

4. INFORMATION ON THE GROUP

4.1 BACKGROUND

4.1.1 Incorporation and Commencement of Business

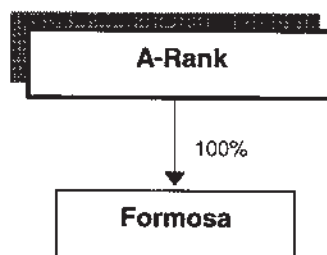
A-Rank was incorporated in Malaysia under the Companies Act, 1965 on 7 November 2003 as a private limited company under the name of A-Rank Sdn Bhd. Subsequently, on 30 March 2004 it was converted to a public company and assumed its present name. It commenced operations on 10 March 2005.

A-Rank is an investment holding company and was incorporated to facilitate the IPO. Its only subsidiary company is Formosa. Formosa was incorporated on 9 June 1997 as Malkaya Enterprises Sdn Bhd and subsequently changed its name to Formosa Shyen Horng Metal Sdn Bhd on 2 January 1998. Brief information on Formosa is set out below:-

Subsidiary	Date of incorporation in Malaysia	Issued and paid-up share capital (RM)	Effective equity interest (%)	Principal activity
Formosa	9 June 1997	1,250,000	100	Manufacturing and marketing of aluminium billets

4.1.2 Group Structure

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



4.1.3 Share Capital And Changes In Share Capital

The present authorised share capital of A-Rank is RM100,000,000 comprising 200,000,000 Shares. The existing issued and paid-up share capital of A-Rank is RM38,000,000 comprising 76,000,000 Shares.

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)
07.11.2003	2	1.00	Subscribers' shares	2
09.07.2004	2	0.50	2 for 1 share split	2
10.03.2005	51,939,996	0.50	Acquisition	25,970,000
28.03.2005	24,060,000	0.50	Rights issue	38,000,000

Upon completion of the Listing Scheme, the enlarged issued and paid-up share capital of A-Rank will be RM40,000,000 comprising 80,000,000 Shares.

4. INFORMATION ON THE GROUP (Cont'd)**4.1.4 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 A-Rank on the Second Board of Bursa Securities, the Company undertook the Listing Scheme which involved the following:-

(a) Acquisition of Formosa

On 10 March 2005, A-Rank completed the acquisition of the entire issued and paid-up share capital of Formosa comprising 1,250,000 ordinary shares of RM1.00 each for a purchase consideration of RM25,978,559 satisfied by the issuance of 51,939,996 new Shares in A-Rank at an issue price of approximately RM0.5002 per Share.

The purchase consideration for the Acquisition was arrived at based on the audited NTA of Formosa as at 31 July 2004 of RM25,978,559.

The shareholdings of the Vendors in Formosa after the Acquisition are as follows:-

Vendors of Formosa	No. of ordinary shares in Formosa	Equity interest (%)	Purchase consideration (RM)	No. of new A-Rank Shares issued
ARGSB	570,000	45.60	11,846,222	23,684,636
TWL	130,000	10.40	2,701,770	5,401,760
RNSB	237,500	19.00	4,935,926	9,868,600
CHJ	150,000	12.00	3,117,427	6,232,800
LCC	75,000	6.00	1,558,714	3,116,400
LHT	75,000	6.00	1,558,714	3,116,400
RBSB	12,500	1.00	259,786	519,400
Total	1,250,000	100.00	25,978,559	51,939,996

The completion of the Acquisition resulted in the issued and paid-up share capital of A-Rank being increased from RM2 comprising 4 Shares to RM25,970,000 comprising 51,940,000 Shares.

(b) Rights Issue

Upon completion of the Acquisition, A-Rank implemented a Rights Issue of 24,060,000 new Shares at an issue price of RM0.50 per Rights Share to all the existing shareholders of A-Rank immediately after the Acquisition. The Rights Issue was undertaken on the basis of approximately 46 new A-Rank Shares for every 100 existing A-Rank Shares held after the Acquisition.

As at 31 July 2004, shareholders' advances to Formosa amounted to RM1.750 million. This was settled by A-Rank on behalf of Formosa by way of set-off against the respective portion of the required cash outlay of the affected shareholder for the Rights Issue. Hence, the net proceeds from the Rights Issue to the Company after setting-off the shareholders' advances was RM10,280,000, instead of RM12,030,000.

The Rights Issue which was completed on 28 March 2005 resulted in the issued and paid-up share capital of A-Rank being further increased from RM25,970,000 comprising 51,940,000 Shares to RM38,000,000 comprising 76,000,000 Shares.

4. INFORMATION ON THE GROUP (Cont'd)

(c) **Public Issue**

The Public Issue of 4,000,000 new Shares representing 5.00% of the enlarged issued and paid-up share capital of A-Rank at an issue price of RM1.00 per Share are payable in full upon application by the Malaysian Public via balloting, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions subject to the terms and conditions as set out in this Prospectus.

(d) **Offer For Sale**

The Offer For Sale of 16,600,000 Shares at an offer price of RM1.00 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: -

(i) ***Malaysian Public via Balloting***

2,000,000 Offer Shares representing 2.50% of the enlarged issued and paid-up share capital of A-Rank will be made available for application by the Malaysian Public via balloting, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions subject to the terms and conditions as set out in this Prospectus.

(ii) ***Selected Investors via Placement***

3,900,000 Offer Shares will be placed out to selected investors who have been identified.

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

1,900,000 Offer Shares representing 2.38% of the enlarged issued and paid-up share capital of A-Rank will be reserved for eligible employees and Directors of the Group (*comprising eighty-eight (88) eligible employees and Directors who are allocated an aggregate of 1,497,000 Offer Shares*) and/or business associates of the Group (*comprising twelve (12) selected domestic customers who have a business relationship with the Group for at least one(1) year who are allocated an aggregate of 403,000 Offer Shares*).

The portion of the Offer Shares that has been allocated to eighty-eight (88) eligible employees, and Directors of the Group are based on the following criteria as approved by the Company's Board of Directors:-

- (a) At least eighteen (18) years old;
- (b) Job position; and
- (c) Length of service.

4. INFORMATION ON THE GROUP (Cont'd)

Details of the Directors' pink form allocation are as follows:-

Name of Directors	Designation	Pink form allocation (No. of Shares)
DSAJ	Non-Independent Non-Executive Chairman	100,000
TWL	Managing Director	200,000
AABA	Independent Non-Executive Director	100,000
LCW	Independent Non-Executive Director	100,000
Total allocation to Directors		500,000

(iv) Bumiputera Investors

8,800,000 Offer Shares representing 11.00% of the enlarged issued and paid-up share capital will be allocated to Bumiputera investors approved by the MITI.

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

	Public Issue Shares (No. of Shares)	Offer Shares (No. of Shares)	Total IPO Shares (No. of Shares)
(a) Malaysian Public (via balloting)	4,000,000	2,000,000	6,000,000
(b) Selected investors (via placement)	-	3,900,000	3,900,000
(c) Eligible Directors, employees and business associates of the Group	-	1,900,000	1,900,000
(d) Bumiputera investors approved by the MITI	-	8,800,000	8,800,000
Total	4,000,000	16,600,000	20,600,000

Based on the table above, all the IPO Shares available for application by the Malaysian Public and the eligible employees, Directors and/or business associates of the Group in (a) and (c) respectively have been fully underwritten. The IPO Shares in (b) and (d) are not underwritten as they have been/will be placed out to selected investors and Bumiputera investors respectively.

In the event of an under-subscription of the Malaysian Public portion of the IPO Shares in (a), the unsubscribed portion of these will be made available to selected investors via placement. Any portion of the IPO Shares which are not taken up by eligible employees and Directors of the Group and/or the business associates of the Group in (c) will be made available for application by the Malaysian Public and/or selected investors via placement. Any further IPO Shares not subscribed for will be allocated to the Underwriters.

4. INFORMATION ON THE GROUP (Cont'd)**4.2 INFORMATION ON THE SUBSIDIARY COMPANY OF A-RANK****4.2.1 Formosa****(a) Background/History**

Formosa was incorporated on 9 June 1997 in Malaysia as a private limited company under the Companies Act, 1965 as Malkaya Enterprises Sdn Bhd and subsequently changed its name to Formosa Shyen Horng Metal Sdn Bhd on 2 January 1998.

(b) Principal Activities and Products/Services

Formosa is principally involved in the manufacturing and marketing of aluminium billets. Formosa commenced operations in June 1998 with the commercial production of aluminium billets.

(c) Share Capital

The authorised share capital of Formosa is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,250,000 comprising 1,250,000 ordinary shares of RM1.00 each.

The changes in Formosa's issued and paid-up share capital since incorporation are as follows:-

Date of allotment	No. Of ordinary shares allotted	Par value	Consideration	Cumulative issued and paid-up share capital
09.06.1997	2	1.00	Subscribers' shares	2
13.07.1998	999,998	1.00	Cash	1,000,000
17.01.2004	250,000	1.00	Cash	1,250,000

(d) Substantial Shareholders

Formosa is a wholly-owned subsidiary of A-Rank.

(e) Subsidiary / Associated Companies

As at 31 March 2005, Formosa has no subsidiary or associated companies.

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4. INFORMATION ON THE GROUP (Cont'd)

4.3 BUSINESS OVERVIEW**4.3.1 History of Operations**

The A-Rank Group, through Formosa, commenced its foray into the aluminium manufacturing industry with the construction of its remelt plant in February 1998 on a 0.87-acre site in Beranang, Selangor. The plant was completed and equipment installed towards end of May 1998. Commercial production of aluminium billets commenced in June 1998.

The strength and the success of the Group is drawn from the founders of Formosa, namely, TWL, CHJ and LCC who have an average of about 19 years of experience in the aluminium industry. Together, their experience and in-depth knowledge of the aluminium industry have provided a platform to develop a strong business foundation which is critical to sustain the future growth of the Group.

TWL, with over 18 years of experience in the aluminium industry himself, has been instrumental in the success, growth and development of the A-Rank Group in maximizing the revenue and profitability from both existing clients and potential clients as well as to expand on business opportunities. As the Managing Director of the Group, he is in charge of the overall operations of the Group and is responsible for the setting up of the business operation and formulating strategies for the expansion of the Group. In addition, TWL also heads the sales and marketing team and has developed a diverse business network. The stable and diverse customer base is a strong reflection of the Group's dedication to marketing and cultivating a loyal customer base.

CHJ and LCC are not involved in the management of the Group. Their wealth of experience and expertise in the Taiwanese aluminium industry had contributed to the Group in terms of various technical aspects of the production process as well as marketing strategies.

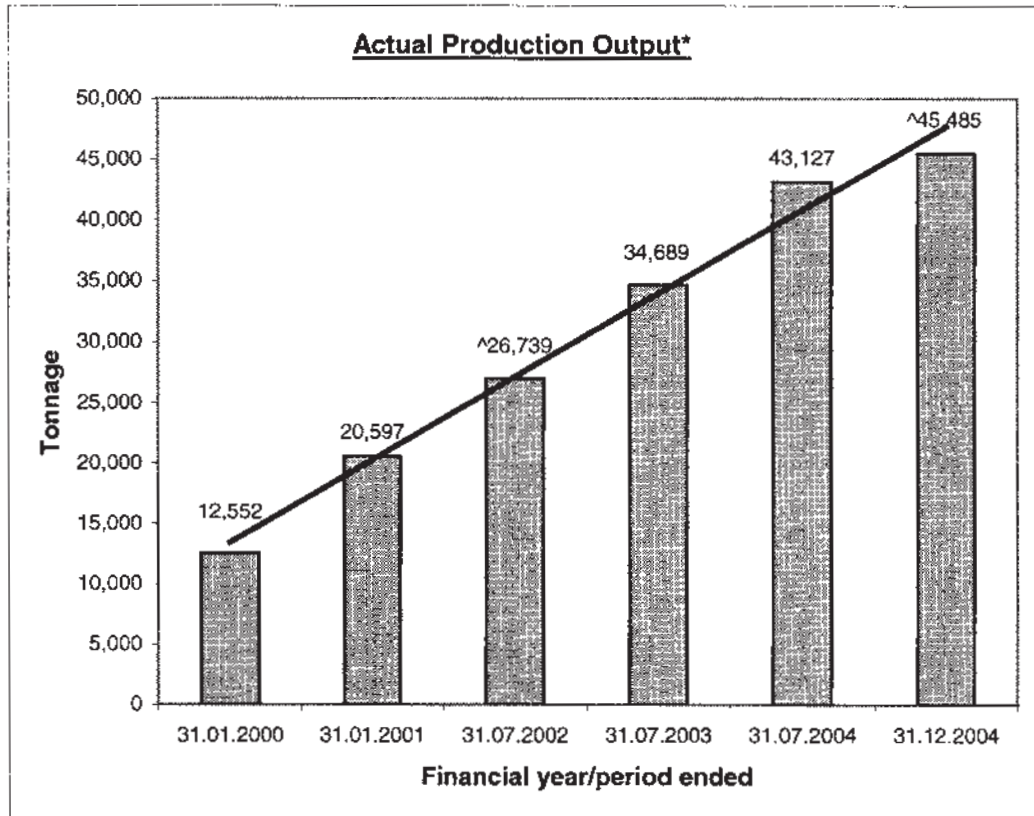
As part of the Group's expansion plans, Formosa first ventured into the export market in 1999. Since then, the export market has grown for the Group's products. For the five (5)-month period ended 31 December 2004, exports constituted approximately 22% of total Group revenue (*this does not include the sale of billets to customers in Bangladesh via an agent in Malaysia which amounted to RM4.902 million representing 9.51% of the Group's total revenue for the same period up to 31 December 2004*). The Group's primary export markets presently include Vietnam, USA, China, Singapore and Thailand. The Group intends to further expand its international clientele.

In line with the Group's emphasis on quality, Formosa achieved the ISO 9001:2000 Certification on 10 October 2003 and the BS EN ISO 9001:2000 Certification on 28 November 2003 certified by Moody International Certification (Malaysia) Sdn Bhd and Moody International Certification Limited respectively.

Since commencing operations in 1998, the Group has via its subsidiary company, Formosa, established itself as a major manufacturer of aluminium billets in Malaysia recording consistent growth in revenue from only RM3.3 million for the financial year ended 31 January 1999 to RM121.1 million for the financial year ended 31 July 2004 (*and RM51.6 million for the five (5)-month period ended 31 December 2004*). This consistent growth is achieved on the back of the increase in its installed annual production capacity of 12,000 tonnes as at 31 January 1999 to 72,000 tonnes as at 31 July 2004.

4. INFORMATION ON THE GROUP (Cont'd)

The Group's growth in actual production output over the years is illustrated below:-



Notes:-

* As at the end of the financial year/period ended.

^ The production output of 40,108 tonnes for the eighteen(18)-month period ended 31 July 2002 and 18,952 tonnes for the five(5)-month period ended 31 December 2004 respectively have been annualised to twelve(12) months to be comparable with other financial year ends.

The Group's present installed production capacity of 72,000 tonnes per annum is based on its existing manufacturing facility and installed equipment as at 31 March 2005 which comprises, *inter-alia*, the following:-

Production facilities	No. of units
Total land area measuring 6.26 acres	
Melting furnaces complete with heat regenerating burner systems (<i>to enhance energy conservation and increase productivity by recycling heat from the furnace itself</i>) each with a 25-tonnes per load operating capacity	4
Casting pits with depths that are able to accommodate billets measuring up to 6.3m in length	3
Fully automatic vertical direct-chilled hydraulic control casting equipment each with an operating capacity of 20 tonnes per casting drop	2
Vertical hot-top direct-chilled casting equipment with an operating capacity of 10 tonnes per casting drop	1
Homogenising furnaces each with a capacity of 35 tonnes per load and an operating capacity of 33,600 tonnes per annum (<i>to improve the quality of its billets and meet the stringent requirements of its customers</i>)	2
Air cooling booth	1
Automatic billet sawing machines	5

4. INFORMATION ON THE GROUP (Cont'd)

In addition to the above, the Group is currently embarking on an expansion plan which entails the construction of another remelt plant on two(2) of its existing land as set out below:-

Details	Description	Status as at 31 March 2005	Estimated cost (RM'000)
1. Construction of new remelt plant	The new factory premises to be situated on Lots 2-36 & 2-36(A) Mukim Beranang, Daerah Ulu Langat, Selangor will have a built-up area of approximately 4,060 m ²	Groundworks commenced in December 2004	4,500
2. Acquisition & installation of plant and machinery	Melting and holding furnaces and other ancillary equipment primarily comprising a furnace charger, a vertical casting machine, an overhead crane, forklifts, a sawing machine and cooling tower	Receiving various components on an on-going basis for installation and full scale operation by July 2005	12,949
TOTAL			17,449

The new remelt plant is expected to further increase the Group's installed production capacity of aluminium billets by an additional 3,000 tonnes per month or 36,000 tonnes per annum. The equipment installed at the new plant employs the latest advances in technology and will enable the Group to further improve the quality of its products and meet the increasing sophistication of customer requirements.

Below sets out the details of some of the new equipment and the technology that would be employed in the new remelt plant:-

	Existing remelt plant	New remelt plant
<u>Melting furnace</u>		
Quantity/capacity	Four(4) units of melting furnaces each with an operating capacity of 25 tonnes per load.	Two(2) units of melting furnaces each with an operating capacity of 28 tonnes per load.
Technology employed	Melting furnaces are equipped with regenerating burners and diesel fuel as sources of energy.	Melting furnaces are equipped with regenerating burners and natural gas fuel as a source of energy. Advantages of using natural gas compared to diesel fuel are as follows:- (i) higher burning calories; (ii) clean and environmental friendly; and (iii) cost effective.
<u>Holding furnace</u>		
Quantity/capacity	No holding furnace. Aluminium billets are cast out directly from melting furnaces.	One(1) unit holding furnace with an operating capacity of 30 tonnes per load.
Technology employed	Not applicable.	The holding furnace allows alloy regulating works (to control the mix of elements in the molten alloy) to be carried out without interrupting the process in the melting furnace. In addition, the tilting feature and hydraulic system will enable the safe transfer of the molten aluminium at a consistent volume into the launder system leading to the casting machine.

4. INFORMATION ON THE GROUP (Cont'd)

	Existing remelt plant	New remelt plant
<u>Casting equipment</u>		
Quantity/capacity	Two(2) units of fully automated vertical direct-chilled machine each with an operating capacity of 20 tonnes per casting drop and one(1) unit of vertical hot-top direct-chilled casting equipment with an operating capacity of 10 tonnes per casting drop.	One(1) unit of fully automated vertical direct-chilled hydraulic-controlled casting machine with an operating capacity of 23 tonnes per casting drop.
Technology employed	Uses hot-top mould system.	Uses the Wagstaff(TM) Airslip(TM) billet casting technology or "air pressurised method" equipped with air cushion to restrict the metal contact with the mould wall (<i>friction free</i>), hence resulting in very little heat transferred through the mould wall. Billets that are produced from this technology are of high quality, possess very thin outer shell in the solidifying process, are uniformly-grained with excellent surface smoothness and with an improved metallurgical microstructure, all of which translates to improved efficiency in the extrusion process and cause less wear on the extrusion moulds.

The construction of the new remelt plant is expected to be completed by June 2005 and testing and commissioning will follow immediately thereafter. The Directors anticipate the new remelt plant to commence full-scale operations by July 2005.

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4. INFORMATION ON THE GROUP (Cont'd)

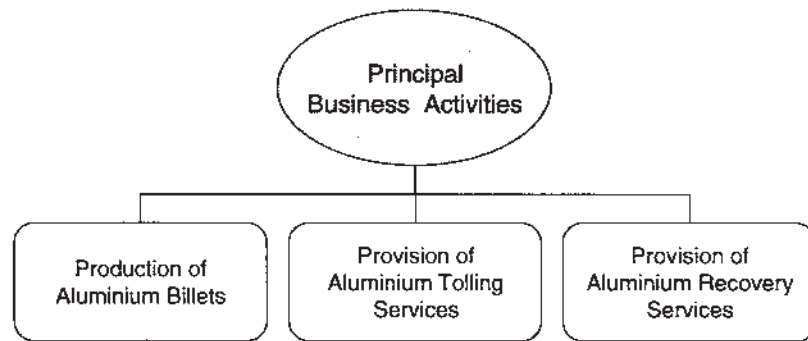
4.3.2 Types of Products and Services

The Group is principally involved in the manufacturing and marketing of aluminium billets which are cylindrical pieces of aluminium alloy, formed through the casting process. The Group's principal products are manufactured from smelting of cold metal i.e. primary aluminium ingots and to a lesser extent from aluminium scrap. The A-Rank Group's remelt plant and head office is located in Taman Perindustrian Mahkota, Beranang, Selangor Darul Ehsan.

The principal business activities of the A-Rank Group comprise the following:-

- (i) Production of aluminium billets from primary aluminium ingots and aluminium scrap;
- (ii) Provision of tolling services by converting primary aluminium ingots into aluminium billets; and
- (iii) Provision of recovery services by converting aluminium scrap into aluminium billets.

The principal business activities of the A-Rank Group may be illustrated in the figure below:-



Briefly, primary aluminium ingots and aluminium scrap form the primary raw materials in the production of aluminium billets. Primary aluminium ingots are cast in smelting plants where aluminium ore, most commonly in the form of bauxite, is refined into aluminium oxide trihydrate (alumina) and then electrolytically reduced into metallic aluminium through the Hall-Heroult Process. Aluminium scrap, on the other hand, takes several forms ranging from everyday household items such as aluminium foil and sheets to window frames, garden furniture as well as scrap from extrusion plants and power line wires etc.

The tolling services provided by the A-Rank Group entail the conversion of primary aluminium ingots into aluminium billets. These primary aluminium ingots are owned and normally provided by the customer, and the converted aluminium billets are then returned to the original customer. The customers are charged a fee for the tolling services provided.

The recovery services involve the process of remelting and refining of aluminium scrap, supplied by aluminium extruders themselves, into aluminium billets. The aluminium scrap generated during the extrusion process is typically the unused or excess tail-ends of aluminium billets. This is considered a by-product of the aluminium extrusion process. As aluminium extruders do not generally operate a remelt plant, the A-Rank Group provides a valuable service to these extruders by converting these aluminium by-products into aluminium billets for re-use.

4. INFORMATION ON THE GROUP (Cont'd)**Production of Aluminium Billets**

Aluminium billets are the primary raw material for aluminium extrusions to produce various extruded profiles and shapes before undergoing further downstream processes to become final end-products. Aluminium products have a broad spectrum of application including building and construction, electrical and electronic, machinery and equipment, transportation, engineering, furniture, aviation industry, consumer products etc. Hence, aluminium billets have many types of alloys depending on its application or end-use industry. The general overview of the aluminium classifications or systems is as follows:-

Aluminium alloy classification	Properties	General application
1XXX <i>(or commercially pure aluminium)</i>	Excellent corrosion resistance, high thermal and electrical conductivity, low mechanical properties and excellent workability.	Electrical and chemical fields.
2XXX	Superior high temperature strength, excellent weldability, stress corrosion and fracture toughness. Also exhibits good chipping and cutting characteristics which are a necessity for high speed production of screw machine parts.	Some aerospace forgings , wide spread applications in the aircraft industry and high speed production of screw machine parts.
3XXX	Desirable combinations of strength, formability and corrosion resistance.	Building and automotive sectors.
4XXX	Exhibits good joining characteristics if possesses a uniform and fine initial wrought structure.	Architectural applications, forged pistons, welding and brazing filler materials.
5XXX	Corrosion resistance and superior strength.	Extensive use in the aerospace, shipbuilding, transport and forged components industries. Also use in engineering structures, pressure vessels and chemical plants.
6XXX	Good corrosion resistance, surface finish, formability and medium strength.	Decorative architectural sections, transportation and structural applications
7XXX	Very high strength.	Large forgings or as extruded sections, and their applications arise where a combination of high strength and low mass is required such as in the aerospace and transportation industry.

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4. INFORMATION ON THE GROUP (Cont'd)

The Group manufactures aluminium billets primarily of the 1XXX series and 6XXX series which has wide applications as follows:-

Aluminium alloy classification	Characteristics	Applications
6061	Mainly used in applications that require joining to other types of materials with good acceptance of applied coatings. Combines relatively high strength, good workability and high resistance to corrosion.	Aircraft fittings, camera lens mounts, couplings, marine fittings and hardware, electrical fittings and connectors, decorative or miscellaneous hardware, hinge pins, magneto parts, bike frames and others
6063	Mainly used in the building industry for applications that require strength, design flexibility and anti-corrosive properties.	Glazing bars and window frames, windscreen sections
6082	Mainly used in applications that require medium strength. Suitable for machining but not suitable for anodising.	Automotive body work, railroad car body work, marine structures
1100	Mainly used in applications that require corrosion resistance, high thermal and electrical conductivity, low-density properties and workability.	Nameplates, trimmings and decorative panels, food and pharmaceutical packaging

(Source: Business Overview of A-Rank Group prepared by Vital Factor)

Notwithstanding the above, the Group continues to expand its focus in manufacturing the 6063 as it is considered the most versatile with the widest acceptability and applications.

The Group produces aluminium billets in diameters measuring 3", 3½", 4", 4½", 5", 6", 7" and 8". They are usually cut into standard lengths of 5.8m but also other lengths depending on customers' specifications.

The ability of the A-Rank Group to offer a wide range of diameter sizes of aluminium billets provides significant competitive advantage for the following reasons:-

- The high capital costs of having various size moulds and casting equipment to obtain different diameters of aluminium billets create a barrier for competitors to offer a wide range of diameter size options;
- It allows the A-Rank Group to service a wider spectrum of customers to provide business growth; and
- It provides a convenient one-stop aluminium billet centre, thus increasing customer loyalty.

The main metals/elements added during the manufacturing of aluminium billets are magnesium and silicon. However, depending on the usage and applications of customers, the Group can also customise its aluminium billets by varying the content of the metal elements to achieve different properties and characteristics.

4. INFORMATION ON THE GROUP (Cont'd)

Presently, Malaysian extruders purchase their aluminium billets from overseas manufacturers or from remelt plants such as those operated by the Group. Prior to the existence of remelt plants (*such as those of the A-Rank Group*) in Malaysia, aluminium billets were either imported or cast in-house by aluminium extruders themselves. The process of casting billets in-house was generally inefficient not only in terms of resource utilisation but also in terms of production output. The aluminium billets produced from this process were generally of poor grade due to a lack of emphasis on quality or due to infrastructural constraints. Production costs were also high while yield was low when antiquated technology was employed. In view of this, the Group provides a valuable service to its customers and industry by improving production efficiency and a defined cost structure for not only local but also regional aluminium extrusion manufacturers.

Tolling Services

Apart from production of aluminium billets, the Group also generates revenue by providing tolling services to its local customers. The tolling services provided by the A-Rank Group entail the conversion of primary aluminium ingots into aluminium billets. These primary aluminium ingots are owned and normally provided by the customer, and the converted aluminium billets are then returned to the original customer. The customers are charged a fee for the tolling services provided.

Recovery Services

The recovery services involves the process of remelting and refining of aluminium scrap supplied by aluminium extruders themselves into aluminium billets. The aluminium scrap generated during the extrusion process are typically the unused or excess tail-ends of aluminium billets. Recovery services accord higher margins to the Group since the raw materials are provided directly by the extruders and require minimal adjustment to the alloy mix. Local extruders also benefit from this service as they are able to avoid wastage and re-capture a higher value for its aluminium scrap compared to selling it to scrap collectors.

Revenue Contribution by Product / Service

The revenue contributions from the Group's production of aluminium billets and tolling and recovery services, for the two(2) financial years ended 31 January 2000 and 2001, the financial period ended 31 July 2002, the two(2) financial years ended 31 July 2003 and 2004 as well as the five (5)-month period ended 31 December 2004 are as follows:-

Financial year / period ended	31.01.2000		31.01.2001		Eighteen (18) months ended 31.07.2002		31.07.2003		31.07.2004		Five (5) months ended 31.12.2004	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Sales of billets	12,768	70	21,986	69	56,833	77	75,049	86	105,799	87	43,762	85
Tolling and recovery services	5,414	30	9,924	31	17,080	23	12,022	14	15,329	13	7,803	15
TOTAL	18,182	100	31,910	100	73,913	100	87,071	100	121,128	100	51,565	100

4. INFORMATION ON THE GROUP (Cont'd)**Revenue Contribution by Local / Export Markets**

The revenue contributions from the Group's local and export markets for the two(2) financial years ended 31 January 2000 and 2001, the financial period ended 31 July 2002, and the two(2) financial years ended 31 July 2003 and 2004 as well as the five (5)-month period ended 31 December 2004 are as follows:-

Financial year / period ended	31.01.2000		31.01.2001		Eighteen (18) months ended 31.07.2002		31.07.2003		31.07.2004		Five (5) months ended 31.12.2004	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Local	17,906	98	30,865	97	71,615	97	76,867	88	92,215	76	*40,089	78
Export	276	2	1,045	3	2,298	3	10,204	12	28,913	24	11,476	22
TOTAL	18,182	100	31,910	100	73,913	100	87,071	100	121,128	100	51,565	100

Note:-

* This includes sale of billets (amounting to RM4.902 million or 9.51% of the Group's total revenue) to customers in Bangladesh via an agent in Malaysia.

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4. INFORMATION ON THE GROUP (Cont'd)**4.3.3 Technology Used / To Be Used**

The technology employed by the Group is embedded in the features of the machineries utilised as these machineries, to a large extent, determine the end quality of the aluminium billets produced. However, the technology employed may be categorised as follows:-

- Remelting technology;
- Casting technology; and
- Homogenising technology.

Remelting Technology

In the aluminium remelting process employed by the A-Rank Group, 99.7% pure aluminium in the form of ingots or sows are mixed with aluminium scrap and subsequently melted in a furnace for the production of aluminium billets.

The remelting process also involves the addition of other elements and compounds such as silicon, magnesium and titanium boron to the molten aluminium through a precisely controlled process of de-gassing, ceramic filtering, and composition analysis before being cast into alloy aluminium billets. While aluminium is sometimes used in its pure form, most applications involve the addition of small quantities of other metals to create alloys with specific properties. Alloying elements will increase strength or corrosion resistance, while others enhance such properties as machinability, ductility and weldability.

During the remelting process, several samples of the molten aluminium are taken at different stages of the process and are analysed using the Optical Emission Spectrometer to ensure that correct alloying and composition of the molten metal mixture is achieved.

Casting Technology

After final analysis of the exact content of the molten aluminium during the remelting process, the molten aluminium alloy is cast into billets using the direct-chill continuous casting method.

In the continuous casting process, molten aluminium is poured from the furnace through a troughing or drainage system and a ceramic filtering system into a mould table. The molten aluminium then flows through the mould heads into multiple cylindrical billet casting moulds located below the mould table.

When the molten metal fills the cylindrical moulds, water jets, which are built into the moulds, spray water onto the billets to cool the surface and further solidify the metal in the mould.

Automated control systems are used to control the mould cooling water flow rates, casting speed and other critical parameters through the entire billet casting process. The control system is also used for process data tracking and trending.

Homogenisation Technology

As cast aluminium alloys tend to have non-uniform microstructures, the billets are reheated in a homogenising furnace at approximately 580°C (*with a variation of $\pm 5^\circ\text{C}$*) to remove any segregation and to obtain a homogenous composition throughout the aluminium alloy.

This homogenising process modifies the cast structure of the billets that can affect subsequent processing. The properties of the billets are altered during this process of heating for several hours at the required temperature range.

4. INFORMATION ON THE GROUP (Cont'd)

Proper control of this process is critical as the quality of the aluminium that is treated in the homogenising furnace is dependent on efficient and reliable operations of the homogenising furnace.

(Source: Business Overview of A-Rank Group prepared by Vital Factor)

In addition, the Group will also be employing the latest advances in technology for the production of aluminium billets in its new remelt plant. Please refer to Section 2.7(i) of this Prospectus for further information on the technology to be employed in the Group's new remelt plant.

4.3.4 On-Going Research And Development ("R&D")

Policies of R&D

The aluminium industry has evolved over the past 100 years from the limited production of alloys and products to the high volume manufacture of a wide variety of products. Over the years, much of the R&D and innovations in the aluminium industry were carried out by giant corporations like Alcoa Inc, U.S.A. who has both the financial and technical resources for such activities. Today, much of the R&D activities on aluminium continue to be driven by these major producers.

As the Group is involved in activities relating to only aluminium billet production, tolling and recovery services, the R&D activities undertaken by the Group are focused on the following areas:-

- Improvements in processes and product quality; and
- Product extension.

Following the above, total R&D expenditure accounted for less than 0.5% of the Group's total revenue over each of the past three(3) financial years/period ended 31 July 2004 and the five (5)-month period ended 31 December 2004, as follows:-

	Eighteen (18) months ended 31.07.2002	31.07.2003	31.07.2004	Five (5) months ended 31.12.2004
R&D capital expenses (RM'000)	-	223	12	-
R&D operating expenses (RM'000)	35	48	77	34
TOTAL R&D expenses (RM'000)	35	271	89	34
Total R&D expenses as a proportion of the Group's total revenue (%)	0.05	0.31	0.07	0.07

Facilities and Personnel

A-Rank has in-house facilities to undertake R&D to test products. Some of the R&D testing equipment and its functions include the following:-

- Optical Emission Spectrometer, which is to test samples of molten and solidified aluminium to ensure compliance to standards;
- Optical microscope to analyse the microstructure of the solidified aluminium;
- Mounting press machine ("**Mounting Press Machine**") to prepare the sample to analyse the microstructure of the solidified aluminium;
- Ultrasonic machine ("**Ultrasonic Machine**") to identify if there are internal cracks within the billets; and

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

- Vacuum test machine ("**Vacuum Test Machine**") is a vacuum gas analyser to monitor the hydrogen level in molten aluminium, by solidifying a molten aluminium sample inside a reduced pressure chamber. Subsequently a solidified sample is cut into two pieces to determine the level of porosity.

The A-Rank Group has two(2) engineer who is assisted by two(2) technical personnel focusing on quality assurance who are involved in R&D activities.

Improvements in Processes and Product Quality

The A-Rank Group undertakes on-going R&D to improve the production processes to achieve a higher recovery rate.

Currently the Group is able to achieve a high recovery rate of 97% from aluminium scrap for recovery services. This is achieved by pre-selection of the scrap raw material before it is used in the remelting process.

The R&D department is also fully equipped with the necessary electronic equipment such as optical and electron microscopes and Optical Emission Spectrometers to test samples of molten and solidified aluminium to ensure compliance to standards and provide information on composition of alloys and grain structure, solute and intermetallic particle constitution and distribution within the microstructure at locations across the diameter of a billet. It has compiled a database of information on aluminium extrusion alloys over the years to support on-going and future product development as well as improvements in processes.

The R&D department also works closely with the production department and the marketing units and continuously seeks feedback on the quality, usage and specifications of the Group's products. This will enable the Group to implement further improvements especially in optimising the alloy composition in the production process and also in casting practices to enhance casting recoveries.

To further enhance on the improvements in product quality, some of the other final quality testing activities undertaken by the Group include the use of the Mounting Press Machine, Ultrasonic Machine and Vacuum Test Machine.

Additional Series of Aluminium Billets

A-Rank Group proposes to undertake R&D to extend its current range of products by producing different series of aluminium billets such as the 3XXX and 7XXX series of aluminium billets for other usage and applications. The 3XXX and 7XXX series of aluminium billets are primarily used for applications in the automotive industry.

Manganese is the major alloying element contained in the 3XXX series aluminium billet. Characteristics of this type of aluminium billets include corrosion resistance and formability. The 7XXX series mainly comprised zinc as the principal alloying element. Sometimes other types of alloy elements are required such as magnesium and copper depending on the specifications.

4. INFORMATION ON THE GROUP (Cont'd)

The R&D for these additional series is currently on-going. The Group continuously keeps abreast of the latest developments in downstream industries by collecting and studying relevant data as well as updating itself on the latest process technology and equipment in an effort to produce quality billets with properties that meet the requirements of end-users. The extended series of aluminium billets will enable the Group to service a wider range of usage and applications including the automotive sector. Notwithstanding this, the Group plans to embark in the production of the 3XXX and 7XXX series in 2006.

Achievements In R&D

Over the years, the A-Rank Group has successfully undertaken R&D which has enabled the Group to produce the following products at consistent quality as reflected in its current portfolio of aluminium billet types:-

- 1100
- 6061
- 6063
- 6082

Each of the above types of aluminium billets has different alloy compositions depending on the applications and specifications of the customers.

Some of the R&D activities undertaken to enable the commercial production of these types of aluminium billets include formulation and testing of alloy content (*mix of different metals*); ensuring correct processes and setting of parameters, for example, temperature of furnace and homogeniser, timing of heating and cooling, methods of removal of trapped hydrogen and/or oxygen bubbles; and quality testing for in-process and final products.

Where tests show that the results are imperfect, R&D will be undertaken to further improve or refine the various processes etc. in order to achieve the final product of the desired specifications.

4.3.5 Approvals, Major Licences and Permits Obtained

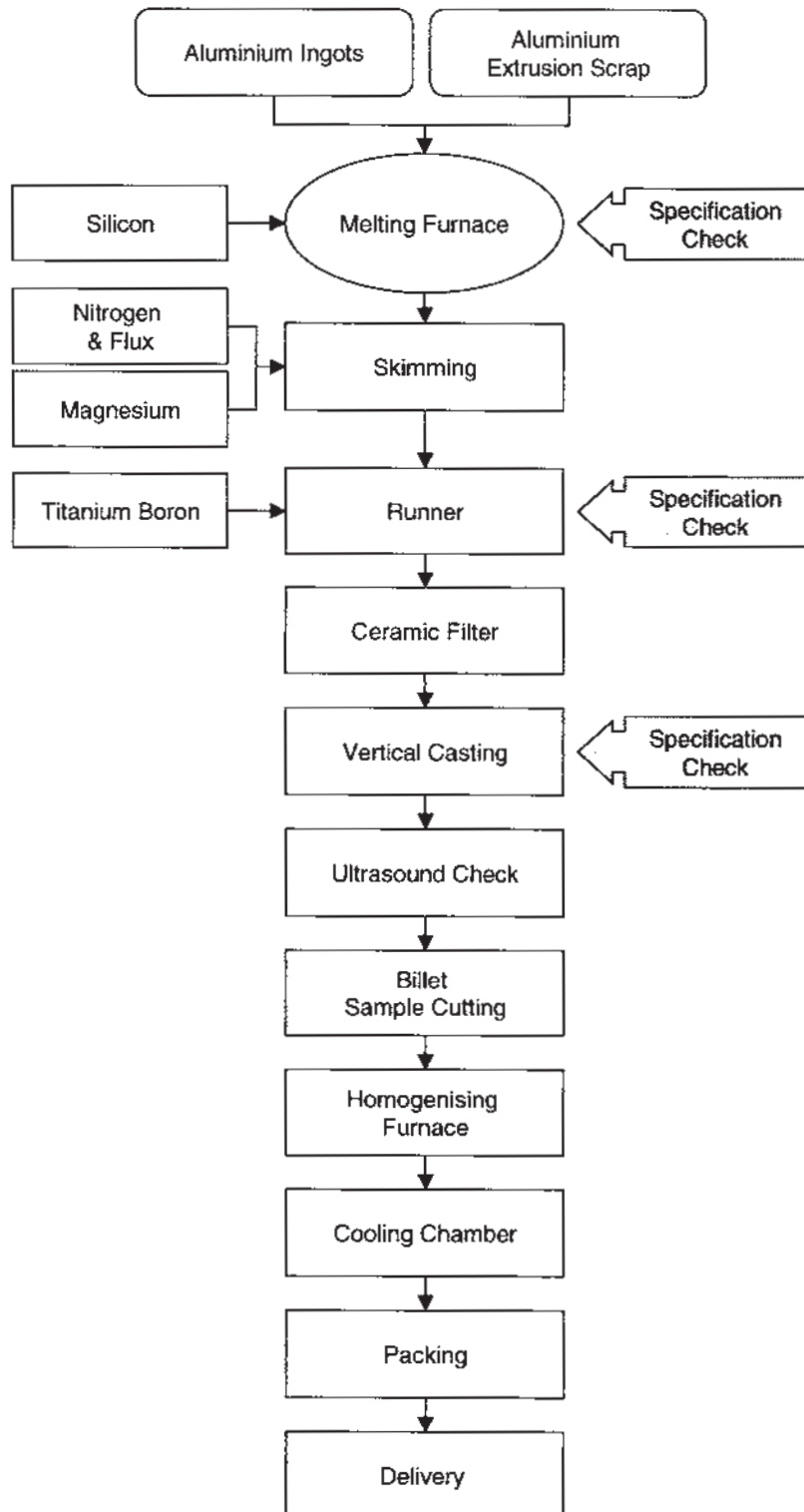
Details of the approvals obtained by the Group for the Listing from the SC, MITI and FIC together with the conditions imposed by these authorities and status of compliance are set out in Section 6.1 of this Prospectus.

The major licences and permits obtained by the Group are as follows:-

Authority	Description	Major conditions Imposed	Status of Compliance
MITI	Licence held by Formosa for manufacturing aluminium billets. (Licence No.: A013539)	1. The MITI is to be informed on the sale of any shares in the company.	Complied with.
		2. The company is to train Malaysian citizens to ensure transfer of technology and expertise is channeled to all positions.	Complied with.

4. INFORMATION ON THE GROUP (Cont'd)**4.3.6 Production process**

A schematic illustration of the manufacturing process is set out below:-



4. INFORMATION ON THE GROUP (Cont'd)

The steps for the flow for manufacturing of aluminium billets is set out below:-

- The process flow for aluminium billet casting initially starts at the melting furnace. The main raw materials are aluminium ingots, which consist of 99.7% pure aluminium, and aluminium extrusion scrap, which are introduced into the melting furnace and heated up to 730°C.
- Silicon, amongst various other elements, is also added to the molten aluminium according to customer specifications and to achieve the required grades or properties of the aluminium alloy.
- Samples of the molten metal are put in a crucible and an Optical Emission Spectrometer is used at this stage of the process to determine the specification of the alloy composition of the molten metal.
- Magnesium, which is another alloying element, is added to the molten metal.
- The mixture of molten metal then goes through a degassing and flux injection process where it is purified by introducing nitrogen and flux through the hot metal to remove hydrogen and other impurities.
- Impurities are skimmed off the surface making the molten aluminium alloy virtually free of dross, porosities, metallic inclusions, oxides and other undesirable contaminations.
- Samples of the molten metal are again analysed using the Optical Emission Spectrometer to ensure that correct alloying of the composition of the molten metal mixture. The composition of the molten metal is adjusted appropriately until the specified composition of the molten aluminium alloy passes the analysis of the spectrometer.
- Titanium boron wire is also added to the molten metal at the flowing or running stage of the process. Other alloying elements will also be added where necessary to ensure the specifications of the alloy are achieved.
- The molten aluminium alloy is then passed through a ceramic foam filter, which is pre-heated to approximately 450°C for final filtration of impurities. This is a vital process, as it will determine the quality of the billets produced in the subsequent casting process as molten aluminium contains impurities, inclusions and dross that must be removed prior to casting.
- After filtration, the molten aluminium alloy is again analysed with the Optical Emission Spectrometer to check the specification of the alloy composition.
- The molten aluminium is then allowed to flow through the casting table and pits and into the vertical billet casting mould.
- The vertical casting mould where the aluminium billet is formed is where the molten aluminium exits through the mould at a speed of 120-180 mm per minute. The billets are solidified and cooled in the casting chamber at a rate of 3,000-4000 litres of water per minute.
- Various size moulds are used to obtain different diameters of aluminium billets. The billets are then lifted or drawn from the casting pit and allowed to further cool at room temperature.

4. INFORMATION ON THE GROUP (Cont'd)

- An ultrasound machine or device is used to check for cracks or flaws which can be formed inside the aluminium billets while casting.
- The ends of each aluminium billet or log will be cut to ensure that there is physical uniformity. The billet is cut to a standard length of 5.8 m.
- A lot number is punched at the end of the aluminium billet for identification and record purposes.
- The aluminium billets are then placed into a homogenising furnace where it undergoes a controlled thermal treatment known as a homogenising process. The billets are heated up and then cooled down to achieve uniformity in the quality and the metallurgical structure of the billet.
- The aluminium billets are heated up to 450°C for the first hour and thereafter to 590°C before it is reduced to 580°C (*with a variation of $\pm 5^{\circ}\text{C}$*) where it will finally be heated for four(4) more hours. They are then put into a Cooling Chamber to cool at a rate of 250°C per hour for two hours to room temperature.
- The billets are then packed in standard lengths of 5.8 m or cut into shorter lengths according to customers' requirements and palletised for shipment or delivery.

(Source: Business Overview of A-Rank Group prepared by Vital Factor)

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4. INFORMATION ON THE GROUP (Cont'd)**4.3.7 Principal Markets for Products**

Please refer to Section 4.3.2 for the breakdown of revenue contributions for the two(2) financial years ended 31 January 2000 and 2001, the financial period ended 31 July 2002, the two(2) financial years ended 31 July 2003 and 2004 as well as the five (5)-month period ended 31 December 2004 in terms of the following:-

- (i) Sales of aluminium billets and tolling and recovery services; and
- (ii) Local and export markets.

The Group first ventured into the export market in 1999. Since then, the export market has grown for the Group's products.

The breakdown of the Group's revenue based on geographical locations and their number of years the Group has been supplying up to the five (5)-month period ended 31 December 2004 are as follows:-

Country	Length of relationship (No. of years)	Five (5)-month period ended		Type of products/services
		31 December 2004 RM ('000)	%	
Malaysia	6	* 40,089	77.75	Sales of billets, tolling and recovery services
Vietnam	2	5,901	11.44	
Thailand	1	3,998	7.75	Sales of billets
USA	<1	596	1.15	
China	3	364	0.71	
Singapore	5	617	1.20	Recovery services
Total		51,565	100.00	

Note:-

- * This includes sale of billets (amounting to RM4.902 million or 9.51% of the Group's total revenue) to customers in Bangladesh via an agent in Malaysia.

For the financial period ended 31 December 2004, export sales to Vietnam, USA, Thailand, China and Singapore comprised approximately 22% of the Group's total revenue (this does not include the sale of billets to customers in Bangladesh via an agent in Malaysia which amounted to RM4.902 million representing 9.51% of the Group's total revenue for the same period up to 31 December 2004). The Group anticipates to further expand its export sales once its new remelt plant is fully operational in July 2005.

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4. INFORMATION ON THE GROUP (Cont'd)**4.3.8 Types, Sources and Availability of Raw Materials/Inputs**

The following are the major types of raw materials and sources of supply for the operations of the A-Rank Group for the five (5)-month period ended 31 December 2004:-

Raw materials	Value of purchases * (RM'000)	Proportion to Group purchases (%)	Source of supply	
			Local (%)	Import (%)
Primary aluminium ingots	28,396	67.4	-	100.0
Aluminium scrap	12,559	29.8	94.9	5.1
Master alloys	1,150	2.7	20.7	79.3
Total	42,105	100.0	^ 28.9	^ 71.1

Notes:-

* Excluding electricity and other consumables.

^ Computed based on the total local and import purchases respectively over the total Group purchases.

The usage of primary aluminium ingots would constitute the largest form of raw materials used in its production operations as reflected above. The next largest raw materials are aluminium scrap which accounted for 29.8% of total raw material purchases. Master alloys account for the smallest proportion of purchases.

For the five (5)-month period ended 31 December 2004, imports of raw materials accounted for 71.1% of the total purchases of raw materials of the Group. The remaining 28.9% of raw materials were locally sourced.

Primary Aluminium Ingots

The A-Rank Group purchases all of its primary aluminium ingots from overseas suppliers due to the following reasons:-

- (i) Local production is predominantly secondary aluminium ingots which are ingots that are cast from remelting and recovery of industrial aluminium scrap and other forms of aluminium alloys;
- (ii) Quality of primary aluminium ingots from local producers generally does not meet the requirements of the Group; and
- (iii) To achieve a certain level of quality, the Group requires primary aluminium ingots with the purity level of 99.7% and these are only available through imports.

The Group purchases its supply of primary aluminium ingots from Alcoa for the five (5)-month period ended 31 December 2004, which is amongst the largest in the world in terms of aluminium production.

Notwithstanding the above, as primary aluminium ingots are commodity items, there are ample sources of supply overseas and hence the threat of shortages in supply is minimised. To date, the Group has not encountered any major problems in sourcing for primary aluminium ingots as a raw material from its overseas suppliers.

Aluminium Scrap

The A-Rank Group primarily buys aluminium scrap which includes off-cuts, rejected extrusions, or end-products of aluminium extrusions as well as power line wires. By focusing on the above types of aluminium scrap, the quality of recycled material is kept high. This will help reduce the use of primary aluminium ingots to produce billets for the aluminium extrusion industry.

4. INFORMATION ON THE GROUP (Cont'd)

The A-Rank Group purchases 94.9% of its aluminium scrap from local sources and only a small portion from overseas.

To date, the Group has not encountered any major problems in sourcing for its supply of aluminium scrap.

Master Alloys

Master alloys are alloys containing at least some aluminium and one or more added elements for use in making alloying additions to molten aluminium. Master alloys such as magnesium and silicon are the metals/elements to be added during the manufacturing of aluminium billets to give the end-product certain desired characteristics for the intended application. Depending on the usage and applications of customers, the Group can also customise its aluminium billets by varying the content of the metal elements to achieve different properties and characteristics.

The Group sources approximately 20.7% of its master alloys locally whilst 79.3% are derived from overseas.

To date, the Group has not encountered any major problems in sourcing for master alloys from its suppliers.

4.3.9 Estimated Market Coverage, Position and Share

At present, there are only two(2) remelt plants in Malaysia (*including the Group*) producing aluminium billets for external sales. The estimated size of the local aluminium industry (*in terms of aluminium billets and secondary aluminium ingots*), and the A-Rank Group's share and position within this industry is as follows:-

	<u>Aluminium billets</u>	<u>Aluminium billets and secondary aluminium ingots</u>
Estimated market size in year 2004 based on local production in Malaysia	80,000 tonnes	240,000 tonnes
Estimated market share of the A-Rank Group based on local production in Malaysia	55%	18%
Estimated market ranking of the A-Rank Group based on production in terms of tonnage	First(1 st)	Second(2 nd)

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor).

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4. INFORMATION ON THE GROUP (Cont'd)**4.3.10 Quality Control Procedures**

In line with A-Rank Group's emphasis and commitment on quality, Formosa is certified with the following quality certifications:-

Certifications	Date of Certification	Certified by
ISO 9001:2000	Since 10 October 2003	Moody International Certification (Malaysia) Sdn Bhd
BS EN ISO 9001:2000	Since 28 November 2003	Moody International Certification Limited

These quality certifications provide customers with the assurance of the Group's compliance with quality management systems.

Essentially the Group adopts the following approaches to ensure that certain quality standards are maintained internally:-

- In-coming raw materials being ingots and scrap are visually inspected.
- In the remelting process, a sample of the molten aluminium is taken to the laboratory to test the composition of the aluminium alloy. This quality testing is undertaken at three different stages throughout the production process.
- A sample of the molten aluminium also undergoes a vacuum test to monitor the hydrogen level in molten aluminium, by solidifying a molten aluminium sample inside a reduced pressure chamber. Subsequently the solidified sample is cut into two pieces to determine the level of porosity.
- Once the aluminium billets have solidified, it will undergo final quality checks. This is undertaken using ultrasonic machinery to identify if there are internal cracks within the billets.
- In addition, some of the other final quality testing undertaken by the Group include:
 - Optical microscope to analyse the microstructure of the solidified aluminium; and
 - Mounting press machine to prepare the sample to analyse the microstructure of the solidified aluminium.

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

There has not been any interruption in the form of trade disputes or major operational breakdowns occurring within and outside the Group that may significantly impair the Group's business performance during the twelve(12) months prior to the date of this Prospectus.

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4. INFORMATION ON THE GROUP (Cont'd)**4.3.12 Employees**

As at 31 March 2005, there are a total of 94 employees in the A-Rank Group as illustrated below:-

<u>Category</u>	<u>No. of employees</u>	<u>Average no. of years in service</u> ^
Managerial and Professional	6	3.0
Technical and Supervisory	17	4.5
Clerical and related occupations (e.g. clerks, typist, personal secretaries, etc)	7	3.7
Factory workers		
(a) Skilled	54	2.5
(b) Unskilled	10	0.2
TOTAL	94	

Note:-

^ The Group, via Formosa, only commenced operations in 1998.

The Group believes that on-the-job training is an effective means of providing practical training for its employees. Technical knowledge, such as quality control and manufacturing procedures, is imparted through on-the-job-training where proper guidance and supervision are provided by the supervisors and the more experienced staff. In addition, to further enhance the skills and knowledge of its employees, the Group also conducts training based on various ISO programmes to improve its manufacturing and quality assurance systems. As part of its internal safety training programme, the Group also sends personnel for safety and fire evacuation training. The other training and development courses include areas such as personal advancement and skills training. Some of the previously undertaken, on-going and proposed training programmes are as follows:-

<u>Programme</u>	<u>Attendee / target audience</u>	<u>Date</u>
Safe Practice in Machine Guarding	Technicians, Supervisors and Factory Workers	29 May 2003
Internal Quality Auditing ISO9001:2000	Managers and Professionals	10 July 2004
Kaizen Re-Engineering Project	Directors, Managers and Professionals	9 July 2004 onwards and every month thereafter
Enhancing Communication and Interpersonal Skills	Managers and Professionals	3 October 2004
First Aid	Engineers, Supervisors and Factory Workers	12 December 2004
Safety Awareness	Engineers, Supervisors and Factory Workers	20 March 2005

The management of the Group is of the opinion that its dedicated, efficient and trained employees are instrumental to its success. Hence, in line with the future expansion of the Group, the management expects its working force to further increase. In addition, the management of the Group enjoys a good working relationship with the employees. As of 31 March 2005, the Group has not been involved with any industrial disputes with any of its employees.

As at 31 March 2005, there are no foreign nationals and no contractual or temporary employees employed by the A-Rank Group. The Group's employees are also not members of any labour unions.

4. INFORMATION ON THE GROUP (Cont'd)

4.3.13 Key Achievements/Milestones/Awards

As a testament to the Group's dedication towards customer satisfaction and in line with its firm commitment towards consistency in delivering products of the highest standards while maintaining the most comprehensive set of quality management control and systems at all levels of the manufacturing process, the A-Rank Group was certified with the internationally recognised ISO 9001:2000 Certification and BS EN ISO 9001:2000 Certification in October and November 2003 respectively. The Directors believe that these awards will provide further impetus to the management and employees of the A-Rank Group to strive further for continuous excellence in the future.

4.3.14 Modes of Marketing/Distributions/Sales

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

- The Group is marketed as a producer of quality aluminium billets supported by in-house quality testing facilities;
- The Group continually provides the highest quality products and establishes itself as a reliable supplier, thus creating long-term customer loyalty and dependency;
- The Group seeks to expand its market presence overseas and develop new business opportunities by working in close partnership with existing customers; and
- The Group continually strives for excellence in customer service with the aim of developing long-term business relationships.

As at 31 March 2005, the sales and marketing division primarily comprises the Managing Director, TWL, and a sales engineer, who will be focusing on cultivating new business development. The Group has also recruited a sales and marketing manager who will be focusing on sales to export markets. The sales and marketing team are also complemented by agents appointed by the Group to source for customers for its export market. Currently, the Group has appointed agents to service customers in the Thailand, Vietnam and Bangladesh/Pakistan.

The A-Rank Group adopts the following distribution channel strategies:-

(i) Direct distribution

Direct distribution, whereby the Group undertakes most of its sales and marketing activities directly with the customer, is effective primarily in the local market.

The direct distribution approach enables the Group to also work closely with its customers to evaluate and attain a better understanding of their requirements which serves as feedback for the Group to continuously improve its products and services.

(ii) Indirect distribution

In some situations, particularly for the export market, the A-Rank Group has found it to be more effective to adopt an indirect distribution approach by selling through third parties, such as agents.

The appointment of agents are particularly cost effective in building up new markets as well as creating closer ties with local customers. This enables the Group to penetrate into overseas markets without incurring significant investment costs.

4. INFORMATION ON THE GROUP (Cont'd)

The appointment of agents for the Vietnamese, Thai and Bangladeshi/Pakistani markets has proved a valuable strategy which has translated into increased orders from these markets and this trend is expected to continue.

4.3.15 Location of Production Facility**(i) Principal Assets**

The land and buildings of A-Rank Group are set out in Section 8.1.

(ii) Principal Place of Business

The principal place of business of the Group is at Lot 2-33, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan.

(iii) Production Facilities

The A-Rank Group's operations are carried out entirely by its wholly-owned subsidiary company, Formosa, at its remelt plant in Beranang, Selangor Darul Ehsan. The Group maintains its production facilities on four(4) pieces of contiguous land, the details of which are as follows:-

Registered owner	Location	Description	Approximate built-up area (m ²)
Formosa	Lot 2-32 and Lot 2-33 Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	One(1)-storey factory building and two(2)-storey office building	2,728
	Lot 2-34 and Lot 2-35 Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	One(1)-storey factory building	3,480
			6,208

4.3.16 Production / Operating Capacities and Output

The annual production capacity and output for the past five (5) financial years/period and the five (5)-month period ended 31 December 2004 of the remelt plant are as follows:-

Financial year/period ended	Eighteen(18) months ended					Five (5) months ended
	31.01.2000	31.01.2001	31.07.2002	31.07.2003	31.07.2004	31.12.2004
Production capacity (tonnes) *	18,000	27,000	54,000	48,000	^ 58,000	30,000
Production output (tonnes)	12,552	20,597	40,108	34,689	43,127	18,952
Utilisation rate (%)	69.73	76.29	74.27	72.27	74.36	63.17

Notes:-

Based on two(2) 12-hour shifts per day.

* As at the end of the financial year/period.

^ Represents the average for the financial year. Actual installed production capacity as at the end of the financial year is 72,000 tonnes.

4. INFORMATION ON THE GROUP (Cont'd)

The principal machinery and equipment of the Group is set out below:-

Machinery and equipment	No. of units
Melting furnaces complete with heat regenerating burner systems <i>(to enhance energy conservation and increase productivity by recycling heat from the furnace itself)</i> each with a 25-tonnes per load operating capacity	4
Casting pits with depths that are able to accommodate billets measuring up to 6.3m in length	3
Fully automatic vertical direct-chilled hydraulic control casting equipment each with an operating capacity of 20 tonnes per casting drop	2
Vertical hot-top direct-chilled casting equipment with an operating capacity of 10 tonnes per casting drop	1
Homogenising furnaces each with a capacity of 35 tonnes per load and an operating capacity of 33,600 tonnes per annum <i>(to improve the quality of its billets and meet the stringent requirements of its customers)</i>	2
Air cooling booth	1
Automatic billet sawing machines	5

As at 31 December 2004, the Group's cost of investment for the above machinery and equipment was RM16.159 million.

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4. INFORMATION ON THE GROUP (Cont'd)**4.4 INDUSTRY OVERVIEW****4.4.1 Malaysian Economy in 2004**

With the more robust growth in global trade and domestic demand, the momentum of economic growth in Malaysia, which began in the second half of 2003, gathered pace in 2004. Real gross domestic product (GDP) increased by 7.1% in 2004 (2003: 5.3%), the fastest growth since 2000. The economy benefited from the rapid growth of global trade in manufactures and higher prices for primary commodities. Although global growth moderated somewhat in the second half of the year, the Malaysian economy remained resilient with stronger domestic demand providing the impetus for sustained expansion.

The improvement in the economy was reflected by positive growth across all sectors except construction. The main drivers of growth were the manufacturing, services and primary commodities sectors. Value added in the manufacturing sector expanded strongly by 9.8%, as output growth in both export- and domestic-oriented industries reflected stronger external and domestic demand for manufactured goods. The services sector recorded a stronger expansion of 6.7% in 2004. The growth was driven mainly by higher consumer spending amidst rising disposable incomes, higher tourist arrivals and increased trade-related activities spurred by the buoyant export performance.

With policy orientation supportive of private sector activity and with the improved economic conditions, the private sector contributed 6.2 percentage points to economic expansion. Private consumption expanded strongly by 10.1% in 2004 as consumer confidence was restored following the events of early 2003, including the Severe Acute Respiratory Syndrome (SARS) outbreak. Growth in private investment, which had turned around in the second half of 2003, accelerated to 15.8% in 2004 as business confidence strengthened further. Public sector expenditure was less expansionary on growth as the Federal Government continued with its policy of fiscal consolidation, lowering the fiscal deficit to 4.3% of GDP in 2004 (2003: -5.3%).

The overall balance of payments strengthened in 2004, reflecting the more buoyant external demand underpinned by the stronger global growth and improved foreign investor sentiment on Malaysia. The sustained large current account surplus supplemented by higher foreign direct investment (FDI) and inflows of portfolio capital resulted in a substantial increase in international reserves of Bank Negara Malaysia. After adjusting for the errors and omissions, the overall balance of payments recorded a larger surplus of RM83.1 billion or US\$21.9 billion.

Inflation edged up slightly in 2004. The overall inflation rate, as measured by the annual change in the Consumer Price Index (CPI), was marginally higher at 1.4% (2003: 1.2%). Despite the stronger expansion in domestic demand during the year, several factors combined to ensure that price pressures were contained. The continued improvements in productivity growth, the absence of wage cost pressures, adequate expansion in capacity and a more competitive environment were factors that contributed to price stability.

(Source: Bank Negara Malaysia Report 2004)

4. INFORMATION ON THE GROUP (Cont'd)

Outlook for the Malaysian Economy in 2005

The prospects for the Malaysian economy in 2005 remain sound. Real GDP is expected to expand by 5 – 6%. The sustained global growth, the modest downturn in the global semiconductor industry as well as relatively favourable prices for primary commodities are expected to provide support to export growth.

In the domestic economy, the private sector would remain as the main driver of growth, as the Government remains committed to optimising expenditure in order to strengthen the fiscal position. In particular, private sector expenditure is projected to sustain a strong expansion of 8.7% (11.1% in 2004). Both household consumption and business outlays are projected to remain resilient, thereby cushioning some of the effects of lower public investment spending arising from the Federal Government's gradual fiscal consolidation programme.

On the supply side, growth would be supported by expansion in all sectors, except construction. The manufacturing sector, which accounts for about a third of total private sector investment, is projected to record a strong positive growth for the third consecutive year. The strongest growth in capital spending is expected in the services sector, particularly in the utilities and telecommunications sub-sectors. Growth in the services sector is projected to be sustained at 5.7%, reflecting expansion across all sub-sectors.

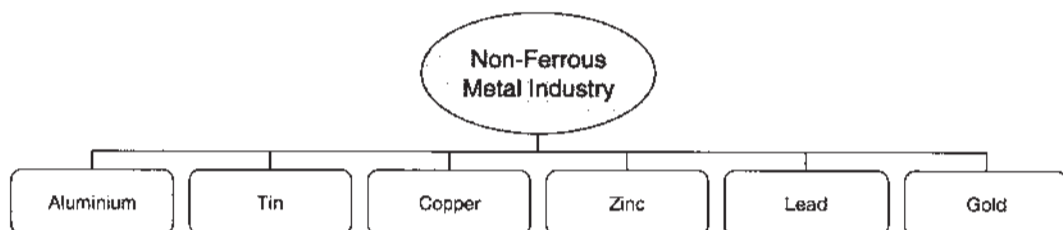
With the core inflation projected to remain low in 2005 (1.8%), monetary policy is able to remain supportive of the further expansion in private sector activities. The favourable economic growth environment will provide greater employment opportunities across most major sectors of the economy in 2005. Unemployment is, therefore, forecast to remain low at 3.5%.

(Source: Bank Negara Malaysia Report 2004)

4.4.2 Overview of the Malaysian Aluminium Billet Industry

The Non-Ferrous Metal Industry

The Non-Ferrous Metal Industry in Malaysia can be broadly classified into six main categories as follows:-



According to the Malaysian Industrial Development Authority, aluminium billets falls under the sub-sector of aluminium under the umbrella of the Non-Ferrous Metal Industry.

The Non-Ferrous Metal Industry essentially comprises aluminium, tin, copper, zinc, lead and gold products. The smelting and refining of tin metal based on indigenous ores and the manufacture of semi-fabricated aluminium and copper products using imported primary metals represent the most significant production activities within this industry.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

4. INFORMATION ON THE GROUP (Cont'd)

The Aluminium Billet Industry

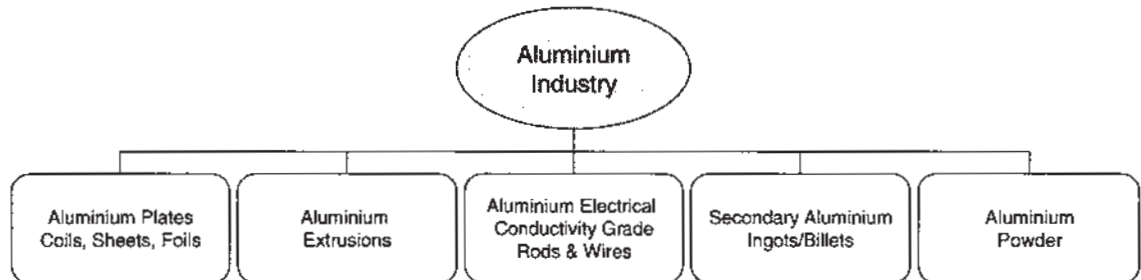
As part of the Non-Ferrous Metal Industry, aluminium billets play an important role as the main raw material used in the manufacturing of aluminium based products in Malaysia. This is reflected by the fact that local production of ingots, aluminium and aluminium alloy (including aluminium billets) amounted to RM589.1 million in 2004.

The local aluminium billet industry also plays a major role in import substitution. In 2004, import value of aluminium alloys of unwrought aluminium (including aluminium ingots and billets) amounted to RM1.0 billion.

Although most of the aluminium billets produced are for local consumption, the aluminium billet industry also contributes to the nation's foreign exchange earnings. This is reflected in the following:-

- In 2004, export value of aluminium alloys of unwrought aluminium (including aluminium ingots and billets) increased by 36.8% to reach RM308.8 million.
- As aluminium billets are used as the main raw material for extrusion of aluminium profiles and shapes, the aluminium billet industry also helps to fuel exports in the end-user industries particularly in the aluminium extrusion sector. Between 2000 and 2004, the export value of aluminium bars, rods and profiles grew at an average annual rate of 10.1%.

According to the Malaysian Industrial Development Authority, the aluminium industry is segmented into the following:-



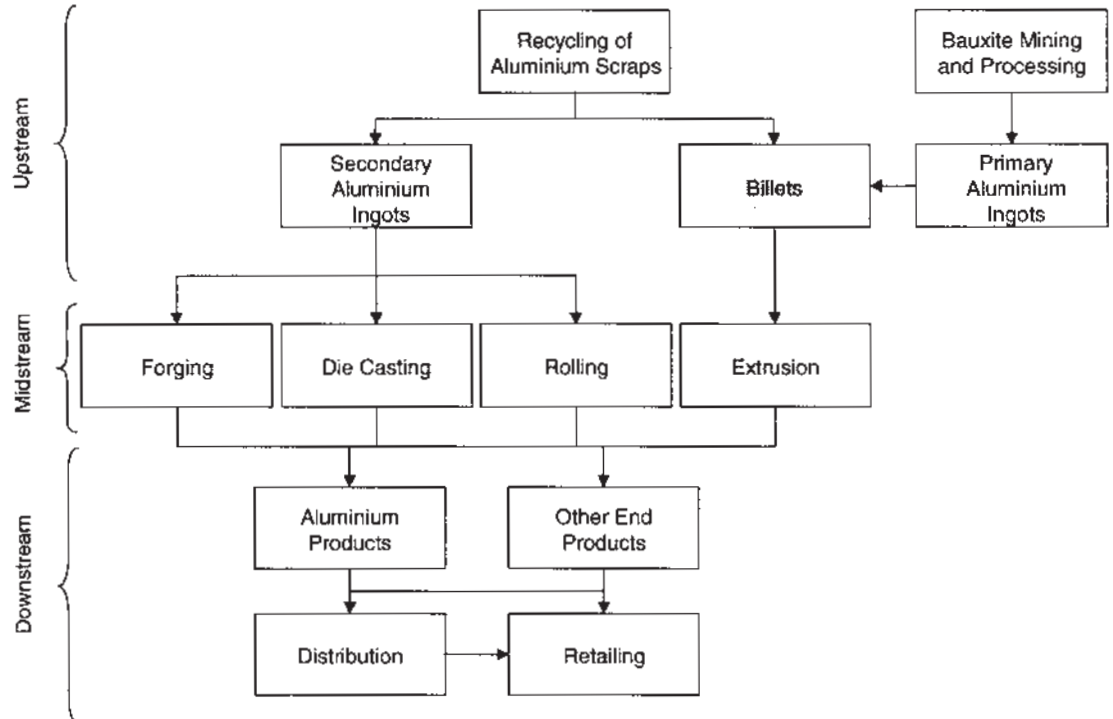
- Aluminium plates, coils, sheets and foils are the raw materials used to produce the final end-product including packaging applications.
- Aluminium extrusion is a process of heating aluminium to a high temperature of approximately 500°C and pushing it through a die at great pressure to form different shapes and profiles. Aluminium billets are the main raw materials used by extruders.
- Aluminium electrical conductivity grade wires and rods are part of the final end-products.
- Secondary aluminium ingots and aluminium billets are upstream raw materials used to produce a diverse range of aluminium-based products.
- Aluminium powder, flakes or paste are formed by blowing gas under pressure at molten aluminium. This process forms droplets of different sizes and are mainly used in explosives, rocket fuel, metallurgy, chemicals, inks and decorative materials.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

4. INFORMATION ON THE GROUP (Cont'd)

Vertical Structure of the Aluminium Industry

The aluminium billet industry can also be vertically extended to include upstream, midstream and downstream activities as follows:-



(i) Upstream Activities

- Upstream activities primarily involve the following:-
 - mining of bauxite;
 - recycling of aluminium scrap.
- The process of deriving aluminium ingots and billets is firstly from mining of bauxite. Alumina is extracted from bauxite after undergoing processing. Subsequently alumina is then reduced by electrolysis into molten aluminium (*also known as primary aluminium*), which is then cast into primary aluminium ingots for remelting into cylindrical extrusion billets or rectangular rolling slabs.
- The recycling of aluminium scrap is also used to produce secondary aluminium ingots and aluminium billets.
- In contrast to primary aluminium ingots, which comprise 99.7% of pure aluminium, secondary aluminium ingots are made from recycled aluminium scrap. Therefore, secondary aluminium ingots are of a lesser purity.
- Aluminium billets have to comply with certain quality standards in addition to meeting standardised metal alloy composition. As aluminium billets are used as raw materials for extrusion into different profiles and shapes, and thereafter the final end-product, quality is an important factor.

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

- In 2003, production of bauxite from Malaysia's two bauxite mines reached 5,975 tonnes, a decline of 86% compared to 2002.
- As at August 2004, it is estimated that there are nine producers of secondary aluminium ingots in Malaysia.
- As at August 2004, there are two producers of aluminium billets in Malaysia.
- A-Rank Group's business activities are upstream, which is principally in the production of aluminium billets.

(ii) **Midstream Activities**

- Midstream activities comprise the different processing methods for aluminium:-
 - forging;
 - die-casting;
 - rolling;
 - extrusion.
- Following are the usage and applications for the different types of processing methods:-
 - Aluminium ingots are mainly used in the casting of aluminium-based products such as engine blocks or alloy wheels or for subsequent remelting;
 - Aluminium billets are mainly used for extrusion of different types of profile and shapes;
 - Aluminium rolling slabs are either hot-rolled or cold-rolled into sheets, plates or foils for packaging applications;
 - Aluminium ingots, slabs and sheets are used for forging aluminium into shapes and sizes by heating and hammering for automotive parts.
- Extruded profiles, sheets and cast products have to undergo further processing including surface treatment, forming, joining and other downstream processing before becoming the final end-product.

(iii) **Downstream Activities**

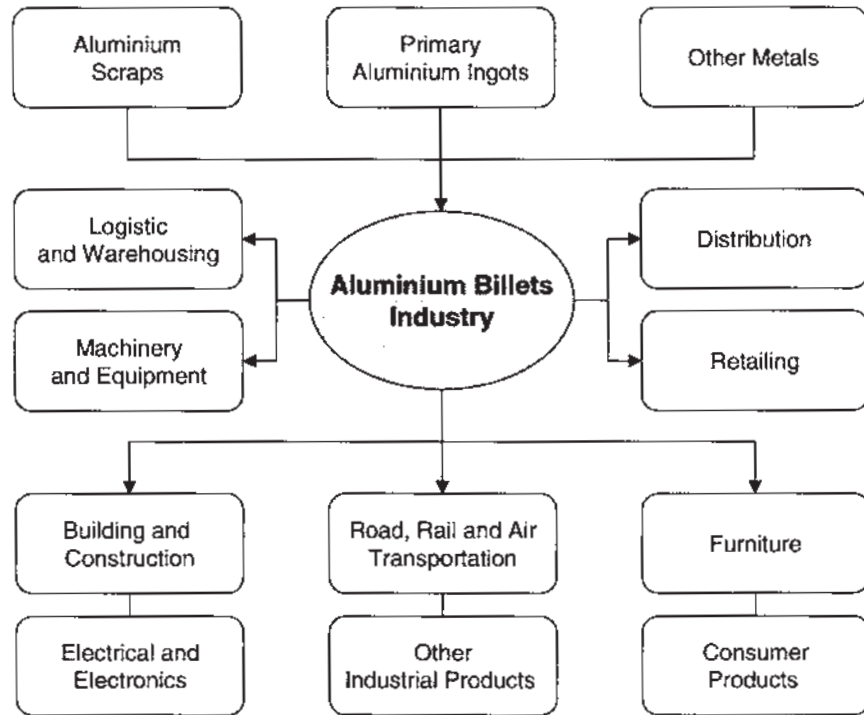
- Downstream activities use the intermediate products to manufacture end-products.
- As an example, extruded aluminium can be cut and joined to form window frames.
- In many situations, midstream manufacturers also undertake downstream activities in the manufacturing of end-products.
- Other downstream activities include distribution and retailing of midstream intermediate products and end-products.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

4. INFORMATION ON THE GROUP (Cont'd)

Industry Linkages

The aluminium billet industry has extensive linkages to its upstream, downstream and midstream activities. These linkages are depicted in the figure below:-



The wide linkages of the aluminium billet industry illustrate its critical role to many other dependent industries. In particular, many manufacturing companies are dependent on aluminium for their end-products, due to the versatility, strength, lightweight and cost-effectiveness of aluminium.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

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4. INFORMATION ON THE GROUP (Cont'd)

4.4.3 Performance of the Industry

Although most of the aluminium billets produced are for local consumption, the aluminium billet industry also contributes to the nation's foreign exchange earnings. In 2004, export value of aluminium alloys of unwrought aluminium (including aluminium ingots and billets) increased by 36.8% to reach RM308.8 million.

As aluminium billets are used as the main raw material for extrusion of aluminium profiles and shapes, the aluminium billet industry also helps to fuel exports in the end-user industries particularly in the aluminium extrusion sector. Between 2000 and 2004, export value of aluminium bars, rods and profiles grew at an average annual rate of 10.1%.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

4.4.4 Future Growth of the Industry

Some of the drivers of growth for the aluminium billet industry are:-

- **Socio-economic growth** such as Gross Domestic Product growth and population growth will increase demand for aluminium-based industrial and consumer products. This will in turn stimulate demand for aluminium billets as a raw material. In 2004, Malaysia experienced a GDP growth of 7.1%.
- **Increasing consumer affluence** in terms of an increase in Gross National Product per capita and disposable income will also contribute to the increasing usage of aluminium products and hence generate demand for aluminium billets.
- **Growth in end-user industry** sectors including, among others, building and construction, electrical and electronics, automotive, aviation, furniture, general industrial products and others sectors will inadvertently generate demand for aluminium billets.
- **Growth in export markets** will also continue to generate demand for aluminium billets.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

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4. INFORMATION ON THE GROUP (Cont'd)**4.4.5 Players and Competition****Competition**

The aluminium billet industry operates under **normal** competitive conditions.

As with most free enterprise environments, competition is based on a number of factors, including:-

- Quality products and services.
- Cost competitiveness.
- Prompt delivery schedules.
- Production capabilities and capacities.

Generally, competition among operators in the aluminium billet industry within Malaysia is **moderate**. This is based on the following observations:-

(i) Factors that increase competition

Aluminium billets are commodities. The commodity nature of aluminium billets makes it highly price competitive as there is low product differentiation.

Competition also comes from imports of aluminium billets. In 2004, the import value of aluminium alloys of unwrought aluminium (*including aluminium ingots and billets*) amounted to RM1.0 billion, an increase of 19.4% over the previous year.

In addition, the import of aluminium ingots and billets are duty free, thus contributing to the increase in competition.

(ii) Factors that moderate competition

Within the local aluminium billet industry, there are only two(2) local producers of aluminium billets in Malaysia that are for external sales. (*Note: This excludes extruders that have their own remelting plant which are mainly for internal use.*) This reduces the intensity of competition in the local market.

Barriers to entry for the production of aluminium billets are high, primarily due to the high cost of capital investment.

Although aluminium billets are commodities, local producers use the prices from the LME as the benchmark where they will place a small percentage of premium. As such, once the LME has set the benchmark price, the only scope for price competition is the size of the premium. The LME benchmark pricing of aluminium induces price competition.

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4. INFORMATION ON THE GROUP (Cont'd)

Players In The Industry

Some of the producers of aluminium ingots and billets include the following:-

(i) Operators Producing Secondary Aluminium Ingots

- . Ye Chiu Metal Smelting Berhad;
- . Hong Poh Metal Sdn Bhd;
- . Amalgamated Aluminium & Alloys Sdn Bhd;
- . Sumimetal Industries (Malaysia) Sdn Bhd;
- . JTS Engineering Sdn Bhd;
- . N-Star Metal Sdn Bhd;
- . Qubern Aluminium Recycling Sdn Bhd.

(ii) Operators Producing Aluminium Billets

- . Formosa Shyen Horng Metal Sdn Bhd (*subsidiary of A-Rank Berhad*);
- . Press Metal Berhad

(Source: *Assessment of the Aluminium Billet Industry prepared by Vital Factor*)

4.4.6 Demand and Supply

Supply Dependencies – Raw Materials

The major raw materials used in producing aluminium billets are from the following:-

- Primary and secondary aluminium ingots;
- Aluminium scrap.

(i) Primary and secondary aluminium ingots

Malaysia is predominantly an importer of primary aluminium ingots. This is reflected in the following:-

- Between 2000 and 2004, import value of aluminium alloys of unwrought aluminium (*including aluminium ingots and billets*) grew at an average annual rate of 19.4%;
- In 2004, import value of aluminium alloys of unwrought aluminium (*including aluminium ingots and billets*) increased by 85.3%, which amounted to approximately RM1.0 billion.

Local production is primarily focused on secondary aluminium ingots. As at August 2004, it is estimated that there are nine producers of secondary aluminium ingots in Malaysia.

In 2004, sales value of aluminium and aluminium alloy ingots (*including aluminium billets*) decreased marginally by 1.8% to RM589.1 million. (*Note: 2004 figures are preliminary*)

However as primary aluminium ingots is a commodity, it is easily available through imports as a source of supply. Some of the larger primary aluminium ingot producers overseas include:-

- BHP Billiton;
- Alcoa;
- Alcan;
- Comalco
- Norsk Hydro (Hydro Aluminium).

4. INFORMATION ON THE GROUP (Cont'd)

The major sources of imports for Malaysia include the following:-

- Australia;
- United Arab Emirates;
- South Africa;
- Bahrain;
- China;
- Russia;
- Italy; and
- India.

(ii) Aluminium scrap

In 2004, import value of aluminium waste and scrap registered a marginal decline of 1.5% which amounted to RM167.9 million.

Between 2000 and 2004, import value of aluminium waste and scrap grew at an average annual rate of 4.9%.

The major sources of aluminium waste and scrap imports for Malaysia include the following:-

- Philippines;
- Singapore;
- United States; and
- United Kingdom.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

Demand Dependencies

As aluminium billets are the main raw materials of aluminium-based products, it is used in a diverse range of industries. Due to the versatility of aluminium as a metal, its applications are extensive and diverse.

Generally, aluminium-based products that are manufactured using aluminium billets as a raw material include the following:-

- **building and construction industry** such as piping, bridges, roof trusses and general structural applications, and glazing bars, window frames, hardware including drive crews, bolts and nuts and others;
- **automotive industry** such as tray tops, vehicles, automotive body components, suspension parts, spare tire carrier parts, windscreen sections, brake housing and pistons, valve and valve parts and others;
- **electrical and electronics industry** such as electrical fittings and connectors, consumer appliance fittings, and others;
- **aviation industry** such as aircraft fittings and others;
- **consumer products** such as garden furniture, camera lens mounting and others.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

4. INFORMATION ON THE GROUP (Cont'd)

4.4.7 Substitute Products / Services

There are substitutes for aluminium as a raw material from two perspectives:-

- (i) Within the Non-Ferrous Metal Industry, there are many substitutes to aluminium as a lightweight raw material. Some of these include various types of metal alloys such as magnesium alloys, titanium alloys and other exotic metal-based alloys.
- (ii) There are also other traditional substitutes for aluminium products for example, steel, iron, copper, brass, composite materials, wood and plastic. Depending on the application, any one of these traditional materials could be a possible substitute for aluminium products.

However, aluminium has its advantages over other substitute materials due to its strength, cost-effectiveness, total recyclability, low-density (weight), corrosion resistance, durability, conductivity, non-toxicity and other beneficial properties. Due to its versatility, it is used in a wide range of applications from aluminium foil for packaging to structural applications such as buildings, and automotive and aviation parts.

Although there are close substitute products such as titanium, aluminium continues to represent the more cost-effective, practical and effective raw material to produce a wide range of aluminium-based products.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

4.4.8 Viability, Prospects and Outlook

Viability

(i) Diversity

The business of the A-Rank Group is diverse from the following perspectives:-

- diversity in applications;
- diversity in markets.

- **Diversity in Applications**

A-Rank Group is a producer of aluminium billets, which is the main raw material used in the manufacturing of a diverse range of aluminium extruded products and applications, some of which include:-

- building materials;
- automotive parts;
- aircraft fittings;
- electrical appliance fittings;
- household products;
- furniture;
- industrial products.

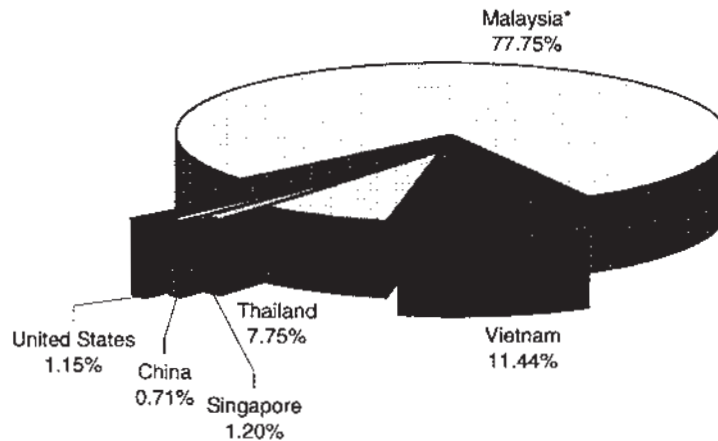
As aluminium is a versatile metal, it is virtually used in almost all industry sectors in one form or another.

Thus as a raw material, aluminium billets play a critical role in the midstream extrusion and downstream aluminium product manufacturing activities in Malaysia.

4. INFORMATION ON THE GROUP (Cont'd)

- **Diversity in Markets Served**

The A-Rank Group services a relatively diverse range of markets locally and overseas. This is reflected in the revenue segmentation for the five (5)-month period ended 31 December 2004 as set out below:-



Notes:-

- * This includes sale of billets (amounting to RM4.902 million or 9.51% of the Group's total revenue) to customers in Bangladesh via an agent in Malaysia.

The A-Rank Group services a total of 37 customers comprising 25 customers within Malaysia and 12 customers overseas for the five (5)-month period ended 31 December 2004.

As for export markets, the Group has successfully penetrated into Vietnam, USA, China, Thailand and Singapore.

(ii) Necessity of Product

Aluminium billets itself is considered a necessity material as it is the main raw material used to produce different types of aluminium-based end-products and applications.

Aluminium also has its advantages over other substitute materials due to its strength, cost-effectiveness, total recyclability, low-density (weight), corrosion resistance, durability, conductivity, non-toxicity and other beneficial properties. Due to its versatility, it is used in a wide range of applications from aluminium foil for packaging to structural applications such as buildings, and automotive and aviation parts.

(Source: Prospects and Future Plans of A-Rank Group prepared by Vital Factor)

4. INFORMATION ON THE GROUP (Cont'd)**(iii) Quality of Product**

In line with the A-Rank Group's emphasis and commitment on quality, Formosa is certified with the following quality certifications:-

Certification	Date of Certification	Certified by
ISO 9001:2000	Since 10 October 2003	Moody International Certification (Malaysia) Sdn Bhd
BS EN ISO 9001:2000	Since 28 November 2003	Moody International Certification Limited

These quality certifications provide customers with the assurance of the Group's compliance with quality management systems.

(iv) Competitive Advantages

The A-Rank Group has distinct advantages over its competitors in the following areas:-

- Product quality;
- Market reputation and established track record;
- In-roads into export markets.

- **Product Quality**

The Group can attest to its quality in the following manner:-

- The standard of quality of its aluminium billets can meet the requirements of overseas customers in various export markets.
- The internal quality checks, which are in accordance to ISO quality standards in its production processes reaffirms the Group's internal quality assurances.

Consistent high product quality is a significant competitive advantage that will create high customer satisfaction to ensure continuing business patronage.

- **Market Reputation and Established Track Record**

Since the A-Rank Group commenced operations in 1998, the Group has developed a reputation as an established producer and supplier of aluminium billets.

The Group's established market reputation is reflected by the fact that approximately 60% of its top 10 customers have been with the Group for 4 or more years for the five (5)-month period ended 31 December 2004. Of these, 40% have been customers of A-Rank Group for 6 or more years.

- **In-roads into Export Markets**

The Group has successfully gained in-roads into export markets. This is reflected by the fact that exports contributed 22% of the Group's total revenue for the five (5)-month period ended 31 December 2004 (*this does not include the sale of billets to customers in Bangladesh via an agent in Malaysia which amounted to RM4.902 million representing 9.51% of the Group's total revenue for the same period up to 31 December 2004*). This established base of export customers would provide the platform for the Group to further expand its export activities and successes.

(Source: Prospects and Future Plans of A-Rank Group prepared by Vital Factor)

4. INFORMATION ON THE GROUP (Cont'd)

Prospects, Outlook and Industry Life-Cycle

The outlook for the aluminium billet industry is **favourable**.

The aluminium billet industry is in the **growth** stages of the industry life-cycle. This is based on the following observations:-

(i) Local Production

- Between 2000 and 2004, sales value of aluminium and aluminium alloy ingots (*including aluminium billets*) grew at an average annual rate of 6.3%. In 2004, sales value of aluminium and aluminium alloy ingots (*including aluminium billets*) declined marginally by 1.8% over the previous year. Sales value of products under this category amounted to RM589.1 million in 2004. (*Note: 2004 figures are preliminary*)
- Between 2000 and 2004, production quantity of aluminium and aluminium alloy ingots (*including aluminium billets*) grew at an average annual rate of 3.7%. In 2004, production quantity of aluminium and aluminium alloy ingots (*including aluminium billets*) continues to register growth of 11.4%. (*Note: 2004 figures are preliminary*)

(ii) Imports

- Between 2000 and 2004, import value of aluminium (*including alloys*) grew at an average annual rate of 8.3%. In 2004, import value of aluminium (*including alloys*) increased by 45.3% over the previous year. Import value of aluminium (*including alloys*) amounted to approximately RM3.2 billion in 2004.
- Between 2000 and 2004, import value of unwrought aluminium grew at an average annual rate of 6.0%. In 2004, import value of unwrought aluminium increased by 46.3% over the previous year. Imports of unwrought aluminium amounted to approximately RM1.5 billion in 2004.
- Between 2000 and 2004, import value of aluminium alloys of unwrought aluminium (*including aluminium ingots and billets*) grew at an average annual rate of 19.4%. In 2004, import value of aluminium alloys of unwrought aluminium (*including aluminium ingots and billets*) increased by 85.3% over the previous year. Import value of products under this category amounted to RM1.0 million in 2004.

(iii) Exports

- Between 2000 and 2004, export value of aluminium alloys of unwrought aluminium (*including aluminium ingots and billets*) grew at an average annual rate of 5.8%. In 2004, export value of aluminium alloys of unwrought aluminium (*including aluminium ingots and billets*) increased by 36.8% over the previous year. In 2004, export value of aluminium alloys of unwrought aluminium (*including aluminium ingots and billets*) amounted to RM308.8 million.
- Between 2000 and 2004, export value of aluminium bars, rods and profiles grew at an average annual rate of 10.1%. In 2004, export value of aluminium bars, rods and profiles increased by 12.3% over the previous year. In 2004, export value of aluminium bars, rods and profiles amounted to RM239.4 million.

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

- Between 2000 and 2004, export value of aluminium tubes and pipes grew at an average annual rate of 22.4%. In 2004, export value of aluminium tubes and pipes increased by 17.8% over the previous year. Export value of these types of products amounted to RM48.7 million in 2004.
- Between 2000 and 2004, export value of aluminium stranded wire, cables, plaited bands and the like, not electrically insulated grew at an average annual rate of 82.6%. In 2004, export value of aluminium stranded wire, cables, plaited bands and the like, not electrically insulated increased by 81.2% over the previous year. In 2004, export value of these types of products amounted to RM40.4 million.
- Between 2000 and 2004, export value of other aluminium articles grew at an average annual rate of 10.9%. In 2004, export value of other aluminium articles increased significantly by 24.3% over the previous year. Export value of other aluminium articles amounted to RM568.6 million in 2004.

The applications of aluminium billets are extensive and diverse, hence the growth of the aluminium billet industry will continue to be fuelled by demand from the following major end-user industry sectors:-

- Between 2000 and 2004, sales value of aluminium extrusions increased at an average annual rate of 6.0%. In 2004, sales value of aluminium extrusions registered a growth of 27.9% compared to the previous year. Sales value of aluminium extrusions amounted to RM487.7 million in 2004. *(Note: 2004 figures are preliminary)*
- Between 2000 and 2004, production quantity of aluminium extrusions increased at an average annual rate of 4.6%. In 2004, production quantity of aluminium extrusions increased by 7.4% over the previous year. Production quantity of aluminium extrusions amounted to 45,823 tonnes in 2004. *(Note: 2004 figures are preliminary)*
- Between 2000 and 2003, the GDP (at 1987 constant prices) of the construction industry grew at an average annual rate of 1.7%. For the first 3 quarters of 2004, GDP (at 1987 constant prices) of the construction industry declined marginally by 1.4% compared to the same period in 2003.
- Between 2000 and 2004, the ex-factory sales value of manufacture and assembly of motor vehicles grew at an average annual rate of 4.8%.
- Between 2000 and 2003, exports of the electronics and electrical products recorded an average annual growth rate of 3.5%. For the first 3 quarters of 2004, exports of the electronics and electrical products increased by 17.8% compared to the same period in 2003.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

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

4.4.9 Laws, Regulations and Policies

Government Regulations

Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on operators' performance and growth within a free enterprise environment.

Application of a manufacturing licence under the Industrial Coordination Act, 1975 is mandatory for companies with shareholders' funds of RM2.5 million or above or engaging 75 or more full-time employees (*Source: Malaysian Industrial Development Authority*).

The A-Rank Group has a manufacturing licence for the production of aluminium billets.

Government Incentives

As part of the Malaysian Government's intention to nurture the growth and development of the aluminium billet industry, there are incentives provided for companies specifically under the production of primary aluminium ingots, billets or slabs of non-ferrous metals which are entitled to the incentives including:-

- Pioneer Status
- Investment Tax Allowance;
- Reinvestment Allowance.

Eligibility for Pioneer Status or Investment Tax Allowance will be determined according to the priorities termed as "promoted activities" or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration.

The A-Rank Group currently enjoys Reinvestment Allowance.

Environmental Regulations

Please refer to Section 3(v) of this Prospectus for further details on environmental regulations governing this industry.

4.4.10 The Aluminium Billet Industry's Reliance on and its Vulnerability to Imports

The industry is reliant on primary aluminium ingots, which are the main raw materials used in the production of aluminium billets. This material is mainly imported. Malaysia predominantly produces secondary aluminium ingots. However to achieve a certain level of quality, the Group requires aluminium ingots with a purity level of 99.7% to produce its aluminium billets.

Please refer to Section 4.4.6 (*Demand and Supply*) of this Prospectus for further details on the sales value of aluminium and aluminium alloy ingots (*including aluminium billets*) as well as the import value of aluminium alloys of unwrought aluminium (*including aluminium ingots and billets*).

As primary aluminium ingots is a commodity, it is easily available through imports as a source of supply. Some of the larger primary aluminium ingot producers overseas include:

- BHP Billiton;
- Alcoa;
- Alcan;
- Comalco;
- Hydro.

4. INFORMATION ON THE GROUP (Cont'd)

Operators that have contractual arrangements with primary aluminium ingot producers are in a stronger position to secure supply of raw materials. The Group has a guaranteed supply of primary aluminium ingots through a contractual agreement with Hydro, Alcoa and Premier World International Company, China for the supply of primary aluminium ingots.

(Source: Assessment of the Aluminium Billet Industry prepared by Vital Factor)

4.5 MAJOR CUSTOMERS

The Group's top ten(10) customers by percentage of contribution to the total turnover for the financial year ended 31 July 2004 and the five (5)-month period ended 31 December 2004 are as follows:-

Financial Year Ended 31 July 2004		Turnover		Length of relationship
Customer	(RM'000)	(%)	(No. of years) ^	
Splendid Marketing Sdn Bhd	13,930	11.50	5	
Quang Binh General Trading Company (Vietnam)	11,530	9.52	2	
Alumac Industries Sdn Bhd	10,806	8.92	6	
Classic Emas (Sarawak) Sdn Bhd	10,287	8.49	6	
Sojitz (Malaysia) Sdn Bhd (formerly known as Sunrock (M) Sdn Bhd)	10,100	8.34	3	
LB Aluminium Berhad	9,115	7.53	7	
EL Mega Aluminium Extrusion Sdn Bhd	8,295	6.85	4	
Peak Perform International Ltd (Taiwan)	7,532	6.22	1	
Alubright Global Sdn Bhd	6,776	5.59	1	
Pioneer Trading Company	5,496	4.54	6	
Others	27,261	22.51	-	
Total contribution to total turnover	121,128	100.00		

Financial Period Ended 31 December 2004		Turnover		Length of relationship
Customer	(RM'000)	(%)	(No. of years) ^	
Splendid Marketing Sdn Bhd	5,958	11.55	5	
Sojitz (Malaysia) Sdn Bhd (formerly known as Sunrock (M) Sdn Bhd)	5,909	11.46	3	
Alubright Global Sdn Bhd	4,902	9.51	1	
Quang Binh General Trading Company (Vietnam)	4,536	8.80	2	
EL Mega Aluminium Extrusion Sdn Bhd	4,020	7.80	4	
LB Aluminium Berhad	3,687	7.15	7	
Classic Emas (Sarawak) Sdn Bhd	2,702	5.24	6	
Alumac Industries Sdn Bhd	2,688	5.21	6	
Pioneer Trading Company	2,627	5.09	6	
SKB Aluminium Industrial Sdn Bhd	2,137	4.14	6	
Others	12,399	24.05	-	
Total contribution to total turnover	51,565	100.00		

Note:-

^ The Group, via Formosa, commenced operations in 1998.

The Group is not overly dependent on any single customer as the Group has over the years built a large pool of customers consisting of the main aluminium extruders in Malaysia. As illustrated in the table above, save for Splendid Marketing Sdn Bhd (which, in turn, distributes to its own customers) and Sojitz (Malaysia) Sdn Bhd, no customer accounted for more than 10% of the total Group turnover for the financial year ended 31 July 2004 and the five (5)-month period ended 31 December 2004. The Group's long-standing relationships serve as an endorsement of the quality of its products and services and, more importantly, a stable customer base.

4. INFORMATION ON THE GROUP (Cont'd)

4.6 MAJOR SUPPLIERS

To ensure reliable deliveries and consistent quality, the Group purchases its primary aluminium ingots from large players who have an established distribution network. For the financial year ended 31 Decemner 2004 and the five (5)-month period ended 31 December 2004, the Group's top ten(10) suppliers by percentage of contribution to the total purchases are as follows:-

Financial Year Ended 31 July 2004		Raw Materials	Purchases		Length of relationship
Supplier			(RM'000)	(%)	(No. of years) ^
Hydro	Purchase of ingots		44,965	40.68	3
Alcoa	Purchase of ingots		16,049	14.52	1
M.K. Metal Sdn Bhd	Purchase of scrap		14,320	12.95	5
GMS Purnaimpex Sdn Bhd	Purchase of scrap		8,773	7.94	6
LB Aluminium Berhad	Purchase of ingots		7,976	7.22	6
Sempurna Impex Sdn Bhd	Purchase of scrap		4,869	4.40	6
Petronas Dagangan Bhd	Purchase of diesel		3,907	3.53	3
Bisley Asia Pte Ltd (Singapore)	Purchase of master alloys		1,104	1.00	2
Peak Perform International Ltd (Taiwan)	Purchase of master alloys and consumable parts		962	0.87	1
Intech Integrated Sdn Bhd	Purchase of master alloys		952	0.86	2
Others			6,668	6.03	
Total			110,545	100.00	

Financial Period Ended 31 December 2004		Raw Materials	Purchases		Length of relationship
Supplier			(RM'000)	(%)	(No. of years) ^
Alcoa	Purchase of ingots		28,396	60.35	1
M.K. Metal Sdn Bhd	Purchase of scrap		6,800	14.45	5
GMS Purnaimpex Sdn Bhd	Purchase of scrap		2,995	6.37	6
Sempurna Impex Sdn Bhd	Purchase of scrap		1,943	4.13	6
Petronas Dagangan Bhd	Purchase of diesel		1,760	3.74	3
Shell Malaysia Trading Sdn Bhd	Purchase of diesel and fuel oil		847	1.80	6
SIMS Group Limited (Australia)	Purchase of scrap		644	1.37	1
Peak Perform International Ltd (Taiwan)	Purchase of master alloy and consumable parts		396	0.84	1
Bisley Asia Pte Ltd (Singapore)	Purchase of master alloy		388	0.83	2
Raya Simanis Enterprise	Transport cost and purchase of packing materials		303	0.64	6
Others			2,578	5.48	
Total			47,050	100.00	

Note:-

^ The Group, via Formosa, commenced operations in 1998.

Notwithstanding the high contribution from Alcoa and Hydro, the Group is not dependent on these suppliers as aluminium is a commodity traded on the LME and hence, a constant supply of primary aluminium ingots is readily available from other multi-national producers or traders. However, by concentrating its purchases from these suppliers the Group is able to do the following:-

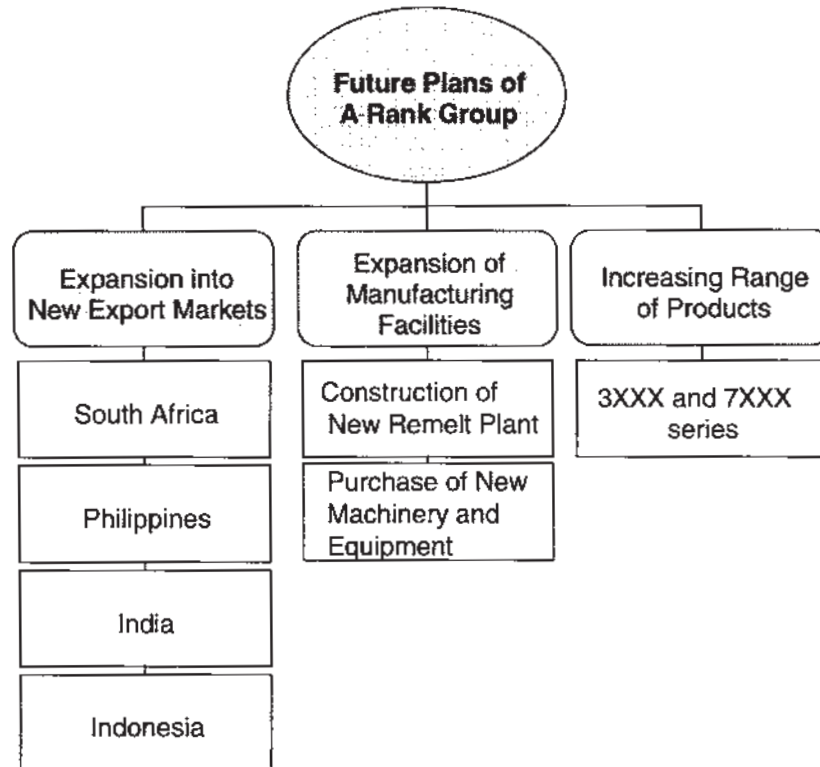
- (i) build a relationship with the suppliers;
- (ii) secure a stable supply of raw materials to meet its needs through contractual arrangements; and
- (iii) negotiate for better pricing, terms and conditions.

4. INFORMATION ON THE GROUP (Cont'd)

4.7 FUTURE PLANS, STRATEGIES AND PROSPECTS

Future Plans and Strategies of the Group

The future plans of the A-Rank Group are focused in three(3) key areas as depicted in the figure below:-



(i) Expansion Into New Export Markets

The Group intends to further diversify its customer base through the export market given its already dominant position in the domestic market. To achieve this, the Group intends to intensify its international marketing efforts by expanding on its sales to existing overseas customers, actively sourcing for new customers in countries where the Group already has a presence and also venturing into new markets.

The Group has recruited a new sales and marketing manager who would be focusing on international business developments. The Group also will be employing indirect distribution channels by appointing agents to penetrate the following countries:-

- o South Africa and Indonesia by 2006;
- o India and Philippines by 2007.

Currently, the Group has agents in Thailand, Vietnam and Bangladesh/Pakistan to service its customers in these countries.

4. INFORMATION ON THE GROUP (Cont'd)

(ii) Expansion of Manufacturing Facilities

The Group is embarking on an expansion plan to increase its production capacity as set out below:-

- **Construction of a New Remelt Plant**

The Group intends to expand the current capacity of its existing remelt plant from 72,000 tonnes per annum to 108,000 tonnes per annum. In order to achieve this, the Group has commenced construction of a new remelt plant which will be equipped with the latest technology.

The new remelt plant will be focused on producing new series of aluminium billets such as 3XXX and 7XXX series for the export market. In addition, it is envisaged that the Group will be able to further reduce the costs of production, further improve quality as well as achieve better recovery rates in the longer term.

- **Purchase of New Machinery and Equipment**

The A-Rank Group will acquire and install new machinery and equipment with the latest technology to equip its new remelt plant to cater to the production of the additional 3XXX and 7XXX series of aluminium billets to target export markets, particularly in the automotive industry.

The construction of the new remelt plant is expected to be completed by June 2005 and testing and commissioning will follow immediately thereafter. The Directors anticipate the new remelt plant to commence full-scale operations by July 2005.

Further information on the Group's expansion plan is set out in Section 2.7 of this Prospectus.

(iii) Increasing Range Of Products

The A-Rank Group intends to increase its current range of products by producing a different series of aluminium billets such as the 3XXX and 7XXX series of aluminium billets for other usage and applications. Both series command higher selling prices and margins.

Manganese is the major alloying element contained in aluminium billets of the 3XXX series. Corrosion resistance and formability are the primary characteristics of aluminium billets of this series. Zinc is the principal alloying element contained in aluminium billets of the 7XXX series.

Both the 3XXX and 7XXX series of aluminium billets are particularly suitable for use in the automotive industry.

The Group plans to embark in the production of the 3XXX and 7XXX series in 2006.

As some of A-Rank Group's customers are also extruders of aluminium parts for the automotive industry, the Group will be marketing the additional 3XXX and 7XXX series to its existing customer base and new customers as part of its total portfolio of products and services. This is part of the Group's strategy of expanding its products to meet the requirements of its customers.

The Group will be utilising direct distribution method of selling the 3XXX and 7XXX series to its local customers via its internal sales and marketing team. For overseas markets, the Group will be selling through indirect channel via agents.

4. INFORMATION ON THE GROUP (Cont'd)

Prospects of the Group

The Directors are of the opinion that the prospects of the A-Rank Group are positive in view of the Group's favourable position in the industry. As the largest manufacturer of aluminium billets in Malaysia (*based on average monthly production in 2004*), the Group is well-poised to take advantage of opportunities for further growth in both the local and global demand for aluminium billets.

As aluminium billets are the main raw material used in the manufacturing of a wide range of aluminium-based industrial and consumer products, industry growth is expected to be fuelled by socio-economic growth and increasing consumer affluence which will drive demand for aluminium-based products. In addition, growth in end-user industry sectors such as building and construction, electrical and electronics, automotive, aviation, furniture, general industrial products and others sectors will inadvertently generate demand for aluminium billets. The Group's prospects are further strengthened by its ability to meet the needs and requirements of overseas customers, which will enable the Group to tap further into export market opportunities. This is reaffirmed in the Group's future plans which is to enhance its existing export markets which include Thailand and USA, among others, as well as exporting to new markets like South Africa, Philippines, India and Indonesia.

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