




5. INFORMATION ON OUR GROUP (CONT'D)

5.9.13 Brand Names, Patents, Trade Marks, Licenses, Technical Assistance Agreements, Franchises and Other Intellectual Property Rights




Our Group has obtained approval from the Registrar of Trademarks, Malaysia for the registration of the logos of our frozen processed food products. The details of the logos registered are set out as follows:-

Proprietor	Class	Trademark No.	Trademark Logo	Application Date	Expiry Date
SCSSB	29	96001954		17 February 1996	17 February 2013
PSSB	29	01008900		13 July 2001	13 July 2011
SCSSB	29	03003880		4 April 2003	4 April 2013

The details of the logos which are pending approval from the Registrar of Trademarks, Malaysia are set out as follows:-

Applicant	Class	Application No.	Trademark Logo	Application Date	Expiry Date
PSSB	29	09014715		27 August 2009	Not applicable
SCSSB	29	07005225		27 March 2007	Not applicable
PSSB	29	09014714		27 August 2009	Not applicable

5. INFORMATION ON OUR GROUP (CONT'D)

Applicant	Class	Application No.	Trademark Logo	Application Date	Expiry Date
SCSSB	29	08010981	 Mr. Saudi Bear	5 June 2008	Not applicable
SCSSB	29	08010980	 Mr. Saudi Bear	5 June 2008	Not applicable
SCSSB	29	08010979	 Mr. Saudi Bear	5 June 2008	Not applicable

5.9.14 Salient Terms of the Contracts/Arrangements on which Our Group is Highly Dependent

There are no contracts/arrangements on which our Group is highly dependent as at the LPD which have been entered into by us.

5.9.15 R&D

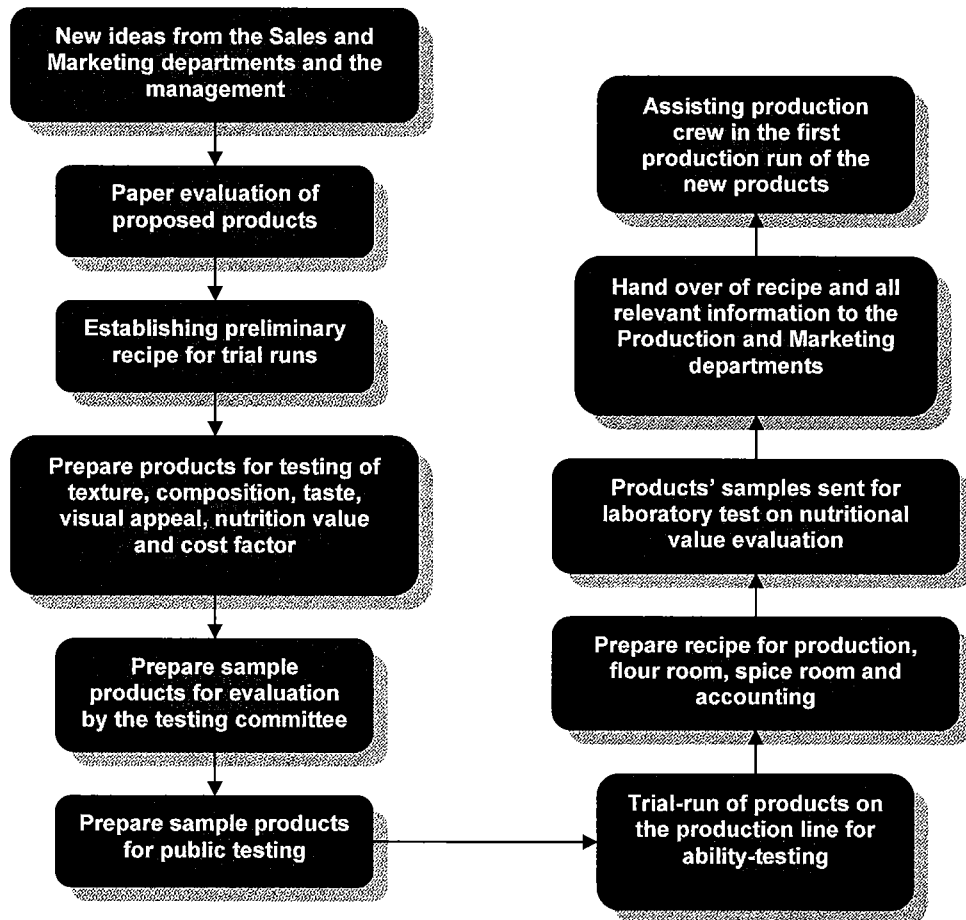
Our Group is focused on constantly improving our products in terms of its quality and cost efficiency by adhering to the following R&D policies:-

- (i) To remain competitive and surpass our competitors in the frozen processed food industry;
- (ii) To improve cost efficiency and application of raw materials;
- (iii) To improve the quality, reliability and nutritional value of our existing products; and
- (iv) To improve our competitive advantages by developing nutritious new frozen processed food products.

We believe that an organised R&D implementation is essential for our business expansion. We are capable to invent and develop ten (10) to twelve (12) new processed food products for production and distribution annually. To improve our success in achieving our R&D objectives, we collaborate with the relevant professionals that have vast technical and practical experience in the food processing industry as well as our customers. As an example, we are currently working with our customers to obtain their feedback and suggestion on our products. With these data on hand, our R&D department can conduct detailed analyses in terms of, amongst

5. INFORMATION ON OUR GROUP (CONT'D)

others, product demand and consumption patterns, consumer preferences, product saleability and market penetration, all of which help to strengthen our R&D function. Furthermore, having direct access to customers' feedback and opinion can help us reduce the time and cost for future R&D experiments. Presently, there are approximately 18 new product samples under the development and testing stage, whereas 11 processed food product proposals are still in the midst of discussion.



Based on our R&D process flow chart above, our R&D department undertakes a few tasks prior to the production of our processed food products. At the initial stage, our R&D team will conduct a committee meeting with the personnel from the Sales and Marketing department and the representatives of our Group's management to discuss on the new ideas generated by our R&D team. After reaching the decision on which ideas are to be adopted, our R&D team will prepare a detailed proposal of the approved products. After the proposal is reviewed and approved by our R&D Manager and TTK, our Group Managing Director, the trial process of the preliminary recipe will begin.

Our Group has an internal laboratory equipped with advanced testing instruments and run by experienced and skilled food technologists and biochemists. Our food technologists and biochemists are responsible to analyse the raw materials and the mixed ingredients in order to verify that the raw materials and mixed ingredients are fit for human consumption. All related R&D activities on new products including, amongst others, cutting, flaking, grinding, forming, cooking, frying and testing are performed in the laboratory. Approximately 99% of the spices we use are formulated and mixed by our internal R&D department. The new products will be examined in

5. INFORMATION ON OUR GROUP (CONT'D)

terms of its texture, composition, taste, visual appeal and nutritional value. Once the examination of the new products is completed, some sample products will be prepared by the testing committee for our Group's internal evaluation.

Further to the internal evaluation, the R&D department will work closely with the Marketing department to organise a public testing session of our new products. Targeted consumer groups such as housewives, students and youngsters are invited to attend our public testing session and they are expected to provide their comments and feedbacks on the sample products, which will be noted down for future reference.

After the public testing, the Production department will carry out the ability-testing of the trial-run products on the production line. Once the ability-testing of the trial products is successful, our R&D department will then prepare the recipe of the trial products for the flour and spice rooms as well as the Production and Accounting departments. At the same time, some of the product samples are sent for further laboratory tests for nutritional value assessment.

Subsequently, our R&D team will send the recipe and all related information to both the Production and Marketing departments for further processes. The R&D team will also assist in the initial production runs of the new products to ensure smooth production of the new products.

Presently, our R&D team has successfully produced fully cooked, semi-cooked and raw processed food products which can be prepared and cooked through multiple methods such as deep fry, steam, bake and low heat moist cook at the temperature of 82°C. In addition, all of our frozen processed food products are blast frozen in the blast freezer rooms at a temperature of minus 36°C immediately after the production process. Subsequently, the frozen processed food products are transferred to and kept in the spiral freezer at a temperature of below minus 18°C.

The current and planned R&D activities undertaken by our Group's R&D department are summarised below:-

Year	R&D Activities
2009	(i) Development of retort food such as sausages and ready-to-eat dishes. (ii) Development of new products based on new appeals such as mixing meat and seafood as the main ingredient for a new product. (iii) Development of healthy and nutritious processed food products. (iv) Research and development of the by-products. For instance, the development of the production waste into food for fishes.
2010	(i) Improvement and development of a variety of ready to eat meat-based meals for local and overseas market.

Our Group's R&D expenses over the last three (3) financial years and a comparison of the R&D expenses as a percentage of our Group's revenue are as follows:-

	FYE 31 May		
	2007 (RM)	2008 (RM)	2009 (RM)
R&D Development Cost	37,983	37,592	30,201
R&D Salary	306,670	341,430	229,102
Total R&D Expenses	344,653	379,022	259,303
% of R&D Expenses to Revenue	0.32	0.29	0.20

As at the LPD, our R&D team consists of five (5) staff and is spearheaded by Mr. Heinz Geser. He is assisted by a team of experienced R&D personnel who are

5. INFORMATION ON OUR GROUP (CONT'D)

primarily responsible for product development and testing. In 2010, our Group intends to recruit additional R&D professionals to join our R&D team in line with the future planned R&D activities.

5.9.16 Interruptions in Business

Our Group has not experienced any material interruption to the business of our Group in the past 12 months preceding the date of this Prospectus.

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5. INFORMATION ON OUR GROUP (CONT'D)

5.9.17 Property, Plant and Equipment

Our Group currently owns the following land and buildings:-

Registered Owner/Beneficial Owner	Title Details / Address	Description / Existing Use	Approximate Age of building (years)	Issuance date of Certificate of Fitness	Tenure of Land	Land Area / Gross Built-Up Area	Express Condition / Restriction-in-Interest	Encumbrances	Audited net book value as at 31 May 2009 (RM)
- Perbadanan Kemajuan Negeri Kedah ("PKNK")	Title No. HSD 52055, Lot No. PT 30508, Town of Sungai Petani, District of Kuala Muda, State of Kedah / Plot 331, Jalan PKNK 3/7, Kawasan Perumahan Sungai Petani Fasa 3, 08000 Sungai Petani, Kedah Darul Aman	This property is an individually designed detached factory complex, comprising a double-storey detached factory cum office and guard house with toilet.	9 years	The Certificate of Fitness for the building was obtained on 22 July 2000	Leasehold interest for a term of 60 years, commencing on 30 October 1996, leaving an unexpired term of about 48 years as at 23 October 2008, being the date of valuation	Approximately 30,351 square metres / Approximately 11,641 square metres	<u>Express Condition</u> The land which is comprised in this title is to be used for industrial site only. <u>Restrictions-in-Interest</u> Perbadanan Kemajuan Negeri Kedah is allowed to transfer to the first purchaser and subsequently charged by the first purchaser. The consent of Majlis Mesyuarat Kerajaan has to be obtained prior to transfer and chargers thereafter.	i. No. 11264/1998 Gadaian Pajakan, Ke atas Pajakan Seluruh Tanah vide No. Pers. 14482/1996 Jil.12 Fol. 63 kepada Hong Leong Bank Berhad, registered on 10 September 1998. ii. No. 15053/1999 Gadaian Pajakan, Ke atas Pajakan Seluruh Tanah vide No. Pers. 14482/1996 Jil.12 Fol. 63 kepada Hong Leong Bank Berhad, registered on 16 October 1999.	14,227,526

5. INFORMATION ON OUR GROUP (CONT'D)

Registered Owner / Beneficial Owner	Title Details / Address	Description / Existing Use	Approximate age of building (years)	Issuance date of Certificate of Fitness	Tenure of Land	Land Area / Gross Built-Up Area	Express Condition / Restriction-in-Interest	Encumbrances	Audited net book value as at 31 May 2009 (RM)
								iii. No. 4028/2001 Gadaian Pajakan, Ke atas Pajakan Seluruh Tanah vide No. Pers. 14482/1996 Jil. 12 Fol. 63 kepada Hong Leong Bank Berhad, registered on 11 March 2001.	
								iv. No. 28660/2002 Gadaian Pajakan, Ke atas Pajakan Seluruh Tanah vide No. Pers. 14482/1996 Jil. 12 Fol. 63 kepada Hong Leong Bank Berhad, registered on 30 November 2002.	

5. INFORMATION ON OUR GROUP (CONT'D)

Registered Owner/Beneficial Owner	Title Details / Address	Description / Existing Use	Approximate age of building (years)	Issuance date of Certificate of Fitness	Tenure of Land	Land Area / Gross Built-Up Area	Express Condition / Restriction-in-Interest	Encumbrances	Audited net book value as at 31 May 2009 (RM)
SCSSB	Title Nos. HSD 7759, 7761 and 7762, Lot Nos. 3573, 3474 and 3575, Town of Alor Setar, District of Kota Setar, State of Kedah	Commercial Land/Vacant	Not applicable	Not applicable	Freehold	Approximately 397 square metres	<p><u>Express Condition</u></p> <p><u>Business Place</u></p> <p>i. requirement to build on this land, a building based on the approved building plan by the Majlis Bandaran, Alor Setar within five (5) years from the date of the registration of the explanatory letter.</p> <p>ii. requirement for the owner of the land to build reserve road with stone and tar as prescribed by the Jabatan Kerja Raya and maintain the road to the satisfaction of Jabatan Kerja Raya.</p> <p>iii. prohibition to transfer according to the Majlis Mesyuarat Kerajaan No. 600/68 paper, rent or pledge the said land unless the two (2) conditions set out above are fulfilled to the satisfaction of the Jabatan Kerja Raya.</p> <p>iv. requirement for the owner of the land to pay and settle all taxes, payment, assessment and any other expenses incurred from time to time for the land or parts thereof as claimed by the Majlis Bandaran or any other authorities.</p>	<p>i. Registered charge in favour of EON Bank Berhad under presentation no. 27698/2005 lodged on 20 December 2005.</p> <p>ii. Registered charge in favour of EON Bank Berhad under presentation no. 27699/2005 lodged on 20 December 2005.</p>	169,808

5. INFORMATION ON OUR GROUP (CONT'D)

Registered Owner/ Beneficial Owner	Title Details/ Address	Description / Existing Use	Approximate age of building (years)	Issuance date of Certificate of Fitness	Tenure of Land	Land Area/ Gross Built-Up Area	Express Condition/ Restriction-in-Interest	Encumbrances	Audited net book value as at 31 May 2009 (RM)
SCSSB	Title Nos. HSD 7441, 7442, 7443 and 7758, Lot Nos. 3397, 3398, 3399 and 3572, Town of Alor Setar, District of Kota Setar, State of Kedah	Commercial Land/Vacant	Not applicable	Not applicable	Freehold	Approximately 9,269 square metres	<p><u>Restrictions-in-Interest</u></p> <p>Nil</p> <p><u>Express Condition</u></p> <p><u>Business Place</u></p> <p>i. requirement to build a building on this land based on the approved building plan approved by the Majlis Bandararan, Alor Setar within five (5) years from the date of the registration of the explanatory letter.</p> <p>ii. requirement for the owner of the land to build reserve road with stone and tar as prescribed by the Jabatan Kerja Raya.</p> <p>iii. Prohibition to transfer, rent or pledge this land except the condition (ii) set out above is fulfilled to the satisfaction of the Jabatan Kerja Raya.</p> <p><u>Restrictions-in-Interest</u></p> <p>Nil</p>	Nil	2,778,358

None of the assets disclosed above have been revalued in conjunction with the Listing.

5. INFORMATION ON OUR GROUP (CONT'D)

To the best knowledge of the Board, none of the properties disclosed above are in breach of any land-use conditions and/or are in material non-compliance with current statutory requirements, land rules or building regulations.

Save as disclosed above, there are no other material tangible fixed assets in our Group.

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5. INFORMATION ON OUR GROUP (CONT'D)

5.9.18 Material Plant and Equipment

Our major machineries and equipment are as follows:-

Machineries and Equipment	Description/Purpose	Number of Units	Net book value as at 31 May 2009 (RM)
Meat-based Products			
Multi Forming Machines	For forming process of nugget	2	342,224
Spiral Freezer	For blasting and freezing process of the products	3	971,508
Meat Processing Machine	For processing the raw meat into meat mixture during the production process.	1	463,271
VC999 Fully Auto Rollstock Packaging Machine	For the packing process of frankfurter.	1	448,952
Smokehouses	For cooking process of frankfurter.	2	153,683
Waste Water Treatment Plant	For treatment of waste water.	1	423,260
Flour-based Products			
Seewer Rondo Dough sheeter	Dough sheeter is the equipment used for rolling out the dough.	1	61,390
Oshikiri High Pressure Air Mixer	Mixer is used for the cake mixing purpose.	1	47,125
Recon. pressure Cake Mixer (Fujisawa)	Mixer is used for the cake mixing purpose.	1	28,417
"SHINNIHON" Cookie Depositor (one unit) & Tunnel Oven (one unit)	The machines are used for baking the flour-based products.	2	33,917
Tunnel Oven for Arabic Bread	A device used for the high temperature baking purpose.	1	46,667
Cold Storage Facilities			
Evaporators for air blast freezer, anteroom and other cold storage facilities	A device utilised for the freezing storage purpose for our products.	Not applicable	332,083

Our Board is of the opinion that our Group has sufficient capacity to meet the current and anticipated level of demand and will continue to monitor the capacity requirements to ensure that our Group's operations run smoothly.

5. INFORMATION ON OUR GROUP (CONT'D)

To the best of our Board's knowledge, there are no regulatory requirements or environmental issues which may materially affect our operation and utilisation of the properties, machineries and equipment as disclosed in Sections 5.9.17 and 5.9.18 above.

5.9.19 Acquisitions of Properties during the Two (2) Years Preceding the Date of this Prospectus

Save for the Acquisition of Land and Building as disclosed in Section 5.8.1 of this Prospectus, there were no other properties acquired by our Group during the last two (2) years preceding the date of this Prospectus.

5.9.20 Major Customers

Our Group does not have any major customers who had contributed 10% or more to our Group's revenue for the past three (3) FYE 31 May 2007 to 2009. As such, we are not significantly dependent on any of our major customers.

5.9.21 Major Suppliers

Our major suppliers who had contributed 10% or more of our Group's purchases for the past three (3) FYE 31 May 2007 to 2009 and two (2) month FPE 31 July 2009 are as follows:-

Name	Country of origin	Length of relationship as at LPD	Total Purchases for the FYE 31 May						Total purchases for the two (2) months FPE 31 July 2009	
			2007		2008		2009		RM'000	%
			RM'000	%	RM'000	%	RM'000	%		
Pusing Ria Sdn Bhd	Malaysia	More than five (5) years	8,024	10.03	9,173	8.90	5,046	5.10	348	1.92
Hind Agro Industries Limited	India	More than five (5) years	10,332	12.91	-	-	4,131	4.10	148	0.82
ALM Industries Limited	India	More than two (2) years	-	-	32,912	31.92	6,465	6.50	-	-
M.K. Overseas Pvt. Ltd.	India	More than two (2) years	-	-	-	-	13,346	13.40	3,041	16.79

Generally, our Group purchases the raw materials from various local and overseas suppliers.

From the FYE 31 May 2007 to FYE 31 May 2009, Pusing Ria Sdn Bhd is the only local supplier who has supplied consistently to our Group's total purchase of the raw materials for our daily production of frozen processed food products. Our Group has established more than five (5) years of relationship with the said supplier. Our Group purchases mainly frozen chicken meat from Pusing Ria Sdn Bhd.

For the FYE 31 May 2009, our Group had diversified to several suppliers. In order to mitigate the risk of supply shortages, our Group also obtain the supply of beef from India, Australia and New Zealand. Hind Agro Industries Limited, ALM Industries Limited and M.K. Overseas Pvt. Ltd. are three (3) major overseas suppliers of beef from India. Hind Agro Industries Limited has already established more than five (5) years of relationship with our Group. Although ALM Industries Limited and M.K. Overseas Pvt. Ltd. have a shorter length of relationship with our Group, they have contributed approximately 6.5% and 13.4% respectively or approximately RM6.465

5. INFORMATION ON OUR GROUP (CONT'D)

million and RM13.34 million respectively of our Group's total purchases in the FYE 31 May 2009.

Our Group is able to engage and secure strong long-term relationships with all of our suppliers, and therefore, our Group does not rely heavily on any single supplier for the supply of raw materials for the production of our various processed food products.

5.10 FUTURE PLANS, STRATEGIES AND PROSPECTS

5.10.1 Future Plans and Strategies

In order to achieve our vision and maintain our competitive strength, our Group intends to utilise the following strategies as part of our future plans for the next three (3) to five (5) years:-

(a) Product expansion

As products' quality and innovation are essential parts of our food manufacturing business, our research and development are constantly developing and expanding our product range which meet and exceed our customers' expectation. Part of our future product expansion plan includes the following:-

- New innovative products with multiple cooking choices (deep-fry, steam, boil and fry);
- Retort products which can be stored at room temperature for period of one (1) year;
- New product development that are fully-cooked and design for exporting;
- Ready-food-product to cater for other customer segment; and
- Expand on the range of our existing products.

Our plans also include continuous promotion of healthy and nutritious food products. This can be achieved by minimising the consumption of salt and sugar. We will also invest in our R&D activities in product expansion process.

By working together with our R&D department, we are able to improve on our product development and we have targeted to produce and launch approximately ten (10) to twelve (12) types of product annually. In the next three (3) years, we would like to diversify our product segments in which our revenue breakdown will be constituted of 35% chicken-based products, 25% beef-based products, 15% flour-based products, 15% vegetable-based products and 10% other meat-related products. With this outstretched segmentation, we can minimise our dependency on any of the product categories manufactured by our Group. Diversification into other categories of product would help to mitigate any drastic change in demand in one particular product category due to factors beyond our control such as outbreaks of diseases.

5. INFORMATION ON OUR GROUP (CONT'D)

Retort food products

In today's busy lifestyle, people prefer fast, easy to handle but good tasting food such as retort food products. The advantage of retort food products is that it can be stored in a room temperature (up to 35°C) for a period of one (1) year. In addition, it can be shipped without any chilling system and it will arrive at its destination in perfect condition and ready-to-eat. As a result, retort food products are suitable for outdoor activities such as camping, travelling and could be stored at home without a refrigerator.

Presently, we are at the research stage of developing retort food products, whereby we have started our research and testing on retort frankfurters. Our R&D team will ensure the ingredients used for the development of the retort frankfurters are accurate and the frankfurters that we develop are tasty, healthy and most importantly, its ability to be kept in a fresh condition for a period of up to one (1) year. Upon the success of our retort frankfurters, we are planning to expand our retort food products range to nuggets, burgers, meatballs as well as other processed food products.

As retort food products are still new to the Malaysian market, we believe that there is a good potential for growth for the retort food products in our local market. Furthermore, all the retort food products that we develop will be *halal*.

(b) Market expansion

Our Group plans to expand our market presence into the international markets. Through our Group's experience and knowledge in the *halal* food market, the management is of the opinion that Africa, the Middle East and the Association of Southeast Asian Nations ("ASEAN") regions provide opportunities for market expansion.

For the initial stage, we will expand our market by distributing our products to our neighbouring countries in the ASEAN region through distribution agents such as wholesalers and importers.

As for other Muslim countries such as the Middle East countries, we plan to set up a sales office in Dubai, UAE which will serve as a platform for our Group to penetrate into the highly potential markets for our *halal* products. Our newly appointed sales and marketing agents and distributors in the selected countries will act as our distribution agents to distribute our products.

We also intend to expand our market presence in Malaysia. Currently, we have developed a good market reputation and coverage in the urban regions of Malaysia. Thus, to reach a wider group of customers, we will be investing in small size freezers which will be stationed in grocery shops and estate canteens in rural areas to stock our products to ensure that all our products are reachable and available to all Malaysians irrespective of whether they are in the urban or rural areas.

5. INFORMATION ON OUR GROUP (CONT'D)

(c) Capital expenditure

We are currently running at a production capacity of approximately 70.6% and 36.0% for the meat-based and flour-based products respectively. In line with our objectives, we are planning to grow our business operation in the local and international markets by increasing our capital investment on new machineries and equipment such as cold storage facilities and production machineries for flour-based products and vegetable-based products. We plan to invest approximately RM5 million in new cold storage facilities, small size freezers and production machineries. In line with the future expansion of storage facility and production machineries, we hope to increase our storage capacity by another 1,000 metric tonnes to approximately 4,000 metric tonnes as well as to increase our annual production capacity of meat-based products, flour-based products and vegetable-based products by approximately 2,400 metric tonnes, 450 metric tonnes and 200 metric tonnes respectively. The projected increase is attributable to the growth of our strategic business directions.

(d) Waste management

To reduce the concerns about the environmental consequences of disposal of waste meat, we plan to set up a waste management facility to produce fish food from the waste meat from our production process. The fish food is another source of revenue to our Group and increases the diversity of our product segment. Although this new product is not a significant contributor to our main revenue stream, it can help to promote ourselves as an environmental friendly corporation and has a practice of good waste management system.

As such, we will invest in new machineries and equipment for producing fish food. This new production line will operate independently from our current manufacturing facility. The separation of these activities is to ensure that we handle the product manufactured for human consumption and animal consumption is of high quality and 100% hygienic.

(e) Advertising and promotion programmes

Over the years, we have successfully established good reputation and recognition of our products in the local *halal* markets. For our future direction, we are planning to penetrate into other countries such as countries in the Africa, ASEAN and the Middle East regions. As part of our efforts in increasing brand awareness and to capture a larger market share in existing and potential markets, we have budgeted approximately RM2.5 million of the proceeds raised from the listing to finance our future advertising and promotion programmes as well as brand building exercise. Our advertising and promotion programmes comprise of television and radio advertisements and billboard advertisement in the city areas as well as appointing brand ambassadors to endorse our "SAUDI" brand products. The use of brand ambassadors has become an integral part of consumer products marketing. Popular celebrities will be contracted to represent the SAUDI products that are produced and marketed by us.

5.10.2 Prospects

Premised on the foregoing and the prospects and outlook of the industry as set out in **Section 6.9** of this Prospectus, our Board is of the view that our Group is expected to enjoy positive growth and favourable prospects in the long-term.

6. INDUSTRY OVERVIEW AND OUTLOOK

6.1 OVERVIEW OF THE GLOBAL ECONOMY

The global economy deteriorated further in the first quarter of 2009, while conditions in the international financial system began to stabilise towards the latter part of the quarter. Major advanced economies are still facing a deepening economic contraction following compression in private sector demand. Regional economies experienced a sharp economic slowdown in the first quarter of 2009 following further deterioration in both exports and production. Amidst worsening economic growth and diminishing inflationary pressures, authorities in the advanced economies continued to adopt aggressive monetary and financial measures to stabilise the financial system.

In the United States, real GDP contracted at an annualised rate of 6.1% in the first quarter, its third consecutive quarter of decline, marking the longest contraction since 1975. While there was a quarter-on-quarter increase in consumer spending, the decline in overall GDP was due to larger declines in private fixed investment and government spending as well as significant inventory drawdown. Private fixed investment activities registered a larger contraction of 37.9%, reflecting a broad-based decline in residential and non-residential sectors. Private inventory drawdown accounted for nearly half of the GDP decline in the first quarter, as businesses continued to reduce inventories amidst weak demand prospects. Meanwhile, headline inflation declined by 0.2% in the quarter due mainly to lower energy prices and transportation cost.

The euro area experienced a decline in real GDP of 4.6% in the first quarter, recording the largest contraction since its formation in 1999. Germany, the largest member country contracted by 6.9%, its steepest decline in 30 years driven by deterioration in net exports and investment. Domestic demand in several economies such as Ireland and Spain were affected by the ongoing correction in the housing market. The financial turmoil has also resulted in tighter credit conditions for households and businesses in the euro area, with the economic sentiment indicator reaching a record low of 64.6 points in March 2009.

In the Asian region, the more open economies including Singapore, Chinese Taipei, Korea and Hong Kong SAR experienced deeper recessions following the broad weakness in external demand while growth of other regional economies decelerated sharply during the first quarter of 2009. Growth in some economies was further affected by inventory drawdown as companies continued to cut production by a larger magnitude relative to exports. Following a weaker export performance, growth in China moderated to 6.1% in the first quarter of 2009. However, economic indicators in March 2009 showed that there were some signs of a pick-up in economic activity in China arising from the implementation of the fiscal stimulus. In response to the worsening global economic prospects amidst subsiding inflationary pressures, central banks across Asia have reduced interest rates by between 75 and 175 basis points.

Going forward, while some segments of the financial markets have showed improvement, global growth prospects are expected to remain weak despite some tentative signs of stabilisation in a number of economic indicators in several economies. Nonetheless, the implementation of large stimulus measures as well as ongoing measures to restore the health of the financial sector have increased the prospects for global economic conditions to stabilise in the second half of the year.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2009, Bank Negara Malaysia)

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

6.2 OVERVIEW OF THE MALAYSIAN ECONOMY

The Malaysian economy contracted by 6.2% in the first quarter of 2009, amidst a significant deterioration in external demand, following the deepening recession in advanced economies. The large inventory drawdown, particularly in the manufacturing and commodity sectors, also contributed to the decline in growth in the first quarter. Fixed investment registered a decline due to weaker business sentiment. Public sector spending, however, provided some support for growth. On the supply side, all sectors recorded contraction except for the construction sector.

During the quarter, domestic demand registered a decline of 2.9% as a result of more cautious spending by businesses and households following the weakening of overall business and economic conditions. Private consumption also declined marginally by 0.7% as expenditure was affected by deteriorating labour market conditions. Consumer sentiments had, however, improved in the first quarter, with public consumption expanded by 2.1%, underpinned by higher spending on emoluments as well as supplies and services. During the quarter, gross fixed capital formation declined by 10.8%, mainly due to the weaker private investment activity, as business confidence deteriorated amidst the decline in external demand. Nevertheless, higher public sector capital spending, particularly on education, agriculture and rural development, reflected the Government's commitment to mitigate the adverse impact of external developments on the domestic economy. Gross exports declined sharply by 20% following a sharp contraction in manufactured exports as well as lower commodity exports. Performance of manufacturing exports was affected by lower demand for both electronics and electrical ("E&E") and non-E&E products from major markets. In addition, commodity exports turned negative, reflecting the impact of lower prices and weaker demand.

On the sectoral side, all economic sectors experienced contraction, except for construction. The manufacturing sector declined significantly by 17.6%, led by the 23.1% contraction in the export-oriented industries. In particular, the E&E industry contracted steeply by 41.4%. The domestic-oriented industries declined by 15.9% due to weakness in both consumer and construction-related sub-sectors. The services sector was flat following a marginal decline of 0.1%, primarily affected by sub-sectors closely linked to the manufacturing sector. The agriculture sector recorded a contraction of 4.3% due to lower output of both palm oil and rubber, while the decline in the mining sector of 5.2% was due to falling crude oil and natural gas production. Meanwhile, the construction sector, turned around to register a positive growth of 0.6% mainly due to an increase in construction of office space and the high-end segment of the residential subsector.

Headline inflation rate, as measured by the change in the Consumer Price Index ("CPI"), moderated to 3.7% in the first quarter mainly due to lower inflation in the food and non-alcoholic beverages, and transport categories. Meanwhile, inflation in the housing, water, electricity, gas and other fuels category also moderated to 1.6%, reflecting the 2.5% reduction in electricity tariffs for households which came into effect on 1 March 2009. Headline inflation continued to moderate to 3.0% in April 2009.

The Malaysian economy has been adversely impacted by these negative global developments that have resulted in the sharp decline in exports and its consequent effect on the economy in the first quarter. These effects have continued into the second quarter.

The domestic economy is expected to improve in the second half of the year, supported by stabilisation in global economic conditions, and reinforced by the accelerated implementation of the fiscal measures, the further moderation in inflation, continued access to financing, as well as from the cumulative effects of the accommodative monetary environment. As exports are expected to continue to decline, growth will be supported by domestic demand, particularly by the implementation of fiscal stimulus.

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

The announcement of the second stimulus package by the government had also supported investor sentiments. Net outflows of portfolio investment had moderated further and registered net inflows in May. Nevertheless, the implementation of large stimulus measures by several economies has increased the prospects for global economic conditions to improve, particularly in the second half of 2009. Progress made in the financial sector resolution in several advanced economies has also provided support for the progression towards stabilisation of economic and financial conditions.

The implementation of fiscal stimulus measures is expected to strengthen the domestic sources of growth as well as boost confidence of the private sector. The accommodative monetary environment following the reductions of the overnight policy rate ("OPR") and the Statutory Reserve Requirement ("SRR") in the first quarter will also provide further support to domestic economic activity. Continued access to financing, particularly following the introduction of several loan guarantee facilities and the establishment of the Financial Guarantee Institution (Danajamin Nasional Berhad), and lower inflation will also lend support to the economy during this challenging period.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2009, Bank Negara Malaysia)

6.3 OVERVIEW OF THE FOOD PROCESSING INDUSTRY IN MALAYSIA

The food processing industry is one of the major manufacturing industries promoted under the current industrial master plan and previous two (2) industrial master plans in Malaysia. In Malaysia, as in many other countries globally, the food processing industry is an important one affecting the characteristics and quality of the country's diet.

The food processing industry in Malaysia has a dualistic character. On one side, there exist larger corporations, including multinationals companies ("MNCs"). The larger corporations have their own established brands, possess greater financial resources, management expertise and apply modern technology, including in-house R&D facilities. They are supported by relatively high quality control and strong product development teams. In contrast, the small and medium-sized enterprises ("SMEs") generally have limited capabilities and lack expertise, including financing and marketing and many cater for the domestic market. They are also dependent on public research institutes for advice and support in product and process improvements.

Based on the findings of the latest Economic Census 2006 by the Department of Statistics, there were approximately 4,180 establishments involved in the food processing industry in 2005. It is estimated that SMEs represented more than 80% of the total number of establishments in the food processing industry in Malaysia.

6.3.1 Industry Classification

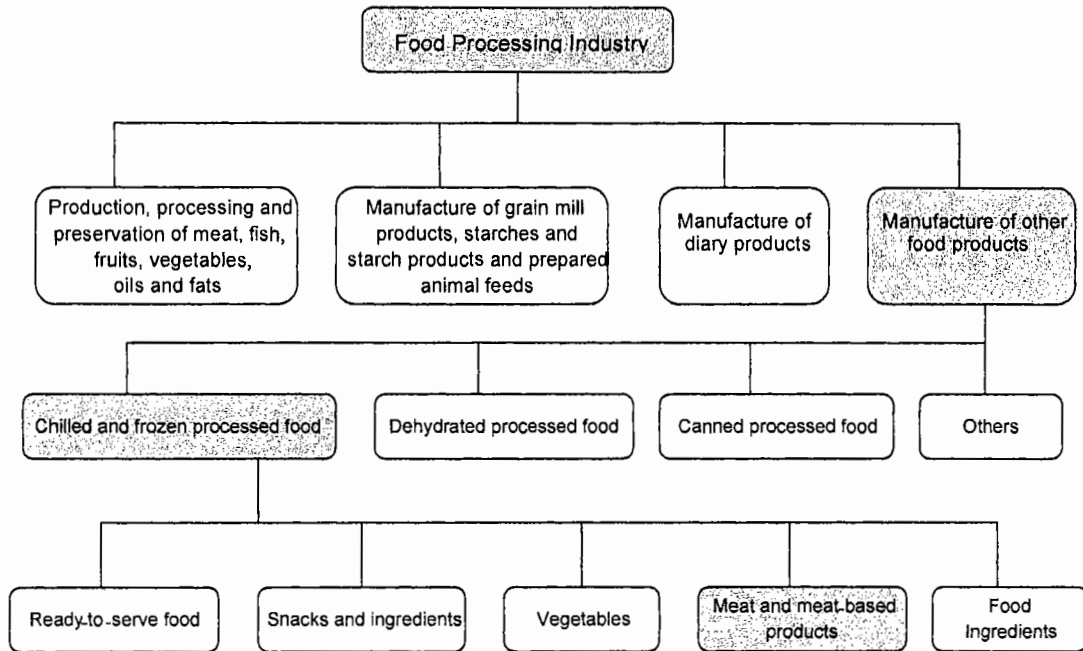
The food processing industry in Malaysia encompasses a wide range of activities, from simple processing of basic products to complicated ones. The diversity of the industry is a result of the country's geography, origins as an agrarian economy and its open and trade-oriented economy. The major segments of the food processing industry are as follows:

- Production, processing and preservation of meat, fish, fruits, vegetables, oils and fats;
- Manufacture of grain mill products, starches and starch products and prepared animal feeds;
- Manufacture of dairy products; and
- Manufacture of other food products.

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

One of the main sub-segments under the segment of manufacture of other food products is chilled and frozen processed food. In return, meat and meat-based products is a major category under this sub-segment. It is estimated that meat and meat-based products comprise approximately two-thirds of the output of chilled and frozen processed food in Malaysia. For the purpose of this report, chilled and frozen processed meat and meat-based products will be the focused area, in which the SCB Group is mainly operating in.

Segmentation of the Food Processing Industry in Malaysia



6.3.2 Halal Food

Although the consumption and trade of *halal* products existed more than 1,000 years ago, it has only been in the last few decades that governments and consumers have shown great interest in this market. In its basic form, *halal* is an Islamic value attached to products. Hence, this has a direct impact on how the products should be financed, sourced, produced, processed, distributed, stored, sold and consumed. Since the Malaysian Government announced a policy initiative to penetrate the global *halal* market in the late 1990's, other countries - both Muslim and non-Muslim - have imitated this move. For many countries, penetrating the global *halal* market has become *sine qua non* in the development of an export market strategy.

Halal is an Arabic word which means permitted or lawful under Islamic law. In its strictest form, it means that items consumed or activities undertaken must conform to the parameters set by the Quran and Sunnah. The term "*halal*" does not just refer to the products but is most critical during the process and in the manner in which products are handled. *Halal* certification for food products is a certification that is not entirely dissimilar, in that the accreditation sets the benchmark by which Muslims in the world can consume a food product with confidence. Based on guidelines issued by the Secretariat of the Joint Food and Agriculture Organisation ("FAO") and the World Health Organisation ("WHO") Food Standard Programme, *halal* food is defined as food permitted under Islamic law and should fulfil the following conditions:-

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

- Does not consist or contain anything which is considered to be unlawful according to Islamic law;
- Has not been prepared, processed, transported or stored using any appliance or facility that was not free from anything unlawful according to Islamic law; and
- Has not in the course of preparation, processing and storage been in direct contact with any food that fails to satisfy the above conditions.

In the past, Muslims - especially those in non-muslim majority countries, simply avoided foods that did not meet *halal* requirements. But now Muslims are making their presence socially and physically felt by demanding *halal*-certified food products.

Halal food range from fresh meat from animals slaughtered according to Islamic rites, and meat products in prepared or convenience food products. *Halal* food can be prepared, processed or stored in different sections or lines within the same premises where non-*halal* food are produced, provided that the necessary measures are taken to prevent any contact between *halal* and non-*halal* food. *Halal* food can also be prepared, processed, transported or stored using facilities which have been previously used for non-*halal* food provided that proper cleaning procedures, according to Islamic requirements, have been observed.

6.3.3 Industry Linkages

The food processing industry forms an important linkage to the agricultural sector. Specifically for chilled and frozen processed meat and meat-based products, they have extensive backward linkages to the well-established poultry industry. The growth in primary food production, together with an expansion of the food processing industry, will lead to greater synergy, in terms of value added creation, product diversification and market expansion.

The ruminant industry, which encompasses cattle, buffaloes, sheep and goats, is relatively undeveloped. The low population base of ruminants constrains rapid multiplication, limiting the ability for intensive selection for genetic improvement. Artificial insemination technology has not been fully utilised to multiply superior stock and to produce crossbred animals because of poor conception rates.

The industries and services supporting the food processing industry encompass packaging, and quality and laboratory testing services. The packaging industry has grown in tandem with the growth of the food processing industry. Basic packaging materials such as aluminium and tin cans, glass containers and bottles, and plastics and paper packaging are available locally. However, specialised materials are imported, where the demand is inadequate for viable local production. Laboratory services and testing facilities are available in both the private and public sectors. These establishments provide microbiological testing, chemical testing and nutritional labelling.

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6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

There are also cold chain facilities in the country, albeit limited to the major cities. A cold chain is a temperature-controlled value chain. An unbroken cold chain is an uninterrupted series of storage and distribution activities which maintain a given temperature range. Hence, the use of refrigerator trucks and refrigerated warehouses are common among industry players involved in chilled and frozen processed food.

Halal food production along the value chain encompasses both backward and forward linkages. Backward linkages measure the importance of an industry as a purchaser of inputs of goods and services from other industries. Some MNCs need lots of *halal* raw material ingredients for their products. On the other hand, forward linkages indicate the importance of an industry as a supplier of goods or services as inputs to other industries. There are strong intra and inter industry linkages in *halal* food production. It involves not only about meat products, but is about the whole value chain, with operations encompassing "from farm to table". This has led to the development of new links within the value chain, most notably in the area of logistics. Logistics and packaging are vital. This involves the process of planning, implementing and managing the efficient flow of *halal*-certified raw materials, semi-finished or finished products from the source to the demand point. Non-*halal* and *halal* goods must also be kept separately in the storage or during transportation and distribution in order to prevent contamination. This is to ensure the full compliance of *halal* standards throughout the process.

Similarly, in the case of countries exporting *halal* food to Malaysia, only certificates issued by the competent authorities, recognised and endorsed by the Department of Islamic Development Malaysia ("JAKIM"), are acceptable. The exporters of *halal* food to Malaysia will have to undergo compliance inspections in their respective countries by bodies authorised by JAKIM. The recognition of certification bodies is based on their track records, competency and capability to conform to the standards and quality of production and processing of *halal* food. Besides being sold to end customers, some of these *halal* foods may be inputs into the food processing industry in Malaysia. Hence, there is the need to avoid contamination in the value chain.

Ports, shipping, freight forwarding, warehousing and handling facilities are emerging as lucrative areas in the *halal* food market. As these facilities and services are already in operation, they only need to be made *halal*-compliant.

Hence, there are establishments along the value chain that are involved in the following:-

- Laboratory services for chemical testing, microbiology testing, testing of compounds, nutritional labelling and traceability testing;
- Auditing services for companies applying for HACCP certification;
- Food packaging; and
- Integrated logistics, including efficient and cost effective cold chain facilities, warehousing, packaging and bulk breaking for raw materials.

(Source: IMRR)

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

6.4 INDUSTRY PLAYERS AND COMPETITION

There are 10 major players involved in chilled and frozen processed meat and meat-based products in Malaysia. As listed in the table below, the major players are involved in a wide spectrum of meat and meat-based products, since their production in the plant is complementary in nature. Burgers, drummets, frankfurters and nuggets appear to be the most common products supplied by these companies.

It is also a marketing strategy on the part of a food processing company to provide a wide range of related food products to the consumers in the market as part of a product mix. In return, the product mix consists of various product lines. A product line is a group of products that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same distribution channels or fall within given price ranges eg. chicken burgers and beef burgers. The product-line length will be influenced by company objectives. In general, companies seeking high market share and market growth will carry longer lines. Conversely, companies that emphasise high profitability will carry shorter lines consisting of carefully chosen items. Occasionally, items are reviewed for pruning, through sales and costs analysis. Product pruning is also carried out when a company lacks production capacity.

Key Food Products of Major Competitors

Company	Key Food Products
SCB Group	Burgers, cocktail sausages, drummets, frankfurters, nuggets, meat balls and minced meat
Ayamas Food Corporation Sdn Bhd	Burgers, chicken popcorns, cocktail sausages, drummets, frankfurters, fried chickens, meat balls, minced meat, nuggets
Ayam AI Food Processing Sdn Bhd	Burgers, chicken popcorns, cocktail sausages, drummets, frankfurters, fried chickens, meat balls, nuggets
Ayam Wira Food Processing Sdn Bhd	Breaded chicken parts, chicken fingers, drummets, frankfurters, nuggets
Dindings Poultry Processing Sdn Bhd	Burgers, chicken bites, chicken fingers, cocktail sausages, drummets, frankfurters, fried chickens, nuggets, meat balls, meat loaves
Farm's Best Food Industries Sdn Bhd	Burgers, drummets, chicken wings, cocktail sausages, frankfurters, fried chickens, meat balls, nuggets, roast chickens
F. Y. Food Processing Sdn Bhd	Burgers, chicken popcorns, drummets, frankfurters, fried chickens, nuggets, meat balls, minced beef
Lay Hong Food Corporation Sdn Bhd	Burgers, frankfurters, fried chickens, nuggets
Pertanian Pertiwi Sdn Bhd	Fried chickens, nuggets
Ramly Food Processing Sdn Bhd	Burgers, frankfurters, fried chickens, meat balls, minced meat, nuggets

(Source: D&B Malaysia and company websites)

The market size for chilled and frozen processed meat and meat-based products in Malaysia is computed based on the collective sales generated by the major players involved in the industry. In 2008, the market size for chilled and frozen processed meat and meat-based products was estimated at approximately RM1.52 billion. The SCB Group's revenue of approximately RM131.1 million represents approximately 8.6% of the total market size in the year 2008.

(Source: IMRR)

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

6.5 BARRIERS TO ENTRY

The main barriers to entry for the food processing industry are as follows:-

6.5.1 Relatively High Capital Investment

A relatively high capital investment is needed to venture into the food processing industry, as it is automation-driven to a certain extent. For safety purposes, most of the food processing machineries and equipment have to be made from stainless steel, which is an expensive type of metal. On the logistics side, a new entrant into the industry, particularly in chilled and frozen processed meat and meat products, needs to invest sufficient resources in a fleet of refrigerated trucks. Although many food processing companies utilise both in-house trucks and outsourced third party trucks in the logistics function, there are more advantages associated with the former. This is principally due to the control function, in terms of timely delivery and reliability and hence, freshness of the processed meat and meat products. In-house trucks may deliver the products to the designated locations more rapidly than the outsourced third-party trucks, which may have to juggle the shipment demands of many customers.

6.5.2 Established Distribution Channels

To effectively disseminate the food products as wide as possible in the market, a food processing company must possess a strong network of distribution channels. This includes fast food restaurants, hotels, airline caterers, canteens of institutions of learning, supermarkets and hypermarkets, as well as wholesale food distributors. In return, this necessitates a strong business relationship between the food processing company and these distribution channels. Once a business relationship is established, the distribution channels must see a significant advantage in order to justify switching suppliers. Some of the players in chilled and frozen processed meat and meat-based products have even integrated forward into the establishment of their own retail shops. The distribution channels are critical as they perform the work of moving food products from the producers to consumers.

6.5.3 Access to Retail Shelf Space

A new entrant into the food processing industry needs to be able to convince the hypermarkets and supermarkets to allocate sufficient shelf space in an attractive location and high traffic areas so as to command consumers' attention. In return, impulse buying on the part of the consumers can be also be generated, in addition to staple goods that are routinely purchased by consumers on a regular basis. The food processing company must be able to offer an optimum product mix to the retailers. Also, the margins offered to the retailers, as well as the terms and conditions such as the credit period granted, must also be lucrative enough in order for them to promote the particular brand to the customers. This is particularly acute when there is a host of food products competing for shelf space in a space-constrained store.

6.5.4 High Cost of Marketing

The perishable nature of food products gives rise to special marketing activities. An aspiring entrant to the food processing industry needs to understand the market requirements in terms of packaging, labelling, distribution channels and quality issues, so as to match its products with the market. Often, new entrants into the food processing market lack information on specific market demands. Exporters also have to contend with rising competition from regional producers, which are major food producers having comparative advantages in producing food products.

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

From time to time, food processing companies need to launch campaigns to promote the consumption of their products and to create brand awareness. Branding is vital in a competitive market place. It needs to be carefully managed so that its brand equity does not depreciate. This requires maintaining or improving attributes over time such as brand awareness, brand perceived quality, functionality, and positive brand associations. In return, these activities require continuous R&D investments, skilful advertising and excellent trade and consumer service. As fast moving consumer goods, food products are purchased frequently and consumed quickly. Hence, there is a need to make them available in many locations, charge only a small mark-up, and advertise heavily to induce trial and build preference.

6.5.5 Compliance with Stringent Safety Standards

Throughout the world, the food processing business is becoming a highly complex business. Raw materials are sourced on a global scale, an ever-increasing number of processing technologies are used, and a vast array of products is available to the consumer. Such complexity necessitates the development of comprehensive control procedures to ensure the production of safe and high quality food. In addition, consumer expectations are changing, with a desire for convenience, "less-processed" and fresher, more natural characteristics. Against this backdrop of change, the food chain has to ensure that the highest standards of safety are maintained. Safety is of paramount concern to all companies involved in food processing. Food is deemed unsafe if they have been contaminated by zoonotic agents, pathogens, industrial contaminants and agriculture chemicals which may pose a serious health threat to consumers.

In addition, in order to venture into the export market, food processing companies must satisfy stringent safety standards and regulations imposed on food hygiene and safety, broadly defined within HACCP requirements. HACCP is not a standalone standard, but is part of a larger system of control procedures which include GMP, GHP, Sanitation Operating Procedures and ISO 9000 and 14000. Compliance with these international standards also translates into increasing costs for the food processing companies. Hence, it can be seen that there are a host of safety standards that must be complied with, in order to successfully penetrate the various export markets. This is also exacerbated by factors beyond their control such as stringent overseas health regulations and labelling requirements, custom formalities and non-tariff barriers to trade.

6.5.6 Strong R&D Capabilities

R&D has a critical function in the food processing industry. Research is the planned approach to acquire or create new knowledge and the output can be used for the needs of the company, so that the company can participate in new technology or to put the foundation for new products or processes, while development is to apply and integrate knowledge from the various fields to achieve a particular objective.

Subsequently, the food processing company must be able to apply the technology it possesses, which refers to the use or application of scientific and engineering knowledge to achieve a specific result. An example is advanced preservation technology to improve product quality and shelf life. R&D is often conducted on adding value to the present products to turn them into gourmet or delicatessen food. It is also aimed at producing a wide product range of quality foods. At the same time, the food processing company has to be innovative, in terms of the process of making changes to something already established by introducing something new, in terms of products and tastes. This requires people using new knowledge and understanding to experiment with new possibilities in order to implement new concepts that create new values. The ability to utilise knowledge, technology and experience to create new products and processes is becoming important in a competitive market place. As

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

demand for food products is influenced by changing demographics and lifestyle, creativity in product innovations is necessary.

(Source: IMRR)

6.6 LEGISLATIONS, INCENTIVES AND POLICIES

6.6.1 Legislations

The Food Act 1983 and Food Regulations 1985 are governed by the Ministry of Health and they encompass all persons and buildings involved in the food processing industry. This Act provides the ministry with enforcement rights to inspect any premises involved in food processing, preparation and packing so as to ensure their safety and hygiene for human consumption. It aims to protect the public against food-related hazards as well as to motivate and promote the preparation, handling, distribution, sale and consumption of safe and quality food. On the other hand, the Food Regulations 1985 explain explicitly the requirements for specific foods traded in the domestic market. Hence, it is not applicable for food prepared, produced or packaged for the export market.

JAKIM is the sole authority in Malaysia responsible for setting policies and standards to all *halal* food and consumer products manufactured in Malaysia as well as issuing *halal* certificates. The food processing companies have to furnish JAKIM with detailed information on the product, including all ingredients used, the processing flow, packaging, food safety and the hygiene practices in the factory. Customers can renew the certifications for their products from JAKIM prior to the expiry of their existing certificates. The state Islamic Religious Department is permitted to issue *halal* certificates in their respective states and also for domestic use only. The *halal* certificates are issued for three (3) categories:-

- Food and consumer products (including pharmaceuticals and cosmetics);
- Eating outlets; and
- Slaughter houses or abattoirs.

The *halal* certificate and use of logo are valid for two (2) years. The renewal application has to be submitted not later than four (4) months before the expiry date. Products with complex ingredients and processes as well as animal-based products will normally take longer to be vetted and certified *halal*. JAKIM carries out *halal* conformity inspection through regular monitoring either by spot checks and inspection or verbal communication with the companies involved. *Halal* auditors carry out factory inspections periodically, which cover the premises, products (including ingredients and additives), equipment and storage facilities to ensure full compliance. The transportation aspect is also looked at to avoid any pre and post-contamination that could adversely affect the *halal* status. During the post-certification period, any changes discovered without prior approval from JAKIM will result in the certificate being suspended or revoked. These changes may be classified as follows:

- Minor - involving hygiene and cleanliness;
- Major - involving the change of ingredients, manufacturers, suppliers, machinery and relocation of the plant. Both minor and major offences will render the certificate to be suspended and subjected to remedial and corrective actions by the manufacturer and will require the re-submission of an application; and
- Serious - involving the use of haram ingredients, eg. incorrectly-slaughtered animals, pork or its derivatives in the production. This will cause the certificate to be revoked.

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

HACCP

HACCP is defined as the scientific, rational and systematic approach to the identification, assessment and control of hazards during production, processing, manufacturing, preparation and use of food to ensure that the food is safe when consumed. The principles of HACCP provide a systematic basis for the identification and prevention of hazards in food.

It is a preventive system assuring the safe production of food products. The objectives are to make a product safe for human consumption. It employs a methodical and systematic approach to plan, control and document the safe production of food. The existence of an effective HACCP system within any food processing organisation projects a corporate image of quality and safety. It does not preclude a company from following Good Manufacturing Practice ("GMP") or Good Hygiene Practice ("GHP"), whenever it is applicable. The combination of GMP and GHP with HACCP is beneficial in that the effective application of GMP and GHP allows the HACCP plan to focus on the critical determinants of safety.

It has grown to become a universally accepted method for food safety assurance. Although HACCP is internationally recognised, its adoption in Malaysia is completely voluntarily. It is embraced by the US, the EU, Japan and Canada. More governments are expected to recognise it as a tool for ensuring food safety. HACCP is internationally recognised and is also adopted by Codex Alimentarius. It has the advantages of focussing on prevention, being based on scientific principles, being internationally accepted, enhancing the development of mutual recognition agreement, enhancing the principle of shared responsibility and meeting both national and international markets' expectations.

GMP

GMP is a term that is recognised worldwide for the control and management of manufacturing and quality control testing of food. Since sampling products will statistically only ensure that the samples themselves (and perhaps the areas adjacent to where the samples were taken) are suitable for use, and end-point testing relies on sampling, GMP takes the holistic approach of regulating the manufacturing and laboratory testing environment itself. GMP is based on the knowledge and skills throughout the food system, from primary production of the raw materials, through processing of the industrial ingredients, manufacturing of the consumer products, and distribution of the final retail products to the cooking and eating of the final foods.

As food materials and products are biological, this means that the raw materials vary in quality and change throughout the processing stage, and subsequently the products keep changing during distribution and at home. There are many reactions occurring during processing that may cause changes in composition, nutritional value, physical structure, sensory properties and in the micro-organisms. The objectives of GMP are to control the changes in the food materials so as to develop the desired qualities in the product, to ensure the food is safe to eat, and to stop or slow down any deterioration in the food. GMP means understanding, analysing and controlling the manufacturing process.

GHP

A high standard of hygiene is a prerequisite for safe food production, and the foundation on which HACCP and other safety management systems depend on. GHP describes the basic hygienic measures which establishments should meet and which are the prerequisites to other approaches, in particular HACCP. GMP requirements associated with GHP form the basis for the operation of a hygienic food operation.

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

General GHP requirements usually cover the following:-

- the hygienic design and construction of food processing premises;
- the hygienic design, construction and proper use of machinery;
- cleaning and disinfection procedures (including pest control); and
- general hygienic and safety practices in food processing, including the microbial quality of raw foods, the hygienic operation of each process step, and the hygiene of personnel and their training in the hygiene and safety of food.

6.6.2 Incentives

The list of promoted activities and products in food processing which are eligible for consideration of pioneer status or investment tax allowance under the Promotion of Investments Act, 1986 are as follows:

- Chocolate and chocolate confectionery;
- Fruits;
- Vegetables, tubers or roots;
- Essential oils;
- Livestock products;
- Aquatic products;
- Agricultural waste or agricultural by-products;
- Aquaculture feed;
- Plant extracts for pharmaceutical, perfumery, cosmetic or food industries;
- High fructose syrup;
- Cocoa and cocoa products;
- Food supplements;
- Illipe products;
- Coconut products except copra or crude coconut oil; and
- Starch products.

In addition, 60% Malaysian-owned companies that re-invest in promoted food processing activities are eligible for another round of pioneer status or investment tax allowance.

Under 9MP, the production and supply of ready-to-use seafood, livestock products and vegetable-based convenience food will be promoted as new areas of investment. Emphasis will also be placed on facilitating SMEs to network with MNCs in order to penetrate new export markets.

To further encourage the development of the *halal* food industry, the government announced in the 2005 Budget that producers of *halal* products will be eligible for double deduction tax incentive on expenses incurred in meeting the standards for *halal* certification. In encouraging new investments and to increase the usage of modern and state-of-the-art machinery and equipment, an investment tax allowance of 100% for five (5) years, will be granted to companies which produce *halal* food for the export market.

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

In 2008, the government, through *Halal* Industry Development Corporation ("HDC"), introduced new incentives for *halal* park, *halal* logistics and *halal* industry operators which qualify as "*Halal* Malaysia status companies", which should be located within HDC-designated *Halal* Parks or Logistics Cold Hub. These incentives include:-

- Pioneer status with tax exemption of 100% of statutory income for 10 years;
- Investment tax allowance of 100% of qualifying capital expenditure offset against 100% of statutory income within five (5) years; and
- Exemption from import duty on equipment directly used in cold room operations.

6.6.3 Policies

The Third National Agricultural Policy 1998-2010 ("NAP3") aims to achieve a balanced development between the agriculture and manufacturing sectors to intensify linkages with the other sectors in the economy. The main objectives include ensuring an adequate and stable supply of quality, safe, nutritious and reasonably priced food; and to position Malaysia as a global supplier in selected food products.

During the 9MP, the agriculture sector, which provides inputs to the food processing industry, will be revitalised to become the third engine of growth. It will involve large-scale commercial farming, the wider application of modern technology, production of high quality and value added products, unlocking the potential in biotechnology, increased convergence with information and communications technology, and the participation of entrepreneurial farmers and skilled workforce.

Seven (7) strategic thrusts have been identified under Third Industrial Master Plan 2006-2020 ("IMP3") for the further development of the food processing industry and they are as follows:

- Ensuring the availability of raw materials;
- Expanding and diversifying food processing activities;
- Enhancing sectoral linkages and support services;
- Intensifying R&D;
- Enhancing competitiveness and increasing exports;
- Strengthening human resources development; and
- Strengthening institutional support and delivery system.

The government has identified the *halal* food industry as a new source of economic growth. Towards achieving this aspiration, it has put up measures to support the industry to grow and be involved in the export of *halal* food. Accordingly, the government has undertaken measures to support the development of the *halal* food industry, as identified under IMP3, 9MP and NAP3. One (1) of the objectives of the IMP3 is to make Malaysia the global *halal* hub for the production and trade in *halal* goods and services.

Since its formation in 2006, HDC has made significant strides towards developing the domestic *halal* market. This includes the formation of the *Halal* Industrial Master Plan, which is a holistic and wide ranging policy that seeks to establish Malaysia as a global reference centre for *halal* integrity and a global hub for both production and trade in *halal*-related market segments. One of HDC's role is to ensure an integrated and comprehensive development of the local *halal* industry throughout the value chain. HDC has been given the task to lead and facilitate the growth and participation of Malaysian companies in the domestic and international *halal* markets.

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

The country's credence has further strengthened following the recognition by the Organisation of the Islamic Conference ("OIC") on the nation's *halal* certification. The government hopes the OIC could act as a key enabler to encourage more businesses to go *halal* and in the process, transform Malaysia into a major global *halal* hub.

To further facilitate the promotion of *halal* food, the government has gazetted the Malaysian Standard MS 1500: 2004 standard for the Production, Preparation, Handling and Storage of *Halal* Food in July 2004. The *halal* requirement of processed food is also extended to food safety. This standard complies with international standards such as GMP and GHP. As an ISO-compliant standard, MS 1500: 2004 has tremendous potential. If it is able to serve as a global *halal* standard, it would provide the country with a competitive edge. SIRIM Berhad is responsible for developing standards guidelines for *halal* food to ensure international acceptance.

Under the IMP3, various initiatives will be undertaken to promote the acceptance of Malaysia's *halal* standard globally to facilitate the development of Malaysia as the international hub for *halal* products. The initiatives include the following:-

- Promoting Malaysia's *halal* standard as a comprehensive standard, which encompasses HACCP and GMP;
- Promoting Malaysia as the internationally recognised venue for hosting trade fairs and exhibitions on *halal* products and services;
- Establishing linkages between Malaysian exporters and international buyers of *halal* products through continuous promotions at international events and forums; and
- Improving the capability and efficiency of the certifying bodies for *halal* products and services.

In tandem with the government's call to make Malaysia as a *halal* hub, Kedah, Kelantan, Pahang, Perlis and Terengganu have established industrial parks in their respective states. These facilities will provide a variety of logistics and distribution services, designed to maintain the *halal*-status of products throughout the supply chain. In this context, the upgrading and modernising of the logistics aspects, such as laboratories, abattoirs and cold storage centres will also be undertaken.

In the case of exports of *halal* food, a manufacturer may require one of more of the following certificates from various government ministries and agencies such as the Ministry of Health, JAKIM and Department of Veterinary Services:

- Health certificate;
- HACCP certificate;
- Export permit;
- Veterinary health certificate; and
- Veterinary health mark.

(Source: IMRR)

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

6.7 DEMAND/SUPPLY CONDITIONS

6.7.1 Analysis of Demand and Supply Conditions

On the demand side, chilled and frozen processed meat and meat-based products made from poultry are very popular. Malaysia has one of the highest per capita consumption rates in the world for chickens. Per capita consumption of chicken is reported at approximately 35 kilograms. Chicken meat is the most popular and cheapest source of meat protein among Malaysians, largely because there are no dietary prohibitions or religious restrictions against chicken consumption, unlike beef for the minority Hindu population and pork for the majority Malay Muslim population.

On the supply side, dividing the estimated local production and the estimated total consumed, we obtain the rate of self-sufficiency. When the rate of self-sufficiency stands at 100%, this means that the demand and supply situation is at equilibrium in the domestic market. Livestock poultry production appears to provide the best prospects for further export development, as the self-sufficiency level is very high in the country. In the case of beef and mutton, the self-sufficiency level is low due to the small local animal production.

Self-Sufficiency Levels of Various Meats, 2008(p)

Types of Meat	Self-Sufficiency Level (%)
Chicken meat	121.94
Beef	25.38
Mutton	10.04

Note:-

p provisional

(Source: Department of Veterinary Services)

6.7.2 Market Trends

The current trend in meat processing is for convenience food in chilled and frozen forms. In Malaysia, convenience foods are in the form of chilled and frozen, home-meal replacements, ready-to-cook and ready-to-eat food products. The preferred food products are smoked pepperoni, pastrami, salami, patties, meat sandwiches and other commonly produced meat products such as burgers, frankfurters and frozen meat products. The most popular processed meat products exported are chilled poultry meat, frozen poultry meat and frozen boneless beef products.

Frankfurters, cocktail sausages, burgers and nuggets that were exclusively imported before, are now locally produced. The major players in the poultry industry have invested heavily on brand names for their downstream processed products. Local processed products command about 90% of the market and it is difficult for imported processed products to compete on the basis of price. However, there are some premium processed chicken products that have found favours with the chefs of international hotels and with consumers at the upper income levels.

As in the case of other globally traded products, trade in *halal* food products is growing on a magnitude that has not been seen since the last century. There are two (2) elements behind this growth, ie. rising production by large exporting countries and the rise in disposable income among consumers in the importing countries. However, the increase in *halal* trade is not an isolated trend, but is characteristic of a global economy that is becoming ever more dependent on trade in goods and services. The

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

development of international *halal* standards is likely to become a major focus in the *halal* market over the next few years. Countries such as Turkey, Pakistan, Bangladesh, India, the Commonwealth of Independent States and China, as well as countries in parts of West Asia and much of Africa, operate without any official *halal* standards.

6.7.3 Nature of Competition

As food products are a fast moving consumer good, food processing companies compete with each other in the market on the basis of the processed food product and its attributes, as well as the price. The packaging also plays an important part in the purchasing decision of the customer. Some food packaging is also very attractive and generates impulse buying on the part of the customers. As a result, the food processing companies try to differentiate their products from each other in the market, in terms of price, tastes, attributes and benefits. By constant advertisement and promotions, they attempt to create brand awareness among consumers in the market. Imported processed foods are obviously more expensive and they cater to a specific market segment. There is also a niche market for supplying hotels and restaurants with premium quality cold cuts and gourmet meat products such as frankfurters, salami and smoked meat.

6.7.4 Substitutes

There are no direct substitutes to chilled and frozen processed meat and meat-based products. Although most Malaysian food shoppers prefer fresh meat and meat-based products, the hectic lifestyles and irregular working hours of most working adults mean that there is always a demand for chilled and frozen processed meat and meat-based products. In fact, in most supermarkets, chilled and frozen processed meat and meat-based products made up a substantial proportion of the food products on display for customers. This illustrates the importance of this category of food in a modern society. Meat and meat-based products are a necessity for most humans, except for those embarking on a vegetarian-based diet. Meat and meat-based products are vital for the generation of high quality proteins (and fat) in the human diet. They have been a staple food since prehistoric times.

6.7.5 Demand Seasonality and Stability

The demand for food is fairly constant throughout the year as it is one of the basic necessities of life. Stability refers to variations and the risk of shortfalls in food production, supplies and/or demand over time. For chilled and frozen processed meat and meat-based products, some minor fluctuations in demand may be observed during school holidays and during the month-long Ramadhan period. The demand for food may also be affected slightly by the arrival of tourists from overseas, particularly during the summer holidays in the northern and southern hemispheres. Overall, the minor fluctuations due to these various factors tend to balance out during the year, as food is considered a necessity product for humans. Overall, the demand for food is fairly constant and inelastic. The latter refers to the situation whereby the percentage change in demand is less than the percentage change in price, due to the stability in demand.

(Source: IMRR)

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

6.8 INDUSTRY PAST PERFORMANCE

6.8.1 Sales of Processed Food

The MITI reported an increase in the sales value of processed food in the country by 24.7% in 2008, from RM17,078.3 million to RM21,298.6 million. This was on top of a strong growth of 19.7% in 2007 itself. The increases were due to a combination of increased domestic consumption and exports.

Sale of Processed Food (RM million), 2006 - 2008

Year	Sales	% Increase
2008	21,298.6	24.7
2007	17,078.3	19.7
2006	14,271.6	-

(Source: MITI)

6.8.2 External Trade Performance

The food processing industry in the country is very much reliant on imported raw materials for the production of certain food products. It will continue to be dependent on imported raw materials as it is impossible for any country to enjoy a comparative advantage in the production of all raw materials in the food processing industry. There is also the issue of resource constraints and the inherent climatic conditions. However, the government has taken concrete measures to improve and increase agricultural production.

Net exports of processed food were recorded during the period 2006-2008. In recent years, net exports of processed food had increased, indicating higher value added activities taking place in the industry. There is an increasing number of local food processing companies which have developed their brands in the domestic market and are venturing into the export market.

Trade of Processed Food (RM million), 2006 - 2008

Year	Export	% Increase	Import	% Increase	Net Export
2008	12,131.8	39.9	8,935.4	8.9	3,196.4
2007	8,670.4	19.5	8,202.4	21.3	468.0
2006	7,255.7	-	6,764.3	-	491.4

(Source: MIDA)

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

6.8.3 Investment Performance

During the period 2006-2008, approved investments in the food processing industry were dominated by domestic investments, except for the year 2006. According to the Malaysian Industrial Development Authority ("MIDA"), approved investments in the food processing industry in 2008 reflect the industry's trend towards the production of high value-added health food products.

Approved Manufacturing Projects in the Food Processing Industry (RM million), 2006-2008

Year	Number of Projects	Domestic Investments	Foreign Investments	Total	% Increase
2008	87	1,711.2	1,070.2	2,781.5	16.7
2007	75	2,014.1	369.2	2,383.3	47.1
2006	76	725.0	895.4	1,620.4	-

(Source: MIDA)

6.9 INDUSTRY'S RELIANCE ON AND VULNERABILITY TO IMPORTS

For many types of meat products, eg. poultry, beef, lamb and mutton, non-muslim countries such as Brazil, the United States, France, Australia and New Zealand are the largest producers and exporters of *halal* meat in the world. In return, the Muslim countries are the net-buyers of *halal* meat. As Malaysia is only self-sufficient in poultry, the other types of meat products such as beef and mutton, need to be imported. This is due to the fact that the development of the ruminant industry is relatively undeveloped in the country, and hence is not able to supply the necessary raw materials for the downstream food processing industry. However, although Malaysia has a high self-sufficiency rate in poultry, the country has only small mechanical deboned meat plants that are unable to meet local demand. This is due to the fact that they are capital-intensive and high technology operations. At present, such meat has to be imported from overseas such as Denmark, Holland and Brazil.

(Source: IMRR)

6.10 PROSPECTS AND OUTLOOK OF THE FOOD PROCESSING INDUSTRY

The food processing industry is an important constituent of the economy of every country. MNC food processing companies have driven globalisation and have also been instrumental in changing the eating habits of consumers throughout the world. The market for convenience and functional foods is expected to grow rapidly in view of the changing consumption patterns and greater awareness of healthy lifestyles. This will in return, drive the demand for other food items, including food additives.

It is obvious that the true growth potential for the food processing industry lie within the international markets. The ability of such companies to tap into international markets will see improved growth prospects for the industry. In particular, Malaysia's ability to make inroads into the developed countries' markets depends largely on the key players' ability to comply with the stringent international standards of quality and food safety. Global patterns have shifted towards a preventive food chain approach, that is, food safety from the farm to the table. This shift has been spurred by concerns among consumers, farmers, manufacturers, retailers and governments on the need to improve traditional food safety systems and to remove unsafe food from the marketing chain as well as permit greater traceability of food products. However, the safety of food products from Malaysia is more reputable than that of Thailand, Vietnam and China, as the former is perceived to be more stringent on such issues and has developed high quality and safe food over the years.

6. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

In general, the trend and characteristics of the global trade in *halal* food is not isolated from other types of products. The global *halal* food industry will continue to grow. Awareness levels, local consumer tastes and preferences, product adaptation and income levels are now the major driving forces in determining the characteristics, flows and patterns of the global *halal* food industry. Malaysia's competitive advantages in developing and promoting the growth of the *halal* industry included its *halal* certification, which is one of the longest established standards, while its *halal* logo is also the most widely recognised in the world. The country has established its credibility and confidence among both importers and consumers of *halal* food worldwide, with its strict *halal* food procedures and proper *halal* food guidelines.

SCB is involved in an industry that experiences inelastic demand. The percentage change in demand is less than the percentage change in price, due to the stability in demand. In addition, it is also involved in supplying an optimum mix of product lines in chilled and frozen processed meat and meat-based products in the market. With the emphasis given to the agriculture sector as the third engine of economic growth, and greater efforts to transform the agricultural sector into a modern and vibrant one, the prospects for the food processing industry are promising and will contribute significantly to the economy. This is also to ensure sufficient domestic supplies to the local population in terms of food security. Lastly, globalisation has created new markets as the process of urbanisation, increased income growth and mobility of labour and migrant workers and subsequent changes in food consumption has led to a demand for foreign food in many countries.

(Source: IMRR)

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7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL**7.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS****7.1.1 Shareholdings of Our Promoters and Substantial Shareholders**

Based on our Register of Members as at the LPD, the direct and indirect interests of our Promoters and substantial shareholders in our issued and paid-up share capital before and after the IPO are as follows:-

Promoters and Substantial Shareholders	Nationality/ Country of Incorporation	As at the LPD		After the IPO	
		Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
TKK	Malaysian	33,936,175	31,827,311 ^(a)	25,435,675	23,326,811 ^(a)
WSSB	Malaysia	31,827,311	-	23,326,811	-
		51.42	48.22	28.26	25.92

Notes:-

(a) Deemed interested by virtue of his substantial shareholdings in WSSB pursuant to Section 6A of the Act.

* Negligible.

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7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

7.1.2 Profile of Promoters and Substantial Shareholders

The profile of TKK is set out in **Section 7.3.2** of this Prospectus.

WSSB was incorporated in Malaysia on 13 January 1996 under the Act as a private limited company. As at the LPD, the authorised share capital of WSSB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each while its issued and paid-up share capital is RM500,002 comprising 500,002 ordinary shares of RM1.00 each.

The principal activity of WSSB is that of investment holding.

Director / Substantial Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
TKK	465,002	93.00	-	-
LAC	25,000	5.00	-	-
Yeoh Geok Kooi	10,000	2.00	-	-

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7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

7.1.3 Changes in the Promoters and Substantial Shareholders and Their Direct and Indirect Shareholdings for the Past Three (3) Years

The changes in our Promoters and substantial shareholders and their respective direct and indirect shareholdings since our incorporation up to the LPD are as follows:-

Name	As at 11 November 2008, being the incorporation date				As at the LPD				After the IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
TKK	2	50.00	-	-	33,936,175	51.42	31,827,311 ^(a)	48.22	25,435,675	28.26	23,326,811 ^(a)	25.92
LAC	2	50.00	-	-	236,510	0.36	-	-	391,510 ^(b)	0.44	-	-
WSSB	-	-	-	-	31,827,311	48.22	-	-	23,326,811	25.92	-	-

Notes:-

(a) Deemed interested by virtue of his substantial shareholdings in WSSB pursuant to Section 6A of the Act.

(b) Assuming the pink form allocation of 155,000 SCB Shares are fully subscribed by LAC.

* Negligible.

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7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

7.2 CONTROLLING SHAREHOLDERS

To the extent known to our Group, the details of the persons, who directly or indirectly, jointly or severally, exercise control over our Group are as follows:-

Controlling Shareholders	As at the LRD				After the IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
TKK ^(a)	33,936,175	51.42	31,827,311 ^(c)	48.22	25,435,675	28.26	23,326,811 ^(c)	25.92
WSSB ^(b)	31,827,311	48.22	-	-	23,326,811	25.92	-	-

Notes:-

- (a) TKK is the Group Managing Director, substantial shareholder and Promoter of our Group.
- (b) WSSB is the substantial shareholder and Promoter of our Group.
- (c) Deemed interested by virtue of his substantial shareholdings in WSSB pursuant to Section 6A of the Act.

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7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

7.3.2 Profiles

The profiles of the Directors of our Group are as follows:-

Tuan Haji Mohd Shakri Bin Abd Razak, aged 44, a Malaysian, was appointed to our Board on 10 September 2009 as our Independent Non-Executive Chairman. From 1985 to 1989, he studied Law at the International Islamic University in Malaysia where he graduated with an LL.B (Hons).

In 1992, he was called to the Malaysia Bar and qualified as an Advocate and Solicitor. In 1993, he was made a junior partner at Syarikat Choe. After gaining experience and wide practical knowledge, he took over Syarikat Choe and renamed it Shakri and Co. In recognition of his skills and experience, he was appointed Advisor to Kulim HiTech Park and Kulim Technology Park. He also has substantial competency in Islamic Syariah Laws as well. As an endorsement of this, he was made Advisor to Majlis Agama Islam Kedah. His primary function, apart from advising the council as a whole, was to oversee the development of wakaf lands from the legal standpoint.

He has held various key positions in the government, semi-government and private sectors and his prominent career highlights include appointments as directors in several Malaysian private companies. He also held various positions in companies outside Malaysia namely as Advisor to EyeCon Laboratories Pte Ltd in Australia, Advisor to Golden Valley Protein Center, Waynesboro, Virginia, USA, Advisor for Syariah compliance and International Marketing for Saha Farms, Thailand, Advisor for Islamic Banking and Finance to Tokyo Star Bank, Japan and Advisor for Quality Pharma, Jeddah, Kingdom of Saudi Arabia.

Mr. Tan Khang Khim, aged 57, a Malaysian, is the co-founder of the SCB Group. He was appointed to our Board on 11 November 2008 as our Group Managing Director. He has been in the food processing industry for over 30 years. After completing his secondary school in 1970, he assisted his late father, Mr Tan Eng Teen in the family business involved in the distribution and wholesaling of Wall's Ice Cream products in Kedah and Perlis.

In 1988, Mr. Tan joined his late father in Saudi Frozen, a sole proprietorship registered under the name of his late father, involved in the importation and distribution of frozen foods such as beef, mutton, chicken, fish, vegetables and so forth. In 1985, he initiated the idea of manufacturing burgers and nuggets. With several years of research and development, he successfully developed the handmade burger, the first product of our Group in 1990 in a small shop house located in Alor Setar, Kedah. In 1992, he successfully developed the nugget, the second product of our Group. After realising the market potential of burgers and nuggets, he together with the other founding members incorporated SCSSB in May 1992. In 1994, SCSSB took over the business and operations of Saudi Frozen.

With good demand for our Group's burgers and nuggets, Mr. Tan together with the other founding members of our SCB Group undertook a major expansion by acquiring 7.5 acres of industrial land in Sungai Petani, Kedah in 1996 and started the construction of a modern food processing factory in 1997. During the same year and with plans to further enlarge the product range of our Group extensively, he and the other founding members of our Group incorporated PSSB to engage in the manufacture of other new range of products such as frankfurters, drummet, balls, minced meat, banana cake, *roti canai* and pita bread.

With more than 30 years of knowledge and experience in the manufacturing of food products, he was inspirational in the growth of our Group to our present day. He is responsible for the strategic planning and decision making of our Group.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

Encik Mohd Ariffin Bin Don, aged 47, a Malaysian, was appointed to our Board as an Executive Director and a Chief Operating Officer on 3 December 2008. After graduation from the secondary school in 1987, he joined Komart as Administration and Purchasing Manager for over three (3) years. In 1990, he joined Saudi Frozen as Sales Manager and subsequently joined SCSSB as Sales Director in 1996. He is one of the pioneer team members who have successfully developed our Group's first two (2) products, burgers and nuggets in 1990 and 1992 respectively. He has been responsible for overall development and expansion of marketing networks as well as implementation of sales, distribution, and promotional activities of our Group since the incorporation of SCSSB.

Encik Ariffin has more than 20 years of experience in the food processing industry and he is instrumental in the growth of our Group since 1990 to our present day. He is responsible for the day-to-day operations which include business planning and development, product research and development as well as production planning of our Group.

Madam Low Ai Choo, aged 46, a Malaysian, was appointed to our Board as an Executive Director and as the Personal Assistant to our Group Managing Director on 11 November 2008. She is the spouse of Mr. Tan and has been assisting him in the administrative matters of our Group.

She completed her secondary education from Sekolah Menengah Batu Dua in Sungai Petani, Kedah in 1981. She joined Saudi Frozen as an Administrative Assistant in 1988. She is also a Director and one of the founding members of SCSSB and PSSB.

Mr. Heinz Geser, aged 57, a Swiss, was appointed to our Board as an Executive Director on 3 December 2008. He graduated as a Chef from Swiss Government Vocational Training School, Switzerland in 1972 and he also attended a two (2) years Butchery/ Frankfurter Production Training in Switzerland. He has more than 40 years of experience in the food processing industry, having started his career as a chef in Switzerland and worked his way up to the position of Executive Chef. During his career, he has worked in 5-Star Deluxe Hotels, 5-Star Cruise Ships and Air Line Catering in South Africa, Saudi Arabia, the Caribbean Island of St Maarten, Hong Kong, China and Singapore as well as 5-Star Hotels in Kuala Lumpur. In 1995, he built up a food factory in Glenmarie in Selangor, producing high end *halal* butchery products such as turkey ham, frankfurters, beef bacon, smoked sea food and also premium bakery products for the local market and Singapore.

In 2005, Mr. Geser joined our Group as Manufacturing Consultant and R&D Director. At present, he leads a team of R&D personnel and is responsible for researching and developing new products for our Group. In addition, he is also responsible for the procurement of new technology for the enhancement in technology and food processing as well as for new product processing of our Group.

Datuk Mohd Hashim Bin Hassan, aged 64, a Malaysian, was appointed to our Board on 10 September 2009 as our Independent Non-Executive Director. He holds a Bachelor of Agriculture Science (Hons) Degree from the University of Malaya, a Master in Business Administration from Ohio University, USA and also a Master of Science (Food Science) from Michigan State University, USA.

He has held various key positions in the government, semi-government and private sectors and his prominent career highlights include appointments as Chief Executive Officer of Kedah State Development Corporation from 1993 until 1996, Managing Director of Kulim Technology Park Corporation from 1994 until 1996, Executive Chairman of Bina Darulaman Berhad from 1994 until 1997 and Director/Chief Executive Officer of Putrajaya Holdings Sdn Bhd from 1996 until 2002 and

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

subsequently appointed as the Chairman of the company from 2002 to 2003. He currently also serves as the Chairman of EXIM Bank Malaysia Berhad and sits on the board of Bank Kerjasama Rakyat Malaysia Berhad, Amanah Raya Berhad and several other private companies.

Sim Yee Fuan, aged 43, a Malaysian, was appointed to our Board on 10 September 2009 as our Independent Non-Executive Director. He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysia Institute of Accountants (MIA).

He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Foreign Exchange Administration Department (formerly known as Balance of Payment Department) and Banking Supervision Department (formerly known as Bank Examination 1 Department). After BNM, in 1995, he joined as an Accountant in Eurospan Furniture Sdn Bhd a subsidiary of Eurospan Holdings Berhad ("Eurospan"), a company listed on the Bursa Securities. He was appointed to the board of Eurospan as Executive Director in 2001. He left Eurospan in 2002 and joined another listed company, AE Multi Holdings Berhad ("AEM") as Group Financial Controller. He left AEM and joined Unimech Group Berhad ("Unimech"), a company listed on Bursa Securities as Group Accountant in 2006. Presently he is the Group General Manager of Unimech. He also sits on the board of several private limited companies.

7.3.3 Other principal Directorships for the last five (5) years and other principal business activities performed outside the SCB Group at present

Save as disclosed below, there are no other principal directorships and/or business activities performed by our Directors outside our Group for the last five (5) years preceding the date of this Prospectus:-

Name	Designation	Company
Tuan Haji Mohd Shakri Bin Abd Razak	Managing Director	Rancang Awal Sdn Bhd
	Chairman	Powerlux Sdn Bhd
TKK	Director	WSSB
LAC	Director	WSSB
Datuk Mohd Hashim Bin Hassan	Chairman	Export-Import Bank of Malaysia Berhad
	Chairman	Lebar Daun Berhad
	Director	Bank Kerjasama Rakyat Malaysia Berhad
	Director	Amanah Raya Berhad
	Director	Amanah Raya Development Berhad
Sim Yee Fuan	Group General Manager	Unimech Group Berhad
	Director	Unimech Capital Sdn Bhd
	Director	Polypalm Wood Products Sdn Bhd

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

7.3.4 Directors' Remuneration and Benefits

The aggregate remuneration and benefits paid and proposed to be paid for services rendered to our Group for the FYE 31 May 2009 and FYE 31 May 2010 are as follows:-

Range (RM)	Number of Directors	
	FYE 31 May 2009	FYE 31 May 2010
0 – 50,000	1	4
50,001 – 100,000	-	-
100,001 – 150,000	-	-
150,001 – 200,000	1	1
200,001 – 250,000	1	1
250,001 – 300,000	-	-
300,001 – 350,000	1	1

7.3.5 Service Agreement

As at the LPD, none of our Directors has any existing or proposed service agreements with our Group.

7.4 BOARD PRACTICES

7.4.1 Directorship

Name	Date of appointment	Designation	Date of expiration of the current term of office	No. of years in office
Tuan Haji Mohd Shakri Bin Abd Razak	10 September 2009	Independent Non-Executive Chairman	1 st Annual General Meeting ("AGM")	< 1 year
TKK	11 November 2008	Group Managing Director	1 st AGM	< 1 year
Mohd Ariffin Bin Don	3 December 2008	Executive Director / Chief Operating Officer	1 st AGM	< 1 year
LAC	11 November 2008	Executive Director	1 st AGM	< 1 year
Heinz Geser	3 December 2008	Executive Director / R&D Director	1 st AGM	< 1 year
Datuk Mohd Hashim Bin Hassan	10 September 2009	Independent Non-Executive Director	1 st AGM	< 1 year
Sim Yee Fuan	10 September 2009	Independent Non-Executive Director	1 st AGM	< 1 year

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

7.4.2 Audit Committee

Our Audit Committee comprises the following members:-

Name	Designation	Directorship
Tuan Haji Mohd Shakri Bin Abd Razak	Chairman	Independent Non-Executive Chairman
Datuk Mohd Hashim Bin Hassan	Member	Independent Non-Executive Director
Sim Yee Fuan	Member	Independent Non-Executive Director

The main functions of the Audit Committee include inter-alia, the review of audit plans and audit reports with our external auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of the financial statements, and nomination of the external auditors.

7.4.3 Remuneration Committee

Our Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Tuan Haji Mohd Shakri Bin Abd Razak	Chairman	Independent Non-Executive Chairman
Datuk Mohd Hashim Bin Hassan	Member	Independent Non-Executive Director
Tan Khang Khim	Member	Group Managing Director

The main functions of the Remuneration Committee include inter-alia, the recommendation to our Board the remuneration of the Directors, assisting our Board in assessing the responsibility and commitment undertaken by our Board members and assisting our Board in ensuring the remuneration of the Directors are reflective of the responsibility and commitment of the Directors concerned.

7.4.4 Nomination Committee

Our Nomination Committee comprises the following members:-

Name	Designation	Directorship
Tuan Haji Mohd Shakri Bin Abd Razak	Chairman	Independent Non-Executive Chairman
Datuk Mohd Hashim Bin Hassan	Member	Independent Non-Executive Director
Sim Yee Fuan	Member	Independent Non-Executive Director

The main functions of the Nomination Committee include, inter-alia, the review of all nominations for the appointment or re-appointment of members of the Board and to determine the selection criteria therefore, review of the structure, size and composition of our Board, and to ensure that all our Directors undergo appropriate introduction and training programmes.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

7.5 KEY MANAGEMENT AND TECHNICAL PERSONNEL

7.5.1 Key Management and Technical Personnel's Shareholdings

Based on our Register of Members as at the date of this Prospectus, the direct and indirect interests of our key management and technical personnel in our issued and paid-up share capital before and after the IPO are as follows:-

Name	Designation	Nationality	Before the IPO			After the IPO				
			No. of Shares	%	Indirect	No. of Shares	%	Indirect		
TKK	Group Managing Director	Malaysian	33,936,175	51.42	31,827,311 ^(a)	48.22	25,643,675	28.49	23,326,811 ^(a)	25.92
Mohd Ariffin Bin Don	Executive Director	Malaysian	2	*	-	-	364,002	0.40	-	-
LAC	Executive Director	Malaysian	236,510	0.36	-	-	391,510	0.44	-	-
Heinz Geser	Executive Director	Swiss	2	*	-	-	20,002	0.02	-	-
Chandran A/L Suppliah	General Manager	Malaysian	-	-	-	-	64,500	0.07	-	-
Siang Lim Seh Wan	Senior Finance Manager	Malaysian	-	-	-	-	52,100	0.06	-	-
Makhtar Bin Ismail	R&D Manager	Malaysian	-	-	-	-	15,500	0.02	-	-
Lim Seng Keek	Safety and Maintenance Manager	Malaysian	-	-	-	-	19,500	0.02	-	-
Lau Lam Kwee	Senior Sales and Marketing Manager	Malaysian	-	-	-	-	-	-	-	-
Hassan Bin Din	Assistant Production Manager	Malaysian	-	-	-	-	44,500	0.05	-	-

Notes:-

* Negligible.

^ Assuming all the pink form allocation is fully subscribed by the eligible directors and employees.

(a) Deemed interested by virtue of his substantial shareholdings in WSSB pursuant to Section 6A of the Act.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)**7.5.2 Profiles**

The profiles of the key management and technical personnel of our Group, other than the profiles of TKK, LAC, Mohd Ariffin Bin Don and Heinz Geser which are set forth in **Section 7.3.2** of this Prospectus are as follows:-

Siang Lim Seh Wan, aged 44, a Malaysian, is the Senior Finance Manager of the Group. He graduated with a Bachelor of Business Administration (Hons) from Universiti Utara Malaysia ("UUM") in 1991. After graduating from UUM, he joined Hong Leong Finance Berhad (now known as Hong Leong Bank Berhad) as a Marketing Executive, Corporate Loans Department. In 1994, he joined an accounting software consultant company known as March IT Sdn Bhd ("March IT") as a Senior Business Development Executive. March IT was the distributor and system integrators of Manufacturing Resource Planning (MRP II) software based in Kuala Lumpur. In 1996, he joined EON Bank Berhad as Senior Business Development Executive and progressed to the position of Business Development Manager in the Commercial Banking Division. In 2006, he joined Muda Timur Group as its Financial Controller prior to joining our Group as the Senior Finance Manager in December 2008. He is responsible for the financial planning, management and reporting of the Group.

Makhtar Bin Ismail, aged 30, a Malaysian, is the R&D Manager of our Group. He graduated with a Certificate in Chef Training from Taylor's College School of Hotel Management in 1998. After graduation, he joined Renaissance Palm Garden Hotel as a Commis 1. In 1999, he secured a position as the Chef de partie of Helang Hotel Langkawi and in 2002 he moved to Pearl Island Resort as a Sous Chef. In 2004 he was promoted to the position as a Chef De Cuisine where he stayed until 2006.

Prior to joining our Group, he held the position of Head Chef at Starcity Hotel. In early January 2009, he joined our Group as a R&D Manager. He is responsible for the R&D activities of our Group, in particular, new products development and continuous improvement in our Group's existing products.

Chandran A/L Suppiah, aged 46, a Malaysian, is the General Manager of our Group. He graduated with an Executive Diploma in Managerial and Leadership from University Technology Malaysia in 2002.

Prior to joining our Group in January 2009, he worked in Aiwa Electronics (M) Sdn Bhd in Johor as Assistant General Manager from 1990 to 2003 and Cable Electronics (M) Sdn Bhd in Sungai Petani, Kedah Darul Aman as General Manager from 2004 to 2008. He is currently responsible for the daily operations and management of our Group.

Lau Lam Kwee, aged 38, a Malaysian, is the Senior Sales and Marketing Manager of our Group. He graduated with a Bachelor Degree in Food Science and Technology from University Putra Malaysia in 2002.

Prior to joining our Group in June 2009, he worked in Zenia Singapore Pte Ltd in Singapore as Business Development Manager from 2008 to 2009, Dinding Poultry Processing Sdn Bhd as FPP Manager from 1995 to 1999. From 2000 to 2008, he was involved in his own food business under the name of Super Rasa Food Processing Sdn Bhd. He is currently responsible for the domestic sales and marketing functions of our Group.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

Hassan Bin Din, aged 32, a Malaysian, is the Assistant Production Manager of our Group. He completed his secondary education in Sekolah Menengah Munshi Abdullah in 1986.

Prior to joining our Group in August 2000, he worked in Dinding Poultry Processing Sdn Bhd as a Production Executive for 10 years. He is currently responsible for our Group's daily production activities and production planning.

Lim Seng Keek, aged 52, a Malaysian, is the Safety and Maintenance Manager of our Group. He completed his secondary education from Sekolah Menengah Batu Dua, Sungai Petani, Kedah in 1972. He has more than 30 years of experience in the maintenance of cold storage facilities. He joined our Group in 2000 as a Maintenance Executive and promoted to a Safety and Maintenance Manager in November 2008. He is responsible for the repair and maintenance of our cold storage facilities and machineries.

7.6 INVOLVEMENT OF EXECUTIVE DIRECTORS/KEY MANAGEMENT AND TECHNICAL PERSONNEL IN OTHER BUSINESSES/CORPORATIONS

As at the LPD, save for the companies disclosed in **Section 7.3.3** of this Prospectus, none of our Executive Directors and/or key management and technical personnel are actively involved in the activities or operations of other business or corporations. As such, they are able to allocate sufficient time and efforts so as not to impact their contribution to our Group or negatively impact their ability to act as the Executive Directors, key management and technical personnel of our Group.

7.7 DECLARATIONS FROM OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

None of our Promoters, Directors and key management and technical personnel is or was involved in any of the following events, whether within or outside Malaysia for the past five (5) years:-

- (i) a petition under any bankruptcy or insolvency law was filed (and not struck out) against such person or any partnership in which he was a partner, or any corporation of which he was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of the corporation;
- (iii) charged and/or convicted in criminal proceeding, or is a named subject of pending criminal proceedings;
- (iv) any judgment entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or government or regulatory body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

7.8 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save for the following, there are no family relationships (as defined under Section 122A of the Act) and associations between or amongst our Directors, Promoters, substantial shareholders and key management and technical personnel.

TKK, Group Managing Director and Promoter of our Group, is the spouse of LAC, an Executive Director of our Group.

7.9 PROMOTERS, DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS' BENEFIT

Save for the salaries, bonuses, allowances and dividend, there have been no amounts and benefits that have been or are intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the two (2) years preceding the date of this Prospectus.

7.10 SERVICE AGREEMENTS

As at the LPD, none of our key management and technical personnel has existing or proposed service agreements with our Group.

7.11 MANAGEMENT AND EMPLOYEES

As at the LPD, our Group has a total of 326 employees, varying from the management and professional level to general workers. Out of the 326 employees, 60.7% or 198 employees are Malaysian whereas the remaining 39.3% or 128 employees are foreigners hired as production staff and general workers. All the foreign employees are hired legally and they hold legal working permits. The foreigners employed by our Group are mostly from Indonesia, Myanmar, Vietnam and Bangladesh.

The details of our Group's total workforce are as follows:-

Category	No. of Employees			
	FYE 31 May 2007	FYE 31 May 2008	FYE 31 May 2009	As at the LPD
Management and Professional	18	10	18	18
Engineering / Executive	16	32	30	30
Technical / R&D	14	18	14	14
Supervisory	12	11	9	9
Administration and Clerical	36	38	47	47
Production				
- Skilled	15	30	39	39
- Unskilled	84	130	128	128
General workers	60	59	41	41
Total	255	328	326	326

None of our employees are based overseas.

We do not experience any significant seasonal fluctuations in our number of employees. We do not employ a significant number of or any contractual/temporary staff.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

7.12 EMPLOYEE TRAINING AND DEVELOPMENT

Our Group is an ISO-certified company with emphasis on R&D experiments and implementation on innovative nutritious frozen processed food products as well as on technical improvements. Hence, numerous training programmes are designed and executed to improve total quality standards, management skills and knowledge as well as efficient productivity levels and safety measures to be adopted by our employees. In addition, on-the-job trainings are conducted regularly so that our employees are able to learn and digest the technical know-how and the relevant knowledge effectively.

For sturdy and consistent business advancement, a number of training programmes have been proposed for our Group's workforce in order to train them extensively. The past training and development programmes which have been undertaken by our Group are set out below:-

Date	Name of Programme	Organiser
19 February 2003	Bengkel Kumpulan Wang Pembangunan Sumber Manusia	FMM Institute Manufacturing
14 April 2003	TBS Accounting System / TBS Stock Control System	TBS Solutions (Penang) Sdn Bhd
16 September 2003	TBS Stock Control System Version 5.0	TBS Solutions (Penang) Sdn Bhd
23 September 2003	Kursus Peranan dan Tanggungjawab Majikan	KETEJA ("Kelab Kebajikan Tenaga Kerja S")
28 October 2003	TBS Accounting System Version 3.50	TBS Solutions (Penang) Sdn Bhd
12 May 2004	Five (5) Secret Recipes for Effective Supervisors	ANTS Competency Development Sdn Bhd
11 June 2004	Introduction to Quality & Productivity	Hewton Management Centre Sdn Bhd
17 June 2004	Understanding & Interpreting of ISO 9001:2000 for Food Processing Industry	Hewton Management Centre Sdn Bhd
8 October 2004	Management of Document & Quality Record	Hewton Management Centre Sdn Bhd
15 October 2004	Internal Auditing Workshop (for Auditors nominated by the Company)	Hewton Management Centre Sdn Bhd
1 September 2005	Internal Audit Training Workshop for ISO 9001 and HACCP	Hewton Management Centre Sdn Bhd
22 February 2006	Good Manufacturing Practices ("GMP") Workshop for Meat Processing Plant	Hewton Management Centre Sdn Bhd
27 March 2007	Workshop for ISO 9001:2000 Internal Audit Training	Hewton Management Centre Sdn Bhd
14 June 2007	Nestle SME Mentoring for F & B Operation and Manufacturers 2007	NASMIC
17 February 2008	Effective and Essential Supervisors Skills	Nexus Training and Consulting
26 May 2008	Becoming Successful Manager	Gemilang Management Development Consultant
31 May 2008	Total Quality Management	Hewton Management Centre Sdn Bhd
10 June 2009	GS1 System	Federation of Malaysian Manufacturers
11 August 2009	Supply Chain Summit 2009	Federation of Malaysian Manufacturers

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (CONT'D)

Our Group focuses on training and development through the provision of numerous structural and effective training programmes for our employees. Our Group realises the significance of continuous training and development of our employees' skills and knowledge, as such, our Group provides various training programmes to our employees for skills and knowledge improvement. For instance, over the past few years, our Group had conducted several training and development programmes for our employees such as self-improvement training programme for supervisors, ISO training programme, quality management training programme, production training programme as well as accounting training and other education programmes. All of the abovementioned training programmes were organised by external organisers.

As a wide range of advanced machineries and equipment are utilised in our frozen processed food production processes, production training programmes are also provided to our production employees in order to educate them on the proper handling of the machines and equipment to ensure that smooth and effective production is constantly achieved. Additionally, since we are an ISO-certified company, it is compulsory to provide ISO training programmes for our employees in the areas of ISO regulations and policies. Other than that, our administration and accounting staff also attended accounting training and other education programmes for the management skills and knowledge improvement.

Year	Name of Programme	Organiser
2009	Workshop for ISO 9001:2000 Internal Audit Training	Hewton Management Sdn Bhd
2009	Management of Document & Quality Record	Hewton Management Sdn Bhd
2010	Workshop for ISO9001:2000 and HACCP	Hewton Management Sdn Bhd
2010	Bengkel Kumpulan Wang Pembangunan Sumber Manusia	FMM Institute Manufacturing
2011	Introduction to Quality & Productivity	Hewton Management Sdn Bhd

In future, our Group will emphasise more on the ISO training programmes and quality management programmes with the objective of skills and knowledge enhancement, especially in the areas of ISO and HACCP audit process.

None of our employees are members of any union nor have there been any major industrial disputes in the past.

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8. APPROVALS AND CONDITIONS

8.1 APPROVALS FROM RELEVANT AUTHORITIES

Our Listing Scheme is subject to the following approvals being obtained:-

- (a) the SC, which was obtained vide its letters dated 4 May 2009 and 27 July 2009, pursuant to Section 212(5) of the CMSA;
- (b) the ECU under the Equity Requirements for Public Company, which was obtained vide its letters dated 4 May 2009 and 27 July 2009;
- (c) the MITI, which was obtained vide its letters dated 18 February 2009, 27 May 2009 and 3 August 2009; and
- (d) Bursa Securities, for the admission to the Official List and listing of and quotation for the entire enlarged issued and paid-up capital of SCB on the Main Market of Bursa Securities. The application to Bursa Securities will be made within three (3) market days from the date of this Prospectus.

8.2 CONDITIONS ON APPROVALS

The following authorities have approved our Listing subject to the following conditions:-

Authority	Conditions imposed	Status of compliance																
SC and ECU under the Equity Requirements for Public Company vide its letters dated 4 May 2009 and 27 July 2009	(i) SCB to disclose appropriate descriptions of its trade receivables exceeding credit terms, relevant risks and steps taken/to be taken to address the credit control issues in its listing prospectus. SCB should also:- <ol style="list-style-type: none"> (a) make full provision for all overdue trade debtors which are in dispute or under legal action, or for amounts which have been outstanding for more than six (6) months. The Directors of SCB should confirm to the SC that this condition has been complied with prior to the issuance of the listing prospectus; and (b) submit a declaration to the SC by the Directors of SCB that trade debtors exceeding the credit period which have not been provided for as doubtful debts, excluding those under paragraph (i)(a) above, are recoverable; 	Complied.																
	(ii) Moratorium on the disposal of SCB shares for six (6) months from the listing date to be imposed on the following shareholders:- <table border="1" data-bbox="507 1348 1225 1554"> <thead> <tr> <th>Shareholders</th> <th>No. of SCB Shares held after the Offer for Sales</th> <th>No. of SCB Shares under moratorium</th> <th>% of enlarged issued and paid-up share capital of SCB</th> </tr> </thead> <tbody> <tr> <td>TKK</td> <td>25,435,675</td> <td>25,435,675</td> <td>28.26</td> </tr> <tr> <td>WSSB</td> <td>23,329,811</td> <td>23,329,811</td> <td>25.92</td> </tr> <tr> <td>TOTAL</td> <td>48,762,486</td> <td>48,762,486</td> <td>54.18</td> </tr> </tbody> </table>	Shareholders	No. of SCB Shares held after the Offer for Sales	No. of SCB Shares under moratorium	% of enlarged issued and paid-up share capital of SCB	TKK	25,435,675	25,435,675	28.26	WSSB	23,329,811	23,329,811	25.92	TOTAL	48,762,486	48,762,486	54.18	Complied. Sinaria has forwarded the said declaration to the SC on 28 September 2009. Noted. To be complied.
	Shareholders	No. of SCB Shares held after the Offer for Sales	No. of SCB Shares under moratorium	% of enlarged issued and paid-up share capital of SCB														
	TKK	25,435,675	25,435,675	28.26														
	WSSB	23,329,811	23,329,811	25.92														
TOTAL	48,762,486	48,762,486	54.18															
(iii) SCB to allocate 50% of the public spread requirement to the Bumiputera investors to be recognised and approved by MITI, including the Shares offered under the balloted public offer portion, of which 50% are to be offered to the retail Bumiputera investors;	To be complied.																	
(iv) OSK/SCB to provide the SC with the status of compliance with the Bumiputera equity requirement upon completion of the Listing exercise;	To be complied.																	
(v) OSK/SCB to comply with the relevant requirements pertaining to the implementation of the above proposal as stipulated in the SC's Guidelines; and	To be complied.																	

8. APPROVALS AND CONDITIONS (CONT'D)

Authority	Conditions imposed	Status of Compliance
	(vi) OSK/SCB to inform the SC upon completion of the IPO.	To be complied.
MITI, vide its letters dated 18 February 2009, 27 May 2009 and 3 August 2009	(i) SCB to obtain the SC's approval and to comply with the Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests; and (ii) SCB to allocate 50% of the public spread requirement to the Bumiputera investors to be recognised and approved by MITI, including the Shares offered under the balloted public offer portion, of which 50% are to be offered to the retail Bumiputera investors;	Complied. The SC had via its letters dated 4 May 2009 and 27 July 2009 approved the Listing Scheme. To be complied.

The SC noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the implementation of our Listing Scheme, as follows:-

	Before implementation of our Listing Scheme ^(a) (%)	After implementation of our Listing Scheme (%)
Bumiputera	50.0	12.5 ^(b)
Non-Bumiputera	0.0	87.5
Foreigners	50.0	0.0
TOTAL	100.0	100.0

Notes:-

(a) As at incorporation.

(b) Subject to the approval from MITI.

The MITI had vide its letter dated 2 October 2009 recognised and approved our Bumiputera investors and SCB is required to notify the MITI on the level of shareholding of the recognised Bumiputera investors at the end of the six (6) months period after the date of the acceptance by the said Bumiputera investors.

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8. APPROVALS AND CONDITIONS (CONT'D)

8.3 MORATORIUM ON SALE OF SHARES

One of the conditions imposed by the SC for Listing is that a moratorium shall be imposed on the entire shareholdings held by our Promoters comprising 48,762,486 Shares representing approximately 54.18% of the enlarged issued and paid-up share capital of SCB. Our Promoters are not allowed to sell, transfer or assign their respective shareholdings in our Company within six (6) months from the date of our admission to the Official List of the Main Market of Bursa Securities.

The restriction, which is fully acknowledged by the aforesaid shareholders, is specifically endorsed on the notices of allotment representing the respective shareholdings of the shareholders which are under moratorium as follows:-

"The shares comprised herein are not capable of being sold, transferred or assigned for a period determined by the SC ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Bursa Securities during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

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9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

9.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition of Land and Building and the Acquisition of Companies as disclosed in Sections 5.8.1 and 5.8.2 of this Prospectus and those related party transactions as disclosed below, there are no other existing and/or proposed related party transactions entered or to be entered into which involves the interest, direct or indirect, of our Directors, substantial shareholders, key management and technical personnel and/ or persons connected with such Directors, substantial shareholders or key management and technical personnel in respect of the three (3) most recent completed financial years and the subsequent financial period thereof immediately preceding the date of this Prospectus:-

(a) Existing related party transactions

Transacting Party	Nature of Business	Nature of Transaction	Actual value for the FYE 31 May			Actual value for the FYE 31 July 2009 RM'000	Interested substantial shareholder/Director/Key management and technical personnel/person connected to them	Shareholdings at the LPD	
			2007 RM'000	2008 RM'000	2009 RM'000			Direct (%)	Indirect (%)
Recurrent related party transactions:-									
Angliss Food Sdn Bhd ("Angliss Food")	Wholesale and retailing of temperature-sensitive food products.	Commission charged to SCSSB by Angliss Food for sale of SCSSB's goods.	541	719	753	92	TKK* Tan Khang Chang ^(a)	-	38.4
Angliss Food	Wholesale and retailing of temperature-sensitive food products.	Sale of goods to Angliss Food by SCSSB.	10,179	11,298	13,691	1,435	TKK* Tan Khang Chang ^(a)	-	38.4
Angliss Food	Wholesale and retailing of temperature-sensitive food products.	Purchase of goods from Angliss Food by SCSSB.	9,577	10,171	11,909	1,312	TKK* Tan Khang Chang ^(a)	-	38.4
Non-recurrent related party transactions:-									
WSSB	Investment holding	Rental of factory building by SCSSB from WSSB ^(b)	612	612	612	102	TKK	93.0	-
WSSB	Investment holding	Rental of factory building by PSSB from WSSB ^(b)	960	960	960	160	TKK	93.0	-

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Party	Nature of Business	Nature of Transaction	Actual value for the FYE 31 May			Actual value for the FYE 31 July 2009 RM'000	Interested substantial shareholder/Director /Key management and technical personnel/person connected to them	Shareholdings at the LPD	
			2007 RM'000	2008 RM'000	2009 RM'000			Direct (%)	Indirect (%)
Non-recurrent related party transactions (Cont'd):-									
WSSB	Investment holding	Interest charged to WSSB by SCSSB for advances to WSSB ^(c)	976	1,100	1,395	166	TKK	93.0	-

Notes:-

- * TKK has ceased to be a director and shareholder in Angliss Food on 3 December 2008 and 7 January 2009 respectively.
- (a) Tan Khang Chang is deemed a person connected to TKK pursuant to Section 122A of the Act as he is the brother of TKK. However, TKK has no interest in Angliss Food, is not involved in any day-to-day operations of the said company and he is not a party acting-in-concert with Tan Khang Chang.
- (b) The rental of factory building by SCSSB and PSSB from WSSB will be discontinued upon the completion of the Acquisition of Land and Building.
- (c) The interest charged to WSSB by SCSSB for advances will be discontinued upon the completion of the Acquisition of Land and Building.

Transaction with Angliss Food

Angliss Food purchases products from our Group on a regular basis and on normal commercial terms as per our Group's other customers and these products are then on-sold to its own customers. Angliss Food also serves as a logistics agent to our Group, whereby our Group's products are delivered directly by Angliss Food on our Company's behalf to our customers. Under this arrangement, Angliss Food will invoice our Group for the delivered goods whilst our Group will invoice our customers under the regular sales.

Angliss Food also supplies products to our Group on a regular basis and the trading products are then on-sold to our customers throughout Malaysia.

For accounting purposes, sales invoices billed by Angliss Food (recorded as purchases in SCB's book), especially those in which Angliss Foods acted as a logistics agent to our Group, are regularly off-set against the sales invoices billed to Angliss Food (recorded as sales in SCB's book). The balance (sales to Angliss Food's own customers), which makes up less than 10% of our Group's total revenue, relates to products sold to Angliss Food which are subsequently on-sold by Angliss Food to its own customers. As such, Angliss Food is not categorized as a major customer nor a major supplier.

Under this arrangement, our Group is able to pass on the storage and distribution risks to Angliss Food, resulting in additional cost savings by utilizing a third party's cold storage facilities instead of setting up our own cold storage facilities in the Klang Valley.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

All the above transactions are conducted in the ordinary course of business, carried out on an arm's length basis and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders.

The appropriate disclosures will be made in the annual report of our Company of the aggregate value of the transactions based on the nature of the transactions made, names of the related parties involved in each type of transaction, and their relationship with our Group.

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9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)**9.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION**

As at the LPD, our Board has confirmed that to their best knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group is a party since our incorporation.

9.3 OUTSTANDING LOANS

As at the LPD, our Board has confirmed that our Group has no outstanding payables to related parties and there are also no outstanding receivables due from related parties to our Group.

9.4 INTERESTS IN A SIMILAR BUSINESS

Our Board is not aware of any similar assets, businesses or interest in Malaysia owned by our substantial shareholders, directors and/or key management and technical personnel of our Group.

9.5 INTERESTS IN OTHER BUSINESS WHICH ARE OUR CUSTOMERS OR SUPPLIERS

As at the LPD, none of our substantial shareholders, directors and/or key management and technical personnel of our Group are interested, directly or indirectly, in any other businesses or corporations which are our Group's customers or suppliers.

9.6 PROMOTION OF ANY MATERIAL ASSETS ACQUIRED / TO BE ACQUIRED

Save as disclosed in **Sections 5.8.1** and **5.8.2** of this Prospectus, none of our Directors and substantial shareholders has any interest, direct or indirect, in any promotion of, or in, any material asset, within the three (3) most recent completed financial years and the subsequent financial period thereof immediately preceding the date of this Prospectus, acquired or disposed of by, or leased to us or our subsidiaries, or is proposed to be acquired or disposed of by or leased to us or our subsidiaries.

9.7 DECLARATION BY ADVISERS**i. Adviser**

OSK confirms that, as at the date of this Prospectus, there is no other existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Sole Underwriter and Placement Agent for the IPO.

ii. Solicitors

Messrs. Wong Beh & Toh has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Solicitors for the IPO.

iii. Reporting Accountants

Messrs. Horwath has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Reporting Accountants for the IPO.

iv. Independent Market Researcher

Dun & Bradstreet (D&B) Malaysia Sdn Bhd has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for the IPO.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

v. Independent Valuer

Colliers, Jordan Lee & Jaafar (PG) Sdn Bhd has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Independent Valuer for the IPO.

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10. FINANCIAL INFORMATION

10.1 HISTORICAL FINANCIAL INFORMATION

10.1.1 Proforma Consolidated Income Statements

The following table sets forth a summary of our proforma consolidated income statements for the past three (3) FYE 31 May 2009 based on the assumption that we have been in existence throughout the three (3) financial years under review. The proforma consolidated income statements are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Letter as set out in **Section 12** of this Prospectus and our Management's Discussion and Analysis of Financial Conditions, Results of Operations and Prospects that are presented herein.

	FYE 31 May		
	2007 RM'000	2008 RM'000	2009 RM'000
Revenue	107,001	131,129	127,761
Cost of sales	(90,916)	(111,309)	(107,186)
Gross profit	16,085	19,820	20,575
Other income	1,202	1,504	1,922
Administrative and general expenses	(5,830)	(7,058)	(8,169)
Selling and distribution expenses	(4,492)	(5,122)	(5,328)
Finance costs	(1,377)	(1,390)	(1,677)
PBT	5,588	7,754	7,323
Tax expense	(636)	(1,172)	(900)
PAT	4,952	6,582	6,423
No. of Shares in issue ('000) ^(a)	66,000	66,000	66,000
Gross EPS (sen)	8.47	11.75	11.10
Net EPS (sen)	7.50	9.97	9.73
EBITDA (RM'000)	7,597	9,707	9,246
Gross profit margin (%)	15.03	15.11	16.10
PBT margin (%)	5.22	5.91	5.73
PAT margin (%)	4.63	5.02	5.03
Effective tax rate (%)	12.10	12.37	12.30

Note:-

(a) Based on the number of SCB Shares assumed in issue after the Acquisition of Companies but before the Public Issue.

10. FINANCIAL INFORMATION (CONT'D)

Our audited financial statements for the past three (3) financial years have not been subjected to any audit qualification. There were no extraordinary items in the audited financial statements of our Group during the years under review.

10.1.2 Proforma Consolidated Balance Sheets

We have prepared our proforma consolidated balance sheets below for illustrative purposes to show the effects on the audited consolidated balance sheet of our Group as at 31 May 2009, had the IPO been effected on that date. We advise you to read the proforma consolidated balance sheets together with the accompanying notes and assumptions included in the Reporting Accountants' Letter as set out in **Section 12** of this Prospectus.

	Company	Group	
		Proforma I	Proforma II
		After Acquisition of Companies and Land and Building	After Proforma I, Public Issue and Utilisation of Proceeds
	RM'000	RM'000	RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	-	22,374	27,374
Prepaid land lease payments	-	2,300	2,300
Goodwill on consolidation	-	-	-
	-	24,674	29,674
Current assets			
Inventories	-	22,983	22,983
Trade receivables	-	21,856	21,856
Other receivables, deposits and prepayments	-	2,400	2,400
Amount owing by WSSB	-	768 ^(c)	768 ^(c)
Current tax assets	-	65	65
Short term and fixed deposits with licensed banks	-	6,475	6,475
Cash on hand and at banks	(a)	3,619	9,290
	(a)	58,166	63,837
TOTAL ASSETS	(a)	82,840	93,511

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10. FINANCIAL INFORMATION (CONT'D)

	Company	Group	
		Proforma I	Proforma II
		After Acquisition of Companies and Land and Building	After Proforma I Public Issue and Utilisation of Proceeds
	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the company			
Share capital	(a)	33,000	45,000
Revaluation surplus	-	1,891	1,891
Merger deficit	-	(29,297)	(29,297)
Retained profits / (Accumulated losses)	(2)	31,568	31,208
Total Equity	(2)	37,162	48,802
Non-current liabilities			
Hire purchase creditors	-	856	856
Deferred taxation	-	966	966
	-	1,822	1,822
Current liabilities			
Trade payables	-	9,975	9,975
Other payables and accruals	2	1,690	1,690
Hire purchase creditors	-	1,025	1,025
Borrowings	-	31,012	30,043
Current tax payable	-	154	154
	-	43,856	42,887
TOTAL LIABILITIES	2	45,678	44,709
TOTAL EQUITY AND LIABILITIES	-	82,840	93,511
Number of shares assumed in issue ('000)	(b)	66,000	90,000
(NL) / NA per share(RM)	(500.00)	0.56	0.54

Notes:-

- (a) This represents RM2.00.
- (b) This represents four (4) ordinary shares of RM0.50 each.
- (c) This amount was fully repaid upon completion of the Acquisition of Land and Building on 2 September 2009.

10. FINANCIAL INFORMATION (CONT'D)**10.1.3 Proforma Consolidated Cash Flow Statement**

The audited cash flow statement of our Group as set out below has been prepared for illustrative purposes only, based on our Group's audited financial statements for the FYE 31 May 2009. We advise you to read the proforma consolidated cash flow statement together with the accompanying notes and assumptions included in the Reporting Accountants' Letter as set out in **Section 12** of this Prospectus.

	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	7,323
Adjustments for:-	
Allowance for doubtful debts	114
Amortisation and depreciation	1,794
Bad debts written-off	385
Gain on disposal of property, plant and equipment	(23)
Interest expense	1,677
Interest income	(1,548)
Operating profit before working capital changes	9,722
Increase in inventories	(597)
Increase in receivables	(5,442)
Decrease in payables	(2,317)
Cash generated from operations	1,366
Tax paid	(1,002)
Net cash from operating activities	364
CASH FLOWS FOR INVESTING ACTIVITIES	
Interest received	1,548
Proceeds from disposal of property, plant and equipment	70
Purchase of property, plant and equipment	(770)
Net cash from investing activities	848
CASH FLOWS FROM FINANCING ACTIVITIES	
Dividend paid	(4,000)
Increase in short-term bank borrowing	6,739
Interest paid	(1,712)
Repayment of hire purchase obligations	(1,070)
Net cash used in financing activities	(43)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,169
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	9,182
CASH AND CASH EQUIVALENTS CARRIED FORWARD	10,351

10. FINANCIAL INFORMATION (CONT'D)**10.1.4 Proforma Consolidated Statement of Assets and Liabilities**

The audited Statement of Assets and Liabilities of our Group (after the utilisation of proceeds) has been prepared for illustrative purposes only, based on our consolidated balance sheet as at 31 May 2009, as extracted from the Consolidated Proforma Balance Sheets set out in **Section 10.1.2** of this Prospectus. We advise you to read the proforma consolidated statement of assets and liabilities together with the accompanying notes and assumptions included in the Reporting Accountants' Letter as set out in **Section 12** of this Prospectus.

	Proforma Group RM'000
ASSETS	
Non-current assets	
Property, plant and equipment	27,374
Prepaid land lease payments	2,300
	29,674
Current assets	
Inventories	22,983
Trade receivables	21,856
Other receivables, deposits and prepayments	2,400
Amount owing by WSSB	768
Current tax assets	65
Short term and fixed deposits with licensed banks	6,475
Cash on hand and at banks	9,290
	63,837
TOTAL ASSETS	93,511
EQUITY AND LIABILITIES	
Equity attributable to shareholders of the company	
Share capital	45,000
Revaluation surplus	1,891
Merger deficit	(29,297)
Retained profits	31,208
Total Equity	48,802
Non-current liabilities	
Hire purchase creditors	856
Deferred taxation	966
	1,822

10. FINANCIAL INFORMATION (CONT'D)

	Proforma Group RM'000
Current liabilities	
Trade payables	9,975
Other payables and accruals	1,690
Hire purchase creditors	1,025
Borrowings	30,043
Current tax payable	154
	42,887
TOTAL LIABILITIES	44,709
TOTAL EQUITY AND LIABILITIES	93,511
Number of shares assumed in issue ('000)	90,000
NA per share (RM)	0.54

10.2 CAPITALISATION AND INDEBTEDNESS

The following table summarises our cash and cash equivalents, capitalisation and indebtedness as at the FYE 31 May 2009:-

	Proforma audited as at 31 May 2009 and after the Acquisition of Companies RM'000	After Public Issue RM'000
Cash and cash equivalents		
INDEBTEDNESS		
Short Term (Due within 12 months)		
Hire Purchase	1,025	1,025
Borrowings	31,012	30,043
Long Term (Due after 12 months)		
Hire Purchase	856	856
Total indebtedness	32,893	31,924
CAPITALISATION		
Total shareholders' equity	37,162	48,802
Total capitalisation	37,162	48,802
Total capitalisation and indebtedness	70,055	80,726

The contingent liabilities of our Group are as set out in **Section 10.3.11** of this Prospectus.

10. FINANCIAL INFORMATION (CONT'D)**10.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS, RESULTS OF OPERATIONS AND PROSPECTS**

The following management's discussion and analysis of our Group's financial condition, results of operations and prospects as set out herein have been made based on our proforma consolidated financial information for the past three (3) FYE 31 May 2009 which have been prepared for illustrative purposes to reflect what our financial position would have been throughout the periods/years under review and should be read in conjunction with the proforma consolidated financial statements and the accompanying notes included in the Accountants' Report for the past three (3) FYE 31 May 2009 included in **Sections 11** and **12** respectively of this Prospectus.

10.3.1 Analysis of Our Group's Operating Results

We have established ourselves as a manufacturer and trader of fresh and frozen processed poultry, beef and bakery products as well as the wholesaler and dealer in fresh and frozen foods. For more details on our principal activities and products, please refer to **Sections 5.9.1** and **5.9.2** of this Prospectus.

Our customer base are mainly wholesalers who on-sell the frozen food products to retailers. Our customers are mainly Malaysian. Further details on our distribution networks are provided in **Section 5.9.11(ii)** of this Prospectus.

Revenue

Our revenue is mainly derived from domestic markets with small amount of export to Indonesia. Our Group's revenue increased by RM24.12 million or 22.54% from RM107.0 million in the FYE 31 May 2007 to RM131.12 million in FYE 2008. This was mainly due to the increase in sales of third parties' products and our own manufactured food products. Sales of third parties' products increased from RM57.66 million in FYE 2007 to RM78.39 million in FYE 2008 while sales of our own manufactured food products increased from RM49.34 million to RM52.61 million for the same period in line with the greater sales and marketing efforts.

In the FYE 31 May 2009, our Group's revenue decreased slightly by RM3.36 million or 2.56% from approximately RM131.12 million in the FYE 31 May 2008 to approximately RM127.76 million. This was mainly due to lower sales of third parties' products from RM78.39 million in the FYE 2008 to RM68.29 million in the FYE 2009. Sales of our own manufactured food products continued to rise from RM52.73 million to RM59.47 million in line with our long term strategy to focus and expand the activities of our own manufactured food products.

Cost of sales

The main components of our cost of sales are direct materials, direct labour, trading merchandise and production overheads.

Our cost of sales from FYE 31 May 2007 to FYE 31 May 2009 was as follows:-

FYE 31 May	2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%
Raw materials/trading merchandise	84,166	92.6	104,597	94.0	99,191	92.5
Direct labour	1,153	1.3	1,151	1.0	1,251	1.2
Direct overheads	5,597	6.1	5,561	5.0	6,744	6.3
TOTAL	90,916	100.0	111,309	100.0	107,186	100.0

10. FINANCIAL INFORMATION (CONT'D)

Our Group's direct raw materials mainly comprise chicken meat, beef, spices and packaging materials for the manufacturing of our own food products and frozen beef, potato chips and other frozen foods for the wholesaling and trading of third parties' products. The direct materials and trading merchandise costs represent the largest component of our cost of sales, which constituted approximately 92.6%, 94.0% and 92.5% of our Group's total cost of sales for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively.

Our Group's direct labour mainly comprises employee expenses for our staff that are directly involved in manufacture of our frozen food products. Employee expenses comprise mainly salaries, welfare benefits and other employee benefits. The direct labour costs constituted approximately 1.3%, 1.0% and 1.2% of our total cost of sales for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively.

Our production overheads mainly comprise depreciation charges on property, plant and equipment, water and electricity, upkeep of factory and machineries, indirect labour and rental of premises. The rental of premises mainly comprise rental of cold room and factory paid to WSSB. The production overheads constituted approximately 6.1%, 5.0% and 6.3% of our total cost of sales for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively.

The main factors that affect our cost of sales include the following:-

- (i) Fluctuation in the prices of raw materials such as chicken meat and beef which are the main ingredients consumed;
- (ii) Our ability to control our production efficiency rate; and
- (iii) Our ability to control our other production costs.

Other operating income

We recorded other operating income of approximately RM1.202 million, RM1.504 million and RM1.922 million for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively. Other operating income largely consists of interest income received from WSSB for the advances granted by SCSSB to WSSB for the acquisition of land and building in 1996.

Operating Expenses

Our operating expenses from the FYE 31 May 2007 to FYE 31 May 2009 were as follows:-

FYE 31 May	2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%
Operating Expenses						
Employee benefits expenses (excluding Director's Remuneration)	3,755	32.1	4,367	32.2	4,176	27.5
Director's remuneration	672	5.7	675	5.0	580	3.8
Depreciation	532	4.6	628	4.6	505	3.3
Selling and distribution expenses	4,492	38.4	5,122	37.8	5,328	35.1
Interest expense	1,377	11.8	1,390	10.2	1,677	11.1
Other operating expenses	871	7.4	1,388	10.2	2,908	19.2
TOTAL	11,699	100.0	13,570	100.0	15,174	100.0

10. FINANCIAL INFORMATION (CONT'D)

Our operating expenses comprise employee benefits expenses, director's remuneration, depreciation, selling and distribution expenses and other operating expenses.

Employee benefits expenses

Our Group's employee benefits expenses comprise salaries and wages, welfare benefits of our managerial staffs, administrative and accounting staffs. The employee benefits expenses (excluding directors' remuneration), accounted for approximately 32.1% 32.2% and 27.5% of our total operating expenses for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively. Directors' remuneration accounted for approximately 5.7%, 5.0% and 3.8% of our Group's total operating expenses for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively.

Depreciation

Depreciation consists of depreciation for fixed assets used for the purposes of administration, selling and distribution. These accounted for approximately 4.6%, 4.6% and 3.3% of our Group's total operating expenses for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively.

Selling and distribution expenses

Our Group's selling and distribution expenses mainly comprise advertisement, agents' commission, marketing expenses, motor vehicle expenses, traveling and accommodation and delivery charges for goods sold to our customers in various locations. These accounted for approximately 38.4%, 37.8% and 35.1% of our Group's total operating expenses for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively.

Other operating expenses

Our Group's other operating expenses mainly include audit fee, professional fee, insurance, telephone charges, rental and other general office expenses, accounted for approximately 7.4%, 10.2% and 19.2% of our Group's total operating expenses for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively. Other operating expenses increased significantly in the FYE 31 May 2009 due to the provision of doubtful debts and write-off of bad debts totalling RM499,000.

Interest expense

Our Group's interest expense mainly comprise interest charges on our utilisation of banking facilities such as bankers' acceptances, hire purchase and overdraft facilities to finance our business operations. Interest expense accounted for approximately 11.8%, 10.2% and 11.1% of our Group's total operating expenses for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively.

Taxation

The Malaysian statutory corporate tax rate applicable for the FYE 31 May 2007 was 27%, while for the FYE 31 May 2008 was 26% and for the FYE 31 May 2009 was 25%. Our overall effective tax rates were 12.10%, 12.37% and 12.30% for the FYE 31 May 2007, FYE 31 May 2008 and FYE 31 May 2009 respectively. The effective tax rates for the financial years under review were lower than the statutory tax rate. This is mainly due to our Group's subsidiary, PSSB, has been granted a pioneer status with 70% tax exemption on its statutory income.

10. FINANCIAL INFORMATION (CONT'D)

10.3.2 Trend Information

Based on our segmental analysis of revenue and profitability by activities as well as our financial commentary for the three (3) financial years under review, our Board anticipates the following trends:-

- (a) We expect our revenue for all our products to be sustainable given that our Group has established a wide distribution network for our products and a stable customer base domestically.

We also anticipate that the demand for our products will remain favourable and on an uptrend, primarily supported by our continuing advertisement and promotion in suitable above-the-line media advertisement to advertise our range of frozen processed food products through outdoor media tools and other media type such as radio. In order to expand our market share further, our Group will also be investing in small size freezers which will be stationed in grocery shops and estate canteens in rural areas to ensure that all our products are available to all Malaysians irrespective of whether they are in the urban or rural areas. At the same time, our Group's continuing improvement and development of a variety of ready to eat meat-based meals market is also expected to create new market opportunities for our products both locally and internationally.

- (b) We believe that the demand for our products in the domestic market will continue to grow given that we have formulated marketing strategies as set out in **Section 5.9.11** of this Prospectus.

As such, the proceeds allocated for the purchase of cold storage facilities and machineries will increase our production capacity to cater for such continuing growth in our product domestically;

- (c) The selling prices of our own manufactured products have generally remained stable and command a higher margin to our Group as compared to the selling prices of our third parties' products. Our Board believes that we would be able to maintain our selling prices through our continued efforts and investment to strengthen our brand image and recognition as well as high quality of our products, thus enabling our Group to maintain the higher margin from our own manufactured products moving forward;

- (d) Our Board believes that even though our costs of production include the fluctuation in the prices of raw materials such as chicken meat and beef which are the main ingredients consumed and other production costs, our Board is of the opinion that we are able to pass on any increase in the price of raw materials to customers in the event of any material price increase in raw materials. Furthermore, our manpower cost is only expected to increase in tandem with the increase in the demand for our products and the general increase in salaries of our staffs; and

- (e) Based on the above, our Board is not aware of any circumstances which would result in significant fluctuations of our gross profit margins and our Board expects the gross profits margins to remain stable in the near future.

Save as disclosed above, including our Management's Discussion and Analysis of Financial Conditions, Results of Operations and Prospects, **Section 4**, **Section 5.9.5**, **Section 5.10** and **Section 6** of this Prospectus, our Board believes that barring any unforeseen circumstances, there are no other significant known recent trends for revenue and costs or other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our financial performance, position and operations of our Group, or that would cause the financial

10. FINANCIAL INFORMATION (CONT'D)

information disclosed in this Prospectus not to be indicative of our future financial performance and position.

10.3.3 Segmental Analysis

The following is a segmental analysis of our results for the past three (3) FYE 31 May 2007 to 31 May 2009:-

Analysis of revenue by activities

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
Own manufactured products and trading products packed under Saudi's brand name	49,341	52,734	59,472
Third parties' products	57,660	78,395	68,289
Total	107,001	131,129	127,761

Our revenue is also derived from the trading and distribution of third party products which comprise largely of imported frozen beef and other imported frozen food products such as vegetable-based products and other fresh and frozen products such as french fries and potato chips which are packed and marketed under our "SAUDI" brand. Trading of imported beef arises from the excess quantity of beef which was initially intended for our production purposes. Our Group usually purchases the imported beef by container load with minimum order quantity ("MOQ") set by our overseas suppliers. As such, any excesses of imported beef for our production purposes are sold to third parties for additional revenue to our Group.

Analysis of revenue by products

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
Meat based products	48,635	51,697	58,407
Flour based products	706	1,037	1,065
Third parties' products	57,660	78,395	68,289
Total	107,001	131,129	127,761

Analysis of revenue by location

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
Local	107,001	131,001	127,552
Export	-	128	209
Total	107,001	131,129	127,761

Our Group recorded a revenue of approximately RM128,000 from export of our products to overseas market, namely Indonesia in the FYE 31 May 2008, marking the beginning of our expansion plan to penetrate into overseas markets. For the FYE 31 May 2009, our Group recorded a revenue of approximately RM209,000 from export of our products to overseas market.

10. FINANCIAL INFORMATION (CONT'D)***Analysis of revenue by subsidiaries***

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
SCSSB	110,172	131,001	130,499
PSSB	45,523	55,071	47,858
Nutriveg	-	-	9
Consolidation adjustment	(48,694)	(54,943)	(50,605)
Total	107,001	131,129	127,761

The consolidation adjustment was made due to the inter-company sales between PSSB and its holding company, namely SCSSB.

Analysis of PBT by activities

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
Own manufactured products and trading products packed under Saudi's brand name	4,906	6,856	6,992
Third parties' products	682	898	331
Total	5,588	7,754	7,323

Analysis of PBT by products

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
Meat based products	4,758	6,585	6,715
Flour based products	148	271	277
Third parties' products	682	898	331
Total	5,588	7,754	7,323

Analysis of PBT by location

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
Local	5,588	7,735	7,290
Export	-	19	33
Total	5,588	7,754	7,323

Analysis of PBT by subsidiaries

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
SCSSB	1,196	1,750	824
PSSB	4,392	6,004	6,623
Nutriveg	-	-	(122)
Total	5,588	7,754	7,325

10. FINANCIAL INFORMATION (CONT'D)**Financial Commentaries*****FYE 31 May 2007***

Contrary to the FYE 2006, our Group experienced a decline of approximately 12.74% in our revenue mainly due to the decrease in sales of third parties' products. Whilst the sales of our Group's own manufactured food products increased by approximately 22.42%, the sales of third parties' products declined by approximately 29.96%, resulting in the decline of our Group's revenue. The increase in our Group's own manufactured food products was mainly contributed by higher sales of chicken meat based products such as frankfurter and nugget. The significant increase in the sales of our Group's own manufactured food products was in line with our Group's focus in our core activity of manufacturing.

Despite the revenue decline, our Group's gross profit increased from approximately RM14.903 million in the FYE 2006 to approximately RM16.085 million in FYE 2007, representing an increase of approximately 7.93%. This was mainly due to the significant portion of our Group's overall sales which comprised of our own manufactured food products which were valued-added and of higher gross profit margin. The encouraging result was reflected by our Group's higher gross profit margin of approximately 15.03% in FYE 2007 as compared to approximately 12.15% in FYE 2006.

In line with higher gross profit, our Group recorded a PBT of approximately RM5.588 million in the FYE 2007 as compared to the PBT recorded in FYE 2006 of approximately 5.022 million, representing an increase of approximately 11.27%. Consistent with our higher gross profit margin, our Group's PBT margin rose from approximately 4.10% in the FYE 2006 to approximately 5.22% in FYE 2007.

FYE 31 May 2008

Our Group recorded a significant increase of our revenue by approximately 22.55% in the FYE 2007 from approximately RM107.001 million to approximately RM131.129 million in FYE 2008. As our Group undertook some promotional and advertising activities especially in re-branding our corporate logo and re-launching of our product logos, it succeeded in attracting higher demand for our food products from a larger customer base.

Consistent with our revenue growth, our Group achieved a higher gross profit of approximately RM19.820 million in the FYE 2008 as compared to gross profit of approximately RM16.085 million recorded in the FYE 2007, representing an increase of approximately 23.22%.

In line with higher gross profit, our Group's PBT increased to approximately RM7.754 million in FYE 2008 as compared to the PBT recorded in the FYE 2007 of approximately RM5.588 million, representing an increase of approximately 38.76%. However, the PBT margin of our Group only had a slight increase i.e. from approximately 5.22% in FYE 2007 to approximately 5.91% in FYE 2008 as higher advertising and promotional expenses were incurred for our re-branding exercise.

FYE 31 May 2009

Contrary to the FYE 2008, the SCB Group experienced a decrease in its revenue of approximately 2.57% in the FYE 2009. This is mainly due to the decrease in sales of third parties' products. Whilst the sales of the SCB Group's own manufactured food products has increased by 12.76%, the sales of third parties' products declined by 12.88%, resulting in the drop in its revenue. The increase in the sales of the SCB Group's own manufactured food products was in line with the Group's focus in its core activity in manufacturing.

10. FINANCIAL INFORMATION (CONT'D)

Despite of the decrease in revenue, the SCB Group's gross profit increased from RM19.82 million in the FYE 2008 to RM20.575 million in the FYE 2009, representing an increase of approximately 3.81%. This was mainly due to the significant portion of the SCB Group's overall sales generated from its own manufactured food products which were valued-added and of higher gross profit margin. The encouraging result was represented by the SCB Group's higher gross profit margin of 16.10% in the FYE 2009 as compared to 15.11% in the FYE 2008.

The SCB Group recorded a PBT of RM7.323 million in FYE 2009 as compared to the PBT recorded in FYE 2008 of 7.754 million, representing a decrease of approximately 5.56%. This was mainly due to the allowance of doubtful debts and write-off of bad debts totaling approximately RM499,000.

10.3.4 Material Changes in Revenues

The reasons for the material changes in revenue for the past three (3) FYE 31 May 2007 to 31 May 2009 are set out in **Section 10.3.3** of this Prospectus.

10.3.5 Impact of Foreign Exchange / Interest Rates / Commodity Price

Our Group's sales are mainly local transactions and denominated in RM and therefore the impact of fluctuation in foreign exchange is minimal for sales. Some of our raw materials such as frozen beef and potato chips are imported from overseas, thus subjecting our Group to foreign exchange fluctuation risks. Further details on the impact of foreign exchange risks are set forth in **Section 4.1.12** of this Prospectus. However, it is not our Group's policy to hedge against the USD foreign exchange movements at the moment.

As at the LPD, the total borrowings of our Group amounted to approximately RM32.89 million comprising bank overdraft and bankers' acceptances, all of which are local borrowings and interest-bearing, as detailed in **Section 10.3.8** of this Prospectus.

Our Group's operating profits will be affected by any change in interest rates, especially with respect to interest payments. To mitigate this risk, our Group will make timely repayment of borrowings and adopt cautious financial management in obtaining additional financing via borrowings.

The main raw materials in our Group's operations are chicken meat and beef for our Group's production and the prices of such raw materials are subject to fluctuations. Recognising this risk, our management has taken steps to mitigate the impact of this risk on our operations and profitability. To mitigate this risk, our Group sources these raw materials from different countries as well as from local suppliers. In the event there is any hike in prices due to shortages of supply in one particular country, our Group is able to source from local suppliers or suppliers from other countries at lower prices. Our Group has not entered into any long term contracts with any suppliers of our main raw materials to allow flexibility in sourcing our supplies from different suppliers at lower prices.

10.3.6 Impact of Inflation

There is no material impact of inflation on our historical profits for the past three (3) FYE 31 May 2007 to 31 May 2009.

10.3.7 Government, Economic, Fiscal or Monetary Policies or Factors

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, is as set out in **Section 4.1.20** of this Prospectus.

10. FINANCIAL INFORMATION (CONT'D)

There is no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the past three (3) FYE 31 May 2007 to 31 May 2009.

10.3.8 Liquidity and Capital Resources

Our Group's main sources of liquidity and capital consists of a combination of internal sources of funds derived mainly from cash generated from operations as well as external sources of funds comprising mainly borrowings from financial institutions and capital contribution by shareholders.

(a) Key liquidity ratios

The details of the key liquidity ratios before the Public Issue are as follows:-

	FYE 31 May		
	2007 RM'000	2008 RM'000	2009 RM'000
Net cash flow from operating activities	11,979	3,397	364
Net cash flow from / (used in) investing activities	296	(8)	848
Net cash flow from / (used in) financing activities	(8,077)	3,529	(43)
Net increase in cash and cash equivalents	4,198	6,918	1,169
Cash and cash equivalents at the beginning of the year	(1,934)	2,264	9,182
Cash and cash equivalents at the end of the year	2,264	9,182	10,351

Net cash flow from operating activities

Our Group had positive cash flows from operating activities in the past three (3) years up to the FYE 31 May 2009. The net cash flow before working capital increased from approximately RM7.69 million in the FYE 31 May 2007 to approximately RM9.84 million in the FYE 31 May 2009. This is mainly attributable to the higher revenue generated by our Group and also higher collection from our trade receivables. In the FYE 31 May 2009, our net cash flow from operating activities decreased to approximately RM0.36 million due to the higher payment made to our suppliers in the FYE 31 May 2009 as compared to the FYE 31 May 2007 and the FYE 31 May 2008.

Net cash flow from / (used in) investing activities

The cash flow from investing activities mainly consists of interest income received and capital expenditure. In the FYE 31 May 2008, our Group recorded a negative cash flow from investing activities due to our higher capital expenditure incurred. For the FYE 31 May 2009, our Group received higher interest income and recorded a lower outflow for capital expenditure, thus, recorded a higher cash inflow.

Net cash flow from / (used in) financing activities

The higher net cash outflow from financing activities in the FYE 31 May 2007 was mainly due to lower short-term borrowings being obtained by our Group. Nevertheless, in the FYE 31 May 2008, our Group had obtained more short-term borrowings which resulted in a higher cash inflow from financing activities. For the FYE 31 May 2009, our Group recorded net cash outflow of approximately RM0.04 million, which was mainly due to the outflow of approximately RM4 million of dividend payment declared by our Group.

10. FINANCIAL INFORMATION (CONT'D)

Following the above, it is noted our operations are funded by a combination of internal and external sources of funds. Internal sources of funds comprise mainly of cash generated from our operating activities and cash and bank balances, while external sources of funds comprise mainly of short-term borrowings from banks and capital contribution from our existing shareholders.

The principal uses of these funds are for working capital purposes such as payment of inventories and trade payables, staff costs, financing trade receivable balances and operating expenses, as well as for our capital expenditure and repayment of loans.

Our Directors are of the view that there are no legal, financial or economic restrictions on the ability of our subsidiary to transfer funds to our Company in the form of cash dividends and/or loan or advances.

(b) Working capital

Our Board is of the opinion that, after taking into consideration the cash flow position, banking facilities available and the net proceeds from the Public Issue, our Company would have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(c) Borrowings

The gearing ratios for the three (3) financial years under review which are calculated based on the total interest bearing borrowings divided by proforma shareholders' funds are as follows:-

FYE 31 May	2007	2008	2009
Gearing (times)	0.69	0.74	0.89

The following sets out our Group's total outstanding borrowings (which are local borrowings and interest bearing) for the FYE 31 May 2009:-

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Bank overdrafts	969	-	969
Banker acceptances	30,043	-	30,043
Hire purchase payables	1,025	856	1,881
Total	32,037	856	32,893

Our Board is of the opinion that, there are no unusual or onerous covenants in nature imposed under the borrowing facilities against us. Our Group does not have any borrowings in foreign currency for the FYE 31 May 2009.

Our Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof up to the FYE 31 May 2009.

10.3.9 Material Commitment

As at the LPD, our Directors are not aware of any material commitments for capital expenditure contracted or known to be contracted by our Group that is likely to have a material adverse effect on our financial position.

10. FINANCIAL INFORMATION (CONT'D)**10.3.10 Material Litigation**

Save as disclosed in **Section 16.7** of this Prospectus, neither our Company nor our subsidiaries are engaged in any litigation, either as plaintiff or defendant, which has a material effect on our financial position or our subsidiaries and our Directors have no knowledge of any proceedings pending or threatened against us and our subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect our position or business.

10.3.11 Contingent Liabilities

As at the LPD, our Board does not know of any material contingent liabilities incurred by our Group that is likely to have a material adverse effect on our financial position.

10.3.12 Highlighted Key Financial Information

The table below highlights the key financial ratios for the past three (3) financial years under review which are provided for illustrative purpose only and are prepared based on the assumption that our Group structure has been in existence throughout the financial years under review:-

	FYE 31 May		
	2007	2008	2009
Trade receivables turnover period (days)	48	47	62
Trade payables turnover period (days)	35	40	36
Inventory turnover period (days)	61	73	78

Trade Receivables Turnover

The normal credit terms granted by our Group to our customers range between 7 to 90 days. The trade receivables turnover period for the three (3) FYE 31 May 2007 to 31 May 2009 are within the normal credit terms granted. However, the increased in the trade receivables turnover period for the FYE 31 May 2009 was mainly due to the increase in credit terms granted on sales to our wholesalers and agents, wherein our Group has granted up to 120 days credit terms.

Trade Receivables Ageing Analysis

The amount of trade receivables exceeding the normal credit terms granted by our Group for the past three (3) FYE 31 May 2009 are as follows:-

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
Trade receivables exceeding the normal credit terms	3,946	5,295	2,528
% of total trade receivables	27.74%	30.98%	11.56%

Out of the total of approximately RM3.946 million outstanding trade receivables exceeding the normal credit terms for the FYE 31 May 2007, a total of approximately RM1.619 million was collected in the FYE 31 May 2008. This followed legal actions initiated by our Group against the debtors concerned in the said period. Legal action was also taken against errant debtors in the FYE 31 May 2008 and FYE 31 May 2009. As a result of these actions, our Group's trade receivables exceeding the normal credit terms have been reduced to approximately RM2.528 million, representing 11.56% of our total trade receivables in the FYE 31 May 2009. Our Board is of the opinion that the remaining trade receivables are recoverable based on

10. FINANCIAL INFORMATION (CONT'D)

the payment track record of these customers and the long standing business relationship with them. However, in order to control the credit risk exposure, our Group has introduced incentives to our sales personnel for the successful collection of debts and also rebates to our customers for their early settlement of the amount owing to our Group. In addition, the debt collection function has now been centralised at the head office in order to monitor the timely collection of debts and the taking of appropriate actions to recover debts exceeding the normal credit period.

Following the credit risk exposure to our Group i.e. the potentiality of our customers defaulting on their payment to us, we may have to make allowances for doubtful trade receivables or incur any bad debt write off, both of which may have an adverse impact on our profitability.

Please refer to the Accountants' Report as set out in **Section 11** of this Prospectus for further information.

Trade Payables Turnover

The normal credit terms granted by our suppliers range between 7 to 90 days. The trade payables turnover period for the three (3) FYE 31 May 2007 to 31 May 2009 are within the normal credit terms granted by our suppliers. For the FYE 31 May 2008, a large increase in goods-in-transit has contributed to a higher total trade payables resulting in an increase in the trade payables turnover period. This is because our Group intends to maintain a higher inventory level in anticipation of the increasing raw material prices. The recognition of goods-in-transit was in accordance with the Financial Reporting Standards for the goods ordered and departed from the overseas port of the sellers but have yet to arrive at the premises of our Group. Some of our trade payables have exceeded the normal credit terms granted by our suppliers as these trade payables will only be settled after all credit notes and debit notes are complete and good for payment.

Trade Payable Ageing Analysis

The amount of trade payable exceeding the normal credit terms granted by our Group for the past three (3) FYE 31 May 2009 are as follows:-

FYE 31 May	2007 RM'000	2008 RM'000	2009 RM'000
Trade payable exceeding the normal credit terms	1,267	1,187	1,508
% of total trade receivables	16.33%	10.06%	15.12%

Out of the total of approximately RM1.267 million outstanding trade payables exceeding the normal credit terms for the FYE 31 May 2007, a total of approximately RM1.032 million was fully settled by our Group subsequent to the FYE 31 May 2007 whereelse the remaining balance of approximately RM0.235 million was not settled by our Group as some of our suppliers have discontinued their businesses.

For the FYE 31 May 2008, our Group had subsequently fully settled approximately RM0.952 million out of the total outstanding trade payables exceeding the credit terms of approximately RM1.187 million. The remaining balance of approximately RM0.235 million was not settled by our Group as some of our suppliers have discontinued their businesses.

10. FINANCIAL INFORMATION (CONT'D)

Subsequent to the FYE 31 May 2009, our Group had fully settled approximately RM1.273 million of the outstanding trade payables exceeding the normal credit terms whereelse the remaining balance of RM0.235 million was not settled by our Group as some of our suppliers have discontinued their businesses.

Please refer to the Accountants' Report as set out in **Section 11** of this Prospectus for further information.

Inventory Turnover

Our inventories consist of raw materials, packaging materials as well as consumables. For the FYE 31 May 2009, the inventories amounts of raw materials in-hand and in-transit have increased as our Group intends to maintain a higher inventory level in anticipation of the increasing raw material prices.

The average inventories turnover period was within two (2) months' period. We are of the view that there were no slow moving and obsolete inventories noted for the three (3) FYE 31 May 2007 to 31 May 2009.

10.3.13 Dividend Policy

Our Board intends to pay dividends of at least 20% of our PAT after taking into consideration our retained profits, cash flow as well as the funding requirements of our Group. It is a policy of our Board in recommending dividends to allow shareholders to participate in the profits of our Group whilst retaining adequate reserves for its future expansion.

Notwithstanding the above, all the foregoing statements are merely statements of our present intention and no inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future. Actual dividends proposed and declared may vary depending on the financial performance, cash flow and funding requirements of our Group, and may be waived if the payment of the dividends would adversely affect the cash flow and operations of our Group.

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11. ACCOUNTANTS' REPORT



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Date : 1 October 2009

The Board of Directors
Sinaria Corporation Berhad
57-1 Persiaran Bayan Indah
Bayan Bay Sungai Nibong
11900 Penang

Dear Sirs

**SINARIA CORPORATION BERHAD ("SCB")
ACCOUNTANTS' REPORT**

1. PURPOSE OF REPORT

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of Sinaria Corporation Berhad ("SCB" or "the Company") to be dated 23 October 2009 in connection with the listing of SCB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in paragraph 2 of this report.

2. DETAILS OF THE RESTRUCTURING AND LISTING SCHEME

2.1 THE COMPANY

SCB was incorporated in Malaysia under the Companies Act, 1965 as a public limited company on 11 November 2008. On 2 January 2009, it was converted to a private limited company to facilitate the restructuring of the Company's shareholdings before being converted back to a public limited company on 8 January 2009. The principal activity of SCB is investment holding.

11. ACCOUNTANTS' REPORT (CONT'D)**2. DETAILS OF THE LISTING SCHEME (CONT'D)****2.2. Listing Scheme**

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of SCB on the Main Market of Bursa Securities, SCB undertook the following transactions which have been approved by the relevant authorities:-

- (a) Acquisition by Perusahaan Saudee Sdn. Bhd. ("PSSB") of a lease of 99 years leasehold land known as Lot PT No. 30508, Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah held under HSD 52055 granted by Perbadanan Kemajuan Negeri Kedah to Wide Symbol Sdn Bhd ("WSSB") under presentation no. 14482/1996, Jil 12 Fol. 63 for a period of sixty years from 30 October 1996 till 29 October 2056 together with a factory building erected thereon bearing assessment address of Plot 331, Jalan PKNK 3/7, Kawasan Perusahaan Sungai Petani, Fasa 3, 08000 Sungai Petani, Kedah for a purchase consideration of RM12,000,000 satisfied partly in cash and partly via the settlement of the amount owed to PSSB by WSSB ("Acquisition of Land and Building"); The acquisition of land and building was completed on 2 September 2009;
- (b) Acquisition by SCB of 2,400,000 ordinary shares of RM1.00 each in Saudi Cold Storage Sdn. Bhd. ("SCSSB") representing the entire issued and paid-up share capital therein for a purchase consideration of RM31,936,446 satisfied by the issuance of 63,654,622 new ordinary shares of RM0.50 each in SCB at an issue price of approximately RM0.5017 per share ("Acquisition of SCSSB"). The acquisition of SCSSB was completed on 3 September 2009;
- (c) Acquisition by SCB of 100,000 ordinary shares of RM1.00 each in PSSB representing 4.76% of the issued and paid-up share capital therein for a purchase consideration of RM1,172,685 satisfied by the issuance of 2,345,370 new ordinary shares of RM0.50 each in SCB at an issue price of RM0.50 per share ("Acquisition of PSSB"). The acquisition of PSSB was completed on 3 September 2009;
- (d) Acquisition by SCB of 2 ordinary shares of RM1.00 each in Nutriveg Sdn. Bhd. ("Nutriveg") representing the entire issued and paid-up share capital therein for a purchase consideration of RM2 satisfied by the issuance of 4 new ordinary shares of RM0.50 each in SCB at an issue price of RM0.50 per share ("Acquisition of Nutriveg"). The acquisition of Nutriveg was completed on 3 September 2009;
- (e) Acquisition by SCB of the remaining 95.24% of the issued and paid-up share capital in PSSB from SCSSB for cash consideration of RM23,463,546 ("Internal group reorganisation"). The Internal group reorganisation was completed on 9 September 2009;

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

11. ACCOUNTANTS' REPORT (CONT'D)



2. DETAILS OF THE LISTING SCHEME (CONT'D)

2.2. Listing Scheme (Cont'd)

- (f) Offer for sale of 17,001,000 ordinary shares of RM0.50 each ("offer shares") in SCB at an offer price of RM0.56 per Share ("Offer for Sale");

Accordingly, the offer for sale of 17,001,000 ordinary shares is to be offered in the following manner:-

- i 11,250,000 ordinary shares of RM0.50 each offer shares by way of private placement to identified Bumiputera investors;
 - ii 5,751,000 ordinary shares of RM0.50 each offer shares by way of private placement to identified investors;
- (g) Public issue of 24,000,000 new ordinary shares of RM0.50 each in SCB at an issue price of RM0.56 per Share ("Public Issue");

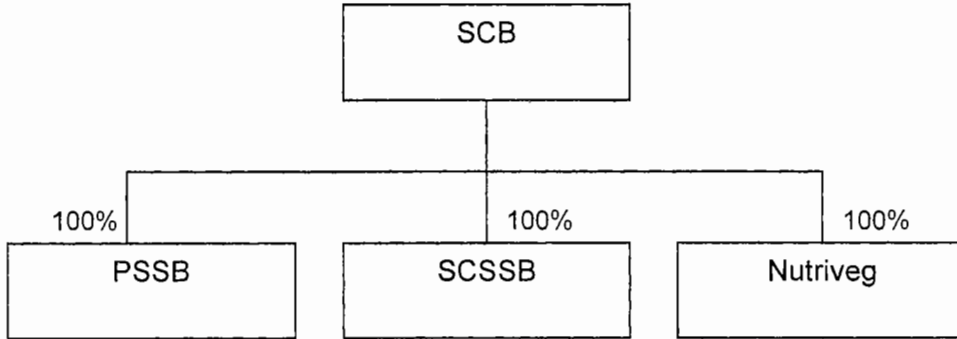
Accordingly, the public issue of 24,000,000 new ordinary shares is to be allotted in the following manner:-

- i 6,000,000 new ordinary shares of RM0.50 each will be made available for application by the Malaysian public, companies, societies, co-operatives and institutions;
 - ii 16,000,000 new ordinary shares of RM0.50 each will be made available by way of private placement to identified investors;
 - iii 2,000,000 new ordinary shares of RM0.50 each will be made available for application by eligible directors, employees and business associates/persons who have contributed to the success of SCB Group;
- (h) Listing of and quotation for the entire enlarged issued and paid-up share capital of SCB on the Main Market of Bursa Securities.

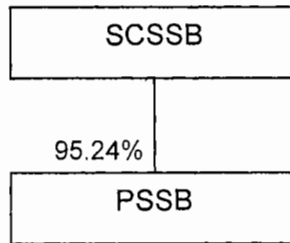


3. GROUP STRUCTURE

The group structure of SCB Group at the date of this report is as follows:



The group structure prior to the acquisition was as follows:



11. ACCOUNTANTS' REPORT (CONT'D)**4. RELEVANT FINANCIAL PERIOD AND AUDITORS**

The relevant financial period for the purpose of this report ("Relevant Financial Period") and the auditors of the respective companies for the Relevant Financial Period is as follows:-

Companies	Relevant Financial Period	Auditors	Auditors' Report
SCB	Financial period from 11 November 2008 (date of incorporation) to 31 May 2009	Horwath	Appendix I
SCSSB	Financial year ended ("FYE") 31 May 2007	William C. H. Tan & Associates	Appendix II
SCSSB	FYE 31 May 2008 to 2009	Horwath	Appendix III to IV
PSSB	FYE 31 May 2007	William C. H. Tan & Associates	
PSSB	FYE 31 May 2008 to 2009	Horwath	
Nutriveg	Financial period from 6 March 2008 (date of incorporation) to 31 May 2009	Horwath	

The auditors' reports on the financial statements of all the above companies for the Relevant Financial Period were reported upon without any qualification and emphasis of matters.

11. ACCOUNTANTS' REPORT (CONT'D)



5. ACCOUNTING STANDARDS AND POLICIES

5.1 Basis of preparation of financial statements

The financial statements of SCB and SCSSB and PSSB (collectively referred to as "SCSSB Group") are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Financial Reporting Standards ("FRSs") and the Companies Act 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia (RM).

SCB and SCSSB Group have not applied the following FRSs and IC Interpretations which have been issued as at the balance sheet date but are not yet effective:-

Standard/Interpretation	Effective for financial periods beginning on or after
Amendments to FRS 1 <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127 <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
Amendments to FRS 2 <i>Share-based Payment: Vesting Conditions and Cancellations</i>	1 January 2010
FRS 4 <i>Insurance Contracts</i>	1 January 2010
FRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8 <i>Operating Segments</i>	1 July 2009
FRS 123 <i>Borrowing Costs</i>	1 January 2010
FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2010
IC Interpretation 11 <i>FRS 2 - Group and Treasury Share Transactions</i>	1 January 2010
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1 January 2010
IC Interpretation 14 <i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2010

Except for FRS 7, FRS 123 and FRS 139, the management foresees that the initial application of the above FRSs and IC Interpretations will not have any significant impacts on the financial statements.

By virtue of the exemptions given by FRS 7 and FRS 139, the impacts on the financial statements upon initial application of these FRSs are not disclosed.

FRS 123, which replaces FRS 123₂₀₀₄ *Borrowing Costs*, removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. As allowed by the transitional provisions of FRS 123, SCB Group will apply this FRS to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date.

11. ACCOUNTANTS' REPORT (CONT'D)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 Summary of significant accounting policies****5.2.1 Basis of consolidation**

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the SCSSB and its subsidiary made up to the end of the financial year using the purchase method. The results of the subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date represents goodwill. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date exceeds the cost of acquisition, the excess (hereinafter referred to as "negative goodwill"), after reassessment, is recognised in the income statement.

5.2.2 Financial instruments**Recognised Financial Instruments**

The accounting policies for recognised financial instruments are disclosed in the individual policies associated with each item.

Unrecognised Financial Instruments

SCSSB Group does not have any unrecognised financial instruments other than the contingent liability as disclosed in Section 7.2.24.

Fair Values

The carrying amounts of financial assets and liabilities with short maturity periods are assumed to approximate their fair values.

11. ACCOUNTANTS' REPORT (CONT'D)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 Summary of significant accounting policies (Cont'd)****5.2.3 Property, plant and equipment**

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any.

Revaluations of freehold land are made with sufficient regularity such that the carrying amount of the asset does not differ materially from its fair value at the balance sheet date.

A revaluation increase is credited to equity as revaluation surplus or recognised as income in the income statement to the extent that the increase reverses a revaluation decrease of the same asset previously recognised as an expense. A revaluation decrease is recognised as an expense in the income statement or debited against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus of that asset.

Freehold land is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Plant, machinery and factory equipment	10%
Furniture, fittings and office equipment	10%
Electrical installation and renovation	10%
Motor vehicles	20%

The residual value, useful life and depreciation method of an asset are reviewed at least at each balance sheet date and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

5.2.4 Investment in Subsidiary

As required by the Companies Act 1965 in Malaysia, SCSSB prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of SCSSB, investment in subsidiary is stated at cost less impairment loss, if any.

11. ACCOUNTANTS' REPORT (CONT'D)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 Summary of significant accounting policies (Cont'd)****5.2.5 Impairment of assets**

The carrying amounts of assets, other than inventories and financial assets within the scope of FRS 139 *Financial Instruments: Recognition and Measurement*, are reviewed at each balance sheet date to determine whether there is any indication that an item of asset may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised as an expense in the income statement or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in the income statement or, in respect of a revalued asset, treated as a revaluation increase.

5.2.6 Inventories

Inventories are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

5.2.7 Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

5.2.8 Payables

Payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received.

11. ACCOUNTANTS' REPORT (CONT'D)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 Summary of significant accounting policies (Cont'd)****5.2.9 Leases**Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

5.2.10 Loans and borrowings

All loans and borrowings are initially recognised at cost which is the fair value of the proceeds received. The loans and borrowings are subsequently stated at amortised cost using the effective interest method. The effective interest rate is the historical rate for a fixed rate instrument and the current market rate for a floating rate instrument.

All borrowing costs are recognised as an expense in the period in which they are incurred.

11. ACCOUNTANTS' REPORT (CONT'D)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 Summary of significant accounting policies (Cont'd)****5.2.11 Foreign currency transactions and translation**

The consolidated financial statements and separate financial statements of SCSSB are presented in Ringgit Malaysia, which is also SCSSB's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the SCSSB Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the balance sheet date, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in the income statement. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, ie directly in equity or in the income statement.

5.2.12 Share capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the balance sheet date are recognised as a liability whereas dividends proposed or declared after the balance sheet date are disclosed by way of note to the financial statements.

5.2.13 Income recognition

Income from the sale of goods is recognised upon delivery of goods and customer's acceptance. Interest income is recognised using the effective interest method.

11. ACCOUNTANTS' REPORT (CONT'D)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 Summary of significant accounting policies (Cont'd)****5.2.14 Income taxes**

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided for under the balance sheet liability method in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base except for those temporary differences associated with goodwill, negative goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the balance sheet date.

5.2.15 Employee benefits**Short-term Employee Benefits**

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by the employees.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the state pension scheme, Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the period in which the associated services are rendered by the employees.

11. ACCOUNTANTS' REPORT (CONT'D)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 Summary of significant accounting policies (Cont'd)****5.2.16 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5.3 Consistency of application of accounting policies

There were no changes in the accounting policies adopted by SCB and SCSSB Group during the Relevant Financial Period.

6. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY**Critical Judgements**

In the process of applying the accounting policies of SCB and SCSSB Group, the management makes the following judgements that can significantly affect the amounts recognised in the financial statements:-

(i) Allowance for Inventories

Reviews are made periodically by the management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(ii) Allowance for Doubtful Debts

SCSSB Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowance is applied to receivables where events or changes in circumstances indicate that the balances may not be recoverable. The management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts. Where expectations are different from previous estimates, the difference will impact the carrying amounts of receivables.



6. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D)

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

(i) Depreciation of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The management estimates the useful lives to be within 5 to 10 years. Changes in the expected level of usage and technological development will impact the economic useful lives and residual values of the assets and therefore, future depreciation charges may be revised.

(ii) Impairment of Assets

When the recoverable amount of an asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows.

(iii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. SCB and SCSSB Group recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact the tax provisions in the period in which the outcome is determined.

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS

SCB was incorporated on 11 November 2008 to be the investment holding of the SCB Group for the listing of SCB on the Main Market of the Bursa Securities. For the financial years ended 31 May 2007 to 2009, SCSSB was the holding company of PSSB.

The acquisition of SCSSB, PSSB and Nutriveg by SCB was only completed subsequent to the financial year ended 31 May 2009. Accordingly the consolidated audited financial statements of SCB were not prepared for the Relevant Financial Period.

The audited financial statements of the other subsidiaries for the Relevant Financial Periods are not shown separately as the results of SCSSB Group itself form more than 75% of the SCB Group's proforma profit before tax for FYE 2007 to FYE2009.

The financial statements of SCB and SCSSB Group as presented in Section 7.1 and 7.2 are based on the audited financial statements, modified as appropriate, for the purpose of this report.

All information are extracted from the audited financial statements except those in italics which are prepared based on calculation, representation and explanation provided by the management.

7.1 SCB

7.1.1 Income statement of SCB

	Note	Financial period ended 31 May 2009 RM'000
Revenue		0
Administrative and general expenses		(2)
Loss before tax ("LBT")	7.1.5	<u>(2)</u>
Tax expense		0
Loss after tax ("LAT")		<u>(2)</u>
<i>GP margin (%)</i>		N/A
<i>PBT margin (%)</i>		N/A
<i>Effective tax rate (%)</i>		N/A
<i>Interest coverage ratio (time)</i>		N/A
<i>Weighted average number of ordinary shares in issue of RM0.50 each</i>		4
<i>Loss before interest, tax, depreciation and amortisation (RM'000)</i>		(2)
<i>Basic loss per share ("LPS") (RM)</i>		(500.00)
<i>Diluted LPS (RM)</i>		<u>(500.00)</u>

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11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 SCB (Cont'd)

7.1.2 Balance sheet of SCB

	Note	As at 31 May 2009 RM'000
CURRENT ASSETS		
Cash and cash equivalents		*
		*
CURRENT LIABILITIES		
Other payables and accruals		2
		2
NET CURRENT LIABILITIES		(2)
NET LIABILITIES		<u>(2)</u>
FINANCED BY:-		
Share capital	7.1.6	*
Accumulated loss		(2)
SHAREHOLDERS' EQUITY		<u>(2)</u>
<i>Number of ordinary shares of RM0.50 each in issue</i>		4
<i>Net tangible liabilities ("NTL") (RM'000)</i>		(2)
<i>NTL per share (RM)</i>		(500.00)
<i>Net liabilities ("NL") (RM'000)</i>		(2)
<i>NL per share (RM)</i>		<u>(500.00)</u>

Notes:-

* Denotes RM2

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 SCB (Cont'd)

7.1.3 Statement of changes in equity of SCB

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance at date of incorporation	*	0	*
Net loss for the period	0	(2)	(2)
Balance at 31 May 2009	<u>*</u>	<u>(2)</u>	<u>(2)</u>

Notes:-

* Denotes RM2

7.1.4 Cash flow statement of SCB

	Financial period ended 31 May 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(2)
Increase in payables	<u>2</u>
Net cash from operating activities	0
Net increase in cash and cash equivalents	0
Cash and cash equivalents at date of incorporation	*
Cash and cash equivalents carried forward	<u>*</u>

Note:-

* Denotes RM2

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 SCB (Cont'd)

7.1.5 Loss before tax

Financial
Period ended
31 May 2009
RM'000

Loss before tax is arrived at after charging:-

Auditors' remuneration

1

7.1.6 Share capital

As at
31 May 2009
RM'000

Authorised:-
200,000 ordinary shares of RM0.50 each

100

Issued and fully paid-up:-
4 ordinary shares of RM0.50 each

*

Note:-

* Denotes RM2

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group

7.2.1 Income statements of SCSSB Group

	Note	FYE 2007 RM'000	FYE 2008 RM'000	FYE 2009 RM'000
Revenue	7.2.5	107,001	131,129	127,759
Cost of sales		(90,916)	(111,309)	(107,086)
Gross profit ('GP')		16,085	19,820	20,673
Other income		1,202	1,504	1,922
Administrative and general expenses		(5,830)	(7,058)	(8,143)
Selling and distribution expenses		(4,492)	(5,122)	(5,328)
Finance costs		(1,377)	(1,390)	(1,677)
Profit before tax ("PBT")	7.2.6	5,588	7,754	7,447
Tax expense	7.2.8	(636)	(1,172)	(900)
Profit after tax ("PAT")		4,952	6,582	6,547
Attributable to:-				
- Shareholders of the Company		4,756	6,326	6,260
- Minority interest		196	256	287
		4,952	6,582	6,547
<i>GP margin (%)</i>		15.03	15.11	16.18
<i>PBT margin (%)</i>		5.22	5.91	5.83
<i>Effective tax rate (%)</i>		12.10	12.37	12.10
<i>Interest coverage ratio (time)</i>		5.06	6.58	5.44
<i>Weighted average number of ordinary shares in issue of RM1.00 each ('000)</i>		2,400	2,400	2,400
<i>Earning before interest, tax, depreciation and amortisation (RM'000)</i>		7,597	9,705	9,364
<i>Basic earnings per share ("EPS") (RM)</i>		2.06	2.74	2.73
<i>Diluted EPS (RM)</i>		2.06	2.74	2.73

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11. ACCOUNTANTS' REPORT (CONT'D)**7. AUDITED FINANCIAL STATEMENTS (CONT'D)****7.2 SCSSB Group (Cont'd)****7.2.1 Income statements of SCSSB Group (Cont'd)**

Commentary on the income statements:-

- (a) For FYE 2007, SCSSB Group experienced an approximately 12.74% decline in its revenue mainly due to the decrease in sales of third parties' products. Whilst the sales of SCSSB Group's own manufactured food products increased by 22.42%, the sales of third parties' products declined by 29.96%, resulting in revenue drop. The significant increase in the sales of SCSSB Group's own manufactured food products was in line with SCSSB Group's focus in its core activity in manufacturing.

Despite of the revenue decline, SCSSB Group's GP increased from RM14.903 million in the FYE 2006 to RM16.085 million in FYE 2007, representing an increase of approximately 7.93%. This was mainly due to the significant portion of SCSSB Group's overall sales comprised its own manufactured food products which were valued-added and of higher GP margin. The encouraging result was represented by SCSSB Group's higher GP margin of 15.03% in FYE 2007 as compared to 12.15% in FYE 2006.

In line with higher GP, SCSSB Group recorded a PBT of RM5.588 million in FYE 2007 as compared to the PBT recorded in FYE 2006 of 5.022 million, representing an increase of approximately 11.27%. Consistent with it higher GP margin, SCSSB Group's PBT margin rose from 4.10% in the FYE 2006 to 5.22% in FYE 2007.

- (b) SCSSB Group recorded a significant increase of its revenue by approximately 22.55% in FYE 2007 from RM107.001 million to RM131.129 million in FYE 2008. As SCSSB Group undertook some promotional and advertising activities especially in re-branding its corporate logo and re-launching its product logos, it succeeded in attracting higher demand for its food products from a larger customer base.

Consistent with its revenue growth, SCSSB Group achieved a higher GP of RM19.820 million in the FYE 2008 as compared to GP of RM16.085 million recorded in the FYE 2007, representing an increase of approximately 23.22%.

In line with higher GP, SCSSB Group's PBT hit an unprecedented level of RM7.754 million in FYE 2008 as compared to the PBT recorded in FYE 2007 of RM5.588 million, representing an increase of approximately 38.76%. However, the PBT margin of SCSSB Group only had a slight increase i.e. from 5.22% in FYE 2007 to 5.91% in FYE 2008 as higher advertising and promotional expenses were incurred for its re-branding exercise.

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.1 Income statements of SCSSB Group (Cont'd)

Commentary on the income statements:-

- (c) Contrary to FYE 2008, SCSSB Group experienced an approximately of 2.57% decline in its revenue mainly due to the decrease in sales of third parties' products. Whilst the sales of SCSSB Group's own manufactured food products increased by 12.76%, the sales of third parties' products declined by 12.88%, resulting in revenue drop. The increase in the sales of SCSSB Group's own manufactured food products was in line with SCSSB Group's focus in its core activity in manufacturing.

Despite of the revenue decline, SCSSB Group's GP increased from RM19.820 million in the FYE 2008 to RM20.673 million in FYE 2009, representing an increase of approximately 4.30%. This was mainly due to the significant portion of SCSSB Group's overall sales comprised its own manufactured food products which were valued-added and of higher GP margin. The encouraging result was represented by SCSSB Group's higher GP margin of 16.18% in FYE 2009 as compared to 15.11% in FYE 2008.

SCSSB Group recorded a PBT of RM7.447 million in FYE 2009 as compared to the PBT recorded in FYE 2008 of 7.754 million, representing a decrease of approximately 3.96%. This was due largely to the allowance of doubtful debts and write-off of bad debts totaling RM499,000.

- (d) The effective tax rate of SCSSB Group ranged from 12.10% to 12.37%, which was lower than the statutory tax for the Relevant Financial Period under review. The subsidiary of SCSSB, PSSB has been granted Pioneer Status by Ministry of International Trade and Industry, Malaysia. Under this incentive, 70% of PSSB's statutory income is exempted from income tax for the Relevant Financial Period.
- (e) No dividend was declared or paid by SCSSB Group during the Relevant Financial Period under review except for the followings:-

	RM'000
An interim dividend of RM1.5873 per share, tax exempt declared and paid by SCSSB during the financial year ended 31 May 2009	3,810
An interim dividend of RM1.9050 per share, tax exempt declared and paid by PSSB during the financial year ended 31 May 2009	<u>4,000</u>

- (f) There were no exceptional and/or extraordinary items during the Relevant Financial Period under review.

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11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.2 Balance sheets of SCSSB Group

	Note	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	7.2.9	12,348	12,188	12,549
CURRENT ASSETS				
Inventories	7.2.10	15,436	22,386	22,963
Trade receivables	7.2.11	14,231	17,093	21,856
Other receivables, deposits and prepayments	7.2.12	1,915	2,953	2,664
Amount owing by holding company	7.2.13	11,218	10,774	11,542
Current tax assets		0	0	65
Cash and cash equivalents	7.2.14	2,753	10,315	11,315
		<u>45,553</u>	<u>63,521</u>	<u>70,405</u>
CURRENT LIABILITIES				
Trade payables	7.2.15	7,758	11,800	9,975
Other payables and accruals		1,802	2,182	1,680
Hire purchase payables	7.2.16	409	570	1,025
Bank borrowings	7.2.17	18,304	24,437	31,012
Current tax liabilities		25	322	154
		<u>28,298</u>	<u>39,311</u>	<u>43,846</u>
NET CURRENT ASSETS		17,255	24,210	26,559
NON-CURRENT LIABILITIES				
Hire purchase payable	7.2.16	757	824	856
Deferred tax liabilities	7.2.18	810	835	966
		<u>1,567</u>	<u>1,659</u>	<u>1,822</u>
NET ASSETS		28,036	34,739	37,286
FINANCED BY:-				
Share capital	7.2.19	2,400	2,400	2,400
Revaluation surplus	7.2.20	2,291	1,891	1,891
Retained profits		22,395	29,242	31,692
SHAREHOLDERS' EQUITY		27,086	33,533	35,983
Minority interest		950	1,206	1,303
TOTAL EQUITY		28,036	34,739	37,286

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.2 Balance sheets of SCSSB Group (Cont'd)

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>	2,400	2,400	2,400
<i>Net tangible assets ("NTA") (RM'000)</i>	28,036	34,739	37,286
<i>NTA per share (RM)</i>	12	14	16
<i>Net assets ("NA") (RM'000)</i>	28,036	34,739	37,286
<i>NA per share (RM)</i>	12	14	16
<i>Inventories turnover period (days)</i>	61	73	78
<i>Trade receivables turnover period (days)</i>	48	47	62
<i>Trade payables turnover period (days)</i>	35	40	36
<i>Gearing ratio (times)</i>	<u>0.7</u>	<u>0.8</u>	<u>0.9</u>

Commentary:-

- (a) The inventories turnover period is fairly consistent throughout the Relevant Financial Period.
- (b) The credit terms granted to customers for FYE 2007 to 2009 range from 7 to 90 days. The trade receivables turnover period during the Relevant Financial Period is within the credit terms granted.
- (c) The credit terms granted by trade payables for FYE 2007 to 2009 range from 7 to 90 days. The trade payables turnover period during the Relevant Financial Period is within the credit terms granted.
- (d) SCSSB Group has generally utilised short-term borrowings ie. trade loan to finance the purchase of materials and hire purchase facility to part finance the purchase of plant and machinery and motor vehicles.

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.3 Statements of changes in equity of SCSSB Group

	Share capital RM'000	Non- distributable Revaluation surplus RM'000	Distributable Retained profits RM'000	Shareholders' equity RM'000	Minority interest RM'000	Total RM'000
Balance at 1.6.2006	2,400	2,291	17,639	22,330	754	23,084
Net profit for the year	0	0	4,756	4,756	196	4,952
Balance at 31.5.2007/1.6.2007	2,400	2,291	22,395	27,086	950	28,036
Deferred tax income	0	121	0	121	0	121
Net profit for the year	0	0	6,326	6,326	256	6,582
Total recognised income	0	121	6,326	6,447	256	6,703
Transfer of revaluation increase upon disposal of revalued property	0	(521)	521	0	0	0
Balance at 31.5.2008/1.6.2008	2,400	1,891	29,242	33,533	1,206	34,739
Interim dividend of RM1.5873 per share	0	0	(3,810)	(3,810)	0	(3,810)
Interim dividend paid to minority interest	0	0	0	0	(190)	(190)
Net profit for the year	0	0	6,260	6,260	287	6,547
Balance at 31.5.2009	2,400	1,891	31,692	35,983	1,303	37,286

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.4 Cash flow statements of SCSSB Group

	Note	FYE 2007 RM'000	FYE 2008 RM'000	FYE 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		5,588	7,754	7,447
Adjustments for:-				
Allowance for doubtful debts		0	40	114
Amortisation and depreciation		1,742	1,705	1,788
Bad debts written off		95	11	385
(Gain)/Loss on disposal of property, plant and equipment		(6)	109	(23)
Interest expense		1,377	1,390	1,677
Interest income		(1,110)	(1,142)	(1,548)
Operating profit before working capital changes		7,686	9,867	9,840
(Increase)/Decrease in inventories		2,725	(6,950)	(577)
(Increase)/Decrease in receivables		1,005	(3,212)	(5,706)
Increase/(Decrease) in payables		1,225	4,422	(2,327)
Cash generated from operations		12,641	4,127	1,230
Tax paid		(663)	(729)	(1,002)
Net cash from operating activities		11,978	3,398	228
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		1,110	1,142	1,548
Proceeds from disposal of property, plant and equipment		138	665	70
Purchase of property, plant and equipment	7.2.21	(952)	(1,815)	(639)
Net cash from/(used in) investing activities		296	(8)	979
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid		0	0	(4,000)
Increase/(Decrease) in short-term bank borrowing (net)		(6,024)	5,489	6,739
Interest paid		(1,377)	(1,390)	(1,712)
Repayment of hire purchase obligations		(636)	(571)	(1,070)
Repayment of term loans		(40)	0	0
Net cash from/(used in) financing activities		(8,077)	3,528	(43)
Net increase in cash and cash equivalents		4,197	6,918	1,164
Cash and cash equivalents brought forward		(1,933)	2,264	9,182
Cash and cash equivalents carried forward	7.2.21	2,264	9,182	10,346

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11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.5 Revenue

Revenue of SCSSB Group represents income from the sale of goods.

7.2.6 Profit before tax

	FYE 2007 RM'000	FYE 2008 RM'000	FYE 2009 RM'000
Profit before tax is arrived at after charging:-			
Allowance for doubtful debts	0	40	114
Auditors' remuneration	28	28	28
Bad debts written-off	95	11	385
Depreciation of property, plant and equipment	1,742	1,705	1,788
Directors' remuneration			
- short-term employee benefits	606	609	518
- defined contribution plan	66	66	62
	672	675	580
Interest expense	1,377	1,390	1,677
Loss on disposal of property, plant and equipment	0	109	0
Property, plant and equipment written-off	128	0	0
Realised loss on foreign exchange	0	0	202
Rental of equipment	8	27	48
Rental of premises	1,625	1,618	1,713
And crediting:-			
Gain on disposal of property, plant and equipment	6	0	23
Interest income	1,110	1,142	1,548
Realised gain on foreign exchange	0	237	0
Rental of premises	31	6	0
	<u>FYE 2007</u> RM'000	<u>FYE 2008</u> RM'000	<u>FYE 2009</u> RM'000
The estimated monetary value of benefits received or receivable by certain directors otherwise than in cash	<u>11</u>	<u>24</u>	<u>24</u>

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11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.7 Employee Benefits Expense

	FYE 2007 RM'000	FYE 2008 RM'000	FYE 2009 RM'000
Short-term employee benefits	5,232	5,815	6,495
Defined contribution plan	348	378	425
	<u>5,580</u>	<u>6,193</u>	<u>6,920</u>

7.2.8 Tax expense

	FYE 2007 RM'000	FYE 2008 RM'000	FYE 2009 RM'000
Tax based on results for the year:-			
Malaysian income tax	726	1,044	770
Deferred tax	(50)	(85)	131
	<u>676</u>	<u>959</u>	<u>901</u>
Tax (over)/under provided in prior years			
Malaysian income tax	(40)	(18)	(1)
Deferred tax	0	231	0
	<u>(40)</u>	<u>213</u>	<u>(1)</u>
	<u>636</u>	<u>1,172</u>	<u>900</u>

11. ACCOUNTANTS' REPORT (CONT'D)**7. AUDITED FINANCIAL STATEMENTS (CONT'D)****7.2 SCSSB Group (Cont'd)****7.2.8 Tax expense (Cont'd)**

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate is as follows:-

	FYE 2007 %	FYE 2008 %	FYE 2009 %
Applicable tax rate	27.00	26.00	25.00
Non-deductible expenses	2.98	2.67	3.35
Non-taxable income	0.00	0.00	(0.09)
Expenses eligible for double deduction	(0.26)	0.00	0.00
Pioneer income exempted	(16.22)	(14.66)	(15.49)
Effect of lower tax rate	(1.40)	(1.64)	(0.67)
Average effective tax rate	<u>12.10</u>	<u>12.37</u>	<u>12.10</u>

Statutory income tax rate for the financial years under review are as follows:-

	FYE 2007 %	FYE 2008 %	FYE 2009 %
First RM500,000 of chargeable income	20.00	20.00	20.00
Balance of the chargeable income	<u>27.00</u>	<u>26.00</u>	<u>25.00</u>

Pursuant to the Finance Act, 2007 (Act 683) gazetted on 28 December 2007, the statutory income tax rate has been reduced from 27% to 26% for the financial year ended 31 May 2008 and from 26% to 25% for the financial year ended 31 May 2009.

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.9 Property, plant and equipment

	Freehold land RM'000	Plant, machinery and factory equipment RM'000	Office equipment, furniture, fittings, electrical installation and renovation RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<u>AT COST</u>						
Balance at 1 June 2006	3,722	13,363	1,487	3,368	106	22,046
Additions	0	1,430	295	173	344	2,242
Disposals/Write-offs	0	0	0	(298)	0	(298)
Balance at 31 May 2007	3,722	14,793	1,782	3,243	450	23,990
Additions	0	1,090	361	681	482	2,614
Disposals/Write-offs	(774)	0	0	(12)	(295)	(1,081)
Reclassifications	0	(27)	27	0	0	0
Balance at 31 May 2008	2,948	15,856	2,170	3,912	637	25,523
Additions	0	1,732	286	131	47	2,196
Disposals/Write-offs	0	0	(3)	(94)	0	(97)
Reclassifications	0	656	0	28	(684)	0
Balance at 31 May 2009	2,948	18,244	2,453	3,977	0	27,622
Representing:-						
Cost	236	18,244	2,453	3,977	0	24,910
Valuation	2,712	0	0	0	0	2,712
	2,948	18,244	2,453	3,977	0	27,622

ACCUMULATED DEPRECIATION

Balance at 1 June 2006	0	6,940	749	2,377	0	10,066
Additions	0	1,282	133	327	0	1,742
Disposals	0	0	0	(166)	0	(166)
Balance at 31 May 2007	0	8,222	882	2,538	0	11,642
Additions	0	1,129	170	406	0	1,705
Disposals/Write-offs	0	0	0	(12)	0	(12)
Reclassifications	0	(6)	6	0	0	0
Balance at 31 May 2008	0	9,345	1,058	2,932	0	13,335
Additions	0	1,322	185	281	0	1,788
Disposals/Write-offs	0	0	0	(50)	0	(50)
Reclassifications	0	0	0	0	0	0
Balance at 31 May 2009	0	10,667	1,243	3,163	0	15,073

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.9 Property, plant and equipment (Cont'd)

	Freehold land RM'000	Plant, machinery and factory equipment RM'000	Office equipment, furniture, fittings, electrical installation and renovation RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Balance at 1 June 2006	3,722	6,423	738	991	106	11,980
Balance at 31 May 2007	3,722	6,571	900	705	450	12,348
Balance at 31 May 2008	2,948	6,511	1,112	980	637	12,188
Balance at 31 May 2009	2,948	7,577	1,210	814	0	12,549

The carrying amount of property, plant and equipment pledged to banks to secure the banking facilities granted to SCB Group are as follows:-

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Freehold land	170	170	170

The carrying amount of property, plant and equipment acquired under hire purchase agreement are as follows:-

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Plant and machinery	1,278	1,487	1,812
Motor vehicles	234	643	365
	1,512	2,130	2,177

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.10 Inventories

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Raw materials	2,550	5,258	8,157
Packaging materials	909	1,029	1,244
Work-in-progress	142	156	77
Finished goods	11,835	12,654	11,368
Goods-in-transit	0	3,289	2,117
	<u>15,436</u>	<u>22,386</u>	<u>22,963</u>

7.2.11 Trade receivables

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Trade receivables	14,231	17,133	21,970
Allowance for doubtful debts	0	(40)	(114)
	<u>14,231</u>	<u>17,093</u>	<u>21,856</u>

Included in trade receivables (net of allowance for doubtful debts) is:-

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
An amount owing by a company in which a director has substantial financial interest	170	856	0
An amount owing by a company in which a close family member of certain directors has substantial financial interest	<u>0</u>	<u>0</u>	<u>1,491</u>

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.11 Trade receivables (Cont'd)

The currency exposure profile of trade receivables is as follows:-

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Ringgit Malaysia	14,231	17,070	21,767
United States Dollar	0	23	89
	<u>14,231</u>	<u>17,093</u>	<u>21,856</u>

The credit terms of trade receivables range from 7 to 90 days.

The trade receivables ageing analysis as at 31 May 2009 is set out below:-

	← Within credit terms →			← Exceeding credit terms →				Total
	0-30 days	30-60 days	60-90 days	90-120 days	120-180 days	180-365 days	Over 365 days	
Net trade receivables (RM'000)	9,157	6,627	3,544	1,319	793	393	23	21,856
% of trade receivables	41.90	30.32	16.22	6.03	3.63	1.80	0.10	100.00

7.2.12 Other receivables, deposits and prepayment

Included in other receivables are:-

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Amounts owing by companies in which certain directors have substantial financial interests	<u>225</u>	<u>0</u>	<u>0</u>

The amounts due are unsecured, non-interest bearing and have no fixed terms of repayment.

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.13 Amount owing by holding company

The holding company of SCSSB Group for the financial years ended 31 May 2007 to 2009 was Wide Symbol Sdn Bhd. The amount owing by holding company is unsecured, bearing interest at 8.50% per annum and has no fixed term of repayment.

7.2.14 Cash and cash equivalents

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Fixed deposits with licenced banks	1,330	4,622	6,475
Cash and bank balances	1,423	5,693	4,840
	<u>2,753</u>	<u>10,315</u>	<u>11,315</u>

The fixed deposits have been pledged to banks for credit facilities granted to the SCSSB Group.

	As at 31 May 2007 %	As at 31 May 2008 %	As at 31 May 2009 %
Effective interest rates of fixed deposits per annum range from	<u>3.0</u>	<u>3.0 to 3.7</u>	<u>1.6 to 3.7</u>

7.2.15 Trade payables

The currency exposure profile of trade payables is as follows:-

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Ringgit Malaysia	7,758	8,511	7,858
United States Dollar	0	3,289	2,117
	<u>7,758</u>	<u>11,800</u>	<u>9,975</u>

The credit terms of trade payables range from 7 to 90 days.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.15 Trade payables (Cont'd)

The trade payables ageing analysis as at 31 May 2009 is set out below:-

	← Within credit terms →			← Exceeding credit terms →				Total
	0-30 days	30-60 days	60-90 days	90-120 days	120-180 days	180-365 days	Over 365 days	
Trade payables (RM'000)	3,663	2,790	2,014	795	203	188	322	9,975
% of trade payables	36.72	27.97	20.19	7.97	2.04	1.88	3.23	100.00

7.2.16 Hire purchase payables

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Minimum hire purchase payments:-			
- not later than one year	481	672	1,190
- later than one year and not later than five years	811	866	893
	<u>1,292</u>	<u>1,538</u>	<u>2,083</u>
Future finance charges	(126)	(144)	(202)
Present value of hire purchase liability	<u>1,166</u>	<u>1,394</u>	<u>1,881</u>
Current:-			
- not later than one year	409	570	1,025
Non-current:-			
- later than one year and not later than five years	757	824	856
	<u>1,166</u>	<u>1,394</u>	<u>1,881</u>
	As at 31 May 2007 %	As at 31 May 2008 %	As at 31 May 2009 %
Effective interest rates per annum of hire purchase payables	<u>4.85 to 9.16</u>	<u>4.26 to 7.83</u>	<u>4.26 to 7.32</u>

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.17 Bank borrowings

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Bank overdrafts	489	1,133	969
Banker acceptances	17,815	23,304	30,043
	<u>18,304</u>	<u>24,437</u>	<u>31,012</u>
	As at 31 May 2007 %	As at 31 May 2008 %	As at 31 May 2009 %
Effective interest rate per annum of bank borrowings range from	<u>3.24 to 8.63</u>	<u>4.59 to 9.00</u>	<u>1.80 to 9.00</u>

Bank borrowings are secured against the fixed deposits and certain freehold land of SCSSB, properties of a director and the holding company.

7.2.18 Deferred tax liabilities

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Balance at 1 June	860	810	835
Deferred tax underprovided in prior years	0	231	0
Deferred tax income relating to origination and reversal of temporary differences	(50)	(17)	131
Deferred tax income relating to reduction in tax rate	0	(68)	0
Deferred tax income relating to exemption of Real Property Gains Tax	0	(121)	0
Balance at 31 May	<u>810</u>	<u>835</u>	<u>966</u>

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.18 Deferred tax liabilities (Cont'd)

The deferred tax liabilities are in respect of the following items:-

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Taxable temporary differences of property, plant and equipment	851	870	966
Unused capital allowances	(41)	(35)	0
	810	835	966

7.2.19 Share capital

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Authorised:- 5,000,000 ordinary shares of RM1.00 each	5,000	5,000	5,000
Issued and fully paid-up:- 2,400,000 ordinary shares of RM1.00 each	2,400	2,400	2,400

7.2.20 Revaluation surplus

This represents surplus arising from the revaluation of freehold land.

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.21 Notes to cash flow statement

Purchase of Property, plant and equipment

	FYE2007 RM'000	FYE2008 RM'000	FYE2009 RM'000
Cost of property, plant and equipment purchased	2,242	2,614	2,196
Amount financed through hire purchase	(1,290)	(799)	(1,557)
Net cash disbursed	<u>952</u>	<u>1,815</u>	<u>639</u>

Cash and Cash Equivalents

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Fixed deposits with licensed bank	1,330	4,622	6,475
Cash and bank balances	1,423	5,693	4,840
Bank overdrafts	(489)	(1,133)	(969)
	<u>2,264</u>	<u>9,182</u>	<u>10,346</u>

As disclosed in Note 7.2.14 above, the fixed deposits have been pledged to banks to secure the banking facilities granted to SCSSB and hence, are not freely available for use.

11. ACCOUNTANTS' REPORT (CONT'D)



7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 SCSSB Group (Cont'd)

7.2.22 Related party disclosures

The immediate and ultimate holding company of SCSSB was Wide Symbol Sdn. Bhd., a company incorporated in Malaysia.

	FYE2007 RM'000	FYE2008 RM'000	FYE2009 RM'000
Key management personnel compensation			
- short-term employee benefits	630	633	542
- defined contribution plan	66	66	62
	696	699	604
Commission charged by other related party*	541	719	753
Sale of goods to other related party*	10,179	11,298	13,691
Purchase of goods from other related party*	9,577	10,171	11,909
Dividend paid to holding company	0	0	1,905
Interest charged to holding company	976	1,100	1,395
Rental of premises charged by holding company	1,572	1,572	1,572

* Being a company connected to the directors

7.2.23 Commitment For Purchase Of Property, Plant And Equipment

	As at 31 May 2007 RM'000	As at 31 May 2008 RM'000	As at 31 May 2009 RM'000
Contracted but not provided for	625	144	328

11. ACCOUNTANTS' REPORT (CONT'D)**7. AUDITED FINANCIAL STATEMENTS (CONT'D)****7.2 SCSSB Group (Cont'd)****7.2.24 Contingent Liabilities – Unsecured****Pending litigation****SCSSB**

A third party ("the Plaintiff") initiated a claim of RM365,000 as general damages against the Company, alleging that SCSSB has used the Plaintiff's images for advertising purposes without the Plaintiff's consent and/or knowledge. SCSSB filed a defence, claiming that the Plaintiff has full knowledge of and given consent to SCSSB to use the said images. The matter has been fixed for trial on 2nd and 3rd December 2009.

SCSSB's solicitors are of the considered view that SCSSB has a reasonable chance to succeed in defending the case.

PSSB

An equipment supplier ("the Plaintiff") initiated a claim of RM132,500 against PSSB, being the balance purchase price for equipment supplied. PSSB counterclaimed against the Plaintiff for RM444,065, alleging that the equipment supplied was not of merchantable quality. The matter has been fixed for hearing on 1 November 2009.

PSSB's solicitors are of the considered view that PSSB has a reasonable chance to succeed in defending the case and in its counterclaim.

7.2.25 Financial instruments**Recognised Financial Instruments**

The information about the extent and nature of significant recognised financial instruments is disclosed in the individual notes associated with each item.

Unrecognised Financial Instruments

SCSSB Group do not have any unrecognised financial instruments.

Fair Values

The carrying amounts of financial assets and liabilities of SCSSB Group for the Relevant Financial Period approximate their fair values.

11. ACCOUNTANTS' REPORT (CONT'D)**7. AUDITED FINANCIAL STATEMENTS (CONT'D)****7.2 SCSSB Group (Cont'd)****7.2.26 FINANCIAL RISK MANAGEMENT**

The activities of SCSSB Group expose it to certain financial risks, including currency risk, interest rate risk, credit risk and liquidity risk. The overall financial risk management objective of the SCSSB Group is to maximise shareholders' value by minimising the potential adverse impacts of these risks on its financial position, performance and cash flows.

The Board of Directors explicitly assumes the responsibilities of financial risk management which is carried out mainly through risk reviews and internal control systems.

Currency Risk

SCSSB Group's exposure to currency risk arises mainly from transactions entered into by individual entities within SCSSB Group in currencies other than their functional currencies.

SCSSB Group monitors the movements of exchange rates and acts accordingly to minimise its currency risk.

Interest Rate Risk

SCSSB Group's exposure to interest rate risk arises mainly from borrowings.

SCSSB Group manages its exposure to interest rate risk by seeking to obtain the most favourable interest rates available without increasing its other financial risk exposures.

Credit Risk

SCSSB Group's exposure to credit risk arises mainly from receivables. The maximum credit risk exposure is best represented by the total carrying amount of these financial assets in the balance sheet.

SCSSB Group manages its exposure to credit risk by assessing counter parties' financial standings on an ongoing basis, setting and monitoring counter parties' limits and credit terms. SCSSB Group does not have any major concentration of credit risk relating to any individual customer or counter party.

Liquidity Risk

SCSSB Group practises prudent liquidity risk management by maintaining sufficient cash and the availability of funding through certain committed credit facilities.

Horwath Offices in Malaysia:

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11. ACCOUNTANTS' REPORT (CONT'D)



8. SUBSEQUENT EVENTS

Apart from the transactions pursuant to the listing scheme as disclosed in Note 2.2, there were no significant subsequent events between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

9. AUDITED FINANCIAL STATEMENTS

As at the date of this Report, no audited financial statements have been prepared in respect of any period subsequent to 31 May 2009 for SCB, SCSSB Group and Nutriveg.

Yours faithfully

A large, stylized signature in black ink that reads "Horwath".

Horwath
Firm No : AF 1018
Chartered Accountants

A large, stylized signature in black ink that reads "Eddy Chan Wai Hun".

Eddy Chan Wai Hun
Approval No : 2182/10/11 (J)
Partner



Appendix 1(a)

Horwath AF No 1018
Penang Office
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINARIA CORPORATION BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

Report on the Financial Statements

We have audited the financial statements of Sinaria Corporation Berhad ("the Company") set out on pages 8 to 15, which comprise the balance sheet as at 31 May 2009, and the income statement, statement of changes in equity and cash flow statement for the financial period then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia ("the Act"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. ACCOUNTANTS' REPORT (CONT'D)



Appendix 1(b)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SINARIA CORPORATION BERHAD (cont'd)**

(Incorporated in Malaysia)
Company No: 838172-P

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Act so as to give a true and fair view of the financial position of the Company as at 31 May 2009 and of its financial performance and cash flows for the financial period then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Act, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Act and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A large, stylized handwritten signature in black ink, appearing to read "Horwath", with a long horizontal line extending to the right.

Horwath
Firm No: AF 1018
Chartered Accountants

Penang
19 AUG 2009

A large, stylized handwritten signature in black ink, appearing to read "Eddy Chan Wai Hun", with a long horizontal line extending to the right.

Eddy Chan Wai Hun
Approval No: 2182/10/09 (J)
Partner

William C. H. Tan & Associates (AF 0743)
Chartered Accountants

Company No : 240951 - U

SAUDI COLD STORAGE SDN. BHD.
(Incorporated in Malaysia)

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 7 to 39 of **SAUDI COLD STORAGE SDN. BHD.**

The preparations of the financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also includes an assessment of the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion: -

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of :-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the financial position of the Group and of the Company as at 31 May, 2007 and of the results and the cash flows of the Group and of the Company for the year then ended;

and

11. ACCOUNTANTS' REPORT (CONT'D)

Appendix 11 (b)

William C. H. Tan & Associates (AF 0743)

Chartered Accountants

Company No : 240951 - U

SAUDI COLD STORAGE SDN. BHD.


(Incorporated in Malaysia)

REPORT OF THE AUDITORS TO THE MEMBERS - (CONTINUED)

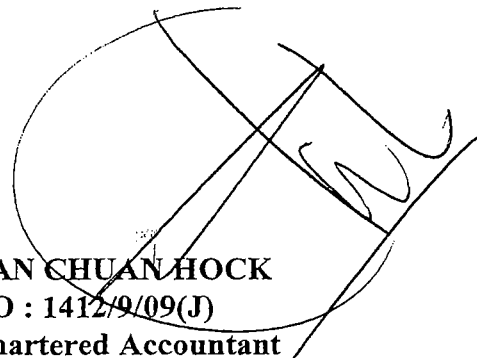
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.



WILLIAM C. H. TAN & ASSOCIATES
NO : AF 0743
Chartered Accountants



TAN CHUAN HOCK
NO : 1412/9/09(J)
Chartered Accountant

Dated: 7 December, 2007
Petaling Jaya