technical Wood Mixing and Blending Process



Planing to Smooth Surfaces



Customized Wooden Pallets



Finished Technical Wood Boards



Technical Wood Blocks



Quality Pallets Ready for Export

## Technical Wood's Advantages

- ✓ high density and more durable
- ✓ low moisture content
- ✓ pest-resistant
- ✓ higher consistency
- ✓ environmentally friendly
- ✓ more stable supply
- ✓ better cost control

## Competitive Edge

- **Established Track Record**
  - over two decades of experience
  - more than 90% repeat customers
  - Enterprise 50 winner in 1995 and 1996
- **Quality-driven Operations**
  - ISO 9002 certified in 1997
  - consistently over 99% acceptance rate by customers over last three years
  - reputed for quality products and reliability in prompt delivery
  - 27th International Trophy for Quality in 1998 by the Trade Leaders' Club based in Madrid, Spain.
- **Comprehensive Product Range**
  - offers customers a wide range of wooden pallets and cases with different dimensions
  - ability to customise products within a short lead time to meet customers' specifications
- **Integrated Operations**
  - continuously integrating its services to include packaging, transportation, storage and waste wood collection
- **Forward-looking Management**
  - receptiveness to innovative ideas, upgrading of products and facilities to meet changing customer needs and operating environments

## Future Prospects

- **Improving Economic Outlook**
  - positive performance indicators for customer sectors especially electronics and petrochemicals
  - expected Asian economic recovery augurs well for increased exports leading to higher demand for pallets and cases
- **Customer Acceptance of Recycled Products**
  - Technical Wood's appeal to environmentally-conscious ISO 14000-certified companies
  - potential to develop value-added products using Technical Wood

## Strategic Thrusts

For its next phase of growth, the Group plans to:

- **Expand Existing Markets and Develop New Markets**
  - make further inroads into the Japanese market
  - explore opportunities in other regional markets such as the People's Republic of China
- **Expand Production Capacity for Technical Wood**
- **Explore diversification into other Technical Wood products**

Strategic Thrusts

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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	:	Neo Koon Boo ( <i>Managing Director</i> ) Tan Kim Sing Yap Mui Kee Sally Yap Mei Yen ( <i>Alternate Director to Yap Mui Kee</i> ) Low Peng Kit Tan Kok Hiang
<b>COMPANY SECRETARY</b>	:	Yvonne Choo, FCIS
<b>REGISTERED OFFICE</b>	:	27, Sungei Kadut Street 1 Singapore 729335
<b>REGISTRARS AND SHARE TRANSFER OFFICE</b>	:	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	:	Ernst & Young Certified Public Accountants 10 Collyer Quay #21-01 Ocean Building Singapore 049315
<b>SOLICITORS TO THE INVITATION</b>	:	Yeo Wee Kiong & Partners 100 Cecil Street #13-00 The Globe Singapore 069532
<b>PRINCIPAL BANKER</b>	:	The Development Bank of Singapore Ltd 6 Shenton Way DBS Building Tower One Singapore 068809

## DEFINITIONS

For the purpose of this Prospectus and the accompanying Application Forms, the following definitions have, where appropriate, been used:-

### **Companies**

“Company” or “LHT”	:	LHT Holdings Limited
“KHL”	:	Kim Hiap Lee Company (Pte.) Limited
“LHP”	:	Lian Hup Packaging Industries Sdn. Bhd.
“LHT Group” or “Group”	:	The Company and its subsidiaries
“LHTM”	:	LHT Marketing Pte Ltd
“SBP”	:	Siri Belukar Packaging Sdn. Bhd.
“TPS”	:	Takashima Packaging (S) Pte Ltd

### **General**

“Act”	:	The Companies Act, Chapter 50 of Singapore
“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	Central Provident Fund
“DBS Bank”	:	The Development Bank of Singapore Ltd
“Directors”	:	The directors of the Company as at the date of this Prospectus
“Executive Officers”	:	The executive officers of the Company as at the date of this Prospectus
“FY”	:	Financial year ended or ending 31 December
“Invitation”	:	The invitation by the Company to the public for subscription for the New Shares, subject to and on the terms of this Prospectus
“ISO”	:	International Standards Organisation
“Issue Price”	:	\$0.18 for each Offer Share and Placement Share
“JTC”	:	Jurong Town Corporation
“Manager”	:	DBS Bank
“Market Day”	:	A day on which the Stock Exchange is open for trading in securities
“New Shares”	:	The 50,000,000 new Shares for which the Company invites applications to subscribe, subject to and on the terms of the Prospectus
“NTA”	:	Net tangible assets

“Offer”	:	The offer by the Company to the public to subscribe for the Offer Shares
“Offer Price”	:	\$0.18 for each Offer Share
“Offer Shares”	:	The 20,000,000 New Shares issued at the Offer Price which are the subject of the Offer
“Participating Banks”	:	DBS Bank (including its POSBank Services division); Keppel TatLee Bank Limited (“KTB”); Oversea-Chinese Banking Corporation Limited (“OCBC”) Group (comprising OCBC and Bank of Singapore Limited); Overseas Union Bank Limited (“OUB”) Group (comprising OUB and International Bank of Singapore Limited); and United Overseas Bank Limited (“UOB”) Group (comprising UOB, Chung Khiaw Bank Limited, Far Eastern Bank Limited and Industrial & Commercial Bank Limited)
“PBT”	:	Profit before tax
“Placement”	:	The placement by the Company of the Placement Shares (including the Reserved Shares)
“Placement Agent”	:	DBS Bank
“Placement Price”	:	\$0.18 for each Placement Share
“Placement Shares”	:	The 30,000,000 New Shares issued at the Placement Price which are the subject of the Placement
“Reserved Shares”	:	Up to 5,000,000 Placement Shares reserved for employees, business associates and those who have contributed to the success of the Group
“SCCS”	:	Securities Clearing & Computer Services (Pte) Ltd
“Securities Account”	:	Securities account maintained by a depositor with CDP
“Shares”	:	Ordinary shares of \$0.10 each in the capital of the Company
“Stock Exchange” or “SES”	:	The Stock Exchange of Singapore Limited
“Technical Wood”	:	Presswood material which is manufactured by recycling waste wood material in accordance with the manufacturing processes under the License Agreement (as hereinafter defined on page 15 of the Prospectus)
“UK”	:	United Kingdom
“Underwriter”	:	DBS Bank
“US” or “USA”	:	United States of America
“psf”	:	Per square foot
“sq m” and “sq ft”	:	Square metres and square feet respectively
“m <sup>3</sup> ”	:	Cubic metres
“\$” and “cents”	:	Singapore dollars and cents respectively
“DM”	:	German Deutsche Marks

“RM” : Malaysian ringgit  
“%” or “per cent” : Per centum or percentage

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus and the Application Forms to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Prospectus and the Application Forms shall have the meaning assigned to it under the said Act or statutory modification as the case may be.

Any reference in this Prospectus and the Application Forms to shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

A reference to a time of day in this Prospectus and the Application Forms shall be a reference to Singapore time.



## DETAILS OF THE INVITATION

### LISTING ON SES

Application has been made to the Stock Exchange for permission to deal in and for quotation for all the Shares already issued as well as the New Shares on SES. Such permission will be granted when the Company has been admitted to the Official List of SES. Acceptance of applications will be conditional upon permission being granted to deal in and for quotation for all the issued Shares as well as the New Shares. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or benefit arising therefrom and at the applicant's own risk, if the said permission is not granted.

The Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of SES is not to be taken as an indication of the merits of the Invitation, the Company, its subsidiaries or the Shares.

The Directors individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement in this Prospectus misleading.

No person is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or the Manager. Neither the delivery of this Prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Company or of its subsidiaries or in any statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur, the Company may make an announcement of the same to the SES. All applicants should take note of any such announcement and, upon release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Company or its subsidiaries. This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose. This Prospectus does not constitute an offer of, or invitation to subscribe for, the Invitation Shares in any jurisdiction in which such offer or invitation is unauthorised or unlawful nor does it constitute an offer or invitation to any person to whom it is unlawful to make such offer or invitation.

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, from:-

**The Development Bank of Singapore Ltd  
6 Shenton Way  
DBS Building Tower One  
Singapore 068809**

and from DBS Bank branches, members of the Association of Banks in Singapore, members of the Stock Exchange and merchant banks in Singapore.

**The Application List will open at 10.00 a.m. on 22 July 1999 and will remain open until 12.00 noon on the same day or for such further period or periods as the Directors may, in their absolute discretion, decide.**

## INDICATIVE TIMETABLE FOR LISTING

In accordance with the Stock Exchange's News Release of 28 May 1993 on the trading of initial public offering shares on a "when issued" basis, an indicative timetable is set out below for the reference of applicants:-

Indicative date/time	Event
22 July 1999, 12 noon	Closing date and time for applications
23 July 1999	Balloting of applications, if necessary
26 July 1999, 9.00 a.m.	Commence trading on a "when issued" basis
10 August 1999	Last day of trading on a "when issued" basis
11 August 1999, 9.00 a.m.	Commence trading on a "ready" basis
18 August 1999	Settlement date for all trades done on a "when issued" basis and for all trades done on a "ready" basis on 11 August 1999

The above timetable is only indicative as it assumes that the closing of the Application List is 22 July 1999, the date of admission of the Company to the Official List of the SES will be 26 July 1999, the Stock Exchange's shareholding spread requirement will be complied with and the Invitation Shares will be issued and fully paid up prior to 26 July 1999. The actual date on which the Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SES.

The above timetable and procedure may be subject to such modifications as the SES may in its discretion decide, including the decision to permit trading on a "when issued" basis, the commencement date of such trading. All persons trading in the Shares on a "when issued" basis do so at their own risk. **In particular, persons trading in the Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, if applicable, have been allotted with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date mentioned above. Persons who have a net sell position traded on a "when issued" basis should close their position on or before the first day of "ready" basis trading.**

Investors should consult the SES' announcement on the "ready" listing date on the Internet (at the SES website <http://www.ses.com.sg>), INTV or the newspapers, or check with their brokers on the date on which trading on a "ready" basis will commence.

## PROSPECTUS SUMMARY

The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus.

- The Company** : Lian Hup Timber Pte Ltd was incorporated in Singapore on 29 August 1980 as a private company limited by shares. On 5 July 1999, it was converted into a public company limited by shares and changed its name to LHT Holdings Limited. The Group is principally engaged in the manufacture and supply of wooden pallets and cases for the packing of industrial products.
- The Invitation**
- Size : 50,000,000 New Shares, comprising 20,000,000 Offer Shares and 30,000,000 Placement Shares (including the 5,000,000 Reserved Shares). The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing issued Shares.
- Issue Price : \$0.18 for each New Share.
- Purpose of the Invitation : The Directors consider that the listing of the Company and the quotation of the Shares on the SES will enhance the Company's public image. It will also provide members of the public, the management, staff and business associates of the Company and its subsidiaries an opportunity to participate in the equity of the Company.
- Use of Proceeds : The net proceeds arising from the issue of the New Shares, which are estimated to amount to \$8.3 million, is expected to be utilised as follows:-
- (a) Approximately \$4.0 million for the expansion of the Group's production capacity and/or to acquire new equipment; and
  - (b) The balance of approximately \$4.3 million for working capital and/or reducing borrowings.
- Pending the deployment of the net proceeds from the issue of the New Shares for the purposes identified above, the net proceeds may be deposited with banks and financial institutions and/or invested in short-term money market instruments as the Directors may deem fit.
- Reserved Shares : Out of the 30,000,000 Placement Shares, up to 5,000,000 of the Placement Shares will be reserved for employees, business associates and those who have contributed to the success of the Group. In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy applications for the Placement Shares, or in the event of an under-subscription for the Placement Shares, to satisfy applications made by members of the public for the Offer Shares.
- Listing Status : The Shares will be quoted on the Main Board of the SES, subject to admission of the Company to the Official List of SES and permission for dealing in and quotation for the Shares being granted by the SES.

**Investors' attention are drawn to the Group's vulnerability to specific factors. Please refer to pages 33 to 35 of this Prospectus for further details.**

## ISSUE STATISTICS

**Issue Price** **\$0.18**

### NET TANGIBLE ASSETS

NTA per Share based on the consolidated balance sheet of the Group as at 31 December 1998, taking into account the sub-division of shares referred to on page 14 of this Prospectus:–

- |   |        |
|---|--------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares (and based on the pre-flotation share capital of 150,000,000 Shares) | \$0.11 |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares (and based on the post-flotation share capital of 200,000,000 Shares) | \$0.12 |

Premium/(Discount) of Issue Price of \$0.18 per Share over the NTA per Share as at 31 December 1998:–

- |   |       |
|---|-------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-flotation share capital of 150,000,000 Shares | 63.6% |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-flotation share capital of 200,000,000 Shares | 50.0% |

### EARNINGS

- |  |            |
|--|------------|
| (a) Historical net earnings per Share of the Group for the financial year ended 31 December 1998 based on the pre-flotation share capital of 150,000,000 Shares  | 1.77 cents |
| (b) Forecast net earnings per Share of the Group for the financial year ended 31 December 1999 based on the weighted average share capital of 170,833,333 Shares | 1.41 cents |

### PRICE EARNINGS RATIO

- |   |            |
|---|------------|
| (a) Historical price earnings ratio based on the net earnings per Share of the Group (based on the pre-flotation share capital of 150,000,000 Shares) for the financial year ended 31 December 1998           | 10.2 times |
| (b) Forecast price earnings ratio based on the forecast net earnings per Share of the Group (based on the weighted average share capital of 170,833,333 Shares) for the financial year ended 31 December 1999 | 12.8 times |

### NET OPERATING CASH FLOW<sup>(1)</sup>

- |  |            |
|--|------------|
| (a) Historical net operating cash flow per Share for the financial year ended 31 December 1998 based on the pre-flotation share capital of 150,000,000 Shares  | 2.39 cents |
| (b) Forecast net operating cash flow per Share for the financial year ended 31 December 1999 based on the weighted average share capital of 170,833,333 Shares | 2.33 cents |

## PRICE TO NET OPERATING CASH FLOW RATIO

- |  |           |
|--|-----------|
| (a) Ratio of issue price to net operating cash flow based on the historical net operating cash flow per Share (based on the pre-flotation share capital of 150,000,000 Shares) for the financial year ended 31 December 1998   | 7.5 times |
| (b) Ratio of issue price to net operating cash flow based on the historical net operating cash flow per Share (based on the weighted average share capital of 170,833,333 Shares for the financial year ended 31 December 1999 | 7.7 times |

## DIVIDENDS

- |  |            |
|--|------------|
| Forecast final dividend per Share for the financial year ending 31 December 1999, based on the post-Invitation share capital of 200,000,000 Shares | 0.75 cents |
| Forecast final dividend yield per Share for the financial year ending 31 December 1999 at the Issue Price  | 4.2%       |
| Forecast dividend cover for the financial year ending 31 December 1999   | 1.6 times  |

### Note:-

- (1) Net operating cash flow is defined as net profit after tax and minority interest with provision for depreciation added back.

## SUMMARY OF PROFORMA GROUP FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the full text of this Prospectus, including the Accountants' Report as set out on pages 51 to 66 of this Prospectus.

### Results of Operations of the Group

(\$'000)	Year ended 31 December					Unaudited 5 months ended 31 May
	FY1994	FY1995	FY1996	FY1997	FY1998	1999
Sales	33,843	39,408	34,092	33,366	25,338	9,426
Operating profit before depreciation <sup>(1)</sup> and interest expense	4,523	4,682	3,053	2,997	3,915	1,751
Interest income	1	1	13	75	117	22
Share of profit of associated companies	379	374	424	564	640	68
Profit before depreciation, interest, and tax	4,903	5,057	3,490	3,636	4,672	1,841
Depreciation	(666)	(668)	(869)	(822)	(939)	(418)
Profit before interest and tax	4,237	4,389	2,621	2,814	3,733	1,423
Interest expense	(66)	(34)	(37)	(28)	(21)	(107)
Profit before tax	4,171	4,355	2,584	2,786	3,712 <sup>(2),(3)</sup>	1,316
Taxation	(1,112)	(971)	(789)	(872)	(1,090)	(285)
Profit after tax	3,059	3,384	1,795	1,914	2,622	1,031
Minority interest	—	—	—	—	29	(8)
Profit after tax and minority interest	3,059	3,384	1,795	1,914	2,651	1,023
Extraordinary items	—	5	6	—	—	—
Profit attributable to shareholders	3,059	3,389	1,801	1,914	2,651	1,023
Earnings per Share (cents) <sup>(4)</sup>	2.04	2.26	1.20	1.28	1.77	0.68

#### Notes:—

- (1) Depreciation refers to direct as well as general depreciation expenses.
- (2) Includes \$635,000 resulting from a foreign exchange gain arising from three month forward contracts to purchase German DM intended for payment for the acquisition of Technical Wood production equipment. Further details may be found on page 30 of the Prospectus.
- (3) Had the service agreements as described on pages 39 and 40 of the Prospectus been effected on 1 January 1998, profit before tax would have been lower by approximately \$112,000.  
In 1998, the remuneration of employees who are related to the Directors and/or shareholders amounted to \$640,101, representing 17.2% of the Group's pre-tax profit for the year.
- (4) For comparative purposes, earnings per share is based on pre-flotation share capital of 150,000,000 Shares.

## Financial Position of the Group

(\$'000)	As at 31 December					Unaudited 5 months as at 31 May 1999
	FY1994	FY1995	FY1996	FY1997	FY1998	
Fixed assets	2,996	3,208	4,366	8,159	21,239	21,847
Investments in associated companies	830	968	1,160	1,207	1,489	1,534
Intangible assets — licence fees	—	—	—	218	271	268
Other investments	40	45	5	87	87	87
Current assets	11,402	13,409	13,162	15,185	11,984	10,895
Current liabilities	(6,031)	(5,660)	(4,818)	(6,580)	(8,628)	(5,941)
Net current assets	5,371	7,749	8,344	8,605	3,356	4,954
Non-current liabilities	(410)	(106)	(453)	(4,174)	(10,136)	(11,352)
	8,827	11,864	13,422	14,102	16,306	17,338
Share capital	3,600	4,000	5,000	7,500	10,000	15,000
Share premium	—	—	—	—	—	—
Revenue reserve	5,139	7,702	8,153	6,487	6,412	2,435
Foreign currency alignment	—	(12)	(15)	(139)	(127)	(125)
Shareholders' equity	8,827	11,864	13,422	14,102	16,285	17,310
Minority interest	—	—	—	—	21	28
	8,827	11,864	13,422	14,102	16,306	17,338
Net tangible assets per Share (\$) <sup>(1)</sup>	0.06	0.08	0.09	0.09	0.11	0.11

### Note:—

(1) For comparative purposes, the NTA per Share is calculated based on the pre-flotation share capital of 150,000,000 Shares.

## GENERAL INFORMATION ON THE GROUP

### SHARE CAPITAL

The Company was incorporated in Singapore on 29 August 1980 under the Act as a private limited company under the name of Lian Hup Timber Pte Ltd.

As at 31 December 1998, the Company has an authorised share capital of \$10,000,000 divided into 10,000,000 ordinary shares of \$1.00 each and an issued and paid-up share capital of \$10,000,000 divided into 10,000,000 shares of \$1.00 each.

On 15 January 1999, the Company increased its authorised share capital from \$10,000,000 to \$50,000,000 consisting of 50,000,000 ordinary shares of \$1.00 each. On the same day, the Company capitalised \$3,000,000 out of the Company's revenue reserve by way of a bonus issue of 3,000,000 fully paid ordinary shares of \$1.00 each to the shareholders (the "1st Bonus Issue").

On 20 April 1999, the Company capitalised \$2,000,000 out of the Company's revenue reserve by way of a bonus issue of 2,000,000 fully paid ordinary shares of \$1.00 each to the shareholders (the "2nd Bonus Issue").

At an Extraordinary General Meeting held on 21 May 1999, the shareholders of the Company approved the subdivision of each ordinary share of \$1.00 each in the authorised, issued and paid-up share capital of the Company into 10 ordinary shares of \$0.10 each (the "Stock Split").

At separate Extraordinary General Meetings held on 1 July 1999, the shareholders of the Company approved, *inter alia*, the following:—

- (a) the conversion of the Company into a public limited company and the change of its name to LHT Holdings Limited;
- (b) the adoption of the new Articles of Association of the Company;
- (c) the issue of New Shares which are the subject of this Invitation. The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing Shares; and
- (d) subject to the approval of the shareholders of the Company being obtained, pursuant to Section 161 of the Act, notwithstanding any provisions to the contrary in the Articles of Association of the Company, approval be and is hereby given to the Directors to issue further shares in the Company at any time to such persons, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided always that:—
  - (i) where the shares are to be issued to existing shareholders in proportion to their then shareholding in the Company, the aggregate number of shares to be issued pursuant to the resolution shall not exceed fifty percent (50%) of the issued share capital of the Company for the time being;
  - (ii) where the shares are to be issued other than to existing shareholders in proportion to their shareholding in the Company, the aggregate number of shares to be issued pursuant to this resolution shall not exceed twenty percent (20%) of the issued share capital of the Company for the time being; and
  - (iii) the aggregate number of shares to be issued under sub-paragraphs (a) and (b) of this resolution shall not exceed fifty percent (50%) of the issued share capital of the Company for the time being,

such authority to continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier, unless previously revoked or varied at a general meeting of the Company.



Details of the changes in the issued and paid-up share capital of the Company since 31 December 1998, being the date of the last audited accounts of the Company, are as follows:–

	<b>Number of Shares</b>	<b>\$</b>
Issued and fully paid up ordinary shares of \$1.00 each as at 31 December 1998	10,000,000	10,000,000
1st Bonus Issue (15 January 1999)	3,000,000	3,000,000
2nd Bonus Issue (20 April 1999)	2,000,000	2,000,000
	<u>15,000,000</u>	<u>15,000,000</u>
Pre-Invitation share capital after the Stock Split	150,000,000	15,000,000
New Shares to be issued pursuant to the Invitation	50,000,000	5,000,000
Post-Invitation share capital	<u>200,000,000</u>	<u>20,000,000</u>

The authorised share capital and the shareholders' funds of the Company as at 31 December 1998, before and after adjustments to reflect the increase in the authorised share capital of the Company, the 1st Bonus Issue and 2nd Bonus Issue (collectively the "Bonus Issues"), the Stock Split and the issue of New Shares are set forth below. These statements should be read in conjunction with the Accountants' Report set out on pages 51 to 66 of this Prospectus.

	<b>As at 31 December 1998</b>	<b>As adjusted</b>
	<b>\$</b>	<b>\$</b>
<b>Authorised Share Capital</b>		
Ordinary shares of \$1.00 each	10,000,000	—
Ordinary shares of \$0.10 each	—	50,000,000
	<u>10,000,000</u>	<u>50,000,000</u>
<b>Shareholders' Funds</b>		
Issued and fully paid shares	10,000,000	20,000,000
Share premium	—	3,325,000
Revenue reserve	6,412,081	1,412,081
Foreign currency alignment	(126,834)	(126,834)
Shareholders' funds	<u>16,285,247</u>	<u>24,610,247</u>

There is only one class of shares in the Company. The Articles of Association of the Company relating to the voting rights of shareholders are set out in pages 77 to 79 of this Prospectus.

## SHAREHOLDERS

The shareholders of the Company and their equity interests after the Stock Split but prior the Invitation are shown in the table below:—

	— Direct Interest —		— Indirect Interest —	
	No. of Shares of \$0.10 each	%	No. of Shares of \$0.10 each	%
<b>Directors</b>				
Neo Koon Boo	42,455,760	28.30	85,225,290	56.82 <sup>(1),(2)</sup>
Tan Kim Sing	36,189,160	24.13	91,491,890	60.99 <sup>(1),(2)</sup>
Yap Mui Kee	20,862,950	13.91	106,818,100	71.21 <sup>(1),(2)</sup>
Sally Yap Mei Yen	—	—	—	—
<b>Holders of 5% or more not related to Directors or substantial shareholders</b>				
Ng E Teck	20,666,210	13.78	107,014,840	71.34 <sup>(1),(2)</sup>
Lee Jim Boon	8,550,790	5.70	516,900	0.34 <sup>(2)</sup>
Estate of Ho Mun	8,550,720	5.70	—	—
<b>Holders of less than 5% not related to Directors or substantial shareholders</b>				
Yeo Boon Chan	4,357,730	2.91	263,430	0.18 <sup>(2)</sup>
Leong Kin Thong	4,357,730	2.91	263,430	0.18 <sup>(2)</sup>
Seiko Co. Ltd	4,008,950	2.67	—	—
	150,000,000	100.0		

Save as disclosed on page 38 of this Prospectus, none of the Directors or substantial shareholders are related to one another by blood or marriage.

### Notes:—

- (1) The deemed interest of Mr Neo Koon Boo, Mr Tan Kim Sing, Ms Yap Mui Kee and Mr Ng E Teck arise from the Management Shareholders' Agreement dated 8 July 1999 entered into between Mr Neo Koon Boo, Mr Tan Kim Sing, Ms Yap Mui Kee and Mr Ng E Teck (the "Management Shareholders' Agreement"). Details of the Management Shareholders' Agreement are set out on page 18 of this Prospectus.
- (2) Pursuant to a sale and purchase agreement (the "HM Sale Agreement") dated 28 April 1999, as amended and supplemented by a Supplemental Agreement dated 19 May 1999 (the "Supplemental Agreement") entered into between the administrators of the estate of Ho Mun (the "Estate of Ho Mun") and Neo Koon Boo, Tan Kim Sing, Yap Mui Kee, Ng E Teck, Lee Jim Boon, Yeo Boon Chan and Leong Kin Thong (collectively the "Purchasers"), the Purchasers agree to purchase, for the aggregate purchase consideration of S\$855,072, all of the 8,550,720 Shares held by the Estate of Ho Mun (the "Sale Shares"). Under the HM Sale Agreement, the number of the Sale Shares to be purchased by each Purchaser is as set out against his/her name as follows:—

	Sale Shares
Neo Koon Boo	2,808,830
Tan Kim Sing	2,187,660
Yap Mui Kee	1,261,180
Ng E Teck	1,249,290
Lee Jim Boon	516,900
Yeo Boon Chan	263,430
Leong Kin Thong	263,430
<b>Total</b>	8,550,720

Under the HM Sale Agreement (as amended and varied by the Supplemental Agreement), completion of the sale and purchase of the Sale Shares (the "HM Completion") is to occur on the date falling no later than 2 days after the grant of the letters of administration of the Estate of Ho Mun have been extracted. As at the date of this Prospectus, the grant of the letters of administration of the Estate of Ho Mun have not been extracted.

Pending the HM Completion, the number of Shares in respect of which each of Neo Koon Boo, Tan Kim Sing, Yap Mui Kee, Ng E Teck, Lee Jim Boon, Yeo Boon Chan and Leong Kin Thong has an indirect interest include such deemed interest (as defined in the Act) in such number of the Sale Shares as agreed to be purchased by him/her under the HM Sale Agreement (as amended and varied by the Supplemental Agreement).

**The table below shows the Company's shareholders and their equity interests in the Company after the Invitation:—**

	— Direct Interest —		— Indirect Interest —	
	No. of Shares of \$0.10 each	%	No. of Shares of \$0.10 each	%
<b>Directors</b>				
Neo Koon Boo	42,455,760	21.23	85,225,290	42.61 <sup>(1),(2)</sup>
Tan Kim Sing	36,189,160	18.09	91,491,890	45.75 <sup>(1),(2)</sup>
Yap Mui Kee	20,862,950	10.43	106,818,100	53.41 <sup>(1),(2)</sup>
Sally Yap Mei Yen	—	—	—	—
Low Peng Kit <sup>(3)</sup>	—	—	—	—
Tan Kok Hiang <sup>(3)</sup>	—	—	—	—
<b>Holder of 5% or more not related to Directors or substantial shareholders</b>				
Ng E Teck	20,666,210	10.33	107,014,840	53.51 <sup>(1),(2)</sup>
<b>Holder of less than 5% not related to Directors or substantial shareholders</b>				
Lee Jim Boon	8,550,790	4.28	516,900	0.26 <sup>(2)</sup>
Estate of Ho Mun	8,550,720	4.28	—	—
Yeo Boon Chan	4,357,730	2.18	263,430	0.13 <sup>(2)</sup>
Leong Kin Thong	4,357,730	2.18	263,430	0.13 <sup>(2)</sup>
Seiko Co. Ltd	4,008,950	2.00	—	—
<b>Public</b>	<b>50,000,000</b>	<b>25.00</b>	<b>—</b>	<b>—</b>
	<b>200,000,000</b>	<b>100.00</b>		

**Notes:—**

- (1) The deemed interest of Mr Neo Koon Boo, Mr Tan Kim Sing, Ms Yap Mui Kee and Mr Ng E Teck arise from the Management Shareholders' Agreement (as referred to in footnote (1) on page 16 of this Prospectus). Details of the Management Shareholders' Agreement are set out on page 18 of this Prospectus.
- (2) As mentioned in footnote (2) on page 16 of this Prospectus, under the HM Sale Agreement (as amended and varied by the Supplemental Agreement), the HM Completion is to occur on the date falling no later than 2 days after the grant of the letters of administration of the Estate of Ho Mun have been extracted. As at the date of this Prospectus, the grant of the letters of administration of the Estate of Ho Mun have not been extracted.  
  
Pending the HM Completion, the number of Shares in respect of which each of Neo Koon Boo, Tan Kim Sing, Yap Mui Kee, Ng E Teck, Lee Jim Boon, Yeo Boon Chan and Leong Kin Thong has an indirect interest include such deemed interest (as defined in the Act) in such number of the Sale Shares as agreed to be purchased by him/her under the HM Sale Agreement (as amended and varied by the Supplemental Agreement).
- (3) Shareholdings shown exclude Reserved Shares. Each of the independent directors is offered 40,000 Reserved Shares at the Issue Price of \$0.18. They may dispose of or transfer all or part of their shareholdings in the Company after the admission of the Company to the SES.

## **Management Shareholders' Agreement**

The four major shareholders, namely Mr Neo Koon Boo, Mr Tan Kim Sing, Mr Ng E Teck and Ms Yap Mui Kee (hereinafter referred to as the "Management Shareholders") entered into a Management Shareholders' Agreement on 8 July 1999. The term of the Management Shareholders' Agreement is for an initial period of 5 years commencing on the date of the listing and quotation of the Shares on the SES. The Management Shareholders agree that the term of the Management Shareholders' Agreement may, upon its expiry, be extended for such further period thereafter, on such terms and conditions as agreed between the Management Shareholders. Briefly, the principal objectives of the Management Shareholders' Agreement are to govern the relationship between the Management Shareholders so that firstly, the aggregate number of Shares held by them does not fall below 50% of the entire issued and paid up share capital of the Company for the time being and secondly to ensure that, during the term of the Management Shareholders' Agreement, the Management Shareholders will exercise their voting rights in accordance with the directions and instructions of Mr Neo Koon Boo for so long as he holds at least 15% of the entire issued and paid up capital of the Company for the time being.

Pursuant to the Management Shareholders' Agreement, each of the Management Shareholders agrees that he will not sell such number of Shares which result in the aggregate shareholding of all the Management Shareholders to fall below 50% of the total issued and paid up capital of the Company for the time being (the "Restricted Shares"). Each of the Management Shareholders also undertakes not to mortgage, charge or otherwise encumber any of the Restricted Shares unless with the prior written consent of all the other Management Shareholders. Further, each of the Management Shareholders agrees that in the event that he proposes to sell such of his Shares other than the Restricted Shares, the other Management Shareholders shall have pre-emptive rights over such shares in accordance with the terms of the Management Shareholders' Agreement. It is agreed that the Management Shareholders may, by agreement of all the Management Shareholders, vary, amend or terminate the Management Shareholders' Agreement.

## **Deeds of Covenants**

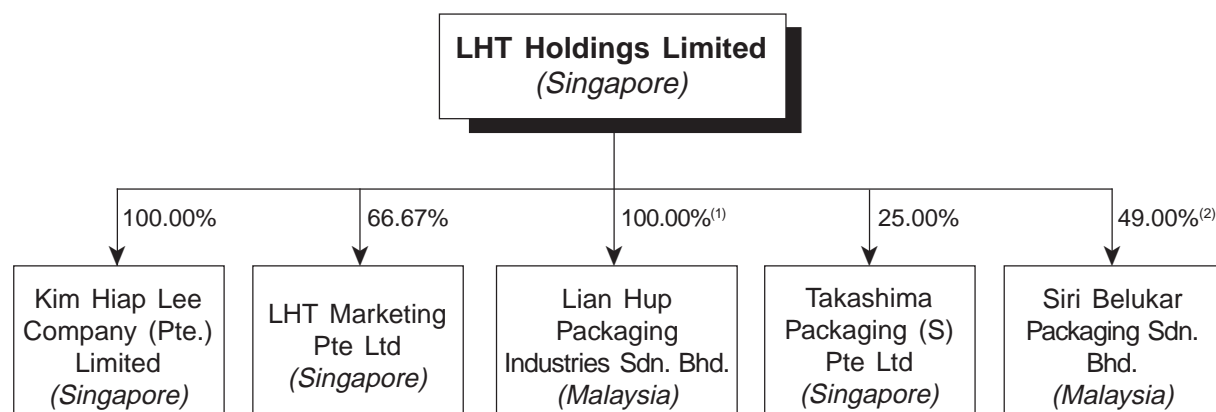
Messrs Lee Jim Boon, Yeo Boon Chan and Leong Kin Thong (hereinafter individually referred to as a "Covenantor") has each entered into a Deed of Covenants on 8 July 1999 pursuant to which, each Covenantor undertakes to the Management Shareholders (as defined in the above paragraph) and the other Covenantors that for a period of 5 years from the date of the listing and quotation of the Shares on the SES, save for any sale of his shares to the other Covenantors and the Management Shareholders, he shall only sell his shares through a member firm of the SES in the customary manner. Further, each Covenantor undertakes that he will refrain from selling, knowingly or recklessly, directly or indirectly, through a transaction or a series of transactions to any person such that the person shall acquire by himself or with parties acting in concert more than 5% of the issued and paid up capital of the Company.

## **MORATORIUM**

To demonstrate their commitment to the Group, Messrs Neo Koon Boo, Tan Kim Sing, Yap Mui Kee and Ng E Teck, who will collectively own 127,681,040 Shares or 63.84% of the Company's share capital after the Invitation, do not intend to realise or transfer any part of their shareholdings in the Company for a period of 12 months from the date of admission of the Company to the Official List of the SES.

## GROUP STRUCTURE

The Group structure as at the date of this Prospectus is as follows:–



### Notes:–

- (1) LHP is principally involved in the preparation of timber in Malaysia which is then mainly exported to the Group in Singapore. The Company has been advised by its Malaysian counsel that under the applicable requirements of Malaysian laws, LHP is not required to apply for a manufacturing licence under Industrial Co-ordination Act 1975 of Malaysia as it has less than 75 full-time employees and its shareholders' funds are less than RM2.5 million. LHP intends to apply for such manufacturing licence at such time when the number of its full-time employees reaches 75 or its shareholders' funds reach RM2.5 million.
- (2) SBP has been granted a manufacturing licence under Industrial Co-ordination Act 1975 by the relevant Malaysian authorities. Presently, SBP has an issued and paid-up capital of RM1,750,000.

## HISTORY

Lian Hup Timber Pte Ltd's origins can be traced to April 1977 when Mr Neo Koon Boo, in collaboration with several partners, established Lian Hup Trading Co., a partnership. The partnership had an initial staff strength of 14 employees, operating out of a rented factory at Mandai Road. The principal business of the partnership was the supply and manufacture of wooden pallets and cases, while its customers were mainly in the cement, edible oil, electronics and shipping industries. In 1980, the operations expanded into a factory with a land area of approximately 4,300 sq m at 41 Sungei Kadut Street 6.

In 1980, Lian Hup Timber Pte Ltd was incorporated and in 1981, it bought over the business, assets and liabilities of Lian Hup Trading Co. The Company's products and services are used in the shipment of raw materials and end products of various industries and is important in reducing the manpower needed in such material handling as the materials packed in pallets and cases may be handled using forklifts, thereby reducing the reliance on manual labour. Thus the Company benefited from the growth in the local manufacturing sector.

In 1988, the Company acquired KHL, a company involved in timber trading and sawmilling, and sited at 27 Sungei Kadut Street 1. Amongst other benefits, this acquisition provided the Company with a larger site for its operations. The Company subsequently relocated all its operations to a new plant which is situated at 27 Sungei Kadut Street 1 (of a land area approximately of 28,287 sq m) which has been leased from the JTC. In the period 1986 to 1988, the Company commenced its export business to Japan and other markets such as Hong Kong, Thailand and Taiwan. The Company focused its export efforts on Japan by marketing to the Japanese Pallet Association and by taking steps to ensure that its products met the Japan International Standard. In order to establish a firmer base for its operations in the Japanese market, the Company entered into a joint venture on 30 March 1991 with three Japanese partners to form TPS. Its shareholders are LHT and Takashima & Co Ltd (holding 25% and 35% of the issued share capital respectively) and Furuhashi Industry Co Ltd and Chukyo Foam Co Ltd (each holding 20% of the issued share capital).

In the early 1990s, the Company decided to relocate part of its wooden pallets manufacturing operations to West Malaysia and SBP was incorporated, with the Company holding 49% equity interest. The other shareholders are Messrs Tan Ah Fook, Lee Ah Ngo, Tan Wei Chong, Azizah Bte Abdul Rahman and Lim Chan Teck, who in aggregate hold the balance 51% interest in SBP. SBP commenced operations in 1993 and supplied wooden pallets and cases to LHT, which was its main customer. SBP's other customers are in the Malaysian petrochemical, electronics, food and warehousing industries. The Company also incorporated LHP in West Malaysia, a wholly-owned subsidiary, on 24 January 1997. LHP, which commenced operations in April 1998, functions as the procurement office for raw materials in West Malaysia. It also does a certain amount of processing in cutting the timber to the required dimensions before they are shipped to Singapore for assembly.

To enhance its competitiveness, the Group sought to reduce wastage and ventured into the manufacture and sale of recycled wood products. In 1997, the Company entered into a purchase contract with a German corporation and purchased a production line at a total cost of approximately \$13.0 million in order to develop the Group's wood waste recycling capability. This plant, which was commissioned in March 1999, enabled the Company to convert wood waste to a new product called "Technical Wood" which can be used as packaging materials, for example pallets. The machines used are highly automated and controlled by computerised programs. Further details on Technical Wood may be found on page 25 of this Prospectus. To market new products such as Technical Wood pallets, the Company incorporated a 66.7%-owned subsidiary, LHTM, on 27 February 1998 which markets to Japan and other countries in Asia.

The Company was ranked 33rd and 42nd in the Enterprise 50 Award for 1995 and 1996 respectively. The Enterprise 50 Award is organised by Andersen Consulting and the Business Times, with support from the Economic Development Board. On 9 January 1997, the Company was awarded the ISO 9002 Certification by the Productivity and Standard Board of Singapore.

## **BUSINESS**

### **Principal Activities**

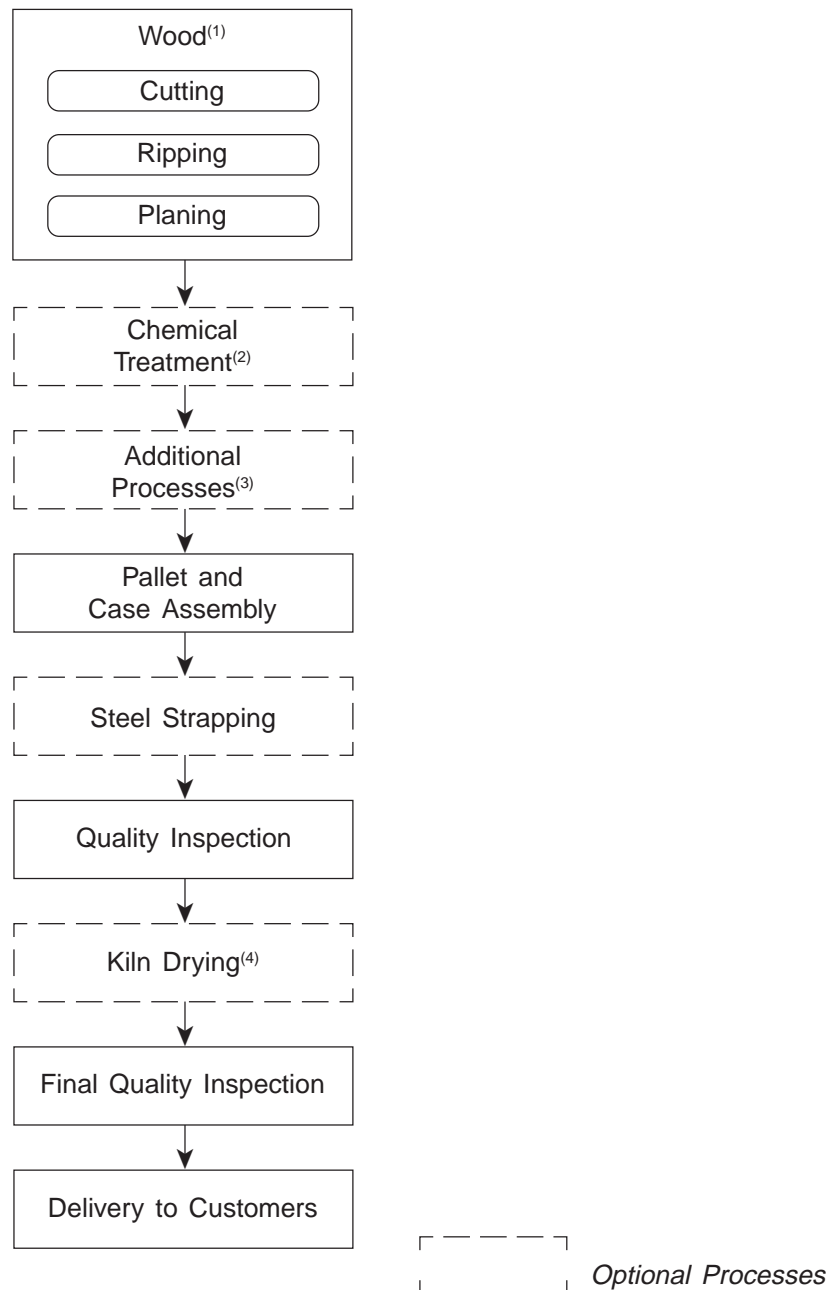
The Company and its subsidiaries are principally engaged in the manufacture and supply of wooden pallets and cases for the packing of industrial products. Currently, most of the Group's customers are in the electronics, petrochemicals, warehousing logistics and engineering sectors. Details on the usage of the Group's products are tabulated as follows:-

<b>Industry</b>	<b>% of Group FY98 turnover</b>	<b>Examples of Customers' Products</b>
Electronics	32.0	Computers, printers, television sets, radios and electronic components
Petrochemicals	15.0	Plastics resins and polymer products
Warehousing Logistics	10.5	Miscellaneous products
Engineering	9.0	Valves, oilfield products
Others	33.5	Furniture, handling equipment

## Manufacturing Processes

The principal manufacturing operations of the Group for wooden pallets and cases are located in LHT's factory at 27 Sungei Kadut Street 1, Singapore. The Group has a Technical Wood production line in LHT's Singapore factory. The Group also has manufacturing facilities for wooden pallets and cases in a factory in Malaysia through SBP, its associated company. In addition, the Company's subsidiary, LHP, is dedicated to the preparation of timber in its factory in Malaysia, which is principally shipped to the Group in Singapore for assembly into pallets and cases. The Group's manufacturing processes are illustrated in the following diagrams:-

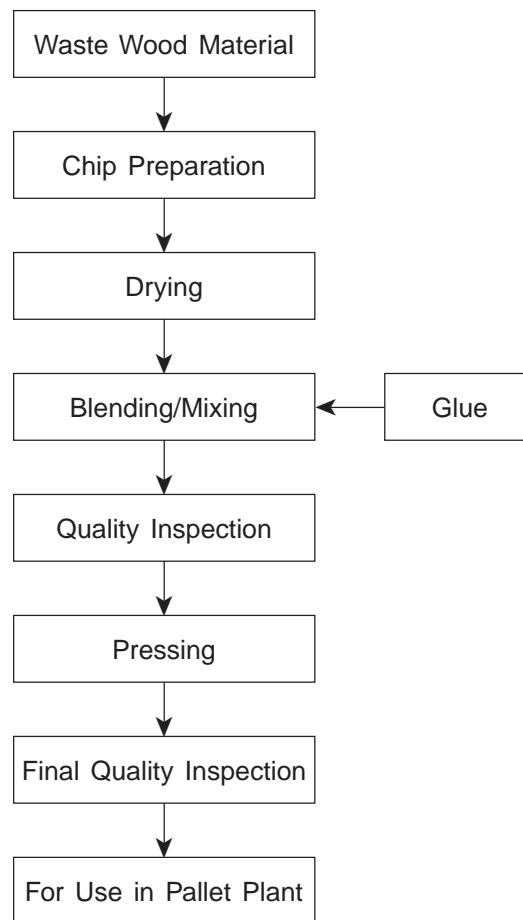
### *Manufacturing Process for Wooden Pallets and Cases*



#### Notes:-

- (1) Wood includes Technical Wood, plywood as well as timber such as mixed wood, light hardwood, kempas wood and pinewood.
- (2) If required by customers, the wood will be sprayed with preservatives in order to improve its durability.
- (3) Additional processes include slot cutting, chamfering and rounded corners.
- (4) The pallets are placed in kilns and heated at temperatures of approximately 60°C in order to reduce the moisture content to below 20%.

## ***Manufacturing Process for Technical Wood***



### ***Waste Wood Material***

Waste wood from the Company's production processes, discarded pallets and other waste wood from the Group's customers as well as other companies is collected and sorted visually. Wood which is of useable condition is segregated and sold as re-conditioned grade wood while the balance is used for the production of Technical Wood.

### ***Chip Preparation***

The waste wood which comes in varying sizes is first shredded mechanically into chips to facilitate processing. Metal pieces are separated from these shredded wood chips by means of a magnetic drum before the chips are loaded into the hammer mill where they will be further shredded to the required size. The hammer mill will also reduce fines as well as dust from the chips with a suction fan system.

### ***Drying***

The chips are then placed in a dryer in order to reduce their moisture content to the required level. Dust from the chips is also reduced by means of a suction fan before the chips pass through a sieve which filters out fines, dust as well as chips which are above the required size. The final processed chips are then stored in a dry silo.



### *Blending/Mixing*

During this process, chips from the silo are placed in a blender where glue is injected by means of injection nozzlers. The chips are evenly blended with glue in specific proportions. The glue determines the qualities of the finished product and thus its chemical composition may vary for each batch, in accordance with customers' requirements. The temperature in the blender is lowered so as to prevent pre-curing of the chips from the solidification of the glue as a result of heat during the blending process.

### *Pressing*

Each of the Company's two press has a different die form. By adjusting the different parameters of the press using a computer program, the specifications of the final product may be determined. The chip and glue mixture is placed in the press at high temperatures to form Technical Wood with the required specifications. Finally, the finished Technical Wood is sent to the auto-stacking machine where it is automatically stacked.

### **Quality Control**

The Group places heavy emphasis on quality control and adopts a total quality management approach that extends to all stages of the production chain, from the inspection of raw materials, in-process quality controls to quality checks just prior the delivery of the manufactured goods. This is to ensure that the finished products conform to customers' requirements.

The Group's production supervisor and the production team are responsible for quality assurance in-process quality checks during the manufacturing process while the plant manager and assistant plant manager are responsible for checking in-coming raw materials and the final quality inspection. Random samples of raw materials, namely timber, plywood and Technical Wood, are visually inspected for defects and measured to ensure that they are of the correct dimensions before they are accepted for use in the manufacturing process. As Technical Wood is produced in-house, its quality is further assured by various inspections such as periodic in-process sample checks based on the in-house quality control plan and laboratory tests on samples from each batch in the final quality inspection. This is to ensure that the final output of Technical Wood will satisfy the specified criteria prior to being sent to the Group's pallet plant for further processing or before being delivered to customers such as furniture manufacturers.

After the pallets and cases have been assembled, samples from each batch are visually inspected to check for handling damage and measured to ensure that they are of the specified dimensions. If the pallets have undergone kiln drying, the production team will further check the products with a moisture meter to ensure that average moisture content after the drying process is below 20%. A final quality check is conducted on random samples from each batch of pallets and cases to test for overall strength and reliability of the products prior to delivery to customers.

The acceptance rate of the Group's products by its customers is over 99% for the last three years. In recognition of its quality management system, the Group was awarded the ISO 9002 certification in January 1997. Since then, its quality system has been audited regularly to ensure compliance with ISO 9002 standards. In 1998, due to the consistently high quality of its products, the Company was awarded the 27th International Trophy for Quality by the Trade Leaders' Club based in Madrid, Spain.

## **Marketing and Distribution**

At the moment, the Group's marketing team comprises a sales and marketing manager, an assistant sales manager and five sales co-ordinators who are actively involved in marketing the Group's products to new as well as existing customers. In addition, the Managing Director is also involved in the marketing efforts of the Group.

The Group promotes its products and enhances its corporate profile through several channels. Firstly, it advertises, from time to time, in local publications such as the Straits Times, Yellow Pages, Green Book, Trade Development Board directory, and petrochemical and pharmaceutical industry directories. The Group also has a website to publicise its range of products and services. In addition, the Group participates in local and overseas trade exhibitions organised by the Trade Development Board, Productivity Standards Board and other statutory boards in order to broaden its business network. For example in 1999, the Company was part of a Trade and Development Board delegation to Dubai. LHTM, a subsidiary of the Company, was incorporated in 1998 to primarily focus on further penetrating the Japanese market through the use of sales agents there.

In its marketing and distribution efforts, the Group recognises the importance of cultivating long-term relationships with its customers through providing good customer service. It therefore dedicates itself to working closely with its customers to efficiently meet their industrial packing needs and maximise customer satisfaction. The success of the Group's marketing approach is evident from the high percentage of recurring business. For the past three years, in 1996, 1997 and 1998, approximately 92.5%, 93.5% and 95.0%, respectively, of the Group's turnover is attributable to recurring business from customers who have been dealing with the Group for more than three years. Moreover, the Group's sales personnel have been successful in securing new customers and expanding the customer base of the Group.

The promotion of Technical Wood products forms a key element of the Group's marketing plans. In this respect, the Group plans to tap into its existing customer base as well as to market to potential new customers. In order to familiarise its existing and potential customers with the advantages of Technical Wood products, the Group has been providing its customers with samples for testing purposes. These advantages are discussed on page 25 of this Prospectus. The marketing team has also been highlighting to its customers the shorter production turnaround time required for Technical Wood products as well as its environmentally friendly aspects. For marketing purposes, the Group will also be able to capitalise on its ability to aid ISO 14000 certified companies in meeting their recycling requirements as Technical Wood is manufactured from recycled waste wood. The sales team will closely monitor the customers' feedback on Technical Wood products and respond in a proactive manner in order to enhance customer satisfaction.

The Group plans to build upon its established reputation for quality as well as service in the industry and to further consolidate its position both locally and regionally. In particular, it has identified market potential in China and Japan. It has also decided to target new multinational companies in the local petrochemical sector. With regard to consolidating its market position, it plans to increase its sales team.

## **Product Design and Development**

### *Wide range of products*

LHT places strong emphasis on the design and development of its products. Not only does the Company offer a comprehensive range of standard pallets and cases, it also works closely with its customers to understand their needs and to customise packing products to suit their specific requirements. The Company is able to offer a comprehensive range of wooden pallets and cases of different dimensions. Moreover, the Company constantly reviews its products in light of its customers' varied and ever-changing requirements. It will offer new products, if necessary, to suit its customers' demands and to meet their increasing expectations for innovative value-added packing solutions.

### *Technical Wood*

The Company's production line for Technical Wood commenced operations in March 1999. The Group plans to market this new product to its existing customer base and estimates that Technical Wood will account for approximately 9,000 m<sup>3</sup> and 19,000 m<sup>3</sup> of its traditional timber products by 1999 and 2000, respectively, thus contributing 9.9% and 19.6%, respectively, to the Company's projected sales in 1999 and 2000. The Company expects the operating results from the sales of Technical Wood products to break even in 1999 and to contribute marginally to Group profits in 2000.

The main advantages of Technical Wood pallets and cases over the ones made of timber are (i) high density, (ii) low moisture content, (iii) resistance to pests and (iv) higher consistency of its final products compared with timber products as timber comes with natural inconsistencies and defects. The Directors believe that Technical Wood's various strengths render it more suitable for packing and packaging.

In addition to the inherent advantages Technical Wood enjoys over timber as listed in the paragraph above, the production of Technical Wood offers several business advantages for the Group. Firstly, as the Company utilises waste wood materials from its manufacture of pallets and cases, its wastage and disposal costs may be reduced. Secondly, the Company also procures waste wood materials from its customers apart from third party waste wood suppliers, thereby solving its customers' waste wood disposal problem and providing yet another value-added service. Thirdly, the Group's ability to manufacture Technical Wood is expected to appeal to ISO 14000 certified companies. This is because the Group will be able to aid these companies in recycling its waste wood, a requirement under the ISO 14000 certification. Fourthly, a shorter production time is required for Technical Wood products. Moreover, the utilisation of Technical Wood will reduce the Group's dependence on the supply of natural timber.

Further details on the licence agreement in relation to the license for the production of Technical Wood may be found on page 25 of this Prospectus.

### **Patents and Licenses**

The Company operates under licenses from the Ministry of Environment and the Fire Safety Bureau. These licenses are renewable annually subject to the Company meeting certain criteria set by the relevant bodies.

In addition, a license agreement (the "License Agreement") was entered into between Werzalit International Technologie-Verwertungs-GmbH (the "Licensor") and the Company for an initial period of 15 years commencing 11 June 1997. It is intended that the License Agreement will be extended for further consecutive periods of 10 years unless either party gives notice of its intention not to renew the relevant term by the 31st of December of the year immediately preceding the expiration of the relevant term. During the initial 15 year period and any subsequent extension thereafter, the License Agreement can be terminated without notice by the Licensor if certain events occur. However, in the absence of any such event occurring, neither the Licensor nor the Company may terminate the License Agreement without notice.

Pursuant to the License Agreement, the Company paid a one-off fee in consideration for the exclusive production license for one production site in Singapore for the production of Technical Wood and pallets and packing components such as transport and warehousing pallets, pallet spacer blocks, coil centerplugs, display pallets, corner posts, fruit crates boxes and components thereof, for a non-exclusive, world-wide distribution license to use, sell or otherwise deal in the Technical Wood, in its raw form as well as such other forms in respect of which value-added work has been carried out thereon and the products as mentioned above (the "License Subject Matter"). The License Subject Matter is non-transferable to a third party without the prior written consent of the Licensor unless the Company is a shareholder owning a minimum of 51% interest of such third party. The Company is also required to pay a pre-agreed royalty fee to the Licensor based on a volume manufactured basis, as shall be agreed between the Company and the Licensor from time to time.

## Production Facilities and Capacity

The Group's production facilities are located principally at 27 Sungei Kadut Street 1 with a land area of approximately 28,287 sq m which has been leased from the JTC (the "Property"). The factory has been in operation since 1986 and has approximately 21,817 sq m in production and warehouse space, approximately 834 sq m in office space and approximately 1,000 sq m in ancillary area. In late March 1999, the Company commissioned the Technical Wood production plant at its Sungei Kadut facility that uses modern technology to recycle wood waste into Technical Wood. The total cost of investment for the Technical Wood plant and machinery is approximately \$13.0 million as at 31 March 1999, inclusive of installation and miscellaneous expenses, and is being financed through bank borrowing. The term of the lease in respect of the Property has approximately 7 years remaining. However, JTC has granted the Company an option for the renewal of the lease of the Property for a further term of 19 years until year 2025 (the "Further Term"). The rental payable for the Further Term will be determined based on the then prevailing market rate as at the commencement of the Further Term in 2006, subject to periodic review by the JTC. Apart from the production facilities at Sungei Kadut, the Group also has a wooden pallets and cases production plant in Johor, Malaysia through its associated company, SBP. This plant, which became operational in 1993, has a total land area of approximately 16,587 sq m and a built-up area of approximately 6,039 sq m. It has approximately 2,000 sq m in production space, approximately 3,939 sq m in warehouse space and approximately 100 sq m in office space.

The Company's estimated production volume over the last five years is shown below:-

	FY94	FY95	FY96	FY97	FY98
<i>Wooden Products</i>					
Quantity Produced (m <sup>3</sup> )	62,800	78,627	67,863	58,343	49,795
Production Capacity (m <sup>3</sup> )	86,112	86,112	105,432	105,432	105,432
Utilisation	72.9%	91.3%	64.4%	55.3%	47.2%

Production capacity increased by 22.4% in 1996 as the Company acquired additional machinery in anticipation of higher sales.

## Staff Training

The Group stresses the need to constantly upgrade the skills and knowledge of its staff, and aims to address the job specific training needs as well as overall personal development of its staff. In addition to comprehensive on-the-job training and job rotation, the Group caters to the training requirements of its staff through the provision of in-house training programs and/or external training courses, which are reviewed periodically to ensure their continued relevance.

The Group has several in-house training programs which are conducted by internal and external trainers. Examples of such programs include an orientation program for new employees, on-the-job training for production operators and leadership courses for supervisory staff. Moreover, based on nominations from the relevant heads of department, the Group may sponsor selected employees for external courses. These external courses include (i) programs of up to six months offered by a recognised local training or educational institute, (ii) further education on a part time basis which may be more than six months, for example the Marketing Institute of Singapore's one year certificate course in sales and marketing for junior sales staff and (iii) overseas secondment such as training in Germany for technical and supervisory staff responsible for the Group's recycling plant. The Group estimates that in total, its net expenditure on staff training was \$10,000 in 1998.

## **Business Strategy**

In order to strengthen the Group's position in the industry, the Directors have adopted the following strategic approach:-

### *Innovative Products*

The Group believes in keeping abreast of innovations in the industry and providing new value-added products to its customers in order to expand its business. In this respect, in March 1999, the Company commenced the manufacture of Technical Wood from recycling waste wood. Not only is the use of Technical Wood, which involves the recycling of waste wood materials, environment friendly, it also offers several business advantages which are further described on page 25 of the Prospectus.

### *Wider Applications of Pallets and Cases*

The LHT Group emphasizes its wide range of products. It is continually diversifying its product range and offering new packaging products to broaden its customer base. The Group will continue to work closely with its customers in order to customise products to meet their needs.

### *Complementary services*

The Group provides complementary value-added services to its customers such as (i) packaging, (ii) transportation, (iii) storage and (iv) waste wood collection.

### *Cost and quality control*

As part of its on-going efforts to reduce its manufacturing costs without compromising on the quality of its products, the Group has commissioned a management consultant, namely Kepner Tregoe SEA Ltd, to implement the National Cost of Quality Program, a program promoted by PSB. Kepner Tregoe SEA Ltd will (i) analyse the Company's cost of quality and item profitability issues, (ii) identify system and structural cost improvement opportunities and (iii) propose and implement a detailed structured project plan. This entire project will be completed by the end of 1999 and is expected to lay the foundation for the Group's sustained cost control efforts.

## **Year 2000 ("Y2K") Compliance**

The Company understands the term "Year 2000 Compliance" or "Y2K Compliance" (and all grammatical variations thereof) to mean that neither the performance nor functionality of its critical equipment or system will be affected by data relating to dates or changes of dates immediately prior to, and during the Year 2000.

The Company had invested in new hardware and software which are Y2K compliant when it renovated its office premises at 27 Sungei Kadut Street 1 in 1998. The computer system for the Company's new Technical Wood production line which was recently installed and became operational only in March 1999 is also Y2K compliant. In addition, the relevant vendors have upgraded the Company's older equipment, such as the auto pallet nailing machine and the dry kiln, in order to ensure Y2K compliance. Other than its aforementioned office computer system and production equipment, the Group has no other systems or machinery of significance which are likely to be affected by Y2K issues. The cost of Y2K compliance, estimated at approximately \$200,000 for the purchase of new hardware and software, will be capitalised and amortised in accordance with the Group's accounting practices.

The Company is currently communicating with its major suppliers, customers and service providers to obtain assurance that it will continue to receive an uninterrupted flow of products and services into the next century. This process is likely to be completed by September 1999.

There can be no absolute assurance that the Company will not encounter any Y2K issues and the full impact on the Company of any failure of third parties' systems and products to be Y2K compliant is not known at this juncture. Nevertheless, to the best of its knowledge and based on the information currently available, the Company does not anticipate the Y2K issue to have any significant impact on its operations, cost and revenue.

### **Corporate Governance**

The Company has been ISO 9002-certified since January 1997 which stipulates certain standards to follow in running the operations of the Company. It is in the process of implementing a quality management system which, *inter alia*, spells out the organisation structure, responsibilities, authorities of the Directors and various officers of the Company and a system for purchasing and subcontracting. The quality management system is subject to random half yearly checks by external ISO 9002 auditors.

Upon listing, the Audit Committee of the Company will meet periodically to review (a) with the assistance of the external auditors the audit plan, their evaluation of the internal accounting controls and audit report; (b) the assistance given by the Company's officers to the external auditors; (c) the scope and results of the internal audit procedures, and (d) accounts of the Company and consolidated accounts of the Group.

### **Management Information System**

The Group has engaged Ernst & Young Consultants Pte Ltd to develop a comprehensive system of cost management that facilitates the monitoring and analysis of various operational expenses within the Company for the provision of timely management information reports for periodic and ad hoc decision making. The study is currently in progress and is expected to be completed by September 1999. Simultaneously, Ernst & Young Consultants Pte Ltd, is also to develop a material resource planning system within the various production plants. This is expected to be completed by November 1999. Thereafter, Ernst & Young Consultants Pte Ltd will also be commissioned to lead an enterprise-wide effort to computerise the various functional activities within the Group. The consultants will assist the Group in the design of an integrated computerised system along with the selection of suitable hardware and software. The computerisation project is expected to be completed by February 2000.

## **TURNOVER AND PROFITABILITY**

### **Review Of Past Performance By Activity**

The management considers the Group to be involved in a single activity, namely the production and sale of wooden pallets and cases. Wooden pallets are very similar to wooden cases in terms of raw materials and usage. Moreover, the same equipment and manufacturing processes are used in the production of pallets and cases. The assembly of wooden pallets and cases is mainly undertaken at the Company's plant which is located in Singapore while the Company's wholly owned subsidiary, LHP and its 49% owned associated company, SBP, both of which are in Malaysia, are involved in the procuring and processing of timber. The timber is then shipped to the Company's factory in Singapore for further processing into finished goods. In addition, the SBP plant also assembles finished pallets and cases to be sold to the Company. Although the management does not segregate its accounting records by products or activities, it monitors its financial performance according to the geographic locations of its customers. The segmentation of the Group's business activities according to local and export sales is shown as follows.

## Review of Past Performance by Geographical Region

The distribution of the Group's turnover and profit before tax by geographical markets for the past five financial years is provided below. This analysis should be read in conjunction with the Accountants' Report as set out on pages 51 to 66 of this Prospectus.

### Group Turnover by Geographical Region

<b>\$'000</b>	<b>FY94</b>	<b>FY95</b>	<b>FY96</b>	<b>FY97</b>	<b>FY98</b>
Singapore	26,680	29,737	28,144	28,452	22,203
Others	7,163	9,671	5,948	4,914	3,135
	<u>33,843</u>	<u>39,408</u>	<u>34,092</u>	<u>33,366</u>	<u>25,338</u>

### Group Profit Before Tax by Geographical Region

<b>\$'000</b>	<b>FY94</b>	<b>FY95</b>	<b>FY96</b>	<b>FY97</b>	<b>FY98</b>
Singapore	2,443	2,417	1,769	1,618	2,780
Others	1,349	1,564	391	604	292
	<u>3,792</u>	<u>3,981</u>	<u>2,160</u>	<u>2,222</u>	<u>3,072</u>

### Group Profit Before Tax Margin by Geographical Region

<b>%</b>	<b>FY94</b>	<b>FY95</b>	<b>FY96</b>	<b>FY97</b>	<b>FY98</b>
Singapore	9.2	8.1	6.3	5.7	12.5
Others	18.8	16.2	6.6	12.3	9.3
	<u>11.2</u>	<u>10.1</u>	<u>6.3</u>	<u>6.7</u>	<u>12.1</u>

### Group Fixed Assets Employed by Geographical Region

<b>\$'000</b>	<b>FY94</b>	<b>FY95</b>	<b>FY96</b>	<b>FY97</b>	<b>FY98</b>
Singapore	2,996	3,208	4,366	8,159	21,111
Others	—	—	—	—	128
	<u>2,996</u>	<u>3,208</u>	<u>4,366</u>	<u>8,159</u>	<u>21,239</u>

#### Notes:-

- (1) The Group's export markets include Japan, Malaysia, Thailand and Taiwan. Japan is the most significant overseas market, accounting for most of the Group's annual exports in the period 1994 to 1997 and all of its exports in 1998.
- (2) Share of associated companies' profit is excluded from profit before taxation as shown above.

## **Singapore**

### *1994–1995*

The Group's sales in the local market grew by 11.5% to \$29.7 million in FY95. Turnover grew largely due to the Group lowering its average selling prices to be competitive. While a competitive price strategy increased sales, it resulted in gross profit margin declining marginally. As the higher sales volume more than offset the impact of price reduction marginally, the Group's gross profit in the local market increased. Despite the increase in gross profit, PBT declined by 1.1% to \$2.4 million in FY95 largely due to higher depreciation charges arising from acquisition of machinery and higher personnel costs from an increase in the number of personnel.

### *1995–1996*

Turnover declined by 5.4% to \$28.1 million largely due to lower business volume particularly resulting from the slowdown in the electronics sector in 1996. Lower business volume coupled with lower selling prices resulted in a decline in gross profit. Lower gross profits of about \$0.5 million and higher operating expenses (which is principally attributable to higher salaries, depreciation and exchange loss), led to a fall in PBT of \$648,000 or 26.8% to \$1.8 million.

### *1996–1997*

Turnover increased by 1.1% or \$308,000 to \$28.5 million in FY97. While gross profit had increased in line with higher turnover, PBT decreased by \$151,000 or 8.5% to \$1.6 million in FY97 mainly due to an increase in operating expenses arising from an increase in (i) depreciation of fixed assets and (ii) provision for doubtful debts.

### *1997–1998*

Sales fell by \$6.2 million or 22.0% as the Singapore economy contracted in the last two quarters of 1998. The decline in external demand experienced by the Group's customers in turn led to a reduction in demand for the Group's products. Notwithstanding the decrease in sales, gross margin improved significantly as the Group gained from the purchase of its materials from Malaysia, particularly as the Ringgit devalued against the Singapore dollar, thus reducing the cost of raw materials purchased significantly.

Owing to (i) substantial savings on direct cost of sales and (ii) a foreign exchange gain of \$635,000, profit before taxation grew significantly by \$1.2 million to \$2.8 million. This foreign exchange gain arose as the Group entered into several three month forward contracts for the purchase of German DM intended for payment for the acquisition of waste wood recycling and Technical Wood production equipment. However due to a delay, payment was not made when the forward contracts expired. Thus the Group converted its resultant holdings of German DM into Singapore dollars and registered a foreign exchange gain as the German DM had appreciated during this period.

## **Others**

### *1994–1995*

Sales to Japan, Malaysia, Thailand and Taiwan grew by \$2.5 million or 35.0% to \$9.7 million in FY95. In line with higher turnover, gross profit increased. However, PBT grew only by 15.9% or \$215,000, owing to high selling expenses with higher freight charges as a result of the higher volume of export sales. These freight charges refer to outward freight charges which are classified under general operating expenses. Other contributory factors for the increase in operating expenses include higher (i) depreciation charges arising from acquisition of machinery, (ii) salaries from an increase in headcount and (iii) freight charges. As a result of the foregoing reasons, pre-tax margin declined.



#### 1995–1996

Turnover fell 38.5% to \$5.9 million in 1996 due to heightened competition and weakening overall market demand arising from the downturn in the electronics sector which had commenced in late 1995. Gross margin fell significantly as the Group found that it had to reduce its prices to secure orders from customers in an environment of increased competition and weakening overall market demand. Thus, gross profit declined on the back of lower sales and lower gross margin. Owing to higher operating expense ratio in FY96 due to fixed operating costs incurred, PBT fell by \$1.2 million to \$391,000 in FY96.

#### 1996–1997

The Group's export sales continued its downward trend, declining by 17.4% or \$1.0 million to \$4.9 million. This was largely attributable to the continued downturn cycle in the electronics sector depressing demand from the Japanese market and the start of the financial crisis in the rest of the region in the second half of 1997. The effect of the decline in turnover on gross profit was partially offset by an improvement in gross margin. Profit margin improved with cost cutting measures, such as waste reduction measures introduced in Singapore factory and increasing purchases of pallets and cases from its associated company, SBP, in Malaysia to capitalize on the lower costs there. These measures resulted in a reduction of direct costs. As a result, gross profit fell. Further reductions were registered in operating expenses which decreased from \$846,000 to \$529,000 mainly as outward freight expenses declined with the lower volume of exports and lower freight charges, thus leading to a two-fold improvement in pre-tax margin. Consequently, profit before taxation grew significantly by 54.5%.

#### 1997–1998

Sales fell by a further \$1.8 million or 36.2% as a result of a drop in sales volume as well as a decline in selling prices in the wake of the regional economic slowdown which weakened demand particularly from the Japanese market. Gross profit decrease in tandem with the decline in sales consequently gross margin remained relatively constant. On the other hand, the \$312,000 or 51.7% decline in pre-tax profit was attributable to lower gross profit and pre-tax margin. Although outward freight charges fell as a result of the lower volume of exports, other components of operating expenses remained relatively constant. Thus overall, operating expenses as a proportion of total turnover rose as sales declined. This led to a 3.0 percentage point decrease in pre-tax margin and a decline in profit before tax from \$604,000 to \$292,000 in 1998.

### MAJOR SUPPLIERS

The suppliers accounting for 5% or more of the Group's purchases during each of the past three financial years are:–

Supplier	— Percentage of Total Purchases (%) —		
	FY96	FY97	FY98
Siri Belukar Packaging Sdn Bhd*	36.24	33.66	32.29
Nam Leong Timber Trading	5.54	5.18	5.92
Quaternary Trading Pte Ltd	—	—	5.03
Yee Sheng Timber Merchant	5.03	3.18	—

\*A 49%-owned associated company which supplies sawn timber and wooden pallets/cases to the Group.

The Company has a 49% equity interest in SBP. Save as disclosed, none of the Group's directors or substantial shareholders have any interest, direct or indirect, in any of the above suppliers.

## MAJOR CUSTOMERS

The customers accounting for 5% or more of the Group's turnover during each of the past three financial years are listed below. Customers which are related to one another have been grouped together and treated as a single customer.

Customer	— Percentage of Total Turnover (%) —		
	FY96	FY97	FY98
Takashima Packaging (S) Pte Ltd <sup>(1)</sup>	10.95	10.54	17.10
Philips Singapore	6.59	3.80	2.15
Hewlett-Packard Group <sup>(2)</sup>	3.02	7.59	7.23

### Notes:-

(1) A 25%-owned associated company of the Group.

(2) Includes Hewlett-Packard Singapore Pte Ltd and its related companies.

The Company has a 25% equity interest in TPS. Save as disclosed, none of the Group's directors or substantial shareholders have any interest, direct or indirect, in any of the above customers.

None of the Group's customers contributes more than 20% to the Group's operating profit. The Group's customer base is relatively diversified and thus it is not overly dependent on any single customer.

## COMPETITION

The Company's competitors generally have operations that are based in Singapore or in neighbouring countries. A few of the competitors are new, entering the market only in the mid 1990s. This increase in the number of wooden pallets/cases suppliers, together with a contraction in overall market demand caused by the 1996 electronics sector downturn and the 1997 regional economic crisis has exacerbated competition amongst the suppliers of wooden pallets and cases. The Directors believe that the main competitors of the Group are Hymics Holdings (S) Pte Ltd, Teng Lee Timber Co Pte Ltd and Heavy Duty Packaging (S) Pte Ltd. The companies in the industry generally compete for market share based on pricing, quality and promptness of delivery.

Notwithstanding the heightened level of competition in the industry, to the best of their knowledge of their competitors and overall market conditions, the Directors believe that the Group has managed to maintain its market share in the past few years, and is one of the leading suppliers of wooden pallets and cases in the local market. As far as the Directors are aware, there are no published statistics on the wooden pallets and cases industry in Singapore.

Notwithstanding the competitive environment, the Directors believe that the Group can continue to compete effectively based on the following strengths:-

### ***Established Track Record***

Having been in the industry for over two decades, the Company has an established track record with its customers. It has proven to be a reliable supplier of high quality customised products which are in line with clients' specific requirements and is known for its prompt delivery services. As the Group maintains close links with its customers and is proactive in identifying and responding to its customers' needs, it has cultivated a reputation for good customer service. This is evident by the fact that for the past three years, in 1996, 1997 and 1998, approximately 92.5%, 93.5% and 95.0%, respectively, of the Group's turnover is attributable to recurring business from customers who have been dealing with the Group for more than three years.

### ***Wide Range of Products***

As mentioned on page 24 of the Prospectus, the Company offers a wide range of standard and customised wooden pallets and cases of different materials and dimensions. The Directors believe that the Company is able to manufacture standard or customised products at relatively short notice as it has (i) higher quantity and quality of machines, (ii) experienced workers and (iii) larger storage space which allows the Group to hold a larger inventory of raw materials as compared to its competitors. Not only does the Company offer a wide range of standard pallets and cases and has a shorter production turnaround time, it also works closely with its customers to understand their needs and to customise packing products to suit their specific requirements. Moreover, the Company constantly reviews its products in light of its customers' ever-changing requirements and will offer new customised products, if necessary, to suit its customers' demands.

### ***Focus on Innovation***

The Group believes in the importance of keeping abreast of innovations in the industry and providing new value-added products in order to capture new market segments so as to expand its business. In this respect, in March 1999, the Company commenced the manufacture of Technical Wood from recycling waste wood. Not only is the use of Technical Wood, which involves the recycling of waste wood materials, environmentally friendly, it also offers several business advantages which are further described on page 25 of the Prospectus.

## **VULNERABILITY TO SPECIFIC FACTORS**

The Directors believe that the business of the Group is vulnerable to the following specific factors:—

### ***Dependence on the Singapore Economy***

Geographically, the Group's market are predominantly in Singapore (about 88% of Group sales in FY98) where it serves a broad range of industry segments. These industry segments, which range from electronics, petrochemicals, to logistics, etc, require wooden pallets for the shipment of their respective raw materials, equipment, and finished products. To a large extent, the general level of demand for the Group's wooden pallets will depend on the cumulative level of business activities in all these industries in Singapore. Based on this relationship, the performance of the Group is therefore expected to be strongly correlated to the Singapore economy. The outlook for the Group will be affected by the sustainability of the recovery in the Singapore economy.

### ***Price Sensitive Demand***

The Company operates in an environment wherein the competitors vie for market share through the pricing of the wooden pallets and cases. The Director noted that several of its export customers, especially the Japanese manufacturers, have switched suppliers in favour of those offering cheaper wooden pallets and cases. This trend has contributed to the decline in the Group's turnover for wooden pallets. In 1995, LHT registered \$39.4 million in sales, but this decreased to \$25.3 million in 1998, partly as a result of decreases in orders from Malaysia and Japan as the customers in those countries opted for cheaper alternatives.

The Company recognises that price may be the overriding consideration for customers in the selection of wooden pallets and cases. However, the Group will seek to maintain the high quality of its customised products, shorter production turnaround time, prompt delivery service and provision of complementary services. In addition, the Company is already taking steps to improve its price competitiveness and is embarking on a cost control program with the assistance of Kepner Tregoe SEA Ltd. Further details of this program may be found on page 27 of this Prospectus.

Thus the Directors expect to see a reduction in the cost structure of the Group's operations over the next few years. It is further expected that the Group would continue to be competitive based on the strengths of the Group such as high quality customised products, shorter production turnaround time, prompt delivery service and provision of complementary services. The introduction of Technical Wood products is also expected to give the Group a competitive edge. For strategic customers, the Group has the added appeal of stable financial status and a strong and reliable pool of operational resources. While price is an important consideration, the Group expects customers to also take into account these other aforementioned factors.

#### ***Dependence on Timber as Raw Material and Fluctuations in Timber Prices***

For the past three years, the consumption of timber accounts for 83.4%, 79.6% and 76.3% of the Group's total cost of production in FY96, FY97 and FY98 respectively. As such, any fluctuation in timber prices would have a significant impact on the profitability of the Group. A predominant 90% of the sawn timber used by the Group is imported from Malaysia (save for export levies, there are currently no restrictions in Malaysia on the export of sawn timber purchased by the Group). A factor that may affect timber prices is a change in environmental regulations which could result in a tightening of controls on deforestation which may ultimately result in higher prices for timber.

As most of the Group's raw timber is sourced from Malaysia, the Group's cost of raw timber will be affected by fluctuations in the exchange rate between the Singapore Dollar and the Malaysian Ringgit. Although most of the timber purchases are denominated in Singapore Dollars, fluctuations in the exchange rate with Malaysian Ringgit will result in adjustments in timber prices which are denominated in Singapore Dollars.

The average prices for timber per tonne purchased by the Group rose by 3.4% in 1996, 1.7% in 1997 and as a result of currency movements in the wake of the regional currency crisis, fell by a relatively significant 16.7% in 1998. Although timber prices have been gradually trending upwards in 1999, registering an average growth of 3.8% in the first quarter of the year, the Directors do not expect any sharp increase in timber prices in respect of timber used by the Group in the near future. This is due to the fact that timber of short length (from smaller logs), which is used for the manufacture of pallets and cases, is not generally used for other applications. As a result, demand for such timber is lower than the demand for timber of longer dimensions.

In addition, any change in timber prices is expected to affect all wooden pallet manufacturers, thus the Directors expect a portion of the cost fluctuation in wood to be passed on to the customers. The relationship between the Company and its suppliers is good and have been established over two decades working together. This relationship is mutually beneficial for all parties and is expected to continue. The effect of an increase in timber prices will be further mitigated by the Group's ability to recycle waste wood into Technical Wood as a substitute for timber.

#### ***Investment in Technical Wood Production Plant***

The Group has made a significant investment in the Technical Wood production plant, amounting to approximately \$13.0 million as at 31 March 1999. As Technical Wood is a relatively new product, there is some uncertainty as to the market acceptance of this product. However, the Group has provided samples to its customers for testing. Based on results of these tests and the orders received to-date, the Directors believe that the preliminary indications of market acceptance for Technical Wood products are positive.

In addition, in the unlikely event that the License Agreement is terminated and the Technical Wood production line may no longer be used, the Directors believe that the impact on turnover will not be significant as natural wood can be used as a substitute material which should be acceptable to most of the Company's customers. As the processing of timber is labour-intensive, the direct cost of processing natural wood is higher than the production cost for Technical Wood.

In the event of a termination of the License Agreement, machines and machine components relating to the License Subject Matter are to be returned to the Licensor or scrapped or sold to a third party licensee of the Licensor (the "Werzalit Licensee") at its option. The parties agree that where the machines and machine components relating to the License Subject Matter are to be returned to the Licensor, the Company shall not be entitled to any compensation from the Licensor for such return, and where the machines and machine components are to be sold to a third party who is a Werzalit Licensee, the Company shall retain the proceeds of such sale and shall not be obliged to pay any portion of such sum to the Licensor. In the disposal of the Company's Technical plant and machinery under the terms of the License Agreement, a significant write-down will be recorded as an extraordinary item in the Company's income statement.

### ***Foreign Exchange Rate Fluctuations***

The Group's foreign exchange gains and losses for the last five years are tabulated below:-

<b>(S\$'000)</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Foreign Exchange Gain/(Loss)	—	—	(30)	143	671
Percentage of Profit Before Tax	—	—	1.2%	5.1%	18.1%

The significant foreign exchange gain in 1998 is mainly attributable to the one-off purchase of three-month forward contracts for the purchase of German DM for the acquisition of waste wood recycling and Technical Wood production equipment. In the normal course of business, the Group's foreign exchange exposure is minimal. Most of the Group's sales are denominated in Singapore dollars while the balance 8.8% and 9.9% are denominated in US dollars and Japanese yen in 1998. On the other hand, in the same financial year, 76.6%, 17.9%, and 5.5% of its purchases are denominated in Singapore dollar, Malaysia ringgit and US dollar.

The Group maintains a US dollar account for its US dollar transactions, with its US dollar sales largely offsetting its US dollar purchases. If necessary, the Group will hedge against adverse fluctuations in the Malaysian ringgit against the Singapore dollar. The Group does not see the need to hedge against the Japanese yen as the quantum of sales denominated in Japanese yen is not significant.

### ***Introduction of Alternatives to Timber***

Although there are some alternatives to timber pallets and cases, such as plastic pallets and corrugated paper pallets, these alternatives are not widely used. Plastic pallets are more expensive than wooden pallets, cannot be repaired and come only in certain standard sizes due to the high initial investment in the moulds for plastic pallets. Although corrugated paper pallets are comparable to wooden pallets in price, they have several disadvantages. They cannot hold heavy loads, be repaired nor can they be exposed to the elements. Thus neither plastic nor corrugated paper pallets pose a significant threat to timber and Technical Wood pallets and cases.

### ***Foreign workers***

Due to the difficulties in attracting local labour to this particular industry, the Company is dependent on foreign workers. The Group estimates that approximately 40% of its total workforce of 204 as at 31 March 1999 are foreign workers. Thus the Group is vulnerable to the shortage of foreign workers as well as to increases in foreign worker levy. Should there be a shortage of such labour, the Group's labour cost may increase due to higher wage rates, thereby adversely affecting profitability.

In the past, the Group has not encountered any difficulties in procuring foreign workers and estimates that 50% of its foreign workers have been with the Group for more than four years. In addition, the Group is increasingly adopting less labour intensive techniques with the introduction of Technical Wood production which is a highly automated process.

Save as disclosed above, the Directors are of the view that the Group is not vulnerable to any other factors which can be reasonably anticipated.

## INTERESTED PERSON TRANSACTIONS

Save as disclosed below, none of the Directors, Executive Officers or substantial shareholders have any interest, direct or indirect, in any material transaction undertaken by the Group within the last three years.

### ***Hwee Wong Transport Trading Pte Ltd (“HWTT”)***

Mr Ong Eng Lam, who is the brother-in-law of Mr Neo Koon Boo and the husband of Ms Neo Bee Cheow, holds a 33% equity interest in HWTT. He is also a director in HWTT which commenced providing transportation services to LHT in 1992. The transaction amounts in the past three years are shown as follows:–

	1996	1997	1998
Value Contracted to HWTT	\$76,751	\$112,783	\$154,617
As Percentage of Group Total Costs	0.24%	0.36%	0.69%

Apart from HWTT, LHT has six other transportation services providers. The rates charged by HWTT are generally comparable with those charged by these third party transportation companies. LHT will continue to use HWTT's services, provided the rates and terms offered by HWTT are competitive relative to those offered by third party transportation companies. Transactions with HWTT will be conducted on an arm's length basis and in accordance with the procedures for dealing with interested person transactions as set out below.

### ***Hwee Wong Electrical Shop (“Hwee Wong Electrical”)***

Ms Yap You Kam, the sister of Ms Yap Mui Kee and Sally Yap Mei Yen is the sole proprietor of Hwee Wong Electrical which is engaged in the retail of electrical appliances and music components. Hwee Wong Electrical supplies products to the Company to be used as gifts for its clients and at official functions. The transaction amounts in the past three years are tabulated as follows:–

	1996	1997	1998
Annual sales	\$14,656	\$15,913	\$11,397

Apart from Hwee Wong Electrical, LHT also purchases such gift items from other third party vendors. The rates charged by Hwee Wong Electrical are generally comparable with those charged by these third party vendors. LHT intends to continue purchasing such products from Hwee Wong Electrical provided the prices and terms offered by Hwee Wong Electrical are competitive relative to those offered by third party vendors. Transactions with Hwee Wong Electrical will be conducted on an arm's length basis and in accordance with the procedures for dealing with interested person transactions as set out below.

### ***Tomy Printing Company (“Tomy Printing”)***

Mr Tan Kim Sing and his brother Mr Tan Swee Huat are equal partners in Tomy Printing Company, a partnership which supplies stationary, such as invoices and letterheads, to the Company, LHP and SBP. The transaction amounts in the past three years are tabulated as follows:–

	1996	1997	1998
Sales to the Group	\$34,789	\$76,855	\$11,189
% of Group Indirect Operating Expenses	0.82%	1.87%	0.30%

LHT also purchases stationary and office supplies from other third party vendors. LHT finds that the rates charged by Tomy Printing are generally comparable with those charged by these third party suppliers. LHT intends to continue purchasing such products from Tomy Printing provided the prices and terms offered by Tomy Printing are competitive relative to those offered by third party suppliers. Transactions with Tomy Printing will be conducted on an arm's length basis and in accordance with the procedures for dealing with interested person transactions as set out below.

### **Country Club Membership (sold to Mr Neo Koon Boo)**

On 2 September 1996, LHT sold its country club membership at Warren Golf and Country Club to Mr Neo Koon Boo for a consideration of \$46,612 which is LHT's cost of acquisition. The Directors believe that this price was comparable to, if not higher than, the prevailing market price for such a club membership at that time.

### **Procedures for dealing with interested person transactions**

The aggregate of all the interested person transactions for the financial year 1998 is \$177,203, representing only 1.1% of the Group's audited NTA as at 31 December 1998.

The Board of Directors will ensure that all future interested party transactions will be conducted on an arm's length commercial basis by undertaking, *inter alia*, the following procedures:–

- (a) a range of prices will be determined as the benchmark for interested party transactions by obtaining at least two other quotations from unrelated third parties;
- (b) where quotations cannot be obtained due to the speciality or confidentiality of services or products, a report supporting the recommended range of price margins will be submitted to the Board of Directors for approval. The phrase "confidentiality of services or products" refers to such services or products in respect of which the Company may be under a duty of confidentiality not to disclose any details or specifications (either due to the sensitive nature of the product or the market or otherwise). In such instances, it may not be possible to procure price quotations for such products in the market;
- (c) should any future interested party transactions be on less preferential terms than the stipulated range of price margins, prior approval from the Board of Directors must be obtained; and
- (d) this range of price margins will be reviewed by the Board of Directors annually or as and when it is deemed necessary.

The purpose of obtaining at least two independent quotations referred to in paragraph (a) above is so that the Board obtains what would be an objective range of prices available in the market which would be used as a benchmark for interested party transactions as pricing is not the sole determining factor in a commercial transaction and the Board will need to take into consideration all relevant factors in determining the commercial viability of the transaction. In such deliberations, the Directors have a duty at law to act in the interest of the Company at all times. Further, in the Board's deliberation on such interested party transactions, the Director interested in the transaction will abstain from voting at such Directors' meeting.

Each interested party transaction in excess of S\$10,000 per transaction will be summarised and submitted to the Audit Committee for periodic review at least semi-annually to ensure that they are carried out on normal arm's length and commercial terms. This threshold has been set by the Board of Directors as an internal threshold and is significantly lower than the materiality thresholds relating to interested party transactions under the Listing Manual of the SES.

In the event that a member of the Audit Committee is interested in any interested party transaction, he will abstain from reviewing that particular transaction. The Board of Directors will also ensure that all disclosure requirements on interested party transactions, including those required by prevailing legislation, the Listing Manual of the SES and accounting standards, are complied with. In addition, such transactions will also be subject to the shareholders' approval if deemed necessary by the Listing Manual of the SES.

## POTENTIAL CONFLICTS OF INTEREST

Save as disclosed in “Interested Party Transactions” above:

- (a) No Director, substantial shareholders or Executive Officer of the Group has any interest, direct or indirect, in any transactions to which the Company was or is to be a party.
- (b) No Director, substantial shareholders or Executive Officer of the Group has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as the Group.
- (c) No Director, substantial shareholders or Executive Officer of the Group has any interest, direct or indirect, in any enterprise or company that is the Company’s customer or supplier of goods or services.

## DIRECTORS, MANAGEMENT, STAFF AND AUDITORS

### Directors

The Board of Directors is entrusted with the responsibility for the overall management of the Company. The Directors’ particulars are listed below:–

<b>Name</b>	<b>Age</b>	<b>Address</b>	<b>Current Occupation</b>
Neo Koon Boo <sup>(1)</sup>	57	No. 102 Jalan Bumbong Singapore 739917	Managing Director
Tan Kim Sing <sup>(1)</sup>	50	Blk 244 Bukit Panjang Ring Road #06-183 Singapore 670244	Production and Purchasing Director
Yap Mui Kee <sup>(1)</sup>	37	Blk 178 Woodlands Street 13 #12-291 Singapore 730178	Sales & Marketing Director
Low Peng Kit <sup>(2)</sup>	50	Blk 335 Jurong East Avenue 1 #03-1582 Singapore 600335	Managing Director First Medical Laboratory Pte Ltd
Tan Kok Hiang <sup>(2)</sup>	48	17 Belimbing Avenue Singapore 349889	Managing Director Sembawang Capital Pte Ltd.
<b>Alternate director</b>			
Sally Yap Mei Yen <sup>(3)</sup>	34	No. 6 Jalan Dinding Singapore 739823	Corporate Affairs Secretary

### Notes:–

(1) Executive Directors.

(2) Independent Directors.

(3) Alternate Director to Ms Yap Mui Kee, an Executive Director. Ms Sally Yap Mei Yen who is an Executive Officer is Ms Yap Mui Kee’s sister.

The Audit Committee comprises Messrs Tan Kok Hiang, Low Peng Kit and Neo Koon Boo. Mr Tan Kok Hiang is the Chairman of the Audit Committee.



## Management

The day-to-day operations of the Group are entrusted to the Executive Directors and an experienced and qualified team of Executive Officers responsible for the different functions of the Group. The particulars of the Executive Officers are set out below:-

<b>Name</b>	<b>Age</b>	<b>Address</b>	<b>Current Occupation</b>
Han Yee Yen	44	1A Jalan Menarong Singapore 577409	Financial Controller Assistant General Manager
Yeo Boon Chan	47	Blk 133 Teck Whye Lane #13-381 Singapore 680133	Logistics Manager
Leong Kin Thong	62	Blk 56 Telok Blangah Heights #05-169 Singapore 100056	Engineering Manager
Wan Choon Hwa	30	Blk 345 Yishun Avenue 11 #06-165 Singapore 760345	Project Manager
Tay Ei	46	63 Lembah 20 Desa Jaya Johor Bahru, Malaysia	Production Manager
Cheung Hock King	49	Blk 229 Ang Mo Kio Avenue 3 #12-1280 Singapore 560229	Personnel & Admin Manager
Neo Bee Cheow*	31	Blk 176 Lompang Road #06-31 Singapore 670176	Assistant Accounts Manager

\*Sister of Mr Neo Koon Boo.

Save as disclosed on page 16 of the Prospectus, none of the Executive Officers hold any shares prior to the proposed public flotation of the Company but they will be entitled to Reserved Shares during the initial public offering of the Company's shares.

## Staff

As at 31 March 1999, the Group has 204 full-time employees. The Group does not experience any significant seasonal fluctuations in the number of employees. There has been no material work stoppages or industrial disputes since the inception of the Group. The relationship between the management and the employees has been excellent and this is expected to continue in the future.

## Auditors

The Directors intend to continue to recommend Ernst & Young for appointment as Auditors of the Company in the foreseeable future.

## SERVICE AGREEMENTS

On 13 July 1999, the Company entered into separate service agreements (each a "Service Agreement" and collectively the "Service Agreements") with Mr Neo Koon Boo, Mr Tan Kim Sing and Ms Yap Mui Kee respectively (each an "Appointee"). Each of the Service Agreements took effect from 15 July 1999 and will continue for an indefinite term unless otherwise terminated by either party giving not less than 6 months' written notice or an amount equal to 6 months' salary in lieu of notice. Each of the Service Agreements may be terminated by the Company by summary notice upon the occurrence of certain events, such as misconduct or a breach of the Appointee's obligations.

Under the Service Agreements, the monthly salary payable to Mr Neo Koon Boo will be \$12,000 whilst the monthly salary payable to Mr Tan Kim Sing and Ms Yap Mui Kee will be \$9,000 each. The Appointee's monthly salary may be reviewed at the discretion of the Board of Directors. Mr Neo Koon Boo, Mr Tan Kim Sing and Ms Yap Mui Kee will also each be entitled to a profit share of 1% of the sum arrived at after an amount equivalent to 10% of the paid-up capital is subtracted from the Company's audited consolidated profit before taxation as set out in the audited financial statements for the relevant year. There are no provisions in each of the Service Agreements for payment of annual bonus to the Appointee, but the Appointee shall be entitled to such other remuneration and benefits (which include annual bonus, if any) generally available to company employees or as shall be determined by the Board from time to time. As such, there is no maximum limit set on the number of months of annual bonus payable to each of the Appointees. The quantum of annual bonus will be determined by the Company on a yearly basis. Each Appointee will be entitled to attend the directors' meeting where the issue of such remuneration or benefits is being discussed but the Appointee shall refrain from voting on the resolution in relation to his remuneration or benefits.

Had the Service Agreements been in place on 1 January 1997, the aggregate remuneration (including CPF contributions thereon) paid to the Appointees for FY97 would have been approximately \$638,000 instead of \$316,014 and the consolidated profit before tax would have been lower by 11.6% at \$2.5 million instead of \$2.8 million.

Had the Service Agreements been in place on 1 January 1998, the aggregate remuneration (including CPF contributions thereon) paid to the Appointees for FY98 would have been approximately \$670,000 instead of \$557,504 and the consolidated profit before tax would have been lower by 3.0% at \$3.6 million instead of \$3.7 million.

Had the Service Agreements been in place on 1 January 1999, the aggregate remuneration (including CPF contributions thereon) paid to the Appointees for FY99 would have been approximately \$620,000 instead of \$571,000 and the forecast consolidated profit before tax would have been lower by 1.6% at \$2.9 million instead of \$3.0 million.

## DIRECTORS' REMUNERATION

The remuneration of the Directors on an aggregate basis and in remuneration bands for the last two financial years are as follows:-

### (a) Aggregate Directors' Remuneration

	FY97	FY98
	\$	\$
Executive Directors	316,014	557,504
Non-Executive Directors	—	—
Total	<u>316,014</u>	<u>557,504</u>

### (b) Number of Directors in Each Remuneration Bands

	FY97			FY98		
	No. of Executive Directors	No. of Non-Executive Directors	Total	No. of Executive Directors	No. of Non-Executive Directors	Total
\$250,000 and above	—	—	—	—	—	—
\$0 to \$249,999	3	—	3	3	—	3
Total	<u>3</u>	<u>—</u>	<u>3</u>	<u>3</u>	<u>—</u>	<u>3</u>

#### Note:-

- (1) Details of remuneration do not include the remuneration paid to four directors who resigned from the Board on 1 March 1999.

## REMUNERATION OF EMPLOYEES RELATED TO DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

There are 20 employees of the Company, its subsidiaries and associated companies who are related to the Directors and/or shareholders of the Company. The basis of determining the remuneration of these related employees is the same as the basis of determining the remuneration of other unrelated employees. The aggregate remuneration of these employees (excluding the remuneration of the Directors and shareholders who are employees of the Company) for 1998 was \$640,101. This represented 17.2% of the Group's profit before tax for the financial year ended 31 December 1998.

Bonuses, pay increases and promotions for these related employees will be summarised and submitted to the Audit Committee for periodic review, at least semi-annually, to ensure that they are carried out on an arm's length basis.

## PROPERTIES AND FIXED ASSETS

The Group currently **owns** the following properties, excluding redevelopment properties:-

Description/ Location	Gross Built-up Area	Net book value as at 31 December 1998	Valuation
Factory building at 27 Sungei Kadut Street 1 Singapore 729335	23,020 sq m	Historical \$1,498,690.52	Nil
		Re-building \$6,081,011.71	
		<u>\$7,579,702.23</u>	

The Group currently **rents/leases** the following properties:-

Description/Location	Tenure/Expiry Date	Gross Area	Annual Rental	Lessor
Leasehold land at 27 Sungei Kadut Street 1 Singapore 729335	Original: 30 years/2006 Extension: 19 years/2025	28,287 sq m	\$186,683.75	Jurong Town Corporation

## FINANCE

The growth of the Group has been financed through a combination of shareholders' equity, retained earnings and other credit facilities. The Group has secured adequate bank facilities to finance its operations. The Group's outstanding borrowings as at 31 May 1999 totalled \$12.5 million.

The Group's **fixed assets** comprised mainly leasehold properties, building extension under construction and plant and machinery located at 27 Sungei Kadut Street 1. In 1996, the Company purchased a new production line costing approximately \$791,000 and commenced the construction of an extension to the Company's existing factory and office building in order to expand its production capacity. This construction of the building extension continued in 1997, thus contributing to the \$3.8 million growth in fixed assets. The substantial \$13.1 million increase in fixed assets in 1998 is attributable to (i) construction in progress of the building extension at the current site and (ii) the acquisition of machinery for waste wood recycling and Technical Wood production.

In 1994, **other investments** refer to a club membership worth \$40,000 which was later disposed of in 1996. Further details on the disposal of the club membership may be found on page 37 of this Prospectus. Other investments currently consist of an unquoted equity investment in JSA Timber Industries Sdn Bhd (a subsidiary of KHL) acquired in 1995 at a cost of \$5,000 and a quoted equity investment in Permasteelisa Pacific Holdings Ltd acquired in 1997 at a cost of \$82,000.

**Licence fees** refer to fees paid to the Group's German partner, Werzalit International Technologie-Verwertungs-GmbH, for the right to use its wood waste recycling and Technical Wood production technology. This licence is valid for a period of 15 years commencing 1997. As such the total licence fees paid in 1997 and 1998 will be amortised over 15 years from 1997.

**Current assets** comprised stocks, trade and other debtors, deposits and prepayments, amount due from associated companies, time deposits, and cash and bank balances. In 1995, current assets rose by 17.6% to \$13.4 million due to increases in stocks and cash and bank balances following the expansion in the Group's business activity. Despite a contraction in sales in 1996, there was an increase in trade debtors as the Group's customers delayed payment following the downturn in the electronics sector which commenced in late 1995. This growth in trade debtors offset a decline in inventory levels. Thus the Group's current assets did not change significantly in that year. Current assets increased in 1997 due mainly to a deposit, of about \$2.6 million, placed for the purchase of the wood waste recycling machine. In 1998, current assets decreased due to the absence of this deposit and a decline in trade debtors of about \$1.0 million as sales for 1998 declined.

The Group's **current liabilities** consisted of trade and other creditors, amount due to associated companies and directors, trade deposits, obligation under hire purchase and finance lease contracts, provision for taxation and proposed dividend. Current liabilities declined slightly in 1995 due to the repayment of amounts owing to directors, a shareholder and an associated company as well as lower provisions for taxation. In 1996, current liabilities declined further due to lower trade creditors as the Group reduced its purchases significantly from \$27.8 million to \$21.1 million in line with the contraction in sales. The increase in current liabilities in 1997 was due to an increase in term loan, trade and other creditors and provision for dividend. The Group took up the term loan to finance the redevelopment of its factory and increased its raw material purchases by \$1.9 million to \$23.0 million towards the end of the year in anticipation of shortages during the public holiday period in January of the following year, thus boosting its trade creditors. This increase in raw material purchases was also to take advantage of the fall in raw material prices arising from a reduction in market demand and a weakening of the Malaysian ringgit against the Singapore dollar. In 1998, the Group's current liabilities increased by 30.3%, from \$6.6 million to \$8.6 million due to (i) a growth in other creditors arising from the Group negotiating for an extension in repayment terms from its creditors and (ii) a \$1.3 million increase in term loans used to finance the acquisition of the waste wood recycling and Technical Wood production line.

**Non-current liabilities** comprised obligations under hire purchase and finance lease contracts, term loans and deferred taxation. The Group's non-current liabilities did not change significantly in the period 1994 to 1996, however, it surged from a low \$453,000 to \$4.2 million in 1997 as a result of the term loan taken for the redevelopment of the Company's leasehold property. The significant further growth in the Group's non-current liabilities from \$4.2 million in 1997 to \$10.1 million in 1998 is due to (i) a \$5.2 million increase in term loans used to finance the acquisition of the waste wood recycling and Technical Wood production line and (ii) an increase in deferred taxation arising from the excess of the net book value over the tax written down value of the Group's fixed assets.

The **shareholders' equity** of the Group consisted of share capital, revenue reserve and foreign currency alignment. In 1995, the Company's share capital was increased by \$400,000 to \$4.0 million as a result of an issue of shares of \$1 each at par for cash to be used for working capital. A year later, the share capital was further increased by \$1.0 million following an issue of 500,000 shares of \$1 each at par for cash and an issue of 500,000 shares of \$1 each at par from the capitalisation of revenue reserve. \$2.5 million was capitalised from the Company's revenue reserve in 1997 while in 1998, \$1.5 million was capitalised from the Company's revenue reserve and a further \$1.0 million shares were issued for cash by way of capitalisation of the amount owing to the Company's directors. Increases in the revenue reserve for the period 1994 to 1996 were due to the accumulation of the Group's retained profits from one financial year to the next. In 1997, revenue reserve registered a fall from \$8.2 million to \$6.5 million as the capitalisation of revenue reserve and dividends for that year exceeded profits. The Group's forex realignment account decreased in 1997 due to a weakening of the Malaysian ringgit relative to the Singapore dollar.

## **REVIEW OF PAST PERFORMANCE**

### **1994–1995**

The Group's turnover increased by 16.4% (\$5.6 million) to \$39.4 million in 1995 largely due to higher turnover in Singapore and elsewhere. Sales in Singapore accounted for 55% of the increase in turnover while the balance of 45% was due to higher overseas sales. The Group's turnover grew largely resulting from its competitive price strategy arising from keener competition in the market.

Notwithstanding an increase of 16.4% in turnover arising from higher business volume that resulted from a deliberate strategy of price reduction, the Group's operating profit grew only by 3.5% in 1995. A reduction in the Group's selling prices was responsible for this moderate increase of only \$159,000 in operating profit. The profit before tax was further affected by higher operating expenses, mainly salaries and bonuses, transportation and freight charges. Thus the Group's PBT increased by only 4.4% to \$4.4 million in 1995 despite the robust expansion in sales. PBT margin registered a 1.2 percentage point decline. As a result of lower effective tax rate of 22.3% in 1995 (compared to 26.7% in 1994), the Group's profit after tax grew by 10.6% to \$3.4 million in 1995.

### **1995–1996**

The Group's turnover decreased by 13.5% to \$34.1 million in 1996. Overseas and domestic sales accounted for approximately 70% (\$3.7 million) and 30% (\$1.6 million) for the decline in sales, respectively. Overseas sales decreased due to weaker demand from Japan, particularly the electronic sector that was then going through a slow down. Lower business volume coupled with price reduction and increases in direct labour costs and factory overheads contributed to a 40.7% decline in PBT in 1996. Direct labour costs and factory overheads actually increased despite the decline in turnover due to higher foreign worker levies and the shortage of workers in the industry which resulted in higher wage rates as well as increases in (i) repair and maintenance (arising from re-wiring of piping), (ii) depreciation in fixed assets (arising from an investment in machinery and equipment) and (iii) staff insurance (arising from more comprehensive coverage).

The above factors resulted in a decline in the Group's PBT, from \$4.4 million to \$2.6 million and a slide in PBT margin, from 11.1% to 7.6% in 1996. Due to decline in profit before tax and higher effective tax rate, the Group's profit after tax decreased 47% to \$1.8 million in 1995.

### **1996–1997**

In 1997, sales fell 2.1% to \$33.4 million. The decline in overseas sales by \$1.0 million more than offset the \$308,000 increase in domestic sales. Export sales continued on a downward trend because of the continued downturn cycle in the electronics sector depressing demand from the Japanese market and the beginning of the financial and economic crisis in Asia in the second half of 1997. In line with lower turnover, the Group's operating profit decreased by 1.8% to \$3.0 million in 1997.

Despite lower turnover and operating profit, the Group's PBT grew by 7.8% (\$202,000) to \$2.8 million in 1997 mainly due to higher interest income of \$62,000, higher profit contribution from its associated companies amounting to \$140,000 and lower depreciation expenses of \$47,000. PBT margin edged up by 0.7 percentage point. The higher effective tax rate of 31.3% in 1997 led to the Group's profit after tax growing by only 6.6% to \$1.9 million in 1997.

### **1997–1998**

In the wake of the regional economic slowdown, turnover decreased 24.1% to \$25.3 million principally due to a contraction in demand by \$6.2 million in the domestic market and another \$1.8 million in the Group's overseas market. The decline in turnover was the result of lower volume and weaker prices following pressure from customers and price competition from other firms in the industry.

Notwithstanding a decline in turnover, the Group managed to post an increase of 30.6% (\$918,000) in operating profit to \$3.92 million. This was attributable to the Group's ability to source materials from Malaysia. The Group benefited from a combination of the following factors. Firstly, its decision to source raw materials from Malaysia as well as to purchase work-in-progress from LHP and finished goods from SBP, both of which are located in Malaysia, thus resulting in lower cost of production as compared to costs in Singapore. Secondly, the Group further benefited from a depreciation of the Malaysian Ringgit against the Singapore Dollar during this period which rendered its Singapore Dollar — denominated purchases of raw materials, work-in-progress and finished products cheaper. Thirdly, the Group also benefited from its Malaysia-denominated purchases of raw materials in view of the depreciation of the Malaysian Ringgit against the Singapore Dollar. In line with improved operating profit as well as a (i) significant foreign exchange gain of \$671,000 largely attributable to the Group's three month forward contracts to purchase German DM for the acquisition of the Technical Wood production plant (compared to a gain of only \$143,000 in 1997), (ii) higher contribution from its associated companies and (iii) higher interest income, the Group's PBT increased by 33.2% to \$3.7 million and PBT margin jumped from 8.3% to 14.6%. Lower effective tax rate of 29.4% in 1998 compared to 31.3% in 1997, contributed in the Group's profit after tax growing 37% to \$2.6 million in 1998.

## PROSPECTS AND FUTURE PLANS

### Prospects

The Group's sales declined sharply in 1998 in the wake of the regional economic slowdown. For the financial year ending 31 December 1999, the Group expects to reverse the downward trend in sales as the local economy shows signs of recovery. Thus the Directors forecast that in 1999, the Group will be able to achieve a turnover, profit before tax and profit after tax and minority interest of \$26.6 million, \$3.0 million and \$2.4<sup>1</sup> million respectively.

The Directors believe that the Group will be able to attain its profit forecast for the following reasons:—

#### *Expected economic recovery*

As approximately 89% of the Group's forecast sales in 1999 is attributable to the domestic market and its products may be widely used by various sectors, the outlook of the local economy is essential in determining the prospects for the Group. Forward looking indicators, such as the Composite Leading Index, and business expectations have improved recently. Exports increased in March, for the first time in several months, thus supporting the perception that the Singapore economy is bottoming out<sup>2</sup>. In May 1999, manufacturing output grew by 9.1% on a 3-month moving average basis and the cumulative output for the five months ended 31 May 1999 increased by 8.2% as compared with the same period in the preceding year<sup>3</sup>. The Directors believe that the Group will benefit from the recent improvement in the general economy. Moreover, there has been recent positive indications from the specific industries on which the Company is predominantly reliant, namely the electronics and petrochemicals sectors. Electronics and petrochemicals output for the first five months of 1999 was 16.9% and 13.7% higher than in the same period in 1998<sup>3</sup>. This performance compares favourably against the growth registered by the manufacturing sector in general and bode well for the immediate future. Thus based on the latest economic indications, the Directors are confident that the Group's second half financial results will be better than that for the first half.

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<sup>1</sup> The Company has computed depreciation of the Technical Wood plant based on expected utilisation rate for the start-up phase of the plant from April 1999 to October 1999, and thereafter based on a straight-line depreciation. Had depreciation been calculated on a straight-line basis from April 1999, an additional \$363,000 in depreciation expense would have been incurred in 1999 and profit for 1999 would have been reduced accordingly.

<sup>2</sup> 13 April 1999, speech by Deputy Prime Minister BG Lee Hsien Loong at the Merrill Lynch Asia Pacific Investor Conference 1999 (London).

<sup>3</sup> 25 June 1999, press release by the Singapore Economic Development Board — Monthly Industrial Production Index (May 1999).

### *Sales to-date and outstanding confirmed orders*

The Group's sales, based on management accounts and reported estimates, for the period 1 January 1999 to 31 May 1999 was \$9.4 million, while its outstanding confirmed orders as at 31 May 1999 was \$5.8 million. All of the Group's outstanding confirmed orders is attributable to repeat customers. The aggregate of sales and outstanding confirmed orders represented 57.2% of the Group's forecast turnover for 1999. The Group expects to achieve approximately 55% of its forecast 1999 turnover in the second half of the year and believes that this is feasible, given the business activity in the last two months and the amount of outstanding confirmed orders as at 31 May 1999. In addition, the Directors believe that the quantum of outstanding confirmed orders as at 31 May 1999 further indicates that the recovery in demand for the Group's products will be sustained over the next few months barring unforeseen circumstances.

### *Recycled products*

The Group's waste wood recycling and Technical Wood production plant became operational sometime in March this year. Recycled products are projected to account for 9.9% of the Group's sales in 1999. The Directors believe that the market response to this new product will be favourable and that it will enhance the Group's competitive position in the industry. This is because Technical Wood enjoys certain advantages over natural timber, such as higher density and lower moisture content, which render Technical Wood products more durable and resistant against the environment and thus more suitable for packing and packaging. In addition, Technical Wood products are expected to appeal to customers who are environment conscious and which are ISO 14000 certified or which are interested in the said certification.

The verbal feedback from the Group's customers which tested recycled products has been positive so far and outstanding confirmed orders for Technical Wood products amounted to \$1.1 million as at 31 May 1999.

### **Future Plans**

In order to sustain its profitability and to enhance its competitive position in the industry, the Group plans to:-

#### *Consolidate market position in the wooden pallets and cases industry in Singapore*

Through enhancing customer satisfaction by delivering high value-added products, the Group plans to consolidate its local market position. In this respect, it seeks to cultivate long-term relationships with its customers and endeavours to deliver greater value to them through competitive pricing which will be achieved on-going improvement to render its operational capabilities more cost efficient. In addition, it will continue to maintain close links with its customers so as to better understand their needs and to provide a wide range of innovative products and services which are customised to their specific requirements.

#### *Expand existing markets and establish new markets in the region*

The Group plans to make further inroads in the Japanese market through marketing and by forging closer relationships with the customers in that market. LHTM was incorporated for just this purpose. Moreover, the Group has identified China as a promising new market and will commence marketing efforts there soon. It has established business contacts through participation in a trade fair in China and its marketing staff intend to follow-up on these business opportunities. In addition, it will be on the lookout for business opportunities in other regional markets.

#### *Further develop Technical Wood production capacity*

Should the market response to Technical Wood products be positive and subject to procuring the necessary licenses, the Group will explore the feasibility of expanding its existing Technical Wood production plant in Singapore and to establish a second such manufacturing plant in Malaysia.

### *Diversify into the manufacture and sale of related products*

The Group is currently studying the feasibility of diversifying into other Technical Wood products such as furniture and furnishings. In addition, the Group will continue to explore opportunities for moving into related areas through acquisition of companies.

### **DIVIDENDS**

Barring unforeseen circumstances, the Directors expect to recommend a final gross dividend of about 0.75 cent per Share on the enlarged share capital of the Company for the financial year ending 31 December 1999. The total amount of gross dividend will be \$1,500,000.

### **BASES AND ASSUMPTIONS UNDERLYING THE PROFIT FORECAST**

The profit forecast, for which the Directors are solely responsible, has been prepared on the basis of accounting policies normally adopted by the Group in the preparation of its audited accounts. In addition, the forecast has been prepared based on the unaudited results for the five months ended 31 May 1999 and the assumptions are set up below:—

- (a) There will be no material changes in the bases or rates of taxation tariffs, levies and duties in the countries in which the Group operates from those prevailing at the date of the forecast.
- (b) There will be no material changes in the foreign exchange rates from those prevailing at the date of the forecast.
- (c) There will be no significant changes in the License Agreement in relation to the license for the production of Technical Wood.
- (d) The activities of the Group will not be adversely affected by any new governmental legislation, regulations and controls.
- (e) There will be no significant disruptions to the Group's activities from industrial dispute or any other causes.



**LETTER FROM THE REPORTING ACCOUNTANTS  
ON THE CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 1999**

14 July 1999

The Board of Directors  
LHT Holdings Limited  
27, Sungei Kadut Street 1  
Singapore 729335

Dear Sirs:

This letter has been prepared for inclusion in the Prospectus to be dated 15 July 1999 (the "Prospectus") in connection with the Invitation by LHT Holdings Limited (the "Company") in respect of the issue of 50,000,000 New Shares of \$0.10 each in the capital of the Company.

We have examined the consolidated forecast of the Company, its subsidiary and associated companies (the "Group") for the financial year ending 31 December 1999 in accordance with Singapore Standard on Auditing applicable to the examination of prospective financial information. The Directors are solely responsible for the consolidated forecast including the assumptions set out on page 53 of the Prospectus on which the consolidated forecast is based. The profit forecast includes results shown by unaudited consolidated financial statements of the Group for the five months ended 31 May 1999.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention to cause us to believe that these assumptions do not provide a reasonable basis for the consolidated forecast. Furthermore, in our opinion, the consolidated forecast, so far as the accounting policies and calculations are concerned, is properly prepared on the basis of the assumptions, is consistent with the accounting policies normally adopted by the Group, and is presented in accordance with Statements of Accounting Standard.

Yours faithfully,

ERNST & YOUNG  
Certified Public Accountants  
Singapore

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIVE MONTHS ENDED 31 MAY 1999**

Based on the letter from the Reporting Accountants set out on page 49 of this Prospectus, the Directors confirm that the unaudited consolidated profit and loss account of the Group for the five months ended 31 May 1999 and the unaudited balance sheets of the Group as at 31 May 1999 set out below have been prepared on the basis of accounting policies consistent with those appearing in the Accountants' Report as set out on pages 51 to 66 of this Prospectus:-

	<b>The Group \$'000</b>
<b>Results of Operations</b>	
Turnover	9,426
Operating profit	1,248
Share of profit of associated company	68
Profit before taxation	1,316
Taxation	(285)
Profit after taxation	1,031
Minority interest	(8)
Net profit after taxation attributable to the Group	1,023
<b>Financial Position</b>	
Fixed assets	21,847
Investments in associated companies	1,534
Licence fees	268
Other investments	87
Current assets	10,895
Current liabilities	(5,941)
Net current assets	4,954
Non current liabilities	(11,352)
	17,338
Shareholders' equity	17,310
Minority interest	28
	17,338

**LETTER FROM THE REPORTING ACCOUNTANTS IN RELATION TO  
THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIVE MONTHS ENDED 31 MAY 1999**

14 July 1999

The Board of Directors  
LHT Holdings Limited  
27 Sungei Kadut Street 1  
Singapore 729335

Dear Sirs:

This letter has been prepared for inclusion in the prospectus to be dated 15 July 1999 (the "Prospectus") in connection with the Invitation by LHT Holdings Limited (the "Company") in respect of 50,000,000 new ordinary shares of \$0.10 each in the capital of the Company.

We have reviewed the unaudited consolidated financial statements of the Company and its subsidiary companies (the "Group") for the five months ended 31 May 1999, set out on page 48 of the Prospectus. These financial statements are the responsibility of the Group's directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Singapore Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the unaudited consolidated financial statements are not presented fairly, in all material respects, in conformity with the accounting policies normally adopted by the Group.

Yours faithfully,

ERNST & YOUNG  
Certified Public Accountants  
Singapore

## DIRECTORS' REPORT

13 July 1999

The Shareholders  
LHT Holdings Limited  
27, Sungei Kadut Street 1  
Singapore 729335

Dear Sirs,

This report has been prepared for inclusion in the Prospectus to be dated 15 July 1999 in connection with the Invitation by LHT Holdings Limited (the "Company") in respect of 50,000,000 new ordinary shares of \$0.10 each in the capital of the Company by way of public offer.

On behalf of the Directors of the Company, I report that, having made due inquiry in relation to the interval between 31 December 1998, the date to which the last audited accounts of the Company were made up, and the date hereof:-

- (a) the business of the Company and its subsidiaries has, in the opinion of the Directors, been satisfactorily maintained;
- (b) no circumstances have, in the opinion of the Directors, arisen since the last Annual General Meeting of the Company which would adversely affect the trading or the value of the assets of the Company or its subsidiaries;
- (c) the current assets of the Company and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Company or its subsidiaries; and
- (e) save as disclosed on page 15 of this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profit of the Company and its subsidiaries since the last audited accounts.

Yours faithfully  
for and on behalf of the  
Board of Directors

NEO KOON BOO  
MANAGING DIRECTOR  
LHT HOLDINGS LIMITED

## ACCOUNTANTS' REPORT

14 July 1999

The Board of Directors  
LHT Holdings Limited  
27 Sungei Kadut Street 1  
Singapore 729335

Dear Sirs:

### A. INTRODUCTION

This report has been prepared for inclusion in the Prospectus of LHT Holdings Limited (the "Company") to be dated 15 July 1999 in connection with the Invitation by the Company to subscribe for 50,000,000 ordinary shares of \$0.10 each comprising 50,000,000 New Shares as follows:-

- (i) 20,000,000 shares by way of public offer and at a fixed price of \$0.18 for each share; and
- (ii) 30,000,000 shares by way of a placement at a fixed price of \$0.18 for each share.

### B. THE COMPANY

The Company was incorporated in Singapore on 29 August 1980 as a private limited company under the name of Lian Hup Timber Pte Ltd. On 5 July 1999 the Company was converted into a public limited company and changed its name to LHT Holdings Limited. The principal activity of the Company is that of manufacturing and trading wooden pallets and timber related products.

On 15 January 1999, the Company increased its authorised share capital from \$10,000,000 to \$50,000,000 consisting of 50,000,000 ordinary shares of \$1.00 each. On the same day, the Company capitalised \$3,000,000 from revenue reserve for bonus issue of 3,000,000 fully paid ordinary shares of S\$1.00 each to the shareholders.

On 20 April 1999, the Company capitalised \$2,000,000 from revenue reserve for bonus issue of 2,000,000 fully paid ordinary shares of S\$1.00 each to the shareholders.

At an Extraordinary General Meeting held on 21 May 1999, the shareholders of the Company approved the subdivision of each ordinary share of \$1.00 each in the authorised, issued and paid-up share capital of the Company into 10 ordinary shares of \$0.10 each (the "Stock Split").

At a separate Extraordinary General Meeting held on 1 July 1999, the shareholders of the Company approved, *inter alia*, the following:-

- (a) the conversion of the Company into a public limited company and the change of its name to LHT Holdings Limited;
- (b) the adoption of the new Articles of Association of the Company; and
- (c) the issue of New Shares which are the subject of this Invitation. The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing shares.

At the date of this report, the issued and paid-up share capital is \$15,000,000 divided into 150,000,000 ordinary shares of \$0.10 each.

### C. THE PROFORMA GROUP

The principal activities of the subsidiary and associated companies are set out as follows:–

Name of company	Date and country of incorporation	Issued and fully paid up capital	Equity interest held by the Group	Principal activities
<b><i>Subsidiary companies</i></b>				
Kim Hiap Lee Company (Pte.) Ltd	24 November 1950 Singapore	S\$1,200,000	100%	Timber merchants and sawmillers
LHT Marketing Pte Ltd	27 February 1998 Singapore	S\$150,000	67%	Agent and promoter of wooden products
Lian Hup Packaging Industries Sdn. Bhd.	24 January 1997 Malaysia	RM258,724	100%	Dealers in wooden products, pallets and packaging
<b><i>Associated companies</i></b>				
Takashima Packaging (S) Pte Ltd	30 March 1991 Singapore	S\$1,350,000	25%	Assembly and sale of packaging materials
Siri Belukar Packaging Sdn. Bhd.	7 November 1990 Malaysia	RM1,750,000	49%	Manufacturer, importer and exporter of wooden pallets and related products

**Note:–**

None of the abovementioned subsidiary companies and associated companies are listed on any stock exchange.

#### **D. BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The financial information set out in this report, is expressed in Singapore dollars and shows the Proforma Statement of Group Results for the five years ended 31 December 1994 to 31 December 1998, the Proforma Summarised Balance Sheets of the Group as at the end of each of the five financial years ended 31 December 1994 to 31 December 1998, and the Statement of Net Assets at 31 December 1998 of the Group and the Company.

The Proforma Statement of Group Results and the Proforma Summarised Balance Sheets have been prepared on the assumption that the current Group structure as outlined above has been in existence throughout the period under review, or since the respective dates of incorporation of the companies in the Group, if later. The financial information is based on the audited financial statements of the Company and the subsidiary companies after making such adjustments which we considered necessary.

We have been the auditors of the Company since the financial year ended 31 December 1997. Prior to our appointment as auditors, the Company was audited by Certified Public Accountants, Heng Lee Seng & Co.

The financial statements of the subsidiary companies incorporated in Singapore were audited by Certified Public Accountants, Heng Lee Seng & Co. for the financial years covered under this report.

The financial statements of the subsidiary company incorporated in Malaysia were audited by Public Accountants, Abas & Co. since its date of incorporation on 24 January 1997.

The financial statements of the associated company incorporated in Singapore were audited by Certified Public Accountants, Heng Lee Seng & Co. for the last three financial years.

The financial statements of the associated company incorporated in Malaysia for the financial year ended 31 December 1996 were audited by Public Accountants, Chong & Associates and by Public Accountants, Smalley & Co. for the financial years ended 31 December 1997 and 1998.

For those subsidiary companies not audited by us during the accounting periods covered by this report, we reviewed those audited financial statements and are satisfied that the financial statements are appropriate and proper for inclusion in the report.

The auditors' reports of the Company and its subsidiary companies have not been qualified for the five years ended 31 December 1998.

## E. PROFORMA STATEMENT OF GROUP RESULTS

The Proforma Statement of Group Results for the financial years ended from 31 December 1994 to 31 December 1998, after making such adjustments as we considered necessary and having made references to the relevant audited accounts, is set out below:–

	Note	Year ended 31 December				
		1994 \$'000	1995 \$'000	1996 \$'000	1997 \$'000	1998 \$'000
Turnover	F1	33,843	39,408	34,092	33,366	25,338
Operating profit		3,792	3,981	2,160	2,222	3,072
Share of results of associated companies		379	374	424	564	640
Profit before taxation	F2	4,171	4,355	2,584	2,786	3,712
Taxation	F3	(1,112)	(971)	(789)	(872)	(1,090)
Profit after taxation		3,059	3,384	1,795	1,914	2,622
Minority interest		—	—	—	—	29
Profit after taxation and before extraordinary items		3,059	3,384	1,795	1,914	2,651
Extraordinary items	F4	—	5	6	—	—
Profit attributable to members of the Company		3,059	3,389	1,801	1,914	2,651

## F. Notes to Proforma Statement of Group Results

### 1. Turnover

Turnover represents sale of wooden pallets and timber related products at invoiced value.

### 2. Profit before income tax

	Year ended 31 December				
	1994 \$'000	1995 \$'000	1996 \$'000	1997 \$'000	1998 \$'000
Profit before taxation is stated after charging/ (crediting)					
Bad debts written off	—	20	—	79	3
Depreciation of fixed assets	666	668	869	822	939
Directors' remuneration	472	713	525	525	833
Provision for doubtful debts	177	7	1	138	23
Interest expense on hire purchase	66	34	37	28	21
Foreign exchange (gains)/losses	—	—	30	(143)	(671)
Writeback of provision for doubtful debts	—	—	—	—	(132)
Interest income	(1)	(1)	(13)	(75)	(117)



### 3. Taxation

	Year ended 31 December				
	1994	1995	1996	1997	1998
	\$'000	\$'000	\$'000	\$'000	\$'000
The provision for income tax in respect of profit for the year:-					
Current income tax	1,020	1,045	598	726	35
Deferred income tax (writeback)	39	(141)	48	—	960
Recovery of tax deducted at source	—	—	—	—	(112)
	<u>1,059</u>	<u>904</u>	<u>646</u>	<u>726</u>	<u>883</u>
Under/(over) provision in respect of previous years	(1)	(38)	17	—	37
	<u>1,058</u>	<u>866</u>	<u>663</u>	<u>726</u>	<u>920</u>
Share of tax of associated companies	54	105	126	146	170
	<u>1,112</u>	<u>971</u>	<u>789</u>	<u>872</u>	<u>1,090</u>

The taxation charge for the years ended 1994, 1995, 1996 and 1997 and 1998 materially differs from the amount determined by applying the Singapore statutory income tax rate to the profit before income tax because of certain expenses which were disallowed for income tax purposes.

### 4. Extraordinary items

	Year ended 31 December				
	1994	1995	1996	1997	1998
	\$'000	\$'000	\$'000	\$'000	\$'000
Writeback of provision for diminution in investment	—	5	—	—	—
Gain on disposal of club membership to a director of the Group	—	—	6	—	—
	<u>—</u>	<u>5</u>	<u>6</u>	<u>—</u>	<u>—</u>

### 5. Significant related parties transaction

Related parties are those companies in which certain directors/shareholders of the Company have significant financial interests. Significant transactions of the Group with related parties during the period which were on terms agreed by the parties concerned were as follows:-

	Year ended 31 December				
	1994	1995	1996	1997	1998
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Associated companies</b>					
Sales	1,203	3,252	3,759	3,520	4,327
Purchases	7,175	8,262	7,641	7,742	4,273
Retainer fees received	90	90	90	90	90
	<u>90</u>	<u>90</u>	<u>90</u>	<u>90</u>	<u>90</u>
<b>Corporate shareholder</b>					
Sales	1,376	2,163	2,545	91	141
	<u>1,376</u>	<u>2,163</u>	<u>2,545</u>	<u>91</u>	<u>141</u>

## G. PROFORMA SUMMARISED BALANCE SHEETS OF THE GROUP

The proforma summarised balance sheets of the Group as at the end of each of the five financial years ended 31 December 1994 to 31 December 1998, prepared on the basis set out in paragraph B above, after making such adjustments as we considered appropriate, are as follows:–

	Year ended 31 December				
	1994	1995	1996	1997	1998
	\$'000	\$'000	\$'000	\$'000	\$'000
Fixed assets	2,996	3,208	4,366	8,159	21,239
Associated companies	830	968	1,160	1,207	1,489
Licence fees	—	—	—	218	271
Other investments	40	45	5	87	87
Current assets	11,402	13,409	13,162	15,185	11,984
Current liabilities	(6,031)	(5,660)	(4,818)	(6,580)	(8,628)
Net current assets	5,371	7,749	8,344	8,605	3,356
Hire purchase creditors	(269)	(106)	(405)	(270)	(94)
Term loan, secured	—	—	—	(3,856)	(9,034)
Deferred taxation	(141)	—	(48)	(48)	(1,008)
	8,827	11,864	13,422	14,102	16,306
Represented by:–					
Shareholders' equity	8,827	11,864	13,422	14,102	16,285
Minority interest	—	—	—	—	21
	8,827	11,864	13,422	14,102	16,306

## G1. SHAREHOLDERS' EQUITY

Movements in the shareholders' equity are as follows:–

	Year ended 31 December				
	1994	1995	1996	1997	1998
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward	6,125	8,827	11,864	13,422	14,102
Add/(less):					
Attributable profit for the year	3,059	3,389	1,801	1,914	2,651
Dividends paid, net	(657)	(740)	(740)	(1,110)	(1,480)
Issue of shares	300	400	500	—	1,000
Foreign currency realignment	—	(12)	(3)	(124)	12
	8,827	11,864	13,422	14,102	16,285

## H. STATEMENT OF NET ASSETS

The Statement of Net Assets sets out the net assets of the Group and the Company as at 31 December 1998:–

		The Group	The Company
	Note	\$'000	\$'000
<b>Fixed assets</b>	<b>1</b>	21,239	21,102
<b>Subsidiary companies</b>	<b>2</b>	—	1,861
<b>Associated companies</b>	<b>3</b>	1,489	543
<b>Licence fees</b>	<b>4</b>	271	271
<b>Other investments</b>	<b>5</b>	87	82
<b>Current assets</b>			
Stocks and work in progress	<b>6</b>	2,061	2,028
Trade debtors	<b>7</b>	4,413	4,337
Other debtors	<b>8</b>	304	286
Fixed deposits		1,768	1,762
Cash at bank and in hand		3,438	3,214
		11,984	11,627
<b>Deduct: Current liabilities</b>			
Trade creditors and accruals	<b>9</b>	3,301	5,018
Other creditors	<b>10</b>	1,290	1,152
Hire purchase creditors	<b>11</b>	184	177
Term loans, secured	<b>12</b>	2,238	2,238
Provision for taxation		135	95
Proposed dividend, net		1,480	1,480
		8,628	10,160
<b>Net current assets</b>		3,356	1,467
<b>Deduct: Long term liabilities and deferred charges</b>			
Hire purchase creditors	<b>11</b>	94	93
Term loans, secured	<b>12</b>	9,034	9,034
Deferred taxation	<b>13</b>	1,008	1,008
		10,136	10,135
		16,306	15,191
<b>Capital and reserve</b>			
Share capital	<b>14</b>	10,000	10,000
Revenue reserve		6,412	5,191
Foreign currency realignment account		(127)	—
		16,285	15,191
<b>Minority interest</b>		21	—
		16,306	15,191

## I. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been consistently applied in the preparation of the financial information set out in this report are as follows:–

### (a) Proforma financial information

The proforma consolidated financial information of the Group has been prepared as if the current group structure as described in Section C had been in existence throughout the five years ended 31 December 1998.

### (b) Basis of accounting

The financial statements, which are expressed in Singapore dollars, are prepared under the historical cost convention, modified by revaluation of leasehold property and in accordance with applicable accounting standards.

### (c) Basis of consolidation

The accounting year of the Company and all its subsidiaries in the Group ends on 31 December and the consolidated accounts incorporate the accounts of the Company and all its subsidiary companies. Inter-company balances and transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.

Assets, liabilities and results of overseas subsidiaries are translated into Singapore dollars on the basis outlined in paragraph (m) below.

### (d) Subsidiary companies

Shares in subsidiary companies are stated at cost and provision is made for permanent impairment in values.

Dividend income from the subsidiary companies is accrued on the basis of the dates dividends are declared by the subsidiaries up to the balance sheet date.

### (e) Associated companies

An associated company is defined as a company, not being a subsidiary, in which the Group has a long-term interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investments in associated companies are recorded at cost and adjusted to recognise the Group's share of the net assets of the associated companies at the date of acquisition. The excess or deficit of the net assets of the associated companies and the consideration paid is adjusted against reserves in the year of acquisition.

The Group's share of the results of associated companies is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves of associated companies is included in the investments in the consolidated balance sheet. Where the audited accounts are not co-terminous with those of the Group, the share of profits is arrived at from the last audited accounts available and unaudited management accounts to the end of the accounting period.

Shares in the associated companies are stated in the Company's balance sheet at cost and provision is made for permanent impairment in value.

Dividend income is accrued on the basis of dividends declared by the investee companies up to the date of the Directors' report.

### (f) Revenue recognition

Revenues from the sale of manufactured products are recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

(g) **Fixed assets**

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions and improvements are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from disposal is included in the profit and loss account.

(h) **Depreciation**

Depreciation is calculated on the straight line method to write off the cost of the assets over the estimated useful lives. The estimated useful lives of fixed assets are as follows:–

Leasehold factory buildings	—	Over the lease term
Plant and machinery	—	20%
Motor vehicles & forklifts	—	20%
Office equipment, furniture and fittings	—	20%

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

No depreciation is provided on construction in progress until it is completed and in use.

(i) **Leased assets**

Where assets are financed by lease agreements that give rights approximating to ownership (finance leases), the assets are capitalised under fixed assets as if they had been purchased outright at the values equivalent to the total rental payable during the periods of the leases and the corresponding lease commitments are included under liabilities. Lease payments are treated as consisting of capital and interest elements and the interest is charged to profit and loss account. Depreciation on the relevant assets is charged to profit and loss account on the basis outlined in paragraph (g) above.

Rental on operating leases is charged to profit and loss account.

(j) **Investments**

Investments held on a long term basis are stated at cost. Provision is made where there is decline in value that is other than temporary.

(k) **Stocks and work in progress**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. In the case of work-in-progress and finished goods, cost includes direct labour and attributable production overheads. Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

(l) **Deferred taxation**

Deferred taxation is accounted for under the liability method whereby the tax charge for the year is based on the disclosed book profit after adjusting for all permanent differences. The amount of taxation deferred on account of all timing differences is reflected in the deferred taxation account. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

(m) **Foreign currency translations**

Transactions arising in foreign currencies during the year are converted at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities are translated into local currency at exchange rate ruling at the balance sheet date. All exchange differences arising from translations are included in the profit and loss accounts.

For inclusion in the consolidated accounts, all assets, liabilities and results of foreign subsidiary and associated companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date. Exchange differences due to such currency translations are included in foreign currency realignment account.

(n) **Licence fees**

This consist of a one-time non-refundable licence fee for the use of the 'Werzalit-Process' and other intellectual property rights. It is amortised to the profit and loss account on a straight line basis over the term of the licence agreement of 15 years.

(o) **Capitalisation of borrowing costs**

Borrowing costs are capitalised when incurred specifically to prepare the assets for their intended use or sale.

Borrowing costs incurred for buildings are capitalised up to the receipt of temporary occupation permits.

**J. NOTES TO STATEMENT OF NET ASSETS**

**1. Fixed assets**

<b>Group</b>	<b>Cost \$'000</b>	<b>Accumulated depreciation \$'000</b>	<b>Net Book Value \$'000</b>
<b>At cost</b>			
Leasehold factory buildings	4,936	781	4,155
Construction in progress	15,440	—	15,440
Plant and machinery	3,865	3,388	477
Motor vehicles and forklifts	1,409	1,194	215
Office furniture, fittings and equipment	1,672	720	952
	<u>27,322</u>	<u>6,083</u>	<u>21,239</u>

<b>Company</b>	<b>Cost \$'000</b>	<b>Accumulated depreciation \$'000</b>	<b>Net Book Value \$'000</b>
<b>At cost</b>			
Leasehold factory buildings	4,903	781	4,122
Construction in progress	15,440	—	15,440
Plant and machinery	3,750	3,345	405
Motor vehicles and forklifts	1,252	1,054	198
Office furniture, fittings and equipment	1,646	709	937
	<u>26,991</u>	<u>5,889</u>	<u>21,102</u>

Included in fixed assets of the Group and Company are plant and machinery, furniture and fittings, motor vehicles and forklifts with a net book value of approximately \$390,259 and \$373,938 respectively which are acquired under finance leases or hire purchase agreements.

Fixed assets with a net book value of \$18,559,802 as at 31 December 1998 are pledged to banks to secure banking facilities for the Group and Company.

Included in building extension in progress are borrowing costs capitalised of \$663,198.

## 2. Subsidiary companies

	<b>Company \$'000</b>
Unquoted shares, at cost	1,861

The subsidiary companies as at 31 December 1998 are:–

<b>Name of company (Country of incorporation and place of business)</b>	<b>Cost \$'000</b>	<b>Percentage of equity held by the Group %</b>
Kim Hiap Lee Company (Pte.) Ltd (Singapore)	1,649	100
Lian Hup Packaging Industries Sdn. Bhd. (Malaysia)	112	100
LHT Marketing Pte Ltd (Singapore)	100	67

## 3. Associated companies

Interest in the associated companies are made up as follows:–

	<b>Group \$'000</b>	<b>Company \$'000</b>
Unquoted shares, at cost	543	543
Share of post-acquisition reserve	946	—
	<u>1,489</u>	<u>543</u>

<b>Name of company (Country of incorporation and place of business)</b>	<b>Cost \$'000</b>	<b>Percentage of equity held by the Group %</b>
Takashima Packaging (S) Pte Ltd (Singapore)	150	25
Siri Belukar Packaging Sdn. Bhd. (Malaysia)	393	49

#### 4. Licence fees

	<b>Group and Company</b>	
	<b>\$'000</b>	
Cost	290	
Accumulated amortisation	<u>(19)</u>	
Net book value	<u>271</u>	

#### 5. Other investments

	<b>Group</b>	<b>Company</b>
	<b>\$'000</b>	<b>\$'000</b>
At cost:-		
Quoted equity investments	82	82
Unquoted equity investments	<u>5</u>	<u>—</u>
	<u>87</u>	<u>82</u>
Market value:-		
Quoted equity investments	<u>52</u>	<u>52</u>

#### 6. Stocks and work in progress

	<b>Group</b>	<b>Company</b>
	<b>\$'000</b>	<b>\$'000</b>
At cost:-		
Raw materials	754	721
Work-in-progress	351	351
Finished goods	<u>956</u>	<u>956</u>
	<u>2,061</u>	<u>2,028</u>

#### 7. Trade debtors

	<b>Group and Company</b>
	<b>\$'000</b>
Trade debtors are stated after deducting provision for doubtful debts of	<u>123</u>

#### 8. Other debtors

	<b>Group</b>	<b>Company</b>
	<b>\$'000</b>	<b>\$'000</b>
Deposits for purchase of fixed assets	60	60
Prepayments	84	84
Tax recoverable	112	112
Other deposits	35	30
Sundries	<u>13</u>	<u>—</u>
	<u>304</u>	<u>286</u>



**9. Trade creditors and accruals**

	<b>Group</b>	<b>Company</b>
	<b>\$'000</b>	<b>\$'000</b>
External parties	2,942	2,357
Subsidiary company	—	2,302
Associated company	359	359
	<u>3,301</u>	<u>5,018</u>

**10. Other creditors**

	<b>Group</b>	<b>Company</b>
	<b>\$'000</b>	<b>\$'000</b>
Retention sum for purchase of fixed assets	1,002	1,002
Deposits	85	85
Amounts due to directors	14	—
Sundries	189	65
	<u>1,290</u>	<u>1,152</u>

**11. Hire purchase creditors**

	<b>Group</b>	<b>Company</b>
	<b>\$'000</b>	<b>\$'000</b>
Repayable within one year	184	177
Repayable after one year	94	93
	<u>278</u>	<u>270</u>
Minimum lease payments due:—		
within one year	203	195
within two to five years	102	101
	<u>305</u>	<u>296</u>
Amount representing interest	<u>(27)</u>	<u>(26)</u>
	<u>278</u>	<u>270</u>

## 12. Term loans, secured

	<b>Group and Company</b> <b>\$'000</b>
Repayable within 12 months	2,238
Repayable after 12 month	9,034
	<u>11,272</u>

The term loans are secured by first legal mortgage over the leasehold factory building, recycle plant and guarantees given by certain directors and a former director jointly and severally.

The term loans are repayable in equal monthly instalments over a maximum period of 7 years.

The term loan bears interest of 1% above bank's swap offered rate and SIBOR.

## 13. Deferred taxation

The deferred taxation arose mainly as a result of the excess of the net book value over the tax written down value of fixed assets.

## 14. Share capital

	<b>Group and Company</b> <b>\$'000</b>
Authorised, issued and fully paid:-	
10,000,000 ordinary shares of \$1 each	10,000
	<u>10,000</u>

## 15. Operating lease commitments

As at 31 December 1998, the Group and Company lease certain properties under lease agreements with a term of more than one year. The leases expire at various dates till 2025 and contain provisions for rental adjustments. Future minimum lease payments for all leases are as follows:-

	<b>Group and Company</b> <b>\$'000</b>
Payable within one year	187
Payable within 2 to 5 years	745
Payable after 5 years	4,099
	<u>5,031</u>

## K. NET TANGIBLE ASSETS BACKING

The net tangible assets backing of the Group for each \$0.10 share is based on the audited consolidated financial statements of the Group as at 31 December 1998 after taking into account the effect of the issue of bonus shares before the Invitation and the proceeds from the issue of 50,000,000 New Shares of \$0.10 each less the estimated expenses in connection therewith.

	<b>The Group \$'000</b>
Net tangible assets as at 31 December 1998	16,014
Add: Proceeds from the issue of 50,000,000 New Shares of \$0.10 each at \$0.18 per share	9,000
Less: Estimated expenses arising from the issue of New Shares	<u>675</u>
Adjusted net tangible assets	<u><u>24,339</u></u>

The calculation of the value of net tangible assets per share is based on the following number of shares:-

<b>Issued Share Capital</b>	<b>Number of shares</b>
Number of ordinary share of \$1.00 each as at 31 December 1998	10,000,000
Bonus issue of 5,000,000 ordinary shares of \$1.00 each	<u>5,000,000</u>
Number of ordinary shares of \$1.00 each after bonus issue	<u><u>15,000,000</u></u>
Pre-Invitation — sub-division of shares of \$1.00 each into ten ordinary shares of \$0.10 each	150,000,000
Issue of 50,000,000 New Shares of \$0.10 each which is the subject of the Invitation	<u>50,000,000</u>
Post-Invitation	<u><u>200,000,000</u></u>
Net tangible assets backing for each share of \$0.10 each after issue of New Shares	<u><u>12.2 cents</u></u>

## L. DIVIDENDS

Dividends declared and paid by the Company and one of its subsidiary companies during the periods under review were as follows:–

Year ended	Gross dividend per share %	Net dividend
<b><i>The Company</i></b>		
31 December 1994	25	657,000
31 December 1995	25	740,000
31 December 1996	20	740,000
31 December 1997	20	1,110,000
31 December 1998	20	1,480,000
<b><i>The Subsidiary Company</i></b>		
Kim Hiap Lee Company (Pte.) Limited		
31 December 1994	15	131,400
31 December 1995	15	133,200
31 December 1996	15	133,200
31 December 1997	15	133,200
31 December 1998	15	133,200

Other than disclosed above, there were no other dividends declared and paid or proposed to be paid by the Company and its subsidiaries for the financial years ended 31 December 1994 to 31 December 1998.

## M. GENERAL

No audited financial statements have been prepared for any period subsequent to 31 December 1998.

Yours faithfully,

ERNST & YOUNG  
Certified Public Accountants

Singapore

## GENERAL AND STATUTORY INFORMATION

### INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The names, ages, addresses and current occupations of the Directors of the Company and Executive Officers of the Group are set out on pages 38 and 39 of this Prospectus.
2. Information on the business and working experience of the Directors is set out below:–

**Mr Neo Koon Boo** is one of the founders of the Company and has been its Managing Director since the Company was established on 29 August 1980. Mr Neo's experience in the timber industry spans 20 years. He is responsible for the general management of the Company and its financial well-being and plays a key role in charting out its strategic direction. Over the last decade, Mr Neo had been instrumental in the expansion of the Company's business with annual turnover growing from approximately \$3.0 million in 1981 to \$25.3 million in 1998. He has expanded the customer base of the Company to include the Japanese market and also established a reliable network of suppliers within the region. Today, Mr Neo is the driving force behind the Company's new wood waste recycling operation.

**Mr Tan Kim Sing** is also one of the founders of the Company and has been a Director since 29 August 1980. Mr Tan has more than 20 years' experience in the timber industry and is knowledgeable in the production of wooden crates and pallets and also in the procurement of timber. He is responsible for the Company's production operations and is involved in the direct purchase of raw material.

**Ms Yap Mui Kee** has been the Sales and Marketing Director of the Company since 1988 and is in charge of all sales and marketing functions of the Group. She has over ten years' experience in these functions and plays the key role in exploring opportunities in new markets. Part of her responsibility is also to monitor the market developments so as to streamline the Company's product development efforts to market demands. She is also responsible for human resource management and the development of the Company.

**Ms Yap Mei Yen, Sally**, joined KHL, a wholly owned subsidiary of the Company, as an Accounts Assistant in 1988. She was transferred to the Company in 1990 as Senior Administration Officer and was promoted to Corporate Affairs Secretary in 1995. She reports directly to the Board of Directors and the Management Committee of the Group. Apart from secretariat and administrative duties, Ms Yap's responsibilities include public relation and corporate affairs. She is also a member of the Company's ISO 9002 Committee. She has a Diploma in Business Studies from Ngee Ann Polytechnic (Singapore) and is in the final stage of obtaining membership with the Singapore Association of The Chartered Secretaries and Administrators.

**Mr Low Peng Kit**, BBM, joined the Company as an Independent Director in July 1999. Mr Low currently is the Managing Director of First Medical Laboratory Pte Ltd and he also sits on the boards of seven other companies which have businesses in health care, construction and marketing. In these companies, Mr Low has been involved in sales, administration and accounts. In addition, Mr Low is also actively involved in grassroots organisations. He is currently the Chairman of Yew Tee CCC and is also on the Board of Management of Hong Kah Town Council. In addition, he is a member of Sembawang-Hong Kah Community Development Council.

**Mr Tan Kok Hiang** joined the Company as an Independent Director in July 1999. Mr Tan currently is the Managing Director of Sembawang Capital Pte Ltd. He is experienced in capital markets functions such as corporate finance and asset management, etc. Mr Tan was previously the Chief Executive Officer of Trans-Pacific Credit Private Limited and currently sits on the boards of 21 companies including the publicly listed Transit-Mixed Concrete Ltd and Leong Hin Holdings Limited.

3. The list of present and past directorships of each Director for the last five years is set out below:–

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>	
Neo Koon Boo	<u>Group Companies</u>	<u>Group Companies</u>	
	Kim Hiap Lee Company (Pte.) Limited	Nil	
	LHT Marketing Pte Ltd		
	Lian Hup Packaging Industries Sdn. Bhd.		
	Siri Belukar Packaging Sdn. Bhd.		
	Takashima Packaging (S) Pte Ltd		
	<u>Other Companies</u>	<u>Other Companies</u>	
	Silver Galaxy Sdn Bhd	Hup Seng Properties Pte Ltd	
	Tan Kim Sing	<u>Group Companies</u>	<u>Other Companies</u>
		Kim Hiap Lee Company (Pte.) Limited	Nil
Lian Hup Packaging Industries Sdn. Bhd.			
Siri Belukar Packaging Sdn. Bhd.			
<u>Other Companies</u>		<u>Other Companies</u>	
Silver Galaxy Sdn Bhd		Nil	
Yap Mui Kee	<u>Group Companies</u>	<u>Group Companies</u>	
	Kim Hiap Lee Company (Pte.) Limited	Nil	
	LHT Marketing Pte Ltd		
	<u>Other Companies</u>	<u>Other Companies</u>	
	Silver Galaxy Sdn Bhd	Kok Hong Product Import & Export Pte Ltd	
	Sally Yap Mei Yen	<u>Group Companies</u>	<u>Group Companies</u>
Nil		Nil	
<u>Other Companies</u>		<u>Other Companies</u>	
Nil		Nil	

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Low Peng Kit	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Advertising Circle Pte Ltd Almond Marketing Pte Ltd EYT Enterprise Pte Ltd First Medical Laboratory Pte Ltd Kit Hoe Leong Construction Pte Ltd Latest Development Pte Ltd Latest Trading Pte Ltd	Child Educational Co. Pte Ltd Mount Sinai Developments Pte Ltd Mount Sinai Industrial Corporation Pte Ltd Mount Sinai Management Services Pte Ltd Mount Sinai Medical Centre Pte Ltd Mount Sinai Medical Group Pte Ltd Mount Sinai Technologies Pte Ltd Mount Sinai Wellness Corporation Pte Ltd
Tan Kok Hiang	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Association of Accounting Technicians Singapore Ltd Conifers Investment Pte Ltd Electras Technologies Pte Ltd ( <i>alternate director</i> ) Fullmark Data Pte Ltd Fullmark Pte. Ltd. Fullmark Software Solutions Pte Ltd Gold Roast Holdings Pte Ltd Highway Sound Light Engineering Pte Ltd ICPAS Training Centre Pte Ltd International Port Engineering & Management (Singapore) Private Ltd Leong Hin Holdings Limited Marine, Dredging and Reclamation Consultants — Asia Pte Ltd Pacific Traders Private Limited Regional Equipment Leasing Pte Ltd	Citylimo Auto Credit Pte Ltd Citylimo Car Care Pte Ltd Citylimo Leasing Pte Ltd Citylimo Rent-A-Car Pte Ltd Karro Industries Pte Ltd ( <i>voluntarily wound up</i> ) The Capita Corporation Singapore Pte Ltd

Name	Present Directorships	Past Directorships
	Sembawang Capital (Hong Kong) Ltd	
	Sembawang Capital Pte Ltd	
	Sembawang Repromac Pte Ltd	
	Semrental Sdn Bhd (Brunei)	
	Trans Pacific Factors Sdn Bhd	
	Transit-Mixed Concrete Ltd	
	Vigorcel Pte Ltd	

4. Information on the business and working experience of the Executive Officers of the Group is given below:–

**Mr Han Yee Yen** joined the Company as the Financial Controller and Assistant General Manager on 22 February 1999. Mr Han has been a professional in finance and accounting for the last ten years. His past experience includes being the Financial Controller of Weitnauer Singapore Pte Ltd, Finance and Administration Controller of Astina Electronics (S) Pte Ltd, and General Manager and Accounts Manager of Miyoshi Precision (S) Pte Ltd. Mr Han is therefore knowledgeable in financial management and familiar with practices of banking, audit and finance. He has a Bachelor's Degree of Commerce (Accountancy) and is a non-practising member of the Institute of Certified Public Accountants, Singapore.

**Mr Yeo Boon Chan** has been the Logistic Manager as well as the Deputy Factory Manager of the Company since 1990. Mr Yeo is responsible for overseeing the operation of the warehouses, the acceptance of raw materials and the delivery of finished products. He is also experienced in the procurement of raw materials. Over the years, Mr Yeo had been instrumental in improving the management system of the warehouse and the implementation of the "on-time" management concept with the efficient integration of the warehouse with the raw material suppliers and the production floor.

**Mr Leong Kin Thong** is the Engineering Manager of the Company and is responsible for the installation and engineering works of machines. He is also the Company management's representative for ISO 9002. Mr Leong has extensive knowledge about the general operations of the Company as he had been involved in the general management of the Company since the commencement of his employment in 1991. He is experienced in electrical engineering works as well as technical data analysis, having graduated with a Master of Science degree from Waseda University in Japan. Mr Leong's past experience includes being the plant manager at Silverstone Fire & Rubber Co Sdn Bhd where he was responsible for the factory management in purchasing, engineering and production.

**Mr Wan Choon Hwa** joined the Company in 1998 and is the Project Manager responsible for the Company's state-of-the-art waste wood recycling operation. Mr Wan has a wide range of project management experience and was the project engineer at MHE-Dematic Logistics Pte Ltd from 1996 to 1998 and Keppel Engineering Pte Ltd from 1994 to 1995. Relevant to his role in managing the waste wood recycling project is his professional experience and skills in systems installation, procurement, commissioning and training. Mr Wan has a Bachelor's Degree in Mechanical Engineering.

**Mr Tay Ei** has been the Production Manager responsible for the all the production operations in the Company since 1998. Through production planning and scheduling, he is responsible for the achievement of products targets in terms of quantity, quality, time and also efficiency in the use of raw materials. Mr Tay's experience includes production management in an Indonesian timber factory.



**Mr Cheung Hock King** joined the Company in 1998 and is the Personnel and Administration Manager of the Company, responsible for human resources and office administrative matters. Mr Cheung is currently involved in various projects to enhance the Company's competitiveness. He is also the project manager for the National Cost of Quality project and a member of the Safety Committee as well as the ISO 9002 Committee. Mr Cheung's human resource experience includes his tenure at companies in the region including Hong Kong Mass Transit Railway Corporation and TAL Apparel Group of Companies. He holds a Master degree in Business Administration from Newport University (California, USA), a Post-graduate Diploma in Training from Leicester University (Leicester, UK) and a Diploma in Management Studies from Hong Kong Polytechnic (Hong Kong). Mr Cheung also holds the designation of "Chartered Manager" from Canadian Chartered Institute of Business Administration.

**Ms Neo Bee Cheow** is the Assistant Accounts Manager of the Company and is responsible for the preparation of management and statutory accounts and ensuring compliance with accounting standards. Ms Neo is also responsible for the smooth functioning of the Accounts Department, maintaining cost information and the preparation of management information reports. She is currently a member of the Management Committee and holds a diploma in Management Accounting & Finance from the Productivity and Standard Board in Singapore. Ms Neo has been working in the Company since June 1989.

5. The list of present and past directorships of each Executive Officer for the last five years is set out below:–

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Han Yee Yen	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Denon Japanese Restaurant (S) Pte Ltd	Nil
Yeo Boon Chan	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
Leong Kin Thong	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
Wan Choon Hwa	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
Tay Ei	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
Cheung Hock King	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
Neo Bee Cheow	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil

6. Mr Tan Kok Hiang was a director of Karro Industries Pte Ltd since 1 March 1991. The Company has since gone into liquidation pursuant to a members' voluntary winding up. Save as disclosed above, no Director or Executive Officer is or was involved in any of the following events:–
  - (a) a petition under any bankruptcy laws filed in any jurisdiction against him or any partnership in which he was a partner or any corporation of which he was a director or an executive officer; or
  - (b) a conviction of any offence, other than a traffic offence, or a judgement, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings in Singapore or elsewhere, or any proceedings now pending which may lead to a conviction or judgement, or any criminal investigation pending against him; or
  - (c) the subject of an order, judgment or ruling of any court, tribunal or government body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
7. The aggregate emoluments (including CPF contributions thereon) paid to the then existing directors for services rendered in all capacities to the Company and its subsidiaries in FY98 amounted to approximately \$833,000. The aggregate emoluments payable to the present Executive Directors in FY99 under the arrangements in force at the date of this Prospectus, including the service agreements referred to on pages 39 and 40 of this Prospectus, is approximately \$620,000.
8. A letter of appointment dated 1 June 1995 was issued by the Company to Ms Yap Mei Yen, Sally, and accepted by Ms Yap Mei Yen, Sally, in relation to her appointment as the Corporate Secretary. Save as disclosed in this paragraph and on pages 39 and 40 of this Prospectus, there are no existing or proposed service contracts between the Directors and the Company or its subsidiaries.
9. Save as disclosed on pages 38 and 39 of this Prospectus, the Directors and Executive Officers are unrelated by blood or marriage to one another nor are they so related to any substantial shareholder of the Company.
10. No option to subscribe for shares in, or debentures of, the Company or its subsidiaries has been granted to, or was exercised by, any Director or Executive Officer within the last financial year.
11. No person has been, or is entitled to be, given an option to subscribe for any shares in or debentures of the Company or its subsidiaries.
12. Save as disclosed on pages 36 and 37 of this Prospectus, no Director is interested, directly or indirectly, in the promotion of, or in any assets acquired or disposed of by, or leased to, the Company or its subsidiaries within two years preceding the date of this Prospectus, or in any proposal for such acquisition or disposal or lease as aforesaid.
13. No Director has any interest in any existing contract or arrangement which is significant in relation to the business of the Group taken as a whole.
14. No Director, substantial shareholder or Executive Officer has any interest, direct or indirect, in any business carrying on a similar trade as the Company or its subsidiaries.
15. There is no shareholding qualification for Directors in the Articles of Association of the Company.

16. The interests of the Directors and substantial shareholders in the Shares at the date of this Prospectus and as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Companies Act (Chapter 50) are as follows:–

<b>Name</b>	<b>Number of Shares registered in the names of Directors and substantial shareholder</b>	<b>%</b>	<b>Number of Shares in which the Directors and substantial shareholders are deemed to have an interest</b>	<b>%</b>
<b>Directors</b>				
Neo Koon Boo*	42,455,760	28.30	85,225,290	56.82 <sup>(1)(2)</sup>
Tan Kim Sing*	36,189,160	24.13	91,491,890	60.99 <sup>(1)(2)</sup>
Yap Mui Kee*	20,862,950	13.91	106,818,100	71.21 <sup>(1)(2)</sup>
Sally Yap Mei Yen <sup>(3)</sup>	—	—	—	—
<b>Holders of 5% or more</b>				
Ng E Teck*	20,666,210	13.78	107,014,840	71.34 <sup>(1)(2)</sup>
Lee Jim Boon	8,550,790	5.70	516,900	0.34 <sup>(2)</sup>
Estate of Ho Mun	8,550,720	5.70	—	—
<b>Holders of less than 5%</b>				
Yeo Boon Chan	4,357,730	2.91	263,430	0.18 <sup>(2)</sup>
Leong Kin Thong	4,357,730	2.91	263,430	0.18 <sup>(2)</sup>
Seiko Co. Ltd	4,008,950	2.67	—	—

**Notes:–**

- (1) Deemed interest arising from the Management Shareholders' Agreement as elaborated on page 18 of the Prospectus.  
(2) Deemed interest arising from the HM Sale Agreement (as amended and varied by the Supplemental Agreement) as elaborated on page 16 of the Prospectus.  
(3) Alternate Director to Yap Mui Kee.

Save as disclosed above, no Director has any interest in the Shares, including the New Shares, which are the subject of this Invitation.

17. No sum has been paid or has been agreed to be paid to any Director or to any firm in which a Director is a partner in cash or in shares or otherwise by any person to induce him to become a Director in connection with the promotion or formation of the Company.

**SHARE CAPITAL**

18. As at the date of this Prospectus, there is only one class of shares in the capital of the Company. The rights and privileges attached to the Shares are stated in the Articles of Association of the Company. There are no founder, management or deferred shares.

19. Save as disclosed herein, there were no changes in the issued share capital of the Company within the last two years preceding the date of this Prospectus.

<b>Date of Issue</b>	<b>Number of Shares Issued</b>	<b>Issue Price</b>	<b>Purpose of Issue/ Consideration</b>	<b>Resultant Issued Share Capital</b>
30 July 1997	2,500,000	\$1.00	Capitalisation of revenue reserve/ Par value	Neo Koon Boo (625,215) Tan Kim Sing (566,441) Ng E Teck (430,546) Yap Mui Kee (247,145) Lee Jim Boon (178,141) Estate of Ho Mun (178,140) Seiko Co. Ltd (92,800) Leong Kin Thong (90,786) Yeo Boon Chan (90,786)
29 June 1998	1,500,000	\$1.00	Capitalisation of revenue reserve/ Par value	Neo Koon Boo (375,129) Tan Kim Sing (339,865) Ng E Teck (258,328) Yap Mui Kee (148,287) Lee Jim Boon (106,885) Estate of Ho Mun (106,884) Seiko Co. Ltd (55,680) Leong Kin Thong (54,471) Yeo Boon Chan (54,471)
15 July 1998	1,000,000	\$1.00	Cash for additional working capital/ Par value	Neo Koon Boo (287,206) Tan Kim Sing (226,576) Ng E Teck (172,219) Yap Mui Kee (98,858) Lee Jim Boon (71,257) Estate of Ho Mun (71,256) Leong Kin Thong (36,314) Yeo Boon Chan (36,314)
15 January 1999	3,000,000	\$1.00	Bonus issue — capitalisation of revenue reserve/ Par value	Neo Koon Boo (761,394) Tan Kim Sing (679,729) Ng E Teck (516,655) Yap Mui Kee (296,574) Lee Jim Boon (213,770) Estate of Ho Mun (213,768) Leong Kin Thong (108,943) Yeo Boon Chan (108,943) Seiko Co. Ltd (100,224)
20 April 1999	2,000,000	\$1.00	Bonus issue — capitalisation of revenue reserve/ Par value	Neo Koon Boo (507,596) Tan Kim Sing (453,152) Ng E Teck (344,437) Yap Mui Kee (197,716) Lee Jim Boon (142,513) Estate of Ho Mun (142,512) Leong Kin Thong (72,629) Yeo Boon Chan (72,629) Seiko Co. Ltd (66,816)

Save as disclosed herein, there were no changes in the issued share capital of the Company's subsidiaries within the last two years preceding the date of this Prospectus.

<b>Date of Issue</b>	<b>Number of Shares Issued</b>	<b>Issue Price</b>	<b>Purpose of Issue/ Consideration</b>	<b>Resultant Issued Share Capital</b>
<b>LHP</b>				
24 January 97	4	RM1.00	Subscriber shares/ Par value	Neo Koon Boo (1 share) <sup>(1)</sup> Tan Kim Sing (1 share) <sup>(1)</sup> Tay Kee Kuang (1 share) <sup>(1)</sup> Tay Kee Soon (1 share) <sup>(1)</sup>
8 December 1997	20,000	RM1.00	Initial working capital/Par value	The Company (20,000 shares)
29 August 1998	238,720	RM1.00	Initial working capital/Par value	The Company (238,720 shares)
<b>LHTM</b>				
27 February 1998	2	\$1.00	Subscriber shares/ Par value	Neo Koon Boo (1 share) <sup>(2)</sup> Yap Mui Kee (1 share) <sup>(2)</sup>
26 May 98	149,998	\$1.00	Initial working capital/Par value	The Company (99,998 shares) Jiro Sawada (50,000 shares)

**Notes:-**

- (1) 1 share each was initially issued to Messrs Neo Koon Boo, Tan Kim Sing, Tay Kee Kuang and Tay Kee Soon. These four subscriber shares were subsequently transferred to LHT on 5 December 1997.
- (2) 1 share each was initially issued to Mr Neo Koon Boo and Ms Yap Mui Kee. These two subscriber shares were subsequently transferred to LHT on 27 May 1998.

20. Save as disclosed above, no shares or debentures were issued or were agreed to be issued by the Company or its subsidiaries for cash or for a consideration other than cash during the last two years preceding the date of this Prospectus.

**21. ARTICLES OF ASSOCIATION**

The provisions in the Articles of Association of the Company relating to transfers of shares, the voting rights of shareholders of the Company, restrictions on the voting rights of the Directors, class rights and the variation thereof, the borrowing powers of the Directors and the remuneration of the Directors are as follows:-

**Transfer of Shares**

*Article 21*

Subject to these Articles, any Member may transfer all or any of his shares but every instrument of transfer of the legal title in shares must be in writing and in the form for the time being approved by the Directors and the Exchange. Shares of different classes shall not be comprised in the same instrument of transfer. The Company shall accept for registration transfers in the form approved by the Exchange.

*Article 22*

The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository shall not be ineffective by reason of it not being signed or witnessed for by or on behalf of the Depository. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members.

#### *Article 23*

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

#### *Article 24*

- (1) Subject to this Article 24, the Act or as required by the Exchange, there shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any such transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register as required by the Act.
- (2) The Directors may decline to register any instrument of transfer unless:–
  - (i) such fee not exceeding S\$2 (or such other sum as may be approved by the Exchange from time to time) as the Directors may from time to time require, is paid to the Company in respect thereof;
  - (ii) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
  - (iii) the instrument of transfer is in respect of only one class of shares.

#### *Article 26*

The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in the aggregate in any year. Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.

#### *Article 27*

- (1) Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.
- (2) Neither the Company nor its Directors nor any of its Officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other Officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

## VOTING RIGHTS

### Article 10

- (1) If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a Special Resolution passed at a separate General Meeting of the holders of shares of the class and to every such Special Resolution the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate General Meeting the provisions of these Articles relating to General Meetings shall *mutatis mutandis* apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll. Provided always that where the necessary majority for such a Special Resolution is not obtained at the Meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the Meeting shall be as valid and effectual as a Special Resolution carried at the Meeting.
- (2) The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholder rights, may only be made pursuant to a special resolution of the preference shareholders concerned. PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the Meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the Meeting, shall be as valid and effectual as a special resolution carried at the Meeting.

### Article 76

Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. On a show of hands every Member who is present in person or by proxy or attorney, or in the case of a corporation by a representative, shall have one vote provided that if a Member is represented by two proxies, only one of the two proxies as determined by their appointor shall vote on a show of hands and in the absence of such determination, only one of the two proxies as determined by the Chairman (or by a person authorised by him) shall vote on a show of hands and on a poll, every Member who is present in person or by proxy, attorney or representative shall have one vote for each share which he holds or represents Provided Always That notwithstanding anything contained in these Articles, a Depositor shall not be entitled to attend any General Meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not earlier than 48 hours before that General Meeting (the "cut-off time") as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor's Securities Account at the cut-off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two proxies, to apportion the said number of shares between the two proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor's Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.

#### *Article 77*

Where there are joint holders of any share any one of such persons may vote and be reckoned in a quorum at any Meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto but if more than one of such joint holders is so present at any meeting then the person present whose name stands first in the Register of Members or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.

#### *Article 78*

If a Member be a lunatic, idiot or non-compos mentis, he may vote whether on a show of hands or on a poll by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight hours before the time appointed for holding the Meeting.

#### *Article 79*

Subject to Articles 76, 77, 78, 83, 84 and 85, every Member either personally or by attorney or in the case of a corporation by a representative and every proxy shall be entitled to be present and to vote at any General Meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.

#### *Article 80*

No objection shall be raised to the qualification of any voter except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered and every vote not disallowed at such Meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the Meeting whose decision shall be final and conclusive.

#### *Article 81*

On a poll votes may be given either personally or by proxy or by attorney or in the case of a corporation by its representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

#### *Article 82*

- (1) A Member may appoint not more than two proxies to attend and vote at the same General Meeting.
- (2) If the Member is a Depositor, the Company shall be entitled:–
  - (i) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered in its Securities Account as at the cut-off time as certified by the Depository to the Company; and
  - (ii) to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in its Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.
- (3) Where a Member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.



- (4) Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the member personally or by his attorney, or in the case of a corporation by its representative.
- (5) Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members, or in the case of a Depositor, standing to the credit of that Depositor's Securities Account, such proxy may not exercise any of the votes or rights of the shares not registered to the name of that Member in the Register of Members or standing to the credit of that Depositor's Securities Account as at the cut-off time, as the case may be.

*Article 83*

A proxy or attorney need not be a Member, and shall be entitled to vote on a show of hands on any question at any General Meeting.

*Article 84*

Any instrument appointing a proxy shall be in writing in the common form approved by the Directors under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under seal or under the hand of its attorney duly authorised and the Company shall accept as valid in all respects the form of proxy approved by the Directors for use at the date relevant to the General Meeting in question.

*Article 85*

The instrument appointing a proxy, together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the instrument of proxy and must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the Meeting not less than forty-eight hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used failing which the instrument may be treated as invalid. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the Meeting as for the Meeting to which it relates Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates. An instrument of proxy shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointer. Unless otherwise instructed, a proxy shall vote as he thinks fit. The signature on an instrument appointing a proxy need not be witnessed.

*Article 86*

A vote given in accordance with the terms of an instrument of proxy (which for the purposes of these Articles shall also include a power of attorney) shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.

*Article 87*

Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any Meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company. The Company shall be entitled to treat a certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Article.

## DIRECTORS' VOTING POWERS

### *Article 96*

- (1) No Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement with the Company either as vendor, purchaser or otherwise nor shall such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established but every Director shall observe the provisions of Section 156 of the Act relating to the disclosure of the interests of the Directors in contracts or proposed contracts with the Company or of any office or property held by a Director which might create duties or interests in conflict with his duties or interests as a Director and any contract or arrangement to be entered into by or on behalf of the Company in which any Director shall be in any way interested shall be subject to any requirements that may be imposed by the Exchange. No Director shall vote in respect of any contract, arrangement or transaction in which he is so interested as aforesaid or in respect of any allotment of shares in or debentures of the Company to him and if he does so vote his vote shall not be counted but this prohibition as to voting shall not apply to:—
  - (i) any arrangement for giving to him any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company; or
  - (ii) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security; or
  - (iii) any contract by him to subscribe for or underwrite shares or debentures of the Company; or
  - (iv) any contract or arrangement with any other company, corporation or body in which he is interested only as a director or other officer or creditor of or as a shareholder in or beneficially interested in the shares thereof.
- (2) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting where he or any other Director is appointed to hold any office or place of profit under the Company, or where the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or where the Directors resolve to enter into or make any arrangements with him or on his behalf pursuant to these Articles or where the terms of any such appointment or arrangements as hereinbefore mentioned are considered, and he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof. Notwithstanding Articles 96(1)(i) to (iv) above, a Director shall not vote in respect to any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly a personal material interest.
- (3) The provisions of this Article may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction by the Company in General Meeting, and any particular contract, arrangement or transaction carried out in contravention of this Article may be ratified by Ordinary Resolution of the Company.

#### *Article 97*

- (1) A Director may hold any other office or place of profit under the Company (except that of Auditor) and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director, and on such terms as to remuneration and otherwise as the Directors shall determine. A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, purchaser, shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs.
- (2) The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

#### *Article 98*

The Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors of the Company (or any equivalent appointment(s) howsoever described) and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their places. Where an appointment is for a fixed term such term shall not exceed five years.

### **Borrowing Powers of Directors**

#### *Article 124*

The Directors may at their discretion exercise every borrowing power vested in the Company by its Memorandum of Association or permitted by law and may borrow or raise money from time to time for the purpose of the Company and secure the payment of such sums by mortgage, charge or hypothecation of or upon all or any of the property or assets of the Company including any uncalled or called but unpaid capital or by the issue of debentures (whether at par or at discount or premium) or otherwise as they may think fit.

### **Remuneration of Directors**

#### *Article 92*

- (1) The fees of the Directors shall be determined from time to time by the Company in General Meetings and such fees shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the Meeting. Such fees shall be divided among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such fee is payable shall be entitled only to rank in such division for the proportion of fee related to the period during which he has held office.
- (2) Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which, in the opinion of the Directors, are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine, subject however as is hereinafter provided in this Article.
- (3) Notwithstanding Article 92(2), the remuneration in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

*Article 93*

The Directors shall be entitled to be repaid all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

*Article 94*

Subject to the Act, the Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director or former Director who had held any other salaried office or place of profit with the Company or to his widow or dependants or relations or connections and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

*Article 95*

The Directors may procure the establishment and maintenance of or participate in or contribute to any non-contributory or contributory pension or superannuation fund or life assurance scheme or any other scheme whatsoever for the benefit of and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to any persons (including Directors and other officers) who are or shall have been at any time in the employment or service of the Company or of the predecessors in business of the Company or of any subsidiary company, and the wives, widows, families or dependants of any such persons. The Directors may also procure the establishment and subsidy of or subscription and support to any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or otherwise to advance the interests and well-being of the Company or of any such other company as aforesaid or of its Members and payment for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantees of money for charitable or benevolent objects or for any exhibition or for any public, general or useful object.

*Article 97*

- (1) A Director may hold any other office or place of profit under the Company (except that of Auditor) and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director, and on such terms as to remuneration and otherwise as the Directors shall determine. A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, purchaser, shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs.

*Article 100*

The remuneration of a Managing Director (or any Director holding an equivalent appointment) shall from time to time be fixed by the Directors and may subject to these Articles be by way of salary or commission or participating in profits or by any or all of these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

*Article 109*

- (1) Any Director of the Company may at any time appoint any person who is not a Director or an alternate of another Director and who is approved by a majority of his Co-Directors to be his Alternate Director and may at any time remove any such Alternate Director from office. An Alternate Director so appointed shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company. Any fee paid to an Alternate Director shall be deducted from the remuneration otherwise payable to his appointor.

## **BANK BORROWINGS AND WORKING CAPITAL**

22. As at the date of this Prospectus, the Company has been granted various banking facilities (collectively the "Facilities") in the aggregate amount of the Singapore dollar equivalent of approximately \$21.68 million by various banks and financial institutions in Singapore (collectively the "Lenders"). In connection with the Facilities, various joint and several personal guarantees have been given in favour of the respective Lenders by various persons (including three Directors who are also substantial shareholders and past directors who are also substantial shareholders) (collectively referred to as the "Guarantors"). Upon the admission of the Company to the Official List of the SES, and subject to the approval of the relevant Lender, the various Guarantors propose to be discharged from the various joint and several personal guarantees furnished to the respective Lenders. The Directors are of the view that the discharge of the personal guarantees would not prejudice the interest of the Company and there would not be any additional risk to the Company.
23. Save as disclosed on page 41 of this Prospectus and in the Accountants' Report, the Company and its subsidiaries had as at 31 May 1999, no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptances credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.
24. In the opinion of the Directors, there are no minimum amounts which must be raised by the issue of the New Shares in order to provide for the following items:—
- (a) The purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the Invitation;
  - (b) Estimated preliminary and issue expenses (including underwriting and placement commission) for this Invitation payable by the Company;
  - (c) The repayment of any money borrowed by the Company in respect of any of the foregoing matters; and
  - (d) Working capital.
- No amount is required to be provided in respect of the matters aforesaid otherwise than out of the proceeds from the issue of the New Shares.
25. The Directors are of the opinion that, after taking into account the present banking facilities, the Group has adequate working capital for its present requirements.

## **MATERIAL CONTRACTS**

26. The following contracts not being contracts entered into in the ordinary course of business of the Company and its subsidiaries (as the case may be) have been entered into by the Company and its subsidiaries (as the case may be) within the two years preceding the date of this Prospectus and are or may be material:—
- (a) A License Agreement was entered into between the Company and Werzalit International Technologie-Verwertungs-GmbH ("Werzalit") on 11 June 1997 for an initial period of 15 years which is renewable for further consecutive periods of 10 years unless either party gives notice of its intention not to renew the relevant term by the 31st of December of the year immediately preceding the expirations of the relevant term. Pursuant to the License Agreement, the Company obtained an exclusive production license for one production site in Singapore and a non-exclusive, world-wide distribution license to use, sell or otherwise deal in the products manufactured using the licensed technology.
  - (b) A Purchase Contract entered into between the Company and Werzalit Industrie-Ausrüstungs-GmbH ("Werzalit") on 11 June 1997 relating to the Company's purchase of machinery, equipment, press tooling and engineering services from Werzalit for a purchase consideration of Deutsche Marks 10,260,000.

- (c) A Receiving Banker's Agreement dated 13 July 1999 entered into between the Company and The Development Bank of Singapore Ltd ("DBS") appointing DBS as the receiving banker in relation to the Invitation.
- (d) A Management and Underwriting Agreement dated 13 July 1999 entered into between the Company and DBS pursuant to which the Company shall appoint DBS to manage the Invitation and underwrite the New Shares.
- (e) A Placement Agreement dated 13 July 1999 entered into between the Company and DBS pursuant to which DBS agreed to subscribe or to procure subscription for the Placement Shares.
- (f) A Depository Agreement dated 7 July 1999 entered into between the Company and CDP pursuant to which CDP will act as share depository for the Company for trades in the securities of the Company through the SES.

## LITIGATION

27. Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration proceedings either as plaintiff or defendant in respect of any claims or amounts which are material in the context of this Prospectus in the past 12 months. As at the date of this Prospectus, the Directors have no knowledge of any proceedings, litigation or claims of material importance which are pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any such litigation, arbitration or claim which might materially affect the financial position of the Group.

## MANAGEMENT AND UNDERWRITING ARRANGEMENTS

28. (a) Pursuant to the management and underwriting agreement (the "Management and Underwriting Agreement") dated 13 July 1999 entered into between the Company and DBS Bank, the Company appointed DBS Bank to manage the Invitation and underwrite the Offer Shares. DBS Bank will receive a management fee from the Company for its services rendered in connection with the Invitation.
- (b) Pursuant to the Management and Underwriting Agreement, DBS Bank agreed to underwrite the Offer Shares for a commission of 1.5% of the Offer Price for each Offer Share, payable by the Company.
- (c) Pursuant to the placement agreement (the "Placement Agreement") dated 13 July 1999 entered into between the Company and DBS Bank, DBS Bank agreed to subscribe or procure subscriptions for the Placement Shares for a placement commission of 2.5% of the Placement Price for each Placement Share, payable by the Company.
- (d) Brokerage will be paid by the Company to members of the Stock Exchange, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at the ATMs of the relevant Participating Banks, at the rate of 1% of the Offer Price for each Offer Share.
- (e) Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of the Company or any of its subsidiaries.
- (f) The Management and Underwriting Agreement may be terminated by the Underwriter at any time on or before the closing of the Application List on the occurrence of certain events including, *inter alia*, changes in political, financial or economic conditions in Singapore or abroad which result, *inter alia*, in the Singapore stock market being materially and adversely affected.

- (g) The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement.

## **MISCELLANEOUS**

29. The nature of the business of the Company is stated on pages 20 to 27 of this Prospectus. At the date of this Prospectus, all the corporations listed below are by virtue of Section 6 of the Companies Act (Chapter 50) deemed to be related to the Company:–

### ***Subsidiaries of the Company***

Kim Hiap Lee Company (Pte.) Limited  
LHT Marketing Pte Ltd  
Lian Hup Packaging Industries Sdn. Bhd.

### ***Associated Companies of the Company***

Takashima Packaging (S) Pte Ltd  
Siri Belukar Packaging Sdn. Bhd.

30. The time of opening of the Application List is set out on page 7 of this Prospectus.
31. The amount payable on application is \$0.18 for each Offer Share and \$0.18 for each Placement Share. There has been no previous issue of Shares by the Company or offer for sale of its Shares to the public within the two years preceding the date of this Prospectus.
32. Application moneys received by the Company in respect of successful applications (including successful balloted applications which are subsequently rejected) will be placed in a separate non-interest bearing account with DBS Bank (the “Receiving Bank”). In the ordinary course of business, the Receiving Bank will deploy these moneys in the interbank money market. Pursuant to an agreement contained in a letter dated 13 July 1999, the Company and the Receiving Bank have agreed that the Company will receive for its own account an aggregate of a 50% share of any net revenue in excess of \$100,000 earned by the Receiving Bank from the deployment of such monies in the interbank money market. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of such revenue or any other benefits.
33. No property has been purchased or acquired or proposed to be purchased or acquired by the Company or its subsidiaries which is to be paid for wholly or partly out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus other than property the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of the Company or its subsidiaries, the contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
34. The preliminary expenses of this issue and of the application for listing is \$10,300, in respect of SES's application fee. The estimated amount of the expenses of this issue and of the application for listing, including underwriting and placement commission, brokerage, management fee and all other incidental expenses in relation to this Invitation is approximately \$675,000, which will be borne by the Company. The listing fee and other fees payable to the SES for the listing are payable by the Company.
35. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time.

36. Save as disclosed in this Prospectus, the Directors are not aware of any relevant material information including trading factors or risks not mentioned elsewhere in the Prospectus which is unlikely to be known or anticipated by the general public and which could materially affect the profits of the Company and its subsidiaries.
37. Save as disclosed in this Prospectus, the financial condition and operations of the Group are not likely to be affected by any of the following:—
- (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way;
  - (b) material commitments for capital expenditures;
  - (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
  - (d) known trends or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on revenues or operating income.

## **CONSENTS**

38. The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their Accountants' Report, letter on consolidated profit forecast for the financial year ending 31 December 1999 and letter in relation to the unaudited financial statements for the five months ended 31 May 1999 and references to their name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
39. The Manager, Underwriter and Placement Agent, the Solicitors, the Principal Banker, the Share Registrars and the auditors named on page 53 of this Prospectus (other than Ernst & Young) have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion herein of their names in the form and context in which they appear in this Prospectus and to act in those capacities in relation to this Prospectus.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

40. Copies of the following documents may be inspected at the registered office of the Company at 27, Sungei Kadut Street 1, Singapore 729335, during normal business hours for a period of six months from the date of this Prospectus:—
- (a) the Memorandum and Articles of Association of the Company;
  - (b) the Accountants' Report;
  - (c) the letter from the Reporting Accountants on the consolidated profit forecast for the financial year ending 31 December 1999 and in relation to the unaudited consolidated balance sheet as at 31 May 1999 and profit and loss statement for the five months ended 31 May 1999;
  - (d) Statement of Adjustments;
  - (e) the material contracts referred to on pages 83 and 84 of this Prospectus;
  - (f) the letters of consent referred to on page 86 of this Prospectus;
  - (g) the audited accounts of the Group for the last two financial years ended 31 December 1997 and 31 December 1998; and
  - (h) the service agreements referred to on pages 39 and 40 of this Prospectus.



#### **STATEMENT BY DIRECTORS OF THE COMPANY**

41. This Prospectus has been seen and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statements herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and the Company and its subsidiaries. The Directors confirm that the profit forecast of the Group for the financial year ending 31 December 1999 set out on page 44 of the Prospectus has been stated by them after due and careful enquiry.

#### **STATEMENT BY DBS BANK**

42. DBS Bank acknowledges that, to the best of its knowledge and belief, based on information furnished to it by the Group, this Prospectus constitutes a full and true disclosure of all the material facts about the Invitation and the Company and its subsidiaries and it is not aware of any other facts the omission of which would make any statements herein misleading, and is satisfied that the profit forecast has been stated by the Directors after due and careful inquiry.

**TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION**

Applications are invited for the 50,000,000 Invitation Shares at a price of \$0.18 for each Invitation Share subject to the following terms and conditions:-

1. Applications for the Offer Shares may be made by way of printed Offer Shares Application Forms or by way of Electronic Applications through ATMs of the Participating Banks. Applications for Placement Shares may only be made by way of printed Placement Shares Application Forms, and applications for Reserved Shares may only be made by way of printed Reserved Shares Application Forms. **Applicants may not use CPF Funds to apply for the Invitation Shares.**

2. ONLY ONE APPLICATION FOR THE OFFER SHARES OR THE PLACEMENT SHARES (OTHER THAN RESERVED SHARES) MAY BE MADE FOR THE BENEFIT OF ONE PERSON IN HIS OWN NAME. A PERSON SUBMITTING AN APPLICATION FOR THE OFFER SHARES BY WAY OF A PRINTED APPLICATION FORM MAY NOT SUBMIT ANOTHER APPLICATION BY WAY OF ELECTRONIC APPLICATION AND *VICE VERSA*. SUCH SEPARATE APPLICATIONS WILL BE DEEMED TO BE A MULTIPLE APPLICATION AND SHALL BE REJECTED.

A PERSON, OTHER THAN AN APPROVED NOMINEE COMPANY, WHO IS SUBMITTING AN APPLICATION IN HIS OWN NAME SHOULD NOT SUBMIT ANY OTHER APPLICATIONS, WHETHER ON A PRINTED APPLICATION FORM OR THROUGH AN ELECTRONIC APPLICATION, FOR ANY OTHER PERSON. SUCH SEPARATE APPLICATIONS WILL BE DEEMED TO BE A MULTIPLE APPLICATION AND SHALL BE REJECTED.

AN APPLICANT WHO HAS BEEN PROCURED BY THE PLACEMENT AGENT TO SUBSCRIBE FOR PLACEMENT SHARES (OTHER THAN RESERVED SHARES) SHALL NOT MAKE ANY APPLICATION FOR THE OFFER SHARES EITHER THROUGH ELECTRONIC APPLICATION OR BY WAY OF PRINTED APPLICATION FORM. SUCH SEPARATE APPLICATIONS SHALL BE DEEMED TO BE MULTIPLE APPLICATIONS BY SUCH APPLICANT AND SHALL BE REJECTED.

CONVERSELY, AN APPLICANT WHO HAS MADE AN APPLICATION FOR THE OFFER SHARES EITHER THROUGH ELECTRONIC APPLICATION OR BY WAY OF PRINTED APPLICATION FORM SHALL NOT MAKE ANY APPLICATION FOR THE PLACEMENT SHARES (OTHER THAN RESERVED SHARES). SUCH SEPARATE APPLICATIONS SHALL BE DEEMED TO BE MULTIPLE APPLICATIONS BY SUCH APPLICANT AND SHALL BE REJECTED.

JOINT OR MULTIPLE APPLICATIONS WILL BE REJECTED. PERSONS SUBMITTING OR PROCURING SUBMISSIONS OF MULTIPLE SHARE APPLICATIONS (WHETHER FOR OFFER SHARES, PLACEMENT SHARES OR BOTH OFFER SHARES AND PLACEMENT SHARES) MAY BE DEEMED TO HAVE COMMITTED AN OFFENCE UNDER THE PENAL CODE (CHAPTER 224) OF SINGAPORE AND THE SECURITIES INDUSTRY ACT (CHAPTER 289) OF SINGAPORE AND SUCH APPLICATIONS MAY BE REFERRED TO THE RELEVANT AUTHORITIES FOR INVESTIGATION. MULTIPLE APPLICATIONS OR THOSE APPEARING TO BE OR SUSPECTED OF BEING MULTIPLE APPLICATIONS WILL BE LIABLE TO BE REJECTED AT THE DISCRETION OF THE COMPANY.

AN APPLICANT FOR THE RESERVED SHARES USING THE RESERVED SHARES APPLICATION FORM MAY SUBMIT ONE SEPARATE APPLICATION FOR THE INVITATION SHARES (OTHER THAN THE RESERVED SHARES) IN HIS OWN NAME EITHER THROUGH ELECTRONIC APPLICATION OR BY WAY OF A PRINTED APPLICATION FORM, PROVIDED HE ADHERES TO THE TERMS OF THIS PROSPECTUS. SUCH SEPARATE APPLICATIONS WILL NOT BE TREATED AS A MULTIPLE APPLICATION.

3. Applications will not be accepted from any person under the age of 21, undischarged bankrupts, sole proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP and applicants whose addresses (furnished in their printed Application Forms or in the case of Electronic Applications contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers.

4. The existence of a trust will not be recognised. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of a printed Application Form, in the name(s) of a nominee or nominees after complying with paragraph 5 below.
5. **Nominee applications may be made by approved nominee companies only.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies will be rejected.
6. For non-nominee applications, each applicant must maintain a Securities Account with CDP in his own name at the time of the application. An applicant without an existing Securities Account with CDP in his own name at the time of application will have his application rejected, in the case of an application by way of an Application Form, or will not be able to complete his electronic application, in the case of an Electronic Application. An applicant with an existing Securities Account who fails to provide his Securities Account number or who provides an incorrect Securities Account number in section B of the Application Form or in his Electronic Application, as the case may be, is liable to have his application rejected. Subject to paragraph 7 below, an application may be rejected if the applicant's particulars such as name, NRIC/passport number, nationality and permanent residence status provided in his application form or in the records of the relevant Participating Bank at the time of his Electronic Application, as the case may be, differ from those particulars in his Securities Account maintained by CDP. If the applicant possesses more than one individual direct Securities Account with CDP, his application will be rejected.
7. **If the address of an applicant stated on the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, the applicant must inform CDP of his updated address promptly, failing which the notification letter on successful allotment will be sent to his address last registered with CDP.**
8. The Company reserve the right to reject or accept, in whole or in part, or to scale down or ballot, any application without assigning any reason therefor, and no enquiry and/or correspondence on the decision of the Company will be entertained. This right applies to applications made by way of printed Application Forms and by way of Electronic Application. In deciding the basis of allotment, at the discretion of the Company, due consideration will be given to the desirability of allotting the Invitation Shares to a reasonable number of successful applicants with a view to establishing an adequate market for the Shares.
9. The Company reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of applications by way of printed Application Forms, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance. The Company further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the terms and conditions of this Prospectus or the instructions set out in the Application Forms and this Prospectus or the instructions for Electronic Applications and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.
10. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to each successful applicant at his own risk, within 15 Market Days after the close of the Application List, a statement showing that his Securities Account has been credited with the number of Invitation Shares allotted to him. This will be the only acknowledgement of application moneys received and is not an acknowledgement by the Company. Each applicant irrevocably authorises CDP to complete and sign on his behalf as transferee or renounee any

instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted to the applicant. This authorisation applies for applications made by way of printed Application Forms and by way of Electronic Applications.

11. By completing and delivering an Application Form and, in the case of an Electronic Application, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM in accordance with the provisions herein, each applicant:–
  - (a) irrevocably offers to subscribe for the number of Invitation Shares specified in his application (or such smaller number for which the application is accepted) at the Issue Price of \$0.18 per Invitation Share and agrees that he will accept such Shares as may be allocated to him, in each case on the terms of, and subject to the conditions set out in, the Prospectus and the Memorandum and Articles of Association of the Company; and
  - (b) warrants the truth and accuracy of the information in his application.
12. Applications must be made in lots of 1,000 Invitation Shares or higher integral multiples of 1,000 Invitation Shares. Applications for any other number of Shares will be rejected.
13. No Shares will be allotted on the basis of this Prospectus later than six months after the date of this Prospectus.
14. In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List. Any of the Reserved Shares not taken up by the employees and business associates of the Group will be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares.
15. In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for the Offer Shares to the extent there is an over-subscription for the Offer Shares as at the close of the Application List.
16. If the number of Offer Shares validly applied for exceeds the number of Offer Shares (including any available Placement Shares) as at the close of the Application List, the successful applications will be determined by ballot or otherwise as may be approved by SES.
17. Acceptance of applications will be conditional upon the Company being satisfied that:–
  - (a) permission has been granted by the SES to deal in and for quotation for all the existing Shares and the Invitation Shares on a “when issued” basis on the Main Board, and
  - (b) the Underwriting Agreement and Placement Agreement referred to on pages 84 and 85 of this Prospectus have become unconditional and have not been terminated.
18. Additional terms and conditions for applications by way of printed Application Forms are set out on pages 91 to 93 of this Prospectus.
19. Additional terms and conditions for Electronic Applications are set out on pages 94 to 96 of this Prospectus.
20. Each applicant irrevocably authorises CDP to disclose the outcome of his application, including the number of Invitation Shares allotted to the applicant pursuant to his application, to authorised operators.

21. Any reference to the “applicant” in this section shall include a person applying for the Offer Shares by way of Electronic Application or by way of printed Application Forms and a person applying for the Placement Shares through the Placement Agent.
22. No application will be held in reserve.

#### **ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING PRINTED APPLICATION FORMS**

Applications by way of printed Application Forms shall be made on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below and including those set out under the section on “Terms and Conditions and Procedures for Application” found on pages 88 to 91 of this Prospectus, as well as the Memorandum and Articles of Association of the Company.

1. Applications must be made using the **WHITE** Application Forms and official envelopes “A” and “B” for the Offer Shares and **BLUE** Application Forms for Placement Shares (other than Reserved Shares) accompanying and forming part of this Prospectus. Care must be taken to follow the instructions set out in the respective Application Forms and this Prospectus for the completion of the respective Application Forms. Applications which do not conform strictly to these instructions or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances may be rejected.
2. The Application Form must be completed in English. Please type or write clearly in ink using BLOCK LETTERS. All spaces in the Application Form except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.
3. Individuals, corporations, approved nominee companies and trustees must give their names in full. Applications must be made, in the case of individuals, in their full names as appearing in their identity cards (if applicants have such identification documents) or in their passports and, in the case of corporations, in their full names as registered with a competent authority. Applicants, other than individuals, completing the Application Form under the hand of an official must state the name and capacity in which that official signs. A corporation completing the Application Form is required to affix its Common Seal (if any) in accordance with its Memorandum and Articles of Association or the equivalent constitutive documents of the corporation. If an application by a corporate applicant is successful, a copy of its Memorandum and Articles of Association or its equivalent constitutive documents must be lodged with the Company’s Share Registrar. The Company reserve the right to require any applicant to produce documentary proof of identification for verification purposes.
4. (a) All applicants must complete page 1 and Sections A and B of the Application Form.  
(b) All applicants are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, the applicant must also complete Section C of the Application Form with particulars of the beneficial owner(s).  
(c) Applicants who fail to make the required declaration in Paragraph 7(a) or 7(b) (as the case may be) on page 1 of the Application Form are liable to have their applications rejected.
5. Applicants may apply for the Invitation Shares using cash only. Each application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a CASHIER’S ORDER or POSB CASHIER’S ORDER drawn on a bank in Singapore, made out in favour of “**LHT SHARE ISSUE ACCOUNT**” crossed “A/C PAYEE ONLY”, or in the form of a DBS AUTOBANK CASHIER’S ORDER EQUIVALENT, with the name and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. Remittances bearing the “Not Transferable” or “Non Transferable” crossings will be rejected. No acknowledgement of receipt will be issued by the Company or the Manager for applications and application moneys received.

6. Individual applicants and corporate applicants, whether incorporated or unincorporated and wherever incorporated or constituted, will be required to declare whether they are citizens or permanent residents of Singapore or corporations in which citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore have an interest in the aggregate in more than 50% of the issued share capital of or interests in such corporations. Approved nominee companies are required to declare whether the beneficial owner of the Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted by any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.
7. It is expected that unsuccessful applications and those not successfully balloted or accepted will be returned to the applicants by ordinary post at the risk of the applicants within three Market Days after the close of the Application List without interest or any share of revenue or other benefit arising therefrom. Where an application is rejected or accepted in part only, the full amount or the balance of the application moneys will be refunded to the applicant by ordinary post at his own risk (without interest or any share of revenue or other benefit arising therefrom) within 14 days after the close of the Application List. Unsuccessful applicants using DBS Autobank Cashier's Order Equivalent will have the full amount of their application moneys (without interest or any share of revenue or other benefit arising therefrom) automatically credited to their accounts maintained with DBS Bank.
8. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
9. In consideration of the Company having distributed the Application Form to the applicant and agreeing to close the Application List at 12.00 noon on 22 July 1999 or such later time or date as the Directors may in their absolute discretion decide and by completing and delivering the Application Form, each applicant agrees that:–
  - (a) his application is irrevocable;
  - (b) his remittance will be honoured on first presentation and that any moneys returnable may be held pending clearance of his payment and he will not be entitled to any interest or any share of revenue or other benefit arising therefrom;
  - (c) in respect of the Invitation Shares for which his application has been received and not rejected, acceptance of his application shall be constituted by written notification by or on behalf of the Company and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of the Company;
  - (d) he will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of his application; and
  - (e) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts.
10. **Applications for Offer Shares**
  - (1) Applications for Offer Shares **must** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B".
  - (2) The applicant must:–
    - (a) enclose the Offer Shares Application Form, duly completed, together with his remittance in the **WHITE** envelope "A" which is provided;

- (b) in the appropriate spaces on envelope "A":-
  - (i) write his name and address;
  - (ii) state the number of Shares applied for;
  - (iii) tick the box if cash payment is by DBS Autobank Cashier's Order Equivalent; and
  - (iv) affix adequate Singapore postage;
- (c) **SEAL WHITE ENVELOPE "A"**;
- (d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to **DBS BANK, 6 SHENTON WAY, DBS BUILDING TOWER ONE, SINGAPORE 068809**, the number of Invitation Shares for which the application is made; and
- (e) insert **WHITE** envelope "A" into **WHITE** envelope "B". The applicant must seal **WHITE** envelope "B", affix adequate Singapore postage on envelope "B" (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** at his own risk to DBS BANK, 6 SHENTON WAY, DBS BUILDING TOWER ONE, SINGAPORE 068809, so as to arrive by 12.00 noon on 22 July 1999. Local Urgent Mail or Registered Post must **NOT** be used.

Applications that are illegible, incomplete or incorrectly completed or accompanied by an improperly drawn remittance are liable to be rejected.

- (3) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

#### 11. **Applications for Placement Shares (other than Reserved Shares)**

- (1) Applications for Placement Shares (other than Reserved Shares) must be made using the **BLUE** Application Forms.
- (2) The completed Placement Shares Application Form and the applicant's remittance for the full amount payable in respect of the number of Reserved Shares applied for must be enclosed and sealed in any envelope to be provided by the applicant. The sealed envelope must be despatched by **ORDINARY POST OR DELIVERED BY HAND** at the applicant's own risk to DBS Bank, 6 Shenton Way #28-00, DBS Building Tower One, Singapore 068809, so as to arrive by 12.00 noon on 22 July 1999. Local Urgent Mail or Registered Post must **NOT** be used.
- (3) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

#### 12. **Applications for Reserved Shares**

- (1) Applications for Reserved Shares must be made using the **PINK** Reserved Shares Application Forms.
- (2) The completed Reserved Shares Application Form and the applicant's remittance for the full amount payable in respect of the number of Reserved Shares applied for must be enclosed and sealed in any envelope to be provided by the applicant. The sealed envelope must be despatched by **ORDINARY POST OR DELIVERED BY HAND** at the applicant's own risk to the Company's registered office, so as to arrive by 12.00 noon on 22 July 1999. Local Urgent Mail or Registered Post must **NOT** be used.
- (3) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

## **ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS**

The procedures for Electronic Applications at ATMs of the Participating Banks are set out on the ATM screens of the relevant Participating Banks (the “Steps”). For illustration purposes, the procedure for Electronic Applications at ATMs of DBS Bank is set out in the Steps for Electronic Applications appearing on page 98 of this Prospectus. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. An ATM card issued by one Participating Bank cannot be used to apply for Invitation Shares at an ATM belonging to other Participating Banks.

Any reference to the “Applicant” in the terms and conditions for Electronic Applications and the Steps shall mean the applicant who applies for the Offer Shares through an ATM of a Participating Bank. An Applicant must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before he can make an Electronic Application at the ATMs of that Participating Bank. The Steps set out the actions that the Applicant must take at ATMs of DBS Bank to complete an Electronic Application. The actions that the Applicant must take at ATMs of the other Participating Banks are set out on the ATM screens of the relevant Participating Banks. Upon the completion of his Electronic Application transaction, the Applicant will receive an ATM transaction slip (“Transaction Record”), confirming the details of his Electronic Application. The Transaction Record is for retention by the Applicant and should not be submitted with any printed Application Form.

**An Applicant must have an existing bank account with, and be an ATM cardholder of one of the Participating Banks before he can make an Electronic Application at an ATM of that Participating Bank. An ATM card issued by one Participating Bank cannot be used to apply for the Offer Shares at an ATM belonging to any of the other Participating Banks. An Applicant who fails to use his own ATM card or who does not key in his own Securities Account number will have his application rejected.**

**An Applicant, including one who has a joint bank account with a Participating Bank, must ensure that he enters his own Securities Account number when using the ATM Card issued to him in his own name. Using his own Securities Account number with an ATM Card which is not issued to him in his own name will render his application liable to be rejected.**

The Electronic Application shall be made on, and subject to, the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section on “Terms and Conditions and Procedures for Application” found on pages 88 to 91 of this Prospectus, as well as the Memorandum and Articles of Association of the Company.

1. In connection with his Electronic Application for the Offer Shares, the Applicant is required to confirm statements to the following effect in the course of activating the ATM for his Electronic Application:–
  - (a) **that he has received a copy of this Prospectus and has read, understood and agreed to all the terms and conditions of application for the Offer Shares and this Prospectus prior to effecting the Electronic Application and agrees to be bound by the same;**
  - (b) **that he consents to the disclosure of his name, NRIC/passport number, address, nationality and permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount (the “Relevant Particulars”) from his account with that Participating Bank to the Share Registrars, SCCS, CDP, CPF, the Company and the Manager (the “Relevant Parties”); and**
  - (c) **that this application is his only application for Offer Shares and it is made in his name and at his own risk.**



His application will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless he presses the “Enter” or “OK” or “Confirm” or “Yes” key. By doing so, the Applicant shall be treated as signifying his confirmation of each of the three statements. In respect of statement 1(b) above, his confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key, shall signify and shall be treated as his written permission, given in accordance with the relevant laws of Singapore including Section 47(4) of the Banking Act (Chapter 19) of Singapore, to the disclosure by that Participating Bank of the Relevant Particulars of his account with that Participating Bank to the Relevant Parties.

2. An applicant may make an Electronic Application at an ATM of any Participating Bank for the Offer Shares using cash only by authorising such Participating Bank to deduct the full amount payable from his account with such Participating Bank.
3. The Applicant irrevocably agrees and undertakes to subscribe for and to accept the number of Offer Shares applied for as stated on the Transaction Record or any lesser number of Offer Shares that may be allotted to him in respect of his Electronic Application. In the event that the Company decide to allot any lesser number of such Offer Shares or not to allot any Offer Shares to the Applicant, the Applicant agrees to accept the decision as final. If the Applicant’s Electronic Application is successful, his confirmation (by his action of pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM) of the number of Offer Shares applied for shall signify and shall be treated as his acceptance of the number of Offer Shares that may be allotted to him and his agreement to be bound by the Memorandum and Articles of Association of the Company
4. The Applicant irrevocably requests and authorises the Company to:–
  - (a) register the Offer Shares allotted to the Applicant in the name of CDP for deposit into his Securities Account;
  - (b) send the relevant Share certificate(s) to CDP;
  - (c) return (without interest or any share of revenue or other benefit arising therefrom) the application moneys, should his Electronic Application not be accepted, by automatically crediting the Applicant’s bank account with his Participating Bank with the relevant amount within three Market Days after the close of the Application List; and
  - (d) return (without interest or any share of revenue earned or other benefit arising therefrom) the balance of the application moneys, should his Electronic Application be accepted in part only, by automatically crediting the Applicant’s bank account with his Participating Bank with the relevant amount within 14 days after the close of the Application List.
5. **BY MAKING AN ELECTRONIC APPLICATION, THE APPLICANT CONFIRMS THAT HE IS NOT APPLYING FOR THE OFFER SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT HE MAKES IS THE ONLY APPLICATION MADE BY HIM AS BENEFICIAL OWNER.**

**THE APPLICANT SHALL MAKE ONLY ONE ELECTRONIC APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE INVITATION SHARES (OTHER THAN THE RESERVED SHARES), WHETHER AT THE ATMs OF ANY PARTICIPATING BANK OR ON THE PRESCRIBED PRINTED APPLICATION FORMS.**

6. The Applicant irrevocably agrees and acknowledges that his Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, the Company and the Manager and if, in any such event, the Participating Banks and/or the Company and/or the Manager do not record or receive the Applicant’s Electronic Application, or data relating to the Applicant’s Electronic Application or the tape containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, the Applicant shall be deemed not to have made an Electronic Application and the Applicant shall have no claim whatsoever against the Manager, the Company or the Participating Banks for the Offer Shares applied for or for any compensation, loss or damage.

7. Electronic Applications shall close at 12.00 noon on 22 July 1999 or such other time as the Directors may in their absolute discretion decide.
8. All particulars of the Applicant in the records of his Participating Bank at the time he makes his Electronic Application shall be deemed to be true and correct and the relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in the particulars of the Applicant after the time of the making of his Electronic Application, the Applicant shall promptly notify his Participating Bank.
9. The Applicant must have sufficient funds in his bank account(s) with his Participating Bank at the time he makes his Electronic Application, failing which his Electronic Application will not be completed. Any Electronic Application made at ATMs of DBS Bank which does not strictly conform to the instructions set out in the Steps will be rejected. Any Electronic Application made at the ATMs of the other Participating Banks which does not strictly conform to the instructions set out on the ATM screens of such Participating Banks will be rejected.
10. **No reserve application will be kept.** Where an Electronic Application is not accepted, it is expected that the full amount of the application moneys will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to the Applicant by being automatically credited to the Applicant's account with the relevant Participating Bank within three Market Days of the close of the Application List. **Trading on a "when issued" basis, if applicable, is expected to commence after such refund has been made.** Where an Electronic Application is accepted in part only, the balance of the application moneys will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the Applicant by being automatically credited to the Applicant's account with his Participating Bank within 14 days after the close of the Application List.

If the Applicant's Electronic Application is made through the ATMs of DBS Bank's POSBank Services division, KTB or UOB Group and is unsuccessful, it is expected that a computer-generated notice will be sent to the Applicant by the relevant Participating Bank (at the address of the Applicant stated in the records of the relevant Participating Bank as at the date of his Electronic Application) by ordinary post at the Applicant's own risk within three Market Days after the close of the Application List. **If the applicant's Electronic Application is made through the ATMs of OCBC Group, OUB Group or DBS Bank (other than those of its POSBank Services division) and is unsuccessful, no notification will be sent by the relevant Participating Bank.**

Applicants who make Electronic Applications through the ATMs of the following banks may check the provisional results of their Electronic Applications as follows:–

<b>Bank</b>	<b>Telephone</b>	<b>Available at ATM</b>	<b>Operating Hours</b>	<b>Service expected from</b>
DBS Bank	1800-222 2222	Autobanks or Autoview	24 hours a day	7.00 p.m. on the balloting day
KTB	222 8228	ATM	ATM — 24 hours a day Phone Banking — Mon-Fri 0800–2200 Sat 0800–1500	ATM — Evening of the balloting day Phone Banking — 8.00 a.m. on the day after the balloting day
OCBC	1800-363 3333	ATM	ATM — 24 hours a day Phone Banking — Mon-Fri 0800–2200 Sat 0800–1500	Evening of the balloting day
OUB	1800-534 0100	Not Available	ATM — 24 hours a day Phone Banking — Mon-Fri 0800–2200 Sat 0800–1500	Evening of the balloting day
UOB	539 4419 539 3945	Not Available	Mon-Fri 0900–1800 Sat 0900–1800	10.30 a.m. of the day after the balloting day

11. In consideration of the Company arranging for the Electronic Application facility through the ATMs of the Participating Banks and agreeing to close the Application List at 12.00 noon on 22 July or such later time or date as the Directors may in their absolute discretion decide, and by making and completing an Electronic Application, the Applicant agrees that:–
- (a) his Electronic Application is irrevocable;
  - (b) his Electronic Application, the acceptance by the Company and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts;
  - (c) neither the Company, the Manager nor the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to his Electronic Application to the Company or CDP due to a breakdown or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 6 on page 95 of this Prospectus or to any cause beyond their respective controls;
  - (d) he will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of his application; and
  - (e) in respect of the Offer Shares for which his Electronic Application has been successfully completed and not rejected, acceptance of the Applicant's Electronic Application shall be constituted by written notification by or on behalf of the Company and not otherwise, notwithstanding any payment received by or on behalf of the Company.
12. The Applicant should ensure that his personal particulars as recorded by both CDP and the relevant Participating Banks are correct and identical, otherwise his Electronic Application may be liable to be rejected. The Applicant should promptly inform CDP of any change in his address, failing which the notification letter on successful allotment or allocation will be sent to his address last registered with CDP.

13. The existence of a trust will not be recognised. Any electronic application by a trustee must be made in his own name and without qualification. The Company will reject any application by any person acting as nominee.

### **Steps for Electronic Applications through ATMs of DBS Bank (including its POSBank Services division)**

Instructions for Electronic Applications will appear on the ATM screens of the Participating Banks. For illustrative purposes, the steps for making an Electronic Application through a DBS Bank or POSBank ATM are shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “amt”, “appln”, “&”, “I/C” and “No.” refer to “Account”, “amount”, “application”, “and”, “NRIC” and “Number” respectively). Instructions for Electronic Applications on the ATM screens of the Participating Banks (other than DBS Bank) may differ slightly from those represented below.

- Step 1 : Insert your personal DBS or POSBank ATM Card
- 2 : Enter your Personal Identification Number
- 3 : Select “CASH CARD & MORE SERVICES”
- 4 : Select “ESA-IPO SHARE/BOND/RIGHTS”
- 5 : Select “ELECTRONIC SECURITY APPLICATION (IPO-SHARE/BOND)” to “LHT”
- 6 : Press the “ENTER” key again to confirm:–
- **You have read, understood & agreed to all terms of appln & Prospectus**
  - **You consent to disclose your name, I/C/passport No., address, nationality, CDP Securities A/C No., CPF Investment A/C No. & share appln amount from your Bank Account(s) to share registrars, SCCS, CDP, CPF, issuer/vendor(s)**
  - **For FIXED price security appln, this is your only appln and it is made in your own name and at your own risk**
- 7 : Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSBank account (Current/Savings) from which to debit your application moneys
- 8 : Enter the number of securities you wish to apply for using cash
- 9 : Select your nationality
- 10 : Enter your own 12-digit CDP Securities Account number. (*Note: This step will be omitted automatically if your CDP Securities Account number has already been stored in the Bank’s records*)
- 11 : Check the details of your security application, your IC/passport number, CDP A/C No. and no. of securities on the screen and press “Enter” key to confirm application
- 12 : Remove the Transaction Record for your reference and retention only