

7. RELATED PARTY TRANSACTION/CONFLICT OF INTEREST

7.1 Related Party Transactions

7.1.1 Promotion of assets

Save as disclosed below, none of the Directors, substantial shareholders and/or key management staff of the Company has an interest, directly or indirectly, in the promotion of or in any assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or proposed to be acquired or disposed off or proposed to be disposed off by or leased or proposed to be leased to the Company and its subsidiaries.

Acquisition of AHSB	
Abdul Rahman b. Ahmad Mahidin	He is a director and substantial shareholder of ARB
Datuk Yeo Wang Seng	He is a director and substantial shareholder of ARB by virtue of direct shareholdings of his spouse, brother, sister-in-law and son and his substantial shareholdings in Aspirasi Puspita Sdn Bhd and Affinity Gateway Sdn Bhd
Lim Yun Nyen	He is a director and shareholder of ARB
Yeo Gee Kuan	He is a director and substantial shareholder of ARB by virtue of direct shareholdings of his parents
Yeo Wang Ting	He is a director and substantial shareholder of ARB by virtue of direct shareholdings of his spouse, brother and sister-in-law and his substantial shareholdings in Aspirasi Puspita Sdn Bhd and Affinity Gateway Sdn Bhd
Tan Choon Hwa	He is a director and shareholder of ARB
Aspirasi Puspita Sdn Bhd	It is a substantial shareholder of ARB
Affinity Gateway Sdn Bhd	It is a substantial shareholder of ARB
Datin Fadzilah Binti Saad	She is a substantial shareholder of ARB
Datin Yap Que Chun	She is a substantial shareholder of ARB by virtue of direct shareholdings of her spouse and son

Details of the Acquisition are set out in Section 4.4.1 of this Prospectus.

7.1.2 Material interest in contracts or arrangements

Save as disclosed below, none of the Directors or the substantial shareholders and/or key management staff of ARB and its subsidiaries has any material interest in any contract or arrangement which is significant in relation to the business of the Group and subsisting at the date of this Prospectus.

- (a) Yeo Wang Ting, a Director of ARB, is providing seasoning and bundling services to the Group. The Directors of ARB confirmed that this business arrangement is conducted on an arms-length basis and based on commercial terms.

7. RELATED PARTY TRANSACTION/CONFLICT OF INTEREST (Cont'd)

- (b) The purchase of round logs from Seraya Permai Sdn Bhd ("SPSB") and Golden Bond Sdn Bhd ("GBSB"), companies related to certain substantial shareholders of ARB, namely Yeo Gee Kuan and Tan Choon Hwa (JP). Please refer to Section 7.1.3 of this Prospectus for details.

Total amount of round logs purchased from SPSB and GBSB for the financial year ended 31 December 2002 and financial period ended 31 August 2003 is summarised as follows:-

Company Name	Volume (m3)	Average Price / m ³ (RM)	Total (RM)
For the financial year ended 31 December 2002			
SPSB	60,569.07	260.53	15,780,169
GBSB	69,986.31	196.40	13,745,017
For the financial period ended 31 August 2003			
SPSB	68,257.74	252.90	17,262,350
GBSB	12,204.29	151.44	1,848,198

The Directors of ARB confirmed that this business arrangement is conducted on an arms-length basis and based on commercial terms.

- (c) The supply agreement dated 3 May 2002 between AHSB and Bintang Tawau Sdn Bhd, company related to Kenangan Cergas (M) Sdn Bhd (a shareholder of ARB) to supply raw materials to AHSB for a period of ten (10) years.

To mitigate any potential conflict of interest which may arise from the agreement, the supply agreement has stipulated that the transactions will be at prevailing market rate per m³.

Total amount of round logs purchased from Bintang Tawau Sdn Bhd for the financial year ended 31 December 2002 is RM0.971 million and for the financial period ended 31 August 2003 is RM1.237 million.

- (d) Bayan Cekap Sdn Bhd, a company controlled by Directors of ARB namely Yeo Gee Kuan and Lim Yun Nyen, is a contractor to AHSB for the sawing of special species of sawntimber mainly for Europe market.

The contract fee charged for the financial period ended 31 August 2003 is RM0.292 million.

7. RELATED PARTY TRANSACTION/CONFLICT OF INTEREST (Cont'd)**7.1.3 Interest in similar business**

Save as disclosed below, none of the other Directors or the substantial shareholders and/or key management are interested, directly or indirectly, in any business carrying on a similar trade as the Company and its subsidiaries.

Name of Company	Nature of Business	Name of Directors / Substantial Shareholders of ARB	Direct		Indirect	
			No. of Shares	%	No. of Shares	%
Biramasa Transportation Sdn Bhd (Company No: 354633-P)	Logging operation	(i) Datuk Yeo Wang Seng	600,000	60.00	-	-
		(ii) Yeo Gee Kuan	-	-	600,000 ⁽²⁾	60.00
Bayan Cekap Sdn Bhd (Company No: 294986-T)	Operation of sawmill ⁽¹⁾	(i) Yeo Gee Kuan	-	-	-	-
		(ii) Lim Yun Nyen	50	50.00	-	-
Seraya Permai Sdn Bhd (Company No: 514207-T)	Main timber extraction contractor and log trading	(i) Yeo Gee Kuan	100,000	50.00	-	-
		(ii) Tan Choon Hwa (JP)	100,000	50.00	-	-
Golden Bond Sdn Bhd (Company No: 115281-T)	Reforestation contractor and log trading	(i) Yeo Gee Kuan	300,000	60.00	200,000 ⁽³⁾	40.00

Notes:-

- (1) *Bayan Cekap Sdn Bhd is operating as a contractor to assist AHSB for the sawing of special species of sawn timber products mainly for Europe market. AHSB's sawmill production is dedicated to cater for other market such as Korea, Japan, Taiwan and Singapore which normally demand for mix species production other than those for Europe. In order to enhance operational efficiency and cost efficiency by not setting up specialise production line for special species of sawntimber, the Directors are of the view that the production of sawn timber for Europe market is to be outsourced to Bayan Cekap Sdn Bhd. In order to mitigate any conflict of interest, the transactions have been and will be conducted at arm's length transactions.*
- (2) *Deemed interested through the shareholding of his parent, Datuk Yeo Wang Seng*
- (3) *Deemed interested through the shareholding of his sibling, Yeo Gee Hong*

7. RELATED PARTY TRANSACTION/CONFLICT OF INTEREST (Cont'd)**7.1.4 Loan (Including Guarantee of Any Kind) Made By The Group To The Related Parties**

Save as disclosed in Section 9.5 of this Prospectus, there is no outstanding loan (including guarantee of any kind) made by the Group to its related parties.

7.1.5 Unusual Transactions

As at the date of the Prospectus, there is no transaction that are unusual in nature or conditional, involving goods, services, tangibles/intangibles for the past 1 financial year.

7.2 Declaration of the Advisers

Saved as disclosed below, Aseambankers hereby confirms that there is no conflict of interest in its capacity as the Adviser for the Public Issue

- (i) Credit facility obtained from Malayan Banking Berhad and Mayban Finance Berhad is as follows:-

Type of facilities	Principal Approved (RM'000)	Outstanding Amount as at 7 January 2004 (RM'000)
Malayan Banking Berhad		
• Bankers Acceptance, Letter of Credit, Trust Receipt and ECR	4,300	4,202
• Bank Overdraft	1,000	999
Mayban Finance Berhad		
• Hire Purchase	6,681	3,971

- (ii) Security : By second and third legal charge for RM4.0 million and RM1.5 million respectively over fixed and floating assets located at Kalabakan under titles no. CL105491825, CL105477361 and CL 105474557

Messrs Anuarul Azizan Chew & Co, has given their confirmation that there is no conflict of interests in their capacity as auditors and reporting accountants for the Public Issue and Offer For Sale.

Messrs Lee Choon Wan & Co has given their confirmation that there is no conflict of interests in their capacity as solicitor for the Public Issue and Offer For Sale.

ACNielsen (Malaysia) Sdn Bhd has given its confirmation that there is no conflict of interests in its capacity as Independent Market Research Consultants for the Public Issue and Offer For Sale.

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8. OTHER INFORMATION ON THE ARB GROUP

8.1 Landed Properties

The landed property of ARB as at the date of this Prospectus is as follows:

Registered Owner / Location	Land Area (sq. m)	Tenure	Description/Existing Use/Restriction in Interest	Encumbrances (if any)	Certificate of Fitness / Occupation Certificate	Built-up Area (sq.m)	Approximate Age of Building (Year)	Net Book Value @ 31 August 2003 (RM)
1. CL 105477361 – Alongside the Kalabakan River, 100 km to the north-west of Tawau Municipal Centre, Kalabakan, District of Tawau, State of Sabah	31,760	99 years (01.01.1993 - 31.12.2091)	<i>Description/Existing Use</i> Sawmill Complex • Sawmill Building • Mini Saw Building • 7 units timber sheds • Store cum planner • Workshop • Generator House	(i) First legal charge to Bank Pertanian Malaysia; and (ii) Second legal charge to Malayan Banking Berhad	Yes MPT/BP 36/98/20 dated 14 May 1998	2,016 669 10,701 613 297 56	12 12 12 12 12 12	770,733 649,536 213,745 109,522 65,309 27,243 2,117
								1,838,205

Restriction in Interest

- (i) The said land is for the purpose of erecting thereon or use as such light industrial buildings i.e. a sawmill.
- (ii) Transfer, charge and sublease of the land title is prohibited without the written permission from the director of the Sabah Land Office

8. OTHER INFORMATION ON THE ARB GROUP (Cont'd)

Registered Owner / Location	Land Area (sq. m)	Tenure	Description/Existing Use/Restriction in Interest	Encumbrances (if any)	Certificate of Fitness / Occupation Certificate	Built-up Area (sq.m.)	Approximate Age of Building (Year)	Net Book Value @ 31 August 2003 (RM)
2. CL 105474557 – Alongside the Kalabakan River, 100 km to the north-west of Tawau Municipal Centre, Kalabakan, District of Tawau, State of Sabah	19,920	60 years (01.01.1992 - 31.12.2051)	<i>Description/Existing Use</i> Sawmill Complex • Double storey office cum senior staff quarters • Badminton hall • Canteen • Double storey office cum senior staff quarters	(i) First legal charge to Bank Pertanian Malaysia; and (ii) Second legal charge to Malayan Banking Berhad	Yes MPT/BP.36/98/20 dated 14 May 1998	483 238 260 1,085	12 12 12 5	472,057 111,822 12,444 29,138 48,847
								<u>674,308</u>

Restriction in Interest

(i) The said land is for the purpose of erecting thereon or use as such light industrial buildings i.e. a sawmill.

(ii) Transfer, charge and sublease of the land title is prohibited without the written permission from the director of the Sabah Land Office

8. OTHER INFORMATION ON THE ARB GROUP (Cont'd)

Registered Owner / Location	Land Area (sq. m)	Tenure	Description/Existing Use / Restriction in Interest	Encumbrances (if any)	Certificate of Fitness / Occupation Certificate	Built-up Area (sq.m.)	Approximate Age of Building (Year)	Net Book Value @ 31 August 2003 (RM)
3. CL 105491825 – Alongside the Kalabakan River, 100 km to the north-west of Tawau Municipal Centre, Kalabakan, District of Tawau, State of Sabah	53,760	99 years (01.01.1995 - 31.12.2093)	<i>Description/Existing Use</i> Plywood Mill • Plywood factory cum timber products shed • Workshop cum store • Generator store • Broiler Shed • Blockboard factory • Polyester and Tego plywood factory cum kiln dry section • 2 units water reservoir (cubic ft) • Highrise platform water tank (cubic ft)	(i) First legal charge to Bank Pertanian Malaysia; and (ii) Second legal charge to Malayan Banking Berhad	Yes (Ref: MPT/BP.9A/94/9) dated 2 February 1994	17,561	5	1,226,474 5,366,531
						929	5	72,603
						297	5	7,711
						334	5	8,675
						2,055	5	221,476
						7,808	5	2,138,302
						453	5	12,048
						37	5	12,047
								<u>9,065,867</u>

Restriction in Interest

(i) The said land is for the purpose of erecting thereon or use as such light industrial buildings i.e. a sawmill.

(ii) Transfer, charge and sublease of the land title is prohibited without the written permission from the director of the Sabah Land Office

8. OTHER INFORMATION ON THE ARB GROUP (Cont'd)

Registered Owner / Location	Land Area (sq. m)	Tenure	Description/Existing Use/Restriction in Interest	Encumbrances (if any)	Certificate of Fitness / Occupation Certificate	Built-up Area (sq.m.)	Approximate Age of Building (Year)	Net Book Value @ 31 August 2003 (RM)
4. CL 105438855 - TB 3744, Taman Sri Aman Light Industrial Estate, Mile 3 1/2, Jalan Apas, 91000 Tawau, Sabah	153.9	999 years (08.04.1920 - 07.04.2919)	<i>Description/Existing Use</i> An intermediate double storey terrace commercial unit currently used as warehouse <i>Restriction in Interest</i> (i) The said land is for the purpose of erecting thereon for use as such one light industrial building. (ii) Subdivision of the land title is prohibited without the written permission from the director of the Sabah Land Office	None	Yes (Ref: MPT/B.P.2 19/83/42) dated 16 May 1988	307.8	16	103,275
5. CL 105438864 - TB 3745, Taman Sri Aman Light Industrial Estate, Jalan Apas, 91000 Tawau, Sabah	153.9	999 years (08.04.1920 - 07.04.2919)	<i>Description/Existing Use</i> An intermediate double storey terrace commercial unit currently used as warehouse <i>Restriction in Interest</i> (i) The said land is for the purpose of erecting thereon for use as such one light industrial building.	None	Yes (Ref: MPT/B.P.2 19/83/42) dated 16 May 1988	307.8	16	219,622

8. OTHER INFORMATION ON THE ARB GROUP (Cont'd)

Registered Owner / Location	Land Area (sq. m)	Tenure	Description/Existing Use/Restriction in Interest	Encumbrances (if any)	Certificate of Fitness / Occupation Certificate	Built-up Area (sq.m.)	Approximate Age of Building (Year)	Net Book Value @ 31 August 2003 (RM)
6. CL 105456504 - TB 5885, Taman Ria, 91000 Tawau, Sabah	335.8	99 years (01.01.1958 - 31.12.2056)	(ii) Subdivision of the land title is prohibited without the written permission from the director of the Sabah Land Office Description/Existing Use A corner unit of single storey terrace for residential	None	Yes (Ref : MPT/BP 93/89/34) dated 23 October 1990	120.8	18	51,055
7. CL 105316541 Hotspring Jaya, 91000 Tawau, Sabah	2,960	999 years (25.09.1916 - 24.09.2915)	Restriction in Interest (i) The said land is for the purpose of erecting thereon for use as such one residential building. (ii) Subdivision of the land title is prohibited without the written consent from the director of the Sabah Land Office Description/Existing Use Vacant residential land Restriction in Interest None	None	N/A	N/A	N/A	80,000

8. OTHER INFORMATION ON THE ARB GROUP (Cont'd)

Registered Owner / Location	Land Area (sq. m)	Tenure	Description/Existing Use/Restriction in Interest	Encumbrances (if any)	Certificate of Fitness / Occupation Certificate	Built-up Area (sq.m.)	Approximate Age of Building (Year)	Net Book Value @ 31 August 2003 (RM)
8. NT 103013289 Alongside the Kalabakan River, 100 km to the north-west of Tawau Municipal Centre, District of Tawau, State of Sabah	9,600	Sub-leased 99 years (01.01.2000 – 31.12.2098)	<i>Description/Existing Use</i> Industrial land currently part of mills compound <i>Restriction in Interest</i> None	None	N/A	N/A	N/A	37,800
9. NT 103018266 Alongside the Kalabakan River, 100 km to the north-west of Tawau Municipal Centre, District of Tawau, State of Sabah	13,124	Sub-leased 99 years (01.01.2000 – 31.12.2098)	<i>Description/Existing Use</i> Industrial land currently part of mills compound <i>Restriction in Interest</i> None	None	N/A	N/A	N/A	58,300

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