
VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

(iv) Hawker stalls and eating shops

The CAB Group also targets the hawker stalls and eating shops market in the Kuala Lumpur and Selangor Darul Ehsan areas. It supplies mainly chicken parts to this market.

(v) Wet markets, wholesalers and slaughter and processing factories

Wet markets are an important market for the slaughter and processing factories of the CAB Group in Alor Setar, Kedah Darul Aman. Whole processed chicken and chicken parts are supplied to wet markets and wholesalers. The CAB Group also delivers live broilers to wet markets, wholesalers and slaughter and processing factories outside the CAB Group.

(vi) Walk-in

The slaughter and processing factory in Segambut, Kuala Lumpur also receives orders from walk-in customers whereby sales are conducted on cash term basis.

(vii) In-house requirements

Apart from the external customers, the CAB Group also requires the chicken meat supplied by the Group. Approximately 30% to 40% of the broilers from the CAB Group's own farms and contract farms are slaughtered and processed into processed chicken and chicken meat for its in-house requirements such as for further processing into value-added food products by KFI and BTFF as well as for distribution through its retail outlets. The remaining live chicken are sold to other wholesalers, retailers and food processors.

3.1.2 The fast food market

The fast food market refers to the market for the CAB Group's Kyros Kebab fast food business and fast food franchise business as set out below:

(i) Fast food

The fast food market's principle feature is the Kyros Kebab fast food outlets. Although the principal food served at the Kyros Kebab fast food outlets such as kebab is relatively unique for a fast food outlet, the market which it is appealing to is essentially those who patronise fast food outlets.

(ii) Consumer

The nature of the fast food outlets is consumer orientated. The CAB Group particularly targets white collared workers during working days and tourist and families during weekends and public holidays for its fast food outlets. The type of patrons which the CAB Group believes would be attracted to its Kyros Kebab fast food outlets would be those who aim for quality orientated and healthy fast food.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

(iii) Urban market

The CAB Group also targets to open its fast food outlets in areas in or near large shopping malls and areas with a high density of offices. As such, the market for its fast food outlets is urban in nature.

(iv) Franchise market

At present, only the Kyros Kebab fast food chain is franchised. The ability of the CAB Group to successfully franchise out the Kyros Kebab franchise is dependent on, inter alia, its branding and the marketing strategies, the competitiveness of its franchise fees, the relative uniqueness for a fast food business of the main produce sold, its kebabs and the relatively low investment costs required for renovations, furniture and equipment at new Kyros Kebab franchised outlets.

The Directors of the Company believe that the *Kyros Kebab* brand name and outlets are relatively well known in Malaysia particularly in West Malaysia and has had an important role in attracting franchises in Malaysia. The CAB Group has through KKPL and SKK set up Kyros Kebab franchises in Singapore and China, respectively. The CAB Group has or intends to market its franchises elsewhere particularly through master franchises or joint ventures with the appointment of consultants to market the Kyros Kebab brand if it considers appropriate. The brand name of *Kyros Kebab* is relatively new in the international market. However, with recent additional *Kyros Kebab* franchises being granted in territories such as Pakistan, Indonesia and the USA, the Directors of the Company are optimistic of the potential of Kyros Kebab as a player in the international market.

(v) Foreign markets

The ability of the CAB Group to open Kyros Kebab outlets, to enter into joint ventures or to grant franchises overseas may inter alia, be subject to government regulations in those countries. Apart from Malaysia, the Kyros Kebab business is now operated in Singapore, China and Indonesia. The Kyros Kebab business operations in the USA and Pakistan are expected to commence by the end of 2003. The CAB Group through GGSB has also taken steps to franchise out the Kyros Kebab franchise in other territories such as South Korea, Philippines, Japan, Middle East (Bahrain, United Arab Emirates, Qatar, Kuwait and Saudi Arabia), Brunei, India and South Africa.

(vi) KFI and KBC

KFI and KBC essentially manufactures kebabs and both lebanese and pita bread respectively for sale to the Kyros Kebab outlets although some lebanese and pita bread is also sold to supermarkets. As such, the markets for KFI and KBC are principally internal in nature.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

3.1.3 Frozen food market

Apart from the sale of live and processed chicken and/or chicken parts, the Group also through BTFF further processes its chicken meat to burger patties. The Group also sources other frozen food products from various third party to be marketed through the Group's retail outlets to other wholesalers and retailers including, school and factory canteens, mobile burgers and hotdog street vendors and supermarkets.

3.2 Marketing and method of distribution

The marketing and distribution methods adopted by the CAB Group can be divided into the poultry division and the fast food division as set out below.

3.2.1 Poultry division

Due to prevalent competition in the poultry industry, good marketing strategies adopted by the CAB Group would be important to the success of its poultry business. The CAB Group's poultry division marketing department consists of 13 persons. Their duties include targeting wet markets, wholesalers, chicken slaughter and processing factories for the sale of live broilers and hotels, wholesalers, hawker stalls, eating shops and supermarkets for sale of the processed chicken or chicken parts which are either chilled or frozen. Apart from the competitive prices, the CAB Group competes with its motto, quality and cleanliness, for its chilled and frozen chicken or chicken parts.

(i) Quality

The CAB Group places high priority on the quality of its chicken which includes the health, texture, cleanliness and freshness of the chicken. A higher quality chicken could fetch a higher price in the market compared to poorer quality chicken (whether sold as live broilers or as chilled or frozen chicken or chicken part). As such, the CAB Group is well integrated from being a front end breeder chicken farming and hatching concern up to the slaughter and processing to control the quality of the chicken. The use of good parent stock such as *Cobb* and *Ross* for the breeders helps ensure that the broilers are from good parent stock which are known to be more resilient to diseases. A manufacturing contract entered with Cargill provides supply of quality feeds to maintain healthy broilers while good farm management and consistent audit checks ensures quality broilers. The largely automated factory in Segambut, Kuala Lumpur is able to process the chicken to a stage ready for the market in a timely manner. Speed of the process is important to maintain the freshness and quality of the chicken. In addition, the chicken are frozen at -20 to -40 degrees Celsius to enable the chicken to have a longer shelf life.

(ii) Timeliness

The supply of chilled and frozen chicken and chicken parts often requires the timeliness of delivery as the chicken might be required for immediate use. In particular, the timeliness of delivery of chilled chicken is necessary to ensure that the products delivered remains fresh. Timely delivery of live broilers also ensures that the broilers delivered remain fresh and healthy.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

(iii) Pricing

The price of fresh and/or frozen chicken or chicken parts is generally determined by market forces although the maximum price for whole chicken is controlled by the Government. Due to the quality of chicken produced and sold by the CAB Group, the CAB Group's chicken are able to fetch a higher price as compared to its competitors. The CAB Group constantly monitors its pricing to maintain its competitiveness. The price is monitored by the CAB Group's poultry division sales department with the advice of the senior management of the CAB Group.

The CAB Group believes that the competitiveness of its broilers in terms of pricing, quality and service to its customers ensures that the customers are kept satisfied while the continuous liaison by the marketing department of the CAB Group ensures that the business relationship between the CAB Group and its customers is well maintained.

(iv) Delivery services and strategic locations

As part of the Group's service to its customers, the processed chicken and frozen food are delivered directly to the customers' premises, if required, to provide convenience to its customers and as a source of incentive for its customers to source their supplies from the CAB Group. The delivery service is subject to certain minimum order requirement.

In addition, the CAB Group has placed its slaughter and processing factories strategically in Alor Setar, Kedah Darul Aman and Segambut, Kuala Lumpur. The strategic location of the factories enables the CAB Group to make timely delivery of the factories' processed chicken to many of its customers throughout Peninsular Malaysia. While the respective slaughter and processing factories generally cater to those customers closest to their location, on occasion (where required), the processed chicken can also be transported to other locations.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

3.2.2 Fast food division**(i) Fast food outlets**

The CAB Group promotes its Kyros Kebab outlets in the following manner:

- (a) **Brand promotion:** The CAB Group through GGSB publicises the Kyros Kebab fast food outlets through organised activities involving the public in Malaysia on an annual basis. For the year 2002, GGSB organised the Kebab Eating Contest 2002 which was carried out in 10 shopping centres with the Grand Final held at Genting Highlands, Pahang Darul Makmur. Apart from that, GGSB publicises its activities by inviting certain celebrities to officiate and/or attend those activities. The CAB Group hopes that through these and other ways of brand promotion, it will help to expand public awareness and to create a favourable public image of the Kyros Kebab fast food outlets. Brand promotion is carried out by the advertising and promotion department of the CAB Group. In addition, GGSB had also organised a "Scratch N Win Contest" which was held between July and September 2001 to encourage the public to consume Kyros Kebab products;
- (b) **Type of food:** The CAB Group uses the relative uniqueness of the kebab as a fast food outlet product to attract customers. The word 'kebab' is highlighted in the name *Kyros Kebab* itself and the menus and advertised foods available at the Kyros Kebab outlets where the principle dishes offered are usually kebab dishes;
- (c) **Variety:** The CAB Group also structures the dishes offered at the Kyros Kebab outlets in an attempt to appeal to a range of different customers. For example, some kebab dishes are served with fries to cater for patrons with Western tastes or tourists from countries where potato is the staple diet while some others are served with rice to cater particularly for those who traditionally require rice to form part of a meal;

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

- (d) Pricing and value for money: The CAB Group structures the price of its dishes at Kyros Kebab outlets to be attractive. The price menu is fixed by the Group but there is no rigid policy set by the Group that requires the same price to be adopted for the same dishes in all outlets throughout Malaysia. In locations where operation costs are higher, such as, Genting Highlands, Pahang Darul Makmur and Suria KLCC, Kuala Lumpur, the CAB Group has permitted the pricing for the dishes to be slightly higher. In general, the CAB Group attempts to keep its prices similar within each territory. Prices of its products overseas are differently structured by the respective master franchisees in those countries. However, the CAB Group has a policy to (as far as practicable) keep the pricing of its products from frequent fluctuations in order to create a stable pricing of its products;
- (e) Ambience: The CAB Group seeks to have its Kyros Kebab outlets decorated with an attractive décor designed to make them attractive to customers;
- (f) Strategic points: A key point in ensuring the marketing success of the Kyros Kebab outlets is to locate them at strategic locations with high human traffic. As such, the Kyros Kebab outlets are normally targeted to be located in or near large shopping malls and areas with a high density of offices; and
- (g) Quality control: The CAB Group also inspects and controls procedures, practices and use of materials at the Kyros Kebab outlets to ensure the food served at the outlets is of consistent quality. The outlets overseas are usually inspected by its master franchisees. The requirement that certain supplies such as, disposal cups and plates apart from food and beverages be sourced from the CAB Group ensures quality control.

(ii) Franchise business

The Group's marketing strategies for its franchise business are as follows:

- (a) Brand promotion: The strength of branding in Malaysia is reliant on several vital factors which is also important to the success of the Kyros Kebab outlets. At present, the Kyros Kebab brand name is relatively new in the international markets. As such, the Kyros Kebab brand name is being or is proposed to be marketed through certain strategies which includes, inter alia, the use of subsidiaries set up in China and Singapore (SKK and KKPL) who have been appointed master franchisees in China and Singapore, the use of franchise consultants to source master franchisees and the proposed use of joint ventures with local partners overseas;

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

- (b) Franchise fees: The CAB Group charges relatively low franchise fees compared to many international franchise names. This makes the setting up costs of the Kyros Kebab franchise lower and enables competitive prices to be structured for the Kyros Kebab franchised outlets;
- (c) Outlet investment costs: The CAB Group also hopes to make its franchise more attractive when compared with many international franchise names by having a flexible and relatively inexpensive policy for the renovation and equipping of Kyros Kebab franchised outlets. There is no requirement of buying certain materials at high prices from the CAB Group such as (but not limited to) kitchen equipment, tiles and counter tops. The individual franchisees are given the discretion of obtaining these items on their own or seek the materials from the CAB Group; and
- (d) The kebab: The CAB Group hopes to use the relatively unique fast food product of a kebab to attract potential franchisees in view of its uniqueness which is different from other fast food products such as burgers and fried chicken. Other businesses of the CAB Group such as the kebab meats produced by KFI and the pita and lebanese breads produced by KBC are principally to cater for the needs of the Kyros Kebab fast food business.

The Directors of the Company believe that franchising is a dynamic tool for modern businesses. Through franchising, the Directors of the Company believe that the brand name of Kyros Kebab is able to grow with relatively low cost. Franchising is also one of the marketing strategies of the Group to expand its outlets into more locations and territories without being required to lay out much (if any) capital. The Directors of the Company also believe that as the Kyros Kebab franchising business of the Group is not particularly dependent on capital expenditure to grow, the growth rate of the Kyros Kebab business would not be constrained by the Group's ability to provide capital. It is only reliant on the demand for the Kyros Kebab products and the Group's ability to market its franchise to potential investors and/or owner operators of the Kyros Kebab outlets. The Directors of the Company believe that with the Group's aggressive advertising and promotion of its brand name and the engagement of franchise consultants to market and promote the Kyros Kebab franchise overseas, the Kyros Kebab business has good potential to achieve further growth both in Malaysia and overseas.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

3.3 Competitive advantage

The Directors of the Company believe that the following factors would give the CAB Group a competitive advantage in connection with its business:

(i) Name

The CAB Group's poultry division through its various activities in various parts of Peninsular Malaysia has established a reputation in the sale and supply of broilers and processed chicken and chicken parts. At present, the CAB Group supplies its live chicken and processed chicken to almost every state in the west coast of Peninsular Malaysia stretching from Perlis Indera Kayangan down to Johor Darul Takzim. The CAB Group also has presence in east coast of Peninsular Malaysia where the Group has recently set up a distribution centre in Kuantan, Pahang Darul Makmur to distribute processed chicken and/or chicken parts and further processed frozen food products to its customers in Pahang Darul Makmur, Terengganu Darul Iman and Kelantan Darul Naim. The CAB Group's main customers however, are located in Penang, Kedah Darul Aman, Pahang Darul Makmur and Selangor Darul Ehsan. The CAB Group has also taken measures to further market *Kyros Kebab* as a household brand name in Malaysia.

(ii) Modern manufacturing facilities

The CAB Group has invested in its slaughter and processing factory in Segambut, Kuala Lumpur to create a largely automated slaughter and processing factory which can process chicken into chilled or frozen whole chicken and chicken parts efficiently.

(iii) Integrated structure

The CAB Group has an integrated business structure which has enabled it to carry out activities, ranging from parent stock breeding, hatching of eggs into DOCs, broiler farming, processing and supplying chicken and chicken parts to customers, retailing frozen foods products, processing of kebabs and burgers, fast food outlets selling, inter alia, kebabs and franchising of *Kyros Kebab*.

The integrated business of the CAB Group enables the Group to control its business more effectively from its upstream activities all the way to its downstream activities. With such extensive integration in the business structure, the Directors of the Company believe that it has a better opportunity to increase its downstream activities such as the further food processing activities by increasing its range of products for economies of scale to be achieved.

(iv) Cost control

A major cost in the breeding of chicken and ultimately the cost of producing processed chicken and chicken parts is the cost of chicken feeds. The CAB Group has established a strong business relationship with Cargill which has enabled it to enjoy discounts from its bulk purchase of feeds. Certain ingredients and supplies for kebab in relation to the CAB Group's *Kyros Kebab* business are sourced from regular suppliers and manufacturers which enable them to be sourced at more favourable prices and with greater reliability. The cost of production is also reduced with the utilisation of automated processing systems in the processing of slaughtered chicken and in the CAB Group's bakery.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

(v) Quality control

The CAB Group implements quality control procedures in its chicken breeding, and slaughtering and processing factories and its Kyros Kebab outlets to ensure quality chicken is produced and that the Kyros Kebab fast food outlets remain attractive to customers. In addition, Kyros Kebab also has its own quality control procedures and/or requirements which helps maintain quality in the company owned and franchised outlets. Details of some of its quality control procedures in the poultry operations are set out in Sections 2.1.3 (Health control procedures) and 2.2.2(v) (Audit on broiler farms) of Part VI of this Prospectus. In addition, the management of the Group constantly checks and monitors the slaughter and processing activities in its slaughter and processing factories to ensure that its employees handle the food in a hygienic manner. Details of the quality control employed for its fast food operations are set out in Section 3.2.2(i)(g) of Part VI of this Prospectus.

(vi) Experience

Chuah Ah Bee, the Managing Director of CAB has been involved in the poultry industry since the 1970's and has extensive experience in the poultry industry. Khoo Chee Kong, Chew Chee Khong and Zakaria Bin Hashim founders of the Kyros Kebab fast food chain in 1997, have had considerable experience in running the fast food chain as well as its franchising business which started in 1998.

(vii) Pricing

At present, the prices for fresh and frozen chicken or chicken parts are determined by market forces. The prices fluctuate according to seasons throughout the year. However, the CAB Group sets its price at slightly above the general market price as it is able to demand for such a price due to the quality of its chicken. The Government has under the Control Supplies Act, 1961 placed a ceiling price on the price of non-value added chicken or whole processed chicken. The CAB Group is also able to demand or set its pricing on the non-value added chicken or whole processed chicken. The price is based on the feed back received by its marketing and/or delivery personnel. Certain clients receive preferential prices, normally based on loyalty and relationship. This method of pricing helps ensure the competitiveness of the CAB Group's pricing and demand for its chicken.

The method of pricing for the products sold by the Kyros Kebab outlets is based on the CAB Group's own market research and is set at a competitive price compared to the other fast food chain outlets. The price also vary from territory to territory particularly in the various countries where the price is set to reflect the cost of living and the prices set by its competitors. As there are no other large scale kebab fast food chain in the local market, the pricing of its products are structured to be competitive as compared to other fast food chain outlets. As the Kyros Kebab outlets have lower operating costs with the implementation of an open kitchen concept which requires less employees to operate, it is able to pass on the savings to its customers and remain competitive in the market.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

(viii) Lower running costs

The Kyros Kebab outlets use the open kitchen concept that is, inter alia, the kebabs are grilled (using infrared burners) in an open kitchen at the outlet. The competitive advantage gained by the open kitchen concept is that the operations of Kyros Kebab outlets require only a small area thus benefiting from a lower rental cost. In addition, it also has a relatively lower running costs which is also an attractive consideration for potential franchisees.

The CAB Group's good farm management practice including, inter alia, better controlled condition/environment for the chicken, professional staff which provide fast and efficient methods in keeping the chicken healthy, contributes to lower running costs as mortality rates are kept low and further cost savings are realised from less medicine consumed by the chicken. In addition, the expertise of its staff in the parent stock farms and hatchery ensures that the hatchability rate of eggs produced is high translating to lower cost of running the parent stock farm and hatchery per DOC hatched.

3.4 Research and development ("R&D")

The CAB Group has entered into a joint R&D project with Cargill on 9 July 2002 to conduct certain research into the type, quantity and proportion of feed to be given to the chicken to gain the maximum cost benefit results. Knowledge and experience gained from the R&D is intended to provide the Group with a competitive advantage in terms of cost reduction and rearing of quality chicken. At present the various completed research as set out below have been successfully implemented into the Group's operations. The targeted researches to be undertaken in 2003 are as follows:

	Commencement date	Status	Title and objective
1.	01.12.02	Completed	The economic impact of different feed nutrient specifications on broiler production.
2.	15.02.03	Completed	The impact of pre-starter feed on broiler harvesting weight.
3.	01.05.03	Completed	The economic evaluation of multiple phase feeding on broiler production.
4.	15.07.03	Completed	The effectiveness of new cocci drugs and their impact on feed conversion ratio (FCR).
5.	01.10.03	Ongoing	The effectiveness of new growth promotants in broiler production.
6.	15.12.03	-	The economic evaluation on herbs in broiler production.

(Note: The results of the R&D between CABG and Cargill can only be fully utilised by either party with the consent of the other party)

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

At present, the R&D unit comprises the following representatives from CAB and Cargill:

Name	Position in the R&D unit	Position in CAB or Cargill
Dr James Yi	Advisor	Poultry Technology Deployment Manager of Cargill Animal Nutrition, Minneapolis, USA.
Chuah Ah Bee	Advisor	Managing Director of the CAB Group
Desmond Tham	Advisor	Marketing Director of Cargill Animal Nutrition, Taiwan
Dr T. Pandiraja	Head of Research Unit	Poultry Technology Manager of Cargill, Malaysia
Kwan Chew Yong	Feed Specialist	Tradico Manager of Cargill, Malaysia
Dr Javahar s/o Velu	Chief Researcher	Poultry Technology Manager of Cargill, Malaysia
Hj Md. Salleh bin Hj Md. Tahir	Research Manager	Technical Manager of the CAB Group
Teh Kok Seong	Research Manager	Operations Manager of the CAB Group

The above personnel of the R&D unit are further supported by 3 employees of the Group.

The CAB Group also conducts R&D which involves mainly the development of new Kyros Kebab products, sauces and ingredients. At present, the CAB Group is in the process of developing new types of sauces. On average, the results of each R&D would take approximately 12 months from inception of the idea to inclusion in the Kyros Kebab business. The testing of the various food types would include circulation of the food types among the employees of Kyros Kebab as well as its franchisees for feedback and the feedback would be considered in the development of the dishes, sauces and ingredients.

The Group did not incur any significant amount of capital expenditure in relation to its R&D activities over the last 3 financial years as the R&D activities were minimal and only involved analysis of the feed quality, the breeding environment and the quality of broilers at the poultry farms. The R&D expenses incurred over the last 3 financial years of approximately RM200,000 were mainly in relation to the staff costs. However, the Group has officially set up its R&D unit in July 2002 after entering into a joint R&D project with Cargill and has incurred approximately RM20,000 to set-up the R&D unit at the Group's headoffice.

3.5 Technology

At present, the Group's business is not particularly reliant on advanced technologies. However, certain equipment it employs for the operation of its business relies on technologies which have to an extent been improved and refined over time. Among these include the incubators which the Group utilises for its hatchery, the feeder system for its chicken and the vaccination machine for eggs. The operation of the hatchery is particularly reliant on its incubators to heat up the eggs to a particular temperature as programmed by the CAB personnel. There is however a need to continuously upgrade and/or acquire new equipment with improvements to help ensure continued competitiveness, efficiency and costs savings in its hatchery, breeder farming, broiler farming, and slaughter and processing operations. The Directors of the Company will address these needs in its future plans.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

Over the past 5 years, the Group has invested in and adopted the equipment incorporating various technologies for its breeder farm and hatchery centre. They include, inter alia, silo units feeder systems, Cumberland breeder system, egg setters, egg hatchers, air-handling units, egg grading machines and accessories imported from the USA and Belgium.

3.6 Awards and accreditation

In 1997 and 1998, CABB's farm located at 227, Kampung Nenas, Kuala Tasek, 14100 Bukit Mertajam, Penang came in second place in the *Pertandingan Kebersihan dan Keindahan Ladang Ternakan Kawasan Seberang Perai, Penang*. In 2000, CABB was awarded first place in the same competition while in 2002, CABB managed third place in the competition. The awards were awarded by the Majlis Perbandaran Seberang Perai, Penang.

In 1998 and 2000, CABB's farm located at 227, Kampung Nenas, Kuala Tasek, 14100 Bukit Mertajam, Penang was accredited by the Department of Veterinary Services, Ministry of Agriculture, Malaysia as being Pullorum free.

In 2002, the CAB Group received the *Best Business Associate Award Malaysia 2002* from Cargill, USA. The award in particular highlighted CAB, JJSB and CABB as the companies which contributed to the Group.

On 22 August 2002, GGSB was accredited as a finalist in the Malaysian Franchise Award 2000/2001.

GGSB has also received a certificate of acknowledgement from the Kementerian Pembangunan Usahawan for its contribution as a franchisor under the franchise development program. The certificate expires on 31 March 2005.

In a letter dated 17 March 2003 from the Department of Veterinary Services, Ministry of Agriculture, Malaysia, JJSB's Veterinary Health Mark ("VHM") was renewed up to 31 December 2003. The VHM certificate certifies that JJSB is in compliance with all veterinary inspection regulations and has also fulfilled and satisfactorily complied with the requirements of the Quality Assurance Program and Hazard Analysis and Critical Control Point standards for poultry meat.

On 10 March 2003 a letter from the Department of Veterinary Services, Ministry of Agriculture, Malaysia was received by CABB stating that it has participated in the Program Salmonella Kebangsaan 2003, and that its farm located at 227, Kampung Nenas, Kuala Tasek, 14100 Bukit Mertajam, Penang was awarded as being free from Salmonella disease and that the farm has been operated in accordance with the biosecurity conditions set.

On 26 September 2003, the Kyros Kebab business was awarded the Superbrand Status 2003/2004 by Superbrands Malaysia.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

3.7 Intellectual properties

The Group relies on a combination of copyright protection, trademark and domain name registration to establish and protect its intellectual property, brand name and logos and internet domain names.

(i) Copyright

CAB's copyright in relation to the content of its websites "www.cab.com.my" and "www.kyroskebab.com.my" and its brochures is protected under the Malaysian Copyright Act 1987. Under the Malaysian Copyright Act 1987, copyright is the exclusive right to control in Malaysia the reproduction in any material form, the performance, showing or playing in public, the broadcasting, the communication by cable and the distribution of the copies to the public by sale, rental, lease or lending, of the whole or substantial part thereof, either in its original or derivative form. The copyright shall subsist during the life of the author and fifty years after his death.

The CAB Group's customers are primarily located in Malaysia. However, the Group's business operations also include its franchise business which are located in other jurisdictions such as, inter alia, USA, China, Singapore, Pakistan and Indonesia. The availability and extent of protection of the Group's intellectual property including its brochures and trademarks in those other jurisdictions would depend on the intellectual property laws in those jurisdictions which may vary depending on the applicable laws in those jurisdictions.

(ii) Trademarks

The Group owns various trademarks and has taken steps to protect its trademarks in Malaysia, Singapore and China. The CAB, Kyros Kebab and Ayam Like's logos are set out below:



In addition to the CAB, Kyros Kebab and Ayam Like's logos, the Group also uses the trademark *Al-Usrah* and *Garing Burger*.

Applications for the CAB and Ayam Like's logos/trademarks have been made under Class 29 in Malaysia and applications for the Kyros Kebab logo/trademark have been made under Classes 29, 30 and 43 in Malaysia, Class 42 in China and Class 30 in Singapore. The trademark for the Kyros Kebab logo have been registered in Malaysia under Class 29 in the name of GGSB as proprietor of the trademark from 5 March 1997 and renewed until 5 March 2007 and in China under Class 42 in the name of SKK as proprietor of the trademark commencing from 21 September 2001 to 20 September 2011. In addition, the CAB logo/trademark has been approved for gazetting under Class 29 in Malaysia. At present, the other applications made in Malaysia and Singapore are still pending approval.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

(iii) *Domain names*

The domain names "www.cab.com.my" and "www.kyroskebab.com.my" are registered under CAB and GGSB, respectively.

4. VULNERABILITY

4.1 Competition and market access

There are a few major players in the poultry industry with similar core business operations as the CAB Group such as the broiler farming and sale of live and processed chicken to various third parties. As such, the Group has integrated its business operations both downstream and upstream activities over time to, inter alia, provide itself with a competitive edge over its competitors.

At present, the Group has included in its operations, the Kyros Kebab fast food chain making it one of the selected few to be a fully integrated business entity. While the Group has various competitors in various businesses integrated with the Group, the Directors of the Company believe that the Group's diversification of its businesses would enable the Group to be less reliant on a particular business.

4.2 Supplies

The long term viability of the CAB Group depends on the long term sustainable supply and cost of its imported chicken feed, vaccination and medication and special sauce, being certain key supplies required in connection with the Group's principle areas of business. There is a possibility that the sustainability and cost of such supplies might be affected by the arrangements of the CAB Group set out below:

(i) *Poultry feed*

Currently, the main supplier of the chicken feeds used by the CAB Group and its contract farms (in relation to chicken reared by the contract farmers for the CAB Group) is Cargill. The CAB Group also purchases relatively small quantities of feeds from various other suppliers to, inter alia, test out the quality on those feeds in the event it is forced to switch to a different supplier at short notice. The CAB Group has also entered into a manufacturing contract with Cargill to provide feed under the CAB name to augment its relationship with Cargill. In the event Cargill is unable to provide the chicken feeds to the Group, the Directors of the Company believe that the Group is able to source alternative supplies of chicken feeds relatively easily without any material disruption to the supplies and that there is no particular cost difference in feeds from different sources.

(ii) *Vaccination and medications*

The medicines and vaccines used for the breeder and broiler farming of chicken are supplied from various suppliers in Malaysia. At present, there are a number of suppliers in Malaysia for the brands of vaccines and medicines used by the CAB Group and as a result, no shortage in the supply of the vaccines and medicines are expected. In the event the vaccines and/or medicines become scarce, the CAB Group would have the option of sourcing a different brand of vaccine and/or medicine from other suppliers in the Malaysian market.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

(iii) Special sauce

The special sauce used in the Kyros Kebab outlets is a formulation of GGSB. The special sauce is contract manufactured for KFI by CPC-Aji (a member of the Unilever Group). Reliance on a single contract manufacturer as being the source of supply for its special sauce might disrupt the supply of the sauce in the event the contract manufacturer becomes unable or unwilling to provide the sauce or the sauce in sufficient quantities. The Directors of the Company do not believe that there will be a disruption in the supply at this point in time as the contract manufacturer is a reputable sauce manufacturer. The Directors of the Company believe that the Group will still be able to produce the sauce on its own, if necessary, but at a marginally higher cost compared to outsourcing due to unfavourable economies of scale. There might also be a disruption in the supply of the sauce pending the setting up of production facilities for the sauce by the Group. At present, CPC-Aji supplies the special sauce to the CAB Group on a weekly basis. However, CPC-Aji produces up to approximately 4 months stock of the special sauce in one manufacturing batch. The stock is stored at its warehouse and delivered to the CAB Group on a weekly basis. Once the stock level reaches approximately 1 month's supply, CPC-Aji would commence manufacturing the next batch.

The Directors of the Company believe that although the CAB Group currently relies on certain supplier for bulk purchase to obtain a competitive and lower purchase price, its long term relationship and its position as the main purchaser from such suppliers would benefit the Group and protect its supply line.

4.3 Long term contracts

At present, the CAB Group has entered into a number of material long term contracts, details of which are set out below:

No.	Title	Parties	Date of agreement	Duration
1.	Broiler feed contract manufacturing, supply and services agreement	CABC and Cargill	6.11.02	60 months
2.	Broiler breeding farm management agreement	CABB and Cargill	6.11.02	54 months
3.	Confidentiality agreement of outside suppliers of services and products	GGSB and CPC-Aji	6.09.02	*Indefinite
4.	Cargill-CAB joint research unit	CABC and Cargill	9.07.02	*Indefinite

* Where the duration of the contract is not specified, the contract shall be in force until either party decides to terminate the contract.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

4.4 Capacity to diversify

At present, the CAB Group is well diversified with operations which includes, inter alia, the hatching of eggs into DOCs, the sale of fresh and frozen chicken or chicken parts and operation of the Kyros Kebab fast food chain including franchising of the Kyros Kebab fast food chain. While the Directors of the CAB Group believe that the CAB Group at present has integrated many synergistic activities within the CAB Group, it still has the capacity to further integrate into the CAB Group's businesses such as the export of fresh and frozen chicken or chicken parts as well as other value added frozen products, importing of beef and lamb to supply to KFI for its manufacture of kebabs for the CAB Group's Kyros Kebab business in Malaysia and the possibility of opening up other fast food chains other than the Kyros Kebab outlets.

4.5 Overseas operations

At present, the Group has businesses in China and Singapore through the operations of its Kyros Kebab business which are operated through master franchises granted to CAB's subsidiaries, namely KKPL and SKK, which are relatively recent operations. As such, the Group's experience in overseas operations is relatively recent.

Although the Group has been in operations overseas for a period of approximately 4 years, the Directors of the Company believe that by venturing into business in a foreign country, the Group would be able to gain valuable knowledge and business contacts in those countries. The experience and knowledge gained could potentially provide the Group with the necessary information to establish other synergistic businesses in those foreign countries.

4.6 Market

While the Directors of the Company believe that the Group has set out and successfully implemented its marketing plans and strategies, it is nevertheless still vulnerable to changes in the market condition and perception of its present market. The Group recognises this vulnerability and has taken steps to mitigate its exposure to such vulnerabilities by, inter alia, incorporating other downstream activities to its business particularly in the processed food business. The Directors of the Company hope that with such steps taken, the Group would eventually be able to diversify itself well enough to overcome such vulnerability. The Directors of the Company believe that chicken meat is highly consumable in Malaysia and the Group's current downstream and upstream integration has minimised its vulnerability to a change in market condition.

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

5. MAJOR CUSTOMERS

The CAB Group's poultry division has a diversified range of customers ranging from hotels, wholesalers, hawker stalls and eating shops, restaurants, mobile burger and hotdog street vendors and walk-in customers. While most of the CAB Group's customers are in respect of its fresh and frozen chicken or chicken parts, some are customers of its retail outlet business. In addition, the Group's fast food division has a wide and diversified range of customers for the various Kyros Kebab outlets in Malaysia and overseas as the customers are end consumers. The Group also supplies certain food products through KFI and KBC, to franchisees. In addition, KBC has some customers outside the Group to whom it supplies its bakery products. Approximately 8% to 10% of the value of the CAB Group's production of fresh and frozen chicken or chicken parts are for the internal requirements of the Group. Of the Group's external customers, none contribute to more than 10% of the Group's total revenue for the 9 months ended 30 June 2003. As such, the CAB Group is not dependent on any of its major customers.

The following are the CAB Group's top 10 customers for the 9 months ended 30 June 2003. The total revenue from these 10 customers contributed approximately RM17.70 million to the CAB Group's total revenue representing 16.34% of the Group's total revenue for the said financial period.

Name of customer	Contribution to the Group's total revenue %	Approximate length of relationship (years)
Bismi Cergas Sdn Bhd	3.54	10
Eng Huat Hin	2.60	6
Tan Boon Hock	1.50	10
Aik Hin	1.39	6
Shaw Jon Fok	1.39	10
Zolkafli Bin Che Ani	1.37	3
Sin Lin Hin	1.22	10
Lim Eng Chong	1.16	10
Han Kee Trading	1.15	10
Sheng Hong Fa Kee	1.02	8

VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

6. MAJOR SUPPLIERS

The CAB Group sources its raw materials from a range of suppliers. However, there are certain suppliers which the Group has a particular dependence on namely Cargill for chicken feeds which contributes to 34.82% of the Group's total purchases. The following are the CAB Group's top 10 suppliers for the 9 months ended 30 June 2003. The total purchases from these suppliers amounted to approximately RM37.06 million representing 42.52% of the Group's total purchases for the said financial period.

Name of supplier	Contribution to the Group's total purchases %	Length of relationship (years)
Cargill Feed Sdn Bhd	34.82	6
Kean Leong Trading Sdn Bhd	3.66	10
Chop Cheong Bee Sdn Bhd	1.08	6
Sim Fah Chicken Wholesaler	0.57	10
Lucky Frozen Sdn Bhd	0.45	6
SF Frozen Sdn Bhd	0.43	6
Sin Leong Seng Breeding Farm	0.40	10
Saudi Cold Storage Sdn Bhd	0.39	1
Pengedar Sin Lin Hin	0.37	10
Being Sheen Sdn Bhd	0.35	6