

4. INFORMATION ON THE ARB GROUP

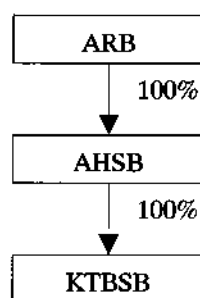
4.1 History and Principal Activities

ARB was incorporated under the Companies Act, 1965 on 3 October 1997 as a public company in its present name. Prior to the completion of the Acquisition, ARB does not have any financial record.

The Company is principally an investment holding company while the principal activities of its subsidiary are as follows: -

Name	Equity Interest Held (%)	Principal Activities
AHSB	100	Operation of an integrated wood processing complex producing veneer, plywood, blockboard and sawn timber.
Subsidiary of AHSB		
KTBSB	100	Hire of scows and tug boats

A diagrammatic illustration of ARB Group is shown below.



ARB currently does not have any associated company.

The ARB Group began its operations as AHSB, which was incorporated in Malaysia under the Companies Act, 1965 on 20 June 1989. Started as a small sawmill operator, the Group has expanded its operations downstream and is now a fully integrated manufacturer of plywood, blockboard, sawn timber and other downstream wood products such as Tego plywood and Polyester plywood in Kalabakan, District of Tawau, Sabah.

As to ensure adequacy and continuity of log supply to meet the Group's operation requirements, the Group has entered into two (2) long term supply agreements, details of which are as follows:-

- (i) Supply Agreement dated 3 May 2002 between AHSB and Bintang Tawau Sdn Bhd for the supply of a total annual volume of 180,000m³ of logs ("Products") for a period of ten (10) years commencing from 1 November 2001 to 31 October 2011; and
- (ii) Supply Agreement dated 6 May 2002 between AHSB and Seraya Permai Sdn Bhd for the supply of a total annual volume of 120,000m³ of logs ("Products") for a period of three (3) years from the date of commencement of logging operations or until all the timber on the logging area has been completely extracted, whichever occurs earlier. The logging operations commenced on 22 April 2002.

4. INFORMATION ON THE ARB GROUP (Cont'd)

Subsequently, AHSB and its respective log suppliers namely Bintang Tawau Sdn Bhd and Seraya Permai Sdn Bhd had entered into two (2) separate supplemental agreements dated 22 October 2003 whereby the parties have agreed that AHSB:-

- (i) is not obliged to purchase all the amount of Products guaranteed to be supplied by Seraya Permai Sdn Bhd, under the supply agreement dated 6 May 2002; and
- (ii) is not obliged to purchase the amount of Products guaranteed to be supplied by Bintang Tawau Sdn Bhd, under the supply agreement dated 3 May 2002.

The cost of transporting these raw materials and ultimately the finished goods to their customers led the Group to capitalise on its highly strategic location in Kalabakan, District of Tawau and KTBSB was established in 1993 to provide scow services, transport of raw materials and mid-stream loading for finished products. KTBSB invested in 6 barges, which when not transporting the Group's own products, provided these services for a fee to other companies that were not so strategically located.

In line with the Government's encouragement for all timber-based companies to move further downstream and diversify, the Group decided to move into plywood manufacturing in 1994 and built the first plywood factory. This factory was completed and began full-scale operations in 1996. In 1997, the Group expanded their downstream production further and began producing value-added plywood i.e. Tego plywood, Polyester plywood and blockboard.

4.2 Changes In Share Capital

The authorised share capital of ARB is RM75,000,000 divided into 75,000,000 ordinary shares of RM1.00 each and 25,000,000 ICPS of RM1.00 each while its issued and paid up share capital consists of 42,600,000 fully paid-up ordinary shares of RM1.00 each and 12,000,000 ICPS of RM1.00 each. Details of the changes in the issued and paid-up share capital of ARB since its incorporation are as follows: -

Ordinary Shares

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value (RM)	Consideration	Total Issued And Paid-Up Share Capital RM
03.10.1997	2	1.00	Subscribers' shares	2
01.11.2003	42,599,998	1.00	Issued in consideration for the Acquisition at an issue price of approximately RM1.148 per share	42,600,000

ICPS

Date Of Allotment	No. Of ICPS Allotted	Par Value RM	Consideration	Total ICPS Issued RM
01.11.2003	12,000,000	1.00	Issued at RM1.00 each in consideration for the Acquisition	12,000,000

4. INFORMATION ON THE ARB GROUP (Cont'd)**4.3 Subsidiary Company**

Details of subsidiaries of ARB are as follows:-

4.3.1 AHSB**(i) History and Business**

AHSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 20 June 1989.

AHSB is a wholly owned subsidiary company of ARB. The principal activities of the company are operation of an integrated wood processing complex producing veneer, plywood, blockboard and sawn timber.

(ii) Share Capital

The existing authorised share capital of AHSB is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each, of which RM34,000,000 comprising 34,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital AHSB is as follows:-

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Total Issued and Paid-up Share Capital
20.06.1989	6	1.00	Subscribers' shares	6
19.03.1990	999,994	1.00	Cash	1,000,000
16.06.1995	8,000,000	1.00	Cash	9,000,000
03.01.1997	7,550,846	1.00	Bonus issue of approximately 1 for 1.19	16,550,846
26.07.1997	5,500,000	1.00	Bonus issue of approximately 1 for 3.01	22,050,846
28.07.1997	2,000,000	1.00	Cash	24,050,846
08.03.2000	4,000,000	1.00	Bonus issue of approximately 1 for 6.01	28,050,846
08.08.2000	949,154	1.00	Bonus issue of approximately 1 for 29.55	29,000,000
23.12.2000	5,000,000	1.00	Cash	34,000,000

(iii) Subsidiary and Associated Companies

AHSB holds the entire issued and paid-up capital of KTBSB.

4. INFORMATION ON THE ARB GROUP (Cont'd)**(iv) Changes in Substantial Shareholders' Shareholdings**

The changes of the substantial shareholders' shareholdings of AHSB for the past three (3) years are as follows:-

Substantial Shareholders	Date	Addition / (Disposal)	Direct Shareholdings in AHSB
Marzuki Bin Dato' Ibrahim	04.02.2000	(3,775,423)	-
Zulkiefly Bin Saad	04.02.2000	(1,761,865)	-
Datuk Yeo Wang Seng	23.12.2000	5,000,000	10,529,200
	26.12.2001	(2,661,200)	7,868,000
	27.06.2002	(517,484)	7,350,516
	13.01.2003	(350,516)	7,000,000
	24.01.2003	(7,000,000)	-
Semangat Ceria Sdn Bhd	04.02.2000	3,000,000	3,000,000
	28.10.2002	(3,000,000)	-
Mendu Sdn Bhd	04.02.2000	488,246	488,246
	08.03.2000	4,000,000	4,488,246
	08.08.2000	549,154	5,037,400
	26.12.2001	(1,037,400)	4,000,000
	11.03.2003	(4,000,000)	-
Aspirasi Puspita Sdn Bhd	24.01.2003	7,800,000	7,800,000
	25.01.2003	1,200,000	9,000,000
Affinity Gateway Sdn Bhd	13.01.2003	4,923,016	4,923,016
Abdul Rahman B. Ahmad Mahidin	28.10.2002	3,000,000	3,000,000
Datin Fadzilah Binti Saad	11.03.2003	4,000,000	4,000,000

4.3.2 KTBSB**(i) History and Business**

KTBSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 19 March 1992.

KTBSB, a wholly subsidiary company of AHSB, was acquired on 13 June 1996, which in turn is wholly owned subsidiary company of ARB. The principal activities of the company are hire of scows and tug boats.

4. INFORMATION ON THE ARB GROUP (Cont'd)**(ii) Share Capital**

The existing authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which RM610,000 comprising 610,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of KTBSB is as follows:-

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Total Issued and Paid-up Share Capital
19.03.1992	2	1.00	Subscriber's shares	2
06.05.1992	75,000	1.00	Cash	75,002
14.05.1992	150,000	1.00	Cash	225,002
10.09.1992	224,998	1.00	Cash	450,000
04.04.1994	160,000	1.00	Cash	610,000

(iii) Subsidiary and Associated Companies

KTBSB has no subsidiary or associated companies as at the date of this Prospectus.

(iv) Changes in Substantial Shareholders' Shareholdings

There have been no changes in the substantial shareholders' shareholdings in KTBSB for the past three (3) years.

4.4 The Flotation Scheme

Pursuant to the listing of the entire issued and paid-up share capital of ARB on the Second Board of the MSEB, the Company had implemented a flotation scheme, which was approved by the SC on 19 September 2003 and 8 December 2003, the FIC (through the SC) on 19 September 2003 and the MITI on 31 July 2003.

The flotation scheme is as follows: -

4.4.1 Acquisition of AHSB**(a) Terms of the Acquisition**

ARB had on 14 March 2003 entered into a conditional Sale & Purchase Agreement for the acquisition of the entire issued and paid-up capital of AHSB of RM1.00 each for a purchase consideration of RM60,912,552. Subsequently, ARB and the vendors had entered into a Supplemental Agreement dated 22 October 2003, supplemental to the abovementioned Sale and Purchase Agreement whereby the parties have agreed to extend the "Stipulation Period" (as defined in the Sale and Purchase Agreement) to 31 December 2003.

The purchase consideration of RM60,912,552 in relation to the Acquisition was arrived at based on the audited NTA of AHSB group as at 31 December 2001.

4. INFORMATION ON THE ARB GROUP (Cont'd)

The Acquisition was satisfied via the following:-

- (i) approximately 80% of the purchase consideration or RM48,912,552 was satisfied by the issuance of 42,599,998 new ordinary shares of RM1.00 each in ARB at an issue price of approximately RM1.148 per share;
- (ii) approximately 20% of the purchase consideration or RM12,000,000 was satisfied by the issuance of 12,000,000 ICPS of RM1.00 each in ARB.

The Acquisition was completed on 1 November 2003.

(b) Vendors

The vendors of AHSB, their respective shareholdings and the number of ARB Shares and ICPS issued to them pursuant to the Acquisition are as follows:-

Name of Shareholders	< ---Issued pursuant to the Acquisition --- >						Number of New Ordinary Shares in ARB upon Conversion of ICPS No. of Shares
	Ordinary Shares of RM1.00 each held in AHSB		New Ordinary Shares of RM1.00 in ARB		ICPS of RM1.00 each in ARB		
	No. of Shares	%	No. of Shares	%	No. of ICPS	%	
Non Public							
<i>Bumiputera</i>							
Datin Fadzilah Binti Saad	4,000,000	11.76	5,011,764	11.76	1,411,765	11.76	1,176,470
Abdul Rahman B. Ahmad Mahidin	3,000,000	8.82	3,758,823	8.82	1,058,824	8.82	882,353
	7,000,000	20.58	8,770,587	20.58	2,470,589	20.58	2,058,823
<i>Non-Bumiputera</i>							
Aspirasi Puspita Sdn Bhd	9,000,000	26.47	11,276,471	26.47	3,176,471	26.47	2,647,059
Affinity Gateway Sdn Bhd	4,923,016	14.48	6,168,250	14.48	1,737,535	14.48	1,447,945
Yeo Gee Kuan	1,672,500	4.92	2,095,544	4.92	590,294	4.92	491,912
Yeo Wang Ting	798,257	2.35	1,000,169	2.35	281,738	2.35	234,781
Uniwood Singapore Pte Ltd	798,598	2.35	1,000,596	2.35	281,858	2.35	234,882
Tan Choon Hwa (JP)	900,000	2.65	1,127,647	2.65	317,647	2.65	264,706
Datin Yap Que Chun	975,200	2.87	1,221,868	2.87	344,188	2.87	286,824
Soh Chin Heng	639,289	1.88	800,991	1.88	225,631	1.88	188,026
Soh Poh Choo	640,000	1.88	801,882	1.88	225,882	1.88	188,235
Soh Lion Gih	399,800	1.18	500,926	1.18	141,106	1.18	117,588

4. INFORMATION ON THE ARB GROUP (Cont'd)

Name of Shareholders	< ---Issued pursuant to the Acquisition --- >						Number of New Ordinary Shares in ARB upon Conversion of ICPS
	Ordinary Shares of RM1.00 each held in AHSB		New Ordinary Shares of RM1.00 in ARB		ICPS of RM1.00 each in ARB		
	No. of Shares	%	No. of Shares	%	No. of ICPS	%	
Soh Seng Lye	467,400	1.37	585,625	1.37	164,965	1.37	137,471
Lim Yun Nyen	200,000	0.59	250,588	0.59	70,588	0.59	58,824
Soh Kim Hoo	120,340	0.35	150,779	0.35	42,473	0.35	35,394
	21,534,400	63.34	26,981,336	63.64	7,600,376	63.34	6,333,647
Public							
<i>Bumiputera</i>							
Anuar Bin Abu Bakar	1,000,000	2.94	1,252,941	2.94	352,941	2.94	294,118
Rajak Bin Abdullah @ Ajak	24,800	0.07	31,073	0.07	8,753	0.07	7,294
	1,024,800	3.01	1,284,014	3.01	361,694	3.01	301,412
<i>Non-Bumiputera</i>							
Lee Li Hwee	500,000	1.47	626,471	1.47	176,471	1.47	147,059
Ting Puo Siu	408,000	1.20	511,200	1.20	144,000	1.20	120,000
Kenangan Cergas (M) Sdn Bhd	1,000,000	2.94	1,252,941	2.94	352,941	2.94	294,118
Hsieh Chin San	400,000	1.18	501,176	1.18	141,176	1.18	117,647
Phung Tze Thiam @ John Phung	400,000	1.18	501,176	1.18	141,176	1.18	117,647
Teh Bee Chean	228,800	0.67	286,673	0.67	80,753	0.67	67,294
Hiew Yun Onn	40,000	0.12	50,118	0.12	14,118	0.12	11,765
Teh Geok Tho	328,000	0.96	410,965	0.96	115,765	0.96	96,471
Wai Siew Kheong	216,800	0.64	271,638	0.64	76,518	0.64	63,765
Lim Teong Seng	190,000	0.56	238,059	0.56	67,059	0.56	55,882
Chin Gi Men	240,000	0.71	300,706	0.71	84,706	0.71	70,588
See Kiew	180,000	0.53	225,529	0.53	63,529	0.53	52,941
Lim Yu Ming	160,000	0.47	200,471	0.47	56,471	0.47	47,059
Teh Kian Ming	139,200	0.41	174,409	0.41	49,129	0.41	40,941
Teo Chok Seng	10,000	0.03	12,529	0.03	3,529	0.03	2,941
	4,440,800	13.07	5,564,061	13.07	1,567,341	13.07	1,306,118
Total	34,000,000	100.00	42,599,998	100.00	12,000,000	100.00	10,000,000

4. INFORMATION ON THE ARB GROUP *(Cont'd)*

Upon completion of the Acquisition, the issued and paid-up share capital of ARB was increased from RM2 to RM42,600,000 comprising 42,600,000 ordinary shares of RM1.00 each and 12,000,000 ICPS of RM1.00 each.

4.4.2 Public Issue

To facilitate the listing of and quotation for the enlarged issued and paid-up share capital of ARB on the Second Board of the MSEB and to comply with the Listing Requirements with regards to the public spread requirement, the Company is undertaking a Public Issue of 8,500,000 new ordinary shares of RM1.00 each at an Issue Price of RM1.20 per share.

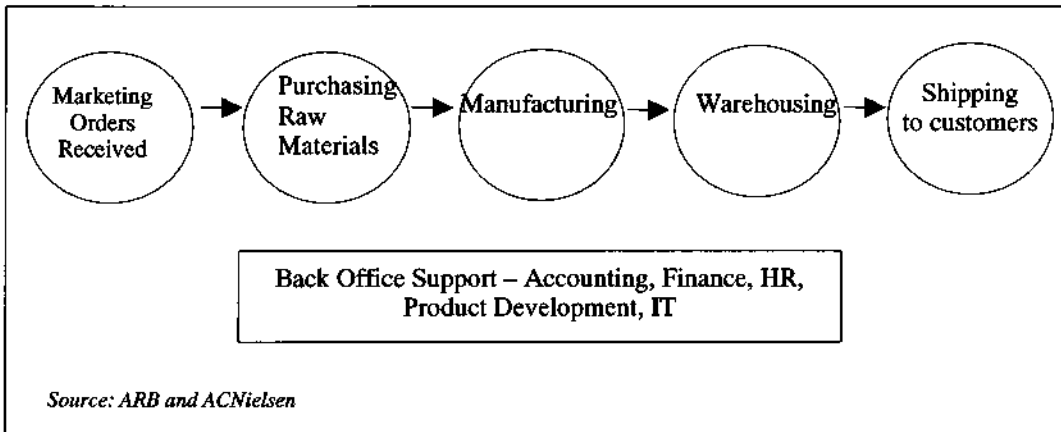
4.4.3 Offer For Sale

In conjunction with the Public Issue, the Offeror will make an offer for sale of 1,554,000 ordinary shares of RM1.00 each at an Offer Price of RM1.20 per ordinary share to the Bumiputera investors approved by MITI in order to satisfy the Listing Requirements with regards to the public spread requirement.

4.5 Business Overview of the ARB Group

The Group's business activities, primarily in the manufacturing of timber based products, specifically, sawn timber, veneer, plywood, Tego plywood, polyester plywood and block board. Other secondary services offered by the Group include rental of scows and tugboats for transportation, rental of machinery to other manufacturers and contract sawing services. These activities are supported by a marketing and distribution network as well as a team of back-office management personnel.

A pictorial representation of the business activities is provided below:-



4.5.1 Products

While the Group derives revenue from several sources including tugboat services, the top revenue contributors to ARB are the following products :-

- **Sawn Timber**
- **Plain / Normal Plywood** – this is used in general construction work. Due to its reasonable pricing, this is favoured by the Chinese market.

4. INFORMATION ON THE ARB GROUP (Cont'd)

- **Polyester / PVC Plywood** – this is plywood with a polyester finish, used to manufacture cupboards and other furniture items. ARB is one of the main producers of polyester plywood in the Tawau District and has extensive experience in its production. This type of plywood is more costly to manufacture than Tego plywood, due to the additional layer of chemicals that is applied. An additional RM40 of raw materials per m³ is required.
- **Tego Plywood** – this is the strongest type of plywood to date, as the plywood is treated with a special coating that prolongs the life and reusability of the plywood by tenfold. This is also a very expensive product to manufacture, with the cost of Tego sheeting adding at least USD40 per m³ to the cost of production. However, the value-added achieved from this process is USD90 per m³.
- **Block board** – this is a raw material that is widely used in the furniture industry and is a very profitable business for the Group.

All the above products are produced in the AHSB timber complex, located strategically near the Kalabakan River. This close proximity to the Kalabakan River allows the Group's products to be transported by sea which is very cost effective and is the Group's advantage over its competitors.

The following is a breakdown of the Group's performance in terms of turnover by products.

Products / Services	1998 (RM'000)	1999 (RM'000)	2000 (RM'000)	2001 (RM'000)	2002 (RM'000)	8 Months ended 31.8.2003 (RM'000)
AHSB						
Logs	-	-	3,387	-	-	-
Sawn Timber	20,960	16,830	9,889	9,695	14,616	10,070
Veneer	1,914	10,810	12,940	8,822	8,866	5,963
Plywood	14,223	17,394	8,788	15,507	22,989	13,370
Tego Plywood	5,865	949	6,205	7,276	8,287	7,117
Polyester Plywood	8,450	2,006	6,557	7,396	9,154	7,399
Blockboard	4,702	3,235	7,765	8,914	5,574	4,270
Hiring of Machinery	141	184	26	33	27	25
Contract Sawing Fee Received	-	1,470	653	309	29	-
Total	56,255	52,878	56,210	57,952	69,542	48,214
KTBSB						
Hiring of Scows and Tug Boats	484	159	188	118	80	129
GRAND TOTAL	56,739	53,037	56,398	58,070	69,622	48,343

For the last 5 years ended 2002, the Group recorded an average growth of about 5.5%, when compared to the industry benchmark of 3.64% (source: *Independent Market Research Report prepared by ACNielsen*)

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In terms of contribution, it is clear that the plywood sector is the largest contributor to the Group's turnover, with an average contribution of 27%. The second highest contributor to the Group's turnover is sawn timber. Sales have been on the decline over the last 3 years due to the shifting of focus from this to producing downstream products. Veneer holds the third place in terms of contribution.

4.5.2 Principal Markets

On average, approximately 79% of the Group's products are exported in the last 5 financial years from 1998 to 2002. ARB's products are exported to South Korea, Singapore, China (via Hong Kong), Japan, Taiwan and USA. For sawn timber, the Group also sells to Europe and Middle East via timber agents in Singapore or Tawau. The following table provides information on the value of exports per country as well as the volume for the last 5 years (1998 – 2002) and for the eight (8) months period ended 31 August 2003.

Product by Country	1998 RM / m ³	1999 RM / m ³	2000 RM / m ³	2001 RM / m ³	2002 RM / m ³	8 Months ended 31.8.2003 RM / m ³
Sawn Timber						
South Korea	179,410 / 639	1,256,688 / 1,189	243,652 / 436	3,221,835 / 3,027	7,769,801 / 7,988	6,166,639 / 4,385
Taiwan	715,301 / 677	-	174,268 / 557	1,463,205 / 2,005	2,636,588 / 2,267	427,357 / 1,220
Singapore	10,578,735 / 10,257	552,164 / 524	-	-	-	70,390 / 124
South Africa	55,190 / 80	-	-	-	-	386,100 / 261
Japan (Through Agent)	-	-	-	-	1,235,604 / 1,734	980,135 / 1,067
Europe (Through Agent)	-	-	-	4,727,051 / 4,432	2,716,021 / 2,932	1,903,874 / 1,693
<i>Sub-total</i>	<i>11,528,636 / 11,653</i>	<i>1,808,852 / 1,713</i>	<i>417,920 / 993</i>	<i>9,412,091 / 9,464</i>	<i>14,358,014 / 14,921</i>	<i>9,934,495 / 8,749</i>
Veneer						
Japan	-	-	-	192,725 / 164	-	-
South Korea	-	-	-	2,615,995 / 2,487	4,784,064 / 4,203	3,270,214 / 2,471
Taiwan	746,826 / 696	5,667,916 / 5,406	4,685,653 / 5,642	588,398 / 1,441	517,865 / 949	25,685 / 96
Singapore	-	1,701,375 / 1,540	6,365,013 / 6,143	-	2,768,442 / 1,630	-
Hong Kong	-	-	1,624,802 / 1,519	945,000 / 945	-	-
<i>Sub-total</i>	<i>746,826 / 696</i>	<i>7,369,291 / 6,946</i>	<i>12,675,468 / 13,304</i>	<i>4,342,118 / 5,037</i>	<i>8,070,371 / 6,782</i>	<i>3,295,899 / 2,567</i>

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Product by Country	1998 RM / m³	1999 RM / m³	2000 RM / m³	2001 RM / m³	2002 RM / m³	8 Months ended 31.8.2003 RM / m³
Plywood						
Taiwan	5,278,239 / 4,858	1,315,758 / 1,163	2,391,850 / 2,322	5,345,643 / 5,572	7,662,424 / 6,937	5,666,867 / 5,019
Singapore	5,972,965 / 5,445	9,369,361 / 8,597	4,428,750 / 4,365	5,578,734 / 5,718	9,008,095 / 9,051	3,091,366 / 2,879
Japan	-	5,104,987 / 4,042	1,586,362 / 1,020	634,079 / 724	2,205,090 / 1,819	-
South Korea	1,352,671 / 1,277	789,006 / 549	-	1,960,000 / 2,000	1,871,292 / 1,700	4,403,976 / 4,305
Hong Kong	-	622,035 / 324	-	-	1,878,473 / 2,005	-
Saudi Arabia	147,619 / 132	39,650 / 21	-	-	-	-
USA	-	-	-	1,801,651 / 1,978	-	-
<i>Sub-total</i>	<i>12,751,494 / 11,712</i>	<i>17,240,797 / 14,696</i>	<i>8,406,962 / 7,707</i>	<i>15,320,107 / 15,992</i>	<i>22,625,374 / 21,512</i>	<i>13,162,209 / 12,202</i>
Polyester Plywood						
South Korea	-	-	-	-	879,164 / 670	1,442,100 / 1,180
Singapore	5,924,290 / 3,020	567,071 / 302	5,093,306 / 3,208	7,189,163 / 5,133	8,181,068 / 6,410	4,638,753 / 3,545
Taiwan	-	-	531,544 / 268	-	-	1,318,336 / 1,173
Hong Kong	-	98,034 / 47	-	-	-	-
<i>Sub-total</i>	<i>5,924,290 / 3,020</i>	<i>665,105 / 349</i>	<i>5,624,850 / 3,476</i>	<i>7,189,163 / 5,133</i>	<i>9,060,232 / 7,080</i>	<i>7,399,189 / 5,898</i>
Tego Plywood						
South Korea	-	52,041 / 40	4,508,176 / 2,916	4,166,400 / 2,688	2,690,343 / 2,129	1,937,590 / 1,436
Japan	-	-	1,627,740 / 1,008	-	-	-
Taiwan	2,879,499 / 1,752	392,387 / 345	-	-	-	-
Hong Kong	-	-	-	-	-	529,671 / 419
Vietnam	-	-	-	-	-	3,771,837 / 2,796

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Product by Country	1998 RM / m ³	1999 RM / m ³	2000 RM / m ³	2001 RM / m ³	2002 RM / m ³	8 Months ended 31.8.2003 RM / m ³
Singapore	2,849,580 / 1,758	434,700 / 353	-	3,109,300 / 2,006	5,596,953 / 4,421	877,807 / 824
<i>Sub-total</i>	<i>5,729,079 / 3,510</i>	<i>879,128 / 738</i>	<i>6,135,916 / 3,924</i>	<i>7,275,700 / 4,694</i>	<i>8,287,296 / 6,550</i>	<i>7,116,905 / 5,475</i>
Blockboard						
Taiwan	2,848,476 / 2,656	2,115,823 / 2,476	5,837,198 / 6,445	8,448,530 / 9,333	1,851,727 / 2,395	2,684,619 / 3,245
Singapore	1,824,555 / 1,592	1,118,879 / 1,179	1,927,684 / 2,195	457,447 / 495	2,991,233 / 3,902	1,578,827 / 1,797
South Korea	-	-	-	-	720,756 / 948	-
<i>Sub-total</i>	<i>4,673,031 / 4,248</i>	<i>3,234,702 / 3,655</i>	<i>7,764,882 / 8,640</i>	<i>8,905,977 / 9,828</i>	<i>5,563,716 / 7,245</i>	<i>4,263,446 / 5,042</i>
GRAND TOTAL	41,353,356 / 34,839	31,197,875 / 28,097	41,025,998 / 38,044	52,445,156 / 50,148	67,965,003 / 64,090	45,172,143 / 39,933
Percentage of overall sales (RM)	74%	59%	73%	91%	97%	93%

For the 8 months period ended 31 August 2003, South Korea, Singapore and Taiwan are the major importers of the Group's products. The most popular product that is currently being exported is plain / normal plywood, which accounts for 30% of total exports in the period ended 31 August 2003, this is followed by the sawntimber and polyester plywood, each of which accounts for 22% and 15% respectively of the products exported the same period. The table below shows the percentages and export destinations of the Group's main products for the financial period eight (8) months ended 31 August 2003:-

Country	Sawn Timber %	Veneer %	Plywood %	Tego Plywood %	Polyester Plywood %	Blockboard %
Europe	19	-	-	-	-	-
Japan	10	-	-	-	-	-
Singapore	1	-	24	12	63	37
South Africa	4	-	-	-	-	-
South Korea	62	99	33	27	19	-
Taiwan	4	1	43	-	18	63
Vietnam	-	-	-	53	-	-
Hong Kong	-	-	-	8	-	-
Total	100	100	100	100	100	100

4. INFORMATION ON THE ARB GROUP (Cont'd)

On average, ARB exports about 43,000m³ of wood products overseas each year. The balance is sold locally to agents, furniture factories and construction companies. In order to ensure consistency in quality of products, ARB complies with the Japanese Agriculture Standards ("JAS") international QC standards for timber-based products.

Please refer to Section 4.8 of this Prospectus for the list of ARB's major customers.

While a majority of the Group's customers are intermediaries, there are a small number of very large furniture manufacturers and construction companies that are beginning to source directly from the Group, for example Ssangyong Corporation (Korea) and Hyundai Corporation (Korea). These companies usually have very diversified businesses and require timber-based products for their diversified business segments.

4.5.3 Logs Supply

At the end of 2002, Malaysia maintained 19.5 million hectares or 59.5% of its land area under forest cover, of which 14.3 million hectares or 73.3% are permanent reserved forest. Thus, supply of timber logs for the use in the manufacturing of timber products is limited. However, with the Governments support for sustainable forest management throughout Malaysia, the future supply of timber is assured.

(Source : Independent Market Research Report prepared by ACNielsen)

AHSB has signed 2 timber supply contracts to ensure that there is a constant supply of raw materials, details of which are as follows:-

Principal Terms	Log Suppliers	
	Seraya Permai Sdn Bhd	Bintang Tawau Sdn Bhd
(a) Date of the Supply Agreement	6 May 2002	3 May 2002
(b) Tenure of supply	From date of commencement logging operation until all timber on logging area fully extracted or 3 years whichever occurs earlier ⁽¹⁾	10 years from 1 November 2001 to 30 October 2011
(c) Agreed annual logs volume supply	120,000 m ³	180,000 m ³
(d) Hectarage of Log Extraction Area (approximately)	7,500 hectares	48,363 hectares
(e) Pricing for Logs Supplied	At prevailing market rate inclusive of transportation cost	At prevailing market rate inclusive of transportation cost

Note:

(1) *The logging operation commenced on 22 April 2002*

4. INFORMATION ON THE ARB GROUP (Cont'd)

As per the said log supply agreements, AHSB guarantees to buy all timber logs produced from the Concession Area (as defined in the agreement) from Seraya Permai Sdn Bhd and a minimum of 180,000 m³ of logs per annum from Bintang Tawau Sdn Bhd.

Subsequently, AHSB and its respective log suppliers namely Bintang Tawau Sdn Bhd and Seraya Permai Sdn Bhd had entered into two (2) separate supplemental agreements dated 22 October 2003 whereby the parties have agreed that AHSB:-

- (i) is not obliged to purchase all the amount of Products guaranteed to be supplied by Seraya Permai Sdn Bhd, under the supply agreement dated 6 May 2002; and
- (ii) is not obliged to purchase the amount of Products guaranteed to be supplied by Bintang Tawau Sdn Bhd, under the supply agreement dated 3 May 2002.

AHSB is not aware of any logs supply agreements that have been entered into by Bintang Tawau Sdn Bhd and Seraya Permai Sdn Bhd with other parties. However, under Clause 13.1 of the log supply agreements with Seraya Permai Sdn Bhd and Bintang Tawau Sdn Bhd respectively, Seraya Permai Sdn Bhd and Bintang Tawau Sdn Bhd had agreed not to, as long as AHSB has reached agreement with them to buy the logs, sell such available logs to any third party and in whatsoever manner i.e AHSB has the first right of refusal for the logs felled by Seraya Permai Sdn Bhd and Bintang Tawau Sdn Bhd.

It is the Group's policy to maintain an inventory level of approximately 3 months timber logs as buffer. This is due to the following reasons:-

- to maintain a constant supply of quality logs; and
- to hedge against price fluctuations in log prices.

Since ARB's current consumption is approximately 136,000m³ per annum, the supply contracts above are expected to adequately cover the Group's needs. The Group usually maintains approximately 34,000m³ of timber logs in their store as a buffer. For last minute / emergency orders, the Group would tap into their inventory or source for raw materials from the existing suppliers in the market.

In view of the above, the Directors of ARB are of the opinion that the Group has sufficient supply of logs for its operations for at least for the next ten (10) years. In addition, the Directors of ARB had vide its letter dated 6 November 2003 confirmed to SC that the Group has sufficient supply of logs for its operations for at least for the next ten (10) years.

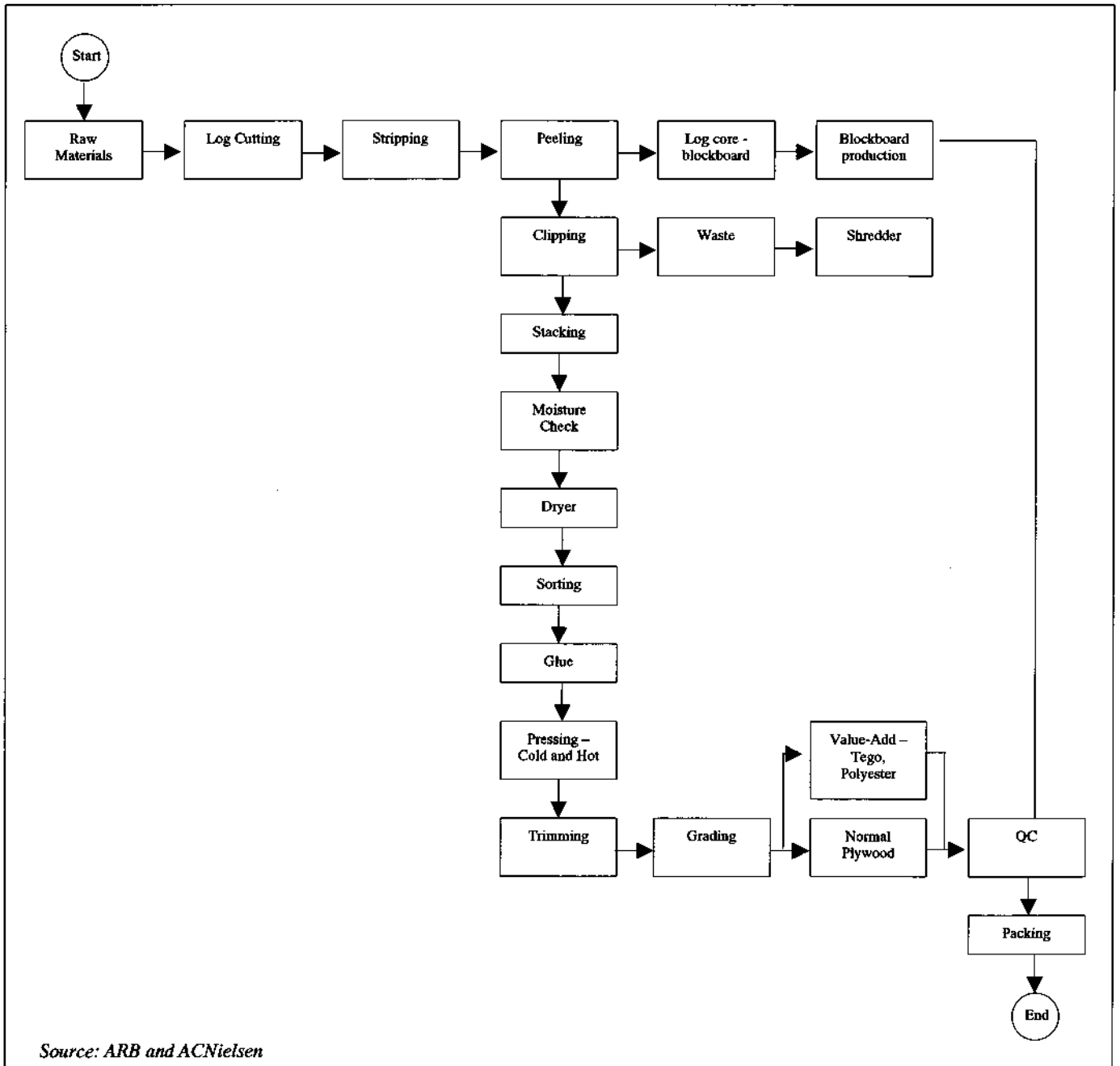
4.5.4 Production Process

The manufacture of timber in ARB is a high technology process whereby almost all the process are semi-automated although certain amounts of manual labour is still needed. All in, approximately 40% of the production process is still manual. The process that is fully automated is the continuous drying process for veneer through the dryer. ARB imported a brand new "Meinan" 4 Feet Rotary Veneer Lathe set of machinery from Japan in 2000 and a brand new "Taihei" 9 feet Rotary Veneer Lathe set of machinery from Taiwan in 2001 to increase the recovery rate of round logs from 40% to 48%. Previously, 10,000 m³ of round logs only produced 4,000 m³ of veneer, whereas currently, with the new machinery in place, ARB can produce 4,800 m³ of veneer. This has resulted in a higher yield and revenue for the Group.

4. INFORMATION ON THE ARB GROUP (Cont'd)

For ARB, the manufacturing process forms the crux of their 13 year old business and therefore, they have invested in machinery that has helped to lower the Group's production / operational costs and upgraded the quality of production and delivery.

The major manufacturing process of timber products for the Group is shown below: -



Source: ARB and ACNielsen

4. INFORMATION ON THE ARB GROUP (Cont'd)

The optimum production capacity for the plywood factories by product range is as follows: -

Product	Monthly Production (m ³)	Number of Production Lines	Number of Shifts
Sawn Timber	2,400	N/A	N/A
Veneer	8,200	5	2
Plain Plywood	5,000	5	2
Polyester Plywood	1,050	2	2
Tego Plywood	900	1	2
Blockboard	1,050	1	2

N/A - not applicable

The Group has in the past also invested in numerous assets and machinery to start up their integrated plywood manufacturing timber complex. In addition to investments in land and buildings, the Group has invested a total of RM57 million in machinery to ensure the efficient operation of the plywood mills and sawmill. The latest machinery from Taiwan and Japan are able to reduce the wastage in the production process by cutting the log closer to the core, i.e. 2 – 3 inches compared to the 5 inches currently achieved. In addition, these new machines are also faster and require less manpower.

4.5.5 ARB Group's Market Position/Share

It is not hard to determine the major players in the timber industry as all companies in this industry can be clearly measured by the production output and annual turnover. However, it is difficult to ascertain the exact number of players, as many may not be registered companies, thus no information is kept on these players. For the purpose of determining the market share of ARB Group, only the panel products sub-sector will be discussed.

The entire timber industry has over 4,000 players, with approximately 185 involved in the panel based sector. It is estimated that a few large players, who make up only about 20% (number) of the entire sector, generate over 80% of the recorded turnover for this sector.

Currently, the Sabah timber processing mill-production capacity is at 9.6 million m³ per annum, comprising of :-

- Sawmills – 4.2 million m³
- Plywood/Veneer – 4.6 million m³
- Pulp & paper – 0.9 million m³

It is estimated that ARB has a share of 3.6%, 2.7% and 9.1% for veneer, plywood and blockboard respectively of the export of Sabah in 2001. In 2002, ARB's share for these three products mentioned are 4.9%, 3.7% and 7.2% respectively.

(Source : Independent Market Research Report prepared by ACNielsen)

4. INFORMATION ON THE ARB GROUP (Cont'd)**4.5.6 Brand Names, Patents, Trademarks, Licenses, Technical Assistance Agreement, Franchises and other Intellectual Property Rights**

The Group's Double Gold Fish brand is popular with the customers and can often fetch a premium over spot market prices. The following are the major trademarks that ARB has acquired in its normal course of business:-

Company	Trademark	Details	Status
AHSB	Double Gold Fish	<ul style="list-style-type: none"> ➤ Registration No. 2002-03278 ➤ Class 20 ➤ Malaysia 	Filed on 26 March 2002
AHSB	Double Gold Fish	<ul style="list-style-type: none"> ➤ Registration No.91039380 ➤ Class 19 ➤ Taiwan 	Filed on 26 September 2002
AHSB	Double Gold Fish	<ul style="list-style-type: none"> ➤ Registration No. T02/19677B ➤ Class 19 ➤ Singapore 	Trademark registered vide Certificate of Registration dated 26 December 2002
AHSB	Double Gold Fish	<ul style="list-style-type: none"> ➤ Registration No. 2002-61113 ➤ Class 19 ➤ Japan 	Trademark registered vide Certificate of Registration dated 18 April 2003
AHSB	Double Gold Fish	<ul style="list-style-type: none"> ➤ Registration No. 40-2002-0055107 ➤ Class 19 ➤ Korea 	Filed on 28 November 2002

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4. INFORMATION ON THE ARB GROUP (Cont'd)

As a timber-based products manufacturer, there are certain approvals that need to be obtained from the Government to commence operations. The list of licenses of ARB are as follows:-

Licence/No.	Authority	Licence	Date of Issue	Validity	Equity Conditions / Conditions Affecting Operation	Status of Compliance
1.	Majlis Perbandaran Tawau	Business Licence Certificate No. F 305960	7 January 2003	07.01.2003 to 31.12.2003 *	-	Not Applicable
2.	Jabatan Perhutanan Sabah Malaysia	Certificate of Registration to operate as Factory Contractor at Kalabkan, Tawau. Factory Licence No. JP(T)KA 001/00 (X33)R	19 November 1998	17.01.2003 to 16.01.2004	The Company is prohibited from contracting with any company, members of the board of directors or individual which/who are blacklisted by the State Government with regards sources from the forest. The Company is also prohibited from purchasing any logs from any parties who are not recognised by the 'Jabatan Perhutanan'.	Complied
3.	Jabatan Perhutanan Sabah Malaysia	License to export Processed Timber (Sawntimber, Plywood, Veener, Blockboard, Plyster Plywood, Phenolic Film Face and Container Flooring Panel) Export Licence No. JP(PT) 083/00 (M)R	1 January 2003	01.01.2003 to 31.12.2003 *	Wood-product volumes marked with FD Hammers or otherwise as provided for in CF Circular 19/82 shall be assessed for royalty-payment and respective packagings. All shipment/export of processed timber documents must be accompanied by For EIS 1/2000.	Complied Complied
4.	Jabatan Perhutanan Sabah Malaysia	License to erect a sawmill or plant at Sg. Kalabakan. Licence No. JP(T)KA 001/00 (X33)R	18 January 2001	01.01.2003 to 21.12.2003 *	The sawmill must be operating with a manufacturing licence issued by the Ministry of Trade & Industry, Malaysia unless otherwise exempted under Section II of the Industrial Coordination Act 1975.	Complied

4. INFORMATION ON THE ARB GROUP (Cont'd)

No.	Licence/ Authority	Licence	Date of Issue	Validity	Equity Conditions / Conditions Affecting Operation	Status of Compliance
5.	Lembaga Perindustrian Kayu Malaysia	Export Licence as: (i) Operator of the jetty; (ii) Exporter, supplier and processor of wood- based product such as sawn timber, plywood, veneer, moulding products, blockboard and round logs. Licence No. SHB T/E-85/06/2004 (SPVMBL) SHB T/S- 60/06/2004(SPVMBL)	10 May 2003	01.07.2003 to 30.06.2004		Not Applicable
6.	MITI	Manufacturing Licence for decorative plywood and blockboard as part of the expansion project at NT 103041970, 100KM, Sungai Kalabakan, Sabah. Licence No. A 010447	21 June 1996	From 21.06.1996 onwards	Conditions in the Manufacturing Licence under Industrial Co-ordination Act 1975 (a) The expansion project shall be carried within 12 months from 25.2.2003 or within a period approved by the license issuer. (b) There shall be no trading of shares which are held by non-citizens of Malaysia unless a prior written approval is obtained from MITI.	Complied Complied

4. INFORMATION ON THE ARB GROUP (Cont'd)

Licencee/ No. Authority	Licence	Date of Issue	Validity	Equity Conditions / Conditions Affecting Operation	Status of Compliance
MITI (Cont'd)				<p>(c) An equitable structure of the Company shall be reflected in the composition of the Board of Directors of the Company. Any appointments made to and changes in the Board of Director shall be made known to MITI.</p> <p>(d) Any proposals to employ used machineries shall be preceded with a prior written approval from MITI and a report prepared by an independent valuer which is recognized by MITI.</p> <p>(e) Any proposal in changing, increasing or reducing the machineries, in which such proposal would have adverse impact on manpower ("gunatenaga") and/or production shall be preceded with a written approval from MITI.</p> <p>(f) Prior to execution of a Technical Assistant Agreement/ Transfer of Technology Agreement between any foreign bodies and the Company, a written approval for the said execution of the same shall be obtained from MITI.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>

4. INFORMATION ON THE ARB GROUP (Cont'd)

Licencee/ No. Authority	Licence	Date of Issue	Validity	Equity Conditions / Conditions Affecting Operation	Status of Compliance
MITI (Cont'd)				<p>(g) Bumiputera distributors are to be appointed for the distribution of at least 30% of the total production marketed locally. Any appointments of competitor company for the distribution shall be preceded with a written approval from MITI.</p> <p>(h) Any sale of the shares of the company must be made known to the Ministry of International Trade and Industry.</p> <p>(i) The company must train Malaysian citizen so that the transfer of technology and expertise can be reflected in all level of employment.</p> <p>Incentive Conditions under Promotions of Investment Act 1986</p> <p>(a) The company shall operate on the industry site bearing the address of NT103041970, 100km, Sungai Kalabakan, Kalabakan, Tawau, Sabah subject to the approval of relevant State Authority and Department of Environment.</p>	<p>Not applicable as no distribution agent has been appointed. The marketing is done internally</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>

4. INFORMATION ON THE ARB GROUP (Cont'd)

No.	Licencee/ Authority	Licence	Date of Issue	Validity	Equity Conditions / Conditions Affecting Operation	Status of Compliance
	MITI (Cont'd)				<p>(b) At least 60% of the timber utilized by the Company for the production of decorative plywood, blockboard, timber mouldings and wooden furniture shall be local timber.</p> <p>(c) Only plywood produced by the Company could be utilized for the production of decorative plywood.</p> <p>(d) The Company shall maintain separate accounts with regards the products of which the Pioneer Status is granted for industries for the East Coast Corridor of Peninsular Malaysia Sabah dan Sarawak ("Koridor Pantai Timur Semenanjung; and the products approved without tax incentives but subject to the accounting rules and conditions permitted by the Inland Revenue Board.</p>	Complied
7.	Pengarah Kualiti Alam Sekililing Malaysia	"Sijil Kelulusan Alat Pembakaran Bahab Api" Registration No. APU2 (13/22/98)	29 August 1998	29.08.1998 onwards	-	Not Applicable

4. INFORMATION ON THE ARB GROUP (Cont'd)

No.	Licence/ Authority	Licence	Date of Issue	Validity	Equity Conditions / Conditions Affecting Operation	Status of Compliance
8.	MITI	"Pioneer Status" for the pioneer activities with regards "Decorative Plywood" and "Blockboard"	7 July 2003	20.10.2001 to 19.09.2006	<p>(i) The Company shall operate from a Factory in Sabah</p> <p>(ii) Value added rate for the the production of decorative plywood and blockboard shall be increased by 25%;</p> <p>(iii) At least 51% of the equity in the Company must be acquired and held by Malaysia Citizen;</p> <p>(iv) The Company shall maintain separate accounts with regards its products of which the Pioneer Status is granted, product approved with tax incentives but such approval granted has expired, and productions approved without tax-exemptions but subject to the accounting rules and conditions permitted by the Inland Revenue Board.</p>	Complied
9.	Royal Custom & Excise Malaysia	Manufacturer's Licence for plywood, moulding, blockboard and fancy plywood. Licence No. A 034064	1 March 1996	From 01.03.1996 onwards		Not Applicable

4. INFORMATION ON THE ARB GROUP (Cont'd)

No.	Licencee/ Authority	Licence	Date of Issue	Validity	Equity Conditions / Conditions Affecting Operation	Status of Compliance
10.	Royal Custom & Excise Malaysia	Jetty Licence to operate the jetty at the river bank opposite to Lot CL 105477361, Tawau. Certificate No. KE.SI(39)381/02-22(34)	1 January 2003	01.01.2003 to 31.12.2003 ^	Only the following can be loaded/off loaded from the jetty: (i) sawntimber; (ii) plywood; (iii) blockboard, lumbercore, (iv) venner, (v) logs and machinery.	Complied

Note:-

* The licences are currently in the process of being renewed

^ Royal Custom & Excise Malaysia has vide its letter dated 30 November 2003 confirmed that the said license will be extended to 31 December 2004 upon its expiry on 31 December 2003

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4. INFORMATION ON THE ARB GROUP (Cont'd)

4.5.7 Methods of Marketing and Distribution

ARB, having been in the business for 13 years has built good relationships with its customers. The quality of its products has also brought them many trade inquiries and customer referrals. The Group also relies on feedback from its clients to project future trends and product designs. So far, the Group's personalised approach to marketing has served it well.

ARB's current marketing network comprises of timber agents, importers, wholesalers and direct customers from the furniture and construction industry. The Group has 3 experienced personnel in its marketing team that manages this network.

Furthermore, ARB has ventured into E-commerce, establishing its website www.aturmaju.com.my, creating an additional marketing channel for its products. Through E-Commerce, ARB aims to provide better services and increase the Group's competitiveness in the international market. ARB will streamline the Group's organisation and integrate operations with that of its suppliers. This will provide a more efficient workflow and increase the responsiveness to customers' needs.

ARB distributes its products to its customers via 2 channels:

- (a) by sea
- (b) by land

The most traditional method of distribution, which is also the most efficient is by sending the products by sea, this is also the most cost effective way of distribution to date. This process is called the mid-stream loading process, where cargo is loaded directly onto ships, bypassing the ports. Shipping charges are standard being set by the Sabah Port Authority. Shipping is the most suitable mode of transportation, given the bulky nature of the products produced by ARB.

As mentioned, on average for the past five (5) financial years from 1998 to 2002, approximately 79% of ARB's products are shipped overseas. As for the local Malaysian orders, these are delivered directly to the customer via local transportation if located in Tawau, but mostly, these are also shipped to the various Malaysian ports and from these ports, land transportation will deliver products to the customers warehouse.

Due to its close proximity to the Kalabakan River, transportation by sea is very cost effective and one of the Group's advantages over its competitors.

4.5.8 Quality Control Procedures

ARB has very stringent quality control standards, due to the requirements of the export customers. There are currently many written standards and specifications for plywood quality and ARB adopts the JAS, JPIC (Japan standards) and IHPA (US International Standards). The IHPA standards only allow for a +0.3 to +0.5 millimeter variance in measurement, while the JAS allows for a +/- 0.3-0.5 millimeter variance. Block board samples are also sent to Korea for QC tests to ensure that they constantly meet the international export standards for timber products.

QC checking (e.g sorting, stacking, moisture check, grading) activities occur at every stage of production with the final check at the end of the entire process. All final products (plywood, blockboards, etc) are sent through this final stage of production for inspection.