

4. INFORMATION ON AIKBEE GROUP (Cont'd)

Staffs, particularly those who are identified for promotion to supervisory and managerial levels, are given in-house training, which is conducted once a year, to ensure the efficient usage of machinery and minimal wastage of raw materials. Training courses are based on materials sourced from Food and Agricultural Organisation ("FAO") such as:-

1. Productivity Improvements in Small and Medium Sized Sawmills
2. Handling, Stacking and Storing of Lumber
3. Sawmill Maintenance Requirements
4. Malaysian Grading Rules 1984
5. Machinery
 - Machine Performance
 - Machine Alignment
 - Sawdoctoring
 - Band-saw Blades: Relevant Background Considerations

The Group conducted the above training courses for six of its staff in September 2000. In line with the Group's expansion plan of its furniture parts and parquet divisions as well as for its downstream operations of railway sleepers processing, the Group targets to train twenty (20) more employees in year 2001 on the following topics:-

- (i) Timber species and its application;
- (ii) Kiln-drying procedures and its requirements;
- (iii) Fire fighting procedures; and
- (iv) Product packing and identification.

The Group believes that continuous training is essential for the advancement of personnel. Thus, the senior management who have taken such courses and examination will then provide in-house training programmes for the potential junior management before they are encouraged to proceed to attend such courses and undertake the necessary examinations. Besides the above, there are no other training and development programs undertaken other than on-the-job training for the staff.

4.5.14 Staff Strength

As at 20 March 2001, Aikbee has total staff strength of 503, whereby about 64% of the supervisors, executive and senior management team have been with the Group for more than five (5) years. 80% of the supervisors and managers have an average of 15 years of experience in timber industry. The loyalty and dedication of the senior management and employees of Aikbee Group throughout the years and their technical expertise will continue to contribute to the Group's growth.

The following is a table setting out the breakdown of the length of service of Aikbee's executives and senior management team:-

Category of Employees	Number of Employees			Total
	< 1 year	1 – 5 years	> 5 years	
Director & General Managers	-	1	7	8
Senior & Key Managers	-	1	7	8
Manager & Senior Executives	-	3	10	13
Executives & Supervisors	2	8	3	13
Total	2	13	27	42

The remaining 461 staff, who are general workers, have been with the Group for not more than five (5) years. None of the employees belong to any union. The relationship between the management and the employees is excellent.

4. INFORMATION ON AIKBBE GROUP (Cont'd)

4.5.15 Integrated Operations

The expertise of its long-serving staffs enables the Group to carry out efficient logging that minimise wastage at sawmills. By expanding into downstream activities, the Group achieves an integrated operation from the initial step of logging to the final process of manufacturing finished timber products.

Further, each of the Aikbee sawmills has its own in-house service centre for its machinery and motor vehicles. Repairs and maintenance are hence immediate in situations of breakdowns. The overall efficiency of the machinery is maintained and delays of weeks or months required in mobilising an external expert is diminished.

4.5.16 Customer Base and Distribution Network

Aikbee has an established, diversified international market network as evidenced by its penetration into competitive markets such as Japan, Korean and the European countries. For years 1997 to 2000, Aikbee's turnover from timber products has been ranging from 89% to 93% towards exports. Over the years, Aikbee has established a long term relationship directly with the ultimate end users, other trading houses, wholesalers, brokers and agents. The length of relationship between Aikbee Group and its customers are set out in Section 4.7 of this Prospectus.

4.5.17 Sensitivity to Economic Downturn

Aikbee's products are mainly for export, whereby 89% of turnover in 2000 was exported. The wide customer base over Asia and Europe spreads the dependence of Aikbee on any particular country's economy. Thus, Aikbee is less sensitive to any specific regional economic downturn being more reliant on global economic performance.

4.5.18 Availability of Resources

The setting up of the ITTO and the Malaysian government's partaking in the programme to achieve ITTO's objectives for all tropical timber products traded internationally by member countries to originate from sustainably managed forests is an assurance that the Malaysian forestry will be logged on a sustainable basis. With approximately 75% of Malaysia's land area still under tree cover and the government implementing sustainable forest management, it is not expected that Malaysia's forestry will deplete or run into any serious shortages.

In its history since 1960, Aikbee has not experienced any vulnerability due to shortage of raw material supplies. Aikbee has established good relationships with its suppliers and agents located throughout East and West Malaysia and it has established its reputation as a prompt and reliable paymaster. Arising therefrom, the prompt payments further advocates the long established relationships with the suppliers and agents and enabled Aikbee to secure quality timber in priority. It has also obtained long term contracts with log concessionaires and log suppliers to ensure the availability of raw materials. The former are contracts of rights to log in approximately 12,000 acres of land up to the year 2002 and are estimated to provide approximately 216,000m³ of logs whilst the latter are contracts that will supply the Group with an average 188,352 m³ of logs per annum up to 2003. The above quantum of supply is able to sustain the Group's log requirements until 2003.

With these contracts in hand, Aikbee's future log consumption, which is estimated, to be at an average of 113,000m³ per annum can be fully fulfilled. Nonetheless, the Group has a policy of buying logs when the pricing of logs is good and competitive and relies on the logging contracts when the pricing of logs is high. This enables the Group to preserve the value of its logging contracts for as long as possible and the extended time will allow the concession areas to have more mature trees, which further enhances the value of the logging contracts.

On average, approximately 65% of Aikbee's total log requirements are fulfilled via the log supplies whilst 35% are fulfilled via log extraction. With Aikbee's ten logging contracts to perform logging on approximately 12,000 acres of land until year 2002 and seven contracts for log supplies up to 2003, this is estimated to meet the Group's entire timber requirements up to 2003.

4. INFORMATION ON AIKBEE GROUP (Cont'd)

Details of the existing log supply and extraction contracts are as follows:-

Company	Log suppliers	Date of Agreement	Supply per annum m ³ or tons	Expiry
ABSawmill	Fu Sheng Trading Sdn Bhd	9 January 1997	27,040/15,000	8 January 2002
	Foo Lian Timber Trading	10 October 1997	18,027/10,000	9 October 2002
	Perkayuan Sumber Alam	22 March 2000	34,612/19,200	22 March 2003
	Sub-total		79,679/44,200	
ABSabah	Reliwell Sdn Bhd	20 April 1997	21,632/12,000	20 April 2002
	Luan Pori Contractor	2 April 1997	9,014/ 5,000	2 April 2001
	Fokusmaju Sdn Bhd	17 March 1997	18,027/10,000	17 March 2002
	PT Terra Agroforesto	25 March 2000	60,000/33,283	25 March 2003
	Sub-total		108,673/60,283	
	Grand Total		188,352/104,483	

Company	Log concessionaires	Land area (acres)	Location	Expiry
ABSabah	Ever-Yield Sdn Bhd ^	617.0	CL085324090, Sandakan, Sabah	10/12/2002
	Fasgain Sdn Bhd ^	616.5	CL085324107, Sandakan, Sabah	10/12/2002
	Lubah Plantation (S) Sdn Bhd ^	1,233.0	CL085325408, Sandakan, Sabah	10/12/2002
	Realwood Enterprise Sdn Bhd ^	616.7	CL085325917, Sandakan, Sabah	10/12/2002
	Upaya Abadi Sdn Bhd ^	616.8	CL085325926, Sandakan, Sabah	10/12/2002
	Maichel Ulik	1,345.8	174 parcels of land located in Sg Milian, Kinabatangan, Sabah	31/12/2001
	Otimum Sdn Bhd	4,996.8	Land located in Sg. Pinangah, Sandakan, Sabah	30/06/2001
ABSawmill	Perkayuan Sri Balau	901.6	Blok KTN 8/2000 Mukim Ulu Kuantan, Daerah Kuantan	31/12/2001
	Syarikat Usha-Murni	748.4	Blok KTN 10/2000, Mukim Ulu Kuantan, Daerah Kuantan	31/12/2001
	Perkayuan Tropika	486.6	Blok B, Mukim Keratong, Daerah Rompin, Johor	31/12/2001
	Total	12,179.2		

^ Companies in which certain Directors and substantial shareholders of Aikbee have interest.

4.5.19 Contribution to Economic Growth

Value-added Products

The Company has expanded its downstream coverage and focused on the manufacturing of value-added products. To minimise wastage, products such as finger-joints, which use the smaller pieces of wood left after processing for large timber pieces are also manufactured. These downstream activities are in line with the Government's aspiration of achieving the industrialised status by the year 2020 through the Government's policies in deepening the industrial base of the resource-based industries and to generate maximum value-added products from the country's natural resources.

4. INFORMATION ON AIKBEER GROUP (Cont'd)

By focusing downstream activities on industrial and engineering products, Aikbee is able to take advantage of the current Asian growth and meet the strong demand for such products.

Export Business

With a range 89% to 93% of turnover from timber products geared for export from 1997 to 2000, the Group represents a foreign income generator for the country and plays its part in the Government's plans to balance the trade through minimising imports and maximising exports. Aikbee is now focusing on its downstream products which will yield a higher profit margin. Exporting more value-added products is in line with the Government policies to optimise usage of resources and will increase income contribution to the country.

4.5.20 Clientele Base

The Aikbee Group has extensive market coverage in the international timber market including :-

- | | |
|---------------|----------------------------|
| ➤ Japan | ➤ China |
| ➤ Sudan | ➤ Germany |
| ➤ Thailand | ➤ Australia |
| ➤ Holland | ➤ United States of America |
| ➤ Singapore | ➤ England |
| ➤ Korea | ➤ Italy |
| ➤ Hong Kong | ➤ France |
| ➤ Taiwan | ➤ Kuwait |
| ➤ North Yemen | ➤ Philippines |

4.5.21 Research & Development ("R&D")

Aikbee is committed to strong quality control of its products and ensure that the clients' specifications are met. The Aikbee Group has embarked on a R&D programme since 1990 to continuously review and improve the production efficiency of its equipment, the quality of products and to increase the variety of downstream products. The R&D team comprises a representative from marketing research department, executive management and production management and two representatives from sales and marketing management.

The R&D projects undertaken by the Group included:-

- The setting up of a laboratory centre to perform experiment on the chemical salt retention in driving piles in compliance with the requirement by SIRIM. Such experiment centre was set up in 1990;
- The quality requirement by the customers on truck bodies and bolsters in 1990; and
- The feasibility study for the setting up of machinery layout in ABSabah moulding factory in 1995. The machinery layout project was immediately implemented in 1995.

The current R&D projects include the research and feasibility study:-

- on the installation of incising machines for railway sleepers, which is expected to be completed by end 2001; and
- for determining the suitable species of mixed hardwood for the production of parquet and furniture parts, which is expected to be completed by September 2001.

The improvement of production efficiency is achieved via two routes, i.e. reducing wastage and increasing recovery. Wastages are kept to a minimum through diligent maintenance and upgrading to new technology equipment. The computerised equipment which is installed at various production stages targeting to optimise efficiency and keep wastage to a minimum. Meanwhile, to maximise recovery from its raw materials, Aikbee undertake feasibility studies on venturing into various short length downstream products, including skids, wheelbarrow handles, parquet strips and picture frames. Studies are also conducted on the improvement of finger-joints products which are also able to improve the recovery of small pieces of wood. Aikbee is also continuously reviewing the feasibility of expanding its downstream product lines which yield higher margins.

4. INFORMATION ON AIKBEE GROUP (Cont'd)

4.5.22 *Interruption/Disruption in Business*

The Group did not experience any disruption in business having significant effect on its operations for the past twelve (12) months prior to the date of this Prospectus.

4.6 *Industry Overview*

(a) Overall Malaysian Economy

The Malaysian economy rebounded strongly in 2000 after recovering from the sharp output decline in 1998 and early 1999 following the financial crisis. Economic turnaround, which began in the second quarter of 1999, has since become well entrenched, underpinned by the return of confidence and a more stable economic environment made possible by the introduction of selective capital controls and the pegging of the Ringgit. The economic recovery, initially led by the strong performance of external demand, has become broad-based, driven by the increase in aggregate domestic demand following the impact of expansionary fiscal and accommodative monetary policies. Reflecting these trends, real GDP registered a growth of 10.3% in the first half, based on growth of 11.9% in the first quarter and 8.8% in the second quarter. Based on performance in the first half of the year and the sustained growth for the second half, real GDP is expected to register a growth of 7.5% in 2000.

On the supply side, growth is expected to remain broad-based with all sectors anticipated to register positive growth. Growth is expected to emanate mainly from the stronger expansion of the manufacturing and services sector. Value-added of the manufacturing sector is expected to register a strong growth of 17% (1999 : 13.5%) driven by the double-digit expansion of both export and domestic-oriented industries (*Source: Food and Agricultural Organisation Forest Products Yearbook 1999*).

The economic outlook for 2001 continues to be favourable. Growth is expected to be sustained by the stronger performance of the private sector which will provide the primary stimulus for growth. The Government will, however, continue to support the private sector in ensuring that growth in economic activities is sustained. In addition to the fiscal stimulus, the Government will continue to support economic growth through measures that promote expansion in domestic demand, development of new sources of growth, strengthen the nation's competitiveness and resilience whilst improving further the quality of life. The economic forecast for the Malaysian economy's GDP growth is expected to moderate slightly to 7% in 2001 (2000 estimate: 7.5%) (*Source: Economic Report 2000/2001*).

(b) Overview of the Timber Industry

Performance of Timber and Timber Products

In terms of global timber trade, 90% comes from temperate and boreal forests, with only 10% supplied from precious tropical forest ("Precious hardwood"). Countries in the region of North and Central America are the major producers of world industrial roundwood. This area alone, had produced 662.6 million m³ or 43.4% of the world industrial roundwood production in 1999. The European Community ("EC") is the second largest industrial roundwood producer with 431.8 million m³ or 28.3% of the world roundwood production in 1999, whereas Asian countries are ranked the third largest after EC (*Source: (Food and Agricultural Organisation Forest Products Yearbook 1999)*).

The timber industry in Malaysia is mainly dominated by the activities of sawmilling, plywood and veneer production. During the recent years, the emphasis has been shifted to higher value-added products such as moulding and joinery, medium density fibreboard and furniture. (*Source: MTIB speech March 1999*). In terms of output, sawntimber production in January to August 2000 registered a growth of 1.2% (January to August 1999: -26%) due to increase in domestic and overseas demand. Sawlog production for Malaysia in 2000 is expected to record a small increase of 1.2% from 1999's 0.6% (*Source: Economic Report 2000/2001*).

4. INFORMATION ON AIKBEE GROUP (Cont'd)

Domestic consumption of sawlogs is expected to rise by 12.3% to 17,048 thousand cubic metres in 2000 (1999:15,181 thousand cubic metres), given the increasing local utilisation of sawlog for higher value-added wood products such as furniture, fibreboard, chipboard, etc. For the year 2001, sawlog production is expected to contract by 6.9% due to an expected reduction in output from Peninsular Malaysia and Sabah. This is in line with efforts aimed at ensuring sustainable forest management (Source: *Economic Report 2000/2001*).

The production of timber and timber products for the past ten (10) years are as follows (in '000 m³):-

Year	Logs	Sawntimber	Plywood	Veneer	Moulding	Heveawood logs
1980	27,916	6,237	500	410	-	-
1990	40,099	9,156	1,492	479	227	971
1995	31,642	9,175	3,685	2,297	643	881
1998	21,672	5,091	3,904	760	645	-

Source: (Malaysian Timber Council Homepage)

Exports

The total earnings for log export in 1999 were RM2.66 billion, up 43% from the level in 1998. Export earnings from sawn timber rose by 11% to RM2.818 billion in 1999 from 1998. Nevertheless, export revenue from sawlogs are expected to contract to RM2.6 billion.

Export receipts of wood products increased by 2% during the first eight months of 2000 (January–August 1999: 15.2%). The lower growth was attributed to a decline in exports of veneer and plywood of 4.8% for the first eight months of 2000, compared to an increase of 20.2% for January to August 1999, which was partly due to a slowdown in demand for plywood from China and Japan. Export sales of wooden furniture and furniture components continued to rise by 15.4% in 2000 (January – August 1999: 8.2%) driven by strong overseas demand, particularly US and Japan, with rubber wood furniture being the main export item (Source: *Economic Report 2000/2001*).

During the first eight months of 2000, export receipt from sawlogs increased by 2.3% to RM1,686 million (January-August 1999: RM1,648 million). Although export volume rose by 4.8% to 4.37 million m³ (January-August 1999: 4.17 million m³), export unit value declined by 2.4% to RM386 per m³ due to price competition from temperate softwoods and timber from plantation forests, particularly from Chile and New Zealand. Hence, export earnings from sawlogs are estimated to decline by 5.6% to RM2,515 million in 2000 (1999: RM2,663 million).

During the first eight months of 2000, export earnings from sawn timber increased by 28.3% to RM2,090 million (January-August 1999: RM1,628 million) with export volume increasing by 12.4% to 1.93 million m³ (January-August 1999: -3.1%). For year 2000, the receipts from exports of sawn timber is expected to increase by 11.1% to RM3,117 million (1999: RM2,807 million), following an anticipated 7.9% increase in export unit value to RM1,075 per m³ and 2.9% increase in export volume to 2.90 million m³.

Annual Exports of Malaysian Sawlogs and Sawntimber (By Tonnes/RM)

	1996		1997		1998		1999		2000 e	
	'000 tonnes	RM' million	'000 tonnes	RM' million	'000 tonnes	RM' million	'000 tonnes	RM' million	'000 tonnes	RM' million
Saw logs	6,985	2,282	6,396	2,346	5,418	1,866	6,738	2,663	6,549	2,514
Sawn timber	3,655	3,039	3,067	2,775	2,683	2,525	2,818	2,807	2,900	3,118

e - Estimate

(Source : *Economic Report 2000/ 2001*)

4. INFORMATION ON AIKBEE GROUP (Cont'd)

Among tropical forest producing countries, Malaysia is the world's second largest tropical timber exporting nation after Indonesia. Malaysia supplies 80% of the tropical sawn timber to international trade, hence making it a dominant player in the international market place. (Source : *Malaysian Timber Council Fact Sheets*) Geared by the Malaysian policies to encourage value-added content, Malaysia's export of logs and sawn timber is slowly dwindling as they are replaced by processed products such as furniture, veneer and plywood.

The timber industry in Malaysia has undergone a period of change whereby the export of the logs has been reduced while more emphasis has been placed on value-added processing of wood products. In view of the increasing global consumption for timber products and as part of the country's industrialisation policy, the Government is placing more emphasis in its policy to encourage downstream processing. Banning the export of sawlogs and restriction of the export of sawn timber in Peninsular Malaysia were some measures taken to conserve timber for local processing and encourage more exports of semi-finished and manufactured timber products. The objective of the Government for the years to come is to develop Malaysia into a centre for furniture and moulding and to encourage greater value-added content in the industry.

(c) Industry Players and Competition

Competition for timber especially tropical timber exists within Malaysia and South-East Asia. Competition among tropical timber producers is intense as producers in South-East Asia are all vying a market share in their timber species for specialised applications. In addition, suppliers from Canada, New Zealand, Chile and Russia are fast encroaching into traditional markets for tropical timber. With growing stocks in softwood plantations around the world, demand for tropical timber is likely to be under pressure, from supply uncertainties, pricing policies and environmental issues.

Some of the listed companies with similar timber industry activities are as follows:-

Companies with similar activities	Turnover RM'000	Profit before taxation RM'000	Year ended
(i) Jin Lin Wood Industries Berhad ¹	113,051	13,532	30/06/2000
(ii) Woodlandor Berhad ²	66,235	7,262	31/12/1999
(iii) Ta Ann Holdings Berhad ²	221,531	56,579	31/12/1999

Sources:

1. *Annual Report 2000.*
2. *Annual Reports 1999.*

Although there are no official data to highlight substitute products and services, there is an increasing trend in the utilisation of non-wood materials in home building. Steel, aluminium and PVC are some of the building products used in place of timber joinery and structural functions. Nevertheless, the unique qualities of wood, such as its natural appearance, durability, good thermal insulation quality and working properties, renders it irreplaceable by other substitute products.

(d) Government Policies and Incentives Towards the Timber Industry

Global concern for environment protection has given rise to sustainable management of forests. The government has set up various agencies to promote the local timber industry, such as the Malaysian Timber Council and the Malaysian Timber Industry Board ("MTIB"). To ensure the sustainability of the forest resources, the National Forest Policy sets out that each state in Malaysia is subjected to a cutting coupe where there is a restriction on the amount of timber to be felled each year. In order to ensure that there is adequate supply of wood to meet the nation's needs as well as for exports, the Forestry Department had formulated a Forestry Department Policy for implementation under the Seventh Malaysian Plan (7MP).

4. INFORMATION ON AIKBEE GROUP (Cont'd)

In addition, the export volume of logs is controlled by the Government via its policies of the banning of log export in Peninsular Malaysia and Sabah, and imposition of quota for Sarawak's log export in order to promote the value added downstream timber based activities. The quota for log exports averages about 40% of a concession's annual logging quota. Timber-related activities in Peninsular Malaysia and Sabah are governed by the MTIB, whilst in Sarawak such activities are under the Sarawak Timber Industry Development Corporation. Sawmilling activities are under the purview of Forest Research Institute of Malaysia, and forestry activities are under each state government authority.

In order to provide adequate funding to promote Malaysia's timber products, the cess (i.e. duties payable to MTIB for every m3 of sawn timber to be exported) for timber and timber products was revised upwards in March 2000. A major marketing effort that Malaysia has embarked upon is the implementation of an internationally accepted timber certification scheme, particularly for export to Europe. International chain-of-custody guidelines governing timber trade in certain markets require that the timber exported can be traced back to certified forests that have complied with approved forest management practice standards. (Source: *Economic Report 2000/2001*).

(e) **Prospects of the Malaysia Timber Industry**

The local market, with the recovery in the economy, is encouraging, especially for construction and export of furniture products, with the continuing development of, amongst other, projects the KL Sentral and Times Square. The Government's emphasis on the construction of low-cost homes also helped to boost timber demand.

The world demand for timber and timber products will continue to rise spurred by a growing population whereas the world supply of timber products will continue to lag behind due to lower forest yield and pressure from the environmentalists. In view of this, those countries which have large forest area and successful sustainable forest management coupled with large amount of renewable plantation wood will gain unlimited economic benefits as they are the only countries that could produce timber products which are highly in demand.

With the anticipated rise in world demand for Malaysia's timber products, coupled with its increasing importance in the Government's industrialisation policy, the future outlook for the timber and timber products industry appears favourable. Malaysia, with its well-established reforestation programmes will stand to benefit in the long run under the ITTO's requirements. ITTO was created by treaty in 1983 and its headquarters was established in Yokohama, Japan, in late 1986. It is a commodity organization that brings together countries which produce and consume tropical timber to discuss and exchange information and develop policies on all aspects of the world tropical timber economy. Among its multiple objectives is a commitment to assist members to meet ITTO's unique Year 2000 Objective, which states that by the year 2000 all tropical timber products traded internationally by member countries shall originate from sustainably managed forests.

Log supplies constraint and price hikes will continue to influence timber production and consumption patterns with increasing switch from solid wood products to fibre-based reconstituted wood substitutes. With the technological advancement, the emergence of more engineered wood substitutes such as finger-joint veneer wrapped doors and frames would enhance the usability and versatility of timber and timber products. Thus, in addition to timber resources, product innovation and ability to adapt one's production processes to accommodate the differing wood characteristic (Softwood and Hardwood) will be crucial for long term survival in the increasingly restrictive timber industry.

With the export of local wood-based products expected to continue growing positively and the world consumption of sawn timber and wood-panel products expected to grow at an average annual rate of 2.3% and 4.8% respectively for the period between 1990 to 2010, the prospects for local sawmilling and timber processing industry are expected to be favourable (Source: *Dynaquest, Sector Analysis January 2000*).

4. INFORMATION ON AIKBEE GROUP (Cont'd)

4.7 Major Customers

The larger customers of the Aikbee Group as at 30 September 2000 (based on the latest audited accounts of the Group) are as follows:-

Buyers	Country Supplied to	Length of relationship (Years)
<i>(5% to 8%)</i>		
Supreme Fame Sdn Bhd	Europe/Yemen/ South Africa	9
<i>(8%-15%)</i>		
MR Timber Trading	Singapore/ Hong Kong/ Japan/ Middle Eastern Countries	14
Pacific Interlink Sdn Bhd	Yemen/Arab	6
<i>(>15%)</i>		
Mulpha International Bhd	Japan/Yemen	12

Aikbee Group is not solely dependent on any of the major customers for its business as it is well established with over four (4) decades of market presence in the timber industry and has a wide network of customers.

4.8 Major Suppliers

The major suppliers for the Group's purchases as at 30 September 2000 (based on the latest audited accounts of the Group) are as follows:-

Suppliers	Length of relationship (Years)	Remark
<i>(3% to 5%)</i>		
Taikam Timber	3	Log
Perkayuan Sri Balan	3	Sawn Timber
Fu Sheng Trading Sdn Bhd	6	Log/Sawn Timber
<i>(5% - 10%)</i>		
Perniagaan J & A	5	Log/Sawn Timber
Universal Faber Sdn Bhd	5	Log/Sawn Timber
<i>(>10%)</i>		
Fokusmaju Sdn Bhd	10	Log/Sawn Timber
MR Timber Trading	5	Log/Sawn Timber

Aikbee Group is not solely dependent on any of the major suppliers for its supplies as it is well established with over four (4) decades of market presence in the timber industry and has a wide network of suppliers.

4. INFORMATION ON AIKBEЕ GROUP (Cont'd)

4.9 Future Plans, Strategies and Prospects of the Group

The future plans of Aikbee include the following:-

(a) Source of Cheaper Raw Materials

The Aikbee Group had recently identified various sources of logs and timber block suppliers from neighbouring countries selling at a cheaper price as compared to the local market. The Group is expected to explore this possibility and to establish a close long term relationship with these suppliers. With this arrangement, it is expected that the cost of production can be reduced significantly. Aikbee Group has been reviewing and identifying agents and suppliers from the neighbouring countries to be involved in the export/import of logs.

Aikbee also intends to set up a trading arm in certain neighbouring countries for the purchase of timber logs and blocks, the business plan of which is currently being considered. Aikbee anticipates that this plan would be implemented by end of 2002. The purpose of the trading arm is to achieve the following:-

- i) cheaper timber logs and blocks;
- ii) to expand supply volume for the next 5 years, so as to increase the production volume; and
- iii) better logs and blocks quality which can be achieved by having more variety in the availability of raw materials.

(b) Further Downstream Processing - Railway Sleeper

Aikbee Group is currently looking into setting up incising machinery to further complete the processing cycle of railway sleeper. The Group expects that this would induce an additional source of income and is in line with the Group's long term strategy as being a one stop railway sleeper producer. Aikbee Group is in the process of reviewing the specifications of the machinery pending finalisation of the costing and feasibility of the machinery. This plan is anticipated to be implemented by the second quarter of 2002.

The Group also anticipates that with the escalating cost on incising railway sleeper in Japan, the purchasers will award the contract to Aikbee as there is a synergistic effect that Aikbee can offer at a lower rate due to its competitive cost of production and most important of all, the time of transportation and shipment would be greatly reduced.

Aikbee believes that with the continuing strong demand for railway sleepers worldwide, particularly from the third world countries, the incising machinery will enable Aikbee to reap higher revenue and profit margin from sales of railway sleepers.

(c) Expansion of Furniture Part and Parquet

The Aikbee Group is planning to expand its furniture parts and parquet divisions. Beginning with trial runs and small scale production, the Group has been increasingly approached by purchasers with bigger quantum contracts. Therefore, the Group intends to focus on commercialising and expanding this product line. As these products are small in size, the raw materials used can be smaller pieces of wood, including the wood wastages from the manufacturing of other wood products. This is in line with the Group's continuing focus on reduction of wastages and increase in recovery rates of logs. In view that furniture parts and parquet divisions will enable Aikbee to increase its recovery rate of logs, the expansion will hence reap higher margins for Aikbee. The plan is expected to be completed by mid 2002.

4. INFORMATION ON AIKBEE GROUP (Cont'd)

(d) Replanting Management

To minimise environmental criticism, Aikbee follows up with replanting management (where feasible) for the concessionaires. Having successfully replanted approximately 7,000 acres in Sabah with oil palm after performing log extraction, Aikbee is now negotiating with various concessionaires for plantation management contracts and in the long run, to play its part in resolving environmental issues. Aikbee hopes that its services rendering replanting management could also create an advocate for Aikbee in that negotiations for future lease of concessions could also be coupled with replanting and plantation management. Currently, the replanting programmes run by Aikbee are mainly for oil palm.

(e) Environmental Friendly

In order to be a responsible and environmental-conscious manufacturer, the Group has taken the following steps :-

- i) Cessation of burning saw dust and unwanted blocks. As an alternative, the Group uses these waste material for fertilisers or resells it to charcoal suppliers;
- ii) Further processing the off-cuts into finger-joint, parquet and premium gifts to minimise wastage; and
- iii) Complying with the requirements of certification to sustainable forest management programme by an independent assessor.

4.10 Approvals, Major Licenses and Permits

All of Aikbee's factories have manufacturing licenses issued by the MITI. The principal licenses for the timber-related activities of the Group are as follows:-

Authority	Date of issue	Expiry date	Type	Equity conditions
ABSawmill				
MITI	18.04.1978	-	Manufacturing licence to produce sawn timber	None
MTIB	20.05.1992	31.05.2001	Timber exporter and supplier	None
Jabatan Hutan, Kerajaan Wilayah Persekutuan	01.02.1979	-	Licence to operate a sawmill	30% bumiputera employment condition, the condition of which is met. *
Pengarah Perhutanan Negeri Pahang	30.05.2000	-	Receipt to new logging registration	None
ABSabah				
MITI	11.01.1994	-	Manufacturing licence to produce sawn timber and plywood	None
Jabatan Alam Sekitar Sabah	02.08.1995	-	Approval to construct an incinerator	None
MTIB	06.11.1992	30.04.2001	Licence to supply sawn timber	None

4. INFORMATION ON AIKBEE GROUP (Cont'd)

Authority	Date of issue	Expiry date	Type	Equity conditions
ABSabah (Cont'd)				
Majlis Perbandaran Sandakan, Sabah	15.01.2001	31.12.2001	Licence to operate as a timber contract and timber exporter	None
Jabatan Perhutanan Sabah	16.12.1997	31.12.2001	Licence as a factory operator	None
Jabatan Perhutanan Sabah	09.07.1993	31.12.2001	Licence to operate a timber sawmill	None
Pegawai Perhutanan Telupid, Sandakan	20.02.1998	18.02.2001 #	Licence to export process timber	None
ABSarawak				
MITI	08.09.1992	-	Manufacturing licence of sawn timber and plywood	None
Office of Director of Forest, Sarawak	15.08.1995	14.08.2001	Licence to operate a sawmill	None
STIDC	08.06.2000	31.07.2001	Local supplier and exporter of sawn timber	None
Kerajaan Negeri Sarawak	08.06.2000	26.06.2001	Trade licence to import timber logs	None
Kerajaan Negeri Sarawak	08.06.2000	26.06.2001	Trade licence to export sawn timber	None
Kerajaan Negeri Sarawak	08.06.2000	26.06.2001	Trade licence to operate a sawmill	None
Majlis Daerah Sarikei, Sarawak	13.08.1997	-	Temporary occupation permit for a timber factory/sawmill	None

Notes:-

* As at 20 March 2001, 42 staff representing 32.6% of the employees in ABSawmill are bumiputera.

ABSawmill has submitted an application for renewal of the licence to Pejabat Perhutanan Telupid, Sabah on 14 February 2001.

In addition, ABSawmill has since 1998 obtained a certification from an independent assessor, SGS (Malaysia) Sdn Bhd confirming its continuing compliance to sustainable forest management requirements, enabling it to export to countries which are strong advocates for environmental lobbying, including the Netherlands and other European countries. SGS (Malaysia) Sdn Bhd is an independent assessor appointed to issue certificates to the participants of a Malaysian-Netherlands programme introduced by the Netherlands wherein the main objective is to provide incentives for forest management improvement through third party auditing which will enable marketing of timber products to Netherlands in line with the ITTO Year 2000 Objective.

4. INFORMATION ON AIKBEE GROUP (Cont'd)

4.11 Related Party Transactions

4.11.1 Transactions between Aikbee Group and the Directors/Substantial Shareholders

Saved as disclosed below, there are no other transactions between the Group and the Directors or substantial shareholders of the Company and their related companies:-

The Aikbee Group has ongoing arrangements to perform logging and replanting management and maintenance with companies in which the Directors and substantial shareholders have interest. Lim Yen Siew @ Tan Sit Seng, Yap Kin Thai, Tan Aik Hooi, Tan Aik Hong, Tan Cheng Laye and Tan Aik Thor are substantial shareholders of Sit Seng & Sons Realty Sdn Bhd and its subsidiaries. The subsidiaries of Sit Seng & Sons Realty Sdn Bhd include Ever-Yield Sdn Bhd, Fasgain Sdn Bhd, Lubah Plantation (S) Sdn Bhd, Realwood Enterprise Sdn Bhd, Upaya Abadi Sdn Bhd, Syarikat Tani Desa Sdn Bhd, Sapatanian Sdn Bhd, Yauntung Sdn Bhd and Belutanian Sdn Bhd. The abovementioned companies allow ABSabah to perform logging in their land and thereafter, to replant and to manage the oil palm plantations.

Details of the abovementioned agreements are as follows:-

- (i) Logging Agreement dated 10 December 1996 between ABSabah and companies related to the Directors and substantial shareholders:-

Companies related to Directors and substantial shareholders	Land (Acres)	Location	Cash Consideration
Ever-Yield Sdn Bhd	617.0	CL 85324090 Beluran, Sabah	RM47 per cubic metre
Fasgain Sdn Bhd	616.5	CL 85324107 Beluran, Sabah	- as above -
Lubah Plantation (S) Sdn Bhd	1,233.0	CL 85325408 Beluran, Sabah	- as above -
Realwood Enterprise Sdn Bhd	616.7	CL 85325917 Beluran, Sabah	- as above -
Upaya Abadi Sdn Bhd	616.8	CL 85325926 Beluran, Sabah	- as above -
Total	3,700.0		

The above logging agreements will contribute about 78,000 m³ of logs or approximately 36.1% of the Group's total logs extraction up to 2002 of 216,000 m³. The management of Aikbee anticipates that the above logging activities shall commence by mid 2001.

- (ii) Oil Palm Plantation Development Agreements between ABSabah and companies related to the Directors and substantial shareholders

Companies related to Directors and substantial shareholders	Date of Agreement	Land (Acres)	Location	Cash Consideration
Belutanian Sdn Bhd	06/07/1995	750.0	PL 086290342, Beluran, Sabah	RM1,250 per acre
Sapatanian Sdn Bhd	06/07/1995	980.5	PL 086290351, Beluran, Sabah	- as above -
Syk. Tani Desa Sdn Bhd	15/04/1996	752.9	PL 086290360, Beluran, Sabah	- as above -
Yauntung Sdn Bhd	15/03/1997	929.4	CL 085314441, Beluran, Sabah	- as above -
Sit Seng & Sons Realty Sdn Bhd	06/07/1995	1,975.9	PL 086290191, Beluran, Sabah	- as above -
Sit Seng & Sons Realty Sdn Bhd	15/10/1997	99.1	PL 086290253, Beluran, Sabah	RM820 per acre
Sit Seng & Sons Realty Sdn Bhd	09/02/1998	735.9	PL 086290217, Beluran, Sabah	- as above -
Total		6,223.7		

4. INFORMATION ON AIKBEE GROUP (Cont'd)

- (iii) Oil Palm Plantation Maintenance Agreements between ABSabah and companies related to the Directors and substantial shareholders

Companies related to Directors and substantial shareholders	Date of Agreement	Land (Acres)	Location	Cash Consideration
Belutanian Sdn Bhd	13/10/2000	750.0	PL 086290342, Beluran, Sabah	Maintenance @ RM49.50 per acre per month and harvesting @ RM40.00 per metric/tonne
Sapatanian Sdn Bhd	13/09/1999	980.5	PL 086290351, Beluran, Sabah	- as above -
Sit Seng & Sons Realty Sdn Bhd	16/11/1999	735.9	PL 086290217, Beluran, Sabah	- as above -
Syk. Tani Desa Sdn Bhd	10/06/2000	752.9	PL 086290360, Beluran, Sabah	- as above -
Yauntung Sdn Bhd	13/02/2001	929.4	CL 085314441, Beluran, Sabah	- as above -
Sit Seng & Sons Realty Sdn Bhd	17/05/1999	98.3	PL 086290262 and PL 086290271, Beluran, Sabah	- as above -
Sit Seng & Sons Realty Sdn Bhd	27/07/1999	1,975.9	PL 086290191, Beluran, Sabah	- as above -
Sit Seng & Sons Realty Sdn Bhd	27/07/1999	99.1	PL 086290253, Beluran, Sabah	- as above -
Sit Seng & Sons Realty Sdn Bhd	17/05/1999	472.5	PL 086290128, Beluran, Sabah	- as above -
Total		6,794.5		

The revenue generated from the abovementioned Oil Palm Plantation Development and Maintenance contracts for the nine months period ended 30 September 2000 was RM5.438 million, which is approximately 6.6% of the total revenue of the Group for the said period of RM82.419 million. For year 2001, the management of Aikbee anticipates that the revenue from oil palm plantation development and maintenance activities with the abovementioned related parties will be RM6.395 million. This will represent 87% of the total revenue to be generated from such activities of RM7.354 million and 6.3% of the total revenue of the Group of RM102.242 million in year 2001.

To mitigate any potential conflicts of interest which may arise from the above, the Aikbee Group and each of the companies have signed long term log extraction agreements to perform the stipulated transactions at the prevailing market prices. These agreements were entered into not only to secure raw materials for the Aikbee Group but also to reduce the possibility of the Group buying its raw materials at deflated or inflated prices. Replanting and management contracts are also based on commercial terms.

The Directors confirmed that the agreements made between the Aikbee Group and the companies in which the Directors/substantial shareholders own controlling interest are entered into on an arms-length basis and are based on commercial terms. The Audit Committee of Aikbee will monitor any related transactions to ensure that these transactions are carried out on an arms-length basis and on commercial terms that will not be detrimental to the Aikbee Group. Any related-party transactions will be reported by the Directors in the Company's annual report.

4.11.2 Promotions of any assets acquired/to be acquired within two (2) years preceding the date of this Prospectus

Save as disclosed below, no other Director or substantial shareholders have any interest, direct or indirect, in the promotion of or in any assets which have, within the two (2) preceding years of the date of this Prospectus been acquired or disposed of by or leased to the Company or its subsidiaries, or are proposed to be acquired, disposed of by or leased to the Company or its subsidiaries or any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Company or its subsidiaries.

4. INFORMATION ON AIKBEE GROUP (Cont'd)

Acquisition of ABSabah

Director / Substantial Shareholder	Nature of Interest in Aikbee	Nature of Interest in ABSabah
Lim Yen Siew @ Tan Sit Seng	Director and substantial shareholder of Aikbee	Director and substantial shareholder of ABSabah
Yap Kin Thai	Substantial shareholder of Aikbee	Indirect substantial shareholder of ABSabah
Tan Aik Hooi	Director and substantial shareholder of Aikbee	Indirect substantial shareholder of ABSabah
Tan Aik Hong	Director and substantial shareholder of Aikbee	Indirect substantial shareholder of ABSabah
Tan Cheng Laye	Substantial shareholder of Aikbee	Indirect substantial shareholder of ABSabah
Tan Aik Thor	Substantial shareholder of Aikbee	Indirect substantial shareholder of ABSabah
Yap Keat Choon	Director and indirect substantial shareholder of Aikbee	Director and substantial shareholder of ABSabah
Siti Hapzah binti Ali	Indirect substantial shareholder of Aikbee	Indirect substantial shareholder of ABSabah
Dato' Seri Utama Tan Sri Abdul Samad bin Idris	Indirect substantial shareholder of Aikbee	Indirect substantial shareholder of ABSabah
Low Chee Hock	Director of Aikbee	Director of ABSabah

Details of the Acquisition of ABSabah are set out in Section 4.3(ii) of this Prospectus.

Acquisition of ABSarawak

Director / Substantial Shareholder	Nature of Interest in Aikbee	Nature of Interest in ABSarawak
Lim Yen Siew @ Tan Sit Seng	Director and substantial shareholder of Aikbee	Director and indirect substantial shareholder of ABSarawak
Tan Aik Hooi	Director and substantial shareholder of Aikbee	Indirect substantial shareholder of ABSarawak
Tan Aik Hong	Director and substantial shareholder of Aikbee	Indirect substantial shareholder of ABSarawak
Tan Cheng Laye	Substantial shareholder of Aikbee	Indirect substantial shareholder of ABSarawak

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

Acquisition of ABSarawak *(Cont'd)*

Tan Aik Thor	Substantial shareholder of Aikbee	Indirect substantial shareholder of ABSarawak
Yap Keat Choon	Director and indirect substantial shareholder of Aikbee	Director and indirect substantial shareholder of ABSarawak
Low Chee Hock	Director of Aikbee	Director and indirect substantial shareholder of ABSarawak

Details of the Acquisition of ABSarawak are set out in Section 4.3(iii) of this Prospectus.

Acquisition of ABSawmill

Director / Substantial Shareholder	Nature of Interest in Aikbee	Nature of Interest in ABSawmill
Lim Yen Siew @ Tan Sit Seng	Director and substantial shareholder of Aikbee	Director and substantial shareholder of ABSawmill
Tan Aik Hooi	Director and substantial shareholder of Aikbee	Substantial shareholder ABSawmill
Tan Aik Hong	Director and substantial shareholder of Aikbee	Substantial shareholder of ABSawmill
Tan Cheng Laye	Substantial shareholder of Aikbee	Substantial shareholder of ABSawmill
Tan Aik Thor	Substantial shareholder of Aikbee	Substantial shareholder of ABSawmill
Kamal bin Abu	Director and substantial shareholder of Aikbee	Director and substantial shareholder of ABSawmill

Details of the Acquisition of ABSawmill are set out in Section 4.3(iv) of this Prospectus.

4.11.3 Interest in similar business

None of the Directors or substantial shareholders of the Company has any interests, direct or indirect, in other businesses and corporations carrying on a similar trade as the Company or its subsidiaries.

4.11.4 Declarations by the Advisers

AMMB hereby declares that there is no conflict of interest with respect of their capacity as Advisors to Aikbee Group for the Public Issue and Offer For Sale.

Messrs. Manjit Singh Sachdev, Mohammad Radzi & Partners hereby confirms that there is no conflict of interest with respect of their capacity as Solicitors to Aikbee Group for the Public Issue and Offer For Sale.

Messrs. Folks DFK & Co. hereby confirms that there is no conflict of interest with respect of their capacity as Auditors and Reporting Accountants to Aikbee Group for the Public Issue and Offer For Sale.

Rahim & Co (Sel) Sdn Bhd hereby confirms that there is no conflict of interest with respect of their capacity as Valuers to Aikbee Group for the Public Issue and Offer For Sale.