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

| No | Type of Licence | Authorities | Effective Date | Date of Expiry | Major Conditions | Compliance Status |
|---|---|---|---|---|---|---|
| | | | | | (f) BKVI is required to have the measuring equipment/ facilities as required by Senior Excise Officer to measure and weigh the goods in the licensed premises. | (f) Complied |
| | | | | | (g) Production waste in BKVI's premises is to be stored separately in accordance to the plan as approved by the DG of Customs. The waste should not be disposed or destroyed without the written approval from the Senior Excise Officer. | (g) Complied |
| | | | | | (h) Dutiable goods are not allowed to be removed from the BKVI's premises unless provided under the Excise Act 1976. | (h) Complied |
| | | | | | (i) Dutiable goods removed from the BKVI's licensed premises are not allowed to be returned to the premises unless written approval is obtained from the Senior Excise Officer. | (i) Complied |
| | | | | | (j) The DG is empowered to appoint authorised officers to install locks, meters or safety devices to protect the national revenue in any part of the BKVI's premises deemed relevant. | (j) Noted by BKG Group |

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

| No | Type of Licence | Authorities | Effective Date | Date of Expiry | Major Conditions | Compliance Status |
|---|---|---|---|---|---|---|
| | | | | | (k) Any Senior Excise Officer or authorised officer has the right to inspect, weigh and measure the dutiable goods or tobacco or raw materials or any other goods kept in BKVI's premises for the purpose of ascertaining the contents of the packages or containers. | (k) Noted by BKG Group |
| | | | | | (l) BKVI, being the licence holder is required to take precautionary measures against the occurrence of fire as directed by the authorised parties acting for the Fire Department and to keep the premises tidy and clean at all times. | (l) Complied |
| | | | | | (m) BKVI is required to report to the Senior Excise Officer in a reasonable time frame should there be fire, stock loss or any accident in the licensed premises. | (m) Noted by BKG Group |
| | | | | | (n) Nobody is allowed to live in the licensed premises unless written approval is obtained from the Senior District Excise Officer. | (n) Complied |
| | | | | | (o) The license is subject to additional terms and conditions as imposed by the DG of Customs. | (o) Noted by BKG Group |
| | | | | | (p) In addition to the above conditions, this licence is governed under the rules and regulations under the Excise Act 1976 and the sub-regulations therein. | (p) Noted by BKG Group |

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

| No | Type of Licence | Authorities | Effective Date | Date of Expiry | Major Conditions | Compliance Status |
|---|---|---|---|---|---|---|
| 7. | Sales Tax Licence | Royal Malaysian Customs and Excise | 03.02.1995 | N/A | Return of taxable sales to be made in respect of each taxable period and that the tax be paid thereon on or before the twenty-eighth day of the following month. | Complied |
| 8. | Business Licence for manufacturing and signboard installation | Majlis Perbandaran Seberang Prai | 27.01.2004 | 31.12.2004 | No condition is attached. | N/A |
| 9. | Business Licence for Store Area | Majlis Perbandaran Seberang Prai | 12.01.2004 | 31.12.2004 | No condition is attached. | N/A |
| 10. | Certification for Registration as Contractor | Ministry of Finance | 11.09.2001 | 09.09.2003 | Certification by Ministry of Finance as a registered contractor for supplying goods and services in respect of the following areas:-<br>- Commercial lorries;<br>- Buses;<br>- Manufacture and assembly of buses and lorries bodies;<br>- Heavy machineries;<br>- Vehicles above 3 tonnes;<br>- Heavy machineries/ vehicles/ machineries; and<br>- To purchase scrap materials (no permit is required). | BKVI has submitted an application for renewal of licence and currently pending approval from the Ministry of Finance.<br><br>The Group did not renew the said licence earlier because there were no government projects then. |
| 11. | Approval from Puspakom on Inspection of Rebuilt Vehicles | Puspakom | 09.09.1999 | N/A | (a) BKVI is to provide the Certificate of Manufacturing of industrial vehicles for inspection purposes.<br>(b) The engine and Chassis number must be clear, legible and un-tampered.<br>(c) All vehicles are to be certified by a professional Engineer registered with the RTD and to certify that BKVI has complied with the best engineering practices and safe to be used. | (a) Complied<br>(b) Complied<br>(c) Complied |

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

| No | Type of Licence | Authorities | Effective Date | Date of Expiry | Major Conditions | Compliance Status |
|---|---|---|---|---|---|---|
| | | | | | (d) Vehicles to be inspected must be suitable and complied to the manufacturing specifications and usage pursuance to the Road Transport Act 1987. | (d) Complied |
| | | | | | (e) All vehicles mentioned above are to undergo inspection test by Puspakom in respect of the following areas:-<br>• Brakes;<br>• Side slip;<br>• Suspension;<br>• Speedometer test;<br>• Smoke test;<br>• Light testing; and<br>• Above and under carriage. | (e) Complied |

### (II) FPC

| | Type of Licence | Authority | Effective Date | Date of Expiry | Major Conditions | Compliance Status |
|---|---|---|---|---|---|---|
| 1. | Trading licence for hire purchase financing and insurance agent | Majlis Perbandaran Seberang Prai | 30.12.2003 | 31.12.2004 | No condition is attached. | N/A |

### (III) BKM

| | Type of Licence | Authority | Effective Date | Date of Expiry | Major Conditions | Compliance Status |
|---|---|---|---|---|---|---|
| 1. | Trading licence | Sarawak State Government | 09.12.2003 | 08.12.2004 | No condition is attached. | N/A |

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

### 4.2.6 Brand Names, Patents, Trade Marks, Licences, Technical Assistance Agreements, Franchises and Other Intellectual Property Rights

Registration of the trade marks confers upon the proprietor intellectual property rights against infringement of the trade marks under the Trade Marks Act 1976 and Trade Marks Regulations 1997. The Registrar of Trade Marks is the authority for the registration of trademarks in Malaysia.

As at 19 December 2002, the name "BOONKOON" has been registered and trade marked by the Ministry of Domestic Trade and Consumers' Affair in respect of the following goods:-

(i) vehicles;
(ii) truck and lorry body builder;
(iii) carriages body parts;
(iv) carriages;
(v) transport carriages;
(vi) under carriage vehicles; and
(vii) body parts for vehicles.

The above mentioned items are categorised as Class 12 under the Trade Marks Act 1976 and Trade Marks Regulations 1997.

Material licences and certifications held by BKG Group for its operations include:-
(i) Manufacturing Licences;
(ii) Certificate of Recognition for Rebuilding Commercial Vehicles;
(iii) Certificate of Technical Construction and Modification;
(iv) License to convert Commercial Panel Van to Passenger Window Van;
(v) Certificate of Registration of a Trade Mark for "BOONKOON";
(vi) Trading of Scrap Materials and Second-hand Vehicles Licence;
(vii) Workshop Registration License;
(viii) Certification for Registration as a Contractor; and
(ix) Approvals on inspection of Rebuilt Vehicles at Puspakom.

BKG Group is an authorised dealer for the sales of new chassis cabs, equipment and service centre. Currently, the Group has dealerships from the following companies:-

| Principal Company | Commencement Date of Dealership | Type of Products and Services Authorised for Resale | Authorised Areas |
|---|---|---|---|
| Partek Cargotec Sdn Bhd | 29 March 1997 | HIAB cranes<br>Multilift demountable<br>Norba waste equipment | Perak<br>Penang<br>Kedah<br>Perlis<br>Langkawi |
| Tan Chong Industrial Equipment Sdn Bhd | 16 March 1997 | Nissan Universal Diesel ("**UD**") trucks | Northern Region of Malaysia |
| Tan Chong Industrial Equipment Sdn Bhd | 1 November 1999 | Bison and Truck Quip spare parts for Nissan UD trucks | Malaysia |
| Tan Chong Industrial Equipment Sdn Bhd | 8 December 1999 | Services and repair work for Nissan UD trucks | Malaysia |

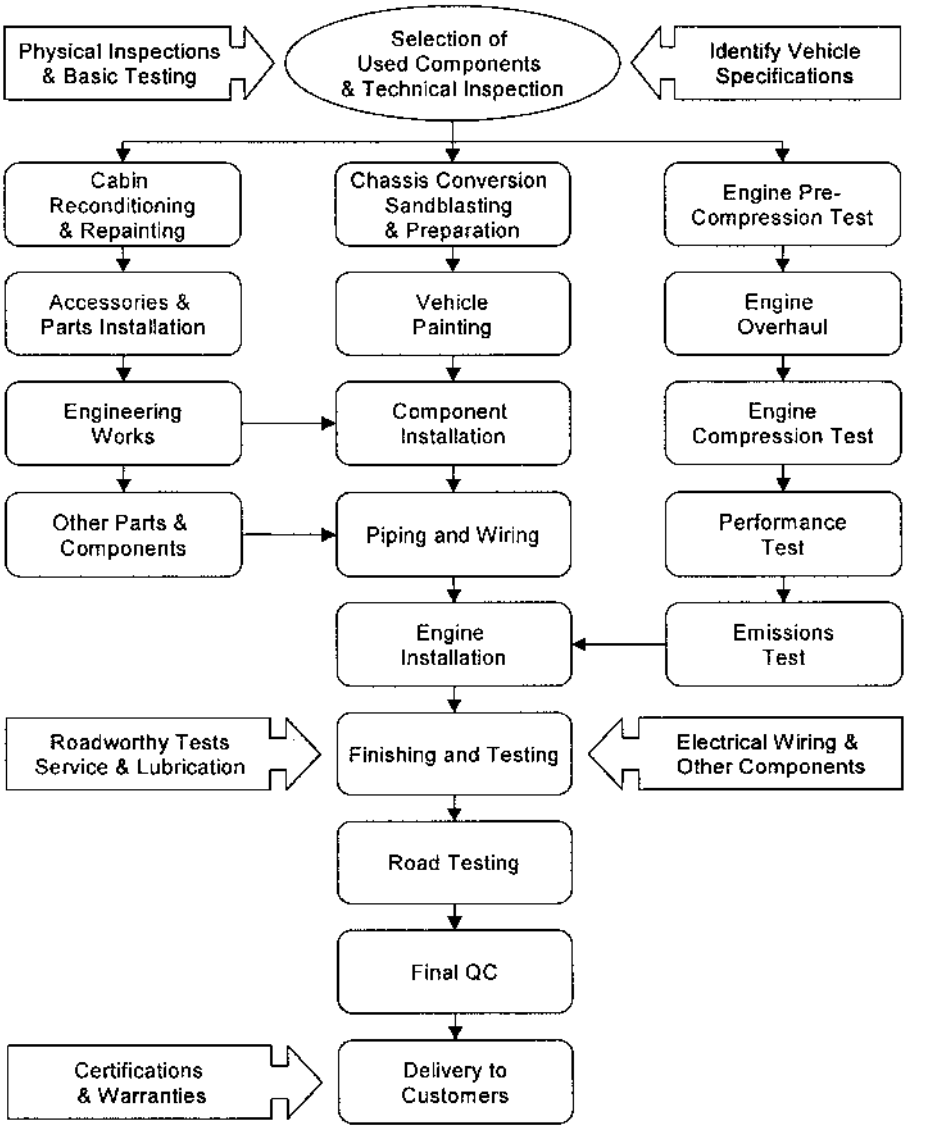
### 4.2.7 Dependency on Licences, Permits and Registration

The BKG Group currently holds various licences, permits and registrations under its operating subsidiaries. The dependency on licences and registrations are as disclosed in Section 3(v). Details of the licences, permits and registrations are set out in Sections 4.2.4 and 4.4.6 of this Prospectus.

### 4.2.8 Operating or Trading Mechanism

The process flow for Rebuilt Commercial Vehicles are separated into three parallel activities as depicted below:-

(I) Cabin Reconditioning and Repainting;
(II) Rebuilt of Engine and Overhaul; and
(III) Chassis Conversion and Reengineering.



Used parts and components of Commercial Vehicles, including engines, gearboxes, suspension and Chassis are locally sourced. The specifications and suitability of the parts and components are identified before such purchases as this will determine the end product specifications of the Commercial Vehicles. These parts and components also go through a series of physical inspections and basic testing to determine the state and condition of the items before being purchased.

**(I) Cabin Reconditioning and Repainting**

Used Commercial Vehicle cabins are fully stripped, dismounted and all internal parts removed. The cabins are then prepared for repainting internally and externally. Parts, accessories and components such as seatings, dashboards, laminated window glasses, windscreens, electrical switches and instrument panels are reconditioned or replaced upon reinstallation. Any other engineering work such as rewiring and upgrading of the electrical system and other modifications to meet specification are carried out at this stage. Other parts and components are pre-installed, ready to be mounted or mated to the Chassis.

**(II) Rebuilt of Engine and Overhaul**

Engine specifications are first identified before running through an engine pre-compression test to determine the condition and the wear and tear of the engine. The engine is then dismantled and goes through a major overhaul where it is completely rebuilt and upgraded. Worn engine parts and electrical and electronic parts are repaired or replaced as the engine is being rebuilt.

The rebuilt engine then undergoes another compression test and is mounted on to a jig where it is test started to determine its performance. All adjustments to the engine, including ignition timing and fuel mixtures are determined and tuned at this stage.

The engine is then tested for its combustion and exhaust emissions and is further tuned to meet its required emission standards before it is ready to be installed or mounted to the Chassis.

**(III) Chassis Conversion and Reengineering**

The Chassis of the vehicle is stripped and sandblasted, if necessary, to clean off any old paintwork and sealants. The Chassis is then modified and reengineered to the Engineer's specifications such as increasing the wheelbase and track of the vehicle and the installation of the vehicle's suspension.

The Chassis is then primed and repainted after the completion of the above two (2) stages. The cabin and front bulkhead of the vehicle is then mated to the Chassis and all parts and components are installed to the Chassis including all electrical wiring and harnesses and other piping and hoses.

The reconditioned and tested engine is then installed to the Chassis including the gearbox and drive train. The vehicle is also given a thorough service and lubrication before it proceeds to the next stage of finishing and testing.

Other finishing work is performed on the vehicle such as tuning in readiness for the first of many procedures in testing the vehicle, including road testing, before it is declared roadworthy.

A final quality control check is undertaken and certifications and warranties are issued upon the delivery to customers.

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

### 4.2.9 Critical Success Factors

Some of the critical success factors for Rebuilt Commercial Vehicles operators include:-

**(I) Registration and Licensing**

It is compulsory for operators within the Rebuilt Commercial Vehicle Industry to be licensed to enable their Rebuilt Commercial Vehicles to obtain certificates of roadworthiness. Operators without the necessary certifications would not be eligible to be involved in the Rebuilt Commercial Vehicle Industry for on-road usage.

**(II) Commitment to High Quality of Commercial Vehicles**

To ensure optimal customer satisfaction, it is vital that commercial vehicles rebuilding operators are committed to the consistent delivery of quality and reliable services to their customers. Those who adopt stringent controls in their organisations and have attained internationally recognised accreditations and approval such as ISO 9002, Euro 1 to 5 engines, and have undergone stringent vehicle tests and inspections, reflect their commitment to excellence and are in a better position to meet customers' requirements.

**(III) Technical Competency**

Technical competency is critical to ensure a high quality product because of the following reasons:-

(a) Commercial Vehicles travel at high speed on roads shared among other vehicles. Thus all parts must function properly to ensure on-road safety;
(b) Rebuilt Commercial Vehicles must pass stringent quality test to obtain certificate of roadworthiness before they are sold to customers; and
(c) Commercial Vehicles are purchased for commercial purposes where downtime would have a direct financial impact on the owners or users of the Commercial Vehicles. Thus, high product quality and reliability are critical to ensure customers will continue to buy from the manufacturer.

**(IV) Established Track Record**

The safety records of a Commercial Vehicles rebuilding company are critical in this industry and this reflects the quality of its services. This factor is critical to the success of a company in securing new projects as Rebuilt Commercial Vehicles are generally made from used components and parts.

In addition, it is mandatory for operators to undergo an external vehicle inspection for roadworthiness to ensure that safety standards are maintained.

**(V) Financial Capability**

Having access to financial resources is critical because of the need for high level of working capital in the form of raw materials, work-in-progress and stocks of finished products. The cycle-time is relatively long averaging three (3) to four (4) months incorporating sourcing of raw materials, manufacturing process, in-house testing for registration and displaying or holding the finished products for the inspection and registration process prior to delivery to customers. In addition, the raw materials are relatively expensive. All these add up to the need to be financially strong to ensure business viability.

**(VI) Distribution**

A strong distribution network is crucial to ensure that operators are able to reach as many of its target potential buyers as possible. A wide distribution network will also reduce dependency on any one particular geographical area or segment of the market.

**4.2.10 Competitive Advantages**

BKG Group has distinct advantages over its competitors in terms of the following:-

**(I) Registrations and Certifications**

As at 31 January 2004 (being the latest practicable date prior to the printing of this Prospectus), BKG Group is one (1) of three (3) manufacturers that produces Rebuilt Commercial Vehicles that are registrable with JPJ. While BKG Group has the Certificate of Recognition for Rebuilding Commercial Vehicles, the other two (2) operators hold Letters of Approval and are subject to six (6) months probation.

Having the Certificate of Recognition is important as BKG Group's Rebuilt Commercial Vehicles can be used on all state and federal roads throughout Malaysia. In addition, with the necessary certification as endorsed by Puspakom, BKG Group's products are assured of satisfactory quality and performance. The possession of critical certifications is a reflection of the Group's expertise in the business and established quality and safety records of its products.

In contrast, operators that either local manufacture or import Reconditioned Commercial Vehicles that are not registrable would not be allowed to use such Commercial Vehicles on state and federal roads in Malaysia.

With BKG Group being a market leader and the most established manufacturer of Rebuilt Commercial Vehicles, there are significant competitive advantages compared to new entrants. Over the years, the involvement of the Group in this industry will have resulted in the recognition of the Group's products in the market, which is an endorsement of its quality and abilities.

**(II) Customised Solutions in Rebuilt Commercial Vehicles**

BKG Group can provide customised solutions in Rebuilt Commercial Vehicles. Some of these include the following:-

(a) engine conversion to incorporate higher capacity to undertake larger payload; and
(b) modification of Chassis for longer or shorter wheelbase.

In addition, with the Group's in-house testing capabilities identical to those of Puspakom to carry out tests such as side slip test and roller brake test, the Group can provide value-added inspection and testing services that meet the specific requirements and standards of the customers.

**(III) Integrated Services**

Apart from the Rebuilding of Commercial Vehicles, BKG Group also provides alternative Reconditioned Commercial Vehicles to be combined with Bodyworks as a package, if required. In addition, the Group is also involved in the sales of accessories and other related services namely financing and insurance services. These products and services are complementary to the Group's business and are integrated to form one-stop solution centre catering for the convenience of the customers.

As an authorised dealer for reputable make and models of Commercial Vehicles, customers also prefer to purchase new chassis cabs from BKG Group in view of the Group's expertise in undertaking Bodyworks and Chassis modification which comply with JPJ's technical standards and requirements.

**(IV) Ability to Manufacture A Wide Range of Bodyworks**

The ability to manufacture a wide range of Bodyworks provides BKG Group with significant competitive advantage as other manufacturers of Reconditioned Commercial Vehicles would not provide Bodyworks or manufacturers of Bodyworks would not provide Rebuilding and Reconditioning of Commercial Vehicles.

The types of Bodyworks are set out in Section 4.2.2(III) of this Prospectus.

**(V) High Quality Products and Services**

BKG Group places significant emphasis on quality and this is reflected in its finished product and service quality. The Group has maintained a very impressive safety track record through satisfying various in-house as well as external vehicle inspections and tests.

With the experience and skills of its management, engineers, technicians and support staff, BKG Group has been successful in providing superior customer support. All areas of operations are closely monitored by the Group's QA team to ensure quality standards are adhered to and comply with that of Puspakom, and that customers' requirements are met.

**(VI) Market Reputation, Established Track Record and Strong Brand Name**

BKG Group has developed a market reputation as an established operator for more than 25 years within the Commercial Vehicle and Bodyworks Industries. BKG Group's established market reputation is further reflected by the fact that the Group has successfully cultivated approximately 1,060 customers since inception. In addition, 52% of its top 20 customers have been dealing with the Group for three (3) or more years.

BKG Group's market reputation has enabled it to be authorised dealers for the following brands of new chassis cabs and equipment:-

(a) HIAB cranes;
(b) Multilift Demountables;
(c) Norba waste equipment; and
(d) Nissan Universal Diesel ("**UD**") trucks.

BKG Group's customers include Malaysian conglomerates as well as large multinationals, which provide the Group with strong references that testify to the quality and reliability of its products and services.

**4.2.11 Estimated Market Coverage, Position and Share**

For 2003, BKG Group was the market leader within the Rebuilt Commercial Vehicle Industry. The two (2) other operators within the industry had only obtained their Letters of Approval for the Rebuilding of Commercial Vehicles in the middle of 2003 and have yet to make any major impact on the market.

For 2003, the market size for the Rebuilt Commercial Vehicle Industry was approximately RM50 million.

*(Source: Assessment of the Rebuilt Commercial Vehicle Industry, Vital Factor Consulting Sdn Bhd)*

**4.2.12 New or Proposed Products/ Services**

BKG Group's main business activities are focused on the Rebuilding and Reconditioning of Commercial Vehicles as well as fabrication of Bodyworks. However there are potentially new areas that the Group can diversify into, if there is a business case to do so. Some of the potential areas of diversification for the Group include the following:-

**(I) Diversification into Heavy Industrial Machinery**

BKG Group's combined skills in Rebuilding and Reconditioning of Commercial Vehicles with that of Bodyworks fabrication can be applied to heavy industry machinery. With some minor modifications, the existing production lines have the capability of rebuilding many types of heavy industrial machinery including the following:-

(a) forklifts;
(b) crane trucks;
(c) concrete mixer trucks;
(d) tractors;
(e) road sweepers; and
(f) garbage compactors.

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

Other areas of diversification include the usage of different types of raw materials such as high tensile steel sheets and plates for the rebuilding of heavy industrial machinery. These high tensile steel sheets and plates exhibit excellent weldability and notch toughness as well as reducing automobile weight.

The expansion into heavy industrial machinery will complement existing vehicle range as well as to enable the Group to widen its customer base. Some of the end-user sectors of heavy industrial machinery include the following:-

(i) building and construction;
(ii) infrastructure construction;
(iii) waste collection, management and recycling;
(iv) local councils;
(v) road construction and maintenance;
(vi) port management;
(vii) agriculture; and
(viii) mining.

**(II) Geographical Diversification**

Currently BKG Group's business is focussed in Malaysia and in the last quarter of 2003, BKG Group has started to export its Rebuilt Commercial Vehicles to Myanmar. With the implementation of the AFTA and the subsequent drop in tariff to between 0% and 5%, there exist opportunities for BKG Group to export its Rebuilt Commercial Vehicles to ASEAN member countries.

The liberalisation of trade barriers under World Trade Organisation also presents opportunities for BKG Group to export its Rebuilt Commercial Vehicles to other countries outside of ASEAN, particularly to less developed countries such as Bangladesh and Vietnam.

In view of the trade liberalisation coupled with the Group's product compliance with stringent international standards such as Euro I emission regulations, these factors will provide the platform for access into global markets to provide new avenues for future growth.

**(III) Assembly of New Commercial Vehicles**

BKG Group's current skills and experience would enable the Group to undertake assembly of new Commercial Vehicles. In fact, the technical skills for the assembly of new Commercial Vehicles would be less than that of Rebuilt Commercial Vehicles as all parts, components and accessories would be in working order and do not need to be tested and repaired or replaced.

However, the major skills lacking in BKG Group in assembly of new Commercial Vehicles would be in mass production and automation. These skills are crucial for assembly of new Commercial Vehicles. Nevertheless, BKG Group's current skill set could provide the platform for technical skills and knowledge transfer from original brand owners to assemble low volume Commercial Vehicles.

In light of opportunities from the implementation of AFTA, BKG Group could be used as the assembly centre for ASEAN member countries.

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

### 4.2.13 Principal Markets for Products

The principal market of the BKG Group is local Malaysian market. BKG Group sells to all states and territories of Malaysia with Labuan being the only exception. For the financial year ended 31 December 2002 and 10 months period ended 31 October 2003, the BKG Group's revenue from the local markets can be segmented as follows:-

| States | Proportion of BKG Group's Revenue as at 31 December 2002 % | Proportion of BKG Group's Revenue as at 31 October 2003 % |
|---|---|---|
| Penang | 39.8 | 31.5 |
| Kuala Lumpur | 19.8 | 16.8 |
| Sarawak | 9.8 | 9.2 |
| Selangor | 7.9 | 7.2 |
| Sabah | 7.6 | 16.6 |
| Kedah | 4.8 | 5.0 |
| Perak | 4.1 | 7.3 |
| Johor | 3.0 | 2.8 |
| Pahang | 2.2 | 1.9 |
| Negeri Sembilan | 0.7 | 0.5 |
| Perlis | 0.3 | 0.1 |
| Malacca | * | 1.1 |
| Terengganu | * | * |
| Kelantan | * | * |
| **Total** | **100.0** | **100.0** |

* *insignificant amount*

Although local market contributed approximately 100% of BKG Group's total revenue, it is spread across 14 states and territories within Malaysia. Penang represented the highest revenue contribution, amounting to 39.8% and 31.5% of total revenue for the financial year ended 31 December 2002 and 10 months period ended 31 October 2003 respectively.

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

### 4.2.14 Types, Sources and Availability of Raw Materials/ Inputs

The following is the list of suppliers for raw materials to the BKG Group:-

| | Percentage of Total Group Purchases | | Sources of Supply (%) | | | |
|---|---|---|---|---|---|---|
| RAW MATERIALS BY TYPE | Financial Year Ended 31.12.2002 | 10 Months Period Ended 31.10.2003 | Financial Year Ended 31.12.2002 | | 10 Months Period Ended 31.10.2003 | |
| | (%) | (%) | Local | Import | Local | Import |
| Used auto parts and main components[1] | 33.1 | 37.1 | 100 | - | 100 | - |
| New auto parts and accessories[2] | 14.2 | 15.2 | 100 | - | 100 | - |
| New trailer parts and accessories[3] | 4.1 | 3.1 | 75 | 25 | 73 | 27 |
| Used trucks | 17.9 | 19.9 | 100 | | 100 | |
| Other truck accessories[4] | 0.7 | 0.9 | 100 | - | 100 | - |
| New Chassis | 8.8 | 5.9 | 100 | - | 100 | - |
| Tyres | 2.7 | 2.9 | 100 | - | 100 | - |
| Metal steel, beams and pipes | 2.6 | 2.2 | 100 | - | 100 | - |
| Paints | 0.9 | 1.2 | 100 | - | 100 | - |
| Timber | 0.8 | 1.0 | 100 | - | 100 | - |
| Tyre rims | 0.8 | 0.9 | 100 | - | 100 | - |
| Curtain sider | 0.7 | 0.4 | 100 | - | 100 | - |
| Seats | 0.6 | 0.7 | 100 | - | 100 | - |
| Air-conditioner parts and accessories | 0.6 | 0.6 | 100 | - | 100 | - |
| Lubricants | 0.8 | 0.8 | 100 | - | 100 | - |
| Others[5] | 10.8 | 7.2 | 100 | - | 100 | - |
| **Total** | ***100.0** | **100.0** | **99** | **1** | **99** | **1** |

*Notes:-*

* *Total does not add to 100.0% due to rounding.*

*(1) Main components include engine, Chassis and cabins.*

*(2) Include bearing, oil seal, cabin accessories and parts, lamp cover, radiator thermostat housing, valve and cable, crankcase washer, brake lining, clutch, engine moulding, absorber, hose clip, wiper blade, fan belt, water stopper, head gasket, kilometre sensor, air/ fuel/water filter, reverse buzzer, bulb, horn and windscreen.*

*(3) Include axle with slack adjuster and suspension, brake chamber, landing gear, air tank, parking break, king pin and twist lock.*

*(4) Include refrigeration system and crane.*

*(5) Include accessories not elsewhere classified such as wind deflector, 5th wheel coupler, battery and mud-flap, chemicals for bodywork construction, welding materials and vehicle replacement parts as well as washing and polishing material.*

For the financial year ended 31 December 2002 and 10 months period ended 31 October 2003, total purchases of raw materials amounted to RM40.47 million and RM43.70 million respectively, excluding inter-company transactions.

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

As the BKG Group is primarily in the manufacturing of Rebuilt Commercial Vehicles, used auto parts and main components constitute the largest form of raw materials used in its manufacturing operations.

For the financial year ended 31 December 2002 and 10 months period ended 31 October 2003, almost all its raw materials were sourced from local suppliers and manufacturers. For the financial year ended 31 December 2002 and 10 months period ended 31 October 2003, approximately 1% of its purchases are from imports. The parts and components were mainly imported from Singapore, China, Australia and Thailand.

Apart from used auto parts and components, the next largest raw materials purchased are new auto parts and accessories. These new auto parts and accessories represented 14.2% and 15.2% of the Group's total purchases for the financial year ended 31 December 2002 and 10 months period ended 31 October 2003 respectively.

Other raw materials used by BKG Group include:-

(i) new trailer parts and accessories;
(ii) used trucks;
(iii) new Chassis;
(iv) tyres;
(v) metal steel, beams and pipes;
(vi) paints;
(vii) timber;
(viii) tyre rims;
(ix) seats;
(x) air-conditioner parts and accessories; and
(xi) lubricants.

**(I) Parts, Components and Accessories**

BKG Group primarily uses the following major types of parts, components and accessories including:-

(a) used auto parts and main components;
(b) new auto parts and accessories;
(c) trailer parts and accessories;
(d) truck accessories; and
(e) new Chassis.

Of these, used auto parts and main components represented the most significant materials, accounting for 33.1% and 37.1% of total purchases of the BKG Group for the financial year ended 31 December 2002 and 10 months period ended 31 October 2003 respectively.

The Malaysian Industrial Development Authority reported that there were 232 vendors of motor vehicle components supplying to Perusahaan Otomobil Nasional Berhad (Proton) and 126 vendors were of Perodua Manufacturing Sdn Bhd (Perodua).

Components produced locally include the following:-

(i) body panels and parts;
(ii) engine parts;
(iii) drive;
(iv) transmission and steering parts;
(v) drive shaft;
(vi) clutch;
(vii) brake and suspension parts;
(viii) electrical parts;
(ix) trim and upholstery; and
(x) air conditioners and cables.

In 2002, the manufacture of Motor Vehicle Parts and Accessories recorded the highest in sales value of RM5.2 billion, representing an increase of 13.0% over the previous year. *(Note: These were for both passenger and commercial vehicles).*

In 2003, the import value of Parts and Accessories of Tractors, Motor Cars and Other Motor Vehicles for the Transport of Goods and Special Purpose Motor Vehicles amounting to RM1.5 billion.

Thus far, management has not experienced any shortage in the supply of parts, components and accessories.

**(II) Tyres**

Tyres are also the main supporting materials used in the manufacturing process of Rebuilt and Reconditioned Commercial Vehicles and Bodyworks. For the financial year ended 31 December 2002 and 10 months period ended 31 October 2003, tyres accounted for 2.7% and 2.9% of the Group's total purchases of raw materials respectively.

The Group sourced all its tyres directly from local manufacturers. There were four (4) companies involved in the manufacturing of passenger car, truck, bus and aircraft tyres.

Other tyre-related manufacturers were as follows:-

(a) solid tyre manufacturers;
(b) inner tube manufacturers; and
(c) retreaded tyre manufacturers.

Thus far, management has not experienced any shortage in supply of tyres.

**(III) Steel, Beams and Pipes**

Steel, beams and pipes constituted a small proportion of BKG Group's total raw material purchases. Metal is mainly used in the Group's manufacturing of Bodyworks. Metal steel, beams and pipes represented approximately 2.6% and 2.2% of the Group's total purchases for the financial year ended 31 December 2002 and 10 months period ended 31 October 2003 respectively.

For the financial year ended 31 December 2002 and 10 months period ended 31 October 2003, BKG Group sources all of its metal steel, beams and pipes from local manufacturers. Thus far, management has not experienced any shortage in supply of steel, beams and pipes.

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

### 4.2.15 Quality Control Procedures

BKG Group places significant emphasis on product quality and adheres to stringent quality standards. The Group is committed to achieving high quality on all aspect of its manufacturing processes. The Group has an experienced QA team to ensure that its stringent quality control system is properly implemented and that its high quality and safety standards are fully complied.

BKG Group has stringent QA programmes through the following processes:-

(i) used and new components and main parts have to undergo technical inspection and selection process so that the components and parts meet performance specifications and customer expectations;

(ii) in-house quality control is performed during the production process which include, among others, engine compression and emission tests;

(iii) a fully computerised vehicle inspection system, which is identical to Puspakom system, is in place in the Group's plant to perform internal roadworthiness tests which include sideslip test, head light test, suspension test, above carriage inspection, under carriage inspection, roller brake test and smoke emission test.

The product quality control procedure comprises:-

(i) engine and Chassis number tracing and verification;
(ii) punching of BKG's production number on all Rebuilt Commercial Vehicles as well as Bodyworks;
(iii) installation of BKG's identification plates on all Rebuilt Commercial Vehicles;
(iv) issuance of Pre-Delivery Inspection certificates prior to the transfer of vehicles to the Sales Department;
(v) component check; and
(vi) in-process quality control.

Prior to any independent roadworthiness inspection on the Group's Rebuilt Commercial Vehicles, the necessary inspection and registration documentations submitted to Puspakom, and RTD include the following:-

**Puspakom Inspection**

i) Sales Letter;
ii) Certificate of Manufacture; and
iii) Identity Plate.

**JPJ Registration**

i) Professional Certificate;
ii) Weight Certificate ("**WC**");
iii) Consultant Plan;
iv) Puspakom Inspection Report; and
v) Other JPJ Standard Documents.

As at 31 January 2004 (being the latest practicable date prior to the printing of this Prospectus), BKG Group had four (4) personnel in the QA team. BKG Group's testimony of quality is further reinforced by the following:-

a) The Group has to-date successfully completed comprehensive technical and roadworthiness audits conducted by the independent vehicle inspection body, Puspakom, and has obtained product endorsement by JPJ and Puspakom in the form of licensing and certification. These have demonstrated the Group's adherence to stringent industry standards and quality control procedure.

b) BKG Group's has been recognised whereby the Group has obtained certification and endorsement by the RTD confirming that its rebuilding process is able to adhere to the original Euro 1 status engines. Hence, these rebuilt engines are able to maintain Euro 1 certification from the Department of Environment. These Euro 1 engines comply with the emission standards as specified in the Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996.

**4.2.16 R&D**

**(I) Policies of R&D**

The BKG Group's policies on R&D are as follows:-

(a) create sustainable competitive advantages through:-

(i) continuous improvement in product quality to ensure customer satisfaction and adherence to industry and internationally recognised standards and certifications;

(ii) increase production effectiveness, efficiency and productivity to minimise costs; and

(iii) continuous enhancement of existing products and services to better meet the needs of customers.

(b) grow the business through:-

(i) continuously developing new products that are market driven and customer focused; and

(ii) creating new products and enhancing existing products to address areas of growth and opportunities.

The constant creation and enhancement of competitive advantages are critical in a competitive market place to sustain BKG Group's business growth and success in the long term.

Pertinent areas of R&D are as follows:-

(A) Selection of Appropriate Materials;
(B) Customisation of Rebuilt Commercial Vehicles;
(C) Development of New Products for Specific Applications;
(D) Improvements in Product Quality; and
(E) Improving Manufacturing Processes.

The Group's R&D capabilities are based on its in-house facilities and expertise. This is supported by testing facilities and a team of experienced technical personnel with expertise in Rebuilding of Commercial Vehicle and Bodywork Industries.

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

### *(A) Selection of Appropriate Materials*

Significant research is required to enable newer materials with better properties to replace existing materials.

There are various factors in determining the selection of the most appropriate materials, some of which include the following:-

i) weight of material;
ii) tensile strengths of material;
iii) payload capacity;
iv) temperature tolerance;
v) compliance with industry standards;
vi) reaction with contents (corrosiveness); and
vii) cost-effectiveness.

BKG Group is dedicated in its efforts to constantly conduct study and research on the selection of the most appropriate materials for its production. Some of the breakthroughs as a result of its study and research include:-

(aa) The usage of high tensile steel to replace mild steel for the construction of trailers' Chassis beam. As a result, the weight of the trailer's main beam is reduced by 32% and payload capacity of the trailer is improved.

(bb) The usage of aluminium and stainless steel to replace colourbond steel sheets for refrigerated boxes. One of the advantages of incorporating aluminium and stainless steel for refrigerated boxes include better temperature tolerance of a maximum of minus 30 degree Celsius, whereas the average refrigerated boxes made of colourbond steel sheets would have an average temperature tolerance of minus 20 degree Celsius. Other advantages of refrigerated boxes incorporating aluminium and stainless steel include its rust-resistant and corrosion-resistant properties.

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***(B) Customisation of Rebuilt Commercial Vehicles***

To meet the diverse needs and requirements of its customers, the Group continuously undertakes R&D in creating customised solutions to achieve the desired properties of customer specifications. Some of the examples of R&D are in the Group's ability to undertake the following activities and providing different types of customised solutions to meet customer specifications:-

i) modification of Chassis for longer or shorter wheelbase;
ii) reengineering of Chassis to increase payload;
iii) ability to Rebuild various make and model of Commercial Vehicles;
iv) engine conversion to incorporate higher capacity to undertake larger payload by increasing engine torque; and
v) prudent use of engine technology whereby the Group has obtained certification and endorsement by the RTD confirming that its rebuilding process is able to adhere to the original Euro 1 status engines. Hence, these Rebuilt engines are able to maintain Euro 1 certification from the Department of Environment. These Euro 1 engines comply with the emission standards as specified in the Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996.

***(C) Development of New Products for Specific Applications***

As part of BKG Group's intention to stay ahead of its competitors, the Group continually develops new products for specific applications to provide growth for the business. The Group is developing the following products to target the heavy industrial sector:-

i) forklifts;
ii) crane trucks;
iii) concrete mixer trucks;
iv) tractors;
v) road sweepers; and
vi) garbage compactors.

The Group has also successfully developed special applications to better meet customers' needs. Some of the results of these R&D include the following:-

i) Wing cargo;
ii) Curtain siders;
iii) High-tensile steel trailers; and
iv) Step-deck box trailers.

Installation of pneumatic aluminium conveyor system to facilitate movement of heavy cargo.

***(D) Improvements in Product Quality***

As part of BKG Group's commitment to product quality, the Group constantly undertakes R&D to improve its product quality. Among others, this takes the form of researching and developing QA programmes and quality testing.

Generally, BKG Group undertakes three (3) categories of quality control:-

i) Component check;
ii) In-process quality control; and
iii) Pre-delivery inspection for completed products.

To ensure quality control integrity, the pre-delivery inspection has a different reporting structure to the other areas of production and quality control. The Group has an experienced QA team to ensure that its stringent quality control system is properly implemented and that its high quality standards and safety standards are complied with.

BKG Group has stringent QA programmes through the following processes:-

(i) used and new components and main parts have to undergo technical inspection and selection process so that the components and parts meet performance specifications and customer expectations;
(ii) in-house quality control is performed during the production process which include, among others, engine compression and emission tests;
(iii) installation and upgrading of various parts and components;
(iv) electrical wiring process; and
(v) painting, sandblasting and reconditioning of Commercial Vehicles.

Part of the R&D includes testing. From this perspective, BKG Group has a fully computerised vehicle inspection system, which is identical to Puspakom system, is in place in the Group's plant to perform internal roadworthiness tests which include the following:-

(i) sideslip test;
(ii) head light test;
(iii) suspension test;
(iv) above carriage inspection;
(v) under carriage inspection;
(vi) roller brake test; and
(vii) smoke emission test.

BKG Group's testimony of quality is further reinforced by the following:-

(a) The Group has to-date successfully completed comprehensive technical and roadworthiness audits conducted by the independent vehicle inspection body, Puspakom and has obtained product endorsement by JPJ and Puspakom in the form of licensing and certification. These have demonstrated the Group's adherence to stringent industry standards and quality control procedure.

(b) The Group has obtained certification and endorsement by the RTD confirming that its rebuilding process is able to adhere to the original Euro 1 status engines. Hence, these Rebuilt engines are able to maintain Euro 1 certification from the Department of Environment. These Euro 1 engines comply with the emission standards as specified in the Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996.

***(E) Improving Manufacturing Processes***

The manufacturing process of Rebuilding Commercial Vehicles is key to the operation of the BKG Group. This is because the manufacturing process is required to be submitted to JPJ for technical and process endorsement in order for BKG Group's Rebuilt Commercial Vehicles to be approved for registration.

As such, BKG Group is focused on continuous improvement in its manufacturing processes. In addition to approval from JPJ, manufacturing processes are critical as they have a direct impact on effectiveness, efficiency, productivity and quality of finished product.

Thus, BKG Group's Engineers continually undertake R&D of the following to facilitate better and more efficient and effective processes:-

i) Continuous evaluation and improvement of existing processes and procedures to optimise work flow;
ii) Use of effective technologies, machinery and equipment in improving the effectiveness, efficiencies, productivity and quality in the manufacturing processes;
iii) Improve automation processes;
iv) Modification of existing machinery and jigs;
v) Development of support fixtures and machinery;
vi) Optimisation of workflow;
vii) Selection of process flow best practices locally and abroad;
viii) Use of statistical control for feedback and monitoring; and
ix) Incorporation of quality control processes.

**(II) Facilities and Personnel**

BKG Group has in-house R&D facilities that allow the Group to undertake R&D and develop prototypes.

Part of the R&D includes testing. From this perspective, BKG Group conducts various internal tests and technical inspections ranging from the selection of used components to final quality control for all of its products.

BKG Group has a fully computerised vehicle inspection system, which is identical to Puspakom system, is in place in the Group's plant to perform internal roadworthiness tests which include the following:-

(i) sideslip test;
(ii) head light test;
(iii) suspension test;
(iv) above carriage inspection;
(v) under carriage inspection;
(vi) roller brake test; and
(vii) smoke emission test.

The test equipment, among others, include:-

(i) roller brake tester incorporating weighing bridge;
(ii) smoke emission tester;
(iii) side-slip tester;
(iv) axle-play detector; and
(v) compression tester.

All these internal tests and inspections are undertaken to ensure that the Group's Rebuilt Commercial Vehicles comply with the external testing standards and procedures, and to comply with various quality control systems imposed by Puspakom.

As at 31 January 2004 (being the latest practicable date prior to the printing of this Prospectus), BKG Group has three (3) dedicated R&D personnel and is also supported by two (2) Mechanical Engineers and four (4) QA personnel.

**(III) Proposed Future R&D**

The BKG Group's proposed future R&D is focused within its core competency of Rebuilding and is primarily targeted at heavy industrial machineries and equipment.

Proposed products for R&D and their estimated timeframe are as follows:-

| Products | Estimated Commencement Date | Estimated Completion Date |
|---|---|---|
| Crane Trucks | 2003 | 2005 |
| Forklifts | 2004 | 2005 |
| Concrete Mixer Trucks | 2004 | 2005 |
| Garbage Compactors | 2004 | 2005 |
| Tractors | 2005 | 2006 |
| Road Sweepers | 2005 | 2006 |

**(IV) R&D Expenditure**

The amount spent on R&D for the last three (3) financial years ended 31 December 2000 to 2002 and the 10 months period ended 31 October 2003 were as follows:-

| | Financial Year Ended 31 December | | | 10 Months Period Ended 31 October |
|---|---|---|---|---|
| | 2000 *RM* | 2001 *RM* | 2002 *RM* | 2003 *RM* |
| Total R&D Expenses (RM) | 250,000 | 320,000 | 550,000 | 440,000 |
| Total R&D Expenses as a Proportion of the Group's Total Revenue (%) | 0.6 | 0.7 | 0.9 | 0.7 |

R&D expenditure has been charged out to the respective expense accounts in the Income Statement of BKG Group.

**(V) Achievements in R&D**

**Development of New Products for Specific Applications**

As part of BKG Group's intention to stay ahead of its competitors, the Group has to continuously develop new products.

Some of the products that have successfully undergone R&D and are currently in full production include:-

**(A) Rebuilt Commercial Vehicles**
- (i) articulated trucks;
- (ii) rigid trucks; and
- (iii) utility vehicles.

**(B) Reconditioned Commercial Vehicles**
- (i) articulated trucks;
- (ii) rigid trucks; and
- (iii) utility vehicles.

**(C) Bodyworks**
- (i) Wooden types
  - (a) fixed side cargo;
  - (b) general cargo with vertical tailgate;
  - (c) general cargo body;
  - (d) general cargo trailer; and
  - (e) crane cargo.
- (ii) Tipper bodies
  - (a) rigid tipper body;
  - (b) tipping container; and
  - (c) tipper trailer.
- (iii) Roll-On/Roll-Off
  - arm-roll/ hooklift with open/closed top garbage container
- (iv) Box bodies
  - (a) normal/ spandry Luton van (with or without tail lift);
  - (b) ventilated box van;
  - (c) insulated spandry box van;
  - (d) wing body;
  - (e) fabricated mild steel box van;
  - (f) refrigerated box van;
  - (g) spandry box body;
  - (h) fabricated mild steel box trailer;
  - (i) insulated box trailer;
  - (j) drop deck box trailer;
  - (k) step deck box trailer; and
  - (l) aluminium box.
- (v) Curtain sider bodies
  - (a) city sider; and
  - (b) flexi sider.
- (vi) Skeletal trailers
  - (a) 20-footer; and
  - (b) 40-footer.

(vii) Others:-
- (a) hearse body;
- (b) garbage container;
- (c) compactor body;
- (d) log lift;
- (e) roll loader;
- (f) platform trailer;
- (g) steel body; and
- (h) tanker.

Some of the achievements of its R&D include:-

(i) Installation of pneumatic aluminium conveyor system to facilitate movement of heavy cargo.

(ii) The usage of high tensile steel to replace mild steel for the construction of trailers' Chassis beam. As a result, the weight of the trailer's main beam is reduced by 32% and payload capacity of the trailer is improved.

(iii) The usage of aluminium and stainless steel to replace colourbond steel sheets for refrigerated boxes. One of the advantages of incorporating aluminium and stainless steel for refrigerated boxes include better temperature tolerance of a maximum of minus 30 degree Celsius, whereas the average refrigerated boxes made of colourbond steel sheets would have an average temperature tolerance of minus 20 degree Celsius. Other advantages of refrigerated boxes incorporating aluminium and stainless steel include its rust-resistant and corrosion-resistant properties.

### 4.2.17 Interruptions in Business for the Past Twelve (12) Months

There has never been any interruption in the form of trade disputes or major operational breakdown occurring within and outside the Group that may significantly impair the Group's business performance during the past twelve (12) months from the date of this Prospectus.

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

### 4.2.18 Employees

As at 31 January 2004 (being the latest practicable date prior to the printing of this Prospectus), the BKG Group has a total of 288 employees comprising 231 Malaysian and 57 foreigners. The foreign workers are comprised of 29 Nepalese, 27 Myanmar and 1 Indian. The Group's employees are not part of any union. The foreign workers are all on contractual basis.

The Group's employees can be segregated into five (5) categories as follows:-

| Category | No. of Employees (Local) | No. of Employees (Foreign) | Total Employees | Average Years in Service |
|---|---|---|---|---|
| Management and Professionals | 12 | - | 12 | 2 to 4 |
| Sales and Marketing | 15 | - | 15 | 2 to 4 |
| Technical Professionals | 9 | 1 | 10 | 4 |
| Clerical and Administrative | 47 | - | 47 | 2 to 6 |
| Factory Workers | | | | |
| - Skilled Workers* | 70 | 1 | 71 | 3 to 9 |
| - Semi-Skilled Workers** | 44 | 3 | 47 | 2 to 4 |
| - Unskilled Workers | 34 | 52 | 86 | 1 to 3 |
| **TOTAL** | **231** | **57** | **288** | |

*Notes:-*

* *Include panel beaters, carpenters, electricians, forklifts and material handler drivers, general workers, mechanics, painters, welders and workers involved in sandblasting and tyres change.*

** *Include apprentices, electricians, mechanics, painters and welders.*

The management of the Group is of the opinion that its dedicated, efficient and trained employees are instrumental to its success. The management of the Group enjoys a good working relationship with the employees. As of 31 January 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group has not been involved with any material industrial disputes with any of its employees.

The management of BKG Group has from time to time arranged internal and external courses to train the Group's employees. The on-going training and development programmes cover technical and functional courses for the employees.

The following external programmes have been arranged and attended by the employees:-

- Outstanding Sales Mastery;
- Effective Supervisory Skills;
- Train the Trainer;
- Telephone Techniques and Courtesies;
- Selling Skills for Sales Excellence;
- Positive Work Attitude;
- Team Building;
- An Overall View of Total Quality Management & Six Sigma; and
- Training Needs Analysis.

The Group recognises that the Group's employees play a major role in contributing to the success of the Group's business. The Group is committed to equip its employees with continuous on-the-job training programme and development to ensure that the Group's employees gain and develop the necessary knowledge and experience related to their respective areas of responsibilities.

**4.2.19 Key Achievements/ Milestones/ Awards**

(i) One of the top 3 companies in terms of invoices sales value of Structureflex Sdn Bhd products in year 2000 (for the purchase of products);

(ii) 2001 and 2003 Dunlop Top Achievers Award (for the purchase of Dunlop tyres); and

(iii) One of the Enterprise 50 2003 winners in terms of its achievement as Malaysia's enterprising home grown company, which is well positioned for the future.

**4.2.20 Modes of Marketing/ Distributions/ Sales**

BKG Group currently has ease of access to the local Malaysian market. This is because BKG Group has successfully made sales into all the states and territories in Malaysia with the exception of Labuan. In addition, BKG Group also has authorised dealers for its Rebuilt Commercial Vehicles in the following states:-

| Peninsular Malaysia | East Malaysia |
|---|---|
| Penang | Sabah |
| Perak | Sarawak |
| Pahang | |
| Selangor | |
| Kuala Lumpur | |
| Negeri Sembilan | |
| Johor | |

As the BKG Group has only started its export sales to Myanmar, market access to overseas countries would be more challenging.

**(I) Marketing Strategies**

The sales and marketing team of BKG Group utilises the following marketing strategies to sustain and expand its business:-

(a) Positioned as an integrated manufacturer of Rebuilt and Reconditioned Commercial Vehicles as well as Bodyworks.

(b) Providing a one-stop solution centre by offering complementing products and services including trading of parts, components, accessories, new Commercial Vehicles, Chassis and equipment, and financing and insurance services.

(c) Providing high quality products and services backed by in-house testing facilities to meet customer and regulatory standards and requirements.

(d) Actively undertake advertising and promotions campaigns as follows:-

(i) Advertise its products and services in newspapers and magazines;
(ii) Distribute product brochures to potential customers;
(iii) Undertake road shows; and
(iv) Participate in motor shows.

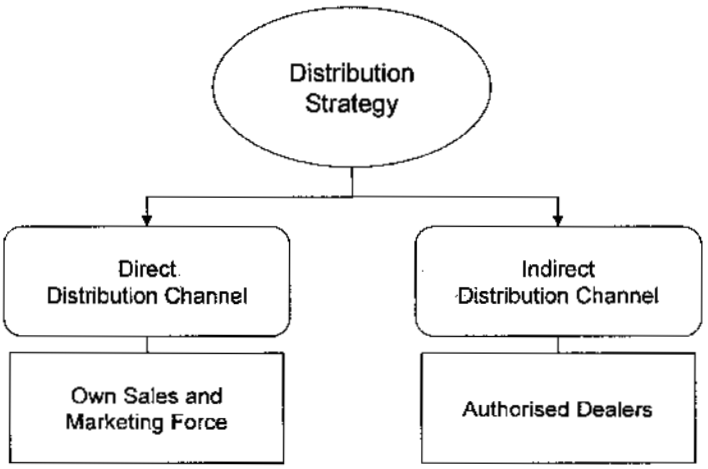
(e) Provide showrooms for display of its products

(f) Provide product warranties to demonstrate quality of products.

(g) Conducts market surveys on products and brand awareness to facilitate development and execution of marketing and sales strategies. Findings from market surveys enable BKG Group to improve its distribution and marketing strategies to maximise sales.

**(II) Distribution Channel Strategy**

BKG Group's distribution channel strategy is based on a two-pronged approach as depicted by the diagram below:-




BKG Group utilises direct and indirect channels of distribution.

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**(A) Indirect Distribution Channel**

The use of indirect distribution channel through authorised distributors and dealers is based on the following rationales and benefits:-

i) It enables the Group to achieve faster and wider market penetration;

ii) The Group would be able to conserve its human and financial resources; and

iii) It also facilitates more effective and efficient post-sales support in the areas of warranties and services.

The Group's dealership network is spread across seven (7) states and territories within Peninsular Malaysia and two (2) states in East Malaysia. Currently, the Group has 16 dealers operating in Peninsular Malaysia, and 6 dealers in East Malaysia. Many of the authorised dealers prefer to sell BKG Group's Rebuilt Commercial Vehicles compared to new Commercial Vehicles for the following reasons:-

(i) higher sales margin;

(ii) larger product range to meet most customers' requirements:-

(a) wide range of brands including, among many others, Hino, Isuzu, Toyota, Mitsubishi, Nissan, Scania, Renault and Volvo;
(b) wide range of Gross Vehicle Weight ("**GVW**") vehicles ranging from 1 to 44 tonnes; and
(c) numerous types of Commercial Vehicles including pick-up trucks, panel vans, rigid trucks and articulated trucks; and

(iii) provision of financing facilities and insurance.

In addition, part of BKG Group's future plan and strategies are to expand into overseas markets. BKG Group will use indirect channels of distribution to develop new business opportunities in export markets.

**(B) Direct Distribution Channel**

The Group also utilises its internal sales and marketing force to focus on selling to customers in proximity to its business operations. The Group also has a branch operation in Kuala Lumpur and a subsidiary in East Malaysia, i.e. Kuching, Sarawak, to undertake direct sales.

For the financial year ended 31 December 2002 and 10 months period ended 31 October 2003, direct sales accounted for approximately 45% and 39% of the total revenue of the BKG Group, while the remaining of approximately 55% and 61% of the total revenue of the BKG Group were from authorised dealers respectively.