

4. INFORMATION ON THE GROUP

4.1 BACKGROUND

4.1.1 Incorporation

Goodway Integrated was incorporated in Malaysia under the Act on 19 June 2003 as a private limited company under the name of Prosperous Image Sdn Bhd. Subsequently, on 9 September 2003, it was converted to a public limited company and assumed its present name on 15 October 2003. Goodway Integrated is principally an investment holding company.

4.1.2 Share Capital And Changes In Share Capital

The present authorised share capital of Goodway Integrated is RM50,000,000 comprising 100,000,000 ordinary shares of RM0.50 each. The issued and paid up share capital of Goodway Integrated is RM31,578,000 comprising 63,156,000 ordinary shares of RM0.50 each.

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

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value (RM)	Consideration	Total Issued And Paid-up Share Capital (RM)
19.06.2003	2	1.00	Subscribers' Shares	2
19.05.2004	*4	0.50	Share split	2
19.05.2004	63,155,996	0.50	Acquisition of Goodway Rubber	31,578,000

Note:

* the par value of the ordinary share was split from RM1.00 to RM0.50.

4.1.3 Listing Scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of Goodway Integrated on the Second Board of Bursa Malaysia, the Company undertook a listing scheme, which involved the following: -

(i) Acquisition

Goodway Integrated had on 23 October 2003, entered into a conditional Sale and Purchase Agreement ("Conditional SPA") with the shareholders of Goodway Rubber for the acquisition of Goodway Rubber's entire issued and paid-up share capital comprising 12,458,482 ordinary shares of RM1.00 each for a total consideration of RM31,577,998 satisfied by the issuance of 63,155,996 new ordinary shares of RM0.50 each in Goodway Integrated at an issue price of RM0.50 per new Goodway Integrated share. Pursuant to the Agreement for Sale and Purchase of Shares dated 28 February 2003, Call Option Agreement dated 28 February 2003 and two (2) Supplemental Agreements dated 3 November 2003 respectively, Mr. Tai Boon Wee had on 19 April 2004 acquired 1,868,772 Goodway Rubber shares from CAV. Mr. Tai Boon Wee agreed to be bound by the terms of the Conditional SPA by way of an Accession Agreement.

4. INFORMATION ON THE GROUP (Cont'd)

Consequently, the Company acquired the entire issued and paid-up share capital of Goodway Rubber from the following parties: -

Shareholders of Goodway Rubber	No. of shares held in Goodway Rubber	%	Purchase consideration (RM)	No. of Goodway Integrated shares issued
MSSB *	1,074,119	8.62	2,722,525	5,445,050
Tai Boon Wee *	4,904,904	39.37	12,432,257	24,864,514
Lee Fook Seng	1,599,945	12.84	4,055,314	8,110,629
Tim Heok Lin	468,637	3.76	1,187,935	2,375,670
Ngok Seng Lee	319,987	2.57	811,058	1,622,116
Wong Ping Kiong	180,000	1.44	456,239	912,477
Wong Siew Pay	50,000	0.40	126,733	253,466
CAV	1,868,773	15.00	4,736,701	9,473,402
CTV	746,269	6.00	1,891,537	3,783,074
BIMBMS	1,245,848	10.00	3,157,799	6,315,598
Total	12,458,482	100.00	31,577,998	63,155,996

* Held through Al-Wakalah Nominees (Tempatan) Sdn Bhd.

The purchase consideration of RM31,577,998 and the issue price of new Goodway Integrated shares of RM0.50 per share were arrived on a willing buyer willing seller basis after taking into consideration the latest audited financial statements of Goodway Rubber as at 31 December 2003. The Acquisition was completed on 19 May 2004.

Subsequently, Goodway Rubber had on 19 May 2004 disposed all its shares held in its subsidiaries to Goodway Integrated at a nominal cost of RM1.00 for each subsidiary, which was satisfied in cash.

(ii) Public Issue

The Public Issue of 16,844,000 new ordinary shares at an issue price of RM1.25 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(a) Malaysian Public

2,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) Eligible Employees, Directors and/or Business Associates of the Group

844,000 Public Issue Shares will be reserved for the eligible employees and directors of the Group as well as the business associates (which include the suppliers, sales agents and customers) of the Group.

(c) Bumiputera Investors

14,000,000 Public Issue Shares will be reserved for approved Bumiputera investors by MITI.

4. INFORMATION ON THE GROUP (Cont'd)**(iii) Offer For Sale**

The Offer For Sale of 12,328,000 ordinary shares at an offer price of RM1.25 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(a) Malaysian Public

4,000,000 Offer Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) Eligible Employees, Directors and/or Business Associates of the Group

8,328,000 Offer Shares will be reserved for the eligible employees and directors of the Group as well as the business associates (which include the suppliers, sales agents and customers) of the Group.

In summary, the IPO Shares will be allocated and allotted in the following manner: -

	Public Issue Shares	Offer Shares	Total IPO Shares
Malaysian public	2,000,000	4,000,000	6,000,000
Eligible Employees, Directors and/or Business Associates of the Group	844,000	8,328,000	9,172,000
Bumiputera investors	14,000,000	-	14,000,000
Total	16,844,000	12,328,000	29,172,000

All the IPO Shares available for application by the Malaysian public and the eligible employees, Directors and/or business associates of the Group have been fully underwritten. The IPO Shares available for application by identified Bumiputera investors approved by MITI are not underwritten. The placement agent has received irrevocable undertakings from the identified Bumiputera investors approved by MITI to take up the IPO Shares available for application.

Any IPO Shares which are not taken up by eligible employees and Directors of the Group and/or the business associates of the Group will be made available for application by the Malaysian public via balloting and/or places via private placement, if any.

4. INFORMATION ON THE GROUP (Cont'd)**4.1.4 ESOS**

Goodway Integrated had on 23 March 2004 and 19 May 2004 obtained the approval of the SC and existing shareholders of the Company respectively, to establish an ESOS in order to retain and motivate eligible Executive Directors and employees who have contributed to the success of the Group. According to the SC Guidelines on employee share option schemes, the ESOS shall only be implemented by Goodway Integrated upon receipt of the relevant approvals from the SC, Bursa Malaysia and existing shareholders of the Company, the fulfilment of any condition attached thereto and upon AmMerchant Bank, as the Adviser to the ESOS, submitting to the SC the following: -

- (a) Final copy of the bye-laws of the ESOS; and
- (b) Confirmation letter from AmMerchant Bank confirming that Goodway Integrated has: -
 - (i) fulfilled the SC's conditions on the approval for the ESOS and that the bye-laws do not contravene any of the provisions of the SC Guidelines on ESOS; and
 - (ii) obtained all other relevant approvals for the ESOS and has fulfilled all conditions imposed therein.

An application will be made to Bursa Malaysia within three (3) Market Days from the date of this Prospectus for the listing of the shares that may be issued upon the exercise of the ESOS options together with the application for admission of the shares to the Official List of the Second Board of Bursa Malaysia and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up share capital of Goodway Integrated. Therefore, the ESOS shall only be established after Goodway Integrated has obtained Bursa Malaysia's approval-in-principle for the listing of the shares that may be issued upon the exercise of the ESOS options.

The ESOS will be for a duration of five (5) years and the maximum number of shares that may be issued to eligible Executive Directors and employees of the Group under the ESOS is limited to 10% of Goodway Integrated's issued and paid-up share capital at any point in time.

According to the SC Guidelines on ESOS, where the ESOS options are granted before the Company is listed on Bursa Malaysia, the exercise price of the ESOS options shall not be less than the IPO price. Where the ESOS options are granted on or after the Company is listed on Bursa Malaysia, the exercise price shall be the higher of: -

- (i) a price to be determined by the Board upon the recommendation of the ESOS Committee which is at a discount of not more than 10% or as allowed by relevant authorities from the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia for the five (5) market days immediately preceding the Date of Offer; or
- (ii) the par value of the shares.

4. INFORMATION ON THE GROUP (Cont'd)

The Directors of Goodway Integrated intend to grant ESOS options for up to a maximum of 8.0 million shares.

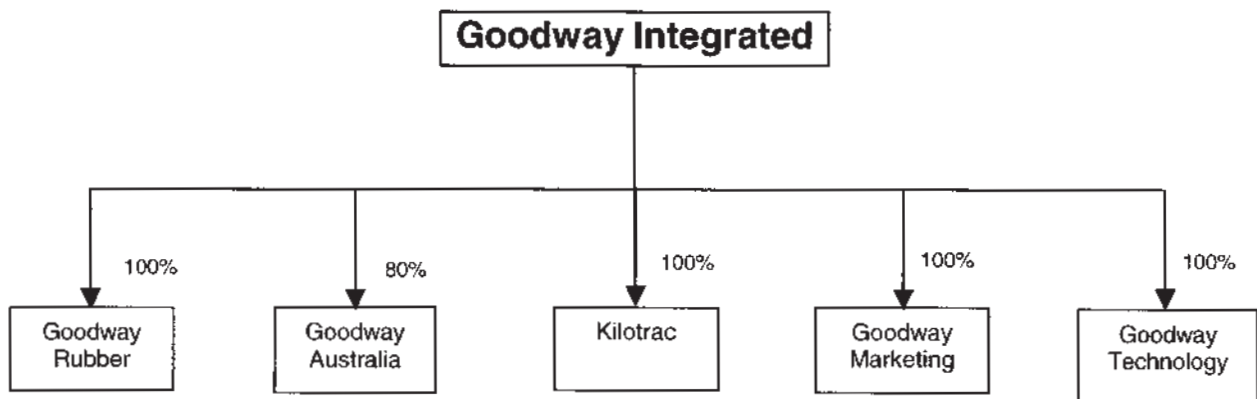
The Board intends to utilise the proceeds from the exercise of the ESOS options for working capital purposes.

The new shares to be issued and allotted upon the exercise of the ESOS option will upon allotment and issuance rank pari passu in all respect with the then existing issued new shares except that the new shares so issued will not be entitled for any dividend, rights, allotment or other distribution declared, made or paid to shareholders unless the new shares so allotted have been credited into the relevant securities accounts of the shareholders maintained by BMD before the entitlement date and will be subject to all provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.

4.2 BUSINESS

4.2.1 Group Structure

An overview of the Group's structure is set out below: -



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4. INFORMATION ON THE GROUP (Cont'd)

Details of the subsidiary corporations of the Company are summarised below: -

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Goodway Rubber	9 November 1985 Malaysia	12,458,482	100	Manufacturing and distribution of rubber compound and related products
Goodway Australia	31 August 1993 Australia	AUD250,000	80	Distribution and selling of rubber compounds
Kilotrac	5 October 1990 Malaysia	2,235,274	100	Retreading of tyres and distribution of retread tyres and related products
Goodway Marketing	8 August 1995 Malaysia	2	100	Dormant
Goodway Technology	23 July 1998 Malaysia	2	100	Dormant

Goodway Rubber and Kilotrac mainly undertake the manufacturing operations of the Group in Malaysia. Meanwhile, Goodway Australia undertakes the distribution of the Group's products and services in Australia, New Zealand and other South Pacific countries.

4.2.2 Types of Products and/or Services

The Group is principally engaged in the manufacturing and distribution of a range of rubber compounds comprising M.B., retread or tyre compounds, technical compounds and hot and cold retread products. The Group also provides retread services to its customers. A summary of the Group's products can be illustrated as in the table below: -

M.B.	Compounds	Retreading		
		Hot Retreading Products	Cold Retreading Products	Other Retreading Products
<ul style="list-style-type: none"> ▪ Technical M.B. ▪ Retread M.B. 	<ul style="list-style-type: none"> ▪ Technical compounds ▪ Retread compounds 	<ul style="list-style-type: none"> ▪ camelbacks ▪ Orbi treads 	<ul style="list-style-type: none"> ▪ PTL 	<ul style="list-style-type: none"> ▪ Cushion gum ▪ Sidewall veneers ▪ Gum chord

4. INFORMATION ON THE GROUP (Cont'd)

The analysis of the sales turnover by product types and services for the Group's financial year ended 31 December 2003, were as follows: -

Type of Products/Services	Turnover as at 31 December 2003	
	(RM'000)	%
1. PTL	52,421	47.40
2. Cushion gum/Gum chord	6,982	6.31
3. Camelbacks	5,015	4.53
4. Orbi treads	16,861	15.25
5. M.B.s / Technical compounds	22,212	20.08
6. Others and services	7,105	6.42
Total	110,596	100.0

M.B. (Master Batch)

M.B. are dried sheets extruded from a mixture of rubber, oil, carbon black and chemicals. It is the base product for all rubber related products manufactured by the Group. It is produced as a result of the first stage of processing carried out in the Banbury machine. The M.B. can either be sold to customers as semi-finished goods or further processed into other products. In general, there are two types of M.B. produced, namely technical M.B. and retread M.B.

- (i) **Technical M.B.** is used in many industries, such as the automotive, construction, electrical and engineering based industries. The formulation of the technical M.B. will differ from retread M.B. even though the manufacturing process is similar. The Group's technical M.B. is marketed under the brand name "Rübtek™" and sold in the form of layer separation, calendared sheets, roll sheets, slabs, extruded granules, strips or profiles.
- (ii) **Retread M.B.** is mainly used as raw materials for the production of retread products, such as PTL, orbi treads and cushion gums and other retread compounds. The Group does not market its retread M.B. under any brand name. The retread M.B. is sold in the form of slabs.

Compounds

Compounds are M.B.'s that have undergone a second stage processing in the Banbury machine. In this stage, curative agents such as sulphur and accelerating agents are mixed in the Banbury machines to produce the compounds. Such agents are necessary to ensure that the rubber can be properly cured, as rubber that is unevenly cured cannot be moulded to the requisite dimension and texture.

Depending on the type of M.B used as the base, the Group is able to produce two (2) types of compounds, namely technical compounds made from technical M.B. and retread compounds made from retread M.B.

(i) Technical Compounds

All technical rubber products are processed from technical compounds. Customers which do not have the necessary machinery and facility to manufacture technical M.B. into technical compounds will usually purchase such products from the Group.

4. INFORMATION ON THE GROUP (Cont'd)

Technical compounds are specified according to their curatives and accelerators. For example, technical compounds for the manufacture of hydraulic hoses must be both heat and oil resistant, to ensure its suitability for use as a channel to contain high pressure and hot oil. The technical compounds of the Group are marketed under the brand name of "Rübtek™".

(ii) Retread Compounds

Tyre or retread compounds form the basic material for the Groups' retreading products. The formulation of compounds used will differ according to the type of retread product. Although most of the retread compounds produced by the Group are for further processing into retread products, the Group also sells retread compounds to its customers.

Retreading Products

Generally, retreading products can be segregated into hot retreading products and cold retreading products.

(i) Hot Retreading Products

Hot retreading products are basically conventional retreading products made from unvulcanised rubber compounds. Once applied onto the used buffed tyre casings, the products are vulcanised and moulded into new treads. Hot retread products come in the form of orbi treads and camelbacks.

(a) Orbi Treads

Orbi treads in its final form are smooth strips of rubber retread compounds. Orbi treads are available in strips of various dimensions and are used to wrap around the used tyre until the desired profile is built up.

The Group sells orbi treads under the brand name of "Supertrac™". Orbi treads are especially suitable for trucks and cars with off-road, winter-weathered and high-mileage properties.

(b) Camelbacks

Similar to orbi treads, camelbacks are profiled rubber compounds and are available in various specified sizes and dimensions to suit each tyre casing. In addition, camelbacks are laminated with a layer of cushion gum so that they will adhere to the used tyre casing with ease. camelback are sold under the brand name of "Superbond™", and have the same functions as orbi treads, namely suitable for trucks and cars with off-road, winter weathered and high-mileage properties.

(ii) Cold Retreading Products

Cold retreading products are pre-vulcanised rubber compounds used in the retreading process. These products have been developed through a revolutionary technology, which is called the cold retreading process.

4. INFORMATION ON THE GROUP (Cont'd)

Cold retreading process is a process where vulcanised rubber retread liners (i.e. PTL) are put onto buffed tyre casings, which are pre-applied with a layer of cushion gum. Thereafter, it will undergo a curing process to produce cold retread tyres.

Cold retreading products are ready-made liners that require lower heat and pressure to press them onto the used tyre casings. The reason for this is that during the cold retreading process, the retread compounds are cured separately from the tyre casing under high pressure. Hence, a higher pressure may be used for the pressing process. With the higher pressure, the product becomes denser and as a result, it becomes more durable.

In contrast, during the hot retreading process, the retread compound is cured together with the tyre casing. Thus, there is a limitation to the amount of pressure that can be used without damaging the tyre casing.

Notwithstanding the above, the Group still produces hot retreading products because not all retreaders are equipped to use cold retreading products in their retreading process.

PTL (Precured Tread Liners)

PTL are pre-vulcanised liners moulded with patterns.

PTL's are the Group's top-line products and they offer added advantage in heat dispersion over other ordinary retreads. Based on the laboratory tests conducted by the Group, its PTL products have the ability to stay up to 40% cooler on the road than other retread tyres. This ability to remain cooler enhances the durability and lifespan of the retread tyres.

The PTL's are marketed under the brand name of "SupercoolTM" under three (3) classifications as follows: -

- (a) Supercool Hi-MTM series: This is formulated from a compound that is suitable for high mileage, for use in city and highways at high speeds and with heavy loads. The compound helps vehicles burn less fuel on long haul trips and have the ability to stay cooler on the road compared to other retreads;
- (b) Supercool APTM series: This is formulated from an all purpose compound suitable for use under general conditions as evidenced by its suitability for use by trucks, light vehicles, buses, container trailers and other general purpose vehicles; and
- (c) Supercool CRTM series: This is formulated from a compound that has been specially developed for cut and chip resistance, and is suitable for use in off-road or no road conditions. As such, the retread liners are most suited for logging trucks, construction vehicles, ground spreaders, concrete mixers and other specialized vehicles.

4. INFORMATION ON THE GROUP (Cont'd)

PTL comes in a variety of dimension, size and weight. PTL produced by the Group are buffed to an extent that it would only require minimal usage of cushion gum thus this would translate into cost savings for its customers. In addition, the Group is also able to manufacture PTL according to customer specifications, which may vary in terms of design, size, dimension, quality and mileage. The range of PTL offered by the Group constantly expands in tandem with the increasingly sophisticated demands and requests from its end-users.

(iii) Other Retread Products

The other retread products described below complement the hot and cold retread products of the Group. They are mainly used for bonding and aesthetic purposes.

(a) Cushion Gums

Cushion gums are adhesive compounds that come in calendared sheets and strip form of standard and fast cure formulations. They offer a vulcanised adhesive layer to bond the liner treads to the top of the used tyre casings. The result is a homogeneous and permanent bonding of the precured tread to the tyre casing. It is also used to fill repair areas, cover radial cords or textile of carcasses. However, cushion gums are also available in cord form for use as fillers in skived areas. Additionally, it also caters for flexible curing temperature in the form of standard curing, fast cure or low temperature curing.

Cushion gums are sold under the brand name of "SupertackTM". "SupertackTM" has a shelf life of six (6) months and it can be stored at room temperature. These factors are specifically made to accommodate customers' handling and storage of "SupertackTM".

(b) Sidewall Veneers

Sidewall veneers are used to repair the sidewalls of a tyre and for bead-to-bead retreading. They are sold in perforated and dusted, cut or uncut forms, and are available in various thickness and width.

The sidewall veneers of the Group are sold under the brand name of "SupersidewallTM".

(c) Gum Chord

Gum chord are small strips of extruded tyre compounds, which are used for repairing and patching tyres. They are sold in rope forms and are available in various thickness and width.

The Group's gum chords are sold under the brand name of "SuperfillTM".

4. INFORMATION ON THE GROUP (Cont'd)**Tyre Retreading Services**

The Group through Kilotrac offers tyre retreading services. In addition, Kilotrac also provides a range of value added after-sales service to its customers, which include a 24-hour tyre breakdown service throughout Peninsular Malaysia. The 24-hour tyre breakdown service is outsourced to independent tyre dealers and vehicle service teams.

Value Added Services**Technical Support Services**

The technical support services provided by the Group include the following: -

(a) Complete Retreading System Support

In view of its expertise in rubber compounding technology, the Group provides its customers complete retreading system support. This entails assistance in all levels of planning and production, from technical consultation, training and troubleshooting to process and plant audit, calibration of the plant's equipment as well as developing standard operating procedures.

(b) Franchise Opportunities and Total System Service

The Group also provides investors who are interested in the retreading business alternative investment opportunities. Due to its vast experience in the rubber compound industry, it is capable of conducting feasibility operation studies, consultation on the plant layout, locality and production facility, and information on the complete retreading process. In addition to this, the Group also assists investors in its sales promotion and provide commercial support. The Group can also procure the necessary equipment on behalf of the investors as well as assist them in commissioning the same.

(c) One-stop Retreading Procurement Centre

The Group also distributes equipment, tools, accessories and consumables for certain established brands. As part of its value added services, retreaders are able to order the equipment and materials need via the Group. In addition, the Group can also supply customised equipment for its customers.

(d) Commercial Support

As the Group believes that branding enhances growth prospects, they also provide support to its customers in advertising, promotional collaterals, presence at commercial and trade events or forums, and sales training programmes.

(e) Techno-commercial Support

The techno-commercial support provided by the Group to its customers includes hands-on workshops, seminars and campaigns in relation to various issues, primarily tyre maintenance, tread selection, fleet inspection, mileage tests, development in road safety matters and Fleet Soft™ tyre management programmes. Further details of Fleet Soft™ are set out in Section 4.2.13 of this Prospectus.

4. INFORMATION ON THE GROUP (Cont'd)

It has been the Group's policy to complement its sales with such technical support and after sales services without any charge based on a case-to-case basis. However, it does charge for the equipment sourced by the Group on behalf of its customers.

4.2.3 Technology Used

The Group's usage of technology is evident in its ability, to continuously innovate and design new and improved versions of products on its own accord or upon customer's demand. For instance, the manufacturing of Rubtek incorporates extensive research and development based on experience and specialist know-how.

The Group's machines are able to produce quality products, which is an essential feature in rubber compounding. For instance, heat control, mixing of compounds and chemical dispersion are critical criterias to be considered to ensure that the rubber products produced are at its optimal quality. Further, the operating precision of the Group's equipment is able to achieve such high quality requirement.

In addition, the Group's manufacturing plant is equipped to monitor adverse reactions in the processing of M.B. and compounds as a result of inaccurate raw material measurements or when the batch has been mixed inconsistently. This ensures that the quality of the final products is maintained at all times.

The Group's latest additions of machineries are of a higher technology than the existing ones. The automated moulding press machine in Factory 3A, for example allows the entire process of moulding, buffing, spraying of cementing gum and packing to be carried out continuously, thus reducing production lead time and increasing output capacity. Refer to Section 4.2.7 for the layout of the factories.

In addition, the prior joint venture agreement with GK has resulted in the production facility together with layout and design of the Group's plant and machinery having an efficient production flow.

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4. INFORMATION ON THE GROUP (Cont'd)

4.2.4 Approvals, Major Licences and Permits Obtained

The Group requires the following approvals, major licences and permits for the operation of its business: -

Company	Authority	Description	Major Conditions Imposed
Goodway Rubber	Malaysian Industrial Development Authority	Manufacturing Licence	(a) The company is encouraged to ensure that its board of Directors' composition reflects its equity structure. The company is required to inform MITI on any appointment or change in the board of Directors.
			(b) At least 50% of the company's shares must be bought and held by Malaysian citizens including 14% of which is reserved. The approval of the MITI is required for the sale of the said shares.
			(c) For local sales, the company shall use its best endeavours to employ services provided by Malaysians including appointing local distributors from which 30% of its sales are to be distributed by Bumiputera distributors.
			(d) The composition of the board of directors shall generally reflect the equity structure of the company, and MITI shall be informed of any appointment and changes in the Board.
			(e) The company must export at least 40% of its production.
			(f) The company must train Malaysian citizens so as to ensure that transfer of technology and expertise can be channelled to all levels of position. This license has no expiry date.
Kilotrac	Malaysian Rubber Board Ministry of Domestic Trade and Consumer Affairs, Malaysia Royal Customs and Excise Malaysia Majlis Perbandaran Nilai	Rubber Licence	<ul style="list-style-type: none"> To purchase natural rubber in Malaysia, valid until 31 December 2004.
		Storage Licence for 5,000 litre of diesel	<ul style="list-style-type: none"> Valid until 17 March 2005.
		Manufacturer's Licence	<ul style="list-style-type: none"> No major conditions imposed with no expiry date.
		Business Licence	<ul style="list-style-type: none"> Valid until 31 December 2004. No other major conditions imposed.
		Business Licence	<ul style="list-style-type: none"> Valid until 31 December 2004. No other major conditions imposed.

4. INFORMATION ON THE GROUP (Cont'd)

4.2.5 Brand Names, Patents, Trade Marks, Licences, Technical Assistance Agreements, Franchises And Other Intellectual Property Rights

The Group has registered the domain name www.goodway-integrated.com, which it uses in connection with its business, with InterNic. The Group has submitted the following trademarks to the Registrar of Trademarks Malaysia: -

- (a) the Group's corporate logo trademark;
- (b) the GOODWAY trademark;
- (c) the GOODWAY word trademark;
- (d) the Ultracool trademark;
- (e) the Supercool trademark;
- (f) the SupercoolAP trademark;
- (g) the Supercool CR;
- (h) the SupercoolCR;
- (i) the Rübtek trademark;
- (j) the Superfill trademark;
- (k) the Supertack trademark;
- (l) the Supersidewall trademark;
- (m) the Supertrac trademark;
- (n) the Superbond trademark;
- (o) the Superretread trademark;
- (p) the Hi-M trademark;
- (q) the CR trademark;
- (r) the Fleet Soft trademark; and
- (s) the Group's Corporate Video.

The trademarks described above have been submitted to the Registrar of Trade Marks for registration as a trademark pursuant to the Trade Marks Act, 1976. However all are still pending registration by the registry. As such, the Group can only use the "TM" symbol instead of the "®" symbol on its trademarks. The Group is nevertheless confident that its trademark (excluding the Superbond trademark) will be duly registered. In the event that the appeal against the objection to the Superbond trademark application fails, the rejection of this application would not materially affect the Group. This is because firstly, camelback is not a major source of revenue for the Group, as it only contributes around 5% of the Group's total revenue. Secondly, the Group would have the funds and ability to conduct a re-branding exercise for this product. Applications for registration of trademark "Supercool" have also been made in Hong Kong, Indonesia, India, New Zealand, Philippines, China, Australia and Thailand.

4.2.6 Dependency On Patents, Licences, Industrial, Commercial Or Financial Contracts And New Manufacturing Processes

The Board is of the opinion that the Group is not dependent on any patents, licences, industrial, commercial or financial contracts and new manufacturing processes as follows:-

(a) Patents

The Group develops its own products and formulation, thus it is not dependent on any external patents. To date, the Group does not own any patent.

(b) Licenses

Save as disclosed in Section 4.2.4, the Group is not dependent on any other licenses.

4. INFORMATION ON THE GROUP (Cont'd)

- (c) Industrial, commercial or financial contracts

Save as disclosed in Section 13.5, the Group is not dependent on any other industrial, commercial or financial contracts.

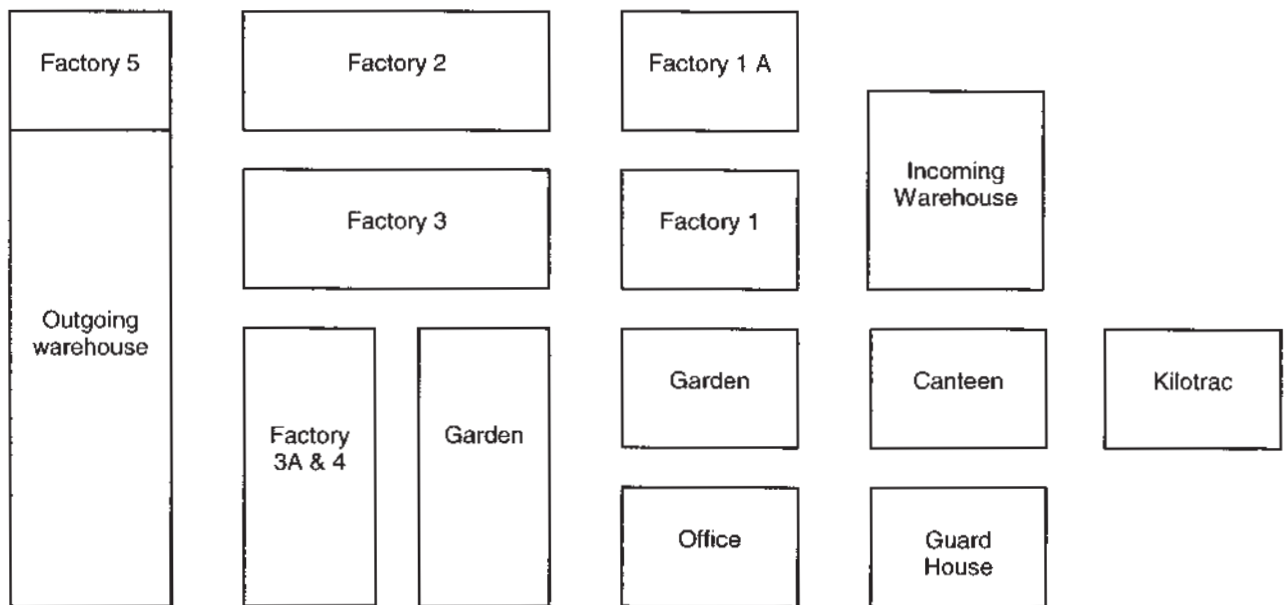
- (d) New manufacturing processes

As disclosed in Section 4.2.3, the Group's manufacturing process is able to produce quality products, which is an essential feature in rubber compounding. The Group's existing manufacturing process is able to cater for new and improved version of its products.

4.2.7 Operating or Trading Mechanism

The operations of the Group consist of two major processes, which are manufacturing process and distribution/trading process. The distribution/trading process is disclosed in Section 4.2.17 of this Prospectus. The manufacturing processes of the Group are set out below.

The production of all the products of the Group is carried out in 5 different factories in Nilai, Negeri Sembilan. The layout of the factories and warehouses is as set out below: -

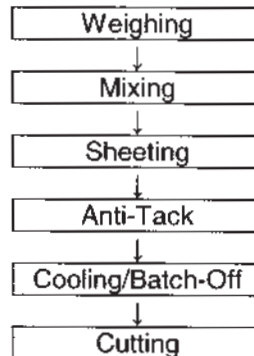


(The layout plant of the factories and warehouses above is a visual impression only and is not proportionately accurate as to the actual layout.)

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4. INFORMATION ON THE GROUP (Cont'd)**The Production of M.B.**

The manufacturing process for producing M.B. can be summarised in the following diagram: -



The manufacturing process of M.B. involves four (4) major processes that is of mixing, sheeting, cooling and cutting. The entire manufacturing process is carried out and completed in Factory 1.

Initially, the raw materials consisting of processed rubber, carbon black, rubber processing oil and chemicals are weighed according to the specified formulation before being fed into the Banbury machine. The Banbury machine works as an internal mixer to melt down the different raw materials and also to thoroughly mix them. The objective of the mixing is to surround the chemical particles with rubber whilst uniformly dispersing the chemicals and carbon black in the rubber. The composition of the raw materials to be fed is dependent on the type of rubber compound to be produced.

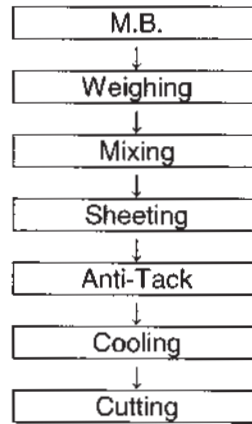
The mixed composition is then conveyed either through an extruder and calendar that compresses the material into sheets or alternatively, through an open mill that also makes the material into sheets. This is known as the sheeting process. After that, the sheets are dipped into a water tank containing anti tack solution to prevent the rubber sheets from sticking together and then cooled off in a Batch-off machine. The cooling process is important in order to stabilise the chemical reactions that took place during the mixing of raw materials in the Banbury machine.

The dried sheets of M.B. are then conveyed to a cutting machine to form slabs of material known as M.B. In its present form, the M.B. can either be sold to other manufacturers as a semi-finished good or used to create the Group's own specially formulated compounds.

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4. INFORMATION ON THE GROUP (Cont'd)**The Production of Retread Compounds**

Compounds are made from M.B. and hence undergoes the M.B. manufacturing process. The production of compounds is as per the diagram below: -



To be made into compounds, M.B. have to undergo a second stage of processing in the Banbury machine. In this second stage of processing, additional chemicals, such as accelerators and curatives are added. These additional raw materials are weighed before being melted with the M.B. in the Banbury mixer. Depending on the end product, for example orbi treads or cushion gums, the composition of the raw material used will differ for each product. The compounds will then be made into sheets and then cut into strips before being dipped in anti-tack solution. The strips will be cooled off before being cut into the appropriate dimensions.

The Production of Technical Compounds

Similar to retread compounds, technical compounds are also made from M.B. Depending on the parameters set by the QAD, technical compounds may be re-milled for a second time in the Banbury machine. In addition to carbon black, a reinforcing agent, silica, curing agents and accelerators, are added as additional raw materials to produce technical compounds.

After a second round of processing in the Banbury machine, the compounds will then be made into sheets or cut into strips, dipped in anti-tack solution, and after being cooled, are packed for distribution.

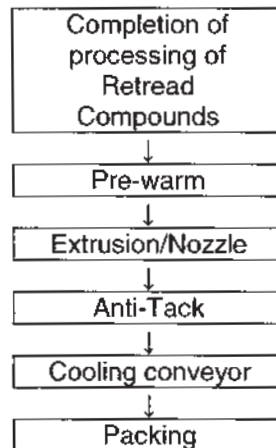
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4. INFORMATION ON THE GROUP (Cont'd)

The Production of Hot Retreading Products

The Production of Orbi Treads

Orbi treads are produced from retread compounds. Orbi treads are required to be of a certain width. After the cooling process, the retread compounds are sent to Factory 2 for further processing into orbi treads.

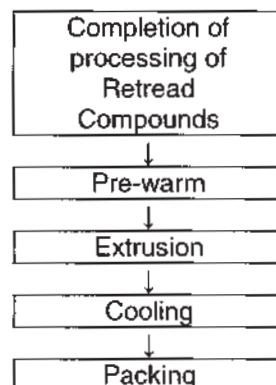


In Factory 2, the retread compounds to be made into orbi treads are fed into an extruder machine that compresses the material and extrudes it out through a selected die nozzle to shape the orbi treads into the dimensions required by the customers. The Group has two (2) different machines to carry out this process. One is a hot feed extruder. If the hot feed extruder is used, the retread compound must be pre-warmed in an open mill prior to being fed in the extruder. If the cold feed extruder is used, pre-warming in an open mill is not required as the machine has a built-in pre-warming device. Hence, the pre-warming process is done simultaneously with the extrusion process.

Thereafter, the orbi treads are dipped into the anti-tack solution to prevent them from sticking together. The orbi treads are then cooled in the cooling conveyor before being packed for distribution to customers.

The Production of Camelbacks

As described earlier, camelbacks are extruded retread compounds that have been laminated with a layer of cushion gum so that they will stick to the buffed used tyre with ease. camelbacks are produced from retread compounds. The retread compounds processed in Factory 1 are sent to Factory 2 to be processed into camelback strips. The manufacturing process of camelbacks in Factory 2 can be summarised as follows: -



4. INFORMATION ON THE GROUP (Cont'd)

As in the case of orbi threads, the retread compounds to be made into camelbacks are processed in either the hot or cold feed extruder. However, the extruder used is specially fitted with a device that will spray or laminate the underside of the camelback profile with cushion gum when the camelbacks are being extruded. The end result of this is that the camelbacks will have adhesive undersides. The camelbacks will then be cooled in the cooling tank prior to being packed into rims (or wheels) or in roll form.

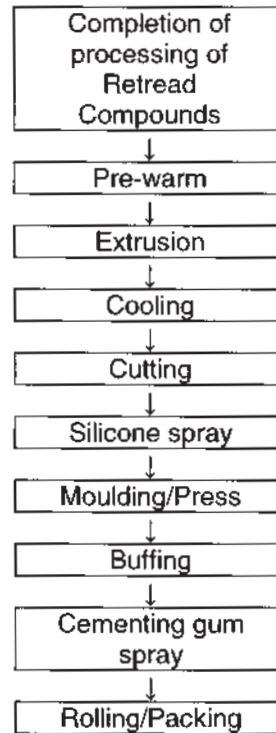
The Production of Cold Retreading Products

The Production of PTL

PTL are cold retreading products that have undergone a curing process. The curing process is a process whereby heat is applied to the rubber to activate the curing agents so that the rubber can be vulcanised.

PTL are produced from retread compounds. These retread compounds are sent to Factory 2 to be extruded into pattern-less sheets known as blanks, either through the hot feed or cold feed extruder.

The entire manufacturing process for PTL can be summarised as follows: -



The extruding machines will be fitted with a dye nozzle that shapes out the strips of blanks in accordance with the requisite width and thickness. The blanks will then be cooled in the cooling conveyor before being cut into the requisite length. These cooled blanks are then conveyed for moulding into PTL at Factory 3.

4. INFORMATION ON THE GROUP (Cont'd)

The moulding of PTL requires the cooled blanks to be fed into pressers that will compress the blanks into the moulds and tread patterns under the requisite temperature to form the desired track pattern on the liners. Prior to that, silicone is sprayed onto the mould and tread patterns to prevent the blanks from sticking to the moulds or tread patterns. The curing time depends on the thickness of the PTL. In the hydraulic press machine, the curing process takes place when heat is applied to vulcanise the rubber under conditions of high temperature and pressure. The high temperature and pressure will activate the curing agents and accelerators within the rubber compounds and cause the rubber to vulcanise and become strong and rigid.

The smooth undersides of the now vulcanised rubber must then be buffed to roughen the undersides of the PTL. This is done to increase the grip surface of the PTL when the cementing gum is later laminated on the liner. The buffing process is conducted in a buffing machine.

Thereafter, the roughened side is painted with cementing gum to prevent the oxidation of liners. Cementing gum is basically cushion gum that has been dissolved in solvents, such as petrol chemicals, to make it slightly adhesive. This process can be done both manually or automated. The buffed liners are fed into the machine and the dissolved cushion gums are directly sprayed on to the buffed surface. The PTL is then rolled and packed simultaneously. The production workers then check every roll of PTL before being packed and sent to the storeroom.

The entire process of moulding, buffing and spraying of dissolved cushion gum can be carried out in one automated hydraulic press machine that is situated in Factory 3A. The Group has a few other machines in Factory 3 that only mould and press the patterns onto the blanks. If these machines are used, then the PTL will have to be sent to Factory 4 for buffing, spraying and packing.

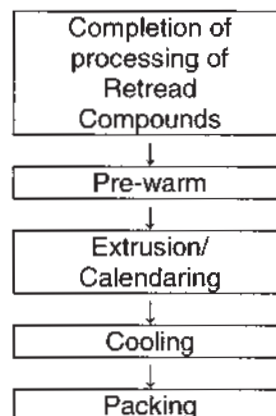
The Production of Other Retreading Materials

The Production of Cushion Gum

Cushion gum is a cold retreading product, which is used to bond the retread liner onto the used buffed tyre casings.

Cushion gums are manufactured in Factory 5 from retread compounds. To manufacture cushion gum, the retread compounds are pre-warmed in the Cracker Mill before being extruded in a Calendar Mill fitted with a cutter that cuts the cushion gum into sheets. This process increases the viscosity (or loosens the natural bonds) of the rubber compounds, so that they become more pliable or tacky. The cushion gum is then cooled down over the conveyor belt before being packed.

The process described in Factory 5 can be summarised in the following diagram: -



4. INFORMATION ON THE GROUP (Cont'd)

The Production of Sidewall Veneers

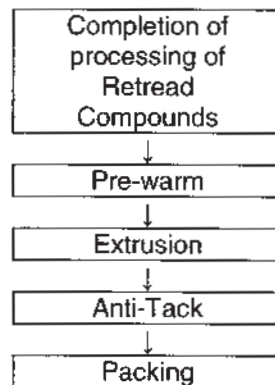
The production of sidewall veneers also uses retread compounds manufactured in Factory 1 as its base product.

The manufacturing process of sidewall veneers is similar to the manufacturing process of cushion gums. However, once completed, tyre dusts are dusted onto the sidewall veneers and needle holes are punched through so that air cannot be trapped in the tyres.

The Production of Gum Chord

Gum chords are also manufactured from retread compounds. The compound is then extruded in the extruder fitted with a nozzle to produce gum chord in a rope form. The gum chord is then dipped into Anti-Tack solution before it is ready for packing.

This process can be summarised as follows: -

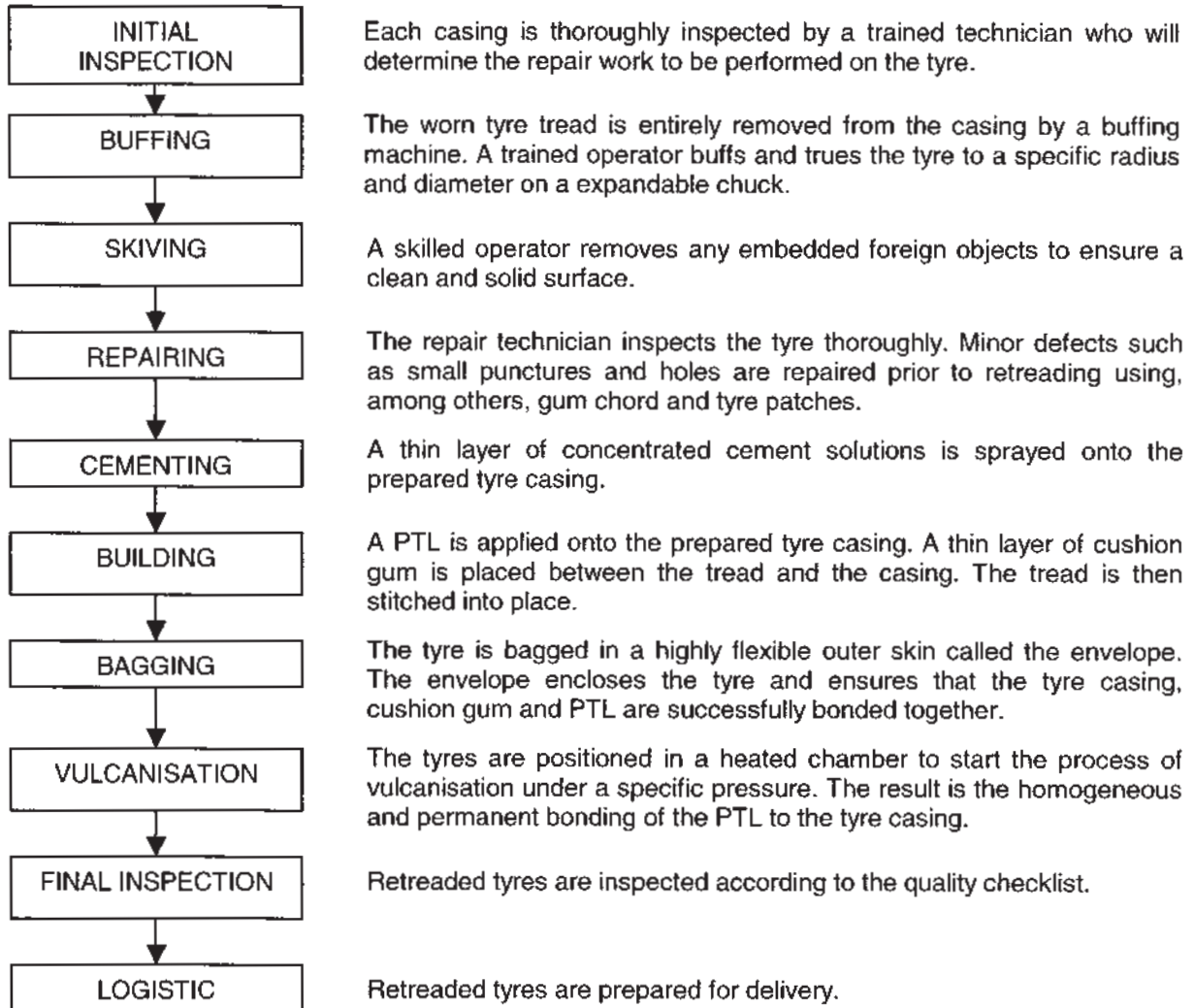


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4. INFORMATION ON THE GROUP (Cont'd)

Retreading of Tyres

The retreading process performed by Kilotrac can be summarised in the diagram below: -



All equipment at Kilotrac are either semi-automated or manual. The company utilises two (2) chambers, three (3) builders, two (2) inspection machines, two (2) spreaders, three (3) buffers and three (3) to four (4) stations for repair and skiving (process of removing stones and cleaning cuts) depending on the volume of production.

Kilotrac utilises both hot and cold retreading products like camelbacks, PTLs, cushion gums and many other semi-finished goods that are obtained within the Group. However, where the tyre casings are excessively worn, Kilotrac would use camelbacks to retread the tyre casings.

4.2.8 Estimated Market Coverage, Position and Share

Goodway has an average operating capacity of 1,555 per month (with a maximum capacity of 2,500 tones per month) as at 31 May 2004. The Group's average operating capacity is currently at 1,609 tones per month. The Group estimates that it has captured a significant market share in terms of the supply of rubber compounds to the retread market as the other players in the industry are small and fragmented.

4. INFORMATION ON THE GROUP (Cont'd)

In spite of the Group's products being sold at premium rates, management is confident of maintaining its current market share as the quality of its products and services are considered superior based on its customers' testimonials.

4.2.9 New or Proposed Products/Services**(a) Fleet Soft™ Software**

The Group is currently working together with a Malaysian software development company in developing a software programme called Fleet Soft™. This software will be targeted at fleet operators. The Fleet Soft™ software had its soft launch in May 2004.

Fleet Soft™ software is a tool designed to manage the customer's fleet of vehicles, by cataloging data in relation to tyres from their date of purchase to the date it degenerates into scrap tyres. The format of this information can be customised according to customer's requirement. The software will allow customers to track, monitor and assess the performance of the tyres used.

(b) OTR (Off-The-Road) Retreads

Currently, retread products for smaller OTR vehicles, such as tractors and earth works vehicles have been produced using both hot and cold retreading process. However for bigger OTR vehicles, such as dumping trucks used in the mining industry where the dimension of the tyre casing is much wider, to the best knowledge of the management, no retreads using the precured method are produced in Asia, as the mould required is huge and thus, costly.

The Group is now developing a new formulation using the cold cure retreading process as well as the retreading process for such vehicles. The success of this compound formulation for the retread tyres will result in a more durable and higher mileage retreads for OTR vehicles. The management estimates that this new product will be ready for marketing by mid-2004.

(c) Other Products

There are no other significant new products in the pipeline, however the Group is continuously testing and improving the quality of its products, and releases new and improved versions of its existing products from time to time.

4.2.10 Principal Markets for Products and Services

As described in section 4.2.2 above, the Group sells a variety of products and services and a large portion of the Group's products is exported. For the financial years ended 31 December 2002 and 2003, exports account for approximately 65% and 70% of the Group's turnover respectively. The five largest overseas markets of the Group in 2003 are Australia, Singapore, Indonesia, Hong Kong and China.

4. INFORMATION ON THE GROUP (Cont'd)

The breakdown of the Group's turnover based on geographical locations and the type of products and services are as follows: -

Country	2001		2002		2003		Type of products and services
	(RM'000)	%	(RM'000)	%	(RM'000)	%	
Malaysia	23,950	36.1	26,941	34.9	32,726	29.6	All
Australia	7,666	11.6	15,895	20.6	36,796	33.3	PTL,CG/GC,OT,MB
Singapore	6,401	9.7	8,189	10.6	8,198	7.4	PTL,CG/GC,CMB,TC
Indonesia	9,893	14.9	5,748	7.4	5,287	4.8	PTL,CG/GC,OT
Hong Kong	2,993	4.5	4,371	5.7	7,036	6.4	PTL,CG/GC,OT,CMB
China	2,166	3.3	3,194	4.1	5,870	5.3	PTL,CG/GC
Others and services	13,257	20.0	12,927	16.8	14,683	13.2	PTL,CG/GC,OT,CMB
Total	66,326	100.0	77,265	100.0	110,596	100.0	

Notes: -

1. CG/GC – Cushion gum/Gum cord
2. CMB – camelback
3. OT – Orbi treads
4. TC – Technical compounds
5. All – All products and services including rim flap, sidewall, etc

The breakdown of the Group's turnover based on the type of products and services for the past three (3) financial years ended 31 December 2003 are as follows: -

Product Group	2001		2002		2003	
	(RM'000)	%	(RM'000)	%	(RM'000)	%
PTL	30,797	46	35,109	46	52,421	47
Cushion gum/Gum cord	2,385	4	4,190	5	6,982	6
camelback	5,421	8	6,082	8	5,015	5
Orbi treads	7,918	12	9,180	12	16,861	15
MB / Technical compounds	11,152	17	13,159	17	22,212	20
Others and services	8,653	13	9,545	12	7,105	7
	66,326	100	77,265	100	110,596	100

For the financial year ended 31 December 2003, approximately 47% of total sales were from the sale of PTL. This is the Group's best selling product.

In recent years, the Group has focused its efforts on increasing production of rubber products for other industries. The results of this effort can be seen from the increase in the sales of MB/technical compounds from 18% in the financial year ended 31 December 2002 to 69% in the financial year ended 31 December 2003.

4.2.11 Types, Sources and Availability of Raw Materials/Inputs

The raw materials purchased by the Group can be generally divided into five (5) main categories: natural rubber, synthetic rubber, carbon black, rubber processing oil and chemicals. Natural rubber and carbon black are sourced locally, whereas synthetic rubber and chemicals are mainly imported from South Africa, Japan, South Korea Germany, USA, China, Thailand, Spain and France.

4. INFORMATION ON THE GROUP (Cont'd)

4.2.12 Quality Control Procedures

To ensure the quality of its products, the Group conducts checks at every stage of production, from the acceptance of the raw materials, including the testing of WIP and concluding with the testing of the quality of finished goods, and also the process flows.

As a testimony to the Group's emphasis on quality products, the manufacturing arm, Goodway Rubber was accredited with ISO 9002 in 1997 by TUV Certificate Body of Rheinisch-Westfalischer. In October 2001, the ISO 9002 was further upgraded to 9001:2000.

Goodway Rubber has to undergo a re-certification audit every three (3) years to ensure that the Group complies with the ISO standards and thus, maintain the certification. The recent re-certification audit, which was conducted in July 2003, has been completed and the Group's ISO accreditation has been maintained.

The QAD, working in tandem with other departments such as the production and logistics departments, is responsible for ensuring the quality of the Group's products. The QAD must approve the raw materials before it can be used in the production of the Group's end products. As part of the monitoring conducted by the QAD, a Micromax recorder has been installed in Factory 1 with sensors located in the Banbury mixers to plot the temperature and energy curves of the mix. This recording allows the QAD to ascertain whether the batch has been mixed consistently in accordance with the specifications for M.B. or compound.

Part of the QAD's duties is to maintain and improve the process flow of production. The QAD also sets parameters for the production department to follow and conducts checks to ensure that the work instructions have been followed and that the machineries are working in accordance with their specifications.

The tests conducted on the WIP's or finished goods include the following: -

M.B.

The Mooney viscosity test and the density reading test are conducted on retread M.B. once in every 20 batches.

The purpose of the Mooney viscosity test is to test the hardness of the rubber and the resistance to the flow of the rubber. If the hardness and resistance to flow is high, there will be more difficulty in the extrusion of the M.B. This will also slow down productivity.

The purpose of the density test is to re-confirm that the correct ingredients have been used in the right amounts in accordance with the specifications for that M.B.

Compounds

The tests that are regularly conducted on both retread compounds and technical compounds are as follows: -

- (a) the Rheometer test: The Rheometer test is conducted to identify the processing safety of the compounds, in effect, to discover how fast the compounds can be cured. The appropriate time for curing depends on the specifications for that type of compound.
- (b) the Mooney viscosity test: This test measures the processability of the rubber. If the Mooney viscosity is high, there will be more difficulty in the extrusion of the compound.

4. INFORMATION ON THE GROUP (Cont'd)

- (c) the tensile properties test: The tensile properties test measures the stress strain of the compound. This tests the amount of force, which can be used, and how long the sample can be stretched before the sample is damaged.
- (d) the hardness reading test: The hardness reading test is conducted to ensure that the hardness of the compound falls within either in-house specifications or customer's specifications. Where the hardness is too low, the mileage obtained from the cured liners will be less, whereas if the cured liners are too hard, more cracking and loss of traction will ensue.
- (e) the density reading test: This test is conducted to ensure that the correct ingredients have been used in the right amounts in accordance with the specifications for that compound.

The frequency of testing depends on the type of product and the specifications of the customer. The Rheometer test and the hardness test are conducted on every batch of retread compound and technical compound. The density test is conducted on every batch of technical compound, and once in every five batches of retread compound. The Mooney viscosity test is conducted on every batch of technical compound and once in every thirty batches of retread compound.

The QAD also conducts certain tests on retread compounds on a less regular basis than the tests mentioned above. These tests are as follows: -

- (a) The abrasions reading test: The abrasions test measures whether the abrasion resistance is good. Where the abrasion resistance is good, the mileage of the tyres produced from the retread compounds will be good.
- (b) The chipping value test: The chipping test is conducted mainly in respect of retread compounds used for off-road tyres in order to ensure that such tyres can withstand chipping and cutting resulting from use in off-road conditions.
- (c) The heat build-up test: The heat-build up test examines the amount of heat generated in the use of the retread compounds. The less heat built up in tyres maximises the life of the tyres.

Orbi Tread and Camelback

Besides the Rheometer test, the QAD also conducts the dimensions test on these products. This test is done to ensure that the orbi tread or camelback's dimensions are as specified by the customers.

4.2.13 Research and Development

The R&D activities of the Group are conducted mainly by the QAD and Technical Department. Except for tests on the liners conducted in Kilotrac, the Group's R&D is conducted in-house in the QAD laboratory. All the equipment in the department can be used for both testing and R&D activities. The Technical Department conducts R&D work to improve the production processes, whereas the QAD conducts R&D work to develop new products and to improve its existing products.

(i) Policy on R&D

The Group usually initiates R&D work to foresee the future needs of the customers. In addition, the Group continuously conduct tests to improve on its formulas. The Group recognises the necessity and importance of continuously improving its products and processes as well as introducing new products in order to remain competitive in the market and to improve the quality of its goods and services so as to maintain its premium pricing policy.

4. INFORMATION ON THE GROUP (Cont'd)

(ii) R&D Facilities and Personnel

There are approximately 13 types of equipment used for research and testing. Most of the equipments used are imported. The existing facilities and equipments are currently sufficient for the Group to conduct its anticipated R&D activities. All the facilities and equipments in the department can be used for product and process testing as well as for research purposes.

As and when required, QAD and Technical Department staff will be deployed to conduct research and development in areas of topical and where there will be potential interest.

(iii) Status of R&D

Currently, retread products for the bigger OTR vehicles are produced using the hot retreading process. The Group is conducting R&D to explore the possibility of using the cold retreading process instead as there have been no such retreads produced in Asia. It is expected that this new product will be marketed by mid-2004.

(iv) Achievements in R&D

The collaboration with GK paved the way for the development of a standard PTL formula with lower heat built-up. Subsequently, the partnership became the launch pad for the Group's improved version of the standard PTL. Through extensive R&D, the Group succeeded in introducing enhanced PTL formulas that are suitable for highway usage and which have better mileage qualities.

The Group also successfully manufactured higher quality cushion gums.

From time to time, the Group produces new or enhanced formulas of rubber compounds to meet the varied needs and demand of their customers.

(v) Future Plans and Timeline for Implementation

As customers' requests and demands can never be predicted, the research and development on the products of the Group are on-going processes. Thus, there is no definite time line for their implementation.

(vi) Investments Made for R&D

The Group currently budgets approximately RM250,000 for its R&D activities annually for continuous testing and development of its products. These expenses are charged out to the Income Statements as incurred.

4.2.14 Interruptions in Business for the Past Twelve (12) Months

There has been no 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.

4. INFORMATION ON THE GROUP (Cont'd)**4.2.15 Employees**

The total number of permanent and fixed term contract employees of the Group as at 31 May 2004 is 416 persons who are categorised in the following manner: -

Category	No. of Employees	Average Years in Service
Managerial & Professional	29	4
Technical and Supervisory	43	5
Clerical and related occupations (e.g. clerks, typist, stenographers, personal secretaries, etc)	77	3
Factory workers:	267	2
(a) Skilled		
(b) Unskilled		
TOTAL	416	

Save for the following, all employees of the Group are employed on a full time basis:

- (a) Goodway Rubber employs 3 contract employees and 207 contract workers (general workers);
- (b) Kilotrac employs 15 contract workers (general workers); and
- (c) Goodway Australia employs 2 part time contract employees.

Foreign workers accounted for approximately 53% of the total employees of the Group, which comprises general workers. None of the employees of the Group are members of any unions and enjoy a cordial relationship with the management. Save as disclosed below, there has been no major industrial dispute in the past between the management and the employees of the Group: -

- (i) On 15 May 2002, one Mugunthan a/l Damodaran (the "Claimant") commenced civil proceedings against Goodway Rubber vide Industrial Court case No. 9/4-289/2002 in Penang in respect of the alleged unlawful termination of the Claimant and is thus claiming for loss in wages from the date of termination to the date of award of judgment. The case was heard on 10 and 15 April 2004 at the Industrial Court in Penang and is fixed for continued hearing on 8 and 9 September 2004.
- (ii) On 30 May 2002, Goodway Rubber commenced civil proceedings against one Mugunthan a/l Damodaran (the "Defendant"), at the Seremban Sessions Court vide Suit No. (2)53-584-2002 in respect of money allegedly taken by the Defendant from Goodway Rubber's customer in Kenya for goods sold to the customer. The amount claimed for is RM35,392.44 equivalent to USD9,313.80, plus interest and costs. The matter is now fixed for hearing on 26 January 2005.

Training

There are two types of training conducted by the Group. One is to improve the skills of the employees and the other is to enhance the safety of its employees. As part of the Group's training and development programme, the Group may subsidise local or overseas training courses or part time formal education for its employees. However, these employees will be bonded to the Group for a period of one (1) to four (4) years depending on the amount subsidized. All employees are required to sign only one (1) bond agreement prior to the training. Details of the training bond are disclosed below.

4. INFORMATION ON THE GROUP (Cont'd)

Notwithstanding the above, the Group also conducts internal training programmes. The Group spent approximately RM95,000 and RM225,000 for the financial year ended 31 December 2002 and 2003 on its training and development programmes respectively, inclusive of training materials, and has allocated approximately RM371,000 for the financial year ending 31 December 2004. A large portion of the 2003 budget had been allocated for group training to achieve the TPM status to improve the overall productivity level of staffs from all departments.

In addition, to further enhance the skills and knowledge of its employees, the Group also conducts training based on the ISO programme by improving its human resource department's skills and improving its quality assurance system. The Group also encourages its employees to attend seminars and forums on new developments in the rubber industry as well as on the government policies and regulations. The Group conducts a monthly follow up sales training for its marketing department to enhance sales and marketing skills, with emphasis on familiarising the department with new products.

As part of its internal safety training programmes, the Group sends various personnel for safety training with the Occupational, Safety and Health Department. Training with the Fire Department on fire evacuation and fire fighting is also conducted for the staff from time to time.

Training Bond

Training bond, as mentioned above, are categorized into 3 types:-

a) Local Training Program

Comprise all non-examinable training course conducted in Malaysia and Singapore as stated in the training needs analysis. This analysis analyzes and highlights the area where the candidate requires further knowledge in order for the candidate to excel.

b) Formal Education Program

Comprise all part time examinable courses or courses that lead to certificates, diplomas, and degrees issued by recognized institution/training center

c) Overseas Training Program

Comprise all non-examinable training programs held overseas other than Singapore and all overseas general training program and technical transfer program.

Eligibility for Training

Type of Program	Program Duration	Eligibility
Local Training	-	Should complete at least 3 months of service.
Formal Education	Less than 1 year	Should complete at least one (1) year of service.
	1 year and above	Should complete at least two (2) years of service.
Overseas Training	Less than 2 weeks	Should complete at least one (1) year of service.
	Above 2 weeks	Should complete at least two (2) years of service.