

11. INDEPENDENT MARKETING AND RESEARCH CONSULTANT REPORT

Infocredit D&B
Creating value...building trust

Infocredit D&B (Malaysia) Sdn. Bhd. (527570-M)
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20 NOV 2003

Board of Directors
TPC Plus Berhad
535B, Jalan Merdeka
Melaka Raya
75000 Melaka

RE: INDEPENDENT MARKETING AND RESEARCH CONSULTANT REPORT FOR TPC

This Report has been prepared for inclusion in the Prospectus to be dated **01 DEC 2003** pursuant to the proposed listing of TPC Plus Berhad ("TPC" or "The Company") on the Second Board of the Kuala Lumpur Stock Exchange.

This research is undertaken with the purpose of providing an overview of the Poultry and Commercial Eggs Industry in Malaysia as well as the operations of the Company within the industry. The research methodology for the research includes both primary research, involving in-depth trade interviews and telephone interviews of pertinent companies, as well as secondary research such as reviewing press articles, periodicals, trade/government literatures, in-house corporate databases, Internet research as well as online databases.

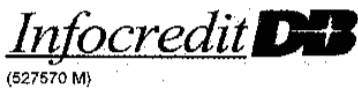
Infocredit D&B (Malaysia) Sdn Bhd ("Expert") has prepared this Report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Report. In addition, the Expert acknowledges that if there are significant changes affecting the content of the Expert's Report after the issue of the Prospectus and before the issue of securities, then the Expert has an on-going obligation to either cause the Report to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Report in the Prospectus.

An Executive Summary is highlighted in the following sections.

For and on behalf
INFOCREDIT D&B (MALAYSIA) SDN BHD



Tan Sze Chong
Managing Director

11. INDEPENDENT MARKETING AND RESEARCH CONSULTANT REPORT (Cont'd)*Creating value ... building trust***EXECUTIVE SUMMARY**

The TPC Group is currently reviewing its position within the commercial eggs market in Malaysia. The following is a summary of the key findings of the report.

1 INDUSTRY OVERVIEW**1.1 GLOBAL ECONOMY**

The global economic outlook continues to be affected by the geopolitical and economic uncertainties and the adverse impact of sharply rising oil prices on private sector consumption and investment. Underlying growth, however, remains positive, supported by fundamentals. While growth would likely remain positive, the magnitude of this growth would depend largely on the influences arising from the geopolitical tensions in the Middle East and the impact on consumers and businesses in the major industrial economies. The immediate adverse effect has been the rising oil prices since the second quarter of 2002 to a 12-month high of USD34.99 per barrel on 7 March 2003.

Given the increased uncertainties, global economic growth is expected to remain modest in 2003. Growth will be supported by a moderate economic expansion in the USA and Asian regional countries while growth prospects for Japan and the Euro area remain difficult. Under these circumstances, it is projected that world growth will expand modestly by 3.1% as compared to 3% in 2002 while world trade will increase by 3.5% to 4.5% in 2003. Growth in the major industrial countries as a group is estimated at 1.8% as compared to 1.6% in 2002.

World Bank expects the world economy to grow 2.5% and 3.1% for the year 2003 and 2004 respectively, while the International Monetary Fund's ("IMF") forecast is more optimistic at forecasting growth at 3.2% for 2003 and 4.1% for 2004. World Bank's forecasts were on the back of a 7.0% and 8.0% growth expectations in world trade volume in 2003 and 2004, respectively.

IMF expects global economic growth to be underpinned by the turn in inventory cycle and continued accommodative policies, with interest rates expected to remain low in the USA and the Euro region. The realignment of the USD against other currencies, particularly the Euro is also expected to boost activity in the USA, offsetting a weaker recovery in investment in 2003.

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The outlook for the major emerging market countries has become increasingly diverse. In Latin America, outlook remains dim after the financial crisis in mid-2002. In the emerging markets in Asia, in contrast, recovery is expected to be more buoyant than those for other regions, as growth is expected to reach 6.4% by 2004. The recovery will be driven by a rebound in global trade and the information technology ("IT") sector. Although domestic demand growth is becoming broad based, the recovery for these countries remains dependent on external demand. The prospect of a foreseeable weaker global recovery is a potential risk. IMF's growth forecasts for emerging markets are 5.0% for 2003 and 5.8% for 2004.

However, the outlook remains highly dependent on external developments. The possibility of a slower-than-expected recovery in the USA and Europe, and a loss of recovery momentum in the IT sector are potential downside risk for this region.

Current global uncertainties also present a downside risk to the positive outlook. Softer equity prices and weaker growth in trading partners are also potential threats to growth. Although growth in China as a trading partner should provide some support to the downside, a loss of growth momentum in the demand for electronic products could dampen outlook further. This in turn would hurt industrial production, consumption and investment.

Going forward, more recent developments point towards stronger growth in the second half of 2003. On the external front, indicators are turning more optimistic for improved growth performance in the USA and Japan. In particular, fixed investment spending in the United States has turned positive, reflecting improved business confidence following reduction in uncertainties. Expansionary monetary policies in the G3 countries and in Asia would also support growth in the second half of 2003. In regional economies, the recovery in the travel and retail sectors, the continued underlying strength of consumption as well as the improved prospects of the electronics cycle, lend support to higher export demand. Stronger fundamentals also provide regional economies with both monetary and fiscal policy flexibility to address potential shocks.¹

¹ BNM Press Release on Second Quarter 2003 GDP for the Malaysian Economy dated 27 August 2003

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*Creating value ... building trust***1.2 MALAYSIAN ECONOMY**

BNM expects real GDP growth to be sustained at 4.5% in 2003. It expects growth in 2003 to be predominantly driven by domestic demand and led by the private sector. It also projects a higher export growth of 5.2% in 2003 compared with 3.6% for 2002. This is in view of the country's success in attracting export-oriented projects, particularly in the electrical machinery and appliance production sectors. According to the MITI, total exports of these products increased by 16.1% year-on-year reaching RM92.3 billion in 2002. Public sector investment and consumption have taken a more passive role in 2002 compared to 2001. The Ministry of Finance expects the private sector to take a more aggressive role in 2003 with private sector investment projected growth of 14.4% or 13.1% of the GDP.

BNM's forecast is based on the assumption of modest world economic growth, some pick-up in the global electronics industry, firm commodity prices and further expansion in intra-regional trade. This forecast is lower than its previous forecast of 6.5% in October 2002. It is still decent in view of heightened geopolitical tensions and uncertain external conditions.

The impact of the SARS outbreak in April and May 2003 coupled with the recent war in Iraq has showed signs of slow progress in Malaysia's export and economic outlook. To mitigate these problems, a RM7.3 billion stimulus package, incorporating 90 measures under four main strategies was unveiled by the Malaysian Government on 21 May 2003 to strengthen economic activity.¹ BNM is also cutting its intervention rate by 50 basis points to 4.50% as a pre-emptive measure to support domestic growth potential. Together with the other measures in the economic package to increase disposable income, it is expected to enhance the potential for supporting the growth prospects. With economic fundamentals remaining strong, proactive policy measures such as fiscal and monetary expansion to stimulate domestic demand, and the diversified and resilient economic base has allowed the growth momentum to be sustained despite the SARS outbreak and the uncertain external environment. The underlying fundamentals of the Malaysian economy continue to remain strong with low inflation and stable labour market conditions.²

¹ The Star 23/07/2003 "Stronger H2 to boost GDP growth to 5%"

² BNM Press Release on Second Quarter 2003 GDP for the Malaysian Economy dated 27 August 2003

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*Creating value ... building trust***1.3 MALAYSIAN MANUFACTURING INDUSTRY**

In 2002, the number of companies engaged in the manufacturing sector was 3,542. The number of employees employed by the manufacturing sector stood at 970,315 in 2002, a slight decline from 974,551 in 2001. There were 45 industries that recorded sales value of RM1 billion and above for the year 2002. This is 61.6% of the 73 industries covered in the Monthly Manufacturing Survey. The collective sales value for these 45 industries for 2002 was of RM294.1 billion, this is 0.3% or RM1.0 billion lower from that of RM295.1 billion reported in 2001. This total of RM294.1 billion represented 95.5% of the overall sales value reported for the period under review.

The manufacturing sector continues to be the major engine of growth for the Malaysian economy, which registered an average annual growth rate of 9.1% for the period from 1996-2000 against the target growth rate of 10.7% under the 7th Malaysia Plan. In 2001, manufacturing output tumbled due to the slowdown in global economy and a sharp plunge in the demand for electronic products. Given the high contribution of the electronics industry to the manufacturing sector of 40.3%, the decline in world demand of the electronic products has adversely affected manufacturing output. However, the domestic-oriented industries were resilient due to the expansion in the manufacturing output of construction-related sectors, resource-based industries, transportation equipment and consumer products. After 11 consecutive months of decline, the manufacturing output finally staged a rebound during the first quarter of 2002 and went on with three straight months of positive growth since April 2002.

Under the 8MP, the annual average growth rate for the manufacturing sector is expected to remain at 8.9% for the period of 2001 to 2005. However, the growth rate registered only 0.2% in 2001 due to a slump in global demand for electronic products. As export-oriented industries will continue to dominate the manufacturing sector, the sector's growth is expected to be export-led, projected to earn up to 89% of the country's foreign exchange earnings by 2005.

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The outlook for the manufacturing sector remains positive despite a fall in foreign investments in recent years. To speed up recovery of the global economy, some MNCs have relocated its labour-intensive and low-end operations to the lower cost countries such as China and Thailand. However, some companies have moved its high-end operations to Malaysia to tap on the superior manufacturing facilities, competitive tax, incentive scheme and well-trained labour force. The fiscal stimulus packages and low interest rate regime help ensure a brighter prospect for the manufacturing sector in 2003.

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*Creating value ... building trust***2 INDUSTRY ASSESSMENT****2.1 BROAD INDUSTRY- LIVESTOCK INDUSTRY**

The focus sector under analysis, namely commercial eggs, is a sub-sector of the livestock industry. The industry has shown steady growth over the years attributed mainly to the active participation of the private sector, particularly in poultry, eggs and pork sub-sectors. More importantly, the poultry industry has been able to transform itself from a backyard subsistence farming to a highly modern, commercially viable and efficient production system within a relatively short period of time. The livestock industry recorded a growth of 6.2% per annum, from RM1.11 billion in 2000 during the 7MP to RM1.45 billion in 2005 during the 8MP. The gradual abolishment of import duty on animal feeds since 1991 was a major boost to the livestock industry.

Production of Livestock in Malaysia, 1995-2005 ('000 tonnes)

				<i>Average</i>	<i>Annual Growth</i>	<i>Rate</i>
	1995	2000	2005	7MP Target	7MP Achieved	8MP Target
Beef	17.0	28.0	40.0	3.6	10.5	7.5
Mutton	0.8	1.0	1.5	4.2	5.2	5.9
Poultry	687.0	1,050.0	1,329.0	5.4	8.8	4.8
Pork	283.0	150.0	183.0	1.0	-11.9	4.0
Eggs ₁	6,242.0	8,221.0	9,974.0	3.4	5.7	3.9
Milk ₂	37.0	50.0	65.0	2.1	6.1	5.5

Notes:

1. Measured in million units.

2. Measured in million litres.

Source: Seventh Malaysia Plan (1996-2000) and Eighth Malaysia Plan (2001-2005)

Consumption of livestock products increased in the last decade due to the rise in income levels, increase in the population and government protection of the local livestock industry. Promotional activities undertaken by the respective trade bodies also created a positive impact on the demand of such products.

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*Creating value ... building trust***Peninsular Malaysia: Consumption of Livestock Production, 1989-2001 (million tonnes)**

<i>Year</i>	<i>Beef</i>	<i>Mutton</i>	<i>Pork</i>	<i>Poultry meat</i>	<i>Poultry Eggs</i> ₁	<i>Milk</i> ₂
1989	48,594	6,548	131,359	316.939	3,519	581.72
1990	50,874	7,283	150,093	296.24	4,532	561.18
1991	56,942	7,437	151,299	327.00	4,434	829.23
1992	58,619	9,035	162,282	431.60	5,165	792.35
1993	62,006	8,836	164,853	486.88	5,070	729.88
1994	69,317	9,509	178,872	518.45	5,237	535.65
1995	78,019	10,950	173,965	552.29	5,481	863.62
1996	84,335	14,306	174,405	468.59	5,521	638.32
1997	91,933	12,995	182,628	549.63	5,866	678.54
1998	81,517	12,298	170,671	516.61	5,494	611.31
1999	82,973	13,148	122,179	522.50	5,199	722.37
2000	99,611	13,501	138,908	531.61	4,895	1,025.73
2001	101,603	14,184	157,288	534.39	5,216	1,075.99

Notes:

1. *Measured in million units*
2. *Measured in million litres*

Source: Department of Veterinary Service

Malaysia has maintained self-sufficiency in poultry, pork and eggs since 1989 due to the positive response of private firms that were quick to adapt to new technologies and management approaches. The Government introduced the NAP3, which is focused on increasing domestic food production and sourcing of food strategically to ensure adequate supply and accessibility to safe, nutritious and high quality food at affordable prices. With the economic downturn, the sub-sector was given impetus to help revitalise the economy and improve the trade balance as well as strengthen food security. As a result, the self-sufficiency levels (SSL) of several food commodities improved. Despite the improvement in SSL, the food trade balance continued to widen in favour of imports. Food imports increased by 10.7% per annum, from RM7.8 billion in 1995 to RM13 billion in 2000, mainly due to the depreciation of the Ringgit as well as the varied taste of consumers for products that cannot be grown locally.

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*Creating value ... building trust***Peninsular Malaysia: Self Sufficiency in Livestock Products, 1989-2001**

<i>Year</i>	<i>Beef RM million</i>	<i>Mutton RM million</i>	<i>Pork RM million</i>	<i>Poultry Meat RM million</i>	<i>Poultry Eggs RM million</i>	<i>Milk RM million</i>
1989	24.33	9.01	126.45	114.10	110.83	4.30
1990	24.07	9.03	131.45	117.64	111.00	4.60
1991	22.31	9.04	135.38	119.57	113.44	3.23
1992	22.75	7.28	137.03	115.22	111.91	3.49
1993	22.04	6.87	140.21	115.17	112.17	4.01
1994	19.52	6.48	139.36	114.65	113.05	5.77
1995	19.73	4.84	141.77	111.44	112.37	3.69
1996	17.69	3.70	139.20	116.93	104.23	5.04
1997	16.54	3.92	135.02	116.93	104.13	4.34
1998	19.43	5.58	137.16	117.69	108.76	4.46
1999	20.96	6.21	109.33	120.21	109.40	3.31
2000	16.69	6.07	99.16	110.45	118.70	2.38
2001	23.65	7.02	130.53	125.64	111.50	3.49

Source: Department of Veterinary Services

CHICKEN FARMING INDUSTRY

Unlike the broader meat-processing industry, the poultry-processing industry has fewer players. The emergence of vertically-integrated poultry operators such as KFC Holdings Bhd, Consolidated Farms Bhd, Sinmah Resources Bhd and Leong Hup Holdings Bhd marked a substantial change in the landscape of the chicken farming industry.

The key drivers of growth for the poultry meat and poultry products include the growing number of consumers switching from red meat to poultry, the rise in income levels in Malaysia and the neighbouring ASEAN region. Most importantly, the surge of quick-service-restaurants (QSR) such as Kentucky Fried Chicken, McDonald's, A&W, Burger King, Kenny Rogers Roasters, Taza Bar-B-Q Chicken, Nando's Chickenland, Pizza Hut, Domino's Pizza which have encouraged strong growth in chicken consumption. The mushrooming of western type restaurants and cafes, all of which serve a variety of chicken dishes, has helped to increase chicken consumption as chicken products are among the most popular items on their menus.

The chicken farming sub-sector has been dynamic in recent years, as the consumption level of poultry products have benefited from high consumer demand. Chicken meat is the most popular and cheapest source of meat protein among Malaysians at large because it is free from dietary prohibitions and religious restrictions.

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*Creating value ... building trust***Current Status of Chicken Farming Industry in 2001**

<i>Output</i>	
Broiler Chicken	382.56 million hens
Eggs	5.718 billion
<i>Export</i>	
Broiler Chicken	43.98 million hens
Eggs	72.3 million

Source: Department of Veterinary Services

CHICKEN LAYER INDUSTRY

In 2002, there were ten layer breeding companies in Peninsular Malaysia breeding about 439,321 layer parent stocks, representing a 13.69% increase from the 2001 figure. Domestic consumption is the main market for chicken layer industry compared to the foreign, which constitutes only around 10%.

Due to the high capital investment involved in establishing modern integrated facilities coupled with the fact that there is no grandparent layer breeder farm in Malaysia, all of the parent stocks are imported from European Union and the rest from the U.S., Canada and Indonesia. The layer parent stocks in the market consist of eleven breeds. The principal breeds are the Lohmann, ISA Brown, Golden Comet and Hisex, making up approximately 72.71% of the total population of layer parent stocks. Babcock, Golden Comet, Lohmann, Hisex, Goldline, Tetra and H&N Brown Nick are stocks imported from the European Union countries. The Golden Comet and Hyline layer breeds are from the U.S., Shaver from Canada while Isa Brown is from Indonesia.

Standing Layer Parent Stock Population in Peninsular Malaysia, 1996-2002

<i>Year</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002*</i>
Layer parent stock population	315,726	285,511	285,821	324,288	384,170	386,432	439,321
	Annual Percentage Changes %						
	16.1	-9.57	0.10	13.45	18.47	0.59	13.69

Note: * Estimates by the Department of Veterinary Services

Source: Department of Veterinary Services

TPC Executive Summary

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*Creating value ... building trust***PULLET PRODUCTION**

Pullet as per defined by the Natural Resources Conservation Service (NRCS) of the U.S. is a replacement layer, either to be used to lay eggs for food consumption or to lay eggs for hatchery production. A pullet older than three months is assumed to have the average weight of the layer; a pullet less than three months, the average weight of the broiler.

The production of day old pullets in 2001 was around 21.7 million birds. The southern region was estimated to supply about 57.15% of the total production. A total of about 107,000 day old commercial layer pullets came from Sarawak. The total production of day old pullets for 2002 is projected to be around 22.8 million birds, which is 5% higher than in 2001.

The average ex-farm price of day old pullets was RM 1.80 per chick. Prices differed between firms but, on average, the price of day old pullets was stable.

Local Production of Commercial Day Old Pullets, 1995-2002

<i>Year</i>	<i>Local production of commercial day old pullets</i>	<i>% change in production</i>
1995	24.1 million	-5.4
1996	21.7 million	-10.0
1997	21.4 million	-1.4
1998	19.1 million	-10.7
1999	20.3 million	6.3
2000	19.5 million	-3.9
2001	21.7 million	11.3
2002 *	22.8 million	5.1

Notes:

*: Estimates by Department of Veterinary Services

Source: Department of Veterinary Services

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*Creating value ... building trust***2.2 GOVERNMENT LEGISLATION, POLICIES AND INCENTIVES**

The agriculture sector remains one of the major export and domestic income contributors to the Malaysian economy during the 7MP as well as the 8MP. The National Agriculture Policy ("NAP") is the underlying tool the government uses to develop, restructure and modernise the agriculture sector in Malaysia. In line with the National Development Policy, the Second Industrial Master Plan, the Science and Technology Policy and the National Biodiversity Policy, the Third National Agriculture Policy 1998- 2010 (NAP3) is set to provide maximisation of income through the optimal utilisation of resources in agriculture sector¹.

Specifically the objectives of the NAP3 policy are:

- To enhance food security;
- To increase productivity and competitiveness of the sector
- To deepen linkages with other sector;
- To create new sources of growth for the sector
- To conserve and utilise natural resources on a sustainable basis

¹ Source: Department of Agriculture Malaysia

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*Creating value ... building trust***2.3 FOCUS INDUSTRY - COMMERCIAL EGGS INDUSTRY****INTRODUCTION AND BACKGROUND**

Malaysia is self-sufficient in meeting the country's demand for eggs and is also a net exporter of eggs. Previously a small cottage industry, the production of eggs now entails a large number of automated plants equipped with sophisticated technology such as automated feeding and drinking system, automated egg collection and grading system, mass vaccination system, insulated roof and wall poultry housing and automated multi-tiered layer production systems. Table eggs are normally classified by grade based on weight. In Malaysia, there are a total of seven grades of eggs as follows:

Grades of Table Eggs in Malaysia

Grade	Weight (grams)
AA	70 grams and above
A	66 grams to 69 grams
B	61 grams to 65 grams
C	56 grams to 60 grams
D	51 grams to 55 grams
E	45 grams to 50 grams
F	40 grams to 44 grams

Source: Infocredit D&B Research

Table eggs are distributed through common channels, riding on similar channels for chicken products. An estimated 80% of chickens in the country are sold in the wet markets, as Malaysian housewives are highly particular about the freshness of chicken. The remaining 20% are distributed directly to food processing companies; modern supermarkets, hypermarkets and mini markets as well as numerous retail outlets operated by some of the integrated poultry companies. As such, egg products are also distributed and sold on similar distribution methods. Integrators such as KFC Holdings, Dinding Poultry and Sinmah Resources are known to have their own marketing and distribution arms.

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*Creating value ... building trust***2.4 DOMESTIC DEMAND**

The next table show the size of the domestic market in terms of demand for eggs in Malaysia, based on the latest government household expenditure survey on domestic consumption 1998/1999. The average Malaysian household spends an average of RM82.8 per annum on eggs. As such, the domestic market can be estimated at RM391.8 million in 1999 based on data obtained from the Department of Statistics. However, this figure does not include non-household sectors such as hotels, confectioneries and other factories.

Domestic Consumption of Eggs in Malaysia 1998/1999

	Monthly Expenditure Per Household (RM)	Annual Expenditure Per Household (RM)	Total Annual Expenditure on Eggs (RM) *
Household Expenditure 1998/99	6.9	82.8	391.8 million

Note: * Household Base 1999 4,732,000

Source: Household Expenditure Survey 1998/1999

The steady growth of households in Malaysia that registered an average annual growth rate of 3.07% (1992-2001) is a positive indicator to the domestic demand of eggs. Based on 5.2 million households, domestic demand for eggs by Malaysian households is estimated at RM432.2 million in 2001.

2.5 MARKET PERFORMANCE AND GROWTH TRENDS**PRODUCTION**

Table eggs production rose 1.78% to 5.720 million units in 2001, which is about 1.78% higher than in 2000. Based on the estimates provided by DVS, the production volume dropped marginally in 2002 at -0.9% as compared to 2001. The production volume was in the range between 15.08 million and 15.82 million eggs daily.

The average traded ex-farm price was about 15.73 sen per egg, which was about 0.23 sen lower compared to 2001 prices. Overall, the price of each grade fluctuated within 2 sen to 6 sen in the year. Cost of production is estimated to be between 14.6 sen and 15.5 sen per egg. Grades of eggs range from AA to F. However, a majority of the eggs produced in Malaysia falls between Grade AA and C.

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*Creating value ... building trust***IMPORT & EXPORT****Export and Import Trends, 1996-2002**

<i>Year</i>	<i>Production of Table Eggs (Million Units)</i>	<i>Export Quantity (Million Units)</i>	<i>Export as percentage of production (%)</i>
1996	6,015	557	9.25
1997	6,300	671	10.65
1998	5,860	454	7.75
1999	5,572	579	10.39
2000	5,620	485	8.64
2001	5,720	723	12.63
2002 <i>e</i>	5,667	793	14.00

Note: e = Estimates by Department of Veterinary Services

Sources: Department of Veterinary Services

Both the total production and quantity exported of table eggs declined in 1996. In 1997, the export of eggs rose to 10.65% of local production. Besides Singapore being its main export market, Indonesia, Hong Kong and Brunei registered an increase in purchase. More export market outlets were also made available in 1997. Export of table eggs dampened by 31.68% in 1998. An estimated 80% were exported to the Singapore market while Hong Kong made up 18.55% of the total.

2.6 MARKET SIZING**INDUSTRIAL CLASSIFICATION – BRANDED PREMIUM EGGS**

Presently, there is no proper definition for branded premium eggs due to its broad variations. However as a guideline, branded premium eggs can be broadly defined as eggs that have better egg shell quality, cleaner egg shell and no cracks in the egg shell. Branded premium eggs fall under the category of organic food/natural poultry or eggs that contain nutritional values such as minerals, vitamins and all the essential amino acids. These eggs may be fertile, have less cholesterol, less fat, more beneficial vitamins, or produce by floor or range-managed hens or any combination of the above. Branded premium eggs (often referred to as specialty eggs) fulfil one or more specific needs, such as a quality attribute, emotional need, health benefit or others.

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*Creating value ... building trust***RESEARCH METHODOLOGY – BRANDED PREMIUM EGGS**

The table eggs market is made up of branded premium eggs and ordinary eggs. Overall data with regards to branded premium eggs were difficult to ascertain as information sought from each company include the extent of their involvement in marketing either natural, organic or both types of poultry; their product claims on these products; sales volume; production sources; processing facility arrangements; distribution area; and other miscellaneous information.

Most of the information obtained for the purpose of ascertaining the market size and market share of branded premium eggs sub-sector were obtained from both primary (trade interviews with major players) and secondary (desk research from published materials and reports) research. A review of the major players in the branded premium eggs sub-sector follows.

MARKET POSITIONING – BRANDED PREMIUM EGGS

The commercial eggs industry is highly fragmented with a proliferation of players and competition is highly intense. Companies involved in the production of eggs in Malaysia range from backyard operators to SMI/SMEs to listed companies. The branded premium eggs sector is however dominated by very established players in the market.

Based on the research conducted by Infocredit D&B, there are an estimated 10 major players in the branded premium eggs market segment, highlighted as follows:

Players Positioning by Product Category

Company Name	Eggs	
	Premium	Ordinary *
Lay Hong Bhd	Y	Y
L'IKM Bhd	Y	Y
Huat Lai Bhd		Y
Consolidated Farm Bhd	Y	Y
Teo Seng Farming Sdn Bhd	Y	Y
TPC Plus Bhd	Y	Y
QL Resources Bhd	Y	Y
ITK & Sons Poultry Farm Sdn Bhd	Y	Y
FFM Bhd	Y	Y
Lian Foo Poultry Farm Sdn Bhd		Y

Note: * The term "ordinary eggs" are used interchangeably with "normal/conventional eggs" in this report

Source: Infocredit D&B Trade Interviews, KLS

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*Creating value ... building trust***2.7 DEPENDENCE ON OTHER INDUSTRY**

The layer industry is very much dependent on the agriculture industry. A large proportion of the animal feed utilised for poultry farms, especially corn and soybean are imported, as the amount produced locally is not sufficient to meet local demand. Animal proteins such as soybean meal, corn gluten meal, fish meal and meat and bone meal, mineral sources and various micro-ingredients: vitamins, minerals and other additives are used to improve feed efficiency and growth. Despite the rising demand for low cost animal protein, the domestic feed-grain productions are not financial or economical feasible at the present level of productivity. As such, the poultry industry in general, is susceptible to the price fluctuations of imported feed ingredients.

Other poultry farm supplies include replacement pullets, building materials and housing machinery. Replacement pullets and building materials can be sourced locally but most farm machineries such as close system breeding, feeding system, egg collection system, egg grading packing machine and farm packer are imported from the U.S. and Europe. However, as capital investment on these farm related machineries are long-term the dependency level on these imports is low.

2.8 EASE OF ENTRY AND EXIT

In general, the barrier to entrance into the premium egg production industry is high. The industry requires high capital investment, bio-technical expertise, farm management knowledge, skilled manpower, access to reliable sources of raw materials, effective distribution channels and strict demand condition imposed by buyers, all of which must be considered before venturing into the premium egg industry. In addition, premium egg producers need to be competitive in employing large production capacity to achieve economy of scale and attractive pricing.

Substantial capital investment is needed for purchase or rental of land, plant, equipment and machinery. Ample space is required to house machines that are large size and it allows further expansion of production capacity and/or range of products. Furthermore, there is a need for technological advancement and skills in utilising the latest technology in premium egg production and inherent skilled manpower.

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*Creating value ... building trust***2.9 CAPITAL / LABOUR INTENSIVENESS**

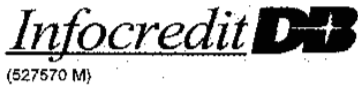
The layer industry is a capital intensive industry. Most of the production is very much dependant on superior technology from the production process to packaging process. Generally, the industry requires very low manpower to perform the overall task. In order to meet and satisfy the highest level of international quality standard and carve a market niche in the world market, the players need to keep up with technological advancement. Hence, the prospects for more close system breeding will continue to grow. Many are now equipped with automated system and this will definitely assist the industry to reduce its dependence on labour.

2.10 RAW MATERIALS SOURCING AND SUPPLIES

Feed constitutes a large proportion of the cost of production in any livestock industry. Raw ingredients for animal feeds are not produced in Malaysia. As such, the intensive livestock industries are dependent on imported feedstuffs. The imported ingredients range form cereal grains, vegetable and animal proteins such as soybean meal, corn gluten meal, fish meal and meat and bone meal, mineral sources and various micro-ingredients: vitamins, minerals and other additives used to improve feed efficiency and growth.

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The livestock industry faces a big challenge having to capitalise on the full implementation of AFTA by the year 2003 that will have a significant effect on livestock products. By the year 2010, the impact will be felt by the whole chicken, whole eggs, day-old-chicks and swine markets. The major elements are to reduce tariff to 0-5% and to remove all non-tariff barriers. As noted in the NAP3, globalisation and liberalisation will open up new opportunities for export of livestock production and facilitate in the competitive sourcing of raw materials. The country has the capability to specialise and be competitive in the production of certain livestock products, especially the poultry sub-sector.

The poultry sub-sector is expected to integrate and consolidate further to become more resourceful and more productive in order to capitalise on the export market. To strengthen the competitiveness and institutional support, the NAP3 suggests the installation of effluent treatment system that will be encouraged through the abolition of import tax for specialised on-farm treatment equipment. Suitable incentives for investment in automation will be provided and import tax on all specialised livestock farm and processing equipment will be abolished. In the area of strategic sourcing, it encourages overseas investments in meat and feed production.

OUTLOOK FOR 2003

In Malaysia, the table eggs sub-sector has developed to a stage where it is self sufficient and internationally competitive. This sub-sector has also been sheltered from free competition, as all forms of eggs entering into Malaysia are required to undergo stringent bio-security and quality controls that are not considered tariffs. During the festive periods, egg producers commonly increase their production in anticipation of large orders. Indirectly, this will only bode well for TPC, as the increased consumption of eggs will result in a greater demand for its products.

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Based on Federation of Livestock Farmers' Associations of Malaysia (FLFAM), an increase in egg prices is expected during the 2003 Hari Raya Aidilfitri and Chinese New Year festive seasons. The Grade A of all commercial eggs is also a controlled item at the retail level during festive seasons which was enforced since 2001. As such, the annual average ex-farm prices as well as day-old commercial layer prices are forecast to experience stable growth to the end of the year. A computation of the actual average prices of eggs is highlighted as follows:

Grade	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
AA	0.1958	0.2050	0.1945	0.1797	0.1845	0.2090	0.2119	0.1971	0.1983	0.2023
A	0.1908	0.2000	0.1895	0.1747	0.1795	0.2040	0.2080	0.1921	0.1933	0.1973
B	0.1858	0.1950	0.1845	0.1697	0.1745	0.1990	0.2042	0.1871	0.1883	0.1923
C	0.1808	0.1900	0.1795	0.1647	0.1695	0.1940	0.1992	0.1821	0.1833	0.1873
D	0.1758	0.1850	0.1745	0.1597	0.1645	0.1890	0.1942	0.1771	0.1783	0.1823
E	0.1658	0.1750	0.1645	0.1497	0.1545	0.1790	0.1842	0.1671	0.1683	0.1723
F	0.1458	0.1550	0.1445	0.1257	0.1345	0.1590	0.1642	0.1471	0.1483	0.1523
Average Prices of Eggs	0.1772	0.1864	0.1759	0.1606	0.1659	0.1904	0.1951	0.1785	0.1797	0.1837

Source: Federation of Livestock Farmers' Associations of Malaysia (FLFAM).

The challenges facing the local commercial egg producers are the escalating costs of feed resources, which may dampen profitability of these companies. The commercial egg players will need to find new sources of distribution and market outlet and failure to do so may result in unfavourable price fluctuations. However, larger commercial egg producers such as TPC have already started moving towards direct-supply to local end-users with high volume buying power. This is expected to create a shift in the industry where the traditional retail distribution will be gradually replaced by direct distribution.

DEVELOPMENT IN FUNCTIONAL FOOD

Functional food can be broadly defined under the category of organic food/natural poultry or eggs that contain nutritional values such as minerals, vitamins and all the essential amino acids. It forms part of the broader "nutraceuticals" market, which by definition includes functional food that contains vitamins, minerals and supplements, smaller markets not considered to relate to food and drink for general health, such as diet and slimming foods, tonics and medical nutritional products, herbal and homeopathic remedies and sports energy drinks. Functional food in this context includes branded premium eggs (eggs fortified with extra vitamins, low in cholesterol or with added omega 3 fatty acids).

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Over the past few years, there has been positive development in the functional food market not only in developed countries like the US and Europe but also locally. The ageing population, and increasing interest by Malaysian consumers in healthy eating and healthy lifestyles, are both positive factors that will encourage future growth in the functional food market. Eating functional food or taking vitamins and supplements are seen as ways of taking some control of one's health and reducing the need for medicine. The functional food market is its infancy stage in Malaysia but it is a high growth market with tremendous potential both domestically as well as internationally.

2.12 GLOBAL EGG MARKET TRENDS**Global Consumption, Production and Trade Trends for Selected Countries, 1998-2002(f)**

<i>Million Units</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001(p)</i>	<i>2002(f)</i>
Consumption	604,400	768,885	792,047	807,737	814,665
Production	710,646	775,702	801,773	814,841	819,821
Imports	9,155	8,584	8,722	8,251	8,342
Exports	12,680	11,577	12,733	12,784	12,376

Note: p=preliminary
f=forecast

Source: U.S. Department of Agriculture, Foreign Agricultural Services

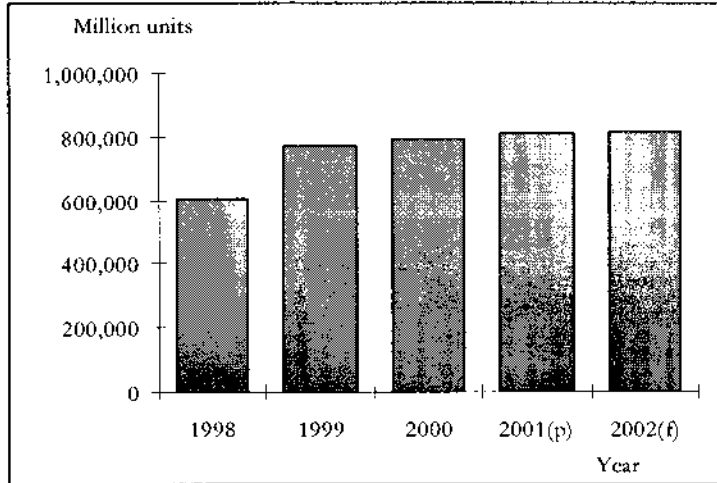
Global production and consumption of eggs have moved upwards from 1998 despite the economic turmoil. China is one of the largest egg producers accounting about 50% of the global production yearly. The country's export market share increased gradually due to its lower price and improved packaging and product quality.

China however, is presently facing over-supply of eggs in the country and it faces increasing competition from other Asian countries such as Thailand and India. Retail price for table eggs in China was at RMB5.05 (US\$0.61) per kilogram in April 2003. Thailand's egg production is currently around 9.4 billion eggs per annum¹. Per capita consumption of eggs in Thailand is about 140 eggs and total consumption by its population amounts to 8.7 billion eggs for its 62 million people. The Thai Hen Eggs Farmers, Traders and Exporters Association have plans to export more eggs to major egg importing countries such as Hong Kong, South Africa and Indonesia. Thailand exported 39 million eggs in 2002 and the number is expected to increase to 52 million in 2003 due to slower production in China and Europe.

¹ Source: eFeedlink, 2003

11. INDEPENDENT MARKETING AND RESEARCH CONSULTANT REPORT (Cont'd)

Global Consumption of Eggs for Selected Countries, 1998-2002(f)



Note: p=preliminary
f=forecast

Source: U.S. Department of Agriculture, Foreign Agricultural Services

12. DIRECTORS' REPORT

TPC PLUS BERHAD
(COMPANY NO: 615330-T)
LOT 942 SIMPANG AMPAT
78000 ALOR GAJAH
MELAKA

TEL NO: 06-552.9355

FAX NO: 06-552.9580

20 NOV 2003

Registered Office

535B Jalan Merdeka
Melaka Raya
75000 Melaka
Malaysia

The Shareholders
TPC Plus Berhad ("TPC")

Dear Sir/Madam

On behalf of the Directors of TPC Plus Berhad, I report after due enquiry that during the period from 30 September 2003 (being the date to which the last audited accounts of TPC and its subsidiaries (the "Group")) have been made up to date hereof, being the date not earlier than fourteen days before the issue of this Prospectus that; -

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the business and operations or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Group;
- (e) since the last audited accounts of the Group, save as disclosed in the Accountants' Report and Proforma Consolidated Balance Sheet as set out in Sections 9 and 8.12 of this Prospectus, there has been no changes in published reserve nor any unusual factors affecting the profits of the Group; and

12. DIRECTORS' REPORT (Cont'd)

TPC PLUS BERHAD
(COMPANY NO: 615330-T)
LOT 942 SIMPANG AMPAT
78000 ALOR GAJAH
MELAKA

TEL NO: 06-552.9355

FAX NO: 06-552.9580

- (f) in the opinion of the Directors, they are not aware of since the last audited accounts of the Group where, any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings.

Yours faithfully
For and on behalf of the Board of Directors of
TPC Plus Berhad


Jimmy E Pian
Managing Director