

3. PARTICULARS OF THE IPO

3.1 PRELIMINARY

This Prospectus is dated 30 April 2002.

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

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed Silver Bird as a CDS counter. In consequence thereof, the Public Issue Shares and Offer Shares issued/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 Act and the Rules of the MCD.

An application will be made to the KLSE within 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 for the listing of and quotation for the entire enlarged issued and paid-up Shares of Silver Bird, including the IPO Shares, which are the subject of this Prospectus. These Shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after the receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the 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 Shares of Silver Bird on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the IPO will be returned, without interest, if the said permission 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.

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 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 IPO 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 Silver Bird and/or the Offerors. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Silver Bird or the Group since the date hereof.

The distribution of this Prospectus and the sale or offering of Public Issue Shares and Offer Shares in other jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation of an offer to buy or offer to sell any part of the Public Issue Shares and Offer Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such invitation or offer.

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

3. PARTICULARS OF THE IPO (Cont'd)

3.2 SHARE CAPITAL

	RM
Authorised	
100,000,000 ordinary shares of RM0.50 each	<u>50,000,000</u>
Issued and fully paid-up	
65,200,000 ordinary shares of RM0.50 each	32,600,000
To be issued and credited as fully paid-up pursuant to the Public Issue	
14,800,000 new ordinary shares of RM0.50 each	7,400,000

	<u>40,000,000</u>
To be offered pursuant to the Offer for Sale	
5,300,000 ordinary shares of RM0.50 each	2,650,000
	=====

The Issue/Offer Price is RM0.90 per IPO Share.

The Company proposes to establish an executive share option scheme in order to retain and motivate eligible executives and Executive Directors who have contributed to the success of the Group. The Proposed ESOS will allow the granting of Options to eligible executives and Executive Directors of the Group to subscribe for new Shares up to a maximum of 10% of Silver Bird's issued and paid-up share capital at any point in time for the duration of the Proposed ESOS. Based on the enlarged share capital of Silver Bird of 80 million Shares upon listing, and assuming that the maximum number of Shares available under the Proposed ESOS are issued, the issued and paid-up share capital will increase to 88 million Shares after the listing. Please refer to Section 5.3 of this Prospectus for details of the Proposed ESOS.

There is only one class of shares in the Company, namely, ordinary shares of RM0.50 each. The Public Issue Shares will rank pari passu in all respects with the other existing issued ordinary shares of the Company including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in 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 in respect of the whole of any surplus in the event of liquidation of the Company, in accordance with its Articles of Association.

At every general meeting of Silver Bird, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person who is present who is a shareholder or representative or proxy or attorney to 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.

3. PARTICULARS OF THE IPO (Cont'd)

3.3 DETAILS OF THE IPO

The IPO Shares, which are issued/offered at a price of RM0.90 per Share are payable in full upon application. 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:-

(a) **Bumiputera Investors approved by MITI**

4,050,000 Offer Shares have been reserved for Bumiputera investors approved by MITI.

(b) **Eligible Directors and Employees of the Silver Bird Group**

550,000 Public Issue Shares and 1,250,000 Offer Shares have been reserved for 2 executive directors and 162 employees of the Silver Bird Group. These Shares have been allocated based on job grade and length of service.

(c) **Private Placement**

11,250,000 Public Issue Shares will be placed out as follows:-

	No. of Shares
Placees identified by Silver Bird	
Great Eastern Life Assurance (Malaysia) Berhad	2,000,000
Malaysia National Insurance Berhad	1,000,000
Placees identified by Placement Agent	
BHLB Asset Management Sdn Bhd	5,000,000*
PJB Capital Sdn Bhd	200,000*
Kuala Lumpur Mutual Fund Berhad	550,000*
TA Asset Management Sdn Bhd	200,000*
OSK-UOB Unit Trust Management Berhad	500,000*
Allianz General Insurance Malaysia Berhad (<i>formerly known as Malaysia British Assurance Berhad</i>)	50,000*
Allianz Life Insurance Malaysia Berhad (<i>formerly known as MBA Life Assurance Bhd</i>)	200,000*
Kam Kar Cheong	1,550,000
	11,250,000

* These Shares will be placed out to beneficial owners, each holding not more than 5% of Silver Bird's enlarged share capital of 80 million Shares.

(d) **Malaysian Public**

3,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

3. PARTICULARS OF THE IPO (Cont'd)

3.4 CRITICAL DATES FOR THE IPO

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the Second Board of the KLSE is set out below:-

Event	Tentative date
Opening date of the IPO	30 April 2002
Closing date of the IPO	14 May 2002
Tentative balloting date	21 May 2002
Tentative allotment date	30 May 2002
Tentative listing date	5 June 2002

Note.-

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The application for the IPO Shares will open and close at the time and date as stated above or such further period as the Directors of Silver Bird and the Offerors may mutually decide.

3.5 PURPOSES OF THE IPO

The purposes of the IPO are as follows:-

- (a) To provide an opportunity for the Malaysian investors including the eligible employees and Directors of Silver Bird Group to participate directly in the equity of the Company;
- (b) To obtain a listing of and quotation for the entire issued and paid-up capital of the Company on the Second Board of the KLSE;
- (c) To comply with the National Development Policy by providing an opportunity for Bumiputera investors and institutions approved by MITI to participate in the equity of Silver Bird; and
- (d) To provide Silver Bird with access to the capital market for funds to finance its future growth and expansion.

3.6 PRICING OF THE IPO SHARES

The Issue/Offer Price of RM0.90 per Share was determined and agreed upon by the Company, the Offerors and RHB Sakura as Adviser and Managing Underwriter, after taking into account, inter-alia, the following factors:-

- (i) The Group's financial and operating history and conditions as described in Section 5 and Section 10 of this Prospectus;
- (ii) The future plans and prospects of the Group as described in Section 5 of this Prospectus;
- (iii) The forecast price earnings multiple of 7.87 times based on the consolidated forecast net EPS of 11.43 sen for the financial year ending 31 October 2002 computed based on the enlarged share capital of 80,000,000 Shares and the Issue/Offer Price of RM0.90 per Share; and
- (iv) The proforma consolidated NTA per share as at 31 October 2001 had the Flotation Scheme been effected as of that date and the proceeds arising from the Rights Issue and Public Issue being utilised in the manner as set out in Section 3.7 of this Prospectus is RM0.69.

3. PARTICULARS OF THE IPO (Cont'd)

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

3.7 UTILISATION OF PROCEEDS

The Rights Issue and Public Issue are expected to raise gross proceeds of RM28,212,000 as follows:-

	RM
Rights Issue	14,892,000
Public Issue	13,320,000

	28,212,000
	=====

The gross amount receivable by the Company from the Rights Issue and Public Issue of RM28,212,000 will be utilised as follows:-

	RM
Cost of construction and acquisition of plant and machinery for new factory and corporate office (Note i)	15,800,000
Repayment of bank borrowings (Note ii)	9,000,000
Working capital (Note iii)	1,512,000
Estimated listing expense (Note iv)	1,900,000

	28,212,000
	=====

Notes:-

(i) The Group has acquired a parcel of 10 acres industrial land in Arab-Malaysian Industrial Park, Nilai, costing approximately RM5 million where a new factory of 80,000 sq. feet and a corporate office will be built thereon. The total cost of construction and acquisition of plant and machinery for the new factory and corporate office is expected to be approximately RM24 million, out of which RM15.8 million is expected to be funded from the proceeds of the Rights Issue and Public Issue, and the balance from bank borrowings. The purpose of setting up this new factory is to increase the Group's production capacity of its latest range of products namely filled buns and rolls. The machinery to be purchased for the new factory are as follows:-

- (a) Automated batter preparation system
- (b) Automated cream mixing preparation system
- (c) Automated make-up decoration system
- (d) Automated distribution and wrapping system

The proceeds for the construction of new factory and corporate office and purchase of new machinery are expected to be utilised within the financial year ending 31 October 2002. Barring unforeseen circumstances, the new factory is expected to be fully operational in the financial year ending 31 October 2003.

3. PARTICULARS OF THE IPO (Cont'd)

- (ii) Silver Bird will utilise RM9 million of the proceeds to repay part of its bank borrowings, which as at 22 April 2002 amount to approximately RM12.2 million. These borrowings were taken up to finance the purchase of the land in Nilai and for working capital purpose. Based on the current average interest rate applicable to the Group's borrowings of approximately 6% per annum, the repayment is expected to contribute interest savings of approximately RM225,000 to the Group for the financial year ending 2002, assuming the proceeds are utilised in June 2002.

The proceeds for repayment of bank borrowings is expected to be utilised within the financial year ending 31 October 2002.

- (iii) An amount of RM1.512 million of the proceeds will be utilised for the Group's working capital purposes to support its existing business operations which includes financing its purchases and operating expenses.

The proceeds for working capital purpose is expected to be utilised within the financial year ending 31 October 2002.

- (iv) Silver Bird will bear all expenses incidental to the listing of and quotation for the entire share capital of Silver Bird on the Second Board of the KLSE as follows:-

	RM
Estimated professional fees	600,000
Authorities' fees	60,000
Advertisement	100,000
Printing of Prospectus	120,000
Brokerage, underwriting commission and placement fee	450,000
Issuing House's fees	70,000
Contingencies	500,000
Total	<u>1,900,000</u>

Any variation in the actual listing expenses from the estimated amount will be adjusted in the amount allocated for working capital.

There is no minimum subscription to be raised from the Public Issue as the Group requires the entire proceeds of RM13.32 million from the Public Issue for the above-mentioned purposes. The financial impact of the above utilisation of proceeds on the consolidated profit after tax of Silver Bird for the financial year ending 31 October 2002 is as follows:-

	With proceeds from Rights and Public Issue RM'000	Incremental effect RM'000
Profit after tax	9,144 =====	659 =====

No part of the proceeds of the Offer for Sale are receivable by Silver Bird. The gross proceeds of the Offer for Sale of RM4,770,000 will accrue entirely to the Offerors. The Offerors shall bear all expenses relating to the Offer for Sale such as brokerage.

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

3.8 UNDERWRITING COMMISSION, PLACEMENT FEE AND BROKERAGE

(i) Underwriting Commission

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite all the Public Issue Shares mentioned in paragraph 3.3 (d) above at an underwriting commission of 2.5% of the Issue/Offer Price of RM0.90 per Share and the 3,000,000 Public Issue Shares to be placed to Great Eastern Life Assurance (Malaysia) Berhad and Malaysia National Insurance Berhad mentioned in paragraph 3.3 (c) above at an underwriting commission of 0.25% of the Issue/Offer Price of RM0.90 per Share.

(ii) Placement Fee

The Placement Agent's fee for the placement of 8,250,000 Public Issue Shares is 2.5% of the Issue/Offer Price of RM0.90 per Share.

(iii) Brokerage

Brokerage is payable by the Offerors in respect of the Offer Shares and the Company in respect of the Public Issue Shares at the rate of 1% of the Issue/Offer Price in respect of successful applications bearing the stamp of RHB Sakura, member companies of the KLSE, member of the Association of Bank in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDF Consultancy and Corporate Services Sendirian Berhad.

3.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient terms of the Underwriting Agreement dated 2 April 2002 between the Company and the Underwriters mentioned earlier in this Prospectus ("Underwriters") stating the events that may affect the underwriting of the Shares mentioned in paragraph 3.8(i) above ("Underwritten Shares") are summarised as follows:-

- (i) The obligations of the Underwriters under the Underwriting Agreement are conditional upon:-
- (a) the KLSE having agreed in principle for the listing and quotation of the Shares on or prior to the closing of the IPO ("Closing Date");
 - (b) the lodgement with the CCM of the Prospectus in accordance with the requirements of the Companies Act, 1965 together with copies of all documents required by the Companies Act, 1965;
 - (c) the registration with the SC of the Prospectus in accordance with the requirement of the Securities Commission Act 1993, together with all documents required by the aforesaid Act and the issue by the SC of the relevant certificate of registration of the Prospectus or any like document;
 - (d) there not having been on or prior to the Closing Date any adverse change or development reasonably and likely to involve a prospective adverse change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that set out in the Prospectus which is relevant in the context of the IPO or the offering of the IPO Shares thereunder ; and

3. PARTICULARS OF THE IPO (Cont'd)

- (e) a certificate signed by an authorised Director of the Company confirming that the warranties and representations in clause 2.1 of the Underwriting Agreement remains valid and the Managing Underwriter has been provided with all information with respect to the Company and each of its subsidiary companies that affect the condition of the Company or any of its subsidiaries, financial or otherwise, or the earnings, affairs or business prospects of the Company or any of its subsidiaries or that so affect the success of the IPO and the issue of the Public Issue Shares.

If any of the foregoing conditions are not satisfied by the Closing Date, the Underwriters shall thereupon be entitled to terminate the Underwriting Agreement.

- (ii) The warranties and representations as set out in clause 2.1 of the Underwriting Agreement are, inter-alia, as follows:-
- (a) that the Application Form and the Prospectus by which the IPO Shares are to be issued shall be in form and substance satisfactory and acceptable to and approved (where such approval is required) by the SC, KLSE and the CCM and shall not contain any untrue statement or omit to state any fact required or necessary to be stated therein to make the statements therein true, and accurate in all respects and not misleading in any respect;
- (b) that the Company shall comply with the Securities Industry Act 1983, the Policies and Guidelines of the SC, the CCM, all the relevant requirements and provisions of the Companies Act, 1965 of Malaysia and the listing requirements of the KLSE;
- (c) that the Company shall obtain the approval of the KLSE for listing of and quotation for all the Shares of the Company on or prior to the Closing Date and shall take all necessary action or obtain such approval and quotation and the Company shall at all times promptly furnish and deliver all documents, instruments, information, certificates and undertakings as may be necessary or available in order to obtain such approval or quotation and shall comply with all the conditions imposed by the KLSE, if any;
- (d) that all consents, approvals, authorisations or other orders required by the Company under the laws of Malaysia for or in connection with the Public Issue, Offer for Sale and the IPO will be obtained and be in force and all other actions will be taken by the Company to comply with all legal and other requirements necessary to ensure that the IPO will not infringe any existing laws or terms of any such consents, approvals or authorisations;
- (e) that the Public Issue and Offer for Sale will substantially be on the terms and conditions of the Prospectus and the execution and delivery by the Company of the Underwriting Agreement and the issue of the Prospectus and the performance of the obligations to be assumed thereunder and hereunder have been duly authorised by the Company so that upon due execution or issue as the case may be the same will constitute valid and legally binding obligations of the Company in accordance with their respective terms;
- (f) that the authorisation of the Public Issue and Offer for Sale on the terms and conditions of the Prospectus and the compliance by the Company with the terms and conditions of the Underwriting Agreement will not result in a default in, or breach of any of the covenants, terms, conditions or provisions of the Memorandum and Articles of Association of the Company or any trust deed or agreement or instrument or other obligations to which the Company or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound;

3. PARTICULARS OF THE IPO (Cont'd)

- (g) that save as disclosed in the Prospectus, the Company and its subsidiaries are not parties to any litigation arbitration or any other legal proceedings current or pending in Malaysia or elsewhere likely to adversely affect the Public Issue, Offer for Sale and the IPO and further that it is unaware or ought to be aware if reasonable enquiries are duly made of any evidence, information or facts, likely to give rise to any such litigation or proceedings which may adversely affect the position or business of the Company and its subsidiaries and the Company and its subsidiaries are not in default under any agreement which it is bound;
- (h) that to the best knowledge and information of the Directors of the Company having made all due and reasonable enquiries no circumstances or situations have arisen and/or the Company or any of its subsidiaries is not in default under or in breach of any agreement to which it is bound or any licence, permit, directive, legislation or regulation or any relevant authorities (including but not limited to the KLSE and the SC) applicable or affecting it which is or are likely to adversely affect the condition of the Company or any of its subsidiaries, financial or otherwise, or the earnings, affairs or business prospects of the Company or any of its subsidiaries or to so affect the success of the IPO, Offer for Sale and the issue of the Public Issue Shares and that no information has been withheld from the Underwriters which may in any way affect their decision to underwrite the Underwritten Shares;
- (i) that neither the Company nor any of its subsidiaries has entered into any contract or commitment which would adversely affect the results or financial position of the Company or any of its subsidiaries except as may be disclosed in the Prospectus;
- (j) that the Company will promptly and without any delay notify the Managing Underwriter, who shall thereupon immediately inform the other Underwriters, of any facts, information, situations or circumstances which may adversely affect the success of the IPO, Offer for Sale and issue of the Public Issue Shares, in particular and without prejudice to the generality of the foregoing of any change affecting any of the aforesaid representations, warranties or agreements at any time prior to the Closing Date and take such steps as may be reasonably requested by the Underwriters or either one of them to remedy and/or publicise the same;
- (k) that, save and except as disclosed in the Prospectus, since 31 October 2001, as regards the Company and each of its subsidiaries:-
- (aa) its business has been carried on in the ordinary course and in accordance with its Memorandum and Articles of Association so as to maintain the same as a going concern;
 - (bb) it has not otherwise disposed of any assets otherwise than in the ordinary course of carrying on its business;
 - (cc) its business has not been adversely affected by any abnormal factor not affecting similar businesses to a like extent and after making due and careful enquiries the Company is not aware or ought to be aware if reasonable enquiries are duly made of any facts or circumstances which are likely to give rise to any such effects and there has been no adverse change in its financial condition;
 - (dd) no dividend or other distribution has been declared made or paid to its members except as provided for in the relevant balance sheet; and

3. PARTICULARS OF THE IPO (Cont'd)

- (ee) no obligation or liability whether contingent, actual or otherwise has been incurred, assumed or agreed to be assumed by it otherwise than in the ordinary course of business.
- (l) the Company will compile all the supporting documents necessary to be forwarded to the KLSE after the date of despatch of notices of allotment to shareholders, such that the IPO Shares will be listed after three (3) clear market days (or such other number of days as the KLSE may permit) after the KLSE has received all the supporting documents;
- (m) the Prospectus contains all information with respect to the Company and each of its subsidiary companies which is or may be relevant and that such information is true complete and accurate in all respects and not misleading in any respect and that the opinions, expectations and intentions (including any forecast) stated therein are carefully considered based on relevant considerations and facts existing as at or prior to the date hereof and these opinions, expectations and intentions are reasonably and honestly held by the Directors of the Company and represent their best judgment; and
- (n) the Prospectus will be finalised after a full due diligence and verification process no less stringent than the minimum requirements as set out in the guidelines published by the SC entitled "Due Diligence Guidelines on Submission Proposals to the Securities Commission" have been commissioned by the Company and all information given to the Managing Underwriter and the Underwriters during the course of the due diligence and verification process is complete, accurate and contains no material omission.
- (iii) The Major Underwriters (ie. Underwriters whose commitments to underwrite total 50% of the Underwritten Shares) may by notice in writing to the Company given at any time before the Closing Date, terminate its commitment to underwrite the Underwritten Shares if in the reasonable opinion of the Major Underwriters, the success of the IPO is jeopardised by:-
 - (a) any Government requisition or other occurrence of any nature whatsoever which adversely affects or will adversely affect the business of the Company or its subsidiaries; or
 - (b) any change in national or international monetary, financial, (including stockmarket conditions and interest rates) political or economic conditions or exchange control or currency exchange rates which would prejudice materially the success of the Public Issue and their distribution or sale (whether in the primary or in respect of dealings on the secondary market); or
 - (c) any breach of the warranties and representations referred to in Clause 2.1 of the Underwriting Agreement or withholding of information from the Underwriters; or
 - (d) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which has or is likely to have an adverse and material effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company or the Group (taken as a whole); or

3. PARTICULARS OF THE IPO (Cont'd)

- (e) Any event or series of events beyond the control of the parties (including without limitation acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making this Agreement or a portion thereof incapable of performance within its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting hereof;
- (f) the imposition of any moratorium, suspension or restriction on trading in securities generally in the KLSE.

On delivery of such a notice by the Managing Underwriter on behalf of the Major Underwriters to the Company and confirmation of such a notice by telex, telegraph or cable, this Agreement shall be terminated and the obligations of the Underwriters under this Agreement shall be discharged accordingly.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE GROUP AS OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE IPO SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE IPO SHARES.

4.1 No Prior Market For Shares

Prior to the Public Issue and Offer for Sale, there has been no public market for Silver Bird's Shares. There can be no assurance that an active market for Silver Bird's Shares will develop upon its listing on the Second Board of the KLSE or, if developed, that such a market will be sustained. There can also be no assurance that the Shares will be traded above the Issue/Offer Price of RM0.90 upon or subsequent to the listing of Silver Bird. The Issue/Offer Price of RM0.90 was entirely determined and agreed upon by Silver Bird, the Offerors and RHB Sakura as Adviser and Managing Underwriter, after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects for the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in businesses similar to that of the Group and the prevailing market conditions.

4.2 Capital Market Risks

As an investor of the Silver Bird Group, it is to be noted that the Group will be listed on the Second Board of the KLSE. The performance of the KLSE is dependent on various factors including external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on the KLSE, thus adding risk to the market price of the shares of Silver Bird. Nevertheless, the profitability of the Group is not dependent on the performance of the KLSE.

4.3 Business Risks

The business activities of Silver Bird Group are the manufacturing and distribution of bakery products. The Silver Bird Group's future revenue is dependent on the continued product acceptance of the Group's daily fresh, shelf-stable and frozen bakery products. In addition, the Group is also subject to inherent risks of the industry such as raw material and labour shortages, increases in the cost of raw materials and labour, labour disputes, changes in government legislation and priorities, availability and rising cost of financing as well as changes in general economic, business and credit conditions within and outside Malaysia.

No assurance can be given that changes to any of these factors will not have a material effect on the Silver Bird Group's businesses. However, the Group seeks to limit these risks through, inter-alia, expansion of both existing and new markets, developing and maintaining a diversified market network and investment in automated machinery to improve efficiency.

4. RISK FACTORS *(Cont'd)*

4.4 Borrowings

The Group's total borrowings as at 22 April 2002 amounted to approximately RM12.2 million and the applicable average interest rate was approximately 6% per annum. 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. The Directors of Silver Bird seek to minimise this risk by utilising RM9 million of the proceeds from the Rights Issue and Public Issue to repay borrowings.

4.5 Seasonal Sales

The demand for certain non-core bakery products of the Silver Bird Group are seasonal in nature. The sales of certain shelf-stable bakery products of the Silver Bird Group such as mooncakes and cookies are generally higher during festive seasons like Hari Raya, Chinese New Year and Christmas which are usually in the first and the fourth quarter of the year. However, Silver Bird's sales of core bakery products such as its frozen and daily fresh range of bakery products are not subject to seasonality.

4.6 Dependencies on Major Suppliers and Customers

There is no formal contract entered into between the Group and its major suppliers. The normal course of dealings between the parties are such that the Group will issue a purchase order to its suppliers and the respective suppliers will deliver the goods within the time stipulated in the respective purchase order. However, to ensure constant and reliable supply of raw materials, Silver Bird Group seeks to retain a large pool of suppliers and build up business relationships with them by holding frequent meetings to discuss the quality of the raw materials supplied and the Group's raw material demand to meet its production schedule. The Group has a policy of having at least 2 suppliers for each type of raw material which eliminates dependency on any of the major suppliers for its business. Silver Bird also strives to source more raw materials locally, which would inter-alia, reduce the cost of production (e.g. freight, insurance and duties), make it easier for the Group to monitor the availability of raw materials, allow them faster access to the said raw materials and respond to insufficient materials or unforeseen disruption to supplies more promptly.

The Group does not have any formal contracts with its distributors/customers. The normal course of dealings between the parties are that the respective distributor/customer will issue a purchase order to the Group and the Group will confirm the same by issuing a sales order and subsequently deliver the goods within the time stipulated. Approximately 44% of the Group's turnover (based on results for the financial year ended 31 October 2001) is attributable to sales to the Group's two main distributors ie. Stanson Marketing and GFI Marketing. The Directors of Silver Bird believes that the risk of over-dependence on these two customers is minimal due to the long-term and excellent business relationship with them. Further, Stanson Marketing has indicated that they will continue to market the Group's bakery products for the next five years.

4.7 Dependence on Key Personnel

The Group believes that its continued success will depend significantly upon the abilities and continued efforts of its existing key management personnel. The loss of any key members of the Group could adversely affect the Group's continued ability to compete. Measures have been taken in grooming younger members of the management team in key management areas to ensure that they will be provided with the necessary experience and exposure to gradually assume senior positions. The Group's future success will also depend upon its ability to attract and retain skilled personnel. In this respect, the Company proposes to establish an executive share option scheme (details of which are set out in Section 5.3 of this Prospectus) to retain and motivate eligible executives and Executive Directors who have contributed to the success of the Group.

4. RISK FACTORS (Cont'd)

4.8 Competition

Silver Bird faces competition from various competitors which include private and public listed companies. Nevertheless, the Directors of Silver Bird believe that the Group is in a position to compete with these competitors based on its competitive edge including, its long standing business relationships with its suppliers and customers, continual commitment to food technology and the quality of its bakery products and the constant effort to establish a variety of bakery products to cater for various market segments. Further, the Directors of Silver Bird believe that Silver Bird's established brandname in the bakery industry and the large distribution network of Stanson Marketing (a company owned by a majority of the shareholders of Silver Bird) would create a high barrier of entry to potential competitors.

4.9 Political and Economic Considerations

The Silver Bird Group's future growth and level of profitability is expected to be linked to the political and economic conditions in Malaysia and other countries which serve as markets for the Group's products. The aforementioned political and economic uncertainties include changes in inflation, interest rates, taxation, changes in existing regulations, Government policies, controls or support for certain industries and a change of Government. Whilst the Group will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Group.

4.10 Ownership and Control of the Group

Upon the completion of the IPO, Dato' Tan Han Kook who is the Group Managing Director, through Amble Appeal, Tahako and his family members will effectively hold 30.75% of the equity interest in the Company. Being the single largest shareholder of the Company, it is likely that they will be able to influence the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and by the relevant authorities.

4.11 Government Regulation

The Malaysian government is promoting more local content and value added production and technological development in the food industry. This is done via policies and incentives including giving pioneer status and tax allowance and other incentives. There is no guarantee that the abovementioned government policies and incentives to promote the food industry will continue in the long run and there will not be any other changes in government policies or regulations that may be unfavourable to the Group.

4.12 Limit on Operating and Financial Flexibility

The Group has entered into various credit facility agreements with banks or financiers to finance their operations and business activities. These agreements contain, inter-alia, covenants which may limit the Group's operating and financial flexibility. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant banks or financiers. Breach of such covenants may give rise to a right by the bank or financier to terminate the relevant credit facility and/or enforce any securities granted, in relation to that credit facility or may cause a cross default on other credit facilities. The Board of Directors of Silver Bird are aware of such covenants and shall take all precautions necessary to prevent any breach of these agreements.

The Directors of Silver Bird seek to minimise this risk by utilising RM9 million of the proceeds from the Rights Issue and Public Issue to repay borrowings.

4. RISK FACTORS (Cont'd)

4.13 Supply and Costs of Raw Materials

The main raw materials used for the Group's bakery products are margarine, flour, eggs and sugar. Although most of the major ingredients used in the Group's manufacturing process are staple goods whereby the prices and supply are regulated by Price Control Act 1946 and Control of Supplies Act 1961 respectively, no assurance can be given that any significant changes to the supply and prices of raw materials will not affect the future profitability of the Group. Nevertheless, any increase in raw material prices will not have a major impact on the Group's profits as the cost of raw materials will be passed on to consumers.

4.14 Directors' and Substantial Shareholders' Interest in Similar Business

The existing shareholders of Silver Bird (apart from Datuk Tengku Adnan bin Tengku Mansor and G&G) collectively owns 100% equity interest in Stanson Group Sdn. Bhd. which through its subsidiaries, Stanson Marketing and Stanson Bakeries Sdn. Bhd. (collectively known as the "Stanson Group") is principally involved in the manufacturing and distribution of "High 5" bread. Currently, SCSB manufactures certain bakery products, which are sold by SCSB on consignment basis to the Stanson Group. Approximately RM11.4 million or 28% of the Group's turnover for the financial year ended 31 October 2001 are attributable to SCSB's sales to Stanson Group.

The Directors of Silver Bird confirmed that the said bakery products produced by SCSB are sold to the Stanson Group on arms-length basis. In order to prevent any potential conflict of interest arising from the aforesaid transaction, Stanson Group Sdn. Bhd. has undertaken that it will not modify its manufacturing facilities nor undertake any manufacturing activities to produce bakery products which compete with the products of Silver Bird. In addition, the promoters and substantial shareholders of Silver Bird, who are also shareholders of Stanson have also undertaken that they will not establish other companies which have competing or similar business activities with that of Silver Bird.

The Audit Committee of Silver Bird will monitor the above related party transactions to ensure that these transactions are carried out on an arms-length basis.

4.15 Disclosure Regarding Forward - Looking Statements

This Prospectus contains forward-looking statements including the consolidated profit forecast for the financial year 31 October 2002 for Silver Bird Group. Such forward-looking statements are based on assumptions, which the Directors of Silver Bird consider to be reasonable, but which nevertheless are subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of forward-looking statements and because events and circumstances frequently do not occur as expected, there can be no assurance that the forward-looking statements contained herein will be realised and actual results may be materially different than those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements, in particular the consolidated profit forecast that is contained herein.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK