

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTERS OF XIAN LENG HOLDINGS BERHAD ("XLB" OR THE "COMPANY") AND THE OFFERORS AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL INFORMATION GIVEN AND CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRIES AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.

COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC OFFERING AND IS SATISFIED THAT ANY PROFIT FORECAST (FOR WHICH THE DIRECTORS OF XLB ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THE PROSPECTUS HAS BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL ENQUIRY AND HAS BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

THE SECURITIES COMMISSION ("SC") HAS APPROVED THE ISSUE, OFFER OR INVITATION IN RESPECT OF THE PUBLIC OFFERING AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC OFFERING. THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

THE KUALA LUMPUR STOCK EXCHANGE ("KLSE") ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE SECOND BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF XLB OR OF ITS SECURITIES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC AND LODGED WITH THE REGISTRAR OF COMPANIES, MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Events	Tentative Dates
Opening of the IPO	31 October 2001
Closing of the IPO	13 November 2001
Tentative Date for balloting of applicants for the Issue Shares	19 November 2001
Tentative Date for allotment of ordinary shares of RM1.00 each in XLB to successful applicants of the Issue Shares	28 November 2001
Tentative Date for listing of XLB's entire enlarged issued and paid-up share capital on the Second Board of the Kuala Lumpur Stock Exchange	5 December 2001

Note:-

The application for the Issue Shares will open and close at the time and date as stated above or such further period as the Directors and Managing Underwriter may mutually decide.

DEFINITIONS

In this Prospectus, unless otherwise requires, the following abbreviations shall apply throughout:-

"ADA"	: Authorised Depository Agent
"ADA Code"	: ADA (Broker) Code
"Application"	: The application of the IPO Shares by way of Application Forms or by way of Electronic Share Application
"Application Form(s)"	: The printed application form(s) for the application of the IPO Shares accompanying this Prospectus
"ASEAN"	: Association of Southeast Asian Nations
"ATM"	: Automated Teller Machine
"Broodstock"	: The broodstock (i.e. stocks used for the breeding) of Asian Arowana
"Business Day"	: Any day other than a Saturday, Sunday or a day which is a public holiday in Malaysia
"CDS"	: Central Depository System
"CIMB"	: Commerce International Merchant Bankers Berhad (<i>Company No.: 18417-M</i>)
"CITES"	: Convention on International Trade in Endangered Species, based in Switzerland
"Directors"	: Directors of XLB
"DOFM"	: The Department of Fisheries Malaysia
"DPCSB"	: Desa Pachi Consultancy Sdn. Bhd. (<i>Company No. 314488-H</i>)
"Electronic Share Application"	: The application for the Issue Shares/Offer Shares through a Participating Financial Institution's ATM
"EGM"	: Extraordinary General Meeting
"EPS"	: Earnings per share
"FI Generation"	: First generation of Asian Arowana
"F2 Generation"	: Second generation of Asian Arowana
"Farm"	: The Asian Arowana farm operated by XL
"FIC"	: Foreign Investment Committee, Prime Minister's Department, Malaysia
"FRF"	: French Franc
"IPO"	: Initial public offering of XLB Shares comprising the Public Issue and the Offer for Sale
"IPO Shares"	: The Issue Shares and Offer Shares, collectively which expression shall include any of the IPO Shares

DEFINITIONS (Cont'd)

"Issue Shares"	: 7,280,000 new XLB Shares offered for subscription under the Public Issue, subject to the terms and conditions of this Prospectus, which expression shall include any of the Issue Shares
"KLSE"	: Kuala Lumpur Stock Exchange (<i>Company No.: 30632-P</i>)
"KLSE Listing Requirements"	: The Listing Requirements of the KLSE
"Listing"	: The admission to the official list and the listing and quotation for 48,280,000 ordinary shares of RM1.00 each representing the entire enlarged issued and paid-up share capital of XLB on the Second Board of the KLSE
"Malaysian Persons"	: Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
"Market Day"	: A day when the KLSE is open for securities trading
"MATRADE"	: Malaysia External Trade Development Corporation
"MCD"	: Malaysian Central Depository Sdn. Bhd. (<i>Company No.:165570-W</i>), a subsidiary of the KLSE
"MIH"	: Malaysian Issuing House Sdn. Bhd. (<i>Company No.: 258345-X</i>)
"MITI"	: Ministry of International Trade and Industry
"Moratorium Shareholders"	: Ng Huan Tong, Lim Wan Hong, Chua Bah Bee @ Chua Chong Seng and DPCSB
"NTA"	: Net tangible assets
"Offer for Sale"	: Offer for sale of 4,828,000 XLB Shares by the Offerors to the MITI nominated and approved Bumiputera investors, at an offer price of RM1.65 per XLB Share, subject to the terms and conditions of this Prospectus.
"Offer Shares"	: 4,828,000 XLB Shares offered for sale by the Offerors pursuant to the Offer for Sale, subject to the terms and conditions of this Prospectus, which expression shall include any of the Offer Shares
"Offerors"	: The existing shareholders of XLB who are offering for sale the Offer Shares as follows:-

Name	No. of Offer Shares	% of the enlarged share capital
DPCSB	2,644,000	5.48
Ng Huan Tong	928,000	1.92
Lim Wan Hong	928,000	1.92
Chua Bah Bee @ Chua Chong Seng	328,000	0.68
Total	4,828,000	10.00

DEFINITIONS (Cont'd)

"Participating Financial Institution(s)"	: The participating financial institution(s) for Electronic Share Application as listed in Section 15.2.4(ii)(o), of this Prospectus
"PE Multiple"	: Price-earnings multiple
"PIT"	: Passive Integrated Transponder
"Placement Agent"	: CIMB
"Prescribed security"	: Ordinary shares of a company prescribed by the KLSE to be deposited into the CDS
"Public Issue "	: Public issue of 7,280,000 new XLB Shares, at an issue price of RM1.65 per XLB Share to the Malaysian Persons, the eligible Directors and employees of the XLB Group, the Malaysian suppliers and customers of the XLB Group and the Malaysian and Foreign Investors, subject to the terms and conditions of this Prospectus
"R&D"	: Research and Development
"RM" and "sen"	: Ringgit and sen, respectively
"ROC"	: Registrar of Companies, Malaysia
"SC"	: Securities Commission, Malaysia
"S\$"	: Singapore dollar
"Tilapia"	: Red Tilapia
"TRAFFIC"	: A local non-governmental organisation based in Petaling Jaya, Selangor monitoring the movement and trade of wild fauna and flora on behalf of CITES
"USD"	: United States of America dollar
"XL"	: Xian Leng Trading Sdn. Bhd. (<i>Company No. 186961-A</i>)
"XLA"	: Xian Leng Aquatic Merchant Sdn. Bhd. (<i>Company No. 353889-X</i>)
"XLB" or the "Company"	: Xian Leng Holdings Berhad (<i>Company No. 468142-U</i>)
"XLB Group" or the "Group"	: XLB and its subsidiaries, namely XL and XLA
"XLB Shares"	: Ordinary shares of RM1.00 each in XLB
"¥"	: Japanese Yen

Words denoting the singular number only, shall include the plural and also vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include corporations.

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1. SUMMARY OF INFORMATION

THE SUMMARY INFORMATION SET OUT BELOW IS DERIVED FROM AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO MAKING ANY INVESTMENT DECISION.

1.1 History and Business

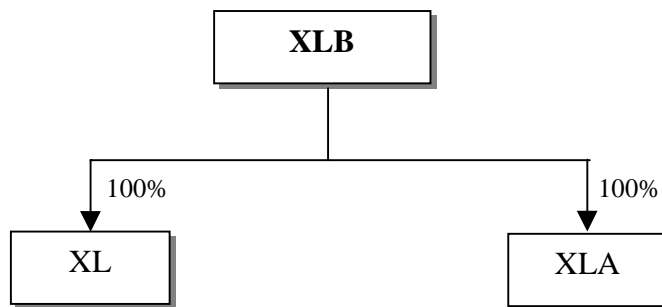
XLB was incorporated in Malaysia under the Companies Act, 1965 on 28 August 1998 as a private limited company under the name of Kurnia Berkat (M) Sdn. Bhd.. On 12 June 2000, it changed its name to Xian Leng Holdings Sdn. Bhd.. On 26 September 2000, it was converted into a public company and adopted its present name, Xian Leng Holdings Berhad.

XLB is principally an investment holding and a provision of management services company while the principal activities of its subsidiary companies are as follows:-

Name	Country/Date of incorporation	Issued and paid-up share capital RM	Effective interest %	Principal activities
XL	Malaysia 20.09.89	100,000	100	Commercial captive-breeding of Asian Arowana and other aquatic animals and property holding
XLA	Malaysia 03.08.95	50,002	100	Trading of ornamental fishes and aquarium accessories and property holding

For further information on the history and activity of the XLB Group, please refer to Section 7 of this Prospectus.

The corporate structure of XLB Group is as follows:-



1. SUMMARY OF INFORMATION (Cont'd)

1.2 Ownership and Management

The management team of the XLB Group is headed by its Managing Director, Mr. Ng Huan Tong, who is one of the founders of XL and has extensive experience in the captive breeding of Asian Arowana. The key management team of the XLB Group comprises people with proven capabilities in their respective fields.

Save as disclosed below, none of the promoter, major shareholders, Directors and key management and technical personnel, has any shareholdings, direct or indirect, in XLB after the IPO:-

Name	Designation	<----- After the IPO ----->			
		<----- Direct ----->		<----- Indirect ----->	
		No. of ordinary shares held	%	No. of ordinary shares held	%
Promoters					
Dato' Mohd Desa Bin Pachi	Chairman	-	-	9,656,000	20.00 ¹
Ng Huan Tong	Managing Director	11,270,000	23.34	11,269,000	23.34 ²
Lim Wan Hong	Director	11,269,000	23.34	11,270,000	23.34 ²
Chua Bah Bee @ Chua Chong Seng	Director	3,977,000	8.24	-	-
Major Shareholders (5% or more of the issued and paid-up share capital)					
DPCSB	-	9,656,000	20.00	-	-
Dato' Mohd Desa Bin Pachi	Chairman	-	-	9,656,000	20.00 ¹
Ng Huan Tong	Managing Director	11,270,000	23.34	11,269,000	23.34 ²
Lim Wan Hong	Director	11,269,000	23.34	11,270,000	23.34 ²
Chua Bah Bee @ Chua Chong Seng	Director	3,977,000	8.24	-	-
Directors					
Dato' Mohd Desa Bin Pachi	Chairman	-	-	9,656,000	20.00 ¹
Ng Huan Tong	Managing Director	11,270,000	23.34	11,269,000	23.34 ²
Lim Wan Hong	Director	11,269,000	23.34	11,270,000	23.34 ²
Mohamed Shafeii Bin Abdul Gaffoor	Director	-	-	-	-
Tan Cheng Kiat	Director	10,000 ³	*	-	-
Chua Bah Bee @ Chua Chong Seng	Director	3,977,000	8.24	-	-
Lim Kim Hock	Director	5,000 ³	*	-	-
Chen Shih Hsie	Independent Non-Executive Director	-	-	-	-
Choy Siew Kiong	Independent Non-Executive Director	-	-	-	-
Ismail Taufid Bin Md Yusoff	Independent Non-Executive Director	-	-	-	-

1. SUMMARY OF INFORMATION (Cont'd)

Name	Designation	<----- After the IPO ----->			
		<----- Direct ----->		<----- Indirect ----->	
		No. of ordinary shares held	%	No. of ordinary shares held	%
Key Management Personnel					
Ng Huan Tong	Managing Director	11,270,000	23.34	11,269,000	23.34 ²
Lim Wan Hong	Director	11,269,000	23.34	11,270,000	23.34 ²
Chua Bah Bee @ Chua Chong Seng	Director	3,977,000	8.24	-	-
Tan Cheng Kiat	Director	10,000 ³	*	-	-
Lim Kim Hock	Director	5,000 ³	*	-	-
Ng Hang Kok ⁵	Director	5,000 ⁴	*	-	-
Ng Choon Hiong ⁶	Director	5,000 ⁴	*	-	-
Key Technical Personnel					
Tan Cheng Kiat	Director	10,000 ³	*	-	-
Ng Hang Kok ⁵	Director	5,000 ⁴	*	-	-
Ng Choon Hiong ⁶	Director	5,000 ⁴	*	-	-

Notes:-

- * *Negligible.*
- 1. *Deemed interested by virtue of his shareholdings in DPCSB.*
- 2. *Ng Huan Tong is the husband of Lim Wan Hong. Therefore they are deemed interested by virtue of Section 6A of the Companies Act, 1965.*
- 3. *Assuming full subscription for the XLB Shares offered to him as an eligible Director of XLB under the Public Issue.*
- 4. *Assuming full subscription for the XLB Shares offered to him as an eligible Director of XL and/or XLA under the Public Issue.*
- 5. *Ng Hang Kok is a director of XL and XLA.*
- 6. *Ng Choon Hiong is a director of XL.*

1.3 Licences

The annual licence to import, export and trade fish in Malaysia was granted to XL by the Lembaga Kemajuan Ikan Malaysia since 1996. It permits XL to import and export processed fish (except frozen fish from Singapore) and live fish. Additionally, the registration by CITES allows XL to engage in the captive-breeding of *Scleropages formosus* (Asian Arowana) and the full range of Asian Arowana varieties for commercial trade at the international level. Mr. Ng Huan Tong, the Managing Director of XLB, was the one of the first parties in the world to be registered by CITES for the commercial captive-breeding operation of *Scleropages formosus*.

Further details of the licences are set out in Section 7.5 of this Prospectus.

1. SUMMARY OF INFORMATION (Cont'd)

1.4 Financial Highlights

The following table sets out a summary of the proforma consolidated results of XLB Group for the past five (5) financial years ended 31 January 2001 and the six (6) month period ended 31 July 2001 prepared based on the assumption that the current structure of the XLB Group has been in existence throughout the period under review. The proforma consolidated results are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12 of this Prospectus.

	<----- Financial year ended 31 January ----->					6 months
	1997	1998	1999	2000	2001	ended 31.07.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	6,146	7,562	15,974	19,616	25,367	15,023
Profit before interest, depreciation, amortisation and taxation	3,285	4,189	9,879	12,062	15,498	9,441
Interest on borrowings	(46)	(90)	(118)	(87)	(286)	(216)
Depreciation and amortisation	(857)	(866)	(902)	(1,093)	(2,597)	(1,713)
Profit before taxation, exceptional and extraordinary items	2,382	3,233	8,859	10,882	12,615	7,512
Exceptional item	-	-	-	-	-	-
Extraordinary item	-	-	-	-	-	-
Profit before taxation	2,382	3,233	8,859	10,882	12,615	7,512
Taxation	(872)	(1,332)	22	(3,226)	(3,773)	(2,171)
Profit after taxation	1,510	1,901	8,881	7,656	8,842	5,341
Minority interests	-	-	-	-	-	-
Profit after taxation and minority interests	1,510	1,901	8,881	7,656	8,842	5,341
No. of ordinary shares assumed in issue ('000)	41,000	41,000	41,000	41,000	41,000	41,000
Gross EPS (sen)	5.8	7.9	21.6	26.5	30.8	36.6*
Net EPS (sen)	3.7	4.6	21.7	18.7	21.6	26.1*

1. SUMMARY OF INFORMATION (Cont'd)*Notes:-** *Annualised**Commentaries:-*

1. *Taxation has been adjusted to reflect under/(over) provision in the respective financial years/period of XL and XLA. The resulting effect of under/(over) provision of taxation on the proforma consolidated results is as follows:-*

	<----- Financial year ended 31 January ----->					6 months ended 31.07.01
	1997	1998	1999	2000	2001	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Taxation stated in audited accounts</i>	889	1,145	143	3,233	3,773	2,171
<i>Under/(Over) provision of taxation</i>	31	73	(135)	21	-	-
<i>(Over)/Under provision of deferred taxation</i>	(48)	114	(30)	(28)	-	-
<i>Adjusted taxation</i>	872	1,332	(22)	3,226	3,773	2,171

2. *The results of XLA which has a different financial year end have been apportioned to be coterminous with the financial year ends of XLB.*
3. *The proforma consolidated results have been prepared based on the audited accounts after making adjustments for the elimination of inter-company transactions and additional amortisation of Broodstock for the respective years.*
4. *The accounts of XLB and its subsidiary companies were not subject to any audit qualification for the past five (5) financial years ended 31 January 2001 and the six (6) month period ended 31 July 2001.*

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1. SUMMARY OF INFORMATION *(Cont'd)*

1.5 Summary of Proforma Consolidated Balance Sheets

The proforma consolidated balance sheet of XLB as at 31 July 2001 set out below have been prepared solely to illustrate the proforma effects of the IPO on the assumption that these transactions were effected on that date and should be read with the notes and assumptions to the proforma consolidated balance sheets set out in Section 11.7 of this Prospectus.

	Audited as at 31.07.01 RM'000	Proforma 1 After Public Issue RM'000
CURRENT ASSETS	2,294	6,201
CURRENT LIABILITIES	8,976	8,976
NET CURRENT (LIABILITIES)/ASSETS	(6,682)	(2,775)
FIXED ASSETS	79,505	86,505
DEFERRED EXPENDITURE	1,295	-
TERM LOAN	(2,983)	(2,983)
HIRE PURCHASE CREDITORS	(992)	(992)
DEFERRED TAXATION	(1,218)	(1,218)
	<u>68,925</u>	<u>78,537</u>
SHAREHOLDERS' FUNDS		
Share capital	41,000	48,280
Share premium	6,100	8,432*
Retained profit	21,825	21,825
	<u>68,925</u>	<u>78,537</u>
NET TANGIBLE ASSETS PER SHARE (RM)	<u>1.65</u>	<u>1.63</u>

Note:-

* After deducting estimated listing expenses of RM2.4 million.

1.6 Principal Statistics Relating to the IPO

1.6.1 Share Capital

	RM
Authorised:-	
50,000,000 ordinary shares of RM1.00 each	<u>50,000,000</u>
Issued and fully paid-up:-	
41,000,000 ordinary shares of RM1.00 each	41,000,000
To be issued pursuant to the Public Issue:-	
7,280,000 new ordinary shares of RM1.00 each	<u>7,280,000</u>
	<u>48,280,000</u>

(Further information on the share capital of XLB is set out in Section 6 of this Prospectus).

1. SUMMARY OF INFORMATION (Cont'd)

1.6.2 Classes of Shares and Ranking

There is only one class of shares in the Company, being ordinary shares of RM1.00 each. The Issue Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights and dividends and distribution that may be declared subsequent to the date of this Prospectus.

1.6.3 Issue/Offer Price per IPO Share

Issue/Offer price per IPO share	RM1.65
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1.6.4 Proforma Group NTA as at 31 July 2001

Proforma Group NTA (RM'000) (after deducting estimated listing expenses of RM2,400,000)	RM78,537
---------------------------------------------------------------------------------------------	----------

Proforma Group NTA per ordinary share (based on the enlarged share capital of 48,280,000 ordinary shares of RM1.00 each)	RM1.63
-----------------------------------------------------------------------------------------------------------------------------	--------

1.6.5 Consolidated Profit Forecast

The consolidated profit forecast for the financial year ending 31 January 2002 is as follows:-

Financial year ending 31 January	Forecast 2002
Consolidated profit after taxation and minority interests (RM'000)	10,113
Forecast net EPS (sen)	23.96*
Forecast net PE Multiple based on the issue/offer price of RM1.65 per share (times)	6.89

Note:-

* Based on the weighted average share capital of 42,213,333 ordinary shares of RM1.00 each.

(Further information on the consolidated profit forecast is set out in Section 11.5 of this Prospectus)

1. SUMMARY OF INFORMATION (Cont'd)

1.6.6 Dividend Forecast

The forecast dividend for the financial year ending 31 January 2002 is as follows:-

Financial year ending 31 January	Forecast 2002
Net dividend per ordinary share (sen)	3.00
Net dividend yield based on the issue/offer price of RM1.65 per ordinary share (%)	1.82*
Net dividend cover (times)	6.98

Note:-

* Based on the weighted average share capital of 42,213,333 ordinary shares of RM1.00 each.

(Further information on the dividend forecast of XLB is set out in Section 11.6 of this Prospectus).

1.7 Risk Factors

Applicants for the IPO Shares should carefully consider the following risk factors summarised from Section 4 herein (which may not be exhaustive), in addition to the other information contained elsewhere in this Prospectus, before applying to subscribe for the IPO Shares. The order in which the risk factors are presented should not be construed as a ranking of the risk factors:-

- (i) No prior market for XLB Shares;
- (ii) Competition;
- (iii) Business risks inherent in the aquaculture industry;
- (iv) Disease outbreak risks;
- (v) Water quality and supply management;
- (vi) Environmental;
- (vii) Risks associated with new Tilapia farming and franchising ventures;
- (viii) Market risks;
- (ix) Foreign exchange fluctuations;
- (x) Customer base;
- (xi) Dependence on key personnel;
- (xii) Risks associated with security and system disruption;
- (xiii) Insurance cover;
- (xiv) Dependency on particular products;
- (xv) Risks related to governmental and regulatory control;
- (xvi) Domestic borrowings;

1. SUMMARY OF INFORMATION (Cont'd)

- (vii) Disclosure regarding prospective statements;
- (viii) Substantial shareholders; and
- (ix) Failure/delay in listing exercise.

1.8 Utilisation of Proceeds

The gross proceeds from the Offer for Sale amounting to RM7,966,200 will accrue entirely to the Offerors. The Offerors shall bear any brokerage, stamp duty and share transfer fees relating to the Offer for Sale, estimated at RM250,000.

The total gross proceeds from the Public Issue amounting to RM12,012,000 will accrue entirely to the Company and will be utilised as follows:-

Utilisation	RM
Acquisition of Asian Arowana Broodstock	3,000,000
Farm enhancement	4,000,000
Working capital	2,612,000
Defray estimated listing expenses	<u>2,400,000</u>
Total	<u>12,012,000</u>

(Further information on the utilisation of proceeds is set out in Section 5.5 of this Prospectus.)

1.9 Material Litigation, Capital Commitment and Contingent Liabilities
1.9.1 Material Litigation

Neither XLB nor its subsidiary companies are engaged in any material litigation, either as plaintiff or defendant, which has a material effect on the financial position of XLB or its subsidiary companies and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially affect the financial position or business of XLB or its subsidiary companies.

1.9.2 Capital Commitments

As at 22 October 2001 (being the latest practicable date prior to the registration of this Prospectus), the Directors are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

1.9.3 Contingent Liabilities

As at 22 October 2001 (being the latest practicable date prior to the registration of this Prospectus), the Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

2. CORPORATE INFORMATION

Board of Directors

Name	Address	Occupation	Nationality
Dato' Mohd Desa Bin Pachi <i>(Non-Executive Director/Chairman)</i>	3, Jalan SS19/4G Subang Jaya 47500 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Ng Huan Tong <i>(Managing Director)</i>	10, Jalan Jenang 83000 Batu Pahat Johor Darul Takzim	Company Director	Malaysian
Lim Wan Hong <i>(Executive Director)</i>	10, Jalan Jenang 83000 Batu Pahat Johor Darul Takzim	Company Director	Malaysian
Mohamed Shafeii Bin Abdul Gaffoor <i>(Non-Executive Director)</i>	9, Jalan Layar Dua 19/35B Seksyen 19 40000 Shah Alam Selangor Darul Ehsan	Company Director	Malaysian
Tan Cheng Kiat <i>(Executive Director)</i>	120, Jalan Terasek Dua Bangsar Baru 59100 Kuala Lumpur	Company Director	Malaysian
Chua Bah Bee @ Chua Chong Seng <i>(Executive Director)</i>	50, Jalan Budiman Taman Bandar 83000 Batu Pahat Johor Darul Takzim	Company Director	Malaysian
Lim Kim Hock <i>(Executive Director)</i>	2, Jalan Merbok 83000 Batu Pahat Johor Darul Takzim	Company Director	Malaysian
Chen Shih Hsie <i>(Independent Non-Executive Director)</i>	11, Jalan SS 22A/2 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Choy Siew Kiong <i>(Independent Non-Executive Director)</i>	No. 21, USJ 11/4M 47620 Subang Jaya Selangor Darul Ehsan	Company Director	Malaysian
Ismail Taufid Bin Md Yusoff <i>(Independent Non-Executive Director)</i>	No. 7, Jalan USJ 11/4B UEP, 47620 Subang Jaya Selangor Darul Ehsan	Company Director	Malaysian

Audit Committee

Name	Responsibility	Directorship
Choy Siew Kiong	Chairman of Committee	Independent Non-Executive Director
Lim Kim Hock	Member of Committee	Director
Chen Shih Hsie	Member of Committee	Independent Non-Executive Director

2. CORPORATE INFORMATION (Cont'd)

- COMPANY SECRETARIES** : Ng Poh Choo
(LS 01877)
30-1, Lorong 6E/91
Taman Shamelin, Cheras
56100 Kuala Lumpur
- Yong May Li
(LS 00295)
16, Jalan Songkit 5
Taman Sentosa
80150 Johor Bahru
Johor Darul Takzim
- REGISTERED OFFICE** : 19, Jalan Tun Abdul Razak Susur 1/1
80000 Johor Bahru
Johor Darul Takzim
Tel: 07 - 2225905
- HEAD OFFICE** 35, Jalan Penjaja 3
83000 Batu Pahat
Johor Darul Takzim
Tel: 607-4330313
Email: xl@tm.net.my
Website: <http://xianleng.com>
- PRINCIPAL BANKERS** : OCBC Bank (Malaysia) Berhad
(Batu Pahat Branch)
108-2, Jalan Rahmat
83000 Batu Pahat
Johor Darul Takzim
- RHB Bank Berhad
(Batu Pahat Branch)
89, Jalan Rahmat
83000 Batu Pahat
Johor Darul Takzim
- AUDITORS AND REPORTING ACCOUNTANTS** : Arthur Andersen & Co.
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
- SOLICITORS FOR THE IPO** : Jeff Leong, Poon & Wong
A-11-3A, Level 11
Megan Phileo Avenue
Jalan Yap Kwan Seng
50450 Kuala Lumpur
- ISSUING HOUSE** : Malaysian Issuing House Sdn. Bhd.
27th Floor, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur

2. CORPORATE INFORMATION (Cont'd)

REGISTRAR	:	PFA Registration Services Sdn. Bhd. 1301, Level 13, Uptown 1 No 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan
ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT	:	Commerce International Merchant Bankers Berhad 8th Floor, Bangunan CIMB Jalan Semantan, Damansara Heights 50490 Kuala Lumpur
UNDERWRITER	:	Commerce International Merchant Bankers Berhad 8th Floor, Bangunan CIMB Jalan Semantan, Damansara Heights 50490 Kuala Lumpur
LISTING SOUGHT	:	Second Board of the KLSE

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3. INTRODUCTION

This Prospectus is dated 31 October 2001.

A copy of this Prospectus has been registered by the SC and lodged with the ROC and neither the SC nor the ROC takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed XLB as a Prescribed Security. In consequence thereof, the shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

An application will be made to the KLSE within three (3) Market Days from the date of this Prospectus for admission to the Official List of the Second Board of the KLSE and for permission to deal in and the listing and quotation for the entire issued and paid-up ordinary shares of XLB, including the IPO Shares which are the subject of this Prospectus, on the Second Board of the KLSE. These ordinary shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence upon receipt of confirmation from the MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the applications will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire enlarged issued and fully paid-up ordinary shares of XLB on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the applications will be returned without interest if the said permission for listing is not granted within 6 weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the KLSE within the aforesaid timeframe.

Pursuant to the Policies and Guidelines on Issue/Offer of Securities issued by the SC, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 750 public shareholders holding not less than 1,000 shares each upon completion of the Public Issue and at the point of listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the Second Board of the KLSE. In the event thereof, monies paid in respect of all applications will be returned if the said permission is not granted.

In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form only if he/she presently has such an account. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code. Where an applicant already has a CDS account, he/she should not complete the preferred ADA Code. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by XLB and/or the Offerors. Neither the delivery of this Prospectus nor any IPO made in relation with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of XLB or the Group since the date hereof.

3. INTRODUCTION (Cont'd)

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any IPO Shares in any jurisdiction where such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the sale of the IPO Shares in certain jurisdiction may be restricted by law. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restriction.

The SC and KLSE assume no responsibility for the correctness of any of the statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Second Board of the KLSE is not to be taken as an indication of the merits of the XLB or of its ordinary shares.

If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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4. RISK FACTORS

Applicants for the IPO Shares should carefully consider the following risk factors (which may not be exhaustive), in addition to the other information contained in this Prospectus, before applying for the IPO Shares:-

4.1 No Prior Market for XLB Shares

Prior to this IPO, there has been no public market for XLB Shares. There can be no assurance that an active market for XLB Shares will develop upon its listing on the Second Board of the KLSE or, if developed, that such market will be sustained. The issue/offer price of RM1.65 per XLB Share for the Issue/Offer Share has been determined after taking into consideration a number of factors including, but not limited to, the Company's financial and operating history and conditions, the Group's prospects and the prospects of the industry in which the Group operates, the management of the Group and the prevailing market condition. There can be no assurance that the price at which XLB Shares will trade on the Second Board of the KLSE upon or subsequent to its listing will correspond to the issue/offer price.

4.2 Competition

Based on the DOFM's report entitled "Lapuran Industri Arowana", for the past four (4) calendar years ended 31 December 1999, XL has on average contributed to 55% of the total quantity of Asian Arowana exported by Malaysia per year. Hence, XL is currently one of the major producers in the Asian Arowana industry in Malaysia. However, the Group faces competition from other existing Asian Arowana breeders and traders both locally and regionally. No assurance can be given that the Group will be able to maintain its existing market share in the future.

However, the Directors of the Group believe that they will be able to remain competitive due to:-

- (i) Consolidation and expansion of its customer base. Presently, the Group's major markets are Japan, Singapore, Hong Kong, Thailand, Philippines, Indonesia, Switzerland and Canada. Marketing presentations have already been made to potential customers in Taiwan and United States of America ("US") in order to penetrate these markets. Similarly, efforts have been made to penetrate new markets via the Internet and participation in trade shows and exhibitions such as The Inter Zoo and Aquarama which are held bi-annually in Germany and Singapore respectively.
- (ii) Strong commitment and investment in research and development in various fields ranging from biotechnology (genetics, Broodstock development, breeding, hatchery, nursery and live feed) to physical infrastructure and operation systems. This will enable the Group to improve its production both in terms of quantity and quality in a cost efficient manner. The Group's efforts in cross breeding and hybridisation have enabled it to develop new variants of Asian Arowana and extend its competitiveness in the Asian Arowana industry.
- (iii) The application of electronic media for commerce and maintenance of a website in the internet to promote its products and service its customers.
- (iv) The breeding of Asian Arowana for commercial purposes requires registration with CITES as it is classified as an endangered species. As such, the fish cannot be traded internationally unless one can demonstrate that the Asian Arowana traded are from the second generation.

4. RISK FACTORS (Cont'd)

4.3 Business Risks Inherent in the Aquaculture Industry

The XLB Group is subject to certain inherent business risks, including, inter-alia, the fluctuation of Asian Arowana's selling price, prices of raw material, Broodstock and feed shortages, increasing labour costs, changes in general economic, business and credit conditions and changes in customers' preferences. The improvement of its production systems, active marketing, maintenance of close links with customers and good management both at the Farm and corporate level are strategies employed by the Group to mitigate the inherent business risks. At the same time, emphasis is also given to the quality of manpower, which is crucial to the Group's operation. The Group has a good blend of personnel at the corporate, management, operation and technical levels.

4.4 Disease Outbreak Risks

Disease outbreaks may result in mass mortality of the Broodstock and cause significant adverse financial impact on XLB Group. However to date the Farm has not experienced any disease outbreak and the Directors are not aware of any significant disease outbreaks that have been reported in the farming of Asian Arowana as the fish is hardy and can withstand a considerable degree of environmental stress.

To mitigate this risk, XL has adopted a holistic approach involving water quality control and feed management, quarantine measures and close monitoring to detect any potential disease outbreaks at an early stage for immediate preventive and/or remedial action.

4.5 Water Quality and Supply Management

XLB Group faces certain water quality management risks. Maintaining an adequate supply of good quality water is crucial to the successful management of an aquaculture farm. A holistic approach is adopted by XL, involving the construction of a pond for water storage and treatment supplemented by regular monitoring of its water quality to ensure that it is within acceptable standards for aquaculture use. The parameters monitored include temperature, pH, alkalinity, dissolved oxygen (DO), ammoniacal nitrogen (NH₄), biochemical oxygen demand (BOD) and chemical oxygen demand (COD).

4.6 Environmental

Aquaculture activities such as fish farming and breeding require a conducive aquatic environment especially unpolluted water. The conduct of aquaculture activities should also not discharge effluents to contaminate the environment. XLB Group adopts an environmentally friendly approach to address these environmental concerns by selecting a favourable site for its operations.

The Group's Farm is located at the foothill of a forest reserve with good water supply. Such an environment is conducive for the farming and breeding of Asian Arowana. In addition, regular monitoring of water quality by the management (with assistance from SIRIM Berhad accredited laboratory) is carried out at the Farm to ensure it is within the required standards. The Group has been careful in avoiding the use of hazardous chemicals and antibiotics in its Farm operations as this will have an adverse effect on the natural ecosystem over the long-term, thereby minimising the risks associated with the discharge of effluents.

Although XLB Group has taken steps to address environmental concerns, there can be no assurance that future uncontrolled development and agro-climatic changes near the Farm will not cause environmental problems affecting its operations.

4. RISK FACTORS (Cont'd)

4.7 Risks Associated with New Tilapia Farming and Franchising Ventures

The core business of XLB Group is in the breeding and trading of Asian Arowana. As part of its business diversification plans, the Group has commenced implementing a pilot scale of Tilapia farming. XLB Group intends to venture into the commercial culture of Tilapia upon successful trial and application of state land as well as franchising the trading of its ornamental fish business. These are relatively new undertakings of the Group which may face initial operational difficulties.

The Group is confident that with the expertise available within the Group, it is in a position to address all potential problems satisfactorily in these new ventures.

Tilapia farming is strongly promoted and supported by the government from a technical and economic standpoint. As for the ornamental fish industry, it is fast growing with considerable potential for expansion and development.

However, while the Group endeavours to make a success of its new ventures, they are nevertheless still subject to the vagaries of business conditions and uncertainties of the market and there can be no assurance that the new ventures will become profitable.

4.8 Market Risks

XLB Group is exposed to certain market risks.

The Asian Arowana is presently more popular in the Asian region, especially among people of Japanese and Chinese origin.

Taiwan, though an affluent market, has yet to reopen its doors to the import of Asian Arowana. Likewise, in US where the market potential is significant based on its sizeable Chinese community, trading and owning Asian Arowana is still prohibited. Broadening of the market base through active promotion especially in Europe is essential for the future growth of the industry.

The Group has embarked on an active market promotion not only in Asian countries such as Japan and China, but also to potential customers in the US, Canada and Europe. This is done through, for example, the establishment of a website in the internet and participation in various trade shows and exhibitions such as the Inter Zoo 2000 held in May 2000 in Germany and the 4th Taipei International Aquarium Exhibition 2001 held in July 2001 in Taiwan. These efforts have resulted in orders from Europe and North America.

4.9 Foreign Exchange Fluctuations

Most of the Group's products are exported and revenue is mainly denominated in USD. The risk of foreign exchange fluctuations has been limited since the imposition of capital control vis-à-vis a fixed exchange rate for RM against USD (RM3.80 to USD 1.00) in September 1998. However, no assurance can be given that the uplifting of the aforesaid capital control or a change in the aforesaid fixed exchange rate will not have a material adverse effect on XLB Group's business.

4.10 Customer Base

The market in Japan and China largely drives the current demand for Asian Arowana. XLB Group is dependent on the Japanese market, which is its largest export market.

While no assurance is given that the Group will be able to maintain its existing customer and distributor base, it is pertinent to note that the Group has been able to chart continued growth in sales revenue as evidenced by its past performance.

4. RISK FACTORS (Cont'd)

Presently, the Group markets its products mainly through wholesale importers and distributors in Japan, Singapore, Hong Kong, Thailand, Philippines, Switzerland and Canada. These importers will then distribute the products to their network of clients at the local level for retailing. The Group plans to switch to direct distribution to end buyers over the longer term.

XLB has been proactive in promoting its exports into non-traditional markets through the Internet as well as international exhibitions and trade shows. The company's participation in Inter Zoo 2000 trade show in Germany, for instance, enabled it to ship its first major consignment of Asian Arowana to Canada in 2000. These initiatives would see an expanded customer base for its products and reduce its current dependency on the Japanese market.

4.11 Dependence on Key Personnel

XLB Group believes that its continued success will depend to a significant extent on the abilities and continued efforts of its existing Directors and key personnel. The loss of any of the key members of the Group's Directors and senior management could affect the Group's continued ability to maintain and/or improve on its performance. Measures and precautions have been taken to retain existing key personnel as well as recruiting and grooming new and existing members of management to slowly take over from the senior members and ensure a smooth transition in the management team.

The Group's future success will depend upon its ability to retain its staff as well as attract new skilled personnel.

4.12 Risks Associated with Security and System Disruption

Measures implemented at XL to ensure the safety of the Farm and its assets include seven (7) feet high perimeter fencing, watch dogs, installation of closed circuit television (CCTV) and tagging of the fish. Also, the Farm's single entry point consisting of a double gate system is manned 24 hours by external security guards engaged by XL for the outer gate and by the Farm's personnel for the inner gate. The Farm has constructed a watch-tower at a strategic location of the Farm with search lights on at night to monitor the farm. The watchtower is currently manned by the external security.

As required by CITES, each Broodstock is permanently tagged using a microchip PIT with 10 alpha-numeric code for identification purposes. This has to be reported and registered with DOFM before it can be used as Broodstock. The mandatory tagging coupled with the tight regulatory requirements and strict enforcement imposed on Asian Arowana breeding operations in Malaysia will result in the easy identification of stolen fish and serve as a deterrent against theft. Thus, there will be limited use and commercial value for stolen fish.

4.13 Insurance Cover

The Broodstock are not insured. The Directors, however, are confident that they have taken adequate precautionary steps by constant monitoring of the water quality and construction of bunds at strategic locations and implementation of security measures at the Farm, as mentioned above.

All the other fixed assets of the Group are adequately insured. As at 31 July 2001, the net book value of all the other fixed assets comprising motor vehicles, land and buildings is RM13.9 million which have insurance coverage amounting to RM9.90 million. Although the Group has taken the necessary measures to ensure that all its other assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential costs arising therefrom.

4. RISK FACTORS (Cont'd)

4.14 Dependency on Particular Products

The core of XLB Group's business is in the breeding and trading of Asian Arowana. There is no guarantee that there will not be a loss of appeal and popularity for the fish due to changing preferences of consumers.

To sustain and further promote interest in Asian Arowana, XLB has made efforts to upgrade the quality of its products and to develop new and more attractive varieties of Asian Arowana to satisfy customer demands. From the three basic varieties of gold, red and green Asian Arowana, XLB has now developed close to twenty variants, thereby broadening its product base considerably.

The Group plans to diversify into the cultivation and sale of Tilapia as a food fish and expand its established ornamental fish trade through a franchising programme. These activities will further consolidate and enhance the performance of the Group.

4.15 Risks Related to Government and Regulatory Control

The import and export of ornamental fish is regulated by a trading license issued by Lembaga Kemajuan Ikan Malaysia, renewable on a yearly basis to ensure orderly conduct of the trade and for the collection of statistics. The captive-breeding and international trading of Asian Arowana is also regulated by the CITES, overseeing the enforcement of strict rules and regulations on the trade in endangered species. Failure to comply with the terms and conditions of the trading licence and regulations of CITES could result in the withdrawal of registration for the captive-breeding of Asian Arowana and its trading business activity.

The Farm is therefore subject to both local as well as international statutes governing the production and trade of Asian Arowana. Compliance with these statutes would ensure that licenses will not be withdrawn and the Farm will continue to sustain its activity base.

Locally, the Farm must conform to the requirements of DOFM with respect to tagging and recording of fish. The Asian Arowana Broodstock and the Asian Arowana sold must be tagged and details recorded as to their origin, location (for Broodstock) or consignment.

DOFM officials conduct regular audits to ensure strict compliance. DOFM also monitors the activities of the farms and provide the necessary assistance to ensure compliance with CITES requirements.

Internationally, the Farm must continue to conform with the requirements of the CITES secretariat. The secretariat relies on an international organisation, TRAFFIC, to ensure that licensees do not abuse the privileges accorded to them. Notwithstanding the CITES audits, individual buyer countries also undertake independent assessments of farming operations. Any perceived lapse in regulations and quality of operation would mean that buyer countries could no longer accept fish from XL.

4.16 Domestic Borrowings

The Group's total domestic long-term and short-term borrowings as at 30 September 2001 (being the latest practicable date prior to the registration of this Prospectus) amounted to RM3.10 million and RM6.10 million respectively. All the loans of the Group are interest bearing. As such, any increase in interest rates will increase the burden of the Group with respect to interest payments of the loans depending on the total outstanding loans as at the point in time. There can be no assurance that the performance of the Group would remain favourable in the event of adverse changes in the interest rate.

4. RISK FACTORS (Cont'd)

4.17 Prospective Statements

This Prospectus contains prospective statements i.e. those other than statements of historical facts. Although XLB Group believes that the expectations reflected in such prospective statements are reasonable at this time, there can be no assurance that such expectations will prove to be correct. Any differences in the expectation of the Group from its actual performance may result in the Group's financial and business performance and plans to be materially different from those anticipated at this juncture.

4.18 Substantial Shareholders

The four (4) substantial shareholders of the Company, namely, DPCSB, Ng Huan Tong, Lim Wan Hong and Chua Bah Bee @ Chua Chong Seng, will collectively own a total of 74.92% of the issued and paid-up share capital of XLB after the Public Issue and Offer for Sale. As a result, it is likely that the said substantial shareholders will be able to jointly control the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

4.19 Failure/Delay in the Listing Exercise

The listing exercise is also exposed to the risk that it may fail or be delayed should the following events occur:-

- (a) The Bumiputera investors approved by the MITI fail to subscribe to the portion of Offer Shares allocated to them;
- (b) The placees under the private placement fail to subscribe to the portion of Issue Shares allocated to them;
- (c) The eligible employees of XLB Group, and the Malaysian customers and suppliers of the XLB Group fail to subscribe to the portion of Issue Shares allocated to them; and
- (d) The Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 750 public shareholders holding not less than 1,000 shares each upon completion of the Public Issue and at the point of listing.

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5. PARTICULARS OF THE IPO

5.1 Opening and Closing of Application Lists

The Application Lists for the IPO will open at 10.00 a.m. on 13 November 2001 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of XLB and the Offerors may mutually decide.

5.2 Important Tentative Dates

The following events are intended to take place on the following tentative dates:-

Events	Tentative Dates
(i) Opening of the IPO	31 October 2001
(ii) Closing of the IPO	13 November 2001
(iii) Tentative Date for balloting of applicants for the Issue Shares	19 November 2001
(iv) Tentative Date for allotment of ordinary shares of RM1.00 each in XLB to successful applicants of the Issue Shares	28 November 2001
(v) Tentative Date for listing of XLB's entire enlarged issued and paid-up share capital on the Second Board of the KLSE	5 December 2001

Note:-

The application for the Issue Shares/Offer Shares will open at the time and date as stated above or such further period as the Directors of XLB and the Managing Underwriter may mutually decide.

5.3 Details of the IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares will be allocated in the following manner:-

5.3.1 Public Issue at an Issue Price of RM1.65 per Issue Share

(i) Eligible Persons of XLB Group

500,000 of the Issue Shares are to be reserved for eligible directors and employees of XLB Group and the Malaysian customers and suppliers of the XLB Group;

(ii) Private Placement

5,780,000 of the Issue Shares will be placed with Malaysian institutional investors and foreign investors by the Placement Agent; and

(iii) Malaysian Public

1,000,000 of the Issue Shares are to be made available for application by Malaysian Persons, to be allocated via ballot, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The offer price of RM1.65 per Issue Share is payable in full upon acceptance on the terms and conditions as set out in this Prospectus.

5. PARTICULARS OF THE IPO (Cont'd)

5.3.2 Offer for Sale at an Issue Price of RM1.65 per Offer Share

The 4,828,000 Offer Shares will be made available to Bumiputera investors nominated and approved by the MITI. The offer price of RM1.65 per Offer Share is payable in full upon acceptance on the terms and conditions as set out in this Prospectus.

Any of the Issue Shares under Section 5.3.1(i) not taken up by the eligible Directors and employees of the XLB Group and the Malaysian customers and suppliers of the XLB Group, will be made available for application by Malaysian Persons, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

All the IPO Shares mentioned in Section 5.3.1(i) and 5.3.1(iii) above have been fully underwritten at an underwriting commission of 3% of the issue price of RM1.65 per XLB Share.

5.4 Objectives of the IPO

The objectives of the IPO are as follows:-

- (i) To provide an opportunity for the eligible Directors and employees of XLB Group, persons who have contributed to the success of XLB Group and the Malaysian public to benefit directly from the continuing growth of the XLB Group by way of equity participation;
- (ii) To enable XLB to enhance Bumiputera equity participation in XLB so as to comply with the aspirations of the National Development Policy;
- (iii) To enable the Company to gain access to the capital market in order to tap external sources of equity funds for future expansion and continued growth; and
- (iv) To obtain a listing of and quotation for the entire issued and paid-up share capital of XLB on the Second Board of the KLSE.

5.5 Proceeds of the IPO

No part of the proceeds of the Offer for Sale is receivable by XLB. The gross proceeds of the Offer for Sale amounting to RM7,966,200 will accrue entirely to the Offerors. The Offerors shall bear all expenses such as brokerage, stamp duty, registration and transfer fees relating to the Offer Shares estimated at RM250,000. All other expenses and fees incidental to the listing of and quotation for the entire issued and paid-up ordinary shares of the Company on the Second Board of the KLSE estimated at RM2,400,000 will be borne by XLB.

The total gross proceeds from the Public Issue amounting to RM12,012,000 will accrue entirely to the Company. The Company shall bear all expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of XLB on the Second Board of the KLSE, estimated at RM2,400,000.

The total gross proceeds accruing to the Company will be utilised in the following manner:-

	RM
Acquisition of Asian Arowana Broodstock ¹	3,000,000
Farm enhancement ²	4,000,000
Working capital ³	2,612,000
Estimated listing expenses ⁴	2,400,000
	<u>12,012,000</u>

5. PARTICULARS OF THE IPO (Cont'd)

Notes:-

1. The acquisition of Asian Arowana Broodstock is expected to be completed by January 2002.
2. The Farm enhancement includes the construction of additional fish ponds and cockroach farm, construction of company exhibition centre, fencing of the Farm, construction of road drainage at the Farm. Part of the proceeds will also be utilised for R&D purposes. It is expected that the enhancement would be completed by January 2002.
3. The working capital would mainly be utilised for operating costs and for advertising and promotional activities of the Group and is expected to be utilised by January 2004.
4. The estimated listing expenses of RM2.4 million consist of the followings:-

	RM'000
1. Estimated Professional fees	1,000
2. Underwriting commission and placement fee	220
3. Brokerage	120
4. Printing fee (estimated)	300
5. Issuing House fees and disbursements	100
6. KLSE – listing fees	5
7. Registration of Prospectus with the SC	5
8. Lodgement of Prospectus with the ROC	1
9. Advertisement of Prospectus	100
10. Miscellaneous expenses and contingencies	549
Total	2,400

5.6 Financial Impact from the Utilisation of Proceeds

The total gross proceeds from the Public Issue amounts to RM12,012,000. An amount of RM3 million is earmarked for the acquisition of Broodstock which is expected to be utilised by January 2002 to enhance the quality of its Asian Arowana and to increase production capacity in the future. Additionally, the amount of RM4 million will be used for farm enhancement which is expected to further enhance the future earning potential of XLB Group. The Public Issue will also raise an additional RM2,612,000 for working capital which is expected to improve the liquidity and cash flow position of the XLB Group.

The cashflow from the utilisation of proceeds are as follows:-

Cash flow for financial year ending 31 January	2002 RM'000	2003 RM'000	2004 RM'000	Total RM'000
Inflow				
Proceeds from the listing	12,012	-	-	12,012
Outflow				
Acquisition of Asian Arowana Broodstock	3,000	-	-	3,000
Farm enhancement	4,000	-	-	4,000
Working capital	612	1,000	1,000	2,612
Estimated listing expenses	2,400	-	-	2,400
Total	10,012	1,000	1,000	12,012

5. PARTICULARS OF THE IPO (*Cont'd*)

5.7 Brokerage and Underwriting Commission

Brokerage relating to the Issue Shares will be paid by the Company, at the rate of 1.0% of the issue price of RM1.65 per Issue Share in respect of successful applications which bears the stamp of either CIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH.

Brokerage with respect to the Offer Shares is payable at the rate of 1.0% of the offer price of RM1.65 on the Offer Shares by the Offerors.

The Managing Underwriter and Underwriter for the Public Issue is CIMB.

A conditional underwriting agreement was entered into between the Company and CIMB on 25 September 2001 ("Underwriting Agreement") to underwrite 1,500,000 shares of the Issue Shares which are available for application by the Malaysian Public, eligible directors, employees and Malaysian suppliers and customers of XLB Group. The underwriting commission is payable by the Company at the rate of 3.0% of the issue price of RM1.65 for each Issue Share being underwritten.

5.8 Details of Underwriting Agreement

In accordance with the Underwriting Agreement, upon any material breach of the warranties or representations, or any material failure to perform any of the agreements or undertakings or any change rendering any of the said warranties, representations or agreements inaccurate in a material respect prior to the closing date of the Public Issue being a date no later than three (3) months from the Underwriting Agreement ("Closing Date"), the Underwriter with the consent of the Managing Underwriter shall be entitled by notice in writing delivered to the Company at any time not later than forty-eight (48) hours before the Closing Date to elect to treat such breach, failure or change as releasing or discharging the Underwriter from its obligations.

Some of the salient terms of the Underwriting Agreement are summarised as follows:-

- (i) The obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon:-
 - (a) there having been on or prior to the Closing Date, neither any adverse change nor any development reasonably likely to result in any adverse change in the condition (financial or otherwise) of the XLB Group, which is material in the context of the Public Issue from that set forth in this Prospectus, nor the occurrence of any event which makes any of the representations and warranties contained in Clause 3 of the Underwriting Agreement in the opinion of the Managing Underwriter (which opinion is final and binding) untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 3 of the Underwriting Agreement;
 - (b) the delivery to the Managing Underwriter prior to the registration of the Prospectus, a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus;

5. PARTICULARS OF THE IPO (Cont'd)

- (c) the delivery to the Managing Underwriter prior to the registration of the Prospectus, a certificate, in the form or substantially in the form contained in the Underwriting Agreement, dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.2.1 of the Underwriting Agreement;
- (d) the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the XLB Group;
- (e) the Managing Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 15 of the Underwriting Agreement;
- (f) the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;
- (g) the Company having complied and that the Public Issue is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto; and
- (h) the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the SC Act on or before their release under the Public Issue.

If any of the foregoing conditions are not satisfied by the Closing Date, the Underwriter shall thereupon be entitled to terminate the Underwriting Agreement and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 15 of the Underwriting Agreement incurred prior to or in connection with such termination there shall be no further claims by the Underwriter against the Company, and the parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriter may at its discretion with respect to its own obligations waive compliance with any of the foregoing conditions.

- (ii) The Underwriter shall further have the right to terminate the Underwriting Agreement if the success of the Public Issue is, in the opinion of the Underwriter giving the aforesaid notice, seriously jeopardised by:-
 - (a) the coming into force of any laws or Governmental regulations or directives which seriously affects or will seriously affect the business of the Company; or
 - (b) any material breach by the Company of any of its representations, warranties, obligations or undertakings under the Underwriting Agreement;
 - (c) any material and adverse change in the condition (financial or otherwise) of the Company from that described in the Prospectus; or
 - (d) any material and adverse changes in the markets of its products (foreign market).

5. PARTICULARS OF THE IPO (Cont'd)

- (iii) The Underwriter may at any time not later than forty-eight (48) hours before the closing date of the Public Issue, by notice in writing to the Company, propose to terminate its obligations under the Underwriting Agreement if in its reasonable opinion there shall have been such a change in national or international monetary, financial, political or economic conditions or exchange control legislation or regulations or currency exchange rates or an occurrence as a result of an act or acts of God as would in its reasonable opinion materially prejudice the success of the offering of the underwritten shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) or in the event of national disorder, outbreak of war or the declaration of a state of national emergency.

5.9 Basis of Arriving at the IPO Price

The IPO price of RM1.65 per XLB Share was determined and agreed upon by the Directors of XLB and CIMB, as the Adviser and Managing Underwriter, after taking into consideration the following factors:-

- (i) The forecast net PE Multiple of approximately 6.89 times based on the forecast net EPS of 23.96 sen, computed using the weighted average share capital of 42,213,333 ordinary shares of RM1.00 each and the IPO price of RM1.65 per XLB Share;
- (ii) The forecast dividend yield of 1.82%, computed using the weighted average share capital of 42,213,333 ordinary shares of RM1.00 each and the IPO price of RM1.65 per XLB Share;
- (iii) The consolidated NTA per share of XLB as at 31 July 2001 of RM1.65; and
- (iv) The qualitative and quantitative factors of XLB Group as outlined in Section 8 of this Prospectus.

Investors should, however, note that the market prices of XLB Shares upon listing on the KLSE are subject to the vagaries of market forces and other uncertainties which may affect the price of these shares.

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6. SHARE CAPITAL

	RM
<i>Authorised:-</i>	
50,000,000 ordinary shares of RM1.00 each	50,000,000
<i>Issued and fully paid-up:-</i>	
41,000,000 existing ordinary shares of RM1.00 each	41,000,000
<i>To be issued and fully paid-up pursuant to the Public Issue:-</i>	
7,280,000 new ordinary shares of RM1.00 each ¹	7,280,000
Total	48,280,000
<i>To be offered for sale by the Offerors pursuant to the Offer for Sale:-</i>	
4,828,000 existing ordinary shares of RM1.00 each ²	4,828,000

Notes:-

1. *The issue price in respect of the 7,280,000 Issue Shares of RM1.65 per XLB Share is payable in full on application or acceptance.*
2. *The issue price in respect of the 4,828,000 Offer Shares of RM1.65 per XLB Share is payable in full upon acceptance.*

There is only one class of shares in the Company, being ordinary shares of RM1.00 each.

The Issue Shares, upon allotment and issue, will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights and dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company, such surplus being distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with its Articles of Association.

At every general meeting of XLB, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy to a shareholder or attorney of a shareholder shall have one vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

7. INFORMATION ON XLB GROUP

7.1 Incorporation and Principal Activities

XLB was incorporated in Malaysia under the Companies Act, 1965 on 28 August 1998 as a private limited company under the name Kurnia Berkat (M) Sdn. Bhd.. On 12 June 2000, it changed its name to Xian Leng Holdings Sdn. Bhd. On 26 September 2000, it was converted into a public company and assumed its present name, Xian Leng Holdings Berhad. The Company's principal activity is investment holding and provision of management services. The XLB Group is principally involved in the commercial captive-breeding and trading of Asian Arowana and ornamental fishes and investment holding.

XLB is principally an investment holding and a provision of management services company while the details of its subsidiary companies are as follows:-

Name	Country and date of incorporation	Issued and paid-up share capital RM	Effective interest %	Principal activities
XL	Malaysia 20.09.89	100,000	100	Commercial captive-breeding of Asian Arowana and other aquatic animals and property holding.
XLA	Malaysia 03.08.95	50,002	100	Trading of ornamental fishes and aquarium accessories and property holding.

Currently, XLB does not have any associated company.

7.2 Changes in Share Capital

The authorised share capital of XLB is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of XLB is RM41,000,000 comprising 41,000,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 allotted	Consideration	Issued and paid-up share capital RM
28.08.98	2	Subscribers' shares	2
01.09.98	99,998	Cash	100,000
05.10.98	40,000,000	Issued pursuant to the acquisition of XL at an issue price of RM1.15 per share	40,100,000
05.10.98	900,000	Issued pursuant to the acquisition of XLA at an issue price of RM1.112 per share	41,000,000

7. INFORMATION ON XLB GROUP

7.3 Listing Exercise

In conjunction with, and as integral part of the listing of and quotation for the entire issued and paid-up ordinary shares of XLB on the Second Board of the KLSE, the Company will undertake a Public Issue and Offer for Sale as details below:-

7.3.1 Public Issue

XLB will issue 7,280,000 new ordinary shares or 15.08% of its enlarged issued and paid-up share capital at an issue price of RM1.65 per ordinary share pursuant to the Public Issue.

The 7,280,000 new ordinary shares of RM1.00 each in XLB arising from the Public Issue will rank pari passu in all respects with the then existing ordinary shares of XLB.

The Public Issue will result in the issued and paid-up ordinary share capital of XLB being further increased from RM41,000,000 to RM48,280,000.

The 7,280,000 Issue Shares representing approximately 15.08% of the enlarged issued and paid-up ordinary share capital of XLB will be allocated in the following manner:-

- (i) 500,000 Issue Shares representing approximately 1.03% of the enlarged issued and paid-up share capital of XLB to eligible Directors and employees and the Malaysian customers and suppliers of the XLB Group;
- (ii) 5,780,000 Issue Shares representing approximately 11.97% of the enlarged issued and paid-up share capital of XLB to the nominated placees placed by the Placement Agent; and
- (ii) 1,000,000 Issue Shares representing 2.07% of the enlarged issued and paid-up share capital of XLB to the Malaysian public of which at least 30% is to be set-aside strictly for Bumiputera investors.

7.3.2 Offer for Sale

The Offerors will offer for sale 4,828,000 ordinary shares of RM1.00 each to the Bumiputera investors approved by MITI at an offer price of RM1.65 per share.

7.3.3 Listing

Admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of XLB of RM48,280,000 comprising 48,280,000 ordinary shares of RM1.00 each on the Second Board of KLSE.

7. INFORMATION ON XLB GROUP (Cont'd)

7.3.4 Approvals and Conditions

The FIC and the MITI approved the Public Issue, the Offer for Sale and the Listing on 20 December 2000 and 9 January 2001 respectively. The SC approved the same on 9 April 2001 and 6 September 2001 respectively. The approvals of the FIC, MITI and SC are conditional on the followings:-

Authorities	Date of approval	Conditions imposed	Status of Compliance
FIC	20.12.00	(i) XLB should have at least 30% equity interest held directly by Bumiputera upon listing of XLB on the Second Board of KLSE; and	To be complied
		(ii) To obtain the approval of MITI.	Met
MITI	09.01.01	(i) To obtain the approval of FIC;	Met
		(ii) To obtain the approval of SC; and	Met
		(iii) The 4,828,000 new ordinary shares reserved for Bumiputera investors shall be allocated after the approval of the SC has been obtained for the listing.	Met
SC	09.04.01 and 06.09.01	(i) In respect of the utilisation of proceeds from the Public Issue (as disclosed in Section 5.5 of this Prospectus):-	
		(a) Approval of the SC must be obtained for any change in the utilisation if the change involve utilisation for a purpose other than the core business of XLB Group;	To be complied, if applicable.
		(b) Approval of the shareholders of XLB must be obtained for any change equal to 25% or more of the original utilisation. If the change being contemplated is less than 25%, appropriate disclosures must be made to the shareholders of XLB;	To be complied, if applicable.
		(c) Any extension of time from the period already determined by XLB in respect of the utilisation of proceeds must be approved by a conclusive resolution of the Board of Directors of XLB and must be fully disclosed to the KLSE; and	To be complied, if applicable.
		(d) Appropriate disclosures on the status of utilisation of proceeds must be made in the Quarterly Reports and Annual Reports of XLB until the proceeds have been fully utilised.	To be complied.

7. INFORMATION ON XLB GROUP (Cont'd)

Authorities	Date of approval	Conditions imposed	Status of Compliance
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- | | | | |
|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| | | (ii) The promoters/substantial shareholders of XLB are not allowed to sell, transfer or assign their shares in XLB, amounting to 45% of the enlarged issued and paid-up capital of XLB, for a period of one (1) year from the date of admission of XLB to the Second Board of the KLSE. Thereafter, the promoters/substantial shareholders are permitted to sell, transfer or assign their shares in XLB subject to a minimum of a third of their shareholdings in XLB per annum (on a straight-line basis). | To be complied. |
|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|

Promoters/ Substantial shareholders	No. of ordinary shares under moratorium	% of the enlarged issued and paid-up share capital
Ng Huan Tong	6,772,000	14.03
Lim Wan Hong	6,771,000	14.02
Chua Bah Bee @ Chua Chong Seng	2,390,000	4.95
DPCSB	<u>5,793,000</u>	<u>12.00</u>
Total	<u>21,726,000</u>	<u>45.00</u>

- | | | |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| | (iii) Mr. Ng Huan Tong to provide SC with a written undertaking that they will remain actively involve in the management of XLB throughout the restricted period of moratorium on disposal of shares. | Complied. |
| | (iv) XLB is required to prepare and arrive with an effective management succession plan to ensure a continued management of the Company. | Complied. |
| | (v) XLB must disclose in the Prospectus the following:- | |
| | (a) The management succession plan as stated in paragraph (iv) above; and | Complied. Appropriate disclosure has been made in Section 8.5.5(i) of this Prospectus. |

7. INFORMATION ON XLB GROUP (Cont'd)

Authorities	Date of approval	Conditions imposed	Status of Compliance
		(b) The risks with regards to the effects on the company's future profits in the event of adverse changes in the customers'/clients' preference and perception with regards to Asian Arowana.	Complied. Appropriate disclosure has been made in Section 4.14 of this Prospectus.
		(vi) The promoters and directors of XLB are not allowed to be involved in new business that will give rise to any conflict of interest with the business of XLB Group. All existing involvement or interest of the promoters and directors in such business must be fully disclosed in this listing prospectus of XLB.	To be complied when applicable
		(vii) Any future transactions between the XLB Group and the companies related to the promoters, directors and substantial shareholders of XLB must be made on an "arm's length" basis. In this regard, the audit committee of XLB is required to monitor the relevant terms of transaction and the directors of XLB are required to report such transactions (if any) in the annual report of XLB Group annually.	To be complied when applicable.
		(viii) XLB is required to fully comply with the relevant requirements pertaining to the listing of companies as stipulated in the SC's policies and guidelines on issue/offer of securities, in particular chapters 7, 10 and 25 of the aforesaid guidelines.	To be complied with, as applicable.
		(ix) The private placement has to be carried out by an independent placement agent.	The private placement will be carried out by CIMB, an independent placement agent.
		(x) The placement shares can be placed with any public investors other than nominee companies and any connected clients with the independent placement agent.	To be complied
		(xi) The abovementioned independent placement agent must furnish to the SC a written confirmation to the effect that none of the places fall under the category mentioned in (x).	To be complied

7. INFORMATION ON XLB GROUP (Cont'd)

7.4 Business Overview**7.4.1 Principal Products**

The Asian Arowana (*Scleropages formosus*), also known as Ikan Kelisa in Malay and Dragon Fish in Chinese, occurs naturally only in a few places in the world and is considered a rare fish. The fish is found mainly in Malaysia and Indonesia and the population in the wild is fast depleting due to over exploitation. As a result, Asian Arowana has been classified as endangered species by the CITES.

The Asian Arowana is regarded as an ancient fish with many of its unique features reminiscent of its heritage from the past. This include its elongate and strongly compressed body with a keeled abdomen, prominent pectoral fins, moderately long anal fin, homocercal tail, large cycloid scales and a large slanting mouth with a pair of characteristic barbel. These features give the fish a unique and majestic appearance. Its elongated shape and head with a large mouth, eyes and barbels on the lower jaw resembles the mythical dragon. That is how the name Dragon Fish came about. There is a strong belief especially among some Chinese enthusiasts that keeping such a fish would bring blessings of peace, harmony and prosperity to the household.

The association of Asian Arowana with the mythical animal, the dragon has created demand for the fish as a good luck charm. Some Chinese businessmen keep Asian Arowana in their homes or offices to invite good luck and good fortune. Some Geomancers also encourage their clients to keep a Red Asian Arowana at their homes or offices to bring good luck or ward off evil.

There are basically three varieties of Asian Arowana, namely the golden, red and green types. They are now established species at the farm level through years of research into its habitat, biology and breeding.

XL, working in close collaboration with the DOFM, has successfully pioneered the scientific breeding process and packaged the technology for the commercial captive-breeding operation of Asian Arowana. The effort was acknowledged by CITES and XL's founder, Ng Huan Tong became one of the first two persons* in the world to be registered by the international organisation for the commercial captive-breeding of Asian Arowana in 1994.

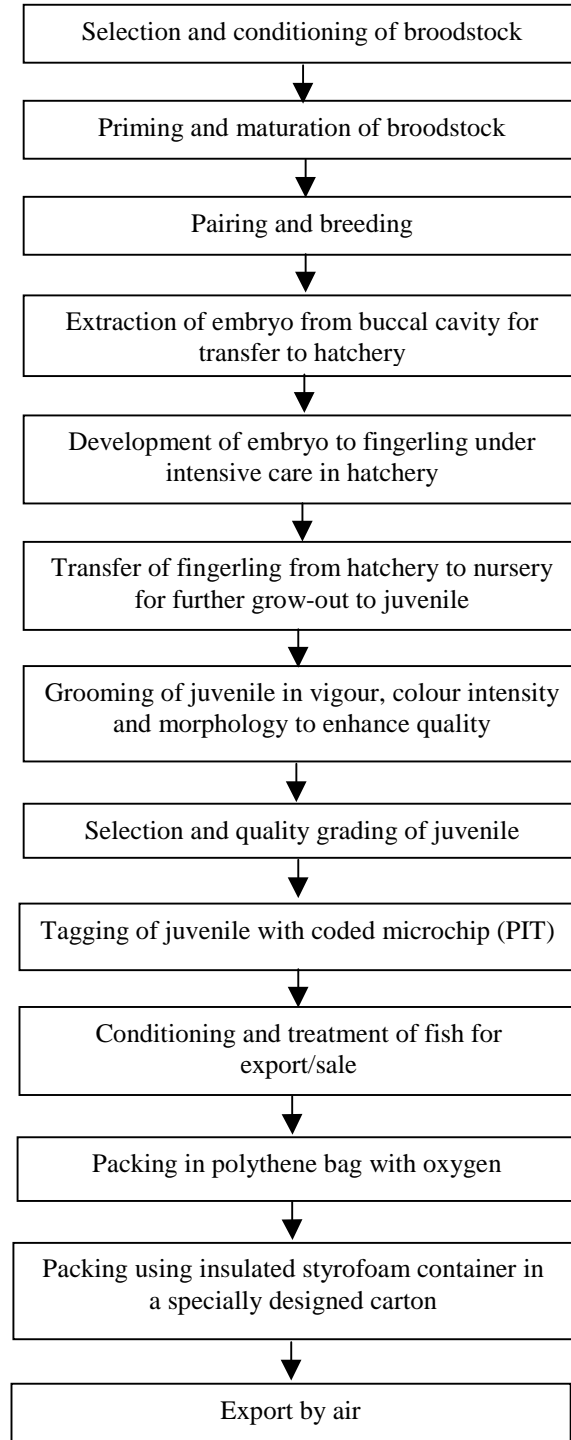
Note:-

* *The other person is Ng Hang Yong, a brother of Ng Huan Tong, who now operates an independent non-related Asian Arowana captive-breeding and trading operation under Sianlon Aquatic Sdn. Bhd., a competitor of the XLB Group.*

7. INFORMATION ON XLB GROUP (Cont'd)

7.4.2 Production Facilities and Process Development of Asian Arowana

The farm management and production process are illustrated as follows:-



7. INFORMATION ON XLB GROUP (Cont'd)

XLB's Farm is located on a gentle slope of a hill flush with green vegetation, which has been protected as a forest reserve near Kampung Pt. Talib, Sungai Sulong, Johor Darul Takzim. Continuous supply of unpolluted water from the hill stream is stored in a large water storage pond of 2.5 hectares. At present, XL occupies 50 acres of land with ninety-six ponds measuring approximately 40ft x 120ft each.

The Farm has a nursery complex for the fertilised eggs and young fry, comprising 25 cement tanks, 71 fibreglass raceways and hundreds of smaller glass aquaria for raising the young fry at different stages of growth and sizes. There is also an R&D laboratory as well as quarantine facilities for fish health management. At the Farm site, there are sheds dedicated for the culture of live feed for example cockroaches and crickets, which are staple food for the fish.

The Company currently has a land bank of approximately 100 acres located in the nearby area which are planned to be developed to create new ponds for the breeding of Asian Arowana.

7.4.3 Principal Markets, End Users and Demand for the Product

The main export destinations of Asian Arowana for XL (approximately 90% of total sales) are Japan, Singapore, Hong Kong and Philippines. The details of sales for the financial year ended 31 January 2001 are set out as follows:-

Market	RM'000	% of turnover
Japan	14,041	66.22
Singapore	1,660	7.83
Hong Kong	3,131	14.76
Philippines	195	0.92
Switzerland	19	0.09
Canada	58	0.27
Exported sales	19,104	90.09
Local sales	2,101	9.91
Total	21,205	100.00

The world's largest export markets for tropical aquarium fish are North America Germany, United Kingdom, Japan, Taiwan, Singapore and Hong Kong.

(Source: "Technical Audit And Market Assessment Study On The Asian Arowana" by Fanli Marine & Consultancy Sdn. Bhd. dated 25 October 2000).

China, a relatively new market, has a good potential as Asian Arowana resembles the dragon, which signifies prosperity and wealth.

7. INFORMATION ON XLB GROUP (Cont'd)

Other prospective Asian Arowana markets are Taiwan, US and Europe. Currently, the trading of Asian Arowana is not permissible in Taiwan and US. However, if the Taiwanese markets are re-opened/opened, demand for Asian Arowana will increase substantially.

Pursuant to the 4th Taipei International Aquarium Exhibition 2001 held in Taiwan in July 2001, the Directors are of the opinion that the Taiwan market may reopen in the future.

7.4.4 Method of Distribution

Currently, the distribution of Asian Arowana in the importing countries is through the local distributors. However, direct distribution to end buyers would be considered over the longer term.

The strategy for using local distributors are premised on the following:-

- (i) To enable XL to focus on the penetration of new markets;
- (ii) To enable XL to build and strengthen its market base of the respective local markets through the assistance of/expansion through the local distributors;
- (iii) Savings in time and cost spent in setting up its own distribution centres overseas and the creation of market; and
- (iv) To allow XL to focus on farming and R&D.

The distributors also act as partners of XL and help promote Asian Arowana in the distributors' local market in the following way:-

- (i) Promoting the rearing of Asian Arowana as a hobby;
- (ii) Promoting the awareness of Asian Arowana through hobbyist magazines, exhibitions and aquarium showrooms in the respective markets; and
- (iii) Establishment of further distribution contacts.

XL's role in supporting distributors would be through advertising campaigns, publicity and appearances in hobbyist magazines and provision of Farm visits for selected editors. In addition, XL also endeavours to maintain a constant supply of high quality Asian Arowana to the local distributors.

7.4.5 Source and Availability of Raw Material

The Directors of XL have identified broodstock, water and feed as the major input to the production system. The Farm, which already has the largest pool of Broodstock in the country numbering some 3,800 tails, is continuously looking at increasing its stocks.

In respect of water supply, there is a large water storage pond measuring 2.5 hectares in size that is utilised to collect water from the hill stream for the Farm use. Currently, this source of water supply is adequate to meet the total needs of the Farm. Thus water supply from both the quantitative and qualitative aspect is not a constraint at the Farm.

7. INFORMATION ON XLB GROUP (Cont'd)

At the Farm, live and fresh feed are opted as feed as it is suited to the predatory nature of the fish. Live feed consisting of small fishes and shrimps and fresh feeds such as cockroaches and cricket are produced in the Farm to avoid introduction of diseases. This is to ensure the reliability of the supply of feed and at the same it is cost efficient.

7.4.6 Employee

As at 22 October 2001, (being the most practicable date prior to the registration of the Prospectus), XLB Group has a total staff strength of 68 employees comprising 15 people in the management level and the remaining balance of 53 are non-management. All the employees are Malaysians. The average years of service of the senior management staff in XL Group is six (6) years whereas the non-management staff is three (3) years.

XLB Group has a highly professional and experienced management and manpower team that would have the capacity to discern trends in the economic and market environment. The present technical staff at XLB Group has been involved in the industry for more than 15 years each and are highly experienced in handling and breeding Asian Arowana.

7.4.7 Seasonality

Asian Arowana exhibits seasonality of breeding in the wild, which is around August to October. However, under captive conditions in the Farm where the fish have been well looked after and the environmental condition of the pond can be managed to meet the requirements of the fish, breeding takes place all year round. This is very important in ensuring the availability of supply throughout the year to meet the requirements of the trade.

7.4.8 Dependence on Single or Limited Customers

Currently, XLB Group has both local and foreign customers. Although XLB Group has limited customers, most of them, in particular the foreign customers are distributors in their respective countries and they have a long term relationship with XLB Group.

The list of major customers of XLB Group is provided in Section 8.5.3 of this Prospectus.

7.4.9 Relationship with Its Major Shareholders

Major Shareholders	Designation
Dato' Mohd Desa Bin Pachi*	Chairman
Ng Huan Tong	Managing Director
Lim Wan Hong	Director
Chua Bah Bee @ Chua Chong Seng	Director

Notes:-

* *Deemed interested by virtue of his shareholdings in DPCSB*

7. INFORMATION ON XLB GROUP (Cont'd)

7.4.10 Competitive Conditions

XL's founder, Ng Huan Tong, one of the first two parties* to be registered by CITES for the commercial captive-breeding of the species as contained in CITES Notification To The Parties No. 825 dated 25 August 1994. This registration by CITES paved the way for XL to undertake the commercial captive-breeding operation of Asian Arowana for international trade.

XL issues a Certificate of Identity for each fish sold. Each fish is also tagged with a microchip where the number is imprinted in the Certificate of Identity. This mechanism protects the authenticity of XL's products.

At present, there are six (6) CITES registered Asian Arowana farms in Malaysia, sixteen (16) in Indonesia and five (5) in Singapore. There are no other CITES registered Asian Arowana farms in the world as Asian Arowana is indigenous to Southeast Asia only. The fish cannot be found in the wild elsewhere in the world. Malaysia, with its conducive operating environment, ample resources, good infrastructure, political stability and strong Government support, allows XL to compete effectively in the market. Based on a report from DOFM dated 9 October 1999, XL ranked first among its competitors in Malaysia.

Note:-

* *The other person is Ng Hang Yong, a brother of Ng Huan Tong, who now operates an independent non-related Asian Arowana captive-breeding and trading operation under Sianlon Aquatic Sdn. Bhd., a competitor of the XLB Group.*

7.4.11 R&D on Facilities

The R&D on facilities constitute an important aspect in the establishment of a farm. This covers site selection, pond design and construction, hatchery set-up, nursery, water supply, electrical and mechanical systems that are appropriate and cost effective for the operation of the farm. XL has painstakingly researched these areas prior to the development of its farm. In addition, the Company is mindful of the need to upgrade its facilities in maintaining its competitive edge through operational efficiency and cost savings. R&D on facilities is thus an important feature of the Farm.

The R&D Department is headed by Mr. Tan Cheng Kiat, whose responsibilities would include product development and R&D activities of XLB Group. Currently, the R&D Department of XLB Group is manned by four (4) staff, including Mr. Tan Cheng Kiat. Under the expertise of Mr. Tan Cheng Kiat, XL has made considerable inroads in the breeding and raising of Asian Arowana through continuous R&D in the field of biotechnology, genetic selection and husbandry improvement. This is manifested in the improved features of the fish produced specifically in terms of shape, variety of colours and robustness. Emphasis is placed on ongoing R&D activities to enhance the productivity and quality of Asian Arowana.

The innovative effort of XL in the culture and breeding of Asian Arowana, leading to the development of a lucrative export-oriented business, has earned XL the Enterprise 50 Award jointly organised by Accenture (formerly known as Andersen Consulting) and Small and Medium Industry Development Corporation ("SMIDEC") for year 1999 and year 2000, as well as a Special Innovation Award for its achievements in the research and development of Asian Arowana in the Enterprise 50 Award. XL was also awarded the MITI's Industry Excellence Award 2000 for export excellence.

7. INFORMATION ON XLB GROUP (Cont'd)

No specific amount has been allocated to R&D as the focus is on-the-job continuous improvement and will be incurred as and when it is needed. The Group provides in-house and on-site training.

7.4.12 Governing Law and Regulations

Malaysia is a signatory to CITES, an international body based in Switzerland which is responsible for regulating the trade in endangered fauna and flora in the interest of conservation and biodiversity protection. Asian Arowana, which have been classified as endangered species and placed under Appendix 1 category of CITES, are not to be traded unless it can be conclusively demonstrated that it can be bred in captivity up to the F2 generation reliably. The protocol involved is rigorous and include the submission of the application to the Management Authority of the country concerned (DOFM in the case of Malaysia). The authority, upon satisfaction, will forward the application to CITES for consideration. If found in order, CITES will approve and register the operation for commerce. Further, the actual procedure for trade (export) is equally tight. It involves an application to the Management Authority for each export consignment. The authority will then check the authenticity of the fish, tag it and issue the appropriate documentation for its export. This is to ensure strict compliance with regulations and certify that the export consignment is done properly.

7.4.13 Environmental Concerns

XLB Group has adopted a strong pro-environment bias in its establishment and operation. This bias is inherent in every aspect of the Farm's location, design and operation. Among the major features of this holistic environmental approach are:-

- (i) Appropriate soil and water resources to enable sustainable and consistent production of high quality Asian Arowana fingerlings;
- (ii) A location adjacent to a forest reserve that promises stability in terms of water supply and quality, microenvironment and meteorology;
- (iii) A farm design that maximises land use without degradation. Extensive planting of trees has been undertaken throughout the Farm;
- (iv) Pond designs that enable effective treatment of wastewater;
- (v) An extremely low stocking density of fish that reduces crowding stress, dysfunction related to lack of territory, inter-territorial conflict and environmental degradation;
- (vi) The combination of live feed and fresh feed which eliminates nutrient build up in the ponds. The live feed fish and fresh feed cockroaches are produced within the Farm itself, forestalling the possibility of imported infections; and
- (vii) Avoiding the use of antibiotics and chemicals in its operations as this will have an adverse long-term repercussion through altering the natural ecosystem.

As a result, discharge of contaminated effluent through its aquaculture activities is not an issue with the Farm.

7. INFORMATION ON XLB GROUP (Cont'd)

7.4.14 Quality Control

The Group adheres to stringent quality control standards to maintain the high quality of its products. Quality control measures are established by the Group at various stages of production from Broodstock development to finished products. The Group employs a mixture of manual and automated features to ensure consistent quality in its products and liaises closely with customers on the required quality.

Critical process parameters and product quality measurements are defined. Some examples of these process parameters and quality measurements are temperature, pH, alkalinity, dissolved oxygen (DO), ammoniacal nitrogen (NH₄), biochemical oxygen demand (BOD), chemical oxygen demand (COD) and condition of the fish. In order to achieve consistent quality expectations, the Group has set up a monitoring system that monitors such parameters and quality measures. This is done on a regular basis and the results are audited by the quality assurance personnel. All such data are used to check any abnormal fluctuations or trends and immediate actions will be taken if there is any area which are noted to be out of the control points. Such a proactive quality control system is very useful and effective and allows immediate ratification action to be taken.

7.5 Approvals, Major Licences and Permits

The approvals, major licences and permits of the XLB Group together with conditions attaching (if any) and status of compliance are as follows:-

- (i) The Lembaga Kemajuan Ikan Malaysia ("LKIM") has issued XL with a licence to import, export and trade fish in Malaysia. The licence permits the Company to import and export processed fish (except frozen fish from Singapore) and live fish.

The conditions imposed by LKIM are mainly in relation to the trading activities.

- (ii) CITIES Registration

Mr. Ng Huan Tong, the Managing Director of XL was the one of the first two parties in the world to be registered by the CITES for the commercial captive-breeding operation of *Scleropages formosus* (Asian Arowana) as shown in CITES Notification To the Parties No. 825 dated 25 August 1994. The registration by CITES allows XL to engage in the captive-breeding of *Scleropages formosus* and its full range of varieties for commercial trade at the international level.

- (iii) An application has been made to the Land Office of Batu Pahat District on 18 December 1997 to seek the Land Office's approval on the conversion of the ground floor of the property used by XLA to house its business from "Residential" use to "Commercial" use. The approval from the Land Office is still pending. In the event XLA or the XLB Group suffers any loss or damages as a result of a breach of the relevant regulations, the Lessor will compensate XLA or the XLB Group for any losses arising therefrom, as provided for in the lease agreement entered into on 18 September 2000.

None of the companies in the Group are in breach of any of the aforesaid conditions (i) and (ii).

7.6 Profit and Dividend Records
7.6.1 The Company

The Company was incorporated on 28 August 1998 as an investment holding and a provision of management services company. The first audited accounts of the Company is from 28 August 1998 (date of incorporation) to 31 January 2000.

7. INFORMATION ON XLB GROUP (Cont'd)

Further details of the historical financial information are set out in Section 11.1 of this Prospectus.

7.7 Subsidiary and Associate Companies
7.7.1 Information on XL
(i) History and Business

XL was incorporated on 20 September 1989 as a private limited company under the Companies Act, 1965. Its principal activities are commercial captive-breeding of Asian Arowana and other aquatic animals and property holding.

XL was established to carry out the captive-breeding and trading of Asian Arowana. Its founder, Ng Huan Tong, who is also a promoter, substantial shareholder and Managing Director of XLB, was one of the first two parties* in the world registered by CITES (CITES Notification to the Parties No. 825 dated 25 August 1994) to carry out the commercial captive-breeding of Asian Arowana. The innovative effort of XL in the culture and breeding of Asian Arowana, leading to the development of a profitable export-oriented business, has earned XL the Enterprise 50 Award jointly organised by Accenture (formerly known as Andersen Consulting) and Small and Medium Industry Development Corporation ("SMIDEC") for year 1999 and year 2000 respectively, as well as a Special Innovation Award for its achievements in the research and development of Asian Arowana in the Enterprise 50 Award. Further, XLB has also been awarded by the MITI for the Industry Excellence Award 2000 under the Export Excellence Award – Merchandise category.

Note:-

* *The other person is Ng Hang Yong, a brother of Ng Huan Tong, who now operates an independent non-related Asian Arowana captive-breeding and trading operation under Sianlon Aquatic Sdn. Bhd., a competitor of the XLB Group.*

(ii) Share Capital

The present authorised share capital of XL is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM100,000 divided into 100,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Total RM
20.09.89	2	Subscriber's shares	2
16.07.90	9,998	Cash	10,000
27.02.95	42,000	Cash	52,000
15.12.98	48,000	Cash	100,000

7. INFORMATION ON XLB GROUP (Cont'd)

(iii) Subsidiary and Associated Companies

As at the date hereof, XL does not have any subsidiary or associated company.

(iv) Profit and Dividend Records

The following table sets out a summary of the audited results of XL for the past five (5) financial years ended 31 January 2001 and the six (6) month period ended 31 July 2001 after adjusting for the over/(under) provision for taxation:-

	←----- Financial year ended 31 January ----->					6 months
	1997	1998	1999	2000	2001	ended 31.07.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	5,884	7,212	13,749	16,600	21,205	12,274
Profit before taxation	2,984	3,847	9,258	10,940	12,371	7,256
Taxation	(854)	(1,316)	30	(3,073)	(3,491)	(2,007)
Profit after taxation	2,130	2,531	9,288	7,867	8,880	5,249
No. of ordinary shares in issue	52,000	52,000	100,000	100,000	100,000	100,000
Net EPS (RM)	40.96	48.67	92.88	78.67	88.80	104.98*
Gross dividend rate (%)	-	-	-	-	-	-

Notes:-

* Annualised.

Commentaries:-

1. There were no exceptional items in the financial years under review.
2. The taxation and deferred taxation have been adjusted to reflect under/(over) provision in the respective financial years/period as follows:-

	←----- Financial year ended 31 January ----->					6 months
	1997	1998	1999	2000	2001	ended 31.07.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Taxation stated in audited accounts	872	1,129	134	3,101	3,491	2,007
Under/(Over) provision of taxation	30	73	(134)	-	-	-
(Over)/Under provision of deferred taxation	(48)	114	(30)	(28)	-	-
Adjusted taxation as stated in this report	854	1,316	(30)	3,073	3,491	2,007

7. INFORMATION ON XLB GROUP (Cont'd)

7.7.2 Information on XLA**(i) History and Business**

XLA was incorporated on 3 August 1995 as a private limited company under the Companies Act, 1965. Its principal activities are trading of ornamental fishes and aquarium accessories and property holding.

XLA trades in tropical fishes such as Japanese Carps, Barbs, Cichlids and Anabantids. The Company positions itself as a one-stop centre offering a wide range of ornamental fish and related facilities at competitive prices. XLA's model aquarium for ornamental fish is visited by locals and tourists on a regular basis.

(ii) Share Capital

The present authorised share capital of XLA is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM50,002 divided into 50,002 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Total RM
03.08.95	2	Subscriber's shares	2
10.10.96	50,000	Cash	50,002

(iii) Subsidiary and Associated Companies

As at the date hereof, XLA does not have any subsidiary or associated company.

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7. INFORMATION ON XLB GROUP (Cont'd)

(iv) Profit and Dividend Records

The following table sets out a summary of the audited results of XLA, for the past three (3) financial years ended 31 July 1999, the six (6) month financial period ended 31 January 2000, the financial year ended 31 January 2001 and the six (6) month period ended 31 July 2001 after adjusting for the over/(under) provision for taxation:-

	Financial year ended 31 July			01.08.99	1.02.00	6 months
	1997	1998	1999	to 31.01.00	to 31.01.01	ended 31.07.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	1,207	1,767	2,966	2,088	5,198	3,319
Profit before taxation	52	37	480	465	913	522
Taxation	(15)	(17)	-	(153)	(282)	(152)
Profit after taxation	37	20	480	312	631	370
No. of ordinary shares in issue	50,002	50,002	50,002	50,002	50,002	50,002
Net EPS (RM)	0.74	0.40	9.60	6.24	12.62	14.80*
Gross dividend rate (%)	-	-	-	-	-	-

Notes:-

* Annualised.

Commentaries:-

1. There were no exceptional items in the financial period/years under review.
2. The Company was incorporated on 3 August 1995 and commenced its operation on 1 February 1996.

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7. INFORMATION ON XLB GROUP (Cont'd)

3. The taxation has been adjusted to reflect under/(over) provision in the respective financial periods/years as follows:-

	Financial year ended 31 July			01.08.99	Year	6
	1997	1998	1999	to	ended	months
	RM'000	RM'000	RM'000	31.01.00	31.01.01	ended
				RM'000	RM'000	31.07.01
						RM'000
						0
Taxation stated in audited accounts	14	17	1	132	282	152
Under/(over) provision of taxation	1	-	(1)	21	-	-
Adjusted taxation as stated in this report	15	17	-	153	282	152

7.8 Directors, Senior Management and Employees

7.8.1 Board of Directors

The details of the Board of Directors of XLB are as follows:-

Dato' Mohd Desa Bin Pachi, aged 67, is a Non-Executive Director and was appointed the Chairman of XLB on 1 September 1998. He was admitted as a Member of Institute of Chartered Accountants Australia in 1962. He was attached with the Shell Group of Companies from 1962 to 1972 and his last position was Chief Accountant. He set up his own practice in 1970 before leaving for Fleet Group Sdn. Bhd. in 1976. In 1978, he was appointed the General Manager/Chief Executive of Permodalan Nasional Berhad and Amanah Saham Nasional Berhad. Thereafter, he was appointed the Executive Chairman of Malaysia Mining Corporation Berhad from 1982 to 1984, Chairman of Fleet Group Sdn. Bhd. from 1985 to 1990 and is currently the Chairman of Commerce Asset-Holding Berhad since 1990. Currently, he is also the Chairman of Perbadanan Nasional Berhad. He also sits on the board of several public and private companies, the notable ones of which are Amanah Saham Nasional Berhad, Malaysian Mining Corporation Berhad, Petaling Garden Berhad and Commerce Asset-Holding Berhad.

Save as disclosed in Section 7.9.1(ii) of the Prospectus, Dato' Mohd. Desa Bin Pachi has not held any substantial shareholdings nor directorships in any other public corporations for the past two (2) years preceding the date of this Prospectus.

Ng Huan Tong, aged 42, is an Executive Director and was appointed the Managing Director of XLB on 2 October 1998. He is the founder of the Group and has been active in the ornamental fish industry for more than 20 years. He oversees the planning, development and overall management of the XLB Group including the pace and direction setting for production, marketing and market development.

For the past two (2) years preceding the date of this Prospectus, Mr. Ng has not held any substantial shareholdings nor directorships in any public corporations other than in XLB.

7. INFORMATION ON XLB GROUP (Cont'd)

Mohamed Shafeii Bin Abdul Gaffoor, aged 38, is a Non-Executive Director and was appointed a Director of XLB on 1 September 1998. He graduated from University of Waterloo, Canada with a Bachelor of Arts in 1986 and later obtained his Masters in Business Administration from the University of Dundee in the United Kingdom in 1994. He started his career as an economist with Bank Negara Malaysia after graduation. In 1987, he joined Ernst and Young before leaving to be a Manager in Shapadu Corporation Sdn. Bhd. in 1988. In 1994, he became the Managing Director of DPCSB, a management consultants firm, a position he holds to date.

Save as disclosed in Section 7.9.1(e) of the Prospectus, En. Mohamed Shafeii has not held any substantial shareholdings nor directorships in any other public corporations for the past two (2) years preceding the date of this Prospectus.

Lim Wan Hong, aged 39, is an Executive Director and was appointed a Director of XLB on 2 October 1998. She has more than 12 years experience in the ornamental fish trade and is currently the Chief Executive Officer of XLA.

For the past two (2) years preceding the date of this Prospectus, Ms. Lim has not held any substantial shareholdings nor directorships in any public corporations other than in XLB.

Tan Cheng Kiat, aged 59, is an Executive Director and was appointed a Director of XLB on 2 October 1998. He holds a Masters in Science from the University of Singapore and a post-graduate Diploma in Fisheries Management from Grimbsy College of Technology in the United Kingdom. He joined XL on 1 May 1998 as a consultant. He has served in the DOFM for over 30 years in various positions, including as Deputy Director General of the organisation. He has also acted as consultant to the Food and Agriculture Organisation of the United Nations Development Programme and the Malaysian Institute of Economic Research in the development of a comprehensive fisheries development plan for the country. He brings with him good technical and administrative skills to contribute to the growth and development of the XLB Group, particularly in the field of R&D as its Technical Director.

For the past two (2) years preceding the date of this Prospectus, Mr. Tan has not held any substantial shareholdings nor directorships in any public corporations other than in XLB.

Chua Bah Bee @ Chua Chong Seng, aged 57, is an Executive Director and was appointed a Director of XLB on 2 October 1998. He has been involved in the incorporation and development of XL since it was established in 1989. He was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1978. In 1985, he returned to Malaysia to start his own business. He is currently a Senior Group Executive Director of XLB and together with the Managing Director of XLB is responsible for the strategic planning, growth and overall corporate development of XLB Group. He also assists the Managing Director of XLB in marketing and developing new markets for XLB Group.

For the past two (2) years preceding the date of this Prospectus, Mr. Chua has not held any substantial shareholdings nor directorships in any public corporations other than in XLB.

7. INFORMATION ON XLB GROUP (Cont'd)

Lim Kim Hock, aged 35, is an Executive Director and was appointed a Director of XLB on 2 May 2001. He is currently the Head of Finance of XLB Group. He graduated with a Bachelor in Accounting from Thames Valley University (*formerly known as Ealing College of Higher Education*), London in 1988 and was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1992. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Taxation. He joined PricewaterhouseCoopers Malaysia in 1992 and had risen to the position of Senior Consultant when he left 3 years later to head the Finance Division of a subsidiary of Arab-Malaysian Development Berhad. Subsequently, he joined the Rashid Hussain Berhad Group and his employment stint with the group included a 2½-year overseas posting as Director and Head of Finance and Administration for the group's subsidiary in Indonesia prior to joining the XLB Group as the Head of Finance in August 2000.

For the past two (2) years preceding the date of this Prospectus, Mr. Lim has not held any substantial shareholdings nor directorships in any public corporations other than in XLB.

Chen Shih Hsie, aged 57, is an Independent Non-Executive Director and was appointed a Director of XLB on 1 October 2001. He graduated in 1971 with a Bachelor of Engineering from University of Malaya. He began his career with the Department of Fisheries as an Officer of the Fisheries Training Institute in 1971 and later became Head of the Technology Branch for the Department of Fisheries' Headquarters in 1975. In 1988, he became the founding Director of the Engineering Division of the Department of Fisheries and served as Director of the said division until his retirement in 1999.

For the past two (2) years preceding the date of this Prospectus, Mr. Chen has not held any substantial shareholdings nor directorships in any public corporations other than in XLB.

Choy Siew Kiong, aged 57, is an Independent Non-Executive Director and was appointed a Director of XLB on 1 October 2001. He obtained a Bachelor of Science Honours (First Class) in 1968 from University of British Columbia, Canada and a Diploma in Fisheries Management in 1974 from Grimbsy College of Technology in the United Kingdom. During nearly three decades of service with the Department of Fisheries, he had served in various states either as a State Director or Director. He began his career as a State Director with the Department of Fisheries, Terengganu in 1968 followed by serving in the same capacity with the Department of Fisheries, Johor in 1971. In 1973, he was seconded to the Department of Fisheries, Perak as State Director and was subsequently transferred to the Department of Fisheries, Kedah/Perlis as State Director in the same year. He returned to the Department of Fisheries, Johor and Department of Fisheries, Perak in 1981 and 1988, respectively to assume the same position. In 1996, he was promoted to Director of the Extension and Training Division of the Department of Fisheries before being a Marine Park Management consultant to the World Wildlife Fund in 2000. Thereafter, he became a Technical Advisor to Weida Marketing Sdn. Bhd., a position of which he holds to date.

For the past two (2) years preceding the date of this Prospectus, Mr. Choy has not held any substantial shareholdings nor directorships in any public corporations other than in XLB.

7. INFORMATION ON XLB GROUP (Cont'd)

Ismail Taufid Bin Md Yusoff, aged 55, is an Independent Non-Executive Director and was appointed a Director of XLB on 1 October 2001. He obtained a Bachelor of Fisheries Science from Tokyo University of Fisheries, Japan in 1975. He started his career with the Department of Fisheries as an Officer of the Fisheries Research Institute in 1975 and later became an Officer of the Fisheries Training Institute in 1977. In 1982, he was promoted to State Director of the Department of Fisheries for various states including Perak, Terengganu and Selangor until 1994. Thereafter, he was appointed Head of the Resource Management Unit of the Department of Fisheries before being transferred in 1994 to the Southeast Asian Fisheries Development Centre as Chief of Marine Fishery Resources Development and Management Department. He had served in that capacity until his retirement early this year (2001). Starting in year 2001, he worked on a freelance basis, performing consultancy work on marine fishery resources management and conservation.

For the past two (2) years preceding the date of this Prospectus, En. Ismail Taufid has not held any substantial shareholdings nor directorships in any public corporations other than in XLB.

7.8.2 Key Management Personnel

In addition to Ng Huan Tong, Lim Wan Hong, Tan Cheng Kiat, Chua Bah Bee @ Chua Chong Seng and Lim Kim Hock, the following are the key management personnel of XLB Group.

Ng Hang Kok, aged 37, is a Director of XL and XLA. He is responsible for managing the business operations of XLA including the related technical support activities and services. He has been involved in the trading of ornamental fishes, aquatic plants and aquarium accessories including feed and medication for over 16 years. He has been with XL and XLA since incorporation.

Ng Choon Hiong, aged 32, a director of XL, has more than 15 years of hands on experience in the management and operation of the Farm and is considered an accomplished breeder of Asian Arowana. He has a good working knowledge of Asian Arowana, including its environmental and ecological requirements, feeding dispositions and breeding patterns. He is also familiar with the norms and standards of aquatic husbandry, including water management, pond dynamics and disease mitigation and treatment. He has been with XL since its incorporation.

None of the key management personnel has any existing or proposed service agreements with the Company or any of its subsidiary companies.

In addition, none of the key management personnel have any direct or indirect interests in XLB save for the ordinary shares of RM1.00 each in XLB offered to them pursuant to the Public Issue as stated in Section 5.3 above.

7.8.3 Employees

As at the date of this Prospectus, the XLB Group presently has a workforce of approximately 68 employees of which all except for a small number are on permanent basis. None of the employees belong to any labour union. All employees enjoy a cordial relationship with management.

7. INFORMATION ON XLB GROUP (Cont'd)

7.8.4 Relationships and Associations

Save as disclosed below, there are no other relationships or associations between the major shareholders, promoters, directors, key management or key technical personnel of the XLB Group:-

- (i) Lim Wan Hong is the spouse of Ng Huan Tong;
- (ii) Ng Hang Kok is the brother of Ng Huan Tong; and
- (iii) Ng Choon Hiong is the nephew of Ng Huan Tong.

In addition to the above, Ng Soo Luan who holds the position of Office Manager, is the niece of Ng Huan Tong whilst Lim Chai Hong, the Information Technology Officer and Lim Choon Hong, the Administrative Officer are the sisters-in-law of Ng Huan Tong.

7.9 Information on Major Shareholders and Promoters

7.9.1 Major Shareholders after the Public Issue and Offer for Sale

The major shareholders of XLB and their respective shareholdings in XLB after the Public Issue and Offer for Sale will be as follows:-

Name	Designation	<----- After the IPO ----->			
		<----- Direct ----->		<----- Indirect ----->	
		No. of ordinary shares	%	No. of ordinary shares	%
DPCSB	-	9,656,000	20.00	-	-
Dato' Mohd Desa Bin Pachi	Chairman	-	-	9,656,000	20.00 ¹
Ng Huan Tong	Managing Director	11,270,000	23.34	11,269,000	23.34 ²
Lim Wan Hong	Director	11,269,000	23.34	11,270,000	23.34 ²
Chua Bah Bee @ Chua Chong Seng	Director	3,977,000	8.24	-	-

Notes:-

1. Deemed interested by virtue of his shareholdings in DPCSB.
2. Ng Huan Tong is the husband of Lim Wan Hong. Therefore they are deemed interested by virtue of Section 6A of the Companies Act, 1965.

Details of major shareholders of XLB after the Public Issue/Offer for Sale are as follows:-

- (i) **DPCSB** is a major shareholder and promoter of XLB. It was incorporated in Malaysia under the Companies Act, 1965 on 6 September 1994. Its principal activities are corporate consultancy. Its Board of Directors comprises the following members:-
 - (a) Dato' Mohd Desa Bin Pachi; and
 - (b) Mohamed Shafeii Bin Abdul Gaffoor.

7. INFORMATION ON XLB GROUP (Cont'd)

The substantial shareholders of DPCSB and their respective shareholdings in DPCSB as at 22 October 2001 are as follows:-

Name	<---- Direct ---->		<---- Indirect ---->	
	No. of ordinary shares	%	No. of ordinary shares	%
Dato' Mohd Desa Bin Pachi	900,001	90.00	-	-
Mohamed Shafeii Bin Abdul Gaffoor	99,999	10.00	-	-

For the past two (2) years preceding the date of this Prospectus, DPCSB has no substantial shareholdings pursuant to Section 6A of the Companies Act, 1965 in public corporations other than XLB.

- (ii) **Dato' Mohd Desa Bin Pachi** is deemed a major shareholder in XLB by virtue of his interest in DPCSB. He is also a promoter and director of XLB. His profile is set out in Section 7.8.1 of this Prospectus.

For the past two (2) years preceding the date of this Prospectus, other than in XLB, he has directorships in the following public corporations:-

Name of company	Position	<----- Directorship ----->	
		Date of appointment	Date of resignation
Commerce Asset-Holding Berhad	Non-Executive Director/ Chairman	03.09.1982	-
Lay Hong Berhad	Director	29.10.1993	-
Ya Horng Electronic (M) Berhad	Director	08.06.1994	-
Malaysia Mining Corporation Berhad	Director	1.11.1981	27.07.2001
Malaysia Smelting Corporation Berhad	Director	15.07.1995	01.09.2001
Petaling Garden Berhad	Director	14.08.1995	-
Leader Steel Holdings Bhd.	Non-Executive Director/Chairman	10.08.1995	-
Landmarks Bhd.	Director	01.03.1996	-
Saujana Consolidated Bhd.	Director	17.03.1997	-
Westmont Industries Berhad (<i>now known as Saship Holdings Berhad</i>)	Director	24.04.1997	31.12.1999
Amanah Saham Nasional Berhad	Director	13.07.1979	-
Perbadanan Nasional Berhad	Non-Executive Director/Chairman	01.04.2000	-
Tracoma Holdings Berhad	Non-Executive Director/Chairman	15.07.2000	-
IpcO International Limited	Director	23.06.2000	01.10.2001

7. INFORMATION ON XLB GROUP (Cont'd)

For the past two (2) years preceding the date of this Prospectus, he has no substantial shareholding pursuant to Section 6A of the Companies Act, 1965 in public corporation other than XLB.

- (iii) **Ng Huan Tong** is a major shareholder, promoter and director of XLB. His profile is set out in Section 7.8.1 of this Prospectus.

For the past two (2) years preceding the date of this Prospectus, he has no directorships and/or substantial shareholdings pursuant to Section 6A of the Companies Act, 1965 in public corporations other than XLB.

- (iv) **Lim Wan Hong** is a major shareholder, promoter and director of XLB. Her profile is set out in Section 7.8.1 of this Prospectus.

For the past two (2) years preceding the date of this Prospectus, she has no directorships and/or substantial shareholdings pursuant to Section 6A of the Companies Act, 1965 in public corporations other than XLB.

- (v) **Mohamed Shafeii Bin Abdul Gaffoor**, is deemed a major shareholder in XLB by virtue of his interest in DPCSB. He is also a director of XLB. His profile is set out in Section 7.8.1 of this Prospectus.

For the past two (2) years preceding the date of this Prospectus, other than XLB, he has directorship in the following public corporation:-

Name of company	Position	Date of appointment	Date of resignation
Westmont Industries Berhad (<i>now known as Saship Holdings Berhad</i>)	Director	28.04.1997	30.11.1999
IpcO International Limited	Executive Director	23.06.2000	-

For the past two (2) years preceding the date of this Prospectus, he has no substantial shareholdings pursuant to Section 6A of the Companies Act, 1965 in public corporations other than XLB.

- (vi) **Chua Bah Bee @ Chua Chong Seng** is a major shareholder, promoter and director of XLB. His profile is set out in Section 7.8.1 of this Prospectus.

For the past two (2) years preceding the date of this Prospectus, he has no directorships and/or substantial shareholdings pursuant to Section 6A of the Companies Act, 1965 in public corporations other than XLB

7.9.2 Promoters

DPCSB, Ng Huan Tong, Lim Wan Hong and Chua Bah Bee @ Chua Chong Seng individually and collectively are promoters of the Company. Their details are as disclosed in items (i), (iii), (iv) and (vi) of Section 7.9.1 above.

7. INFORMATION ON XLB GROUP (Cont'd)

The changes in the shareholders/promoters of the Company and their shareholding for the past three (3) years are as follows:-

	As at 22.10.99		As at 22.10.00		As at 22.10.01	
	No. of ordinary shares '000	%	No. of ordinary shares '000	%	No. of ordinary shares '000	%
DPCSB	12,300	30.00	12,300	30.00	12,300	30.00
Ng Huan Tong	12,198	29.75	12,198	29.75	12,198	29.75
Lim Wan Hong	12,197	29.75	12,197	29.75	12,197	29.75
Chua Bah Bee @ Chua Chong Seng	4,305	10.50	4,305	10.50	4,305	10.50

7.10 Description of Properties

The land and buildings owned by XLB Group are as follows:-

	Registered owner/Location	Tenure	Land /Built-up area Acres	Description /Existing use	Net Book value as at 31.07.2001 RM
7.10.1 XL					
(i)	HS(M) 877 and QT(M) 22 Lot No. 5918 and Lot No. 1184 Sungai Suloh Mukim Minyak Beku (IX) Daerah Batu Pahat Johor Darul Takzim	Freehold	4.13	Agriculture	57,520.00
(ii)	EMR 309 and EMR 3704 Lot No. 7895 and Lot No. 6368 Parit Sabak Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	11.45	Agriculture	140,400.00
(iii)	EMR 2728, Lot No. 7472 Parit Jidin Mukim Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	2.58	Agriculture	210,900.00
(iv)	EMR 3674, Lot No. 7448 Parit Jidin Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	7.49	Agriculture	613,995.00
(v)	EMR 6657, Lot No. 7334 Parit Jidin Mukim Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	5.29	Agriculture	163,482.00

7. INFORMATION ON XLB GROUP (Cont'd)

	Registered owner/Location	Tenure	Land /Built-up area Acres	Description /Existing use	Net Book value as at 31.07.2001 RM
(vi)	GM 176, Lot No. 7344 Parit Jidin Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	7.40	Agriculture	228,915.00
(vii)	GM 177, Lot No. 7345 Sungai Senangan Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	4.70	Agriculture	145,283.00
(viii)	EMR 6670, Lot No. 7346 Parit Jidin Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	3.24	Agriculture	100,676.00
(ix)	EMR 7512, Lot No. 7900 Parit Jidin Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	1.66	Agriculture	84,448.50
(x)	EMR 3866, Lot No. 7899 Parit Sabak Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	1.61	Agriculture	82,225.00
(xi)	EMR 4894, Lot No. 7897 Parit Jidin Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	2.53	Agriculture	101,810.00
(xii)	EMR 3801, Lot No. 7896 Parit Sabak Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	8.99	Agriculture	3,366,060.00
(xiii)	EMR 2963, Lot No. 7902 Parit Sabak Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	6.80	Agriculture	2,419,080.00
(xiv)	EMR 4040, Lot No. 7903 Parit Talep Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	1.92	Agriculture	495,530.00
(xv)	EMR 159 and EMR 3276 Lot No. 67 and Lot No. 2121 Mukim Sungai Balang Daerah Batu Pahat Johor Darul Takzim	Freehold	2.35	Agriculture	35,000.00

7. INFORMATION ON XLB GROUP (Cont'd)

	Registered owner/Location	Tenure	Land /Built-up area Acres	Description /Existing use	Net Book value as at 31.07.2001 RM
(xvi)	GM 818, GM 785, GM 673, GM 817, GM 674, GM 786, GM675 and GM 787, Lot No. 6588, Lot No. 2337, Lot No. 5595, Lot No. 6592, Lot No. 6275, Lot No. 2323, Lot No. 2168 and Lot No. 6131 Mukim Sungai Balang Daerah Muar Johor Darul Takzim	Freehold	25.62	Agriculture	388,398.00
(xvii)	EMR 91, Lot No. 343 Mukim Sungai Balang Daerah Muar Johor Darul Takzim	Freehold	3.13	Agriculture	28,965.00
(xviii)	EMR 157, Lot No. 69 Mukim Sungai Balang Daerah Muar Johor Darul Takzim	Freehold	2.63	Agriculture	36,056.00
(xix)	GM 804, Lot No. 1359 Mukim Sungai Balang Daerah Muar Johor Darul Takzim	Freehold	4.86	Agriculture	102,740.00
(xx)	GM 399, Lot No. 3417 Mukim Minyak Beku (IX) Daerah Muar Johor Darul Takzim	Freehold	5.94	Agriculture	124,826.00
(xxi)	GM 60315, Lot No. 2916 Mukim Bekok Daerah Segamat Johor Darul Takzim	Freehold	5.39	Agriculture	192,927.25
(xxii)	EMR 27, Lot No. 23 Mukim Bekok Daerah Johor Bahru Johor Darul Takzim	Freehold	5.06	Agriculture	181,067.50
(xxiii)	GM 12213, Lot No. 2523 Mukim Bekok Daerah Johor Darul Takzim Johor Darul Takzim	Freehold	5.66	Agriculture	202,328.75
(xxiv)	HS(M) 130, Lot No. MLO 79 Mukim Bekok Daerah Segamat Johor Darul Takzim	Freehold	10.00	Agriculture	419,390.00
(xxv)	EMR 3210, Lot No. 7414 Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	5.36	Agriculture	275,985.00
(xxvi)	GM 231, Lot 8356 Mukim Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	7.47	Agriculture	597,500.00

7. INFORMATION ON XLB GROUP (Cont'd)

	Registered owner/Location	Tenure	Land /Built-up area Acres	Description /Existing use	Net Book value as at 31.07.2001 RM
(xxvii)	EMR 6488, Lot No. 9335 Mukim Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	3.32	Agriculture	237,980,00
(xxviii)	EMR 3910, Lot No. 7862 Mukim Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	2.15	Agriculture	154,140.00
(xxix)	HS(D) 38342, Lot 4543 Bandar Penggaram Daerah Batu Pahat Johor Darul Takzim	Freehold	1,650 Square feet	Shop house	493,263.31
(xxx)*	GM 305 Lot No. 7901 Mukim of Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	6.925	Agriculture	RM73,529
(xxxi)*	HS(M) 4479 Lot No. MLO 1527 Mukim of Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	3.75	Agriculture	RM25,057
(xxxii)*	HS(M) 1280 PTD 1573 Mukim of Linau VI Daerah Batu Pahat Johor Darul Takzim	Freehold	1.549	Shop house	RM78,328
(xxxiii)*	GM 244 Lot No. 5649 Mukim of Sri Menanti Daerah Batu Pahat Johor Darul Takzim	Freehold	8.575	Agriculture	RM40,846
(xxxiv)*	EMR 1070 Lot MLO 1852 Mukim of Sungai Balang Daerah Batu Pahat Johor Darul Takzim	Freehold	2.3	Agriculture	RM53,500
(xxxv)*	HS(M) 466 Lot MLO 361 Mukim of Linau VI Daerah Batu Pahat Johor Darul Takzim	Freehold	9.20	Agriculture	RM158,830
(xxxvi)*	EMR 1034 Lot No. 2873 Mukim of Sungai Balang Daerah Batu Pahat Johor Darul Takzim	Freehold	2.75	Agriculture	RM97,602
(xxxvii)*	EMR 1168 Lot No. 3783 Mukim of Sungai Balang Daerah Batu Pahat Johor Darul Takzim	Freehold	0.475	Agriculture	RM5,298
(xxxviii)*	HS(M) 593 Lot No. 6800 Mukim of Sungai Balang Daerah Batu Pahat Johor Darul Takzim	Freehold	5.05	Agriculture	RM21,050

7. INFORMATION ON XLB GROUP (Cont'd)

	Registered owner/Location	Tenure	Land /Built-up area Acres	Description /Existing use	Net Book value as at 31.07.2001 RM
(xxxix)*	GM 31, Lot No. 6801 Mukim of Sungai Balang Daerah Batu Pahat Johor Darul Takzim	Freehold	5.075	Agriculture	RM20,990
(xxxx)*	HS(M) 4034, Lot No. 7859 Mukim of Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	4.55	Agriculture	RM368,460
(xxxxi)*	HS (M) 3098, No. P.T. MLO 1705 Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	3.00	Agriculture	RM81,886
(xxxxii)*	HS (M) 3099, No. P.T. MLO 1704 Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	3.00	Agriculture	RM81,886
(xxxxiii)*	HS (M) 2480, No. P.T. MLO 1706, Mukim Sri Medan (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	3.00	Agriculture	RM81,886

7.10.2 XLA

(i)	GM 34, Lot No. 212 Batu 9, Jalan Paloh Mukim Cha'ah Bahru Daerah Batu Pahat Johor Darul Takzim	Freehold	2.51	Agriculture	120,231.75
(ii)	GM 73, Lot No. 211 Batu 9, Jalan Paloh Mukim Cha'ah Bahru (XVIII) Daerah Batu Pahat Johor Darul Takzim	Freehold	2.03	Agriculture	96,977.00
(iii)*	EMR 7984, Lot No. 2220 Mukim of Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	5.625	Agriculture	RM64,453
(iv)*	EMR 1746, Lot No. 2221 Mukim of Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	6.95	Agriculture	RM77,809
(v)*	EMR 1744, Lot No. 2223 Mukim of Sri Medan District of Batu Pahat Daerah Batu Pahat Johor Darul Takzim	Freehold	4.75	Agriculture	RM57,738

7. INFORMATION ON XLB GROUP (Cont'd)

	Registered owner/Location	Tenure	Land /Built-up area Acres	Description /Existing use	Net Book value as at 31.07.2001 RM
(vi)*	EMR 3262, Lot No. 7858 Mukim of Sri Medan Daerah Batu Pahat Johor Darul Takzim	Freehold	8.675	Agriculture	RM160,000

Note:-

- * *The respective companies have entered into sales and purchase agreements dated 23 October 2000 with Mr. Ng Huan Tong, a director and substantial shareholder of XLB, to sell the respective properties to him. The said properties will be transferred to Mr. Ng Huan Tong upon completion of the respective Sale and Purchase Agreements.*

No revaluation was carried out in respect of the properties listed in this Section 7.10.

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8. BUSINESS OVERVIEW AND FUTURE PROSPECTS

8.1 International Economic Outlook

Global Growth slowed down considerably in 2001, led by a marked downturn in the major industrialised economies. The prospects for an early recovery of the United States of America ("US") and global economy have become more uncertain with the attack on the US on 11 September 2001 and the military operations by the US and its allies to combat terrorism.

Growth in the world Gross Domestic Products ("GDP") for 2001 is expected to be about 1.8% with further downside risk while that for 2002 is about 2.1%. GDP growth for the US is expected to be about 1% over 2001 and 2002, while for Europe for the same period is about 1.5%. For the industrial world as a whole it is estimated that GDP growth will be 1% for both 2001 and 2002, which is one third of the trend in growth pace of around 3.1% recorded since 1982.

Prospects for the global growth in 2002 depend largely on the severity and duration of the slowdown in the US economy. The slowdown in the US is further exacerbated by the contraction in Japan's economy. As the second largest economy in the world, a protracted slowdown in Japan could hamper early recovery in the region. The world economy is expected to improve with the growth picking up during the later part of 2002.

(Source: Economic Report 2001/2002, Ministry of Finance, "Slower World Growth Ahead", The Edge dated 2 October 2001)

8.2 The Malaysian Economy

The performance of the Malaysian economy in 2001 has been adversely affected by the greater-than-expected slowdown in the world economy, particularly in the US, as well as the continuing weak performance of the Japanese economy. In the light of the more difficult environment, real GDP growth of the Malaysian economy is projected to grow by 1-2% for 2001.

Based on figures released by the Statistics Department, exports fell 18.1 percent in August 2001 from a year ago to RM27.9 billion, worse than the 17.8 percent contraction in July 2001, and the biggest fall in more than five years. The numbers show how badly Malaysian exporters were affected by the slowdown in the US and the global electronics slump even before the terrorist attacks on US landmarks on 11 September 2001. Exports of electrical products, which made up 55.3 percent of total exports in August 2001, fell by 25.4 percent from a year ago. Imports registered their sharpest decline all year, falling 24.9 percent from a year ago to RM22 billion.

As a measure to improve the economy, the Government had on 25 September 2001 announced a RM4.3 billion stimulus package to generate economic activities. The stimulus package amongst others, allocates for small, rural and selected urban development projects, training of retrenched workers, promotion of tourism, welfare payments, upgrading and maintenance work of government buildings etc. Nevertheless, the effect of the stimulus package is likely to be felt in 2002 due to the time lag to implement projects. This package will be in addition to the RM28 billion packages announced last year under the 2001 Budget and RM3 billion announced in March 2001.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

Taking into cognisance of the uncertainties in the external environment, growth for the Malaysian economy will continue to be spearheaded by domestic activities. The Government will continue to adopt an expansionary fiscal policy to further strengthen domestic demand to generate growth. For the Malaysian economy, it is expected to recover from a slower growth in 2001 to register a higher real GDP growth of 4-5% in 2002.

(Source: Economic Report 2001/2002, Ministry of Finance, the articles from The Edge, "PM announces RM4.3 billion stimulus package" dated 25 September 2001, The Edge "Impact of Stimulus package is likely to be felt only next year" dated 25 September 2001, The Edge, "Economic Watch: Priming the Pump" dated 1 October 2001, The Edge, "Export Slump Continues" dated 8 October 2001.)

8.3 Structure of Ornamental Fish and Asian Arowana Industries in Malaysia**8.3.1 Background**

The farming of aquarium or ornamental fish has made impressive development over the years. In 1988, there were 174 farms. This increased to 323 in 1998, of which 80% were in Johor, followed by Perak with 8% and Pulau Pinang 5%. Most of the farms are involved in the production of ornamental fish, with a small number concentrating on the production of aquatic plants.

The aquarium fish industry produces over 200 commodities (species) spread over 9 major groups geared mainly for the global ornamental fish trade. They cover both the indigenous and exotic species. The indigenous species farmed include the barbs, danios, loaches, anabantids and Asian Arowana while the exotic species cover the goldfish, Japanese carp (koi), cichlids, characins and catfish. In terms of production, it increased from 103 million pieces in 1992 to 309 million pieces in 1997, representing an increase of 300% during the period. In value terms over the same period, it increased from RM17.4 million to RM61.2 million, amounting to a growth of 352%. This makes the aquarium fish industry the fastest growing sub-sector in the whole fisheries sector with considerable gain of foreign exchange as most of the production is meant for the export market. It is estimated that about 96% of the ornamental fish produced in the country are exported. Based on the quantity and value of the ornamental fish exported for the period 1991 to 1995, the average growth was 30% in quantum and 46.5% in value per year.

(Source: DOFM)

Malaysia is endowed with resources to support a substantial aquarium fish industry and has a rich pool of ichthyofaunal species to choose from in meeting market demands. In this respect, one of the major developments in the field has been the captive-breeding of the highly valued Malaysian Boneytongue, commonly known as Ikan Kelisa in Malay, Dragon Fish in Chinese or Asian Arowana in general.

8.3.2 Asian Arowana Farming

Asian Arowana being found only in a few places in Southeast Asia and fast depleting in the wild, is classified as a highly endangered species under Appendix 1 of the CITES. In order to be able to undertake international trade in this species, one must not only be able to breed the fish under captivity but also through to the F2 generation reliably and consistently under the close supervision of the Management Authority of the country concerned. The operation or farm has also to be registered by CITES.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

Malaysia is in the forefront in this respect by pioneering the commercial captive-breeding operation of the species and became the first to be registered by CITES in 1993 for the purpose as reflected in the CITES Notification To The Parties No. 825 dated 25 August 1994 (Attachment 1). This success was achieved by XL through working in close collaboration with DOFM. The DOFM through its Freshwater Fisheries Research Centre, Batu Berendam in Melaka continued R&D to upgrade the technology for it. As a result, Malaysia is not only being recognised for establishing the scientific breeding of Asian Arowana but also regarded as the leading country in the field today.

Basically there are three varieties of the fish namely gold, red and green. The golden variety from Malaysia is the most highly valued by the market because of its beauty arising from the rich and full coverage of golden and glistening scales over its entire body. This variety is only found and commercially bred in Malaysia and it commands premium prices. Apart from this, Malaysia has substantial stocks of the other varieties and is commercially breeding them for the international trade under CITES.

The Asian Arowana being a rare and ancient species fetches a very high price compared with other aquarium fish. The value of the fish depends on its quality, variety and size. The Malaysian gold and Kalimantan red varieties are particularly valued. The larger fish fetches a higher price because of its potential as a Broodstock. At the international market, the valued specimens are in excess of USD10,000 per piece.

(Source: DOFM)

8.3.3 Competition

At present, there are six (6) registered Asian Arowana farms in Malaysia, sixteen (16) in Indonesia and five (5) in Singapore. There are no other CITES registered Asian Arowana farms in the world as Asian Arowana are indigenous to Southeast Asia only. The small number of producers allows the producers a greater ability to dictate the pricing of the fish.

8.3.4 High Barrier to Entry

There are high barriers of entry into the Asian Arowana industry. The barriers include:-

- (i) In terms of production and supply, unlike the majority of other tropical aquarium fish, Asian Arowana has a very low fecundity (reproductive rate). Each clutch of hatchling average about thirty (30) only while most other species reproduce in the order of thousands and millions. Thus, the probability of mass production to flood the market is unlikely, especially since the fish has not been known to breed successfully except in the Southeast Asian region.
- (ii) Further, the production of Asian Arowana in the wild is very low. With excessive exploitation over the years, destruction of habitats and pollution, the supply from the wild is fast depleting. For instance, the collection of the Malaysian Golden variety from the wild is now less than 100 tails per year and declining.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

- (iii) The breeding of Asian Arowana for commercial purposes requires registration with CITES and is subjected to strict rules and regulations. It is also a time consuming process having to raise and breed stocks of fish in captivity from the parental to the second generation, a process that takes at least 8 years. A high level of expertise is required to maintain the Broodstock and breed the fish reliably without any deleterious effect of inbreeding.
- (iv) Capital is another constraining factor. A sizeable stock is required to enable the compatible mixing and pairing of stocks for breeding. This would require considerable capital since the fish is expensive. However, this also means that it cannot be done easily as a backyard industry by hobbyists commonly practised for a number of aquarium fish species such as guppies, mollies, cichlids, gouramy and the discus. Thus, the flooding of supply by small producers will not be a concern.

8.4 Outlook for Asian Arowana Industry

The global interest in ornamental fish keeping as a hobby is expanding fast because it provides a soothing and relaxing outlet to the stressful life of present day. It can also be enjoyed in the privacy and confine of one's own home. Its stature as a recreational activity has grown rapidly as manifested by the increasing value of the trade in fish, plants and accessories estimated at USD7.2 billion worldwide. Of these, the value in the trade of ornamental fish is estimated to be in the region of USD600 million. Demand for aquarium fish has been increasing at an annual rate of 10-15% since the 1960s. Though there was a temporary slackening of demand in the mid-1970s, it picked up again in the early 1980s and has continued to grow unabated. The global demand for aquarium fish is expected to grow by 7-10% annually in the new millennium.

(Source: DOFM)

The hobby of keeping ornamental fish has shown rapid growth in recent years. It has grown from the status of a backyard enterprise to a full fledged industry worldwide. Malaysia is not left out in the development as the industry has registered a three-fold increase in growth over the period 1991-1997. Malaysia has also notched a first by forging the development of technology in the breeding and culture of the highly valued Asian Arowana. It has since maintained her leading edge in this area through continuous R&D to result in a flourishing international trade with foreign exchange gain for the country. The potential for further growth is good with the increasing popularity of keeping ornamental fish as a hobby worldwide. All indications are the industry is set to expand and is being strongly encouraged to do so by the government under the newly launched Third National Agricultural Policy.

(Source: DOFM)

In line with the development, DOFM under the aforesaid Third National Agricultural Policy has set a target of increasing production of ornamental fish to 800 million pieces valued at RM150 million by the year 2010 basing on the vast resources and competitive edge of the country over others.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

8.5 Prospects of the XLB Group**8.5.1 Viability****(i) Range of Products**

XL carries the widest range of product/variety in the Asian Arowana business presently. The Company has all the three major varieties of the fish namely gold, red and green. In addition, XL through its R&D, has developed a number of new strains of the three varieties with enhanced hues and colours. These include the Malaysian Gold Special, one with a solid golden sheen and the other with a velvet/ blue sheen. The variants of the red are the ultra and super red, orange and crimson varieties. As for the green, the new additions are the silver-coloured and yellow-tailed varieties. The wide range of stocks carried by XL makes it a one-stop Asian Arowana centre which facilitate purchases and foster sales.

(ii) Market Share, Ranking and Reputation

Based on information obtained from DOFM, the export sales of XL from 1996 to 1999 totalled 20,965 tails of Asian Arowana. This represents approximately 55% of the total exports from Malaysia over the same period. Extracts of data from the above mentioned source are shown below:-

Calendar year	Total exports from Malaysia tails	Total export from XL tails	Percentage of exports from XL over total from Malaysia %
1996	8,567	4,448	52
1997	9,317	6,331	68
1998	5,351	2,379	44
1999	15,086	7,807	52
Total	<u>38,321</u>	<u>27,748</u>	<u>55</u>

This indicates that XL, on the average for the past four (4) years from 1996 to 1999, has dominated approximately 55% of the Asian Arowana export business in Malaysia and is currently the market leader.

Notwithstanding the above, the Directors of XL believe that XL's products commanded a premium over the sales value of its competitors' fish and estimates the company's market share in value terms to be around 60% - 65%.

(iii) Competitive Advantage

The competitive advantage of XL lies in the head-start it has over its competitors by being among the first to be registered by CITES for the trade of Asian Arowana in the international market. XL has successfully taken advantage of this lead through active market promotion to broaden its customer base, development of more attractive products, timely expansion of farm facilities to increase production in order to cater for the rising demand.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

(a) Marketing Positioning

Based on the statistics provided by the DOFM over a four (4) years period, XL is ranked the first among Asian Arowana commercial breeders and has captured on the average approximately 55% of the total exports, in number of tails, of Asian Arowana from Malaysia. The detail statistical data is shown in Section 8.5.1(ii) above.

(b) Extensive Customer Base and International Recognition

XL plans to expand its customer base for Asian Arowana both locally and abroad. Presently, the Company's overseas markets are Japan, Singapore, Hong Kong, Thailand, Philippines, Indonesia, Switzerland and Canada. Presentations have already been made by XL to DOFM and MATRADE to enable the Company to market Asian Arowana in Taiwan.

In its largest market Japan, glossy hobbyist magazines devoted to Asian Arowana are published. The Company has advertised regularly in these magazines and XL has also in numerous occasions been featured in these magazines.

(c) Timely Expansion

XL has studied the market demand globally and worked closely with DOFM to explore new and potential markets. This is essential for XL to stay ahead of its competitors in the Asian Arowana industry.

(d) Undertaking of Research and Development

XL has made considerable inroads in the breeding and raising of Asian Arowana through continuous R&D in the field of biotechnology, genetic selection and husbandry improvement. This is manifested in the improved features of the fish produced specifically in terms of shape, variety of colours and robustness.

Notwithstanding, the Company forges ahead with its R&D programme. Fish with desirable characteristics are selected and kept as Broodstock to enhance the production of quality breeds. The Broodstock found in the Farm have been carefully developed over a 20-year period comprising fish of three to four generations and numbering some 3,800 tails. This large pool of Broodstock has enabled the Farm to intensify its efforts in R&D further towards:-

- Improving the quality of the Malaysian Golden strain, which is ranked number one among Asian Arowana species and commands the highest price;
- Creating "new" variants of the three major varieties, i.e., red, gold and green through genetic selection and cross-breeding;
- Enhancing the colour of the scales with intense hues and brilliance to improve the attractiveness of the fish;
- Generally improving the physical appearance and robustness of the fish through proper priming and careful nurturing of the young right from the hatchling stage;

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

- Perfecting environmental and fish farm management practices; and
- Researching on improving feed quality and culture systems

The Directors of XL believe that the improvement in quality and development of a larger number of colour strains have added greater dimensions to Asian Arowana as an ornamental fish and enhanced its demand as well as market value.

(e) Technology

Over the years, XLB Group has invested in research for better husbandry technology using available resources and information. The Group has managed to improve its production process through its own research and investment in capital equipment. The development of its own technology and its judicious investment decisions has enabled the Group to produce better quality products, and provide a more efficient and effective production process.

The innovative effort of XL in the culture and breeding of Asian Arowana, leading to the development of a lucrative export-oriented business, has earned XL the Enterprise 50 Award jointly organised by Accenture (formerly known as Andersen Consulting) and Small and Medium Industry Development Corporation ("SMIDEC") for the year 1999 and 2000, as well as a Special Innovation Award for its achievements in the research and development of Asian Arowana in the Enterprise 50 Award and the MITI's Industry Excellence Award 2000 for export excellence.

(f) Farm Design and Layout

XLB's Farm is located in a remote area on a gentle slope of a hill flush with green vegetation, which has been protected as a forest reserve. Therefore, there is a continuous supply of unpolluted water from a nearby hill stream. The water supply from the hill stream is stored in a large 2.5 hectares water storage pond. Water is supplied to the earthen culture ponds via gravity flow. Though the culture complex consists of 96 ponds, each has a separate inlet and outlet piping system and as such can function as an independent unit. This is to facilitate operation and avoid contamination in case of disease outbreak.

For the raising of the fertilised eggs and young fry, the Farm has a nursery complex comprising 25 cement tanks, 71 fibreglass raceways and hundreds of smaller glass aquaria for raising the young fry at different stages of growth and sizes. The building is also enclosed to prevent undue fluctuation of temperature. There is also a laboratory for research and development activities as well as quarantine facilities for fish health management. At the Farm site, there are sheds dedicated for the culture of live feed for example cockroaches (small-wing variety) and crickets, which are staple food for the fish. To facilitate management at the Farm, facilities for administration such as office space and accommodation are also provided. The Farm's location and design provide a conducive environment for the culture and breeding of Asian Arowana.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

8.5.2 Vulnerability**(i) Long-Term Contracts**

The Asian Arowana business is not tied to any long-term contract due to the nature its business. As a result, there is no assurance of long-term income to be generated by XL. However, based on market research and historical results achieved by XL, the Directors of XL are of the opinion that the world's Asian Arowana market is under exploited and has ample room for expansion. In addition, XL has good rapport with its distributors, going back more than five (5) years as mentioned in Section 8.5.3 below. The lack of long-term contracts is not viewed by the Directors as a constraint on XL's business.

(ii) Availability of Resources

The success of XLB Group in respect of its production capabilities is dependent on a few key major resources, such as financial, raw materials and capital goods resources.

(a) Financial

Based on the past five (5) years audited accounts for the financial years ended 31 January 2001, XL has been expanding with minimal external borrowings. Its operations have been financed principally by internally generated funds. XL therefore has the flexibility to source external funding if the need arises given the low level of gearing.

(b) Raw material

In term of availability of raw materials, the Directors of XL have identified Broodstock, water and feed as major inputs to the production system. As a result, the Directors have placed a high priority on broodstock, water and feed management.

The Farm, with one of the largest pool of broodstock in the country numbering some 3,800 tails, is progressively upgrading its stocks.

As for water supply, the Farm has a large water storage pond measuring 2.5 hectares in size to collect water from a hill stream for its use. This source of water supply is adequate to meet the current needs of the Farm. Thus water supply is not a constraint at the Farm.

At the Farm, live feed and fresh feed is used as feed as it is suited to the predatory nature of Asian Arowana. The live feed such as small fishes and shrimps and fresh feed such as cockroaches and cricket are produced in the Farm to avoid introduction of diseases. This not only ensures reliability of supply but also enhances cost efficiency.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

(c) Capital Goods

We set out below the historical development of the Farm in the chronological order:-

Year	Location	Remarks
1978 to 1979	108, Jalan Bakau Chondong 83000 Batu Pahat Johor Darul Takzim	Pioneered the breeding of Asian Arowana fish with only fifty 5ft x 10 ft cement tanks.
1980 to 1985	2 1/2, Jalan Minyak Beku 83000 Batu Pahat Johor Darul Takzim	1 acre of land was then developed into ten 30ft x 80 ft earthen ponds.
1986 to 1989	Kg. Mohd Noor Parit Sulong 83000 Batu Pahat Johor Darul Takzim	Further developed 5 acres of land into twenty-six 50ft x 100ft earthen ponds.
1990	Sungai Suloh Lot 5918 Batu Pahat Johor Darul Takzim	5 acres of land was developed into twenty-two 50ft x 100ft earthen ponds.
1996	Kg. Pt. Talib Pt. Sulong Johor Darul Takzim	At present, XL occupies 50 acres of land with ninety-six 40ft x 120ft ponds.
2000	Nearby area Lot 7334, 7344, 7345, 7346, 7900, 7899, 7097, 7414, 7896, 7902, 7903 Mukim Sri Medan XVIII Batu Pahat Johor Darul Takzim	Secured approximately 100 acres of land surrounding the Farm for future expansion.

XL has been able to secure sufficient land bank for the future business expansion. The Company currently has approximately 3,800 Broodstock. The Broodstock of the Company is also capitalised as part of its fixed assets. XL also proposes to acquire additional Broodstock as part of their expansion plan. The proposed listing will enable XL to meet the funding needs required for the implementation of its business plan in the future.

(iii) Capability to Diversify

The Group is currently focused on the culture of Asian Arowana. The Group has plans to further diversify its product/activity range to cater for all segments of the market. Among the various strategies which the Group intends to employ in order to diversify are as follows:-

- (a) expand farming of Tilapia on a large-scale upon the successful trial and the application of land from the Johor State Government to meet the ever increasing demand of food fish; and
- (b) completed a model aquarium for tropical ornamental fish in Batu Pahat to promote exotic ornamental fish to Malaysians. This expansion plan will be complemented by proposed franchising programme to capture the northern market in Malaysia as well as to cater to the market in the southern region and from Singapore.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

(iv) Sensitivity to Economic Downturn

Generally, the XLB Group's business is one which is sensitive to the general economic performance. XLB Group has mitigated this by way of targeting the high end segment of the Asian Arowana market and promoting higher quality breeds which fetch higher prices.

In addition, the direct costs are not susceptible to foreign exchange fluctuation as the major input, such as water and feed is either naturally sourced or produced within the Farm. The proforma performance of XLB in terms of turnover and profit are as shown in Sections 1.4 and 11 of this Prospectus.

XLB achieved continued growth in turnover and profit during 1997 to 2001 despite the difficult economic environment. This demonstrates XLB's operational resilience during adverse economic conditions.

(v) Market Access

The competence and professionalism of XLB's Group is manifested in that it has the distinction of being the first farm in the world to be registered by CITES in 1994 for commercial captive-breeding operation for Asian Arowana. Asian Arowana cannot be traded internationally unless one can demonstrate that one is able to raise and breed the fish reliably from the original parental stock to the F1 generation and through to the F2 generation under captive conditions in a farm. Only then can one apply to CITES for registration to undertake commercial captive-breeding operation. Further, the operation of the farm has to be supervised by a Managing Authority in the country. Thus, the setting up of a commercial captive-breeding operation under CITES is rather complex and time-consuming, which may take some eight (8) years for the whole process and therefore may discourage new entrants. Moreover, a high level of expertise and sizeable capital are required to maintain the Broodstock and breed the fish reliably without any deleterious effects of inbreeding. The expertise comes with years of experience and constant research and development.

XLB Group has not only been successful in pioneering the above-mentioned process necessitated by the stringent conditions imposed by CITES on its breeding for commercial purposes but maintain its edge through investment in R&D to become a leading producer of Asian Arowana today.

Besides maintaining its existing market, XLB Group is better poised to penetrate new market successfully as there are limited number of Asian Arowana breeders in addition to the high barriers to entry as stated in Section 8.3.4.

(vi) Marketing/Promotion Strategies

Over the years, XLB Group has targeted the high-end market with product differentiation. With its unique features, beauty and elegance, the Asian Arowana has been a highly sought after fish. This has resulted in the fish fetching high prices. XLB has also undertaken various marketing efforts to strengthen its market position. These include proper market study in countries with growing interest and huge potential base, particularly among the overseas Chinese community, collaboration with distributors and to further develop distribution lines to expand the product's geographical coverage and sought the assistance of DOFM and MATRADE to explore new and untapped market.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

(vii) Distribution Strength/Network

The distribution of Asian Arowana in the respective import countries is through distributors who are local to the import market. However, direct distribution to end buyers would be considered over the longer term.

The strategy for using local distributors are premised on the following:-

- (i) To enable XL to focus on the penetration of new markets;
- (ii) To enable XL to build and strengthen its market base of the respective local markets through the assistance of/expansion through the local distributors;
- (iii) Savings in time and cost spent in setting up its own distribution centres overseas and the creation of market; and
- (iv) To allow XL to focus on farming and R&D.

The distributors also act as partners of XL and help promote Asian Arowana in the local market by way of:-

- (i) Creation and promotion of the rearing of Asian Arowana as a hobby in the respective markets;
- (ii) Promote the awareness of Asian Arowana through various mode of media such as hobbyist magazines, exhibitions and aquarium showrooms in the respective markets; and
- (iii) Establishment of further distribution contacts.

XL's role in supporting distributors would be through advertising campaigns, publicity and appearances in hobbyist magazines and provision of Farm visits for selected editors. In addition, XL also endeavours to maintain a constant supply of high quality Asian Arowana to the local distributors.

The Asian Arowana are normally flown to customers. The Asian Arowana are packed in polythene bags whereby saturated oxygen gas is pumped into the bags to provide sufficient oxygen for the fish to reach the destination. The bags are then packed individually in styrofoam boxes for further protection against injury and temperature change.

(viii) Threat of Substitute Products

The Asian Arowana has long been sought after as an aquarium fish due to its ancient heritage, unique morphological features, large colourful scales, graceful swim movements, elegant looks, and resemblance's to the mythical dragon giving rise to the name "Dragon Fish". It has a long life span, during which time the colour of the fish enhances and some Asian Arowana have been known to live more than 60 years. These desirable qualities have accorded Asian Arowana the title "King of Aquarium Fish". There is a strong belief among the Chinese community that the fish brings peace, harmony and prosperity to the household. Some Chinese businessmen keep Asian Arowana in their houses and offices to invite good fortune. Some Geomancers also encourage their clients to keep a Red Arowana at their homes or offices to bring good luck and ward off evil.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

The Directors believe there currently exist no other ornamental fish which commands the same stature as the Asian Arowana.

8.5.3 Clientele's Base

Currently, the distribution of Asian Arowana in the respective import countries is done through local distributors in the respective countries who are major customers of XL Group.

The major customers of XLB Group for the past five (5) years are as follows:-

No.	Customers	Market	% of sales for the year ended 31.01.2001	Years of relationship
1.	Kuroko Co. Ltd.	Japan	10	More than 5
2.	Tokyo Sun Marine Co. Ltd.	Japan	5	More than 5
3.	Ryugyo Senai Pontiana	Japan	5	More than 5
4.	Asia Asian Arowana Pro-Shop	Japan	10	More than 5
5.	Chi-Sui Chisana Suizokukan	Japan	10	More than 5
6.	Tokyo Bay Aquarium	Japan	10	More than 5
7.	Wan Hu Fish Farm Trading	Singapore	10	More than 5

8.5.4 Suppliers' Base

The major raw materials used by XLB Group for its Asian Arowana breeding and trade activities are water, which is sourced from its man-made reservoir, fresh feeds which are produced in the Farm and pellet feed sourced from external suppliers. The other raw materials are exotic ornamental fishes, aquarium accessories and live feed (i.e. bloodworms) which are sourced locally and/or abroad.

8.5.5 Ownership and Management

As highlighted in Section 7.4.9, the following substantial shareholders also have key management position in the Group:

Substantial Shareholders	Designation
Dato' Mohd Desa Bin Pachi*	Chairman
Ng Huan Tong	Managing Director
Lim Wan Hong	Director
Chua Bah Bee @ Chua Chong Seng	Director

Notes:-

* Deemed interest by virtue of his shareholdings in DPCSB

The management team of XL has a good blend of technical expertise, skill and practical experience.

The key management personnel of XLB Group are highlighted in Section 7.8.2 of this Prospectus.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

Upon successful Listing on the KLSE, Mr. Ng Huan Tong will remain as XLB Group's Managing Director whilst Mr. Ng Choon Hiong and Mr. Tan Cheng Kiat would remain as XLB Group's Farm Manager and XLB Group's Technical Director, respectively.

In the day-to-day operations of the XLB Group, Mr. Ng Huan Tong, assisted by Mr. Chua Bah Bee @ Chua Chong Seng, will be responsible for the overall business development, strategic planning as well as the business and corporate development of the XLB. They are also responsible for formulating strategies for sales and marketing of XLB's products as well as seeking and developing new markets for XLB's products. Mr. Ng Choon Hiong, will be responsible for the efficient operation of the Farm's routine activities in fish husbandry.

At the Farm level, the routine operations are executed by the Farm Manager, Mr. Ng Choon Hiong, and his team. The Farm Manager of XL has fifteen (15) years of hands-on experience in the culture and breeding of Asian Arowana.

Apart from the above, the Farm has the services of Mr. Tan Cheng Kiat, an Executive (Technical) Director who is professionally qualified in the field of fisheries and aquaculture with a Masters in Science and a Postgraduate Diploma in Fisheries Management. He has over 30 years experience in the fisheries sector. He has been instrumental in collaborating with XL to develop the commercial captive-breeding operation of Asian Arowana for accreditation with CITES.

The working experience of the Board of Directors and senior management of XLB Group is disclosed in Sections 7.8 and 7.9 of the Prospectus.

(i) Management Succession Plan

The key management team is cognisant of the need to ensure continuity in management of the XLB Group in order to maintain its competitive edge over the competitors. In this regards, XLB Group's human resource policies includes training of its personnel so as to groom the lower and middle management staff to gradually assume the responsibilities of the senior management and as part of its employees' career advancement programme.

To facilitate the development of its staff, XLB Group's function have been divided into four (4) divisions, namely Finance and Administration, R&D, Marketing and Production.

(a) Finance and Administration Department

The Finance and Administration Department is led by Mr. Lim Kim Hock. He is in charge of financial management, budgetary controls and implementation of accounting and internal control procedures. He is assisted by a Senior Finance and Administration Executive together with two (2) other staff in the Finance and Administration Department. The Senior Finance and Administration Executive joined XLB in 1992 and is well versed with the business processes of XLB Group and will be responsible for overseeing the general accounting and administration functions of XLB Group.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

(b) R&D Department

The improvement of technology and innovation of products means that XLB Group will not only need to keep abreast of the latest development in the market but also to forge ahead in order to remain competitive with other players in the industry. In this respect, the R&D Department is headed by Mr. Tan Cheng Kiat, whose responsibilities would include product development and R&D activities of XLB Group. Currently, the R&D Department of XLB Group is manned by four (4) employees.

To further strengthen the R&D Department workforce, the technical as well as the management competence of XLB, XLB has plans to expand the workforce of this department.

(c) Marketing Department

Since breeding and trading of Asian Arowana is an uncharted territory in Malaysia, the marketing activities of XLB are carried out by Mr. Ng Huan Tong and Mr. Chua Bah Bee @ Chua Chong Seng themselves. XLB Group has plans to expand the workforce of this department.

(d) Production Department

The Production Department is an important component as XLB Group is essentially an aquaculture farm. Mr. Ng Choon Hiong, who holds the position of Farm Manager, will be principally responsible for overseeing the overall production processes/operations of XLB Group as well as maintaining strict quality control to ensure total customer satisfaction. Mr. Ng Choon Hiong is assisted by two Assistant Farm Executives. They are being widely exposed to the routine fish husbandry practices at the Farm to gain hands on experience in managing the Farm.

8.5.6 Contribution to Economic Growth

The Directors of XLB Group believe that XLB Group has directly or indirectly contributed to Malaysia's economic growth principally in the following manner:-

- (i) The export of Asian Arowana has contributed to the country's foreign reserve thereby helping to improve the country's balance of payment; and
- (ii) Helping to promote and develop Malaysia's capability in research and development in cross breeding of fish, the results of which could be applied onto other types of ornamental or food fish for commercial exploitation.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

8.5.7 Prospects

The Directors of XLB Group are of the opinion that the prospects of XLB Group are expected to be good mainly due to the following reasons:-

- (i) The Government strongly supports the development of local fisheries industry by providing technical assistance, such as in husbandry practices, research and development and support the registration of farms with CITES. Beside this, the Government also takes the initiative to co-operate and assist the local producers to explore potential export market, for instance, with the assistance of the DOFM and MATRADE efforts have been undertaken by XL to reintroduce Asian Arowana into the Taiwanese market (Asian Arowana was formerly sold widely in Taiwan but due to classification as an endangered species, sales were prohibited in the mid 1990s). However, pursuant to the 4th Taipei International Aquarium Exhibition 2001 held in Taiwan in July 2001, the Directors are of the opinion that the Taiwan market may reopen in the future thus increasing the demand for the Asian Arowana.
- (ii) Japan, its main export market has not been exploited in full. There are others huge potential markets, especially in countries with Chinese and Japanese communities, which remained untapped. This includes the existing community of overseas Chinese in both the US and Europe. The potential markets are not just restricted to Southeast Asia. Both the US and Europe have communities of advanced hobbyists who will be keen in acquiring and keeping the Asian Arowana. However, due to their internal policies, the market in the US and European countries are not allowed to import Asian Arowana at present due to its endangered status;
- (iii) In China, with the belief of Asian Arowana as a dragon fish and rapid economic development and a sizeable population, the market growth potential will be substantial; and
- (iv) The Asian Arowana is indigenous in certain areas in Southeast Asia and resembles the mythical dragon, giving rise to the name "Dragon Fish". Some Chinese Asian Arowana enthusiasts believe that the fish bring blessings of peace, harmony and prosperity to the household. The association of Asian Arowana with the mythical dragon has created demand for the fish as a good luck charm. Some Chinese businessmen keep Asian Arowana in their homes or offices to invite good luck and good fortune. Geomancers also encourage their clients to keep a Red Asian Arowana at their homes or offices to bring good luck or ward off evil. With scarce supply and increasing demand in the world market (high end market in particular), the fish can fetch very high prices.

The prospect for the Asian Arowana industry is promisingly viewed against the backdrop of an expanding market worldwide through increase in demand from established markets especially for quality fish and new supply to emerging ones.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

8.5.8 Future Plans of XLB Group**(i) Asian Arowana**

The Company currently has a land bank of approximately 100 acres which are planned to be developed to create new ponds for the breeding of Asian Arowana. As part of its expansion plan, a substantial portion of the proceeds from the Public Issue will be utilised for the acquisition of new Broodstock and the construction of additional ponds as well as cockroach farm to cater for the increase in amount of feed required.

The Company will continue to focus efforts towards developing and exploiting the existing markets for its Asian Arowana. This will be done by enhancing the business relationship it already has with the existing distributors in the respective import countries and forging new business relationships with new distributors. In respect of new markets, the Company plans to penetrate North America and Europe over the next few years by targeting the Chinese communities there at the initial stage.

The Company will forge ahead with its R&D to create new strains of Asian Arowana to provide consumers with greater variety to choose from, but at the same time being able to attach a high premium in price with the introduction of such new varieties in limited quantities. The Company will also utilise part of the proceeds from Public Issue for R&D purposes and to enhance the R&D centre.

(ii) Tilapia Farming

The Board plans for XLB Group to be involved in Tilapia farming on a large scale following successful trial and upon successful application of 50 hectares plot of land from the Johor State Government to exploit the ready Malaysian and world market as promoted by the Government.

XL strategy to penetrate these markets will be through the production of high quality wholesome products priced competitively. Moreover, there is also a good market for Tilapia in the country as well as Singapore, which is somewhat an extension of the local market. It is the most popular freshwater fish consumed because of its excellent meat quality, versatility in cooking and average pricing, making it within the reach of a broad spectrum of society.

The main competitive advantage of Taiwan is quality while in Indonesia and Thailand, it is their lower cost of production. XL has the capacity to achieve both by adopting the latest Foster-Lucas culture system using concrete tanks with good water circulation and exchange. This enables the intensive culture of Tilapia under optimal conditions with high productivity (which will lower cost of production) and of premium grade (through conducive culture conditions and cost-effective feed). This together with the large-scale approach to achieve economies of scale will provide XL with the competitive advantage over others both locally and abroad.

(iii) Other Ornamental Fish Business

XL aims to be the premier supplier of tropical ornamental fish in Malaysia. Indeed, over the years, XL has built up considerable knowledge and expertise in the ornamental fish business. In order to further promote trade in ornamental fish market, XL has embarked on the following:-

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS (Cont'd)

- (a) Established a model aquarium for tropical ornamental fish in Batu Pahat, Johor Darul Takzim in October 1999 and worked with Tourism Department to promote the new aquarium as tourist attraction;
- (b) Breed other popular tropical ornamental fish for distribution in the local market; and
- (c) Import exotic ornamental fish, aquarium accessories, feed and medication for distribution in the Malaysian market and as breeder stock for its own farming.

(iv) Franchising Its Ornamental Fish Business

The Company intends to establish its reputation of specialising in the trading of tropical ornamental fish in Malaysia via a franchising program by setting up franchisees throughout Peninsular Malaysia.

The franchising business will further strengthen XL's financial position through the provision of services and increased volume of sales via the supply of products to the franchisees.

Each franchisee will be modelled after XL's showroom in Batu Pahat, Johor Darul Takzim.

A team of technical staff from XL will help franchisees set up the aquarium system.

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9. INFORMATION ON THE OFFERORS

The following shareholders of XLB will offer for sale 4,828,000 ordinary shares of RM1.00 each in XLB:-

Shareholders	Shareholding in XLB before the Offer for Sale		Shares offered for sale	Shareholding in XLB after the Offer for Sale	
	No. of ordinary shares held	% held	No. of ordinary shares	No. of ordinary shares held	% held
DPCSB	12,300,000	25.48	2,644,000	9,656,000	20.00
Ng Huan Tong	12,198,000	25.27	928,000	11,270,000	23.34
Lim Wan Hong	12,197,000	25.26	928,000	11,269,000	23.34
Chua Bah Bee @ Chua Chong Seng	4,305,000	8.92	328,000	3,977,000	8.24

The details of the Offerors, all of whom are Malaysians or Malaysian incorporated company, are as follows:-

Name	Address
Ng Huan Tong	10, Jalan Jenang 83000 Batu Pahat Johor Darul Takzim
Lim Wan Hong	10, Jalan Jenang 83000 Batu Pahat Johor Darul Takzim
Chua Bah Bee @ Chua Chong Seng	No. 50, Jalan Budiman Taman Bandar 83000 Batu Pahat Johor Darul Takzim
DPCSB	30-1, Lorong 6E/91 Taman Shamelin, Cheras 56100 Kuala Lumpur

10. MORATORIUM OF SHARES

The SC, in approving the listing of XLB, stated that a moratorium shall be placed on the disposal of shares by the following major shareholders. The moratorium has been imposed on the sale of 36,172,000 ordinary shares of RM1.00 each representing 45% of the enlarged issued and paid-up capital of XLB as set out below:-

Shareholder	No. of ordinary shares of RM1.00 each held pursuant to the IPO	% of the enlarged issued and paid-up share capital	No. of ordinary shares of RM1.00 each to be placed under moratorium	% of the enlarged issued and paid-up share capital
DPCSB	9,656,000	20.00	5,793,000	12.00
Ng Huan Tong	11,270,000	23.34	6,772,000	14.03
Lim Wan Hong	11,269,000	23.34	6,771,000	14.02
Chua Bah Bee @ Chua Chong Seng	3,977,000	8.24	2,390,000	4.95
Total	36,172,000	74.92	21,726,000	45.00

The aforementioned shareholders are not allowed to sell, transfer or assign their respective shareholdings in XLB within 1 year from the date of admission of XLB to the Official List of the Second Board of the KLSE. Thereafter, they are allowed to sell, transfer or assign, in every subsequent year, up to a maximum of 1/3 per annum (on a straight line basis) of its shareholdings in the Company which are placed under moratorium.

The restriction, which has been fully accepted by the shareholder, is specifically endorsed on the share certificate and notice of allotment representing the shareholdings of the shareholder in XLB which are under moratorium. This is to ensure that the Company's registrar does not register any transfer which is not in compliance with the restriction imposed by the SC and KLSE.

The statement to be endorsed on the said certificate is as follows:-

"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange 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."