

5. INFORMATION ON SILVER BIRD GROUP

5.1 HISTORY AND BUSINESS

Silver Bird was incorporated in Malaysia under the Companies Act, 1965 on 5 October 1993 as a private limited company under the name of Madeleine Bakery Cafe Sdn. Bhd. ("MBC"). Pursuant to a corporate restructuring exercise, the company changed its name to SilverBird Group Sdn. Bhd. on 21 August 1998 and subsequently to Silver Bird Group Sdn. Bhd. on 3 March 1999. On 21 August 2000, Silver Bird was converted into a public company and assumed its present name.

The history of Silver Bird started in 1960 by the late Mr Tan Chin Suan, who is the father of Dato' Tan Han Kook, as a sole proprietor cake house in Kuala Lumpur, under the name of Standard Confectionery. In 1986, SCSB was incorporated to take over the business from the sole proprietorship cake house and embarked on major expansion plans. As part of Silver Bird's business diversification programmes, MBC and MBSB were incorporated on 5 October 1993 and 29 November 1995 respectively to take advantage of the growing cakes and pastries segment of the food market. MBC operated a chain of bakery cafe outlets whilst MBSB focused on take away bakery business. Both MBC and MBSB operate under the registered name "Madeleine". To avoid disruption in SCSB's production supplies to MBC and MBSB, MFSB was incorporated on 26 August 1994 to produce for MBC and MBSB as well as to cater for external demand. Thereafter, SCSB's position was to concentrate and focus on the external domestic market including direct selling to companies and export demands. MBC acquired Asia Food and AFLL on 1 July 1996 to complement the group's business. Asia Food provides wholesale trading of raw materials and ingredients primarily for the bakery industry whilst AFLL provides warehousing, distribution and management services for the food industry. MBC undertook a group corporate restructuring in 1997 whereby it acquired SCSB, MFSB and MBSB. MBC then changed its name to SilverBird Group Sdn. Bhd. on 21 August 1998 and became the holding company of SCSB, MFSB, MBSB, Asia Food and AFLL. Subsequently, MCSB was incorporated on 10 October 1998 to assume MBC's bakery cafe operations.

Today, Silver Bird is an investment holding company, with subsidiaries which are principally involved in the bakery industry as follows:-

Name	Principal Activity	Issued and paid up capital as at 22 April 2002 RM	% held
SCSB	Manufacturer of frozen and daily fresh/shelf-stable bakery goods.	2,000,000	100
MFSB	Manufacturer of bakery goods for the bakery-cafes and for external customers.	500,000	100
Asia Food	Trading of raw materials and ingredients primarily for the bakery industry.	400,000	100
AFLL	Provision of warehousing, distribution and management services for the food industry.	300,000	100
MCSB	Operator of bakery-cafes.	2	100
MBSB	Operator of bakery-cafes on a take away basis.	50,000	100
MPSB	Property management.	50,000	100

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

The Group derives its income mainly from manufacturing activities i.e. from SCSB and MFSB, which accounts for 91% of the Group's after-tax profits based on the results for the financial year ended 2001, followed by operation of cafes and bakeries, trading of bakery raw ingredients and the provision of warehousing and distribution services, which accounts for the remaining 9% of the Group's after-tax profits for the financial year ended 2001.

The Directors of Silver Bird believe that, over the years, the Silver Bird Group has established itself as one of the dominant domestic bakery food manufacturer in the country. This is reflected by the recognition received by the Group as follows:-

- The Products Excellence Award was conferred to SCSB in 1991 and 1998 by MITI for SCSB's quest for constant product improvement.
- The Enterprise 50 Award was conferred to SCSB (16th placing) and Silver Bird (10th placing) on 25 October 1999 and 31 October 2000 respectively. This annual award programme is organised by Accenture and the Small and Medium Industries Development Corporation (SMIDEC) and recognises the achievements of Malaysia's enterprising homegrown companies which are well positioned for the future.

In addition, SCSB was also one of the two recipients for special awards in the said Enterprise 50 Award Programme in 1999. The special award was presented in recognition of SCSB's brand-building efforts that have positioned 'Silver Bird' as a known and trusted name for quality, consistency and reliability in the international and local markets that SCSB serves.

5.2 FLOTATION SCHEME

The Flotation Scheme, leading to the listing of and quotation for the entire enlarged issued and paid-up share capital of Silver Bird on the Second Board of the KLSE, which had been approved by MITI vide their letters dated 6 December 2000, 18 December 2000, 28 December 2001 and 30 March 2002, FIC vide their letters dated 19 October 2000, 7 November 2000 and 2 April 2002, SC vide their letters dated 30 August 2001, 14 December 2001 and 4 March 2002, and the shareholders of Silver Bird at an Extraordinary General Meeting held on 18 March 2002, entails the following:-

(i) Share Split

Pursuant to the Share Split which was completed on 18 March 2002, 13,194,720 ordinary shares of RM1.00 each in Silver Bird were converted to 26,389,440 ordinary shares of RM0.50 each.

(ii) Shares Conversion

The 2,513,280 'A' Shares in the Company were converted into 5,026,560 new Shares at a conversion ratio of 1 'A' Share into 2 new Shares and the 3,000,000 Preference Shares were converted into 4,000,000 new Shares at a conversion ratio of 3 existing Preference Shares into 4 new Shares. The 'A' Shares and Preference Shares were held by the following:-

Company	No. of 'A' Shares	No. of Preference Shares
3i	2,513,280	1,800,000
EGG	-	<u>1,200,000</u>
	<u>2,513,280</u>	<u>3,000,000</u>

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

The Shares Conversion which was completed on 18 March 2002 resulted in an issued and paid-up share capital of RM17,708,000 comprising 35,416,000 Shares.

(iii) Rights Issue

Rights issue of 29,784,000 new Shares at par on the basis of approximately 275 new Shares for every 327 Shares held. The Rights Issue which was completed on 22 April 2002 resulted in the issued and paid up share capital of Silver Bird being further increased from RM17,708,000 to RM32,600,000 comprising 65,200,000 Shares.

(iv) Public Issue

Silver Bird will issue 14,800,000 new Shares or approximately 18.5% of its enlarged issued and paid-up share capital, at an issue price of RM0.90 per Share, in the following manner:-

(a) Eligible Directors and Employees of the Silver Bird Group

550,000 Public Issue Shares representing approximately 0.69% of the enlarged issued and paid-up share capital have been reserved for eligible directors and employees of the Silver Bird Group.

(b) Private Placement

11,250,000 Public Issue Shares representing approximately 14.06% of the enlarged issued and paid-up share capital will be placed out as follows:-

	No. of Shares
Places identified by Silver Bird	
Great Eastern Life Assurance (Malaysia) Berhad	2,000,000
Malaysia National Insurance Berhad	1,000,000
Places 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 (formerly known as Malaysia British Assurance Berhad)	50,000*
Allianz Life Insurance Malaysia Berhad (formerly known as MBA Life Assurance Bhd)	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.

(c) Malaysian Public

3,000,000 Public Issue Shares representing approximately 3.75% of the enlarged issued and paid-up share capital 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.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)**(v) Offer for Sale**

Simultaneous with the Public Issue, the following shareholders of Silver Bird will make an offer for sale of 5,300,000 Shares at an offer price of RM0.90 per Share to nominated Bumiputera investors and eligible Directors and employees of the Group:-

Name	Before the IPO		Offer for Sale	After the IPO	
	No. of Shares held	%	No. of Shares offered	No. of Shares held	%
Dato' Tan Han Kook	4,014,507	6.16	471,280	3,593,227*	4.49
Datin Ong Hooi Siang	92,786	0.14	10,893	81,893	0.10
Ching Siew Cheong	1,382,499	2.12	162,297	1,270,202*	1.59
Amble Appeal	12,105,373	18.57	1,421,100	10,684,273	13.36
Tahako	5,752,681	8.82	675,331	5,077,350	6.35
G&G	13,054,581	20.02	1,532,531	11,522,050	14.40
EGG	2,945,561	4.52	345,792	2,599,769	3.25
Tan Han Foong	1,484,563	2.28	174,279	1,310,284	1.64
Tan Sook Wah	1,438,170	2.21	168,833	1,317,337*	1.65
Tan Sook Kean	719,085	1.10	84,416	634,669	0.79
Tan Sook Mee	719,085	1.10	84,416	634,669	0.79
Tan Sook Peng @ Annie Tan	719,085	1.10	84,416	634,669	0.79
Tan Sook Yin	719,085	1.10	84,416	634,669	0.79
	45,147,061	69.24	5,300,000	39,995,061	49.99

* Includes the Shares allocated as part of the pink forms' allocation.

(vi) Listing on the KLSE Second Board

Admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of Silver Bird of 80,000,000 Shares on the Second Board of the KLSE.

5.3 PROPOSED ESOS

Silver Bird had on 4 March 2002 and 2 April 2002 obtained the approval of the SC and existing shareholders of the Company respectively, 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. According to the SC's guidelines on employees share option schemes, the Proposed ESOS shall only be implemented by Silver Bird upon receipt of the relevant approvals from the SC, KLSE and existing shareholders of the Company, the fulfilment of any conditions attached thereto and upon RHB Sakura, as the Adviser to the Proposed ESOS, submitting to the SC the following:-

- (a) Final copy of the By-Laws of the Proposed ESOS; and
- (b) Confirmation letter from RHB Sakura that Silver Bird has:-
 - (i) fulfilled the SC's conditions of approval for the Proposed ESOS and that the By-Laws do not contravene any of the provisions of the SC's guidelines on employees share option schemes; and
 - (ii) obtained all other relevant approvals for the Proposed ESOS and has fulfilled all conditions imposed therein.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

An application will be made to the KLSE within 3 Market Days from the date of this Prospectus for the listing of Silver Bird Shares that may be issued upon the exercise of the Options together with the application for admission of Silver Bird Shares 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 as mentioned in section 3.1 of this Prospectus. Therefore, the Proposed ESOS shall only be established after Silver Bird has obtained the KLSE's approval-in-principle for the listing of Silver Bird Shares that may be issued upon the exercise of the Options.

The Proposed ESOS will be for a duration of 5 years and the maximum number of Shares that may be issued to eligible executives and Executive Directors of the Group under the Proposed ESOS is limited to 10% of Silver Bird's issued and paid-up share capital at any point in time.

According to the SC's guidelines on employees share option scheme, where the Options are granted before the Company is listed on the KLSE, the exercise price shall not be less than the IPO Price. Where the Options are granted on or after the Company is listed on the KLSE, the exercise price shall be the higher of:

- (i) the weighted average market price of the Shares for the five (5) Market Days immediately preceding the date of offer, or with a discount of not more than 10% on the said weighted average market price; or
- (ii) the par value of the Shares.

Barring unforeseen circumstances, the Directors of Silver Bird intend to grant Options for up to a maximum of 7.2 million Shares prior to the Company being listed on the KLSE at an exercise price of RM0.90 per Share. However, such Options shall only be exercisable after Silver Bird has been listed on the Second Board of the KLSE. Subject to the decision of the Option Committee (as defined in the By-Laws of the Proposed ESOS), holders of Options may exercise up to a maximum of 50% of their Options in each year during the duration of the Proposed ESOS.

The Directors of Silver Bird intend to utilise the proceeds from the exercise of the Options to repay the Group's borrowings and for working capital purposes.

The new Shares to be allotted upon any exercise of an Option will upon allotment rank *pari passu* in all respects with the existing issued and paid-up Shares including rights to dividends, rights, allotments or other distributions except that they shall not be entitled to any dividends, rights, allotments or other distributions declared, made or paid, the Record Date for which is before the date the Option is exercised. The term "Record Date" means the date, as prescribed by the Company, as at the close of business on which the shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or other distributions.

The By-Laws of the Proposed ESOS are set out in Chapter 13 of this Prospectus.

5.4 SHARE CAPITAL

The authorised share capital of Silver Bird is RM50,000,000 comprising 100,000,000 ordinary shares of RM0.50 each. As at 22 April 2002, the issued and paid-up share capital of Silver Bird was RM32,600,000 comprising 65,200,000 ordinary shares of RM0.50 each. Upon the completion of the Public Issue, the enlarged issued and paid-up share capital of the Company will be RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each.

Details of the changes in the issued and paid-up share capital of Silver Bird since its incorporation are as follows:-

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

(a) Ordinary shares

Date of allotment	No. of ordinary shares	Par Value RM	Consideration	Cumulative no. of ordinary shares	Total RM
05.10.93	2	1.00	Subscribers' shares	2	2
22.12.93	149,998	1.00	Cash	150,000	150,000
01.11.95	150,000	1.00	Cash	300,000	300,000
16.01.97	1,170,000	1.00	Cash	1,470,000	1,470,000
	2,744,000	1.00	Share swap	4,214,000	4,214,000
12.06.97 to}	5,132,000	1.00	Share swap	9,346,000	9,346,000
25.06.97 }	4,872,000	1.00	Cash	14,218,000	14,218,000
01.05.99	1,490,000	1.00	Conversion of preference shares to ordinary shares	15,708,000	15,708,000
27.08.99	(2,513,280)	1.00	Reclassification of shares to 'A' ordinary shares	13,194,720	13,194,720
18.03.02	13,194,720	0.50	Share Split	26,389,440	13,194,720
18.03.02	5,026,560	0.50	'A' Shares Conversion	31,416,000	15,708,000
18.03.02	4,000,000	0.50	Preference Shares Conversion	35,416,000	17,708,000
03.04.02 to					
22.04.02	29,784,000	0.50	Rights Issue	65,200,000	32,600,000

(b) 'A' Shares

Date of allotment	No. of 'A' Shares	Par Value RM	Consideration	Total RM
27.08.99	2,513,280	1.00	Reclassification from ordinary shares	2,513,280
18.03.02	(2,513,280)	1.00	'A' Shares Conversion	-

(c) Preference Shares

Date of allotment	No. of Preference Shares	Par Value RM	Consideration	Total RM
28.07.97	1,000,000	1.00	Cash	1,000,000
01.05.99	-	1.00	Conversion from preference shares to ordinary shares	-
27.08.99	3,000,000	1.00	Cash	3,000,000
18.03.02	(3,000,000)	1.00	Preference Shares Conversion	-

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.5 BUSINESS OVERVIEW

5.5.1 Principal Products and Services

The Silver Bird Group is principally engaged in bakery manufacturing, food retailing and wholesale/logistics of bakery ingredients businesses. The Directors of Silver Bird believe that Silver Bird Group, through SCSB, is a major shelf-stable and frozen cakes manufacturer with 40 years experience in the bakery industry in Malaysia. Based on a survey conducted for the period from July 2001 to December 2001 by GFI Marketing, a distributor of shelf-stable and frozen cakes to retailers in Malaysia, and the responses from 100 retailers randomly selected from their customers list, the Silver Bird Group accounts for approximately 70% and 80% of the local market share by volume for shelf-stable and frozen cakes respectively. Set out below is a breakdown of the Group's core business activities in terms of their contribution to the Group for the financial year ended 2001:-

	Turnover %	Profit After Tax %
Bakery manufacturing	72	91
Operation of cafes and bakeries	10	7
Trading of bakery raw ingredients	13	1
Provision of warehousing and distribution services	5	1
	----- 100	----- 100
	=====	=====

(a) Bakery Manufacturing

The Group's manufacturing activities are carried out via SCSB and MFSB, which manufacture a range of diversified bakery products, falling into 3 categories:-

- (i) **Daily fresh** - are freshly baked filled buns/rolls, which have a shelf life of up to 7 days.
- (ii) **Shelf-stable** - are bakery products which include fruitcakes, that last for a few months.
- (iii) **Frozen** - are frozen bakery products such as frozen cakes and pizzas, that can last up to an average of 12 months if kept refrigerated.

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5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

However, the range of products manufactured by SCSB and those manufactured by MFSB are distinct from each other as follows:-

Products manufactured by SCSB

SCSB manufactures a diversified range of bakery products under the Group's own trademarks (ie "Silver Bird" and "St. Gallen") and on contract-manufacturing basis as follows:-

Silver Bird

Products	No. of Variants	Type	Description
➤ Fruitcakes	7	SS	Chocolate Sultana, Rich, Double Chocolate, Sultana & Walnut, Mocca & Walnut, Legacy and Traditional
➤ Frozen cakes	12	F	Sweet Corn Layer, Pandan & Coconut Layer/Pound, All Butter Pound, Chocolate Pound, Carrot Walnut, Sultana Pound, Marble Pound, Coffee Pound, Strawberry Sponge and Chocolate Sponge.
➤ Frozen pizzas	7	F	Spcedzza – Vegie Delight, Chicken Mushroom, Tuna Curry, Prime Beef, Scafood, Chic Supreme and Chic Hawaiian
➤ Cake-mixes	4	SS	Fruit, Chocolate Chips, Cherries, Sultanas & Raisins
➤ Rolls	3	F	Chocolate, Lemon and Pineapple
➤ Pic	3	F	Beef, Chicken and Chicken Curry
➤ Mini-puff	4	F	Space Ball - Tuna Mayo, Chicken Filling, Tuna Curry and Vegie Curry
➤ Mooncakes	4	SS	Lotus Paste, Single Yolk, Double Yolk and 4 Seasons
➤ Fresh cakes	6	SS	Mango, Orange, Chocolate, Margarine, Marmar and Swiss
➤ Tarts	1	SS	Pineapple

St Gallen

Products	No. of Variants	Type	Description
➤ Pound cakes	6	SS	Pandan, Double Choc, Orange, Marble, Pineapple and Cappuccino

Cosway

Products	No. of Variants	Type	Description
➤ Fruitcakes	4	SS	Deluxe, Mocca Walnut, Choc and Premium

High 5

Products	No. of Variants	Type	Description
➤ Filled buns and cream rolls	13	DF	Strawberry, Peanut Butter, Coffee, Pizza, Anchovies, Spicy Tuna, Sardine, Chocolate, Coconut, Kaya, Peanut Butter, Cheese and Red Bean

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Products manufactured by MFSB

Products	No. of Variants	Type	Description
➤ Tartlets	2	SS/F	Plain and with fillings
➤ Buns	1	DF	Plain
➤ Bread	1	DF	Garlic
➤ Other pastries	8	F/SS	Baguette, Croissant, Beef Shepherd's Pie, Chicken Shepherd's Pie, Chicken Cottage Pie, Pecan Pie, Fruit Tart and Profiterole

Legends

DF	-	Denotes daily fresh
SS	-	Denotes shelf-stable
F	-	Denotes frozen

SCSB's factory is located at Lot 19 & 20, Jalan E¼, Kawasan Perusahaan Ehsan, Batu 8, Jalan Kepong, 52000 Kuala Lumpur whilst MFSB's factory is located at Lot 205 and 206, Jalan 1, Taman Perindustrian Ehsan Jaya, Taman Ehsan, Kepong, 52100 Kuala Lumpur.

(b) Operation of cafes and bakeries

Through MCSB and MBSB, the Group operates 4 bakery-cafes which retail the following products: -

- Pastries (puffs, tartlets, muffins, biscuits, pies, croissants, wraps etc)
- Sandwiches
- Dessert
- Beverages

The products retailed by MCSB and MBSB are manufactured by MFSB. Both MCSB and MBSB operate under the brand "Madeleine".

MCSB has one outlet in the Klang Valley namely in Bangsar, whilst MBSB has one outlet each in Kuala Lumpur, Shah Alam and Penang.

(c) Trading of bakery raw ingredients

Bakery raw ingredients such as margarine, chocolate products and canned goods are sold by Asia Food to food manufacturers such as Hup Seng Perusahaan Makanan (M) Sdn. Bhd., Hong Yap Trading Co. and wholesalers/distributors of bakery raw materials. Through the synergistic advantage that the Group has, some of the bakery raw ingredients are jointly imported/bought by SCSB and Asia Food, which results in bulk purchases and cost savings.

(d) Provision of warehousing and distribution services

AFLI, a subsidiary of Asia Food, provides warehousing and distribution services for SCSB as well as other customers involved in the food industry. AFLI's warehouse is situated at 3 Persiaran 1/118C, Desa Tun Razak, 56000 Kuala Lumpur.

For SCSB, AFLI only provides distribution services in respect of bakery products sold to GFI Marketing, one of SCSB's distributors. AFLI receives instructions from GFI Marketing to distribute SCSB's products to specified drop-off points eg. supermarkets, hypermarkets, mini-markets, grocery stores etc.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.5.2 Production Capacity and Process

The Group's plant (i.e. SCSB's and MFSB's plant), which houses all of their administrative and production activities is situated on a 5,737 sq. m. site in Kepong, Selangor. The factory comprises manufacturing equipment and research and development facilities. Their machines are further enhanced by microprocessor control for greater efficiency.

The factory has a plant within a plant concept to facilitate the production of large quantities as well as to custom-design products in accordance with customers' specifications. The plant is set-up on a semi rather than fully automated basis, to provide flexibility in terms of enabling variation in the product lines, sizes and other features.

The machinery is a combination of Japanese and European technology, which the Directors of Silver Bird believe has helped SCSB to reach a stage where they are able to produce products to meet high standard as well as maintain very competitive pricing as evidenced by export sales to regional countries including highly developed markets such as Singapore and Hong Kong. SCSB obtained the ISO9001 certification on 29 August 2000.

Production Process

Production at SCSB's plant is a 12-hour process and requires operators and supervisors to cope with speed, volume and variety. The production at MFSB's plant on the other hand, is a 5-hour process. Operations are carefully planned, as once ingredient mixing has begun, the process cannot be interrupted. SCSB's and MFSB's factories are able to produce 50 tonnes and 6 tonnes of baked food per day respectively.

Production Flow

The operations of SCSB and MFSB (the two manufacturing arms of Silver Bird) starts from Weighing of ingredients to a series of process which can be categorised as follows:- Mixing, Make-up, Proofing, Topping, Baking, Depanning, Cooling, Blast freezing, Slicing, Packing and finally Despatch to market.

Mixing

The transportation of raw material to the mixer starts the first stage of the operation. Depending on the product variant, the weighed ingredients are mixed to form a batter or dough in this stage.

Make-up

The make-up stage is a complicated series of event, which takes place after the mixing stage. The dough may go through the dividing & scaling, rounding, intermediate proofing, moulding and filling whereas the batter may be deposited with any necessary decorative operation prior to being panned into the baking pans/trays.

Proofing

For products that need to go through the proofing (rising) stage, the panned work-in-progress (WIP) can either be racked and pushed into the proof box manually or conveyor system will be used to transfer the filled pans/trays to the automatic proofer loading station. The WIP will be left in the proofer for the predetermined time. They will then be transferred to the oven loading station, again either manually on rack or on conveyor in automatic production line.

Products like cheese bun will have to go through topping operation after proofing. This will be done before the WIP (proofed dough) is sent to the oven loading station.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Baking

WIP after proofing or WIP for products that does not need proofing from make-up stage will then be ready to be loaded to ovens for baking. They will be racked into the rack oven, manually loaded into the rotary tray oven or automatically loaded into oven in automatic line. As such, depending on variance of products and type of oven, the WIP can be baked on rack, on trays or on moving conveyors in tunnel oven.

Depanning

The following stage of operation after baking is depanning where the baked WIP will be removed from the baking pans/trays. For products that need to be cooled in tray, the depanning operation will be done after cooling. The pans/trays will then travel along a system for cooling and regreasing before being return to the make-up area for the next round of use.

Cooling

The baked WIP can be cooled either on racks or on cooling conveyor that is of stainless steel wire construction with chain driven on automatic line to allow for cooling to predetermined temperature.

Blast freezing

The secret of preserving frozen cakes lies in a special process called blast freezing. As soon as the cakes emerge from a hot oven temperature of 180 degrees Celcius, they are immediately placed into the blast freezer where they are cooled to -35 degrees Celcius.

The blast freezing process, which takes 30 minutes, seals in the freshness of cakes, and with it, all of their original nutritional values, moisture, texture and flavour. Packaging and storage are done in cold rooms and the cakes kept refrigerated right up to delivery at retail outlets.

Packing

The cooled WIP will then be loaded onto packaging machines. Both canvas and plastic belts used on these machines are of special category so that proper grip of WIP is ensured. Creaming of some products like creamed rolls are done during this packing operation. An inline nozzle with pneumatic plunger pump is used for this operation. Sensor is used to detect the WIP on the machine to ensure accuracy of cream.

5.5.3 Principal Markets

The Group presently produces over 70 different varieties of bakery products. These products are distributed locally to leading supermarkets, hypermarkets, mini-markets, convenient stores and grocery stores as well as overseas and caters for the demand of different segments of the market.

Malaysia represents the largest market for the Group's sales and accounted for approximately 97% of turnover for the financial year ended 2001. Approximately 3% of the Group's sales in terms of turnover for the financial year ended 2001 were exported to overseas market such as Singapore, Brunei and Hong Kong.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.5.4 Major Customers and Methods of Distribution

Major Customers

The Group's products are mainly sold to distributors, where through their extensive marketing network and expertise, have contributed to the Group's success. The Group has established a wide base of distributors comprising a total of 25 distributors throughout Malaysia and 3 main distributors overseas.

The major distributors of the Silver Bird Group (ie. those individually contributing to more than 10% of turnover) based on the consolidated audited accounts of Silver Bird for the financial year ended 31 October 2001 are as follows:-

Distributors	Approximate No. of Years as Distributors	Contribution to total turnover in financial year ended 2001	
		RM'000	%
GFI Marketing	6	6,315	16
Stanson Marketing	3	11,401	28

As the balance 56% of the Group's turnover for the financial year ended 2001 is attributable to the sales by 23 distributors, the Silver Bird Group is not overly dependent on any distributors for its business as it has a large distributor base.

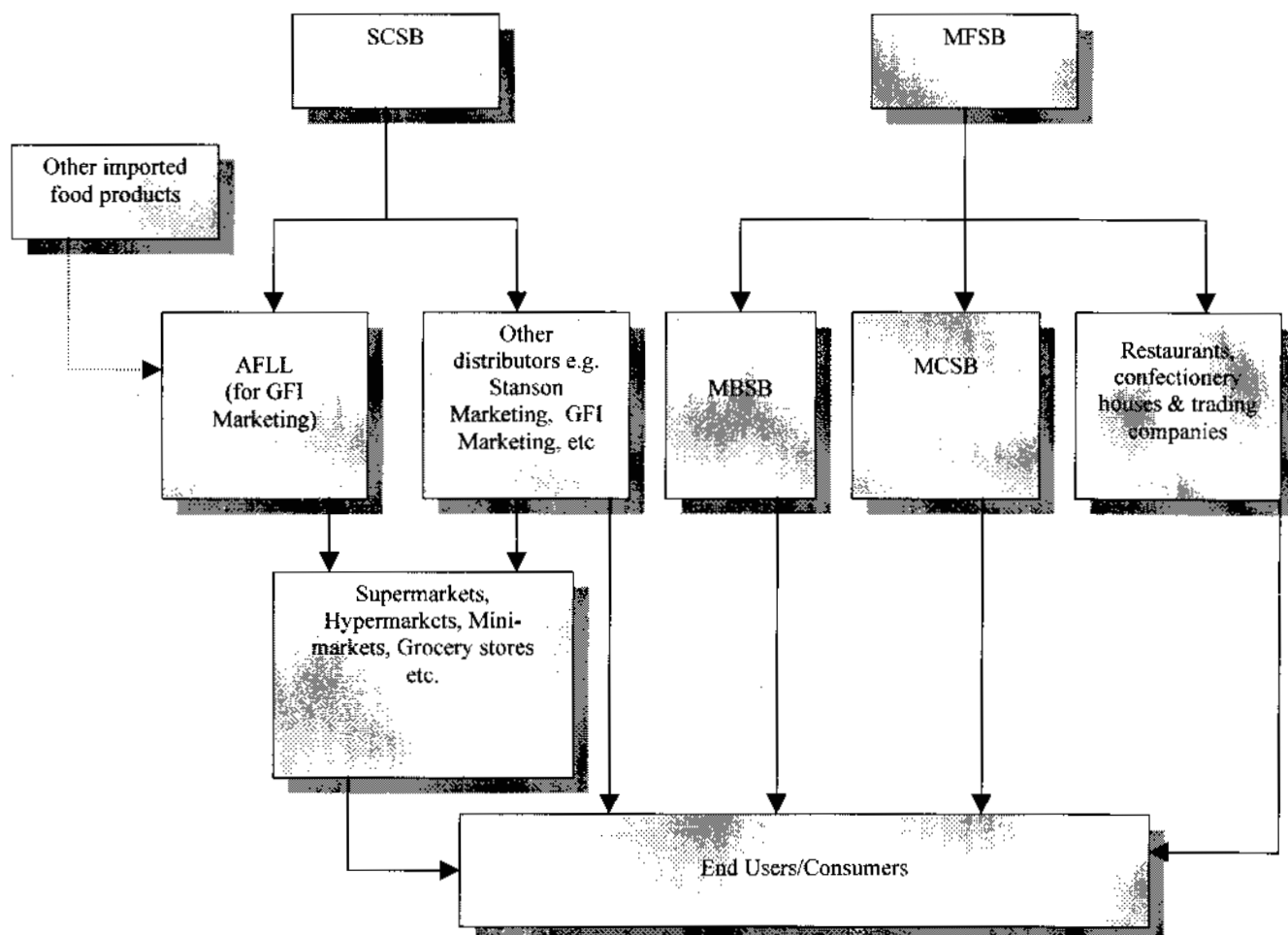
More than 70% of the Group's distributors have been transacting with the Group for the past 5 years. The Directors of Silver Bird believe that the Group has established long term business relationship with its distributors. Over the past 5 years of operations, the Group has not recorded any bad debts except for financial year ended 1998 when MFSB and AFLL recorded an insignificant bad debt of approximately RM30,000 (which represented approximately 0.1% of the Group's turnover for that financial year) and the financial year ended 31 October 2000 when SCSB and Asia Food recorded an insignificant bad debt of RM36,173 (which represented approximately 0.1% of the Group's turnover for that financial year), both due to the economic crisis.

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5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Method of Distribution

The success of the Silver Bird Group is dependant on, inter-alia, the strength of its distribution network. The increasing number of large retail chains, shopping malls and retail outlets has had a strong impact on the Group's performance. The Group's distribution network is illustrated as follows:-



As illustrated above, the bakery products manufactured by SCSB are principally sold through 2 main distributors who subsequently distribute these products to supermarkets, hypermarkets, mini markets, grocery stores, etc., throughout Peninsular and East Malaysia. These distributors place orders on a regular basis with SCSB.

GFI Marketing

GFI Marketing (a wholly-owned subsidiary of Goodman Fielder Ltd, a public-listed company in Australia and one of the largest food company in Asia Pacific) is an international wholesale distribution company of food products. GFI Marketing distributes to retail outlets such as mini markets, wholesalers and super/hypermarkets in Malaysia. The bakery products purchased from the Silver Bird Group are frozen cakes, fruitcakes, cake mixes and frozen pizzas. GFI Marketing engages AFLL, a subsidiary of Silver Bird, to transport the bakery products purchased from the Silver Bird Group to their customers.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Stanson Marketing

Stanson Marketing is a distributor of the Silver Bird Group's daily-fresh products (especially their filled buns and rolls) and certain shelf-stable products, which are sold to retailers, agents and canteens.

Stanson Marketing was formed by the existing shareholders of Silver Bird (apart from Datuk Tengku Adnan bin Tengku Mansor and G&G). Stanson Marketing distributes "High 5" bread, a leading bread brand in Malaysia. Stanson Marketing's supplies also consist of daily-fresh baked goods (such as filled buns and rolls) and certain shelf-stable products from the Silver Bird Group. Stanson Marketing has 120 trucks plying the daily routes around the country and delivers fresh bakery supplies daily to 5,000 retail outlets throughout Malaysia. The common directors of Silver Bird and Stanson Marketing ie. Dato' Tan Han Kook, Datin Ong Hooi Siang and Ching Siew Cheong have indicated that barring unforeseen circumstances, Stanson Marketing plans to increase their fleet of trucks to 175 units within the next 36 months with a target of 6,500 outlets, in order to complement Stanson Marketing's projected sales growth.

The Directors of Silver Bird view Stanson Marketing's existing 5,000 retail outlets for its bread and the Silver Bird Group's products throughout Peninsular Malaysia as a strong strategic advantage over their competitors in terms of distribution coverage as apart from one other competitor ie Gardenia Bakeries (KL) Sdn Bhd, there is no other competitor in Malaysia with this capability, as confirmed in writing by Shick-AMF Asia Pacific, a leading global bakery machinery supplier.

Export sales

The Silver Bird Group's products are marketed overseas through appointed distributors as follows:-

Distributors	Countries
Park n Shop	Hong Kong
Chinatown Food Corp Pte Ltd	Singapore
Syarikat Perniagaan Malar Setia	Brunei

5.5.5 Market Share

The Directors of Silver Bird believe that Silver Bird Group, through SCSB, is a major shelf-stable and frozen cakes manufacturer with 40 years experience in the bakery industry in Malaysia. Based on a survey (the results of which was communicated in writing to SCSB) conducted for the period from July 2001 to December 2001 by GFI Marketing, a distributor of shelf-stable and frozen cakes to retailers in Malaysia, and the responses from 100 retailers randomly selected from their customers list, the Silver Bird Group accounts for approximately 70% and 80% of the local market share by volume for shelf-stable and frozen cakes respectively.

The Directors of Silver Bird also believe that the Group will become a major player in the daily fresh bakery products market, as the Group's filled buns and rolls, has garnered an estimated market share of 18% since its launch in January 2000 (based on the Group's sales of filled buns and rolls for the financial year ended 31 October 2001 compared to the latest available audited turnover of the Group's major competitors namely Everyday Bakery & Confectionery Sdn Bhd and Today Bakeries Products Sdn Bhd). With the encouraging market acceptance, the Group would be expanding its production and sales of the filled buns and rolls in the local and export bakery market. In this connection, the Group has acquired a parcel of 10 acres industrial land costing approximately RM5 million for the construction of a new factory of 80,000 sq. feet and corporate office.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.5.6 Major Suppliers, Source and Availability of Raw Materials

Most of the Group's raw materials are sourced locally. The main raw materials used to manufacture bakery products are margarine, flour, eggs and sugar. These raw materials are readily available from various local suppliers and are regulated by Price Control Act 1946 and Control of Supplies Act 1961, which help to ensure price and supply stability respectively. 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.

Approximately 61% of the Group's raw material purchases in financial year ended 2001 were from 10 suppliers, which have an average relationship of 5 years with the Group. The Group's normal credit term with its suppliers ranges from 30 to 60 days. To-date, the Directors of Silver Bird are of the view that the suppliers conform satisfactorily to the Group's quality requirements.

The top 10 suppliers for the Group in financial year ended 2001 are set out below:-

No.	Supplier	Length of Relationship (Years)	Country of Origin	Raw Material Supplied	Contribution to Total Raw Material Purchases in financial year ended 2001	
					RM'000	%
1.	Intrico Sdn Bhd	2	Malaysia	Margarine & various ingredients	3,490	23.12
2.	Aik Seng Edar (M) Sdn Bhd	8	Malaysia	Sugar & Flour	1,660	11.00
3.	Yuen Seng Trading	5	Malaysia	Egg yolk & various ingredients	839	5.56
4.	ICA Plastic Industries Sdn Bhd	3	Malaysia	Wrapper	763	5.05
5.	New Yuen Seng Trading Sdn Bhd	1	Malaysia	Sugar & various ingredients	625	4.14
6.	Epic Products Sdn Bhd	5	Malaysia	Margarine & edible oil	461	3.05
7.	Consolidated Farm Bhd	7	Malaysia	Eggs	374	2.48
8.	Kerry Ingredients Australia Pty Ltd	10	Australia	Mixed peel	347	2.30
9.	Malayan Flour Mills Bhd	7	Malaysia	Flour	334	2.21
10.	Focusprint Sdn Bhd	9	Malaysia	Boxes	317	2.10

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.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.5.7 Trademarks

The Group has two registered trademarks, i.e. "Silver Bird" and "St. Gallen" for SCSB's products. The trademark numbers, registrant, goods, classes and expiry dates are as follows:-

No	Brand	Trademark No.	Registrant	Goods	Class	Expiry Date
1.	Silver Bird	90/01074	SCSB	For meat, fish, poultry and dairy products	29	13 February 2011
2.	Silver Bird	90/01075	SCSB	For drinks and confectionery items	30	13 February 2011
3.	St. Gallen	92/06517	SCSB	For drinks and confectionery items	30	15 September 2009

5.5.8 Approvals, Major Licences and Permits

Issued / Granted To	Authority	Type Of Approvals/ Major Licences/Permits	Validity	Equity Conditions Attached	Status of Compliance
Silver Bird	FIC	Approval for 3i's investment in Silver Bird	-	The FIC's approval was subject to the equity condition that Silver Bird maintains a 30% Bumiputera equity interest at all times	Complied
SCSB	MITI	Manufacturing Licence or "Lesen Pengilang" under the Industrial Co-ordination, 1975 to produce premixes and other bakery products such as cakes, biscuits and pastries, frozen cakes, frozen dough and other frozen ready-to-bake products at Lot 20 & 21, Jalan E ¼, Kawasan Perusahaan Ehsan, Batu 8 Jalan Kepong, 52000 Kuala Lumpur	-	The manufacturing license issued by MITI to SCSB is subject to at least 70% of SCSB's shares shall be held by Malaysians with 30% held by Bumiputera	Complied
SCSB	Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	Permit to store liquefied petroleum gas for commercial use	26.04.01 to 25.04.02*	-	-
SCSB	Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	Permit to store diesel for commercial use	26.05.01 to 25.05.02	-	-

* SCSB is in the process of renewing this licence from 26 April 2002 to 25 April 2003.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Issued / Granted To	Authority	Type Of Approvals/ Major Licences/Permits	Validity	Equity Conditions Attached	Status of Compliance
SCSB	Jabatan Kemajuan Islam Malaysia	"Halal" Permit	Nov 2001 to Nov 2002	-	-
MFSB	Malaysian Industrial Development Authority ("MIDA")	Pioneer Status or "Taraf Perintis" under the The Promotion of Investments Act, 1986 to manufacture bakery products and desserts in Lot 205 & 206, Jalan 1, Taman Perindustrian Ehsan Jaya, Taman Ehsan, Kepong 52100 Kuala Lumpur	20.06.97 to 20.06.02	The said status granted by the MIDA vide MIDA's letter dated 30 April 1997, is subject to at least 70% of MFSB's shares shall be held by Malaysians	Complied
MFSB	Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	Permit to store flour, cooking oil and sugar for commercial use	11.09.01 to 10.09.02	-	-
MFSB	Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	Permit to store liquefied petroleum gas for commercial use	05.12.01 to 04.12.02	-	-
MBSB	Dewan Bandaraya Kuala Lumpur	Licence for cafe business	28.02.02 to 31.12.02	-	-
MBSB	Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	Permit to store flour and sugar for commercial use	15.10.01 to 14.10.02	-	-
MBSB	Majlis Perbandaran Shah Alam	Licence for bakery business	Expires on 31.12.02	-	-
MBSB	Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	Permit to store flour, cooking oil and sugar for commercial use	17.10.01 to 16.10.03	-	-

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Issued / Granted To	Authority	Type Of Approvals/ Major Licences/Permits	Validity	Equity Conditions Attached	Status of Compliance
MBSB	Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	Licence for bread production	21.09.00 to 20.09.02	-	-
MBSB	Majlis Perbandaran Pulau Pinang	Licence for bread production	Expires on 31.12.02	-	-
MBSB	Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	Permit to store flour, cooking oil and sugar for commercial use	09.08.01 to 08.08.02	-	-
MBSB	Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	Licence for bread production	11.12.01 to 10.12.02	-	-
MCSB	Dewan Bandaraya Kuala Lumpur	Licence for cafe business	21.02.02 to 31.12.02	-	-
Asia Food	Lembaga Kemajuan Ikan Malaysia	Licence to import/trade fish	27.02.02 to 31.03.03	-	-
Asia Food	Kawalan Padi & Beras	Licence to trade rice	28.02.02 to 27.02.03	-	-
AFLI	Dewan Bandaraya Kuala Lumpur	Licence for the storage of chilled and frozen dried food	26.10.01 to 31.12.02	-	-

5.5.9 Research and Development (R&D)

The objectives of the Silver Bird Group's R&D team is as follows:-

- develop new products in terms of variations in quality, taste and/or packaging; and
- improve existing products in terms of quality, taste and packaging

The Group's R&D team comprise of a R&D Manager assisted by 1 R&D Supervisor and 2 R&D Assistants. Barring unforeseen circumstances, the Group targets researching and introducing at least 5 new bakery products annually. New products introduced to the market in the last two financial years by the Group are as follows: -

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Financial year ended	Product Description
2000	<ul style="list-style-type: none"> ➤ Speedzza <ul style="list-style-type: none"> - Seafood - Chic Supreme - Chic Hawaiian ➤ Silver Bird Cakes <ul style="list-style-type: none"> - Mango - Orange - Swiss roll ➤ High 5 <ul style="list-style-type: none"> - Strawberry Cream Roll - Peanut Butter Cream Roll - Golden Fruit Cake - Pizza Bun - Ikan Bilis Bun - Legacy Fruit Cake ➤ Tupperware ➤ Save-on-Food Pineapple Tart ➤ Silver Bird Wani Ketupat
2001	<ul style="list-style-type: none"> ➤ Silver Bird Cakes <ul style="list-style-type: none"> - Traditional Fruit Cake - Chocolate Cake - Margarine Cake - Marmar Cake ➤ St Gallen Pound Cakes <ul style="list-style-type: none"> - Pandan - Double Choc - Orange - Marble - Pineapple - Cappuccino ➤ Cosway <ul style="list-style-type: none"> - Deluxe Fruit Cake - Mocca Walnut Fruit Cake - Choc Fruit Cake - Premium Fruit Cake ➤ High 5 <ul style="list-style-type: none"> - Fresh Sliced Pandan Cake - Spicy Tuna Bun - Sardine Bun - Coffee Cream Roll Bun

Description of certain products which were introduced in recent years are as follows:-

Speedzza (frozen pizza slices) – In the financial year ended 2000, the Group has introduced 3 more variants to the Speedzza product, which was first introduced in the financial year ended 1998. This is a good example of the Silver Bird Group's innovative effort and the first of its kind in South East Asia with the unique concept of single serving (one slice) pizza. Targeting the young consumer segment, the Silver Bird Group developed this product packaged with a metallic and futuristic look, to attract public awareness for the frozen product. The Silver Bird Group offers a variety of toppings to suit local tastes. Production capacity for Speedzza is 40,000 slices per day. Speedzza won the MITI's Product Excellence Award in 1998, under the Product Innovation category.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Filled buns and rolls – In the financial years ended 2000 and 2001, the Group introduced numerous variants to the “High 5” filled buns and rolls, which was first introduced in January 2000. These products are produced on consignment basis for Stanson Marketing under the name of “High 5”. The Directors of Silver Bird believe that to-date, the Group’s filled buns and rolls has garnered an estimated market share of 18% since its launch in January 2000 (based on the Group's sales of filled buns and rolls for the financial year ended 31 October 2001 compared to the latest available audited turnover of the Group's major competitors namely Everyday Bakery & Confectionery Sdn Bhd and Today Bakeries Products Sdn Bhd).

5.5.10 Employees

(a) Workforce

As at 22 April 2002, the Group has 253 employees in the following categories:

Category	
Management & Professional	19
Technical & Supervisory	32
Clerical & related occupations	47
General workers	17
Factory workers – Skilled	73
Factory workers – Unskilled	65

Total	253
	====

The average years of service of the management and professional staff in the Silver Bird Group is 5 years whilst the average years of service of the other staff is 3 years.

The Directors of Silver Bird are of the view the Group has a dedicated and committed management team who is quick to respond to changes in market environment. This has been especially evident in the recent economic downturn where management had formulated strategies which lead to turnover increasing despite the economic downturn.

None of the employees of the Silver Bird Group belongs to any union.

(b) Staff Training

Recognising the importance of human resource development as an important factor in the Group’s growth plan, the Group sends its employees to countries such as Japan and United Kingdom for in-depth training, while some employees undergo on-the-job training in the Group’s plant with the in-house food technologists. The Group also sends its employees for suitable seminars and training programmes to develop the employees’ management skills for advancement. As for staff on the production floor and clerical departments, training is provided for basic skills whilst training on supervision skills are usually sourced elsewhere. Production executives and managers are sent overseas such as Thailand and Japan for training in the development of bakery ingredients and machinery as well as to keep abreast with new technology.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.5.11 Technology Used

The Group's machinery is a combination of Japanese and European technology, which the Directors of Silver Bird are of the view has helped the Group to achieve the quality level where it can produce cakes to meet the high Japanese standards and yet, maintain very competitive pricing.

In 1989, the Silver Bird Group was the first bakery in Malaysia to invest in IQF (instant quick freeze) technology to preserve the freshness of their cakes. The Silver Bird Group was among the first companies in South East Asia to introduce the technology, which the Directors of Silver Bird believe provided the Group with the competitive advantage against imported frozen products from other countries. The Silver Bird Group's sales for the following three years increased from RM5.1 million in 1990, to RM13.5 million in 1992. The IQF method (also known as "Blast freezing") involves freshly baked products being blast frozen at -35 degrees Celcius, after which the products are transferred to the cool room and kept at -18 degrees Celcius at all times. By doing so, the cake will maintain its freshness which is comparative to freshly baked cakes.

Furthermore, the Silver Bird Group also adopts a fixed asset replacement programme where machinery exceeding 5 years will be assessed and replaced if necessary to ensure uncompromised products quality and to ensure that the machinery incorporates the latest technology.

The technology used by the Group is not subject to any royalty or licence fees.

5.5.12 Quality Control Procedures

One of the important factors for the Group's continued success is its commitment to quality. For example, SCSB, the Group's main manufacturing arm has an extensive quality-control (QC) system to ensure that their products meet the highest standards. SCSB's QC team comprise of a QC Supervisor and numerous QC Inspectors. QC is observed throughout the production process and may be categorised into two broad categories i.e. the Incoming Inspection Procedure (inspection of raw materials before being processed) and In-Process Inspection and Test Procedure (inspection of finished goods before despatch). SCSB's commitment to stringent quality control has resulted in the grant of the Veterinary Health Mark of Approval by the Ministry of Agriculture in 1990, which evaluates hygiene and good manufacturing practices for food companies involved in handling and using meat products. In addition, all of SCSB's products are "halal".

SCSB, the Group's manufacturing arm, has obtained the ISO9001 certification on 29 August 2000.

5.5.13 Awards

The Group's commitment to produce quality bakery products has resulted in the grant of the following awards:-

Year	Company	Award	Product	Source
1991	SCSB	Product Excellence Award	Frozen cakes	MTI
1998	SCSB	Product Excellence Award	Frozen pizzas	MTI
1999	SCSB	Enterprise 50 Award	All products	Accenture and SMIDEC
2000	Silver Bird	Enterprise 50 Award	All products	Accenture and SMIDEC

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

The Enterprise 50 Award was conferred to SCSB (16th placing) and Silver Bird (10th placing) on 25 October 1999 and 31 October 2000 respectively. The Enterprise 50 Award is aimed at identifying and rewarding the top 50 SMI (small and medium industries) companies. Under this programme, 50 companies were selected from amongst the nominations received, and evaluations were based on management and financial performance.

In addition, SCSB was also one of the two recipients for special awards in the said Enterprise 50 Award Programme in 1999. The special award was presented in recognition of SCSB's brand-building efforts that have positioned 'Silver Bird' as a known and trusted name for quality, consistency and reliability in the international and local markets that SCSB serves.

The Group was also accorded the Veterinary Health Mark of Approval by the Ministry of Agriculture in 1990 which evaluates hygiene and good manufacturing practices for food companies involved in handling and using meat products.

5.5.14 Interruption/Disruption in Business

The Group did not experience any disruption in business having significant effect on its operations for the past twelve (12) months prior to the date of this Prospectus.

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5. INFORMATION ON SILVER BIRD GROUP *(Cont'd)*

5.6 SUBSIDIARY COMPANIES

Details of Silver Bird's subsidiary companies are as follows:-

5.6.1 Information on SCSB

(a) History and business

SCSB was incorporated in Malaysia as a private limited company on 4 October 1986 to take over the business from the sole proprietor cake house operated by the late Mr Tan Chin Suan since the 1960's. The principal activity of SCSB is the manufacturing of frozen and daily fresh/shelf-stable bakery goods. SCSB then became a wholly owned subsidiary company of Silver Bird after a corporate restructuring exercise in 1997.

The initial expansion programme took place in 1986 when SCSB acquired a short-term lease to enable the installation of a proper production line. With the extra capacity and investment in modern machinery, turnover increased three-fold.

In 1989, SCSB embarked on another larger expansion plan – production of frozen products, by adopting the IQF (instant quick-freeze) technology or “Blast freezing” to preserve freshness of cakes. Since then, freshly baked cakes are blast frozen at – 35 Celcius, to maintain its freshness, which is comparable with freshly, baked cakes. SCSB was among the first in the South East Asia to adopt such technology and its frozen products gave the imported frozen products a tough competition. Sales increased from RM5.1 million in 1990 to RM13.5 million in 1992. In recognition of its quest for constant product improvement, MITI awarded SCSB with the Product Excellence Award in 1991 and 1998 for its range of “Silver Bird” frozen products.

The frozen selection ranges are pound cakes, pizzas, rolls, creme puffs, pies and mini-puffs. Under its shelf-stable category are fruitcakes, cake-mixes, fresh cakes, mooncakes and tarts, while under its daily fresh category is filled buns and rolls.

SCSB maintains the highest and strictest quality in all its products from raw materials to finished goods. SCSB has effectively implemented Hazard Analysis Critical Control Point and Principle of Good Manufacturing Practices (“GMP”) in its plant. Steps have been taken to ensure that sanitation standards are at the highest level by implementing the principles of GMP, which is recognised in Japan. All of SCSB's products are Veterinary certified and “halal”, catering to both domestic and international markets.

SCSB markets its products through appointed distributors for both its local and export markets. Local market covers hyper-markets, supermarkets, mini-markets, convenience stores, chinese medicine halls, sundry stores, petrol stations, direct sales companies, vendors, etc. whilst its export market comprises Singapore, Brunei and Hong Kong.

Over the years, SCSB has built a strong foothold for its bakery products, broadly categorised into frozen products and shelf stable (non-frozen) products in Malaysia as well as in the South East Asia region.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Silver Bird Group has, through SCSB, grown to establish itself as one of the dominant domestic bakery food manufacturer in the country. This is reflected by the recognition received by SCSB as follows: -

- The Product Excellence Award was conferred to SCSB in 1991 and 1998 by MITI for SCSB's quest for constant product improvement.
- The Enterprise 50 Award was conferred to SCSB (16th placing) and Silver Bird (10th placing) on 25 October 1999 and 31 October 2000 respectively. This annual award programme is organised by Accenture and SMIDEC and recognises the achievements of Malaysia's enterprising homegrown companies which are well positioned for the future.

In addition, SCSB was also one of the two recipients for special awards in the said Enterprise 50 Award Programme in 1999. The special award was presented in recognition of SCSB's brand-building efforts that have positioned 'Silver Bird' as a known and trusted name for quality, consistency and reliability in the international and local markets that SCSB serves.

It was also awarded pioneer status for 5 years from 1992 as an incentive by the Government for promoted industries, in this case, in relation to the manufacturing of frozen cakes.

(b) Share capital

As at the date hereof, the authorised and issued and paid-up share capital of SCSB is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total RM
04.10.86	3	1.00	Subscriber shares	3
14.01.87	249,997	1.00	Otherwise than in cash	250,000
02.05.89	100,000	1.00	Cash	350,000
07.08.89	50,000	1.00	Cash	400,000
30.12.90	200,000	1.00	Bonus issue	600,000
31.12.90	400,000	1.00	Cash	1,000,000
30.10.92	1,000,000	1.00	Bonus issue	2,000,000

(c) Substantial Shareholders

SCSB is wholly owned by Silver Bird. Please refer to Section 6 for information on Silver Bird's shareholders.

(d) Subsidiaries and Associate Companies

SCSB has no subsidiary or associate companies.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

(e) Profit and Dividend Record

The financial track record of SCSB for the 16 month period ended 31 October 1997 and four financial years ended 31 October 2001 is as follows:-

	16 month period ended 31 October 1997 RM'000	←-----Year ended 31 October-----→			
		1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	20,736	16,752	17,792	21,568	23,913
Pre-tax profit	1,620	2,352	2,166	4,164	5,036
Taxation	-	(435)	20	(284)	(821)
Profit after tax	1,620	1,917	2,186	3,880	4,215
No. of shares in issue ('000)	2,000	2,000	2,000	2,000	2,000
Gross EPS (sen)	60.8*	117.6	108.3	208.2	251.8
Net EPS (sen)	60.8*	95.9	109.3	194.0	210.8
Gross dividend rate (%)	-	82.5	61.5	139.0	152.5

* Annualised

Notes:-

1. There were no extraordinary or exceptional items for the financial years/period under review.
2. The turnover in 1998 actually increased as compared to the annualised turnover in 1997 (RM15.5 million) due to the launch of a new range of products and the increase in sales volume from the appointment of a new distributor for SCSB's products. In line with turnover, pre-tax profit rose from better profit margin, lower operating overheads, gain from foreign exchange and disposal of fixed assets.
3. The pre-tax profit for 1999 dropped slightly from the previous year despite an increase in turnover due to increase in marketing costs.
4. The increase in turnover in 2000 was mainly due to sales of filled buns and rolls which were launched in January 2000. The increase in pre-tax profit in 2000 was mainly due to the increase in turnover (hence gross profit) and a reduction in advertising and promotion expenses from RM1.2 million in 1999 to RM0.6 million in 2000.

5. INFORMATION ON SILVER BIRD GROUP *(Cont'd)*

5.6.2 Information on MFSB

(a) History and business

MFSB was incorporated in Malaysia as a private limited company on 26 August 1994 under the name of Top Arrival Sdn. Bhd. The name was subsequently changed to Madeleine Foods Sdn. Bhd. on 13 January 1995. The principal activity of MFSB is the manufacturing of baked goods.

MFSB was set up as the manufacturing arm of the Madeleine group of companies, namely MBSB and MCSB, which operate cafe outlets in the Klang Valley and other prime areas. The products manufactured by MFSB include different varieties of buns, tartlets, pastries and bread.

In September 1996, MFSB shifted from its temporary office in Petaling Jaya to its present factory site at Taman Perindustrian Ehsan Jaya, Kepong.

(b) Share capital

As at the date hereof, the authorised and issued and paid-up share capital of MFSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

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

Date of Allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total RM
26.08.94	2	1.00	Subscriber shares	2
15.02.95	200,000	1.00	Cash	200,002
12.06.95	299,998	1.00	Cash	500,000

(c) Substantial Shareholders

MFSB is wholly owned by Silver Bird. Please refer to Section 6 for information on Silver Bird's shareholders.

(d) Subsidiaries and Associate Companies

MFSB has no subsidiary or associate companies.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

(e) Profit and Dividend Record

The financial track record of MFSB for the 10 month period ended 31 October 1997 and four financial years ended 31 October 2001 is as follows:-

	10 month period ended 31 October 1997	←-----Year ended 31 October-----→			
	RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	2,245	3,345	4,801	5,639	6,144
Pre-tax profit/(loss)	312	1,552	2,115	2,285	2,363
Taxation	-	-	(78)	(178)	(186)
Profit/(Loss) after tax	312	1,552	2,037	2,107	2,177
No. of shares in issue ('000)	500	500	500	500	500
Gross EPS (sen)	74.9*	310.4	423.0	457.0	472.6
Net EPS (sen)	74.9*	310.4	407.4	421.4	435.4
Gross dividend rate (%)	-	-	-	101.7	170.0

* Annualised

Notes:-

1. There were no extraordinary or exceptional items for the financial years/period under review.
2. MFSB recorded a significant increase in pre-tax profit in 1998 as compared to the annualised pre-tax profit in 1997 due to higher turnover and gross profit and the lower rate of increase in operating overheads of 19% compared to the increase in turnover of 49% as a result of austerity drive to reduce costs.
3. In 1999, operating overheads (which are mainly fixed in nature) remained fairly constant at about RM0.6 million in spite of the increase in turnover, thereby resulting in an increase in pre-tax profit.

5.6.3 Information on Asia Food

(a) History and business

Asia Food was incorporated in Malaysia as a private limited company on 29 April 1994 under the name Serrinco (M) Sdn. Bhd. On 15 November 1995, its name was changed to Asia Food Link Sdn. Bhd. The principal activities of Asia Food are trading and wholesale of bakery raw materials and ingredients such as cake mixes, margarine, butter, chocolate products, raisins, canned goods and foodstuff. It supplies its products to the retail, industrial, food service and hospitality markets.

Silver Bird acquired Asia Food in July 1996 and with additional resources, the management expanded its operations to cover industrial traders (small local wholesalers who do not have access to overseas suppliers). Asia Food and SCSB often leverage on their combined buying power to negotiate with suppliers for lower prices.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

(b) Share capital

As at the date hereof, the authorised share capital of Asia Food is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. Its issued and paid-up share capital is RM400,000 comprising 400,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares allotted	Par Value RM	Consideration	Total RM
29.04.94	2	1.00	Subscriber shares	2
06.02.96	99,998	1.00	Cash	100,000
30.06.96	18,000	1.00	Cash	118,000
30.06.96	82,000	1.00	Share swap	200,000
26.06.98	200,000	1.00	Cash	400,000

(c) Substantial Shareholders

Asia Food is wholly owned by Silver Bird. Please refer to Section 6 for information on Silver Bird's shareholders.

(d) Subsidiaries and Associate Companies

Apart from AFLL which is wholly-owned by Asia Food, Asia Food has no other subsidiary or associate companies.

(e) Profit and Dividend Record

The financial track record of Asia Food for the five financial years ended 31 October 2001 is as follows:-

	Year ended 31 October				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	3,971	4,021	4,744	4,496	5,209
Pre-tax profit	217	180	503	203	93
Taxation	(67)	(72)	7	(59)	(35)
Profit after tax	150	108	510	144	58
No. of shares in issue ('000)	200	400	400	400	400
Gross EPS (sen)	108.5	45.0	125.8	50.8	23.3
Net EPS (sen)	75.0	27.0	127.8	36.0	14.5
Gross dividend rate (%)	-	-	-	-	-

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Notes:-

1. *There were no extraordinary or exceptional items for the financial years under review.*
2. *In 1998, despite an increase in turnover, earnings decreased mainly due to start-up cost as a result of new expansion programme to cover industrial traders. It had also incurred unrealised foreign exchange loss from its imported activities due to the depreciation of Ringgit.*
3. *In 2000, Asia Food recorded a marginal decrease in turnover as it refrained from supplying to certain customers with long outstanding debts. Pre-tax profit decreased by more than 50% due to the decrease in turnover and an increase in administrative and operating expenses and the initial start-up costs of setting up the Japanese food trading division.*
4. *In 2001, despite an increase in turnover, earnings decreased mainly due to the cessation of labelling services during the financial year, resulting in a substantial decrease in commission income of Asia Food.*

5.6.4 Information on AFLL

(a) History and business

AFLL was incorporated in Malaysia as a private limited company on 2 August 1995 under the name Ikatan Nilam Sdn Bhd. On 28 July 1997, its name was changed to AFL Logistics Sdn Bhd. AFLL became a wholly owned subsidiary of Asia Food in 1996. The principal activities of AFLL are providing warehousing, distribution and management services for the food industry.

Over the years, AFLL has developed into providing total solution service to assist brand owners in building and establishing their products in the market. It capitalises on the synergistic relationship of the Group where it distributes and warehouses the Group's products nationwide.

(b) Share capital

As at the date hereof, the authorised share capital of AFLL is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. Its issued and paid-up share capital is RM300,000 comprising 300,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total RM
02.08.95	2	1.00	Subscriber shares	2
31.01.00	299,998	1.00	Bonus issue	300,000

(c) Substantial Shareholders

AFLL is wholly owned by Asia Food, which in turn is wholly-owned by Silver Bird. Please refer to Section 6 for information on Silver Bird's shareholders.

(d) Subsidiaries and Associate Companies

AFLL has no subsidiary or associate companies.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

(e) Profit and Dividend Record

The financial track record of AFLL for the five financial years ended 31 October 2001 is as follows:-

	Year ended 31 October				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	1,256	1,330	1,415	1,744	1,736
Pre-tax profit	274	284	343	249	155
Taxation	(80)	(78)	(21)	(69)	(50)
Profit after tax	194	206	322	180	105
No. of shares in issue ('000)	0.002	0.002	0.002	300	300
Gross EPS (RM)	137,000	142,000	171,500	0.83	0.52
Net EPS (RM)	97,000	103,000	161,000	0.60	0.35
Gross dividend rate (%)	-	-	-	-	-

Notes:-

1. There were no extraordinary or exceptional items for the financial years under review.
2. The pre-tax profit in 2000 decreased as compared to 1999 despite an increase in turnover mainly due to a decrease in labelling income from RM317,000 in 1999 to RM138,000 in 2000 and an increase in administrative and operating expenses as a result of higher costs of salaries and utilities.

5.6.5 Information on MCSB

(a) History and business

MCSB was incorporated in Malaysia as a private limited company on 10 October 1998 to assume the bakery cafe operations of Madeleine Bakery Cafe Sdn. Bhd. ("MBC") pursuant to a group corporate restructuring exercise whereby MBC changed its name to SilverBird Group Sdn. Bhd. on 21 August 1998, and became the holding company of SCSB, MFSB, MBSB, Asia Food and AFLL.

MCSB's principal activity is the operation of bakery-cafes which generally falls under the quick-serve restaurant (QSR) or fast food category of the food industry. The range of food items include a comprehensive choice of continental cakes, soups, pastries, fresh salads, gourmet sandwiches, pizzas as well as gourmet meals. MCSB also has "Malaysianised" most of its products to suit local tastebuds.

Presently MCSB has one outlet and it is strategically located in the prime area of Klang Valley namely Bangsar.

(b) Share capital

As at the date hereof, the authorised share capital of MCSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. Its issued and paid-up share capital is RM2 comprising 2 ordinary shares of RM1.00 each, being the subscriber shares allotted on 10 October 1998.

5. INFORMATION ON SILVER BIRD GROUP *(Cont'd)*

(c) Substantial Shareholders

MCSB is wholly owned by Silver Bird. Please refer to Section 6 for information on Silver Bird's shareholders.

(d) Subsidiaries and Associate Companies

MCSB has no subsidiary or associate companies.

(e) Profit and Dividend Record

The financial track record of MCSB for the period from 10 October 1998 (date of incorporation) to 31 October 1999 and the two financial years ended 31 October 2001 is as follows:-

	Financial period from 10 October 1998 to 31 October 1999 RM'000	Financial year ended 31 October 2000 RM'000	Financial year ended 31 October 2001 RM'000
Turnover	2,199	2,061	2,647
Pre-tax profit/(loss)	216	(340)	480
Taxation	-	-	(1)
Profit/(Loss) after tax	216	(340)	479
No. of shares in issue	2	2	2
Gross EPS (RM)	108,000	(170,000)	240,000
Net EPS (RM)	108,000	(170,000)	240,000
Gross dividend rate (%)	-	-	-

Notes:-

- There were no extraordinary or exceptional items for the financial years/period ended under review*
- Turnover and earnings in 2000 decreased due to lower sales in certain outlets resulting from intense competition from other quick-service restaurants.*

5.6.6 Information on MBSB

(a) History and business

MBSB was incorporated in Malaysia as a private limited company on 29 November 1995. It was set up as a bakery takeaway differentiated from MCSB which operates cafes.

MBSB's principal activity is the retail business of operating a chain of take-away bakeries where the product range includes rolls, cookies, loafs, breads, puffs, cakes, buns, tarts, 'kueh', pies, and sandwiches. All sales are on cash basis.

MBSB commenced operations in December 1995 and had three bakery takeaway outlets located in Kuala Lumpur, Shah Alam and Penang.

MBSB is trading in a keen and competitive environment. Its major competitors include Kings Confectionery and Angel Confectionery.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)**(b) Share capital**

As at the date hereof, the authorised share capital of MBSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. Its issued and paid-up share capital is RM50,000 comprising 50,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares allotted	Par Value RM	Consideration	Total RM
29.11.95	4	1.00	Subscriber shares	4
30.08.96	49,996	1.00	Cash	50,000

(c) Substantial Shareholders

MBSB is wholly owned by Silver Bird. Please refer to Section 6 for information on Silver Bird's shareholders.

(d) Subsidiaries and Associate Companies

MBSB has no subsidiary or associate companies.

(e) Profit and Dividend Record

The financial track record of MBSB for the 10 month period ended 31 October 1997 and four financial years ended 31 October 2001 is as follows:-

	10 month period ended	Year ended 31 October			
	31 October 1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	2,710	3,101	2,452	2,542	2,625
Pre-tax profit	23	78	59	95	43
Taxation	(7)	(12)	-	(31)	(20)
Profit after tax	16	66	59	64	23
No. of shares in issue ('000)	50	50	50	50	50
Gross EPS (sen)	55.2*	156.0	118.0	190.0	86.0
Net EPS (sen)	38.4*	132.0	118.0	128.0	46.0
Gross dividend rate (%)	-	-	-	-	-

* Annualised

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

Notes:-

1. *There were no extraordinary or exceptional items for the financial years/period under review.*
2. *Year on year comparison, turnover in 1998 actually decreased slightly due to the closure of one of its outlets as a result of relocation works by the landlord. In the same year, pre-tax profit increased mainly from the receipt of fire insurance claim of an outlet and austerity drive by management. In 1999, turnover and pre-tax profit decreased due to the economic downturn and the closure of an outlet in the previous year.*
3. *In 2001, a lower pre-tax profit was recorded as compared to 2000 despite the slightly higher turnover mainly due to a slight increase in labour cost and cost of purchases.*

5.6.7 Information on MPSB**(a) History and business**

MPSB was incorporated in Malaysia as a private limited company on 18 July 1998 under the name of Effective Gains Sdn. Bhd. The name was subsequently changed to Madeleine Property Sdn. Bhd. on 22 August 1998. MPSB's principal activity is property management.

(b) Share capital

As at the date hereof, the authorised share capital of MPSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. Its issued and paid-up share capital is RM50,000 comprising 50,000 ordinary shares of RM1.00 each.

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

Date of Allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total RM
18.07.98	2	1.00	Subscriber shares	2
12.11.99	49,998	1.00	Cash	50,000

(c) Substantial Shareholders

MPSB is wholly owned by Silver Bird. Please refer to Section 6 for information on Silver Bird's shareholders.

(d) Subsidiaries and Associate Companies

MPSB has no subsidiary or associate companies.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)**(e) Profit and Dividend Record**

The financial track record of MPSB for the period from 18 July 1998 (date of incorporation) to 31 October 1999 and the two financial years ended 31 October 2001 is as follows:-

	Financial period from 18 July 1998 to 31 October 1999 RM'000	Financial year ended 31 October 2000 RM'000	Financial year ended 31 October 2001 RM'000
Turnover	596	596	521
Pre-tax loss	-	(7)	(4)
Taxation	-	-	-
Loss after tax	-	(7)	(4)
No. of shares in issue ('000)	-	50	50
Gross EPS (sen)	-	(14)	(8)
Net EPS (sen)	-	(14)	(8)
Gross dividend rate (%)	-	-	-

Note:-

1. *There were no extraordinary or exceptional items for the financial years/period ended under review*

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5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.7 INDUSTRY OVERVIEW**5.7.1 Overall Malaysian and Global Economy**

The Malaysian economy remained resilient in 2001 in the face of a challenging external environment. While the global economic slowdown in 2001 was more severe than earlier expectations, Malaysia avoided economic contraction and growth for the year remained in positive territory. Unemployment was also contained at a low level.

Given the openness of the Malaysian economy, the negative effects of the United States of America ("US") economic slowdown and global electronics downturn was felt as early as March 2001. These were manifested in declining manufacturing production and negative export growth. Concerted efforts since the crisis to promote domestic sources of growth and reduce the over-dependence on exports resulted in real Gross Domestic Product ("GDP") expanding by 0.4% in 2001. Fiscal stimulus measures and monetary policy that had remained accommodative led to higher public spending and positive growth in private consumption. During the year, public investment expenditure increased by 15.5%, while public consumption expenditure increased by 11.9%. The direct contribution of the public sector (excluding the non-financial public enterprises) was significant, contributing 3.4 percentage points to GDP growth in 2001.

The Malaysian economy is expected to strengthen in 2002 following a strengthening of external demand. Past trends show that there is a brief lag between the recovery in the major economies and recovery in Malaysian exports. As such, the timing and magnitude of the recovery would have a significant impact on the Malaysian economy. Current indications suggest that external demand will not pick up as strongly as in the 1999-2000 period, where recovery was mainly led by the internet-boom and the Y2K factor. The current economic upturn is taking place amidst global excess capacity, particularly in the technology sector. External demand is, therefore, expected to strengthen gradually. Against this background, the recovery in the Malaysian economy would be modest, with real GDP expanding by 3.5% in 2002.

At this juncture, latest indicators show signs of stabilisation in the Malaysian economy. The index of leading economic indicators compiled by the Department of Statistics, Malaysia, which provides early indications on the direction of economic growth, has already registered five consecutive months of positive growth since July 2001. This suggests that the Malaysian economy would turn around in the first quarter of 2002. Indications, however, are that growth would strengthen in the second half-year when external demand improves more significantly.

The growth projection for 2002 is based on stronger growth in private consumption, a modest recovery in private investment, sustained public sector expenditure and a moderate growth in exports. If the positive trend in the latest indicators for the US economy is sustained, the bias to the growth projection would be on the upside. On the domestic front, aggressive policy measures to enhance the role of the services sector, particularly in the education, tourism and information, communication and technology sub-sectors, would benefit these sectors, which in turn could improve further the GDP growth.

Expansionary fiscal policy and accommodative monetary policy already in place are expected to sustain growth in domestic demand. Growth in private consumption is expected to pick up to 5% following the improved growth and employment outlook as well as the cumulative effects from the Government's measures that have raised disposable income. Additional measures announced by the Government in the 2002 Budget such as the 1-2 percentage points across-the-board reduction in individual income tax rates, raising the income threshold before the maximum income tax rate takes effect and an increase in civil servants' salaries should all further increase disposable income. Growth in private consumption is projected to be stronger in the second half-year when export demand gathers momentum.

(Source: Bank Negara Malaysia's Annual Report 2001)

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.7.2 Manufacturing Sector

Value-added growth in the manufacturing sector is expected to turn around to register a positive growth of 4.2% in 2002. The anticipated upturn in the US economy and electronics demand is expected to translate into stronger demand for Malaysian manufactured exports and, hence, stronger growth in the production of manufactured goods. Both foreign and domestic manufacturers in Malaysia have indicated increased optimism on the outlook for the manufacturing sector in general, and the electronics sector in particular. The general consensus is that growth in the manufacturing sector would be modest in the first quarter before gathering strength in the subsequent quarters of 2002.

(Source: Bank Negara Malaysia's Annual Report 2001)

Malaysia's industrial production rose for the first time in February 2002, reversing 11 consecutive months of year-on-year decline. Economists say this is an indication that the manufacturing sector is turning around in line with the wider recovery in the local and global economy.

(Source: The Star, 9 April 2002)

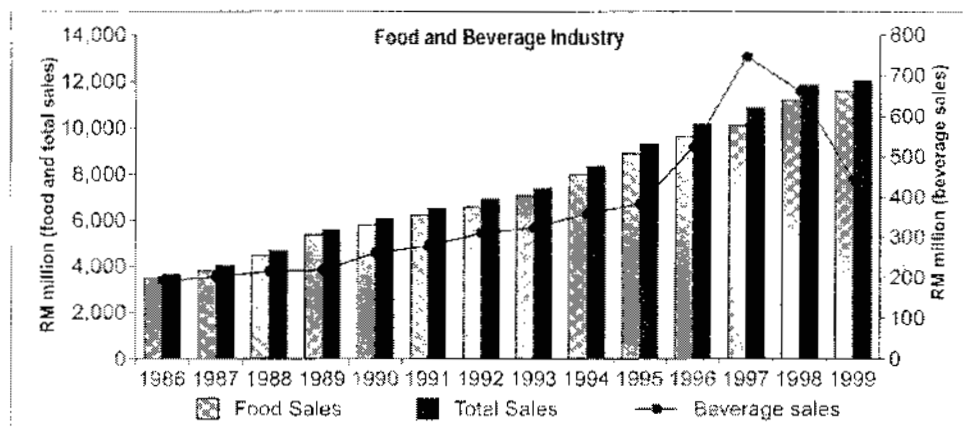
5.7.3 The Food and Beverage sub-sector

The food processing industry consists predominantly of domestically orientated small and medium size firms. The industry depends substantially on imported raw materials for its processing activities, due to the non-availability or shortage of local supply. The industry is highly regulated in order to conform to health and international quality standards. This is consistent with the strategy to make Malaysia as the world hub for halal food production. Since world demand for halal food exceeds RM20 billion a year, there is a potential for these products to be developed further.

(Source: The Ministry of International Trade and Industry Report 2000)

The Malaysian food sector has the potential to contribute significantly to the national economy and that of the Asean region. This is evident from investments in the local food and beverages sector, which have increased by approximately 88% between 1997 and 2000.

Figures obtained from the Malaysian Industrial Development Authority (MIDA) showed that domestic investments in the food and beverages sector grew from RM367.2 million in 1997 to RM482.0 million in 2000, while foreign investment soared from RM173.7 million to RM536.0 million. Also in 2000, in tandem with consumer demand for grocery products on the retail shelves, the industry showed positive production growth across the board, climbing 3.6% to RM11.2 billion from RM10.8 billion previously.



5. INFORMATION ON SILVER BIRD GROUP *(Cont'd)*

Being an essential goods producer, the food industry was virtually unaffected by the economic crisis in 1997/98. The graph above shows that the food and beverages industry has experienced steady growth over a 13 year period. On average, industry sales have grown by 9% per year (calculated by averaging the growth of the industry over a 13 year period and based on Rating Agency Malaysia (RAM)'s industry figures) and the industry contributed 1% to GDP growth and 10% to the value of GDP. Going forward, the industry is expected to continue its growth in light of the rising population growth rate and also real disposable income.

(Source: RAM Focus Issue No. 17 issued by Rating Agency Malaysia Berhad)

5.7.4 The Bakery Industry

5.7.4.1 Nature of Bakery Industry

The bakery industry broadly refers to establishments engaged in dough mixing, kneading and baking to manufacture of bakery products. Establishments in this industry sell their products directly or indirectly through wholesalers or retailers to consumers. Some of the products related to this industry include: -

- Bread baking
- Buns and cake manufacturing
- Frozen dough, pies, rolls, pastries, cakes and pizzas
- Fresh pies, rolls, pastries, cakes and pizzas

The bakery industry is very fragmented with many manufacturers with their own specialities. Nonetheless, the bakery industry is becoming dominated by a few large manufacturers taking up increasingly larger shares of the market from the traditional smaller cottage industries. The market on its own has become more complex in terms of the range of products, diversity and ease of life and lifestyle requirements. As more Malaysians are exposed to Western food, their eating and shopping habits of food items are changing, particularly the younger generation. There is an increasing demand for baked food, home-delivered foods, heat-and-serve meals, semi-prepared foods, and frozen bakery foods.

5.7.4.2 Key Players and Competition

In general, the bakery industry in Malaysia is very fragmented with many manufacturers of differing sizes, ranging from neighbourhood bakery shops to medium-sized bakeries. The Directors of Silver Bird believe that the key players in the respective categories of bakery products of Silver Bird Group are:

Category	Key players
Daily fresh	- Today Bakeries Products Sdn Bhd Everyday Bakery & Confectionery Sdn Bhd
Shelf-stable	- Apollo Food Holdings Berhad CAF Food Products Sdn Bhd Michigan Pastries Sdn Bhd
Frozen	- Pizza Station Sdn Bhd Kart Food Sdn Bhd CAF Food Products Sdn Bhd Tricious Foods Sdn Bhd Sara Lee Bakery (Australia) Pty Ltd

5. INFORMATION ON SILVER BIRD GROUP *(Cont'd)*

Silver Bird Group's products face competition from various bakery products manufacturers including local and overseas bakery manufacturers. 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 and which SCSB sells certain bakery products on consignment basis to) would create a high barrier of entry to potential competitors.

5.7.4.3 Government Legislation, Policies and Incentives

Currently, all food manufacturing companies in Malaysia are required to comply with the Food Act 1983 and the Food Regulations 1985. Food manufacturers producing certified 'halal' food products are also required to obtain 'Halal' certification from the Islamic Affairs Division of the Prime Minister's Department.

(Source: Investment Opportunities in the Food Processing and Beverages Industry, January 2001, Malaysian Industrial Development Authority)

In the 2001 Budget, the Government proposed additional tax incentives to be given to companies, which invest in a subsidiary company engaged in food production. The subsidiary company will also be entitled to incentives. This is part of the Government's continuous effort to encourage food production.

Some of these incentives include:

- Granting of tax deduction equivalent to amount of investment to company investing in its wholly-owned subsidiary for food production;
- Income tax exemption of 100% on the company's statutory income for 10 years starting from the first year the company registers a profit.

Accelerated capital allowances for continuous reinvestment for production of promoted products by food producing companies were also proposed.

To further accelerate food production activity, the 2002 Budget proposed that the tax incentives announced in 2001 Budget for companies that invest and the companies that undertake food production of approved food products be extended to any companies which reinvest in the production of the same food products. The incentive is given for a period of five years subject to the same conditions as announced in the 2001 Budget.

(Source: 2001 and 2002 Budget)

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.7.4.4 Demand and Supply Conditions

The major factors that determine the demand for bakery products are disposal income and population growth:

➤ Disposal Income

Growth of the nation's economy stimulates an increase in per capita income and private consumption, which increases the demand for bakery products and also fuels the new trend in open cafes that offers bakery products and convenient semi-staple food items. With the positive outlook of the economy, the Directors of Silver Bird believe that the demand for the Group's diversified product range would be favourable.

➤ Population Growth

The second factor which affects the consumption of bakery products is population growth. Bakery products are consumed by all sectors of the population. The Malaysian population is estimated to grow at an average annual rate of 2.3% during the Eighth Malaysian Plan period to reach 26.04 million by 2005 (*Source: Eighth Malaysian Plan*).

Most of the Group's raw materials are sourced locally. The main raw materials used to manufacture bakery products are margarine, flour, eggs and sugar. These raw materials are readily available from various local suppliers and are regulated by Price Control Act 1946 and Control of Supplies Act 1961, which help to ensure price and supply stability respectively. 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.

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.

5.7.4.5 Threat of Substitute Products

The Group's bakery products are distributed locally to leading supermarkets, hypermarkets, mini-markets, convenient stores and grocery stores. Convenient food items sold in such places such as biscuits, instant noodles, instant porridges etc. may pose as a threat to the Group's products.

However, the Directors of Silver Bird believes that Silver Bird's established brandname in the bakery industry and the growth in its sales over the past few years are evidence of the general market acceptance of the Group's products.

5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.7.4.6 Outlook for the Bakery Industry

The bakery industry is closely related to the nation's per capita income and real private consumption per capita growth, with the exception of daily fresh bakery products like filled buns and rolls which are semi-staple in nature.

Growth of the nation's economy stimulates an increase in per capita income and private consumption, which increases the demand for bakery products and also fuels the new trend in open cafes that offers bakery products and convenient semi-staple food items.

With private consumption expenditure and population growth forecast to grow at 5% (compared to 2.8% in 2001) and 24.3% (compared to 23.8% in 2001) respectively in 2002, the Directors of Silver Bird believe that the general outlook for the bakery industry is favourable.

(Source: Bank Negara Malaysia's Annual Report 2001)

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5. INFORMATION ON SILVER BIRD GROUP (Cont'd)

5.8 FUTURE PLANS, STRATEGIES AND PROSPECTS

The Group's flagship products ie filled buns and rolls which was launched in January 2000, has today garnered an estimated 18% market share (based on the Group's sales of filled buns and rolls for the financial year ended 31 October 2001 compared to the latest available audited turnover of the Group's major competitors namely Everyday Bakery & Confectionery Sdn Bhd and Today Bakeries Products Sdn Bhd). With the encouraging market acceptance, the Group would be expanding its production and sales of the filled buns and rolls in the local and export bakery market. In this connection, the Group has acquired a parcel of 10 acres industrial land in Arab-Malaysian Industrial Park, Nilai, costing approximately RM5 million for the construction of a new factory of 80,000 sq. feet and corporate office. The cost of construction and acquisition of plant and machinery for the new factory and corporate office is expected to be approximately RM24 million. Barring unforeseen circumstances, the new factory is expected to be fully operational in the financial year ending 31 October 2003.

The success of Silver Bird Group's filled buns and rolls was attributable to the efforts of the Group's R&D team who are committed to product excellence and who seek to expand its product range by developing new products and product packaging that are healthier, more attractive and with longer shelf life. The Directors of Silver Bird have therefore identified product innovation as one of its strategies moving forward as the Directors of Silver Bird are of the view that product innovation is the key to increase market share of existing and new products.

In addition, the Group also proposes to expand its marketing and logistics departments to cater for new products as well as the existing wide range of the Silver Bird Group's products. The Group is also planning to increase export sales. Barring unforeseen circumstances, the Group is evaluating the following plans: -

- To look at new technologies to extend the shelf life of their products.
- To increase local and international market share. In this respect, the Directors of Silver Bird have allocated a budget of RM3 million over the next three years for advertising and promotions.

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