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## VI. HISTORY AND BUSINESS OVERVIEW

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### 1. HISTORY

The acquisition of both CABC and GGSB by CAB has enabled the CAB Group to evolve into an integrated player in both the poultry and food industries, with its businesses in both the upstream and downstream poultry activities including franchising and fast food business.

#### 1.1 The CABC Group

The CABC Group first began its business operations as a breeder and trader of chicken in the 1970s through the initiation of its founder, Chuah Ah Bee who set-up Chop Ah Bee, a sole proprietorship in Bukit Mertajam, Penang. On 7 March 1990, CABC then known as Heap Hong Leong Trading Co. Sdn Bhd was incorporated to assume the business of Chop Ah Bee.

As a strategic move to further enhance its earning base, the CABC Group undertook a number of major business expansion programs, both vertically and horizontally, in the 1990s to include upstream and downstream poultry activities such as breeding of parent stock, hatching of eggs into DOCs and slaughtering and processing of chicken, chicken products and processed food.

In May 2001, the CABC Group expanded its chicken slaughtering and processing activities by acquiring an on-going chicken slaughtering and processing factory in Segambut, Kuala Lumpur. The processed chicken and chicken parts produced from this factory have been given a halal certification by the Islamic Development Department of Malaysia. In addition, as part of the CABC Group's strategies to diversify into other agricultural base activities, the CABC Group acquired AKSB which owned a plantation of "Sentang" trees in Alor Setar, Kedah Darul Aman in April 2002.

Realising the need to gear for greater efficiency and productivity from the latest technology, CABC entered into a collaboration agreement with Cargill, a major international feeds processor with its headquarters located in suburban Minneapolis, Minnesota, USA in April 2002 to set up a R&D unit in the headquarters of the CAB Group in Seberang Jaya, Butterworth, Penang. The objective of this in-house R&D unit is to undertake various researches on feed quality, breeding techniques, best farm management and other related research activities for the CAB Group which will benefit the Group in terms of, inter alia, cost efficiency and productivity. In November 2002, the CABC Group created another strategic alliance with Cargill by entering into the contract manufacturing agreements with Cargill for the manufacture and supply of poultry feeds under the brand name of CAB for the consumption by the CAB Group's breeder and broiler farms as well as its contract broiler farms.

#### 1.2 The GG Group

The GG Group first began its business operations in April 1997 through the initiation of Khoo Chee Kong, Chew Chee Khong and Zakaria Bin Hashim who set up GGSB to be principally engaged in the operation and franchising of fast food business under the trade name of *Kyros Kebab*. The GG Group opened its first *Kyros Kebab* outlet in Malaysia in Kota Raya Shopping Complex, Kuala Lumpur in April 1997. With the success and growth of the company-owned *Kyros Kebab* outlets, the first *Kyros Kebab* franchised outlet was officially opened in Aktif Lifestyle Stores Food Court, Komtar, Penang in March 1998.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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As part of the strategic move to expand its fast food and franchising business further, KKSB was incorporated in July 1998 to assume the operations of the Kyros Kebab outlets and be the central kitchen and warehousing centre for preparation, production and distribution of the food products to all Kyros Kebab outlets in Malaysia. In 2000, a reorganisation of the business operations of the GG Group was undertaken to streamline its various activities with the aim of improving efficiency and more effective utilisation of its resources. GGSB's principal focus is on promoting of franchise and management of the Kyros Kebab franchised outlets. KFI was incorporated to assume the preparation, production and distribution of the food products to all Kyros Kebab outlets in Malaysia while KKSB concentrated on the operations and management of its company-owned Kyros Kebab outlets.

As a synergistic measure and for better quality control of the bread used in the Kyros Kebab outlets, the GG Group incorporated KBC to manufacture lebanese and pita bread. At present, the bakery products produced by KBC are also sold in small quantities to external parties such as hotels and supermarkets under the brand name of *Al-Ussrah*.

Following the encouraging performance of the company-owned Kyros Kebab outlets and franchised outlets, the GG Group embarked on aggressive franchising programs to further enhance its market presence in the lucrative fast food business in Malaysia. Realising the potential of quick-service-restaurant and fast food business especially in the international arena, the GG Group brought its Malaysian-owned Kyros Kebab to China by opening its first international outlet in December 1999. Subsequently, the GG Group spread its wings to Singapore by opening an outlet in September 2000. Apart from its own international outlets, GGSB has also granted the master franchise rights to third parties in Pakistan, Indonesia and the USA. As confirmed by the Malaysian Franchise Association, Kyros Kebab is the first local fast food franchise to penetrate into the USA.

As at 21 November 2003, the GG Group has in operation a total of 8 company-owned outlets and 43 franchised outlets in Malaysia, and 7 franchised outlets in Singapore, China and Indonesia.

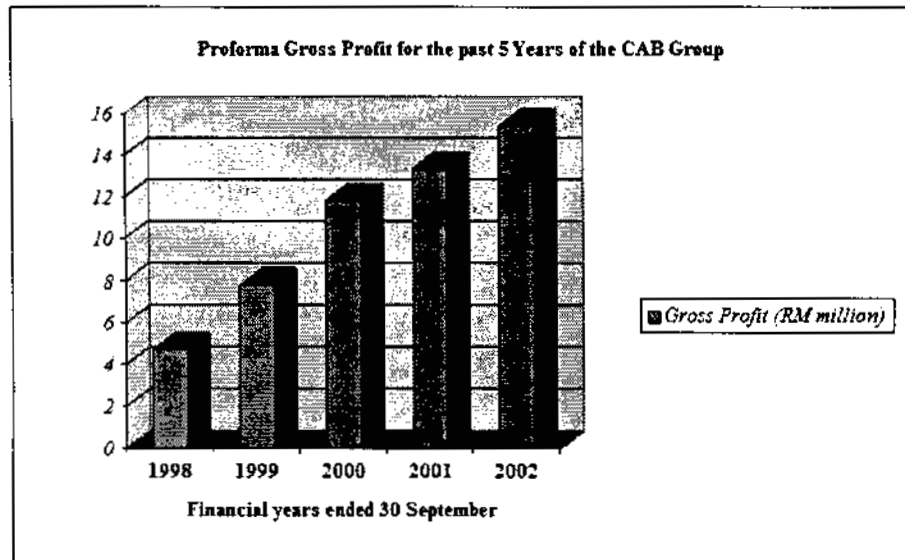
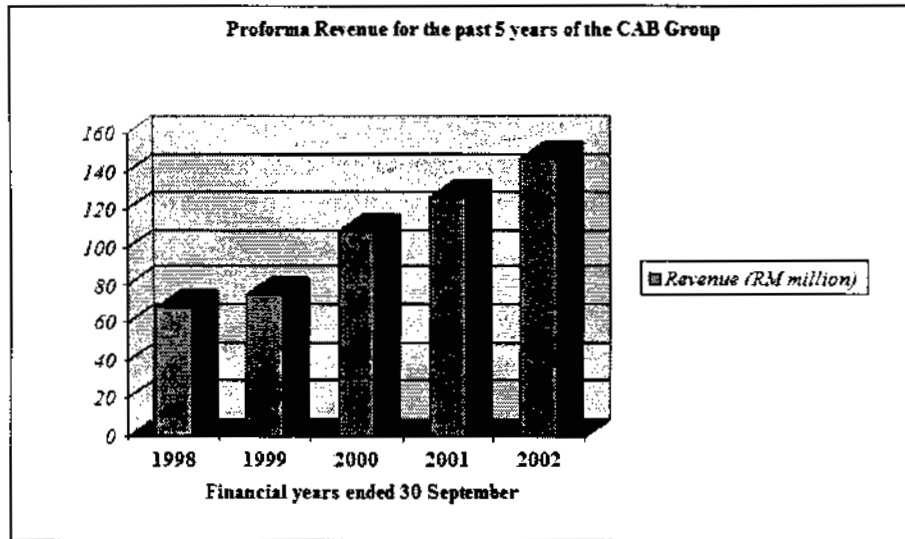
**1.3 The Group**

Upon completion of the Acquisition of CABC and Acquisition of GGSB, details of which are as outlined in Section 3 of Part V of this Prospectus, CAB has emerged as a group of companies which are principally involved in breeding of parent stock, hatching of eggs into DOCs, breeding of broilers, slaughtering and processing of fresh chicken and other value-added food products right down to retailing, and the operations and management of a fast food chain and franchising of fast food business.

## VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

### 2. BUSINESS OVERVIEW

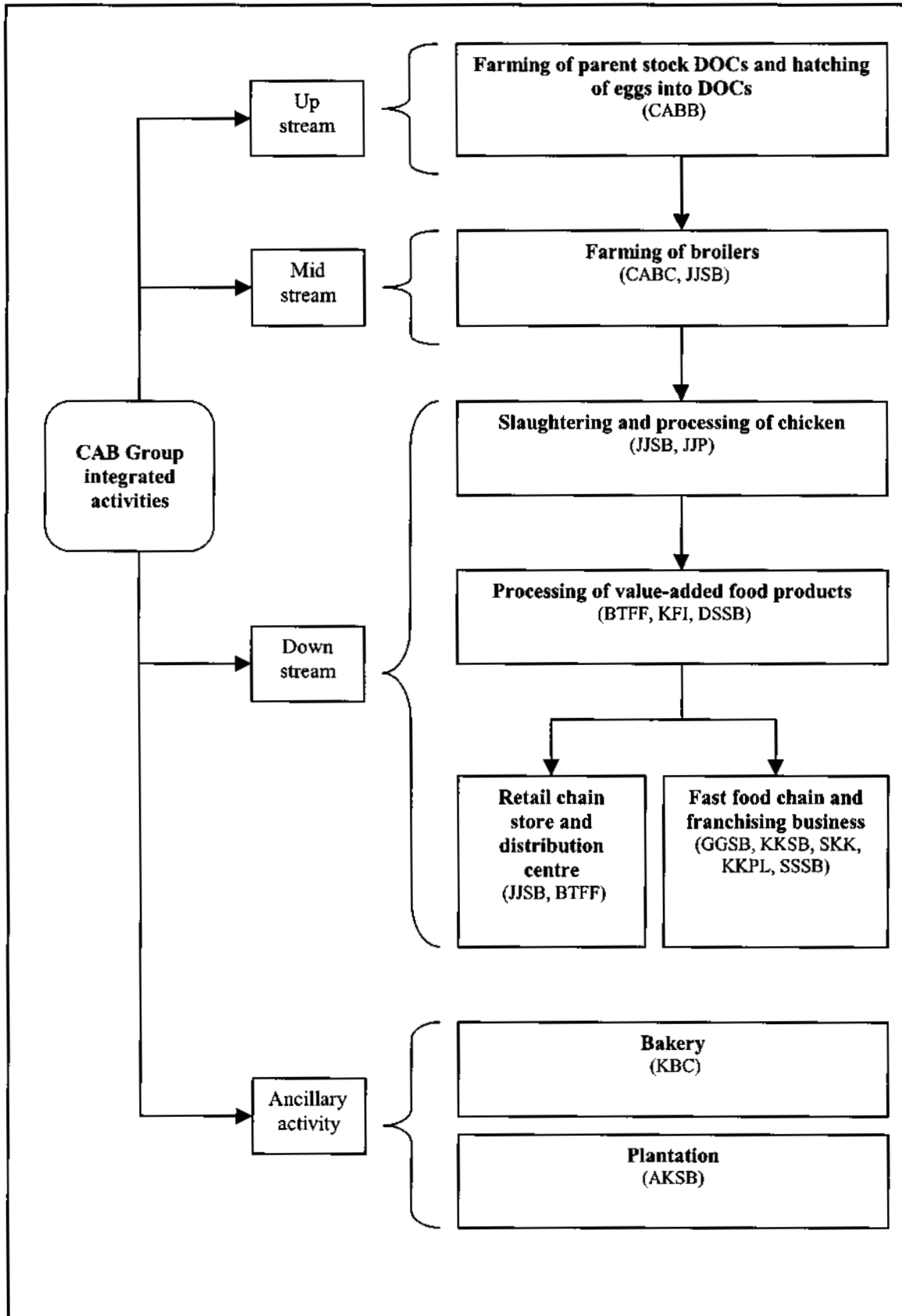
The CAB Group is mainly involved in the farming of parent stock DOCs and hatching of eggs into DOCs, farming, processing and marketing of broiler chicken, and operating and franchising of fast food business. In the past 5 years, the Group's revenue has increased from RM67.77 million in 1998 to RM146.39 million in 2002. The financial highlights of the Group's proforma financial performance for the past 5 financial years ended 30 September 2002 are set out below:



*Note: The proforma gross profit of the CAB Group for the past financial years ended 30 September 1998 to 2002 is approximately RM4.70 million, RM7.78 million, RM11.86 million, RM13.32 million and RM15.42 million, respectively.*

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

The CAB Group's business structure is set out as follows:



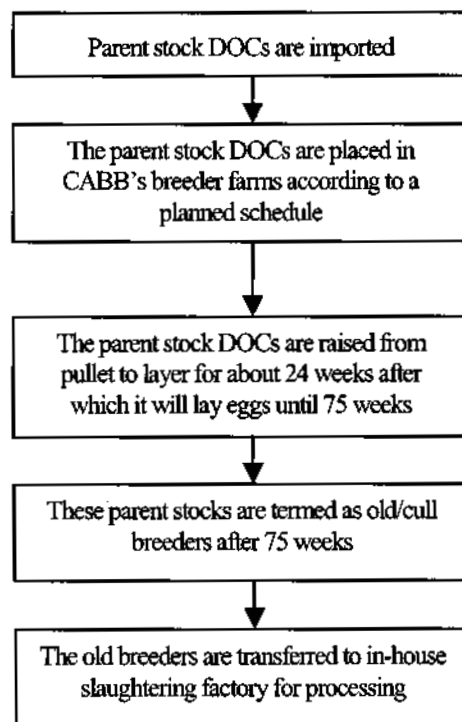
## VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

Details of the CAB Group's area of business are set out below:

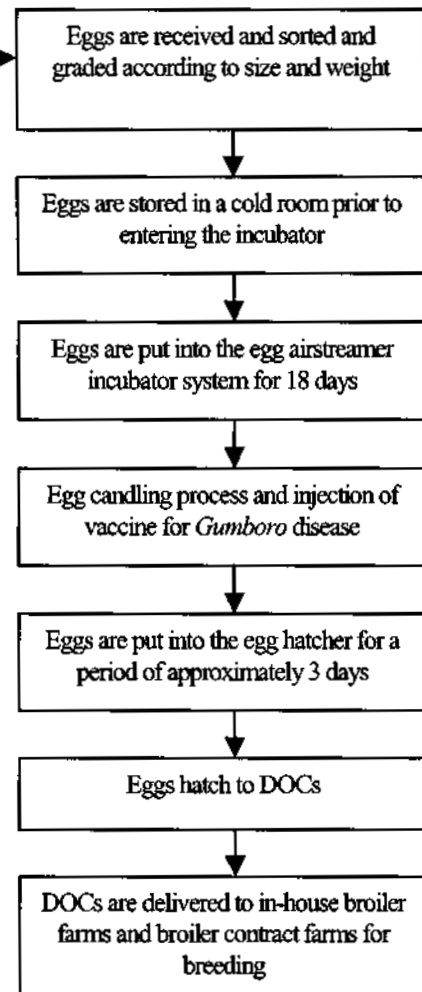
### 2.1 Farming of parent stock DOCs and hatching of eggs into DOCs

The farming of parent stock DOCs and hatching of eggs into DOCs represents the upstream activities of the Group which are carried out by CABB at 227, Kampung Nenas, Kuala Tasek, 14100 Bukit Mertajam, Penang and Plot 21, Lorong Jelawat 4, Seberang Jaya Industrial Park, Seberang Jaya, 13700 Perai, Penang, respectively. The process of farming of parent stock DOCs and hatching of eggs into DOCs are set out as follows:

#### Farming of parent stock DOCs



#### Hatching of eggs into DOCs



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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**2.1.1 Farming of parent stock DOCs**

CABB's breeder farm located at 227, Kampung Nenas, Kuala Tasek, 14100 Bukit Mertajam, Penang with a built-up area measuring approximately 21,055 square metres houses 9 separate modern closed houses with a rearing capacity of approximately 79,050 parent stock standing population. There are approximately 60,000 parent stock being reared at any point in time on the farm of which approximately 32,000 parent stock are producing eggs on an average of 1 egg in every 2 days. The interval period where the houses are cleaned, sanitised, disinfected and prepared for the next flock is approximately 12 weeks. The modern closed house technology is acquired from *Cumberland, USA*.

The Group currently uses two different breeds of parent stocks, namely *Cobb* and *Ross*. *Cobb* is imported from Thailand while *Ross* is imported from New Zealand as DOCs for parent stocks. These breeds are more resilient to diseases and capable of maintaining good production output under relatively adverse weather conditions.

**2.1.2 Hatching of eggs into DOCs**

On average, one breeder hen is able to lay approximately 175 eggs throughout its lifespan of which approximately 159 eggs are graded as hatch eggs and the balance of 16 eggs are graded as under-grade eggs which are sold to third parties as by-product. Out of the 159 hatch eggs, approximately 136 eggs are successfully hatched into DOCs or a yield of approximately 78%.

Based on data collected by the CAB Group for the financial year ended 30 September 2003, the total number of eggs produced was approximately 7.13 million eggs of which approximately 5.56 million eggs were successfully hatched into DOCs and sent to the broiler farms of the CAB Group and its contract farmers for breeding.

**2.1.3 Health control procedures**

The farms are monitored on a 24-hour basis and adhere to strict vaccination programs. Regular checks are conducted to ensure that all breeders are healthy and free from diseases. Appropriate medication is administered immediately when necessary upon recommendation of the Group's veterinarian. Strict biosecurity measures are followed to reduce the risk of transmitting viruses and diseases into the hatchery facility. Any vehicles coming into the farm would have to pass through a wheel wash and are sprayed with disinfectant. Persons entering the hatchery building would have to be showered with disinfectant and are required to wear CABB's disinfected clothing and boots.

**2.1.4 Breeder contract farming**

In addition to its internal supply of DOCs, the CAB Group also sources the supply of broiler DOCs from a third party contract breeder farmer to meet the CAB Group's requirements of DOCs. The amount of broiler DOCs supplied by the contract farmer on average is approximately 600,000 DOCs a year. Among others, the contract breeder farmer is responsible for rearing parent stock DOCs into parent stock egg layers for production of eggs and then hatching the eggs into DOCs. These DOCs are then sold back (at a pre-determined price) to CABB in exchange for the feeds, parent stocks and technical guidance provided by CABB.

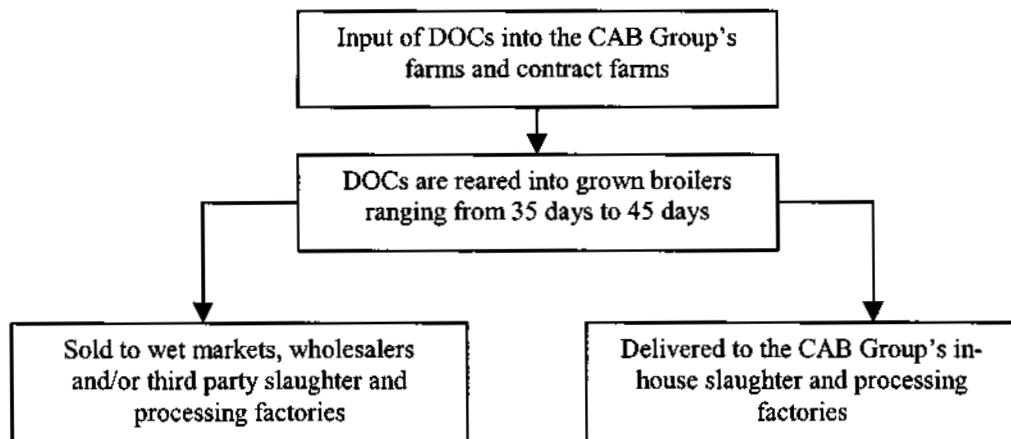
## VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

### 2.2 Farming of broilers

The farming of broilers by the CAB Group is carried out by CABC and JJSB through a combination of its own broiler farms and broiler contract farms. The Group through CABC, JJSB and LTA owns a total of 9 broiler farms located in various locations throughout Kedah Darul Aman, Penang and Perak Darul Ridzuan with an aggregate rearing capacity of approximately 2.8 million birds a year.

Once the broilers have achieved their targeted weight of between 1.5 kg and 2.5 kg per bird, they will be transported from the farms to either the CAB Group's slaughter and processing factories for slaughtering into processed chicken/chicken parts and/or sold to third party purchasers. Based on the data collected by the CAB Group for the financial year ended 30 September 2003, approximately 14 million chicken were reared and produced from the CAB Group's farms and contract farms, of which approximately 3 million live chicken or 21.4% were slaughtered and processed into processed chicken and chicken parts at the Group's slaughter and processing factories. The remaining 78.6% of live chicken was sold to wholesalers and third party slaughter and processing factories. The number of chicken reared by the Group may vary from time to time, to take into account, inter alia, changes in market supply and demand.

The process of farming of broilers is set out as follows:



#### 2.2.1 Broiler contract farming

The CAB Group also contracts out to various broiler contract farmers to carry out broiler farming for the CAB Group. The contracts are short term and normally only covers 1 cycle of broiler flock of approximately 45 days to 60 days. Despite the short timeframe of the contracts, most of the contract farmers have been engaged by the Group for many years and it is the practice of the Group to enter into the contracts with these contract farmers on batch to batch basis so that the Group has the flexibility to vary the number of chicken reared to take into account the fluctuation in supply and demand in the open market.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**2.2.2 Management of the CAB Group's broiler farms**

The CAB Group practices certain farm management practices for its broiler farms as set out below:

**(i) Vaccinations**

Vaccinations are given to the broilers at differing intervals to protect them from *Bursal* disease, *Newcastle* disease and *Bronchitis*. These diseases are common to chicken and as such, it is common practice in the industry to vaccinate the chicken from those diseases.

**(ii) Temperature control**

Stress management of the broilers includes ensuring that the temperatures in the farms are comfortable for rearing the broiler DOCs into full-grown broilers. The temperature at the CAB Group's poultry houses are monitored by the CAB Group's experienced broiler farmers. The poultry houses are also equipped with a fine water sprinkle system which can be turned on to cool the chicken when the temperature increases to uncomfortable levels. The CAB Group builds its poultry houses at least 15 metres apart to allow adequate air flows and are generally built facing an East-West direction to avoid direct sunlight.

**(iii) Health and hygiene**

Hygiene and cleanliness of the farms are important in reducing the risk of viral and bacteria infections which could lead to diseases. As far as practicable, the Group uses materials which can be easily cleaned, disinfected and dried for the construction of its poultry houses. The structure of the poultry houses are constructed with a view to keeping out rodents and unwanted birds, thus decreasing the likelihood of pest infections. Apart from that, the Group maintains a clean and dry environment in the poultry houses to discourage the attraction of flies. After each cycle of broiler flock, the poultry houses are normally left empty for a period of 2 to 3 weeks while cleaning, sanitation and disinfection activities are carried out to maintain the hygiene of the poultry houses.

**(iv) Quality of chicken feeds and drinking water**

Quality feeds are important as it provides nutrients to the broilers for faster weight growth. The feeds for the broilers are mostly provided by Cargill and it has been specially formulated to suit the CAB Group's requirements and specifications. Apart from the quality of the feeds, the quality of drinking water is equally important to ensure the healthy growth of the broilers. The water is tested for chemical contents at the beginning of a cycle of broiler flock. Poor quality drinking water provided to the chicken may result in the chicken avoiding water consumption hence causing dehydration.



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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**


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**(v) Audit on broiler farms**

The CAB Group also conducts inspections on its broiler farms from time to time during each cycle of broiler flock. The quality audit is conducted by experienced employees of the CAB Group. The audit covers, inter alia, checking the health of the broilers, the condition of the broiler farms and general inspection on whether proper procedures have been carried out in the rearing of the broilers. The audit is conducted mostly on the Group's broiler farms. The contract farms will be audited as and when required.

**2.3 Slaughtering and processing of chicken**

The CAB Group operates 2 slaughtering and processing factories. The factories are located in Segambut, Kuala Lumpur and Alor Setar, Kedah Darul Aman. The factories and their respective approximate slaughtering capacities a year are as follows:

Factory name	Location	Main floor area (square metres)	Current utilisation (million chicken)	Percentage of utilisation %	Maximum capacity (million chicken)
JJSB	Kuala Lumpur	905.78	2.64	73.33	3.60
JJP	Alor Setar, Kedah Darul Aman	338.16	0.36	50.00	0.72
<b>Total</b>		<b>1,243.94</b>	<b>3.00</b>	<b>69.44</b>	<b>4.32</b>

The factory located in Segambut, Kuala Lumpur is largely automated while the factory located in Alor Setar, Kedah Darul Aman is manually operated.

**2.3.1 Slaughter and processing factory located in Segambut, Kuala Lumpur**

The slaughtering process at the slaughtering and processing factory in Segambut, Kuala Lumpur up to the point of processed chicken is basically as follows:

**(i) Input of live broilers**

Full-grown broilers are transferred from the Group's farms and contract farms to this slaughtering and processing factory. The factory has an IN/OUT area which separates the incoming live broilers from the processed chicken to avoid contact of the live broilers from the processed chicken. This ensures that the quality and hygiene of the processed chicken to be delivered to the CAB Group's customers are maintained.

**(ii) Relaxation room**

The broilers are first put into a relaxation room where they are hosed down in cold water to keep them from over heating as well as to pacify the chicken to avoid the possibility of the chicken injuring themselves. This procedure aims to ensure that the chicken are not bruised, cut or damaged before slaughtering, which could affect the quality of the processed chicken.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**(iii) Slaughtering and defeathering**

The broilers are then slaughtered manually in accordance with the *halal* method. Prior to defeathering, the slaughtered broilers are immersed in a scalding tank followed by the removal of the feathers in a plucking machine. Depending on the average size and weight of the broilers, several types of automatic double or triple row defeathering machines are used. The heads are removed by a head puller before evisceration.

**(iv) Evisceration**

Good hygiene is essential for evisceration as cleanliness is required for improved quality, product hygiene, increased shelf life and a higher price for the chicken. After manually applying the neck skin slit, the vent is cut out while the intestines, gizzard, heart and liver are pulled out and subsequently removed and dropped in an evisceration trough. The lungs which still remain in the carcass are then removed at this stage by using the lung pistol and the neck is removed with the pneumatic neckshear. Finally, the hocks are cut off by the automatic hock cutter and the chicken drops into a rehanging chute/reception bin. The hocks are removed from the shackles by the automatic straight hock unloader. The chicken are then chilled either by air or water. Air chilling is used for the carcass which is to be sold fresh and water chilling is used mainly for the frozen carcass.

**(v) Packaging**

After chilling, the chicken are weighed and packed. The mechanical weigher/grader weighs and distributes the chicken into variable weight classes before they are packed into polyethylene bags by using a bagging horn and tape sealing unit mounted on a table at a speed of 400 to 500 chicken per hour. When the chicken is placed in a polyethylene bag, the air is removed from the bag before sealing. If the customers have placed instructions for the broilers to be cut into parts, the cutting would be done prior to the packing.

**(vi) Storage**

There are two different methods of storage. A chiller stores at a temperature of 0 Celsius and a freezer stores at a temperature of either -20 or -40 Celsius. Chillers are normally used to store the fresh chicken and freezers are normally used to store the frozen chicken.

**(vii) Transport**

Once the processed chicken are ready to be transported to the customers, they will either be transported to the customer's designated area or stored in the chiller or freezer depending on the circumstances which vary from time to time. At present, the CAB Group delivers its processed chicken to various states in Peninsular Malaysia including, Johor Darul Takzim, Negeri Sembilan Darul Khusus, Pahang Darul Makmur, Melaka, Selangor Darul Ehsan, Penang, Kedah Darul Aman and Perlis Indera Kayangan.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**(viii) Sales**

The slaughtered chicken and chicken cuts processed in Kuala Lumpur are packed and sold to hotels, restaurants, supermarkets and retail outlets under the brand name of *Ayam Like's*. Apart from that, the processed chicken are also sold to hawker stalls and eating shops, and walk-in customers. *Ayam Like's* is the brand name used for the sale of chicken processed at the Segambut, Kuala Lumpur factory. The chicken and/or chicken cuts slaughtered and processed in this factory and carrying the *Ayam Like's* brand name have been given the *halal* certification by the Islamic Development Department of Malaysia. The chicken meat is also supplied to KFI and DSSB for further processing into other value-added food products such as kebabs and sliced barbequed meat.

**2.3.2 Slaughter and processing factory located in Alor Setar, Kedah Darul Aman**

The live chicken in the Alor Setar, Kedah Darul Aman factory are slaughtered and processed with the aid of equipment including a boiler and defeathering machine. The Alor Setar, Kedah Darul Aman slaughter and processing factory caters mainly to wet markets and wholesalers.

**2.4 Processing of value-added food products**

The CAB Group has also diversified into the manufacturing of value added food products through BTFF, KFI and DSSB which manufactures burgers, kebabs and sliced barbequed meat, respectively to supply to the various Kyros Kebab outlets. The functions of these manufacturing units are as follows:

**2.4.1 Burger processing**

Burger processing is operated by BTFF. The burger patties produced are from chicken meat and beef with the chicken meat sourced from within the CAB Group and the beef sourced from third party sources. The aim of the burger patties production is to supply its retail outlets which are operated by BTFF and to sell to other wholesalers and retailers including mobile burger and hotdog street vendors. The burgers produced are sold under the brand name of *Garing Burger*. Hygiene is important to BTFF and it is a requirement for the production employees to wear aprons and caps.

**2.4.2 Kebab processing**

KFI manufactures the kebabs it uses for its Kyros Kebab outlets. The factory is located at Bolton Industrial Park, Batu Caves, Selangor Darul Ehsan, and it produces the lamb, beef and chicken kebabs. The supplier of lamb and beef is SF Frozen Sdn Bhd whereas the supplier of chicken is JJSB. KFI processes an average of 300 kilograms of beef and lamb and 500 kilograms of chicken each day. KFI owns 4 refrigerated trucks which are used to deliver supplies to all Kyros Kebab outlets including franchised outlets in Peninsula Malaysia.

## VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

### 2.4.3 Sliced barbequed meat

The processing of sliced barbequed meat is part of the operations of the CAB Group's associated company, DSSB. The sliced barbequed meat is popular among the Chinese population in Peninsular Malaysia, particularly during the Chinese New Year period. At present, the sliced barbequed meat includes chicken and beef and is sold at the Kyros Kebab outlets. During the Chinese New Year festive season, the sliced barbequed meat is sold on an ad hoc basis to various buyers. The product is certified *halal* so that it can be sold to the Muslim population in Malaysia.

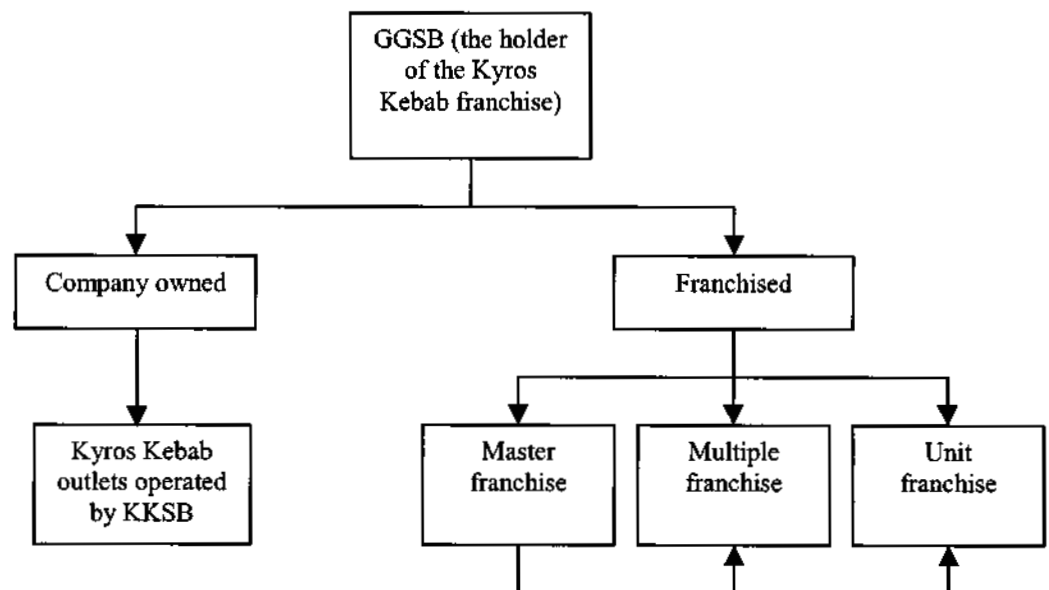
### 2.5 Retail chain store and distribution centre

The CAB Group has opened up retailing outlets to facilitate the sale of further processed food products. In addition, the retailing outlets also assist in selling the further processed food products produced by BTFF. The CAB Group also has in place distribution centres to serve as depots for the distribution of chilled and frozen chicken and chicken parts. The distribution centres are intended to increase efficiency and timeliness in distribution of its further processed food products to its customers. At present, the Group has 3 retailing outlets/distribution centres of which 2 retailing outlets/distribution centres operating under the name BTFF are located at Sungai Pinang and Bukit Mertajam, Penang respectively, and the other retailing outlet/distribution centre which operates under the name JJSB is located in Kuantan, Pahang Darul Makmur.

The Group believes that these retail outlets will be successful as it is a convenient, cheap and clean place to purchase frozen food apart from purchasing it from the wet market. The Group is currently planning on expanding its retail outlets and distribution centres to other parts of Peninsular Malaysia.

### 2.6 Fast food chain and franchising business

The CAB Group's fast food chain and franchising business is set out as follows:



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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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Apart from retailing, GGSB is the franchisor of the Kyros Kebab fast food chain. Kyros Kebab was started, with a view to exploit the potential of selling kebab, a traditional Mediterranean food, through a modern fast food chain in order to bring this delicacy to Malaysians throughout the country.

The Kyros Kebab outlets prepare its kebabs (except for vegetarian kebabs) with meat cooked over a rotating burner using special spices and ingredients. The cooked meat is generally served in lebanese bread with fresh vegetables and Kyros special sauce. Kyros Kebab offers a choice of meat including chicken, lamb, beef, fish and vegetarian kebabs in its menu (fish kebab is offered in certain Kyros Kebab outlets only).

Kebabs in countries like Turkey are often sold by street vendors and small food shops. The Group has a different culture of selling kebab by its concept of a fast food chain of outlets at primary shopping complexes where customers can enjoy the meal in comfort. Kyros Kebab outlets are designed to provide a bright, fresh and contemporary look that complements the modern lifestyle of its customers.

At present, KKSBB a subsidiary of GGSB is responsible for operating the Group's company owned Kyros Kebab outlets. As at 21 November 2003, there are a total of 51 Kyros Kebab outlets in Malaysia of which, 8 are company-owned outlets.

**2.6.1 Franchise**

Franchising is an important aspect of the Kyros Kebab business. At present, GGSB offers 3 methods of Kyros Kebab franchises as follows:

**(i) Unit franchise**

Unit franchise is granted to single owners for operating a single outlet at a particular location. In general, the Group encourages unit franchisees to be owner operators as it believes that owner operators are generally more successful in running the outlets. As at 21 November 2003, the Group has a total of 34 unit franchises in Malaysia, of which 15 outlets are located in Kuala Lumpur, 11 outlets are located in Selangor Darul Ehsan, 4 outlets are located in Pahang Darul Makmur, 2 outlets are located in Negeri Sembilan Darul Khusus and 1 outlet each in Penang and Kedah Darul Aman. As at the date of this Prospectus, the Group has granted more than 1 unit franchise to certain unit franchisees.

**(ii) Multiple franchise**

Multiple franchise is granted to a franchisee that intends to open more than one outlet in a particular territory within a particular timeframe which is negotiated between the Group and the multiple franchisee. As at the date of this Prospectus, the Group has not granted any multiple franchise.

**(iii) Master franchise**

The master franchise enables the particular franchisee exclusive rights to use the Kyros Kebab operating system in a given territory, normally within a state or country. The benefits of a master franchise to a franchisee is that the franchisee would have exclusive rights to use the brand name in that territory including, to manage its own outlets and sell franchises (unit franchise and multiple franchise) to interested parties within that territory.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**


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The reputation of Kyros Kebab has resulted in its successful penetration into international markets. As at 21 November 2003, GGSB has granted 10 master franchises of which 5 are international franchises (of which 2 are held by KKPL and SKK), as follows:

No.	Name	Territory
1.	KKPL	Singapore
2.	SKK	Shanghai, China
3.	Inderatera Sdn Bhd	Kelantan Darul Naim, Malaysia
4.	Super Gourmet Sdn Bhd	Johor Darul Takzim, Malaysia
5.	R. Foodmaster Network	Terengganu Darul Iman, Malaysia
6.	Kebab Chain Sdn Bhd	Sabah, Malaysia
7.	Wellprade Sdn Bhd	Sarawak, Malaysia
8.	PT. KEBAB SUMATERA	Sumatra, Indonesia
9.	Worldwide Holdings	Pakistan
10.	Kyros Kebab USA, LLC	USA

As at 21 November 2003, the above master franchisees have in operation 9 outlets in Malaysia and 7 outlets internationally.

### 2.6.2 Products

The main product sold by Kyros Kebab is its kebab in lebanese bread served with the choice of lamb, beef, chicken, mixed (lamb, beef and chicken), fish and vegetarian. The kebab can be eaten either as a quick snack or as a complete meal.

The Group through GGSB has also developed and catered a variety of kebab meals including kebabs served in croissant or with fries or rice to cater to the various customers with differing taste including, inter alia, white collared professionals, dine in customers and older generation customers who traditionally require rice to form part of a meal.

Another product sold by Kyros Kebab is sliced barbequed meat in pita bread. A choice of either chicken or beef sliced barbequed meat is offered. This particular product is targeted for those customers seeking a snack or a light meal. Kyros Kebab has also introduced Kyros spaghetti in October 2002 as part of its menu to increase its range of products enabling it to cater to an even greater number of people in Malaysia. To complement the main meal offered by the Kyros Kebab outlets, soup, fries, beverages and optional extra fillings in the kebabs are available at the Kyros Kebab outlets. Kyros Kebab outlets also have available for sale, *halal* sliced barbequed meat which are sold under the Kyros Kebab brand name.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**2.6.3 Kyros concept**

Kyros Kebab integrates Mediterranean with Western fast food ambience into its operation and concentrates on offering quality and nutritious fast food. Proper guidelines and audits are carried out to ensure quality service and hygienic handling of food is practised. The business can be carried out in 3 different concepts, namely kiosk, café and restaurant, each with varying floor area requirement.

One of the Group's requirements for opening an outlet or franchising an outlet is that it must be situated in a high traffic location to ensure that it captures a strong weekday crowd, particularly white collared professionals and a weekend and evening crowd, consisting mainly of families, shoppers and tourists. This includes opening outlets in or near shopping complexes and office buildings.

As the food is prepared on the spot in an open kitchen, labour requirements at Kyros Kebab outlets as compared to many other fast food retailers are relatively low which translates to lower running costs enabling the price of the food to be competitive.

All Kyros Kebab's staff including the staff of new franchisees are initially trained at the Group's branch office located in Kuala Lumpur. The Head Office will (on commencement of a franchised outlet) send one of its senior management to the franchisee's outlet to inspect and ensure that all procedures set out are complied with. Periodic visits to the outlets to conduct a Quality, Service, Cleanliness and Value audit and to obtain feedback to ensure that the outlets comply with the operating standards and also feedback on the latest developments and performance of those outlets.

**2.6.4 Other fast food**

SSSB started a new fast food outlet at the Scotts Picnic Food Court, Suria KLCC, Kuala Lumpur specialising in seafood and other meat cooked and served on sticks either barbequed or steamboat style. The viability of and demand for this food concept is still largely experimental in nature at this stage.

**2.7 Bakery**

KBC was set up to produce lebanese and pita bread which are supplied mainly to the Kyros Kebab outlets in Malaysia and overseas. KBC also supplies the lebanese and pita bread to hotels, supermarkets and mini markets under the brand name of *Al-Ussrah*.

The machine employed in the production of the bread can be adjusted for numerous bread sizes ranging from a minimum of 6 inches to a maximum of 12 inches. The maximum production capacity of the factory is approximately 400,000 pieces of bread per month. At present, the factory is only utilising up to approximately 50% of its capacity. KBC also promotes a clean and hygienic environment. The workers are required to wear gloves, caps and aprons while on the production line for hygiene purposes.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**2.8 Plantation**

The CAB Group owns 2 parcels of land planted with approximately 20,000 Sentang trees. The trees are approximately 7 to 10 years old and are expected to mature in another 6 to 9 years. The maintenance of the Sentang trees is relatively low as proper care is mostly required during the infancy period (that is within the first 4 years). The usage of the trees upon its maturity is for manufacturing of, inter alia, quality furniture products. The Directors of the Company believe that the Sentang trees at its broiler farm would be synergistic with the farm as chicken waste can be used as fertiliser for the Sentang trees while the farm can be isolated sufficiently from the public by the Sentang trees, creating a quiet and conducive environment for the breeding of the broilers.

**3. VIABILITY****3.1 Principal target markets**

The principal target markets for the CAB Group's products are divided into the chicken market, the fast food market and frozen food market.

**3.1.1 The chicken market**

The chicken market refers to the market for the CAB Group's business of sale of live chicken, processed chicken and/or chicken parts. The CAB Group currently does not export any processed chicken and/or chicken parts to foreign countries. The principal target markets for its processed chicken and chicken parts vary according to the geographical location of the slaughter and processing factory. The Segambut, Kuala Lumpur factory caters mainly to hotels, restaurants, supermarkets, retail outlets (in addition to those owned and operated by the CAB Group), hawker stalls and eating shops and walk-in customers while the Alor Setar, Kedah Darul Aman factory caters to walk-in customers, restaurants, wet markets and wholesalers. The target markets for the CAB Group's chicken products in Peninsular Malaysia are set out below.

**(i) Hotels**

The CAB Group targets hotels whereby the requirements of these hotels vary according to their particular needs at the time which includes chilled chicken, processed whole chicken or chicken parts.

**(ii) Restaurants**

The CAB Group currently supplies to restaurants in Kuala Lumpur and Selangor Darul Ehsan principally to a particular chain of restaurants. The restaurants supplied to in the Penang Island, Seberang Perai, Penang and Kedah Darul Aman areas are usually the individual restaurants.

**(iii) Supermarkets and retail outlets**

The CAB Group supplies mainly chilled whole chicken and chicken parts to supermarkets and retail outlets apart from those retail outlets that are owned and operated by the CAB Group.