

V. INFORMATION ON THE SKRB GROUP

1. INFORMATION ON SKRB

1.1 Incorporation

SKRB was incorporated in Malaysia under the Companies Act, 1965 on 5 July 2000 as a private limited company under the name Sern Kou Resources Sdn Bhd. It was converted into a public company on 13 March 2003 and assumed its present name. The principal activities of the Company are investment holding and provision of management services.

1.2 Changes in share capital

The authorised share capital of SKRB is RM200,000,000 comprising 400,000,000 ordinary shares of RM0.50 each. The issued and paid-up share capital of SKRB is RM38,660,000 comprising 77,320,000 ordinary shares of RM0.50 each.

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

Date of allotment	No. of ordinary shares allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
05.07.2000	2	Subscriber shares	2
05.03.2003	1,998	Cash	2,000
19.11.2003	4,000	Sub-division of par value from RM1.00 to RM0.50 per ordinary share	2,000
30.11.2003	44,870,000	Issued in respect of the Acquisitions	22,437,000
09.01.2004	32,446,000	Rights Issue	38,660,000

2. LISTING EXERCISE

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of SKRB on the Second Board of MSEP, the Company undertook a restructuring scheme which was approved by the MITI on 28 May 2003, the SC on 24 September 2003 and 11 November 2003 and the SC on behalf of FIC on 24 September 2003 involving the following inter-conditional transactions:

(i) Share Split

At the general meeting of SKRB held on 19 November 2003, the shareholders of SKRB had by way of an ordinary resolution approved the sub-division of the par value of the existing ordinary shares in SKRB from RM1.00 to RM0.50 per ordinary share. The Share Split was completed on 19 November 2003.

(ii) Parting of Dividend

On 31 August 2003, SKFI, SK and VPM declared a tax-exempt dividend amounting to a total of RM6.00 million for the 8 month period ended 31 August 2003 to the shareholders who were registered as members of SKFI, SK and VPM, respectively as at 31 August 2003. The dividend was paid on 14 November 2003.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

(iii) Acquisitions

(a) Acquisition of SKFI

On 25 March 2003, SKRB entered into a conditional share sale agreement with the vendors of SKFI, Koh Kun Chuan, Quek Wee Seng, Wa Ang Ka @ Kua Ang Ka, MBSB and WHSB to acquire the entire issued and fully paid-up share capital of SKFI comprising 5,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM11,942,952 to be satisfied by the issuance of 21,928,642 new SKRB Shares at approximately RM0.54 per SKRB Share.

The Acquisition of SKFI was completed on 30 November 2003.

(b) Acquisition of SK

On 25 March 2003, SKRB entered into a conditional share sale agreement with the vendors of SK, Koh Kun Chuan, Quek Wee Seng, Wa Ang Ka @ Kua Ang Ka, MBSB and WHSB to acquire the entire issued and fully paid-up share capital of SK comprising 2,500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,434,280 to be satisfied by the issuance of 6,305,736 new SKRB Shares at approximately RM0.54 per SKRB Share.

The Acquisition of SK was completed on 30 November 2003.

(c) Acquisition of VPM

On 25 March 2003, SKRB entered into a conditional share sale agreement with the vendors of VPM, Koh Kun Chuan, Quek Gim Hong @ Keh Gim Hong, MBSB and WHSB to acquire the entire issued and fully paid-up share capital of VPM comprising 5,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM9,060,225 to be satisfied by the issuance of 16,635,622 new SKRB Shares at approximately RM0.54 per SKRB Share.

The Acquisition of VPM was completed on 30 November 2003.

All the shares of the aforesaid companies were acquired by SKRB free from all claims, charges, liens and encumbrances.

The purchase consideration for SKFI, SK and VPM are based on the respective companies' audited NTA as at 31 December 2002 of RM11,942,952, RM3,434,280 and RM9,060,225.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

The details of the vendors' shareholdings in SKFI, SK and VPM are as follows:

	<----- SKFI ----->		<----- SK ----->		<----- VPM ----->	
	No. of shares	%	No. of shares	%	No. of shares	%
Koh Kun Chuan	1,645,000	32.90	822,500	32.90	1,750,000	35.00
Quek Wee Seng	1,225,000	24.50	612,500	24.50	-	-
Wa Ang Ka @ Kua Ang Ka	630,000	12.60	315,000	12.60	-	-
Quek Gim Hong @ Keh Gim Hong	-	-	-	-	1,750,000	35.00
MBSB	750,000	15.00	375,000	15.00	750,000	15.00
WHSB	750,000	15.00	375,000	15.00	750,000	15.00
	5,000,000	100.00	2,500,000	100.00	5,000,000	100.00

The new SKRB Shares to be issued to the vendors pursuant to the Acquisitions are as follows:

	Acquisition of SKFI	Acquisition of SK	Acquisition of VPM	Total
Koh Kun Chuan	7,214,523	2,074,587	5,822,468	15,111,578
Quek Wee Seng	5,372,517	1,544,906	-	6,917,423
Wa Ang Ka @ Kua Ang Ka	2,763,010	794,523	-	3,557,533
Quek Gim Hong @ Keh Gim Hong	-	-	5,822,468	5,822,468
MBSB	3,289,296	945,860	2,495,343	6,730,499
WHSB	3,289,296	945,860	2,495,343	6,730,499
	21,928,642	6,305,736	16,635,622	44,870,000

As part of the Acquisitions, Koh Kun Chuan, Quek Wee Seng, Wa Ang Ka @ Kua Ang Ka and Quek Gim Hong @ Keh Gim Hong nominated their shareholdings of 11,100,267 SKRB Shares, 4,276,916 SKRB Shares, 5,081,220 SKRB Shares and 2,264,769 SKRB Shares respectively to AHSB. The nomination of the SKRB Shares by the existing promoters to AHSB is to enable the promoters to consolidate and establish a single point of control over SKRB via a private limited company.

The Acquisitions resulted in the issued and paid-up share capital of SKRB being increased from RM2,000 to RM22,437,000.

(iv) Rights Issue

On 9 January 2004, SKRB implemented a rights issue of 32,446,000 new SKRB Shares at par on the basis of approximately 7.23 new ordinary shares for every 10 ordinary shares held after the Acquisitions.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

The Rights Issue resulted in the issued and paid-up share capital of SKRB being further increased from RM22,437,000 to RM38,660,000. Proceeds from the Rights Issue and Public Issue amounting to RM27,635,000 will be utilised in the manner set out in Section III(7) of this Prospectus.

(v) Offer for Sale

Following the completion of the Acquisitions and the Rights Issue and in conjunction with the flotation of SKRB, the Offerors will undertake an offer for sale of 11,782,000 SKRB Shares at an offer price of RM0.90 per Offer Share of which 7,282,000 SKRB Shares are reserved for Bumiputera investors approved by the MITI and 4,500,000 SKRB Shares to be allocated to eligible Directors, employees, suppliers and customers of the SKRB Group.

(vi) Public Issue

Following the completion of the Acquisitions and the Rights Issue and in conjunction with the flotation of SKRB, the Company is implementing a public issue of 12,680,000 new SKRB Shares at an issue price of RM0.90 per Issue Share to the Malaysian public. Proceeds from the Rights Issue and Public Issue amounting to RM27,635,000 will be utilised in the manner set out in Section III(7) of this Prospectus.

(vii) Listing and Quotation

The listing of and quotation for the entire enlarged issued and paid-up share capital of SKRB comprising 90,000,000 SKRB Shares on the Second Board of the MSEL.

3. BUSINESS OVERVIEW

3.1 History and Business

The history of the SKRB Group can be humbly traced back to the commencement of business of its first wholly-owned subsidiary, SKFI in 1993 by its founders and current Managing Director and Executive Director of SKRB, Koh Kun Chuan and Quek Wee Seng, respectively. The in-depth knowledge and skills of both the founders has spearhead SKFI from a small household furniture manufacturing company since its commencement in 1993 to the current establish wooden furniture manufacturer. SKFI's turnover grew from a mere RM0.5 million in 1993 to RM36.6 million for the 8 month period ended 31 August 2003.

In 1995, based on the favourable prospects and the increased acceptance of Malaysian manufactured furniture products, VPM was incorporated on 6 January 1995. VPM is principally involved in the manufacture and processing of rubberwood and related products. VPM commenced operations in January 1996. VPM operates the Group's kiln drying, pressure treatment plant, finger joint and lamination line.

As part of its expansion plans to diversify its activities and complement its core furniture activities, SK, another wholly-owned subsidiary of the SKRB Group was incorporated on 4 May 1996 and commenced operations in June 1996. SK is principally involved in the manufacture and trading of metal furniture and parts. SK is the Group's manufacturing arm for tube and metal furniture. Together with SKFI, the SKRB Group is able to provide a wide range of furniture products with the combination of wood and metal.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

3.1.1 Principal Products

SKFI and SK are both involved in the manufacturing and sale of a broad range of rubberwood and metal furniture which can be classified into 5 broad categories as follows:

Category	Furniture type
Dining	Dining sets in a variety of material including solid rubberwood, veneer, glass and natural stone; extendable table in butterfly, leaf, drop leaf and folding styles; and bar stools and bar tables.
Occasional	End tables and corner racks, coffee tables and console tables, nesting tables, planter stands, television stands; and shelves and baker racks.
Living room	Futons, book cases, benches and entertainment units.
Buffet and Hutch	Curios, servers and sideboards.
Bedroom	Bed frames, dressing tables, bed sides and chests and other case goods.

Most of SKFI's and SK's furniture products are manufactured under the brand name "SK" and are mainly used for household purposes. Almost all of the Group's furniture products are exported. Major export regions include North and South America, Australia, New Zealand, UK, Middle East and other parts of the Asian region such as Korea, Philippines, Japan and Singapore.

VPM provides pressure treatment and kiln drying for rough sawn rubberwood. These services mainly cater for the Group's in-house requirements. However, VPM also sells treated rubberwood to smaller furniture manufacturers locally, who do not have the facilities to treat rough sawn rubberwood. The Group is able to maintain the quality of the furniture products as a result of its own in-house kiln drying and pressure treatment facilities. This would also shorten the delivery time of raw materials to SKFI and SK and thus reduce the overall production lead time.

The SKRB Group's focus is mainly on household furniture products and is able to provide a wide range of furniture products with the combination of wood and metal to cater for the consumers' needs in a diverse market. This is achieved through aesthetic enhancements, stringent quality control, customer service, competitive pricing and short delivery lead time. The short delivery lead time has also enabled the overseas customers to reduce their stockholdings and their investment in inventory.

The management is aware that furniture design and quality is important for the Group's products to remain competitive and has taken various initiatives such as sending personnel to various trade fairs and exhibitions, providing in-house product and design training, undertaking R&D on experimenting with other raw materials and constantly gathering feedback from customers to keep abreast with the latest trends and styles in the furniture market.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

3.1.2 Principal Markets

The principal export markets of the SKRB Group's furniture products and the percentage of contribution to the Group's turnover are as follows:

Export Market for Furniture Products	% contribution to the Group's turnover for the 8 month period ended 31 August 2003 %
Asia (comprising Korea, Japan and Philippines)	1.98
Australia and New Zealand	19.35
Middle East	7.22
North and South America	29.31
UK	5.33
Europe	3.48
	<u>66.67</u>

The balance of the Group's turnover of 33.33% is derived from local sales of kiln-dried rubberwood and laminated boards.

The sales mix by categories of products for the Group are as follows:

Product Type	% contribution to the Group's turnover for the 8 month period ended 31 August 2003 %
Tables and chairs	49.97
Dining sets	5.97
Buffets and Hutches	2.82
Planters stand	1.67
Bedroom sets	2.56
Others such as racks, cabinets, stools, chest, shelves, nest, etc	3.68
Kiln-dried rubberwood	32.25
Laminated boards	1.08
	<u>100.00</u>

The growth of the principal export markets of the SKRB Group is dependent on the prospects of the manufacturing sector, in particular, the furniture industry and the ability of the Group in increasing its market share and penetrating into new markets. The prospects of the Malaysian economy, the manufacturing sector and the furniture industry are detailed in Sections V(5.2) to V(5.4) of this Prospectus.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

The Group has also established a good long term business relationship with its major customers such as Coaster Inc in US, Endeavour Trading Sdn Bhd, L.G. Sourcing Inc, in US and Tradewinds International Pty Ltd in Australia, which have had business dealings with the Group for an average of 6 years. Another key success factor of the SKRB Group is the practice of allowing customers to purchase mixed containers of furniture products thus allowing the flexibility of purchasing small quantities of varying types of furniture with different designs. The Group also prides itself in on-time delivery and a well diversified range of furniture products. The Group believes that customer satisfaction is important and that the management of the Group will strive to provide quality products at competitive prices to its customers in order to remain as one of the major integrated furniture manufacturers.

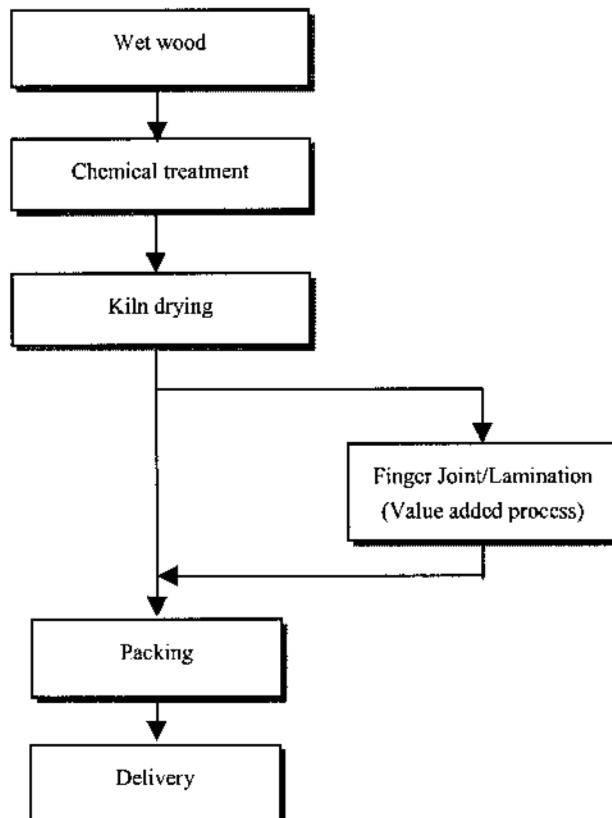
3.1.3 Manufacturing Processes

The Group's operations are located at Kawasan Perindustrian Bukit Bakri, Muar, Johor and all the factories are located in the same vicinity for production efficiency.

The Group practises a "workstation" setup for its furniture manufacturing process which means that each workstation will specialise in a particular process or job function. This setup has been successfully implemented by the Group as a variety of furniture models can be produced simultaneously in smaller quantities i.e. not mass production of homogeneous products. This is one of the critical success factors behind the Group's marketing strategy. Further, in a workstation setup where many furniture models are produced simultaneously, the production change-over time is faster as compared to a production line method thereby reducing machine downtime.

A diagram depicting the manufacturing process undertaken by each of the subsidiary and a brief explanation of the processes is further described in parts (a) to (c) below.

(a) Rubberwood kiln drying, chemical treatment, finger joint and lamination



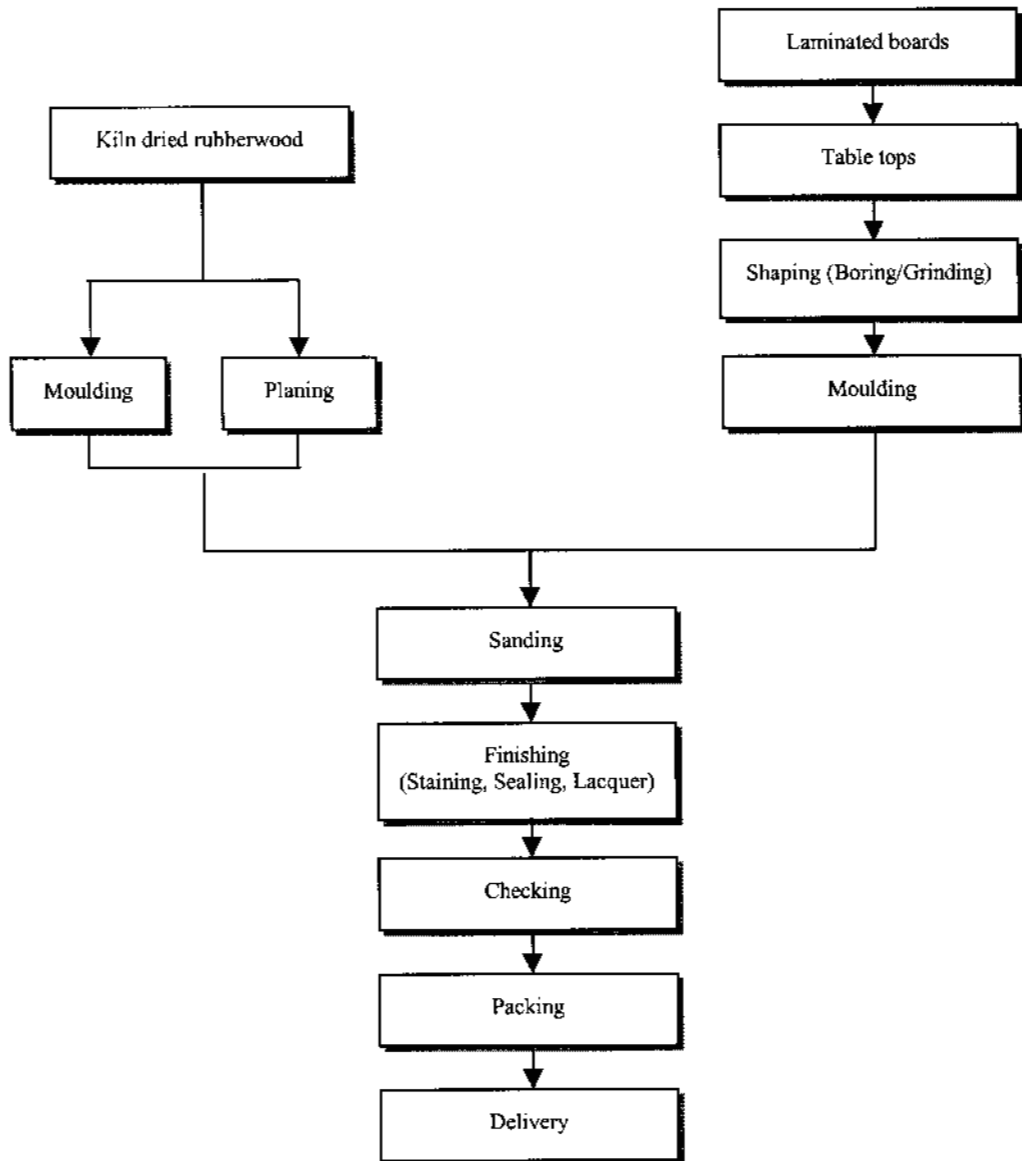
V. INFORMATION ON THE SKRB GROUP (CONT'D)

The raw materials comprising wet rubberwood are purchased in various sizes, such as 3"x3", 2"x3" and 3"x1". The rough sawn rubberwood are sent for chemical treatment in an impregnation chamber where the rubberwood would be treated with boric acid to prevent any fungus or bore worm attacks. The chemical treatment typically takes 2 hours, after which the treated rubberwood are sent for kiln drying. The kiln drying process takes 12-30 days with the kiln chamber running 24 hours a day. The number of days required for the kiln drying process depend on the size and weight of the rubberwood being kiln-dried in the chamber. The capacity of each kiln chamber is 30-45 tonnes and VPM currently has 32 kiln chambers. For a more efficient use of resources, the fuel used for the steam boiler to operate the kiln chambers are from scrap timber, which is a waste product from the manufacturing of the rubberwood furniture.

Once the moisture content of the rubberwood reaches the optimum level of 9-11%, the rubberwood will be removed from the kiln chamber, wrapped and packed to prevent moisture absorption. The kiln-dried rubberwood may also be sent for further value-added process or sent for packing and subsequent delivery. The processed rubberwood is then wrapped, packed and sent to SKFI and SK for the manufacturing of furniture while the excess is sold to external customers.

At present, the Group sources approximately 70% of laminated boards from third party suppliers as VPM does not have adequate production capacity to cater for SKFI and SK's production needs. To overcome this, VPM has entered into a Sale and Purchase Agreement for the purchase of a land and building together with plant and machinery for the purpose of investing into the new lamination line. The new lamination line is expected to commence commercial production by mid-2004. Further details are set out in Section XIII(8)(iv) of this Prospectus.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

(b) Manufacturing of rubberwood furniture

The kiln dried rubberwood is sent to SKFI and SK (if certain metal parts are used as part of the product) for the next manufacturing process where required.

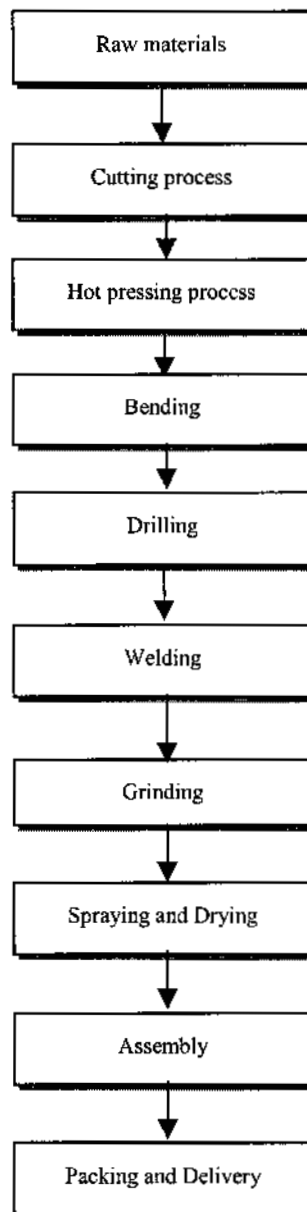
The next stage is the shaping of the laminated boards which involves the boring, moulding of dry timber and grinding process. This is done via various shaping tools and machinery such as the computerised numeric control router which is used to mould and shape the laminated boards into the desired shape and size. Other furniture parts such as table legs, chair legs, back rest and others are also sent for shaping and moulding. Upon completion of the shaping and moulding process, the furniture parts are sent for sanding for a finer and smoother surface. The sanded furniture parts are then sent for finishing which involves staining and spraying to achieve the desired aesthetic effects. The spraying process which is semi-automated, involves the application of the undercoat and topcoat on the furniture parts. The parts are also lacquered to provide finer touches.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

Once the finishing process is completed, the furniture parts are sent for a final quality control check and then discharged for packing. The furniture parts are sold as semi-knocked down or fully knocked down furniture and is flat packed for shipment purposes.

At each stage of the manufacturing process, the moisture content is checked to ensure that the moisture content of the furniture parts are maintained at the optimum level. Quality control measures are also undertaken throughout each process where the furniture parts are visually inspected by the supervisors to ensure that all quality issues are detected at the root level and to prevent the defective part from moving on to the next process.

(c) Manufacturing of metal furniture and parts



V. INFORMATION ON THE SKRB GROUP (CONT'D)

The major raw materials used for the manufacturing of steel furniture are steel rods and tubes. These steel rods and tubes are normally purchased in lengths of 6 metres. The steel rods and tubes are firstly sent for cutting to achieve the desired length and size for the manufacturing of furniture parts. These steel parts will then undergo a hot pressing process to either shrink or taper the parts.

The processed steel parts will be bent to the desired shape and furniture parts such as the joints will be drilled with holes for assembly purposes. Some of these parts are table legs, bracket legs, side rail and bed post. These parts are then sent for the welding process. Subsequently, the steel furniture parts are sent for the grinding and sanding processes in order to smoothen the surface of the parts.

The next stage will involve the finishing process where the steel furniture parts will be sprayed with epoxy powder and dried. This process involves heating and drying. Upon completing the finishing touches, some of the furniture parts will be assembled and the final finished product will undergo a final quality control check. The furniture parts will then be flat-packed prior to shipment to customers.

3.1.4 Production Output and Capacity

The Group's manufacturing of furniture and pressure treatment and kiln-drying are carried out within a combined built up area of 260,550 sq. ft. in factories located in Kawasan Perindustrian Bukit Bakri in Muar, Johor Darul Takzim. The SKRB Group has not experienced any major interruptions in its manufacturing operations over the last 12 months.

The production output and capacity of the SKRB Group analysed by subsidiary are as follows:

Company	Location and address	Build-up sq. ft.	Broad Category	Average Production Capacity Per annum	Average Production Output Per annum
SKFI	Lot PTD 6019 (Lot 8804) and Lot PTD 6020 (Lot 8805) Jalan Perindustrian I Kawasan Perindustrian Bukit Bakri Mukim Bakri 84200 Muar Johor Darul Takzim	128,320	Rubberwood furniture: - Chairs - Tables - Buffet and Hutches	400,000 units 180,000 units 8,000 units	320,000 units 144,000 units 6,400 units
SK	Lot PTD 6028 (Lot 8721) Kawasan Perindustrian Bukit Bakri Batu 8, Jalan Bakri 84200 Muar Johor Darul Takzim	25,170	Steel furniture: - Bedroom sets - Dining sets	20,000 units 7,000 units	18,500 units 5,000 units
VPM	Lot PTD 5999 (Lot 8789) and Lot PTD 6015 (Lot 8803) Jalan Perindustrian 5 and 1 respectively at Kawasan Perindustrian Bukit Bakri Mukim Bakri 84200 Muar Johor Darul Takzim	107,060	Treated and kiln dried rubberwood	36,000 tonnes	33,600 tonnes

V. INFORMATION ON THE SKRB GROUP (CONT'D)

Save for VPM, the Group practices the 'just-in-time' ("JIT") inventory system which reduces their investment in inventory. The JIT system also reduces wastages from stockholding and space required for storage, thus translating into cost savings. As a result of the successful implementation of the JIT system, the average stock turnover period for SKFI and SK is approximately 1.4 months and this has enabled SKFI and SK to practise a delivery lead-time of approximately one month.

3.1.5 Quality Control

The SKRB Group is fully committed to maintaining a high standard of product quality in order to meet the stringent quality requirements from its international customers. At present, the Group has a team of 48 supervisors overseeing the quality control function. The Group has incorporated strict quality specifications for its products to meet its customers' expectations. In order to meet this requirement, the Group has built in a series of check points that have been incorporated into the production process, that is, from procurement of raw materials right up to finished goods.

One of the key important process for the SKRB Group is the monitoring of defects and curbing of wastage. Defective parts are detected at the earliest possible stage of the manufacturing process to prevent any defective parts from being processed into finished good, thereby preventing a finished product from being rejected.

The SKRB Group has in place stringent quality controls at each stage of the manufacturing process and defects identified at each stage will be dealt with in the following manner:

- (a) Defects identified during the manufacturing process are usually sent for rework such as re-spraying, re-sanding or re-shaping to achieve the required level of surface smoothness or colour intensity. Such reworked parts will then be sent for the next stage of the manufacturing process. For defected parts which cannot be reworked, such parts may be cut and processed into internal parts such as corner blocks for other models; and
- (b) Rejects are normally parts which can no longer be reworked. Rejected steel parts can be sold off as scrap metal while rejected dry rubberwood or rubberwood parts can be cut into different sizes and used for the lamination of joints or sold to third parties at a discounted price. Rubberwood residues which cannot be reused or sold will be used as fuel for heating its kiln drying chambers.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

3.1.6 Research and Development

The SKRB Group recognises the need to undertake R&D activities in order to keep abreast with competition. The R&D department currently comprises 3 experienced personnel in product design, detailing, development and prototyping and comes under the purview of the Managing Director, Koh Kun Chuan. With the aid of computer-aided design ("AutoCAD"), the SKRB Group has the capacity to design and develop its products from the conceptual stage, through technical drawings. The AutoCAD enables the Company to reduce the time in designing, varying and modifying products to suit various requirements prior to actual production. The role of the R&D team in the design and development of the products involves the following:

- (a) information gathering on consumer preference;
- (b) maintaining product quality;
- (c) creation of new designs and products; and
- (d) modifying the design to improve efficiency and minimise production costs.

In the endeavour to keep abreast with competition, the recent and planned activities undertaken by the R&D team are as follows:

- (a) research into alternative raw materials such as medium density fibreboard, chipboard and metal; and
- (b) re-engineering the existing design process.

The Group has spent approximately RM121,000 on R&D for the last 2 financial years ended 31 December 2002 and 8 month period ended 31 August 2003. The amounts spent on R&D represents less than 1% of the annual turnover of the respective financial years/period.

3.1.7 Material Sourcing

The main raw materials used for the Group's manufacturing process are rubberwood and steel. Other raw materials used include chemicals used for the treatment of the rough sawn rubberwood, lacquers, stains, thinners, sealers and fillers for the finishing stage and nuts, screws and other hardware items for the furniture fittings. Approximately 98% of the Group's raw material is sourced locally while the remaining 2% is imported. Raw materials sourced locally consist of packaging materials, painting materials, hardware materials, rubberwood, laminated boards and steel. Items imported are mainly fabric and glass from Indonesia, UK, China and Australia.

To-date, the Group has not encountered any problems in sourcing for raw materials. While the supply of rubberwood has been sustained over the past years, the continued supply of rubberwood depends on the Government's future development plans and objectives in the implementation of rubberwood replantation programmes. While rubberwood is generally obtained as a by-product from agricultural rubber estates, measures have been taken to encourage the establishment of rubber tree plantations solely for timber production. The Government had since the Sixth Malaysia Plan (1991-1995), embarked on a pilot rubber forest plantation project which was undertaken to encourage the planting of rubber trees as forest plantation for the purposes of timber production. With such pro-active measures being undertaken by the Government, the supply of rubberwood is expected to be sustainable in the foreseeable future. Further, the Group could also source for alternative supply of rubberwood from neighbouring countries such as Myanmar, Thailand or Indonesia.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

The Group currently has access to a regular supply of raw materials at competitive prices and over the years has maintained a good working relationship with its suppliers where it has an established track record for its purchase and payment commitments. In order to mitigate the risk of disruption in raw material supply, VPM, a subsidiary of SKRB had on 16 May 2003 entered into a long-term contract with Souncern Timber Sdn Bhd, its major supplier of rubberwood for the supply of rubberwood for a period of 3 years up to 31 December 2005. The Group expects that its suppliers will be able to support any increase in raw material requirements arising from the expected increase in the future output of the Group.

3.1.8 Marketing and Method of Distribution

The Group's products are mainly distributed through furniture wholesalers, importers, retailers and buying houses or agents. As wholesalers are generally aware of the dynamics and latest development within the furniture industry and have their respective established distribution networks, the Group is able to capitalise on their existing networks to distribute and promote its products in the markets where the wholesalers are located. For its export market, the Group currently has a total of 123 foreign wholesalers, importers, retailers, buying houses and agents.

The SKRB Group has its own sales and marketing team comprising 6 personnel who will establish direct contact with potential and existing customers. Further, all levels of management are exposed to the Group's customers to enable them to gain a better understanding of the customers' needs and also the furniture market as a whole. The sales and marketing team regularly attend international and domestic furniture trade fairs and exhibitions to showcase the Group's products as well as observe the latest trends and designs in the furniture market.

The international furniture trade fairs and exhibitions which the Group attends are as follows:

- (a) Cologne International Furniture Fair, Germany;
- (b) Birmingham International Furniture Show, UK;
- (c) Furnitex Melbourne, Australia; and
- (d) China International Furniture Fair, Guangzhou, China.

The annual local furniture trade fairs and exhibitions in which the Group participates are as follows:

- (a) Malaysian International Furniture Fair; and
- (b) Muar Association Furniture Exhibition.

3.1.9 Competitive Advantage

The furniture industry in Malaysia is broad based and hence, it is not possible for a single company to dominate the industry. This industry is highly fragmented with a few thousand furniture manufacturers operating in Malaysia. Most manufacturers possess similar manufacturing facilities due to the homogeneous nature of the production process of furniture. In this industry, profitability is mainly driven by quality, cost efficiency, reliability and optimum use of resources. While there are numerous players in this industry, the barriers of entry in terms of the high level of capital expenditure required, technical expertise, difficulties in securing skilled and experienced workers, establishment of clientele base and sound marketing and distribution network may deter potential new entrants into this industry. Some of SKRB's major local competitors which are listed on the MSEB include Kimble Corporation Berhad, Yeo Aik Resources Berhad and Baswell Resources Berhad.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

The SKRB Group has established itself as a reliable manufacturer of quality wooden and steel furniture which is evidenced by the long term business relationship with their overseas customers and the repeat sales to these customers. The Group estimates that repeat sales to existing customers make up approximately 80% of the Group's sales. One of the key factors underlying the Group's competitive edge is its ability to offer a wide range of furniture products from dining sets and bedroom sets as well as living room and occasional furniture. The Group also observes developments in the latest consumer tastes and trends in house furnishings in order to be able to provide the latest furniture designs for its customers.

One of the critical success factors of the SKRB Group lies in the Group's ability to sell to its customers, containers with single products or mixed products. However, the Group's focus is on the sale of mixed containers i.e. containers with small quantity of different models and designs. This marketing strategy practised by the Group is advantageous to its customers as they would be able to reduce their stockholdings and inventory holding costs.

In addition, SKFI and SK practises the JIT inventory system which enable those companies to have a short delivery lead-time i.e. delivery is made within approximately one month from the customer's purchase order.

3.1.10 Patents, Trademarks, Licences and Franchises

The Group markets its finished products under the name 'SK'. SKFI has applied to the Registrar of Trademark, Malaysia for the registration of the logo with the word "SK" under class 20 and the registration is pending approval.

3.1.11 Governing Laws and Regulation including Environmental Concerns

Save as disclosed in Section V(10) of this Prospectus, there are no other laws, regulations or guidelines governing the furniture industry. The Group has obtained the necessary approvals from the Johor Department of Environment for the installation of scrubber and incinerator equipment.

3.1.12 Awards and Recognition

SKFI and SK were accredited with the ANSI/ISO/ASQC Q9001:2000 and ISO Q9001:2000 issued by AOQC Moody International, Inc, AOQC Moody (Malaysia) Sdn Bhd and Moody International Certification Limited on 28 June 2002, 5 September 2002 and 11 October 2002 for SKFI and 29 June 2002, 24 August 2002 and 11 December 2002 for SK for quality management system. The aforementioned accreditation endorses the quality control procedures practised by the SKRB Group.

In November 2002, SKFI was awarded the "32nd International Award For Commercial Prestige" by the President of the Editorial Office, Rome, Italy in recognition of excellent quality and design.

3.1.13 Risk Management Plan

The SKRB Group acknowledges the importance of a risk management plan to be in place so as to minimise any major disruption to the operation and financial performance of the Group. As such, the Group has in place some of the following risk management plans and policies and practices other than the adequate insurance coverage on consequential loss and damages to its premises, plant and equipment and stocks:

V. INFORMATION ON THE SKRB GROUP (CONT'D)

Fire outbreak and energy crisis

Fire fighting equipments such as water sprinkler, hose reels and fire extinguishers have been installed in various locations with easy access. The Group also has a quarterly inspection performed on the fire protection system by the maintenance contractor who also conducts regular fire fighting techniques and fire drills for the Group's employees.

As part of the Group's plan to mitigate disruption in electricity supply, the Group have backup generator sets in each of the manufacturing sites. As electricity usage is high, arrangement has been made with suppliers of generator sets to supply heavy duty generator sets on short notice. The Group could also request for Tenaga Nasional Berhad to provide generator sets in the event of a prolonged interruption to electricity supply. In addition, the Group is able to outsource some of its manufacturing activities to subcontractors when such circumstance arises and when customers request for deliveries within a short time frame.

Raw material supply

To ensure an uninterrupted supply of quality raw materials, ongoing efforts are made by the Directors of SKRB to identify suitable suppliers for its raw materials so as to reduce any dependence on any one supplier. The Directors of SKRB are of the view that the long term relationship with its existing suppliers and the continuing efforts of the Group in seeking new sources of raw material will mitigate the risk of shortage in any of its major raw material supply.

4. SUBSIDIARIES AND ASSOCIATED COMPANY

The principal activities of the subsidiaries of SKRB as at the date of this Prospectus are as follows:

Name	Date and place of incorporation	Authorised share capital RM	Issued and paid-up share capital RM	Effective interest %	Principal activities
SKFI	07.09.1992; Malaysia	5,000,000	5,000,000	100.00	Manufacturing of wooden furniture
SK	04.05.1996; Malaysia	5,000,000	2,500,000	100.00	Manufacturing and trading of metal furniture and parts
VPM	06.01.1995; Malaysia	5,000,000	5,000,000	100.00	Manufacturing and processing of rubberwood and related products

As at the date hereof, SKRB does not have any associated company.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

Further details of the subsidiaries of SKRB are as follows:

4.1 SKFI
History and Business

SKFI was incorporated on 7 September 1992 in Malaysia under the Companies Act, 1965 as a private limited company. The principal activity of the company is the manufacturing of wooden furniture.

Share Capital

The authorised share capital of SKFI is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of SKFI is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
07.09.1992	4	Subscriber shares	4
15.03.1993	42,000	Other than cash ⁽¹⁾	42,004
27.02.1995	57,996	Cash	100,000
24.04.1997	400,000	Cash	500,000
15.08.2000	2,000,000	Bonus issue of 4 new ordinary shares for every 1 existing ordinary share held	2,500,000
10.02.2001	2,500,000	Bonus issue of 1 new ordinary share for every 1 existing ordinary share held	5,000,000

Note:

(1) *In satisfaction of the purchase price of the machineries and equipment purchased.*

Substantial Shareholder

SKFI is a wholly-owned subsidiary of SKRB.

Subsidiary and Associated Company

As at the date hereof, SKFI does not have any subsidiary or associated company.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

4.2 SK***History and Business***

SK was incorporated on 4 May 1996 in Malaysia under the Companies Act, 1965 as a private limited company. The principal activities of the company are the manufacturing and trading of metal furniture and parts.

Share Capital

The authorised share capital of SK is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of SK is RM2,500,000 comprising 2,500,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
04.05.1996	2	Subscriber shares	2
26.03.1999	299,998	Cash	300,000
30.06.1999	200,000	Cash	500,000
01.08.2001	2,000,000	Bonus issue of 4 new ordinary shares for every 1 existing ordinary share held	2,500,000

Substantial Shareholder

SK is a wholly-owned subsidiary of SKRB.

Subsidiary and Associated Company

As at the date hereof, SK does not have any subsidiary or associated company.

4.3 VPM***History and Business***

VPM was incorporated on 6 January 1995 in Malaysia under the Companies Act, 1965 as a private limited company. The principal activities of the company are the manufacturing and processing of rubberwood and related products.

Share Capital

The authorised share capital of VPM is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of VPM is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
06.01.1995	2	Subscribers' shares	2
15.10.1996	99,998	Cash	100,000
01.07.1997	400,000	Cash	500,000
02.10.1997	500,000	Cash	1,000,000
15.08.2000	4,000,000	Bonus issue of 4 new ordinary shares for every 1 existing ordinary share held	5,000,000

Substantial Shareholder

VPM is a wholly-owned subsidiary of SKRB.

Subsidiary and Associated Company

As at the date hereof, VPM does not have any subsidiary or associated company.

5. INDUSTRY OVERVIEW

5.1 Global Economy

The world economic performance in the first half of 2003 took a dive on account of the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome ("SARS"). With the end of the Iraq war and containment of SARS, global economic performance in the second half of 2003 is expected to improve supported by indications of an upturn in the major economies towards the end of the second quarter of 2003. The expected return of investor and consumer confidence, resulting from accommodative monetary policies and fiscal easing in major economies, will further boost demand. The prevailing global current account imbalance has arisen out of the world's over-reliance on the US, which since 1995 has been the only real engine of world economic growth. Even though world economic growth was lethargic, the financial markets were active in the first half of 2003. With prevailing low interest rates and high liquidity in the market, funds sought for equities in the hope for higher yields on the expectations that the global economy would recover towards the second half of 2003. In a global economic environment weighed down by uncertainties and lackluster global demand, the concern in all international fronts continues to focus on the need to stimulate economic growth and maintain financial stability. At the same time, countries are increasingly looking towards regional and bilateral arrangements to spur trade and economic growth.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

ASEAN economies are expected to perform reasonably well in 2003, despite the adverse external environment in the first half of 2003, the SARS outbreak and sporadic acts of militancy in the region. With higher agricultural prices boosting incomes in Southeast Asia, coupled with the wealth effects from the improved stock market performance, regional economies continue to be largely sustained by domestic demand, particularly private consumption and investment. The economic recovery in 2002, which carried over into the first quarter of 2003 but slowed down in the second quarter due to SARS, is expected to pick up again in the later half of 2003. The economic performance of the ASEAN economies for the rest of 2003 is expected to be more positive given improved prospects for a global and regional pick up.

(Source: Economic Report 2003/2004)

5.2 Overview of the Malaysian Economy

After experiencing sluggish growth in 2001, the Malaysian economy rebounded strongly in 2002. Higher growth in 2002 bolstered optimism for a stronger economic performance in 2003 in anticipation of an improved world economic outlook. The prospect for a global economic recovery was, however, affected by recent geopolitical developments, in particular the war in Iraq, sporadic incidences of militancy and outbreak of the SARS. During the second quarter of 2003, consumer and business sentiments in regional economies were particularly affected by the anxiety of a probably prolonged and widespread SARS epidemic that curtailed transport and tourism-related activities besides trade and investment flows.

Against this adverse global environment and concerns of further weakening of the already sluggish global economy, the Government has put in place a package of broad-base pro-growth measures in May 2003. The Government's proactive stimulus package, apart from providing immediate relief for the SARS-affected sectors, was to address structural and organisational issues towards sustaining economic growth in the medium and longer term. The strategic measures introduced boosted confidence necessary to stimulate domestic consumption and investment. In addition, the short war in Iraq and the quick containment of SARS provided the much-needed relief for the economy to ride over the difficult times and remain on track to a firmer growth trajectory. Malaysia's sound economic fundamentals and expansionary fiscal and accommodative monetary policies, supplemented by the Government's proactive stimulus package, have helped to sustain high growth in the real GDP. After expanding 4.5% in the first half of 2003 and with prospects of sustained growth in the second half of 2003, the economy is set to achieve its targeted growth of 4.5% in 2003, higher than the 4.1% in 2002.

The economy is expected to be driven by stronger domestic demand reinforced by a modest pick-up in external demand in the second half of 2003. Exports will continue to be buoyed by global economic recovery and the upturn in electronics, especially in information technology-related products and equipment. On the domestic front, consumer spending continues to pick up, on account of favourable commodity prices, positive wealth effect from better stock market performance as well as stimulus packages introduced in May 2003. All sectors registered positive growth with manufacturing and services driving the economy.

(Source: Economic Report 2003/2004)

V. INFORMATION ON THE SKRB GROUP (CONT'D)

5.3 The Manufacturing Industry

The Malaysian manufacturing sector is all geared up for better times ahead, as output strengthened further starting February 2003. Domestic-oriented industries recorded double-digit growth, spurred by higher consumption in food and beverages, and continuing demand for products of construction-related industries. With the increased activities of the manufacturing sector, demand for natural gases surged upward, and contributed to higher growth of the domestic-oriented industries. The export-oriented industries also performed better in 2003 and recorded a moderate growth during the first 6 months, due to the rebound in rubber products and textile industries.

Overall, output of the manufacturing sector expanded by 7.8% in the first 6 months of 2003 (January-June 2002: 1.4%). The better-than-anticipated growth was the result of higher production of 7.9% in the second quarter 2003 (second quarter 2002: 6.5%). Total value of finished products and goods-in-process was about 53% or less than 1 month stock of the RM27,694.8 million sales made in June. The lean stocks, together with broad-based growth in both domestic as well as external demand, is expected to improve capacity utilisation of the sector to more than 80% this year.

(Source: Economic Report 2003/2004)

While manufacturers and exporters were continuing to move up the value chain and improve product quality to enhance their international competitiveness, effort were also taken to explore market opportunities. In line with the Eighth Malaysia Plan ("8MP"), new approaches and initiatives were implemented to promote exports. Participation in specialised and general trade fairs abroad and organisation of Malaysian Products Exhibition in new and emerging markets will be emphasised, with greater focus given to the promotion of Malaysian brand names with the view to differentiating Malaysian products and services in the market place.

(Source: 8MP 2001-2005)

5.4 The Furniture Industry

Traditionally, Malaysia has been a location of choice for original equipment manufacturing furniture manufacturers. Nevertheless, Malaysia is now moving to original design manufacturing furniture manufacturers. They are upgrading to the production of higher value-added furniture incorporating indigenous design and better finishing. These products are penetrating upmarket segments in developed markets such as the US, UK and Japan.

(Source: Malaysia External Trade Development Corporation)

In year 2000, the total exports of Malaysian furniture reached RM5.6 billion which include wooden and rattan as well, and the phenomenal growth is expected to reach RM7 billion in exports in 2002. The availability and successful utilisation of rubberwood as well as strong government support has largely contributed to the success of the furniture industry. Today about 85% of wooden furniture exported is made from rubberwood.

The major export markets for wooden furniture (including rattan furniture) were US (RM1,519.6 million), Japan (RM769.8 million), UK (RM427.6 million), Singapore (RM333.0 million), Australia (RM306.6 million) and United Arab Emirates (RM126.1 million). Malaysia has been diversifying its markets for furniture and exports to some 135 countries worldwide.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

On top of that, the Malaysian International Furniture Fair ("MIFF") 2002 which was held at Kuala Lumpur in March 2002 has generated RM2.04 billion worth of sales, an increase of 5.7% compare to the previous year. The fair has also recorded a total of 6,115 international visitors from 116 countries and 365 exhibitors which is an increase of 1.4% and 4.9% respectively compare to the previous year. Sales from MIFF series normally accounts for up to 35-40% of Malaysia's annual furniture exports.

(Source: Malaysian Timber Council)

The decline in output of wood products in 2002 reflected lower saw milling activities and plywood productions. Nevertheless, exports of wood products rose in 2002 due to improved prices of plywood and sawn timber as well as increased demand from Korea, Canada and Thailand. Exports of furniture rebounded, driven by the strong housing market in the US, particularly in the first half of 2002.

(Source: Bank Negara Malaysia Annual Report 2002)

As for research and development, Malaysian manufacturers are putting RM300 million annually into total productivity measures aimed at increasing the quality and international competitiveness of wood-based products. These include investments in efficient new technologies, skills retraining and cost-cutting measures.

(Source: Malaysia External Trade Development Corporation)

V. INFORMATION ON THE SKRB GROUP (CONT'D)

6. MAJOR CUSTOMERS

The SKRB Group has a wide clientele base located locally and overseas and does not have any customer which contributes to 10% or more of the Group's turnover and as such, the SKRB Group is not dependent on any of its major customers. The details of the Group's top 10 customers for the 8 month period ended 31 August 2003 are set out below:

Customers	Products	Business relationship since	% contribution to the Group's turnover
Coaster Inc.	Tables, chairs, buffets and hutches and dining sets	1997	8.84
L.G. Sourcing Inc	Tables and planters stand	1999	7.16
Endeavour Trading Sdn Bhd	Tables, chairs and dining sets	1993	6.34
Corporate Specialists Sdn Bhd	Tables, chairs, buffets and hutches	2001	6.01
RNA Resources Group Ltd	Tables, chairs, bedroom sets and dining sets	2001	3.64
Charmwood Furniture Group Limited *	Tables and dining sets	1998	3.30
LB Furniture Industries Sdn Bhd	Kiln-dried rubberwood	1999	2.96
Chernyen Industries Sdn Bhd	Kiln-dried rubberwood	1998	2.44
LH Furniture Industries Sdn Bhd	Kiln-dried rubberwood	1998	2.38
Super A Mart Pty Ltd	Tables and chairs	1998	1.92

Note:

- * On 15 September 2003, SKRB received a written notification from Deloitte & Touche LLP, UK that Charmwood Furniture Group Limited ("Charmwood") has been placed under receivership. As at 31 August 2003, there is a balance of RM0.555 million outstanding from Charmwood out of which RM0.278 million has been collected up to 9 January 2004. The allowance for doubtful debts made in respect of Charmwood as at 9 January 2004 amounted to RM0.277 million representing the balance still outstanding to date. The Directors of SKRB are of the view that the loss of sales from Charmwood will not have a material impact on the Group as the Group has a large customer base.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

7. MAJOR SUPPLIERS

The main raw materials used for the Group's manufacturing process are rubberwood and steel. Other raw materials consist of packaging materials, painting materials, hardware materials, rubberwood, laminated boards, which are sourced locally, and fabric and glass, which are sourced overseas. The Group has a large supplier base and is not dependent on any of its major suppliers save for Souncern Timber Sdn Bhd ("Souncern"), which contributes to more than 10% of the SKRB Group's purchases. In this respect, the SKRB Group has entered into a long term contract with Souncern to secure the supply of rubberwood for a period of 3 years from 1 January 2003 up to 31 December 2005.

The details of the Group's top 10 suppliers for the 8 month period ended 31 August 2003 are set out below:

Suppliers	Products	Business relationship since	% contribution to the Group's purchases
Souncern Timber Sdn Bhd	Rubberwood	2000	28.81
Xin Xing Timber Sdn Bhd	Rubberwood	2003	6.16
Yu Heng Industries Sdn Bhd	Laminated boards	2002	4.21
Woodvature Sdn Bhd	Kiln drying services and wet rubberwood chemical treatment	1999	3.45
Wegmans Furniture Industries Sdn Bhd	Chairs	2000	3.05
Yeong Sheng Furniture Industries Sdn Bhd	Buffets and hutches	2001	2.78
Pine Packaging (M) Sdn Bhd	Packaging materials and carton boxes	1993	2.74
Tan Eng Huat & Sons Sdn Bhd	Laminated boards	1998	2.65
Selintang Papan Sdn Bhd	Laminated boards	1998	2.55
Soon Nguan Enterprise	Rubberwood	2003	2.34

V. INFORMATION ON THE SKRB GROUP (CONT'D)

8. FUTURE PLANS, STRATEGIES AND PROSPECTS

The furniture industry in Malaysia is broad based and hence, it is not possible for a single company to dominate the industry. The industry is highly fragmented with many furniture manufacturers operating in Malaysia. However, the Directors of SKRB are of the view that the long term prospects of the SKRB Group is promising and that the following factors will place SKRB Group in good stead:

Product Diversification

Moving forward, the SKRB Group will continue to expand its product range. In line with the SKRB Group's strategy of varied product range and designs to cater for the ever-changing customers' needs, the Group plans to introduce new range of furniture products to cater for the higher end market segment. In addition, the SKRB Group will also focus on fast moving categories in its range of products and will continue to maintain its strategy on product development and market research.

Market Expansion

The global demand for quality furniture has provided numerous opportunities for the SKRB Group. As the Group is focused on the export market, it seeks to expand its market geographically. Currently, the Group's customers are mainly located in North and South America, Australia, New Zealand, Middle East and Asia such as Korea, Philippines, Japan and Singapore. The SKRB Group plans to expand its market to countries located in Europe and India where there has been increasing demand for Malaysian-made wooden furniture due to the quality of the furniture, affordability and competitive pricing. The Group's market expansion plans are expected to be carried out through participation in furniture trade fairs and also via importers from those respective countries.

In addition, the Group also intends to penetrate the higher end furniture market segment in the near future. In this respect, the Group will be carrying out thorough market research and product development on this market segment prior to the introduction of such furniture products. These products will be subsequently introduced through trade fairs and through agents and importers in the future.

Expansion of Production Line

The Group's existing lamination line is operated via its subsidiary, VPM. At present, VPM's production of laminated boards is unable to cater for the production requirements of SKF1 and SK resulting in the Group having to source approximately 70% of its laminated boards from third party suppliers. In view of the above, the Group plans to expand the production capacity of its lamination line via the setting up of an additional lamination process line comprising 1 unit each of fully automated finger joint system and semi-automatic horizontal finger joint system. The investment in the new lamination line will be funded via the proceeds raised from the Rights Issue and the Public Issue and is expected to commence commercial production by mid-2004. The expansion of the Group's lamination line and increased production capacity, will further enhance the integration of the Group's furniture manufacturing process as well as reduce manufacturing costs in the longer term.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

9. LANDED PROPERTIES

Details of landed properties of the SKRB Group are as follows:

Registered owner	Location	Description/ Existing use	Date of certificate of fitness	Approximate age of building years/Tenure	Land and area/ built-up area sq. ft.	Audited net book value as at 31.08.2003 RM 000	Encumbrances
SKFI	Lot 8804, PN 9630 Mukim Jalan Bakri District of Muar Jln Perindustrian 1 Kawasan Perindustrian Bukit Bakri Mukim Bakri 84200 Muar Johor Darul Takzim	Single storey factory building with double storey office annexe/ Factory and office building	19.11.2001	2 years/ 99 years leasehold expiring on 29.12.2094	88,150 sq. ft./ 58,600 sq. ft.	3,380	Charged in favour of Buimputra-Commerce Bank Berhad ("BCBB").
SKFI	Lot 8805, PN 9631 Mukim Jalan Bakri District of Muar Jln Perindustrian 1 Kawasan Perindustrian Bukit Bakri Mukim Bakri 84200 Muar Johor Darul Takzim	Single storey factory building/ Factory	23.11.2001	2 years/ 99 years leasehold expiring on 29.12.2094	96,068 sq. ft./ 69,720 sq. ft.	3,370	Charged in favour of BCBB.
SK	Lot 8721, PN 9639 Mukim Jalan Bakri District of Muar Kawasan Perindustrian Bukit Bakri Jalan Bakri Mukim Bakri 84200 Muar Johor Darul Takzim	Single storey factory building with double storey office annexe/ Factory and office building	31.10.2000	3 years/ 99 years leasehold expiring on 29.12.2094	43,875 sq. ft./ 25,170 sq. ft.	1,454	Charged in favour of HSBC Bank Malaysia Berhad.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

Registered owner	Location	Description/ Existing use	Date of certificate of fitness	Approximate age of building years/Tenure	Land area/ built-up area sq. ft.	Audited net book value as at 31.08.2003 RM 000	Encumbrances
VPM	Lot 8789, PN 9612 Mukim Jalan Bakri District of Muar Kawasan Perindustrian Bukit Bakri Jln Perindustrian 5 Mukim Bakri 84200 Muar Johor Darul Takzim	Single storey factory building with double storey office annexe/ Factory and office building	01.03.1999	4 years/ 99 years leasehold expiring on 29.12.2094	87,450 sq. ft./ 56,480 sq. ft.	2,826	Charged in favour of Malaysian Banking Berhad ("MBBB").
VPM	Lot 8803, PN 9626 Mukim Jalan Bakri District of Muar Kawasan Perindustrian Bukit Bakri Jalan Perindustrian 1 Mukim Bakri 84200 Muar Johor Darul Takzim	Single storey factory building/ Factory building	08.03.2001	3 years/ 99 years leasehold expiring on 29.12.2094	88,146 sq. ft./ 50,580 sq. ft.	3,034	Charged in favour of MBB.
VPM	PTD 9765, HSD 20278 Mukim Jorak District of Muar PLO 19, Jalan Kempas 2 Pagoh Industrial Estate Pagoh, Muar Johor Darul Takzim	3 factory buildings, a double storey office block and other ancillary buildings	21.02.1995	9 years/ 60 years leasehold expiring on 26.06.2055	188,605 sq. ft./ 96,194 sq. ft.	3,086	Charged in favour of MBB.

The above land cannot be sold or transferred in any ways, including through any form of agreement with the intention of selling/disposing of the land, without the approval of the state authority. Save as disclosed above, there are no restrictions in interest for the above properties. In addition, none of the existing use of the land for the above landed properties is in breach of the land-use conditions or permissible land use.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

10. OTHER INFORMATION

As at the date of this Prospectus, there are no other approvals, major licences and permits obtained by SKRB and its subsidiaries except for the details of such approvals, licences and permits, the conditions imposed and the status of compliance as disclosed below:

Company	Authorities	Date of Issuance/ Expiry	Type of business/ transaction approved	Main conditions imposed	Status of compliance
SKFI	Majlis Perbandaran Muar ("MPM")	01.01.04/ 31.12.04	Trading licence for furniture factory	None.	-
SK	MPM	01.01.04/ 31.12.04	Trading licence for furniture factory	None.	-
VPM	MPM	01.01.04/ 31.12.04	Trading licence for wood treatment and drying factory	None.	-
VPM	MPM	01.01.04/ 31.12.04	Trading licence for wood treatment and drying factory	None.	-
SKFI	MITI	06.09.02/ Not applicable ("NA")	Manufacturing licence for SKFI to act as licensed manufacturer from 26.06.02 at PTD 6019 and PTD 6020 for products of wooden furniture	Conditions of the licence among others are: (i) The composition of the board of directors of the company must in general reflects the equity structure of the company, and the MITI must be informed of the relevant appointment and any changes in the board of directors. (ii) The company must employ and train Malaysian citizen in order to reflect the composition of the multi-race resident for all levels of position.	Condition waived vide MITI's letter dated 23 July 2003. Met.
SK	MITI	28.03.02/ NA	Manufacturing licence for SK to act as licensed manufacturer from 17.01.02 at PTD 6028 for products of metal-wood furniture	Conditions of the licence among others are: (i) The composition of the board of directors of the company must in general reflects the equity structure of the company, and the MITI must be informed of the relevant appointment and any changes in the board of directors. (ii) The company must employ and train Malaysian citizen in order to reflect the composition of the multi-race resident for all levels of position.	Condition waived vide MITI's letter dated 23 July 2003. Met.

V. INFORMATION ON THE SKRB GROUP (CONT'D)**10. OTHER INFORMATION (CONT'D)**

Company	Authorities	Date of Issuance/ Expiry	Type of business/ transaction approved	Main conditions imposed	Status of compliance
VPM	MITI	18.03.02/ NA	Manufacturing licence for VPM to act as licensed manufacturer from 23.11.01 at PTD 6015 for products of kiln-dried sawn timber and timber mouldings	Conditions of the licence among others are: (i) The composition of the board of directors of the company must in general reflects the equity structure of the company, and the MITI must be informed of the relevant appointment and any changes in the board of directors. (ii) The company must employ and train Malaysian citizen in order to reflect the composition of the multi-race resident for all levels of position.	Condition waived vide MITI's letter dated 23 July 2003. Met.
VPM	MITI	30.09.02/ NA	Manufacturing licence for VPM to act as licensed manufacturer from 23.11.01 at PTD 5999 for products of kiln-dried sawn timber and laminated board	Conditions of the licence among others are: (i) The composition of the board of directors of the company must in general reflects the equity structure of the company, and the MITI must be informed of the relevant appointment and any changes in the board of directors. (ii) The company must employ and train Malaysian citizen in order to reflect the composition of the multi-race resident for all levels of position.	Condition waived vide MITI's letter dated 23 July 2003. Met.
VPM	Johor State Forestry Department ("JSFD")	01.01.03/ 31.12.03*	Wood/Furniture/ Moulded Wood Working Factory Licence for VPM to locate the site, build, erect, form, operate, or maintain a wood/furniture/ moulded wood working factory at PTD 5999 and PTD 6015	Conditions of the licence among others are, the licence holder cannot: (a) transfer the licence; (b) rent, lease, lend, charge or sell the whole of the factory or any part of it or any equipment or whatever part of any of the equipment in the factory; or (c) made any changes in the shareholding of the whole factory or any part of it without the written approval from the relevant state authority.	To be complied. VPM applied for approval from JSFD for the change in shareholdings in VPM on 19 November 2003, the approval of which is pending as at the date of this Prospectus.

V. INFORMATION ON THE SKRB GROUP (CONT'D)

10. OTHER INFORMATION (CONT'D)

Company	Authorities	Date of Issuance/ Expiry	Type of business/ transaction approved	Main conditions imposed	Status of compliance
SKFI	JSFD	17.07.03/ 31.12.03*	Wood/Furniture/ Moulded Wood Working Factory Licence for SKFI to locate the site, build, erect, form, operate, or maintain a wood/furniture/ moulded wood working factory at PTD 6019 and PTD 6020.	Conditions of the licence among others are, the licence holder cannot: (a) transfer the licence; (b) rent, lease, lend, charge or sell the whole of the factory or any part of it or any equipment or whatever part of any of the equipment in the factory; or (c) made any changes in the shareholding of the whole factory or any part of it without the written approval from the relevant state authority.	To be complied. SKFI applied for approval from JSFD for the change in shareholdings in SKFI on 19 November 2003, the approval of which is pending as at the date of this Prospectus.
SK	Johor Department of Occupational Safety and Health, Ministry of Human Resources	25.09.00/ NA	Licence for SK to install machineries at PTD 6028	None.	-

Note:

- * *The said companies have submitted applications for the renewal of the licences by JSFD, the renewal of which are still pending as at the date of this Prospectus.*