

## 5. INFORMATION OF THE MITHRIL GROUP

### 5.1 Incorporation

Mithril was incorporated in Malaysia under the Act on 19 April 2002. As part of Tajo's Restructuring Exercise undertaken to regularise its financial condition, Mithril was incorporated as a shelf company to facilitate the Restructuring Exercise. Upon completion of the Restructuring Exercise, the listing status of Tajo on the Second Board of MSEB will be transferred from Tajo to Mithril and Mithril will be listed on the Second Board of MSEB in place of Tajo, which will be de-listed and become a wholly-owned subsidiary company of Mithril. In addition, as part of the Restructuring Exercise, Mithril will acquire Saferay and two Menara MAA buildings located in Kota Kinabalu and Kuching.

### 5.2 Share Capital and Changes in the Share Capital of Mithril

The present authorised share capital of Mithril is RM513,306,270 comprising 500,000,000 ordinary shares of RM1.00 each and 13,306,270 irredeemable convertible cumulative preference shares of RM1.00 each, of which RM75,067,179 comprising 61,760,909 ordinary shares of RM1.00 each and 13,306,270 irredeemable convertible cumulative preference shares have been issued and fully paid-up. Mithril is principally an investment holding company.

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

Date of allotment	No. of Mithril Shares allotted	Par value RM	Consideration	Total issued and paid-up share capital RM
19.04.2002	2	1.00	Subscribers' shares	2
26.12.2003	395,400 <sup>1</sup>	1.00	Share exchange	395,402
12.03.2004	61,365,507 <sup>2</sup>	1.00	Issued pursuant to the Debt Settlement	61,760,909

Note:

- The share reduction of RM0.99 from every existing ordinary share of RM1.00 each whereby the Board of Directors of Tajo had rounded off the fractional Tajo Shares arising from the share reduction, thus only RM395,400 comprising 395,400 ordinary shares were issued.*
- Comprising 37,202,300 new Mithril Shares at an issue price of RM1.00 per Mithril Share and 24,163,207 new Mithril Shares at an issue price of RM3.36 per Mithril Share.*

### 5.3 Restructuring Exercise

As an integral part of the transfer of the listing status of Tajo to Mithril on the Second Board of the MSEB, Tajo undertook a Restructuring Exercise which involves the following:

#### 5.3.1 Capital Reconstruction

The existing issued and paid-up share capital of Tajo of RM39,540,500 comprising 39,540,500 Tajo Shares to be reduced, pursuant to Section 64 of the Act to RM395,405 comprising 39,540,500 ordinary shares of RM0.01 each (however, the Board of Directors of Tajo had rounded off the fractional Tajo Shares arising from the reduction and had issued RM395,400 comprising 39,540,000 ordinary shares of RM0.01 each). The reduction of RM0.99 from every existing ordinary share of RM1.00 each would give rise to a credit of RM39,145,100 which would be utilised to reduce the Company's audited consolidated accumulated losses of RM239,253,976 as at 31 December 2002 to RM200,108,876.

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

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Upon reduction of the paid-up share capital, the issued and paid-up share capital of Tajo shall be consolidated in such manner that every one hundred (100) ordinary shares of RM0.01 each shall constitute one (1) ordinary share of RM1.00 each, upon which the sum of RM1.00 each shall be credited as having been fully paid-up, thereby consolidating 39,540,000 ordinary shares of RM0.01 each into 395,400 ordinary shares of RM1.00 each in Tajo.

In connection thereto, the existing unexercised Tajo Warrants of 14,797,500 warrants will also be reduced to 147,975 warrants on the basis of one hundred (100) warrants into one (1) warrant. The principal terms and conditions of the New Consolidated Warrants shall remain the same with the existing deed poll of Tajo.

**5.3.2 Cancellation of Share Premium Account**

Pursuant to Section 64(1) of the Act, the audited amount of RM17,105,963 in the share premium account of Tajo as at 31 December 2002 will be cancelled against Tajo's accumulated losses. This will result in the consolidated accumulated losses being further reduced from RM200,108,876 to RM183,002,913.

**5.3.3 Scheme of Arrangement**

A scheme of arrangement between Tajo, its shareholders and Mithril under Section 176 of the Act whereby the shareholders of Tajo exchanged one (1) new Mithril Share for every one (1) New Consolidated Share held upon completion of the Capital Reconstruction as well as a scheme of arrangement between Tajo, its warrant holders and Mithril under Section 176 of the Act whereby the warrant holders of Tajo exchanged one (1) new Warrants A for every one (1) New Consolidated Warrant held upon completion of the Capital Reconstruction.

In this regard, the Capital Reconstruction and the Scheme of Arrangement between Tajo, the shareholders and warrant holders of Tajo and Mithril has been completed on 26 December 2003.

Upon completion of the Scheme of Arrangement, Tajo has become a wholly-owned subsidiary of Mithril. Mithril will emerge as the new listing vehicle in place of Tajo and the holding company of Tajo. Upon the completion of the Restructuring Exercise, the acquisitions of Saferay and the two (2) Menara MAA buildings located in Kota Kinabalu and Kuching will also be completed.

**5.3.4 Fund Raising****5.3.4.1 The Rights Issue**

The Rights Issue involves a renounceable Rights Issue of 15,816,080 new Mithril Shares together with 5,272,027 free detachable Warrants B at an issue price of RM1.00 per Rights Share with Warrants B on the basis of forty (40) Rights Shares for every one (1) Mithril Share held after the Scheme of Arrangement together with one (1) Warrants B attached to every three (3) Rights Shares issued.

**5.3.4.2 RCSLS Issue**

The RCSLS Issue will involve an issuance of a total of RM59,000,000 nominal amount of RCSLS in Mithril at 100% nominal value of RM1.00 each.

Please refer to Section 3.4.2 for details on the utilisation of the proceeds to be raised from the RCSLS Issue. The principal terms of the RCSLS are summarised in Section 3.7.2 of this Prospectus.

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)****5.3.4.3 ICULS Issue**

The ICULS Issue will involve an issuance of a total of RM60,700,000 nominal amount of ICULS in Mithril at 100% nominal value of RM1.00 each.

Please refer to Section 3.4.2 for details on the utilisation of the proceeds to be raised from the ICULS Issue. The principal terms of the ICULS are summarised in Section 3.7.3 of this Prospectus.

**5.3.5 Debt Settlement**

The debt settlement of Tajo amounting to RM175.582 million as at 30 September 2001 being the "Cut-off date" (including accrued interest up to 30 September 2001) between Tajo, Mithril and the Scheme Creditors to be settled by the issuance of 61,365,507 new Mithril Shares (comprising 37,202,300 new Mithril Shares at an issue price of RM1.00 per Mithril Share and 24,163,207 new Mithril Shares at an issue price of RM3.36 per Mithril Share) together with 32,998,753 free Warrants B, 13,306,270 ICCPS (at an issue price of RM3.36 per ICCPS) and a cash payment of RM12,481,809.

**5.3.6 Saferay Acquisition****5.3.6.1 Particulars**

The acquisition of the entire issued and paid-up share capital of Saferay comprising 1,200,000 ordinary shares of RM1.00 each from Ong Kah Huat and Cheong Chee Yun for a purchase consideration of RM48,000,000 to be satisfied in the following manner:

- (a) RM17,500,000 in cash; and
- (b) RM30,500,000 nominal amount RCULS.

A summary of the number of shares to be acquired from the Saferay Vendors and the mode of satisfaction is set out as follows:

	No. of shares	%	Purchase consideration RM	Mode of satisfaction	
				Cash RM	RCULS RM
Ong Kah Huat	1,000,000*	83.3	40,000,000	14,583,333	25,416,667
Cheong Chee Yun	200,000	16.7	8,000,000	2,916,667	5,083,333
	<u>1,200,000</u>	<u>100.0</u>	<u>48,000,000</u>	<u>17,500,000</u>	<u>30,500,000</u>

Note:

- \* A total of 200,000 ordinary shares in Saferay out of the 1,000,000 ordinary shares in Saferay are currently still registered in the name of Huang Da-Sheng as bare trustee for Ong Kah Huat.

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

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**5.3.6.2 Principal terms and conditions**

The principal terms and conditions of the Saferay Acquisition are as follows:

- (i) The purchase consideration shall be settled by Mithril in the following manner:
  - (a) a sum of RM17,500,000 in cash to be paid to the Saferay Vendors on the completion of the sale and purchase agreement dated 7 June 2002 in relation to the Saferay Acquisition ("Saferay SPA");
  - (b) a sum of RM18,000,000 to be satisfied by the issue of RM18,000,000 nominal amount of RCULS ("RCULS A"); and
  - (c) a further sum of RM12,500,000 to be satisfied by the issue of RM12,500,000 nominal amount of RCULS ("RCULS B").

The RCULS A and the RCULS B are the same series of RCULS. The distinction between the RCULS A and the RCULS B is solely for the purpose of distinguishing the amount of RCULS used as security for the Saferay Guaranteed Profit.

- (ii) The Saferay Acquisition is conditional upon:
  - (a) the approvals from the various parties and regulatory authorities as provided in the Saferay SPA;
  - (b) the reports from the auditors and solicitors confirming inter- alia, that:
    - (aa) there is no material discrepancy or variation of the amounts shown in the audited accounts of Saferay for the financial year ended 30 April 2001 and the management accounts for the period ended 31 December 2001;
    - (bb) and/or there is no material irregularities in the legal, contractual or statutory position of the company; and
    - (cc) provided that the results of the special audit on the financial, contractual or trading position, business prospect and the legal, corporate structure contractual and statutory records of Saferay to determine the assets and liabilities of the company and to verify the accuracy of the representations and warranties contained in the Saferay SPA and any material irregularities in the affairs of the company as at the date of the Saferay SPA ("Special Audit") is satisfactory to Mithril at its sole and absolute discretion; and
  - (c) there shall not be imposed by the relevant authorities any encumbrances or any moratorium or any conditions which may render the new Mithril Shares to be issued pursuant to the conversion of the RCULS or any part thereof not freely transferable;

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

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- (iii) The Saferay Shares shall be acquired free from all claims, charges, liens, and encumbrances together with all rights attaching thereto and all dividends and distributions declared, paid or made in respect thereof on and after the date of the Saferay SPA;
- (iv) Mithril undertakes to procure the release of the Saferay Vendors and the other guarantors from the joint and several guarantees given by them in favour of banks or financial institutions as security for the credit facilities granted to Saferay, within three (3) months from the date the Saferay SPA is completed. Mithril also undertakes at all times after the completion of the Saferay SPA to indemnify and keep the Guarantors fully indemnified from and against all claims, demands, actions, proceedings, costs and expenses which may be incurred or suffered by or initiated against the Guarantors arising from or in connection with the individual guarantees provided that the Saferay SPA is completed in the manner provided in Section 6.01 of the Saferay SPA and provided further that this indemnity will not be applicable in respect of a particular individual guarantee if the said individual guarantee is enforced against the Guarantors by reason only of the Guarantors committing any criminal acts in respect of the relevant credit facilities secured by the said individual guarantee, which leads to a default under the said facilities.
- (v) In addition and without prejudice to Section 6.02(4) of the Saferay SPA, in the event Mithril fails to procure the release of the Guarantors from the individual guarantees or any part thereof within the aforesaid three (3) months' period, then Mithril shall provide to the Guarantors within thirty (30) days from the date of expiry of the aforesaid three (3) months' period, cash and/or other securities acceptable to the Guarantors which shall be of a total value not less than the total amount guaranteed under the undischarged individual guarantees, as security for the Purchaser's indemnity provided in Section 6.02(4) of the Saferay SPA;
- (vi) Mithril agrees that at any time prior to the completion of the Saferay SPA, subject to the availability of tax exempt income or Section 108 of the Income Tax Act, 1967 to frank such dividend, Saferay shall be entitled to declare and pay to the Saferay Vendors, a total sum of RM2,500,000 ("Agreed Dividend") only as dividend in respect of the financial year(s) prior to the completion of the Saferay SPA from the distributable net profits of Saferay provided that the payment of such Agreed Dividend shall be made in the following manner:
  - (a) the Agreed Dividend may be paid to the Saferay Vendors only if and upon Saferay achieving a Net Profit (as defined in Section 5.3.6.3 (i)) of not less than RM5,000,000 only for the financial year ending 30 April 2003 ("1<sup>st</sup> Year Warranted Profit"); and
  - (b) in the event the Net Profit of Saferay for the financial year ending 30 April 2003 is less than the 1<sup>st</sup> Year Warranted Profit, then and in such an event, such shortfall amount in the 1<sup>st</sup> Year Warranted Profit shall be deducted by Saferay from the Agreed Dividend, and the balance (if any) of the Agreed Dividend (after deduction of such shortfall) shall be paid to the Saferay Vendors upon completion of the audit of Saferay's accounts for the financial year ending 30 April 2003.

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**


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For the year ended 30 April 2003, Saferay achieved a net profit of RM5.65 million. In this regard, there is no shortfall to be deducted by Saferay from the Agreed Dividend.

However, pursuant to the SC's condition vide its letter dated 24 December 2002, the Agreed Dividend is only payable to the Saferay Vendors upon achieving the Saferay Guaranteed Profit; and

- (vii) The Saferay Vendors warrant that:
- (a) the profit after taxation of Saferay determined in accordance with the generally accepted accounting principles and excluding any extraordinary items for the financial year ending 30 April 2002 will not be less than RM3,700,000; and
  - (b) the NTA of Saferay, after deduction of the dividend to be declared and paid pursuant to Section 5.3.6.2 (vi) above shall be:
    - (aa) as at 30 April 2002 not less than RM10,400,000. The audited NTA of Saferay as at 30 April 2002 was RM10,871,000; and
    - (bb) as at the completion of the Saferay SPA, not less than RM11,400,000 ("Warranted NTA").

#### **5.3.6.3 Profit Guarantee**

The Saferay Vendors represent, warrant and guarantee to Mithril that the aggregate profitability of Saferay for the financial years ending 30 April 2003 ("First Financial Year"), 30 April 2004 ("Second Financial Year") and 30 April 2005 ("Third Financial Year") (collectively referred to as "the Financial Years") shall not be less than RM18.0 million. The principal terms of the Profit Guarantee include, inter-alia, the following:

- (i) The profitability of Saferay shall be the net profit after taxation (if any) imposed by the Inland Revenue Board of Malaysia, and minority interest and after any extraordinary gains/losses as shown in the audited accounts of Saferay, for the relevant Financial Year (hereafter referred to the "Net Profit"), audited by an international reputable auditor mutually agreed by the Saferay Vendors and Mithril ("Agreed Auditors");
- (ii) The RCULS A to be issued pursuant to the Saferay Acquisition shall serve as security for the Saferay Guaranteed Profit during the period from the date of the Saferay SPA up to 30 April 2005 and are to be converted or cancelled in accordance with the terms of the Saferay SPA;

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

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- (iii) Upon completion of the final audit of Saferay's accounts by the Agreed Auditors for each of the First Financial Year and the Second Financial Year, in the event that the Net Profit for the relevant Financial Year shall be or exceed RM5.0 million, the Saferay Vendors shall be entitled to convert such nominal amount of the RCULS (on the basis of RM1.00 nominal value of the RCULS for every RM1.00 in the Net Profit), as shall be of equivalent value to the Net Profit achieved for that relevant Financial Year, into such number of new Mithril Shares at an issue price of RM1.00 per Mithril Share, free from any moratorium, restrictions and encumbrances;
- (iv) In the event that the profit warranty ceases to be applicable pursuant to the terms of the Saferay SPA, all the RCULS A not converted shall be automatically converted into new Mithril Shares at an issue price of RM1.00 per Mithril Share;
- (v) Upon completion of the final audit of Saferay's accounts by the Agreed Auditors for the Third Financial Year and in the event that the aggregate Net Profit of Saferay for the Financial Years shall be less than the Saferay Guaranteed Profit (hereafter referred to as the "Profit Shortfall"), the Profit Shortfall shall be made good by either:
  - (a) payment by the Saferay Vendors to Mithril of the Profit Shortfall amount within twenty one (21) market days on demand from Mithril after receipt of a certified true copy of the audited accounts of Saferay for the Financial Years; or
  - (b) cancellation of such nominal amount of the remaining RCULS A on the basis of RM1.00 nominal value of the RCULS A for every RM1.00 in the equivalent value of the Profit Shortfall; ora combination of the above options.

**5.3.6.4 Basis of arriving at the Purchase Consideration**

The purchase consideration for the Saferay Acquisition of RM48,000,000 was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following:

- (a) the audited NTA of Saferay as at 30 April 2002 of RM10,781,440;
- (b) the potential payment of the Agreed Dividend to the Saferay Vendors; and
- (c) the Saferay Guaranteed Profit.

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

PMBB is of the view that the purchase consideration for the Proposed Saferay Acquisition is reasonable based on the following justifications:

- (i) The purchase consideration of RM48,000,000 for the Saferay Acquisition represents a PE Multiple of 8 times over the Saferay Guaranteed Profit of not less than RM18 million for the Financial Years (three years ending 30 April 2005), 12.2 times, 8.49 times and 20.27 times over the audited profit for the year ended 30 April 2002 and 30 April 2003 and the period ended 30 September 2003 respectively; and
- (ii) The above price earnings multiple for the Saferay Acquisition is reasonable in comparison with the industry average for industrial product index of 16.26 times.

**5.3.6.5 Ageing analysis of trade receivables**

The ageing analysis of trade receivables as at 31 January 2004 is tabulated as follows:

	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-120 days</b>	<b>121-150 days</b>	<b>Total</b>
Trade Receivables (RM)	2,538,784	1,768,120	1,123,478	871,992	346,722	<b>6,649,096</b>
Percentage of total trade receivables (%)	38.2	26.6	16.9 <sup>3</sup>	13.1 <sup>2</sup>	5.2 <sup>1</sup>	<b>100.0</b>

*Notes:*

- (1) *5.2% of the trade receivables have been outstanding for more than 120 days but less than 150 days. However, these debts are still within the credit period provided of 150 days, applicable to all the debtors under this category. The credit period given is also within the norm provided for customers involved in the building materials industry.*
- (2) *13.1% of the trade receivables have been outstanding for more than 90 days but less than 120 days. Out of the balance of RM871,992, RM199,489 is covered by Letter of Credit. The balance outstanding is still within the credit period provided of 120 days, applicable to all the debtors under this category.*
- (3) *16.9% of the trade receivables have been outstanding for more than 60 days but less than 90 days. Out of the balances of RM1,123,478, RM482,421 is covered by Letter of Credit hence is deemed recoverable while the balance is still within the credit period provided.*

The normal credit period provided by Saferay ranges between 60 to 150 days depending on the prevailing terms provided to individual customers (e.g. longer terms may be provided to customers involved in the building materials industry). As at the date of this Prospectus, the directors of Saferay are of the opinion that no provision of doubtful debts is necessary, as all the trade receivables outstanding as at 31 January 2004 are still within the credit period provided and are fully recoverable.

In connection with the above, the directors of Saferay have provided the SC with a written confirmation on 20 February 2004 that all the trade receivables as at 31 January 2004 are collectable and that no provision for doubtful debts or the writing off of bad debts are required.



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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

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**5.3.7 Acquisition of MAAKK 1**

The acquisition of MAAKK 1 involves the acquisition by Mithril of twenty-nine (29) subsidiary parcels of commercial/office space situated on the Ground, Mezzanine, First, Second, Third, Fifth, Sixth, Seventh and Eighth Floors with a net lettable area of 189,727 square feet together with 195 units of basement carpark bays forming part of a 11 storey office building with 3 basement carpark located in Kota Kinabalu from MAA for a cash consideration of RM65,000,000.

Messrs. Firdaus & Associates had appraised the market value of MAAKK 1 at RM70,000,000 as at 2 May 2002. However, the purchase consideration for the acquisition of MAAKK 1 was arrived at based on a "willing-buyer willing-seller" basis and the valuation approved by the SC of RM65,000,000.

**5.3.8 Acquisition on MAA Kuching**

The acquisition on MAA Kuching involves the acquisition by Mithril of all the subsidiary parcels within 8 levels encompassing the whole of Basement Level, Level 1, Level 3, Level 5, Level 6, Level 7, Level 8 and Level 9 with an approximate lettable area of 50,653 square feet within a 11 storey office building together with basement floor and an open-air carpark located in Kuching from MAA for a cash consideration of RM20,000,000.

Messrs. Firdaus & Associates had appraised the market value of MAA Kuching at RM23,150,000 as at 15 May 2002. However, the purchase consideration for the acquisition of MAA Kuching was arrived at based on a "willing-buyer willing-seller" basis and the valuation approved by the SC of RM20,000,000.

**5.3.9 Listing Transfer**

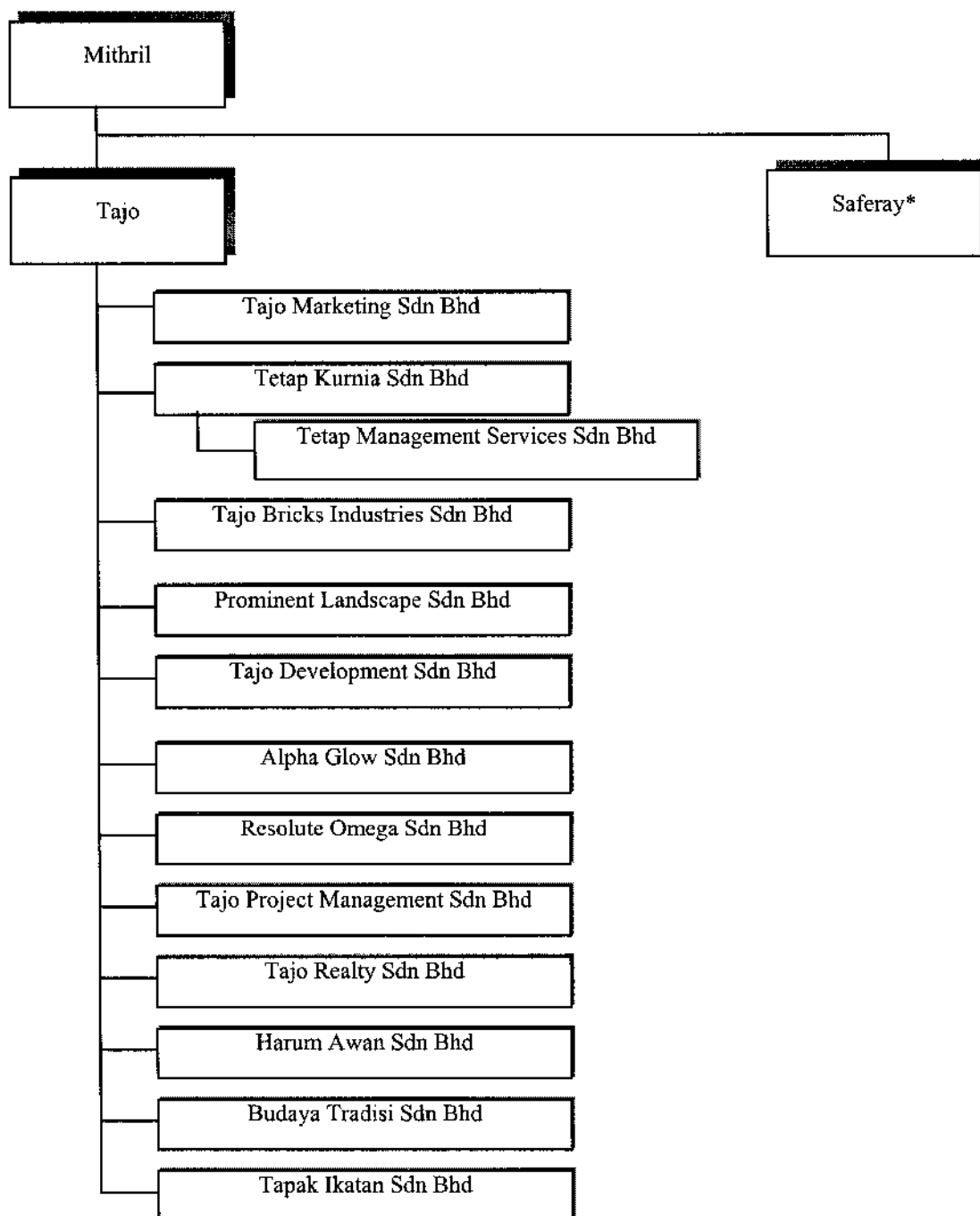
Upon completion of the Restructuring Exercise, the listing status of Tajo will be transferred to Mithril and Mithril will then be listed on the Second Board of the MSEB in place of Tajo. Concurrent with the listing of Mithril on the Second Board of the MSEB, Tajo will be delisted from the MSEB.

The SC had also vide its letter dated 24 December 2002, approved the ESOS scheme of Mithril Berhad, whereby the Company is allowed to allot up to 10% of the issued and paid-up share capital of Mithril at any one point in time during the existence of the ESOS scheme.

## 5. INFORMATION OF THE MITHRIL GROUP (Cont'd)

### 5.4 Subsidiary companies

The corporate structure of the Mithril Group will be as follows:



Note

\* Saferay will become a subsidiary of Mithril upon completion of the Restructuring Exercise.

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

The details of the subsidiary and proposed subsidiary of Mithril are as follows:

**5.4.1 Information of Tajo Berhad****5.4.1.1 History**

Tajo was incorporated as a private limited company in Malaysia under the Companies Act, 1965 as Tay Lai Huat Realty Sdn Bhd on 31 December 1976 and changed its name to Tajo Bricks Sdn Bhd on 23 May 1980. On 26 December 1989, the company was converted into a public limited company and it was listed on the Second Board of MASEB on 21 November 1991 as Tajo Bricks Berhad. On 18 December 1995, it assumed its present name.

The principal activity of the Company is that of the manufacturing, distribution and selling of bricks and investment holding.

**5.4.1.2 Share Capital**

The present authorised share capital of Tajo is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital of Tajo is RM395,400 comprising 395,400 ordinary shares of RM1.00 each.

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

<b>Date of Allotment</b>	<b>No. of Tajo Shares allotted</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM'000</b>
31.12.76	2	1.00	Subscribers' shares	*
10.03.81	200,000	1.00	New issue to satisfy consideration for the acquisition of properties	200
17.04.82	400,000	1.00	Bonus issue of 1 for 2	600
18.08.82	99,998	1.00	Cash	700
25.04.84	2,000,000	1.00	Cash	2,700
17.05.84	300,000	1.00	Cash	3,000
01.06.85	1,500,000	1.00	Bonus issue of 1 for 2	4,500
19.03.86	2,614,175	1.00	Rights issue at par of 1 for 1 (first call)	7,114
24.10.86	1,662,875	1.00	Rights issue at par of 1 for 1 (second call)	8,777
13.03.87	222,950	1.00	Rights issue at par of 1 for 1 (third call)	9,000
14.08.87	500,000	1.00	Rights issue at par of 1 for 18	9,500
12.09.91	8,000,000	1.00	Rights issue at par of 16 for 19	17,500
01.11.91	1,000,000	1.00	Cash (allotment to Bumiputera)	18,500

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<b>Date of Allotment</b>	<b>No. of Tajo Shares allotted</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM'000</b>
26.01.96	9,250,000	1.00	Bonus issue of 1 for 2	27,750
15.03.96	9,250,000	1.00	Rights issue of 1 for 2	37,000
04.04.96	10,000	1.00	Shares allotted under Employee Share Option Scheme ("ESOS")	37,010
17.04.96	14,000	1.00	Shares allotted under ESOS	37,024
30.04.96	7,000	1.00	Shares allotted under ESOS	37,031
21.05.96	2,000	1.00	Shares allotted under ESOS	37,033
01.07.96	5,000	1.00	Shares allotted under ESOS	37,038
12.07.96	3,000	1.00	Shares allotted under ESOS	37,041
17.07.96	16,000	1.00	Shares allotted under ESOS	37,057
22.07.96	51,000	1.00	Shares allotted under ESOS	37,108
22.07.96	30,000	1.00	Shares allotted under ESOS	37,138
25.07.96	45,000	1.00	Shares allotted under ESOS	37,183
25.07.96	79,000	1.00	Shares allotted under ESOS	37,262
31.07.96	22,000	1.00	Shares allotted under ESOS	37,284
05.08.96	26,000	1.00	Shares allotted under ESOS	37,310
06.08.96	2,000	1.00	Exercise of Warrants	37,312
09.08.96	32,000	1.00	Shares allotted under ESOS	37,344
15.08.96	22,000	1.00	Shares allotted under ESOS	37,366
15.08.96	10,000	1.00	Shares allotted under ESOS	37,376
26.08.96	21,000	1.00	Shares allotted under ESOS	37,397
26.08.96	2,000	1.00	Shares allotted under ESOS	37,399
12.09.96	5,000	1.00	Shares allotted under ESOS	37,404
12.09.96	27,000	1.00	Shares allotted under ESOS	37,431
19.09.96	55,000	1.00	Shares allotted under ESOS	37,486
19.09.96	16,000	1.00	Shares allotted under ESOS	37,502
20.09.96	14,000	1.00	Shares allotted under ESOS	37,516
20.09.96	306,000	1.00	Shares allotted under ESOS	37,822
27.09.96	9,000	1.00	Shares allotted under ESOS	37,831
04.10.96	6,000	1.00	Shares allotted under ESOS	37,837
04.10.96	19,000	1.00	Shares allotted under ESOS	37,856

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

<b>Date of Allotment</b>	<b>No. of Tajo Shares allotted</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM'000</b>
11.10.96	4,000	1.00	Shares allotted under ESOS	37,860
11.10.96	9,000	1.00	Shares allotted under ESOS	37,869
18.10.96	11,000	1.00	Shares allotted under ESOS	37,880
31.10.96	1,000	1.00	Shares allotted under ESOS	37,881
31.10.96	22,000	1.00	Shares allotted under ESOS	37,903
12.11.96	2,000	1.00	Shares allotted under ESOS	37,905
12.11.96	119,000	1.00	Shares allotted under ESOS	38,024
18.11.96	2,000	1.00	Shares allotted under ESOS	38,026
18.11.96	15,000	1.00	Shares allotted under ESOS	38,041
22.11.96	2,000	1.00	Shares allotted under ESOS	38,043
22.11.96	10,000	1.00	Shares allotted under ESOS	38,053
09.12.96	4,000	1.00	Shares allotted under ESOS	38,057
03.01.97	1,000	1.00	Shares allotted under ESOS	38,058
03.01.97	47,000	1.00	Shares allotted under ESOS	38,105
28.01.97	17,000	1.00	Shares allotted under ESOS	38,122
24.02.97	7,000	1.00	Shares allotted under ESOS	38,129
24.02.97	6,000	1.00	Shares allotted under ESOS	38,135
03.03.97	26,000	1.00	Shares allotted under ESOS	38,161
10.03.97	16,000	1.00	Shares allotted under ESOS	38,177
17.03.97	7,000	1.00	Shares allotted under ESOS	38,184
17.03.97	4,000	1.00	Shares allotted under ESOS	38,188
21.03.97	1,000	1.00	Shares allotted under ESOS	38,189
21.03.97	3,000	1.00	Shares allotted under ESOS	38,192
01.04.97	2,000	1.00	Shares allotted under ESOS	38,194
01.04.97	2,000	1.00	Shares allotted under ESOS	38,196
09.04.97	1,000	1.00	Shares allotted under ESOS	38,197
09.04.97	7,000	1.00	Shares allotted under ESOS	38,204
05.05.97	2,000	1.00	Shares allotted under ESOS	38,206
28.05.97	4,000	1.00	Shares allotted under ESOS	38,210
25.06.97	3,000	1.00	Shares allotted under ESOS	38,213

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

<b>Date of Allotment</b>	<b>No. of Tajo Shares allotted</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM'000</b>
15.07.97	2,000	1.00	Shares allotted under ESOS	38,215
26.03.98	40,000	1.00	Shares allotted under ESOS	38,255
02.12.98	36,000	1.00	Shares allotted under ESOS	38,291
09.07.99	24,000	1.00	Shares allotted under ESOS	38,315
14.07.99	28,000	1.00	Shares allotted under ESOS	38,343
22.07.99	25,000	1.00	Shares allotted under ESOS	38,368
22.02.00	135,000	1.00	Shares allotted under ESOS	38,503
03.03.00	145,000	1.00	Shares allotted under ESOS	38,648
15.03.00	233,000	1.00	Shares allotted under ESOS	38,881
22.03.00	180,000	1.00	Shares allotted under ESOS	39,061
03.04.00	211,000	1.00	Shares allotted under ESOS	39,272
11.04.00	1,000	1.00	Shares allotted under ESOS	39,273
11.04.00	23,000	1.00	Shares allotted under ESOS	39,296
28.04.00	41,000	1.00	Shares allotted under ESOS	39,337
10.05.00	117,000	1.00	Shares allotted under ESOS	39,454
01.06.00	86,000	1.00	Shares allotted under ESOS	39,540
23.12.03	500	1.00	Exercise of warrants	39,540
26.12.03	395,400	1.00	Reduction of RM0.99 from each ordinary share of RM1.00 each and the subsequent consolidation of one hundred (100) ordinary shares of RM0.01 each into one (1) ordinary share of RM1.00 each	395

*Note:*

\* *two (2) ordinary shares of RM1.00 each.*

**5.4.1.3 Substantial Shareholder**

Tajo is a wholly-owned subsidiary of Mithril.

## 5. INFORMATION OF THE MITHRIL GROUP (Cont'd)

### 5.4.1.4 Subsidiary and Associated Companies

The subsidiary companies of Tajo as at 31 January 2004 are as follows:

Name of Company	Date and Place of Incorporation	Issued and paid-up capital RM	Principal Activities	% held
Tajo Marketing Sdn Bhd	Malaysia 11.01.1982	500,000	Dealer and distributor of bricks and building materials	100.0
Tetap Kurnia Sdn Bhd	Malaysia 16.03.1992	250,000	Property development	100.0
Tajo Bricks Industries Sdn Bhd	Malaysia 04.05.1995	10	Property Investment	100.0
Prominent Landscape Sdn Bhd	Malaysia 16.01.1996	2	Property Investment	100.0
Tajo Development Sdn Bhd	Malaysia 20.06.1990	50,000	Ceased operations	65.0
Alpha Glow Sdn Bhd	Malaysia 18.04.1995	1,500,002	Ceased operations	70.0
Resolute Omega Sdn Bhd	Malaysia 01.04.1995	1,000,000	Ceased operations	70.0
Tajo Project Management Sdn Bhd	Malaysia 02.07.1983	250,000	Ceased operations	100.0
Tajo Realty Sdn Bhd	Malaysia 18.06.1990	2	Dormant	100.0
Harum Awan Sdn Bhd	Malaysia 18.01.1996	2	Dormant	100.0
Budaya Tradisi Sdn Bhd	Malaysia 23.10.1997	2	Dormant	100.0
Tapak Ikatan Sdn Bhd	Malaysia 13.10.1997	2	Dormant	100.0
<i>Subsidiary of Tetap Kurnia Sdn Bhd</i>				
Tetap Management Services Sdn Bhd	Malaysia 24.03.1997	2	Property Management & Related Services	100.0

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

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**5.4.2 Information of Saferay**

**5.4.2.1 History**

Saferay was incorporated in Malaysia under the Act on 18 November 1991 as a private limited company under the name of Saferay (M) Sdn Bhd.

The principal activity of the company is that of the manufacturing and selling of architectural mouldings made of PU for interior and exterior decorations, renovations and re-decoration. Saferay represents one of the top manufacturers of PU products worldwide and has established an international marketing network in the US, Taiwan and Europe.

In Europe, Saferay's main customers includes Handling System Holdings which specialises in the distribution and trading of PU mouldings in Eastern Europe.

In Asia, the main market is Taiwan and Hong Kong (S.A.R.). Other markets include the Middle East, Japan, India and China, with China having the biggest potential for growth.

Saferay has not in the past concentrated on the local market. Nonetheless, Saferay has been the principal supplier and installer of PU mouldings for the Bandar Utama and Bukit Jelutong housing projects.

There are currently seven (7) employees working in the research and development department and the amount spent on research and development is approximately RM300,000 per annum.

Please refer to Section 5.5.2 of this Prospectus for a summary of Saferay's business overview.

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)****5.4.2.2 Share Capital**

The present authorised share capital of Saferay is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital of Saferay is RM1,200,000 comprising 1,200,000 Saferay Shares.

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

Date of Allotment	No. of shares allotted	Par Value RM	Consideration	Cumulative issued and paid-up share capital RM'000
18.11.1991	2	1.00	Subscribers' shares	*
17.04.1992	9,998	1.00	Allotment of new shares – Cash	10
27.07.1993	190,000	1.00	Allotment of new shares – Cash	200
23.12.1994	300,000	1.00	Allotment of new shares – Cash	500
08.08.2000	500,000	1.00	Allotment of new shares – Purchase of moulds	1,000
31.05.2001	200,000	1.00	Allotment of new shares – Cash	1,200

Note:

\* two (2) ordinary shares of RM1.00 each.

**5.4.2.3 Substantial shareholders**

The substantial shareholders (holding 5% or more of the issued and paid-up share capital) of Saferay and their respective shareholdings in the company as at 31 January 2004 are as follows:

Shareholders	Nationality	No of existing shares			
		Direct	%	Indirect	%
Ong Kah Huat	Malaysian	1,000,000*	83.33	-	-
Cheong Chee Yun	Malaysian	200,000	16.67	-	-

Note:

\* A total of 200,000 ordinary shares of RM1.00 each in Saferay out of the 1,000,000 ordinary shares in Saferay are currently registered in the name of Huang Da-Sheng, as bare trustee for Ong Kah Huat.

## 5. INFORMATION OF THE MITHRIL GROUP (Cont'd)

### 5.4.2.4 Subsidiary and associated companies

As at 31 January 2004, Saferaf does not have any subsidiary or associated company.

## 5.5 Business Overview

### 5.5.1 Tajo Berhad

The principal activities that Tajo are involved in are the manufacturing, distributing and selling of bricks and also investment holding. Its subsidiaries are principally of involved in property development, management and trading.

In 2002, the company has a production output of 25.2 million pieces or Brick Equivalent Units ("BEU") per annum, which is approximately 35.0% of the installed production capacity in BEU with an average of 112 employees and 54 contract workers working on three (3) shifts. For the 12 months ended 31 December 2003, the production output was 45.6 million BEU. The increase in production in proportion to that of 2002 was due to the increase production efficiency and effective control procedures implemented at the brick plant.

With better marketing strategies, Tajo is able to gain more market share for its products and is currently establishing new markets overseas and locally in anticipation of its increase production capacity as compared to previous years. Tajo's latest product innovation, the veneer tiles is also rapidly gaining demand from the local and overseas market.

Raw material, which is mainly clay is excavated from Tajo's clay reserves in Bukit Kepong.

Tajo's factory located in Lot 225, Jalan Kampong Tui, Mukim Bukit Kepong, 84030 Muar, Johor has a build up area of 179,266 square feet. The factory has been in operations since September 2000 and has an installed capacity of 72 million BEU per annum of quality products.

Tajo's customers are distributors, contractors, hardware dealers, stockists and importers. Tajo has a sales team of 6 people. Tajo has participated in trade fairs and exhibitions to showcase Tajo's products and establish contacts with potential customers, sales personnel to meet existing and potential/new customers and to study the latest market trends.

As at to-date, Tajo has a total of 173 employees. The employees do not belong to any organised unions. Tajo's employee structure is segregated into five (5) categories as follows:

Category of permanent employee		Total number	Average no of years of service (year)
1.	Managerial	9	> 7
2.	Executive	5	> 2
3.	Clerical	10	> 4
4.	Factory workers	121	> 2
5.	Contract workers	28	> 1
<b>Total</b>		<b>173</b>	

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**


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Tajo recognises the importance of its employees and continuously takes steps to update them on the latest developments in the industry. In this regard, the employees are sent for training courses from time to time.

**5.5.2 Saferay (M) Sdn Bhd**
**Production Process**
**(a) Product Diversity**

Saferay manufactures a wide range of polyurethane rigid foam ("PU") mouldings for interior and exterior architectural purposes and as decorative ornaments under the brand name of "Gaudi Décor Collection", established in July 1993. The brand "Gaudi Décor Collection" and the trademark was registered in US in late 2002. All products from Saferay, save for those products which it acts as contract manufacturer, are sold under the aforesaid brand name in the overseas markets.

The word "Gaudi" in German means "fun" and was selected to epitomize the focus of Saferay's PU mouldings on the Do-It-Yourself market which place much emphasis on the ease of the products.

Presently, Saferay offers a comprehensive product range of interior and exterior PU architectural mouldings as well as decorative mouldings which includes plain cornices, carving cornices, corners and frames, wall plaques, corbels, ceiling roses, ceiling domes & ceiling rails, doors and windows surrounds, mirror frames, statues, columns, pilasters, niches & niche caps and stair brackets.

Within each of the above mentioned product category, there are numerous designs and these designs are continuously updated to suit the vagaries of taste of consumers. To cater for ever-changing needs of consumers, Saferay has an in-house team of 3 designers. Presently, Saferay owns more than 60 proprietary PU architectural mouldings designs.

**(b) Production Facilities and Capacity**

Saferay commenced operations in 1993 with the setting up of the first production line at the factory located at Lot 2286, Lorong 1, Kampung Boyan, 34000, Taiping, Perak ("Factory I"). The first production line had an average installed production capacity of 250,000 pieces of PU mouldings per annum, depending on the size of mouldings being produced.

Since then, Saferay has gradually increased its production lines to expand the production capacity to cater for the increasing demand for its products. Five of its production lines are housed in Factory I and the remaining three (3) production lines are housed in Lot 8206, Jalan Stesen, 34600 Kamunting Industrial Estate ("Factory II"), the premise belonging to a director-related company.

These eight (8) production lines have an average installed production capacity of 2,500,000 pieces of PU mouldings per annum and the production output for the financial year ended 30 April 2003 was approximately 1,646,370 pieces of PU mouldings.

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

Information on Saferay's factories is set out below:

Factory	Location	Approximate Land & Built-up area	Average installed production capacity per annum (pieces)	Actual production as at 30 April 2003 (pieces)	Average no. of production shifts per day
Factory I	Lot 2286, Lorong 1 Kampung Boyan 34000 Taiping Perak	100,000 sq. ft/ 70,000 sq. ft	1.56 million	1.03 million	2 – 2.5 shifts
Factory II	Lot 8206, Jalan Stesen 34600 Kamunting Perak	5 acres/ 100,000 sq. ft	0.94 million	0.62 million	2 – 2.5 shifts

The annual production capacity and actual production of PU for the past five (5) financial years are as follows: -

Financial year ended 30 April	Production capacity (pieces)	Actual production (pieces)
2003	2,000,000	1,646,370
2002	1,500,000	1,341,124
2001	1,500,000	1,145,274
2000	1,000,000	840,183
1999	1,000,000	704,634

Saferay was granted pioneer status for carrying on the pioneer activities of "Decorative Panels and Ornaments of Plastic" by MITI under the Promotion of Investment Act, 1986 for a period of five (5) years commencing from 1 April 1997 to 31 March 2002. On 21 November 2001, Saferay was awarded the MS ISO 9002 certification in recognition of its efforts in maintaining a quality system in management and in the production of PU. Subsequently, Saferay was upgraded to the MS ISO 9001:2000 Quality Management System in December 2003.

Saferay has established a systematic, controlled preventive and predictive programme for the maintenance of its infrastructure (existing building, utility, work environment, support services, machinery and equipment) to sustain equipment reliability, lengthen equipment service life and prevent unscheduled equipment breakdowns which could result in the loss of operating days and decreased production.

The types of maintenance programmes adopted by Saferay are as follows:

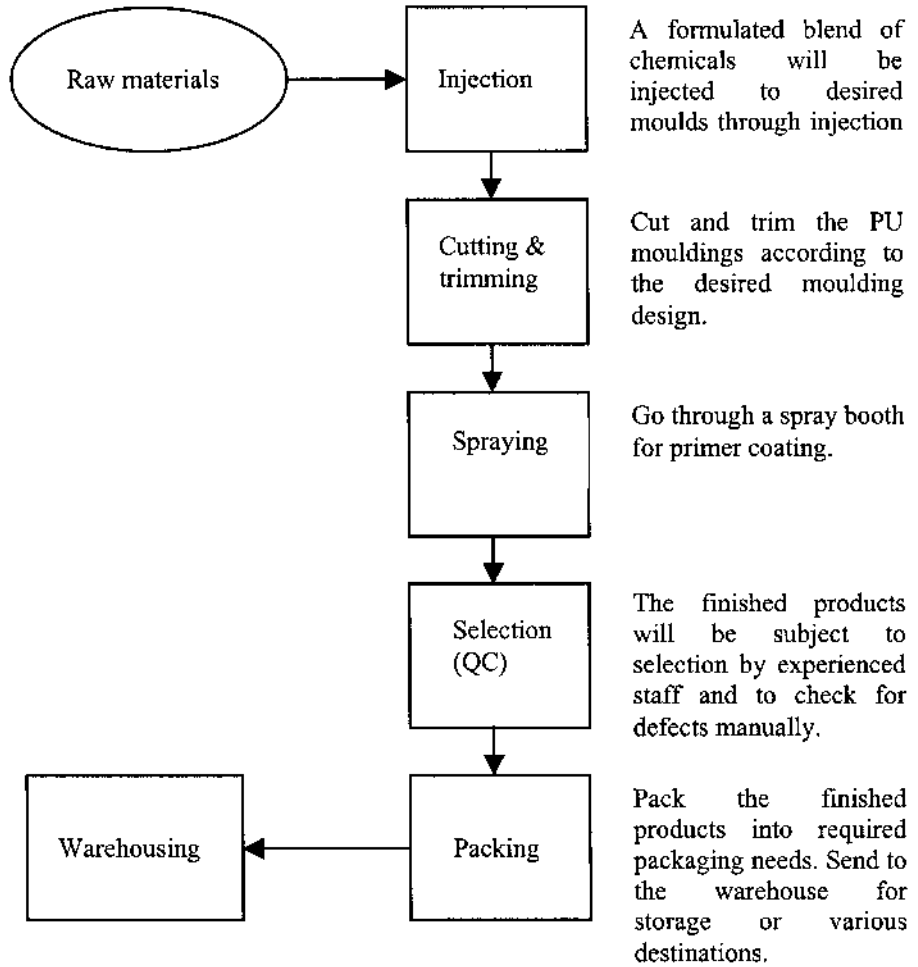
- (a) Basic maintenance such as the cleaning and greasing of machinery which is done on a daily basis by the respective line operators;
- (b) Monthly maintenance schedules for utility, work environment, machinery and equipment which is executed by maintenance personnel; and
- (c) Annual mechanical and electrical maintenance which is conducted by the maintenance department according to the fixed maintenance programme.

In addition to the above, engineers from the relevant equipment suppliers are engaged by Saferay to regularly check on the critical plant and machinery located at Factory I and Factory II.

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

**(c) Manufacturing Process**

The PU manufacturing process is summarized as follows:



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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)****(d) Raw Materials**

The main raw materials for the production of PU mouldings are Iso and Polyol. Saferay's demand for these raw materials are secured from Singapore and Malaysia. The total imports made were approximately RM5.1 million for the five (5) months ended 30 September 2003.

Other main raw materials for the production and sale of mouldings are paint and corrugated cartons. Saferay sources its paints from Meridian Paint Sdn Bhd and Ta Chia Chemicals Sdn Bhd and its corrugated cartons from Golden Frontier Packaging Sdn Bhd, Multi Flute Packaging Sdn Bhd and GH Packaging Sdn Bhd. The total consumption of raw materials was approximately RM8.2 million for the five (5) months ended 30 September 2003. All these suppliers have been dealing with Saferay for more than four years.

The availability of multiple suppliers for all Saferay's main raw materials enables Saferay to avoid being over reliant on any one supplier, hence, mitigating the risk of supply interruptions and shortages.

**(e) Principal Markets**

With its commitment to produce consistently high quality products, prompt delivery, innovation, marketing support and customer-oriented philosophy, Saferay's product designs and quality has been globally accepted in more than 20 countries, including the US, France, Italy, Taiwan, Hong Kong and Russia. New markets being targeted for the present financial year include Egypt, China, the Middle East, Australia and New Zealand.

Saferay represents one of the top manufacturers of PU products worldwide and has established an international marketing network in the US, Taiwan and Europe.

A breakdown of Saferay's sales for the audited five (5) months ended 30 September 2003, by geographical region, is as follows:

<b>Region</b>	<b>Percentage (%)</b>
North America	58.0
Europe	21.0
Asia	20.0
Others	1.0
	100.0

**(f) Product Quality and Accreditation Received**

Saferay emphasises quality control in its entire manufacturing process, beginning from the design of mouldings, the production of mouldings to the marketing support for its customers. The PU mouldings are manufactured under strict control procedures at various points of the production process. Strict checks are performed to ensure that Saferay's customers get products that are of the highest available quality. In recognition of its efforts to promote quality throughout its production and management processes, Saferay was awarded the MS ISO 9002 Certification for the manufacturing of PU mouldings on 21 November 2001. Subsequently, Saferay was upgraded to the MS ISO 9001:2000 Quality Management System in December 2003.

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**


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Among some of the quality controls adopted by Saferay are as follows:

- Engagement of qualified and experienced personnel to oversee the design and manufacturing processes;
- Strict selection procedures are applied to the selection of reputable suppliers and the close monitoring and assessment of the raw materials supplied to ensure the required quality. Saferay's suppliers include Dow Chemical and Bayer, all of which are reputable multi-national corporation;
- Continuously upgrading and improving its design and production facilities to facilitate more effective and efficient processes with the principal objective of improving quality of the products manufactured and at the same time reducing wastage and thus costs;
- Continuous research and development effort to constantly provide new and innovative products as well as the processes used by the company; and
- Reviewing the training needs of its personnel.

**Competitive Advantages**

Saferay believes that it has the following competitive advantages:

- (i) Throughout the years, Saferay has built up a stock of more than 900 models of interior and exterior PU architectural mouldings as well as decorative mouldings and enables it to cater for customers' diverse requirements;
- (ii) Saferay is able to design and manufacture PU products based on customers' requirements as it has its own designers, mould makers/craftmen and engineers. In this regard, it is able to innovate new and practical designs;
- (iii) Saferay is able to ensure timely delivery of products to its customers, good marketing support and reliability of supply of goods;
- (iv) Saferay's products are ensured to be of a consistently high quality due to the various product quality checks implemented at various stages of the production process. Furthermore, in recognition of the above, Saferay has been awarded the MS ISO 9002 Certification for the manufacturing of decorative PU architectural products on 21 November 2001. Subsequently, Saferay was upgraded to the MS ISO 9001:2000 Quality Management System in December 2003; and
- (v) Saferay's ability to keep the prices of its PU products competitive as compared to its international rivals.

**Modes of Marketing**

Saferay's customers are manufacturers, wholesalers, importers and distributors. Saferay has a sales team of 7 people. The main marketing channel used by Saferay is through international trade fairs and exhibitions. The sales team would set up booths in international trade fairs and exhibitions to showcase Saferay's products and to establish contracts with potential customers. In 2003, Saferay exhibited its products at three (3) international trade fairs and exhibitions. These exhibitions have been crucial for the sales personnel to meet existing and new customers and to study the latest market trends and PU moulding designs.

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

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The potential customers may provide a concept that they desire or an idea of their requirement without visual specifications or may specify the design, quality and price. In the case of the former, the R&D team would then produce a design that matches the potential customers' concept and ideas. Saferay has been able to secure a number of orders through these trade fairs and exhibitions and remain one of Saferay's main marketing strategies.

Saferay distributes its products directly to its customers. Saferay's customers either place their orders for PU products directly with Saferay or through their agents. Upon completion of orders, Saferay would ship the products direct to the customers' address overseas, including orders placed via agents. As such, Saferay has a direct relationship with its customers. Distribution to the end customers is undertaken by Saferay's customers who have established their own distribution channels. Such channels include chain stores, retail shops or department stores and these products are generally sold under the stores' or retailers' brand name. The PU products can also be sold through mail-order catalogues under the customers' brand name.

Saferay also promotes its product via internet. Saferay's website can be accessed via: [www.gaudidccor.com](http://www.gaudidccor.com).

Saferay's products are shipped directly to its customers on free-on-board ("FOB") terms. Sales on FOB terms eliminate the logistic risks for Saferay as Saferay is considered to have delivered its goods to the customers when the goods are boarded.

**Research and Development**

The success of a business is very much dependent on its ability to innovate and to maintain competitive edge over its competitors. In view of this, Saferay adopts the policy of utilising R&D to satisfy the requirements of its clients and to conduct surveys into new or developing market trends in the PU market. Saferay has an in-house R&D centre and a working laboratory equipped with testing facilities.

Currently, Saferay's research team of seven (7) people is led by its Managing Director ("MD"), Mr Ong Kah Huat. The R&D team comprises the MD, a consultant engineer, two engineers and three designers. The amount spent on R&D is approximately RM300,000 per annum.

The areas of R&D which Saferay are undertaking include:

- Creating new designs, product development and application;
- Improving mould technology; and
- Improving existing chemical formulation and manufacturing process.

The PU products manufactured by Saferay are either based on customers' designs and specifications, or from designs and specification provided by Saferay. Saferay constantly explores avenues to improve the quality of its products and productivity through R&D. In terms of design and moulds, Saferay has an in-house team of three designers and 10 craftsmen who are experienced sculptors and carvers who have the necessary experience and expertise to design and fabricate any design and mould for Saferay's customers. As for chemical formulation, Saferay employs its own blended formula and this formula is derived from the years of R&D effort. The chemical formulation is overseen by its MD and a consultant engineer, who also obtain technical advice from the suppliers.



## 5. INFORMATION OF THE MITHRIL GROUP (Cont'd)

The production line will commence development of prototype, once the most efficient production process and blended formula is developed. For effective production scheduling, Saferay recognises the importance of timing and as such, production period and timing is established at the prototype stage. Some of the achievements registered by its R&D activities include reduction in production lead times and the manufacture of high quality products at minimal costs.

### Employees

As at to-date, Saferay employs a total of 146 permanent employees. The management of Saferay is of the opinion that its dedicated and efficient employees are instrumental to its success. The management of Saferay enjoys a good working relationship with the employees. The employees do not belong to any organised unions. Depending on seasonal needs, temporary unskilled factory workers are hired to cope up with production requirements.

Saferay's permanent employees are generally segregated into five (5) categories as follows:

Category of permanent employee	Total number	Average no of years of service (year)
1. Managerial and Professional	6	> 5
2. Technical and supervisory (including craftsmen)	18	> 4
3. Clerical staff and sales executive (including officers, sales co-ordinators, Administrative assistant, clerks, typist and designers)	18	> 3
4. Skilled and Unskilled factory workers and General workers (including drivers, office boys, cleaner, gardeners and foreign workers)	104	> 2
<b>Total</b>	<b>146</b>	

Saferay recognises the importance of its employees and continuously takes steps to update them on the latest developments in the industry. These employees are also sent for training courses from time to time in order for them to update their technical knowledge.

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

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**5.5.3 Menara MAA Buildings****5.5.3.1 MAAKK 1**

MAAKK 1 consists of twenty-nine (29) subsidiary parcels of commercial/office space situated on the Ground, Mezzanine, First, Second, Third, Fifth, Seventh and Eighth Floors with a net lettable area of 189,727 square feet together with 195 units of basement carpark bays forming part of a 11 storey office building with 3 basement carpark known as "Menara MAA".

Menara MAA – Kota Kinabalu fronts onto the western side of Lorong Api-Api 1, within the locality of Api-Api and is located at the southern fringe of Kota Kinabalu City Centre. The building forms part of a comprehensive commercial and residential development known as Api-Api Centre developed by Tokojaya Sdn. Bhd, Sabah Urban Development Corporation Sdn Bhd and Sabah Economic Development Corporation.

It is conveniently located in a distinctive neighbourhood that houses prominent hotels, office blocks as well as the largest shopping mall in the city. It is accessible from Kota Kinabalu/Sembulan/Tanjung Aru New Coastal Highway (Lebuhraya Pantai Baru) onto Lorong Api-Api 1.

Menara MAA – Kota Kinabalu is currently held under a ninety-nine (99) year leasehold interest expiring on 31 December 2086 held under part of Master Title Town Lease 017545265, District of Kota Kinabalu, Sabah. The site in which Menara MAA – Kota Kinabalu is erected is rectangular in shape with a land area of approximately 47,145.85 square feet (4,380 square metres).

The actual development order was obtained by the developer in 1995 with construction of the area commencing in 1997. Actual Occupation Certificates was obtained on 17 September 1999. The age of the building is approximately 4 years.

Upon completion of the acquisition of MAAKK 1 from MAA, MAAKK 1 will be leased back to MAA in its entirety for a fixed lease period of five (5) years ("Lease Period") for with an option exercisable by MAA to extend the lease in respect of all or part of MAAKK 1 (as may be decided at MAA's discretion) for a further five (5) years subject to a maximum increase of 10% on the current rental price.

Pursuant to the lease agreement, MAA shall pay Mithril a total a fixed rental of Ringgit Twenty Six Million (RM26,000,000) as agreed fixed rental during the Lease Period. The Rental shall be payable in arrears by quarterly installments of Ringgit One Million Three Hundred Thousand (RM1,300,000.00) by or on the 26<sup>th</sup> day of each third calendar month of the Lease Period.

**5.5.3.2 MAA Kuching**

MAA Kuching Acquisition consists of all the subsidiary parcels of 8 levels encompassing the whole of Basement Level, Level 1, Level 3, Level 5, Level 6, Level 7, Level 8 and Level 9 with an approximate lettable area of 50,653 square feet within a 11 storey office building together with basement floor and an open-air carpark known as "Menara MAA".

Menara MAA – Kuching is located along the southern and northern sides of Jalan Ban Hock and Jalan Central Timur respectively. Kuching Town Centre is located about 1.6 kilometres to the north-west of Menara MAA – Kuching.

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**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)**

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Menara MAA - Kuching is constructed on a piece of land measuring 56,005 square feet currently held under a sixty (60) year leasehold interest expiring on 28 April 2051 held under Title No. Lot 86 Section 53, Kuching Town Land District, State of Sarawak. The site in which Menara MAA – Kuching is erected is near trapezoidal in shape with a land area of approximately 56,005 square feet (5,203 square metres).

The development order was obtained in 1994 while the occupancy permit was obtained on 6 September 1997. The age of the building is approximately 6 years.

Upon completion of the acquisition of MAA Kuching from MAA, MAA Kuching will be leased back to MAA in its entirety for a fixed lease period of five (5) years (“Lease Period”) for with an option exercisable by MAA to extend the lease in respect of all or part of MAA Kuching (as may be decided at MAA’s discretion) for a further five (5) years subject to a maximum increase of 10% on the current rental price.

Pursuant to the lease agreement, MAA shall pay Mithril a total a fixed rental of Ringgit Eight Million (RM8,000,000) as agreed fixed rental during the Lease Period. The Rental shall be payable in arrears by quarterly installments of Ringgit Four Hundred Thousand (RM400,000.00) by or on the 26<sup>th</sup> day of each third calendar month of the Lease Period.

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## 5. INFORMATION OF THE MITHRIL GROUP (Cont'd)

### 5.6 Major Customers

#### 5.6.1 Tajo

The list of Tajo's major customers as at 30 September 2003 (being the date of the latest available audited consolidated financial statements of Tajo) is as follows:

Name of customer	Description of Business	Length of Business Relationship (Years)	Turnover RM'000	Percentage of total Turnover %
Chop Chuan Seng & Co	Trading	4	1,433	17.99
Principal Alliance Sdn Bhd	Trading	4	933	11.72
Syarikat Yeong Fatt Marketing Sdn Bhd	Trading	3	534	6.70
Dynamic Marketing Sdn Bhd	Trading	>10	327	4.11
Weng Wai Trading Sdn Bhd	Trading	>10	150	1.88
CMCM Perniagaan Sdn Bhd	Trading	>10	92	1.16
Ipmuda Berhad	Trading	>10	169	2.12
Nature Supply Trading Sdn Bhd	Trading	2	200	2.51
STH Sri Bulatan Sdn Bhd	Trading	>10	63	0.79
Boustead-Johan Edaran Sdn Bhd	Trading	>10	97	1.22
Others			3,966	49.80
<b>Total</b>			<b>7,964</b>	<b>100.00</b>

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)****5.6.2 Saferay**

The list of Saferay's major customers as at 30 September 2003 (being the date of the latest available audited financial statements of Saferay) is as follows:

<b>Name of customer</b>	<b>Description of Business</b>	<b>Length of Business Relationship (Years)</b>	<b>Turnover RM'000</b>	<b>Percentage of total Turnover %</b>
A customer from Canada	Trading	5	3,855	27.83
A customer from America	Trading	5	2,659	19.20
Buidiwelni System Group of companies	Trading	7	2,004	14.47
H&K Goodware Industrial Co.	Trading	10	792	5.72
Sumitomo Construction Co.	Construction	4	762	5.50
Auspicious Industrial Co.	Trading	8	639	4.61
Handling System Holding Sdn Bhd	Trading	7	591	4.27
Century Architectural Specialist	Trading	9	327	2.36
Gaudi Décor Co.	Trading	3	279	2.01
Tip Corporation Co.	Trading	4	261	1.88
Others			1,683	12.15
<b>Total</b>			<b>13,852</b>	<b>100.00</b>

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)****5.7 Major Suppliers****5.7.1 Tajo**

The list of Tajo's major supplier as at 30 September 2003 (being the date of the latest available audited consolidated financial statements of Tajo) is as follows:

Name of supplier	Description of Goods	Length of Relationship (Years)	Amount Purchased RM'000	Percentage of total Purchases %
CS Petroleum Sdn Bhd	Diesel	5	3,364	66.50
Principal Alliance Sdn Bhd	Pallet & Stretch Film	4	509	10.07
Yoon Yap Trading	Earthwork	6	467	9.23
Ingermark (M) Sdn Bhd	Electrical Spare Parts	4	103	2.04
An Long Industrial Parts Sdn bhd	Spare Parts	5	54	1.08
Better Engineering Works	Fabrication	>15	49	0.96
Evergreen Chemicals Trading	Chemical	>10	45	0.89
Heat Tech Automation	Spare Parts	>5	44	0.88
Legend Transmission	Conveyor Belt & Bearing	10	39	0.78
Seng Yeap Engineering Parts Co	Spare Parts	2	38	0.75
Others			345	6.82
<b>Total</b>			<b>5,058</b>	<b>100.00</b>

**5. INFORMATION OF THE MITHRIL GROUP (Cont'd)****5.7.2 Saferay**

The list of Saferay's major supplier as at 30 September 2003 (being the date of the latest available audited financial statements of Saferay) is as follows:

Name of supplier	Description of Goods	Length of Relationship (Years)	Amount purchased RM'000	Percentage of total Purchases %
Dow Chemical (M) Sdn Bhd	Chemicals	10	2,747	33.50
Bayer (M) Sdn Bhd	Chemicals	10	1,861	22.70
Allen Plastics Co.	Chemicals	3	556	6.78
Meridian Paints Sdn Bhd	Paints	10	554	6.76
Crompton Sdn Bhd	Chemicals	6	540	6.59
BASF (M) Sdn Bhd	Chemicals	3	408	4.97
Ichia Chemicals Sdn Bhd	Chemicals	1	255	3.11
Ta Chia Chemicals Sdn Bhd	Paints	4	168	2.05
Golden Frontier Packaging Sdn Bhd	Corrugated cartons	10	145	1.76
Eweny Chemicals Sdn Bhd	Chemicals	8	142	1.73
Others			824	10.05
<b>Totals</b>			<b>8,200</b>	<b>100.00</b>

**5.8 Interruptions/Disruption in Business**

There were no interruptions in the business of the Mithril Group which had a significant effect on the operations of the Mithril Group during the past twelve (12) months.