5. INFORMATION ON THE TPC GROUP

5.1 Incorporation

TPC Plus Berhad was incorporated in Malaysia under the Companies Act, 1965 on 16 May 2003 as a private limited company under the name TPC Plus Sdn Bhd. The Company was converted into a public limited company on 5 June 2003 to facilitate the listing of TPC Group on the Second Board of the KLSE. TPC commenced business on 16 May 2003. The Company is principally an investment holding company. The principal activities of the subsidiary companies are as detailed below: -

Subsidiaries	Date of incorporation	Issued and paid-up share capital RM	Equity Interest (%)	Principal Activities
Teck Ping Chan Agriculture Sdn Bhd	20 Sept 1978	8,391,952	100	Poultry farming and investment holding
Teck Ping Chan (1976) Sdn Bhd	1 Sept 1976	700,000	100	Manufacturing of animal feed
Mestika Arif Sdn Bhd	4 Jan 1993	250,000	100	Cultivation of fruits

Note:

Mestika Arif is 100% owned subsidiary of TPCA

5.2 Share Capital and Changes in Share Capital

The present authorised share capital is RM50,000,000 comprising 100,000,000 ordinary shares of RM0.50 each whilst its issued and fully paid-up share capital is RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each. The Company has no outstanding warrants, options, convertible securities and uncalled capital.

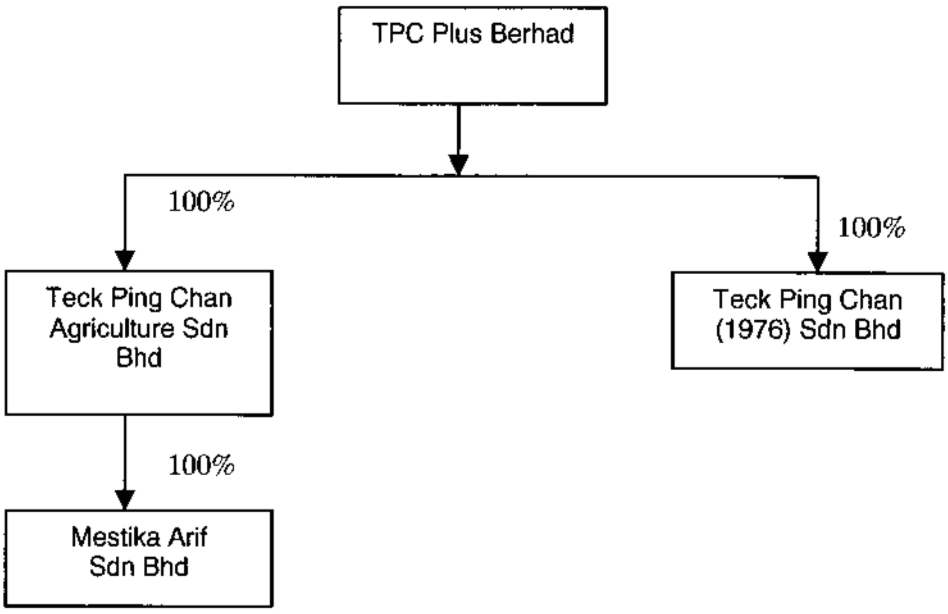
The changes in the issued and paid up share capital of TPC since its incorporation are as follows: -

Date of Allotment	No. of Ordinary Shares	Par Value RM	Consideration	Total Issued and Paid-up Share Capital RM
16 May 2003	* 2	1.00	Subscribers' Shares	2
7 October 2003	60,299,996	0.50	Issued pursuant to Acquisition of Companies	30,150,000

* On 6 June 2003 the Company has filed with the CCM to sub-divide the par value of the subscribers' shares to RM0.50 each from RM1.00.

5. INFORMATION ON THE TPC GROUP (Cont'd)

An overview of the TPC Group's corporate structure is set out as below: -



5.3 Restructuring

In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of TPC on the Second Board of the KLSE, the Company undertook a restructuring scheme which involved the following: -

i) Dividend

An interim tax exempt dividend amounting to RM4,195,976 for the financial period ended 30 September 2003 (being the last practicable date prior to the printing of the Prospectus) had been declared to the existing shareholders of TPC.

ii) Revaluation

The subsidiary companies of TPC have undertaken a revaluation exercise of its landed properties. A total revaluation surplus of RM2,590,605 arising from the revaluation exercise was incorporated into the respective revaluation surplus accounts of the subsidiary companies in the Group. The independent professional valuers commissioned are Messrs. C H Williams Talhar & Wong Sdn Bhd.

iii) Acquisition of TPCA

TPC entered into a conditional sale and purchase agreement on 9 June 2003 to acquire the entire issued and paid up share capital of TPCA based on its adjusted consolidated NTA value as at 31 December 2002 after incorporating revaluation surplus of the landed properties for a purchase consideration of RM29,244,309 satisfied by the issuance of 58,151,148 new ordinary shares of RM0.50 each in TPC, credited as fully paid, at an issue price of approximately RM0.503 per ordinary share to the following parties:-

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5. INFORMATION ON THE TPC GROUP (Cont'd)

Name of vendors	No. of shares held in TPCA	(%)	Purchase consideration RM	No of TPC Shares issued
Jimmy E Pian	1,786,022	21.28	6,223,937	12,376,052
Yee Tiam Teck	1,786,022	21.28	6,223,937	12,376,052
Yee Tien Wei	1,786,014	21.28	6,223,909	12,375,996
Jee Chin	1,786,014	21.28	6,223,909	12,375,996
Faisal Shah bin Mohamed Shah	445,612	5.31	1,552,870	3,087,821
Suliana binti Rosli	445,612	5.31	1,552,870	3,087,821
Balaktan Dunia Sdn Bhd	356,656	4.26	1,242,877	2,471,410
	8,391,952	100.00	29,244,309	58,151,148

The acquisition of TPCA was completed on 7 October 2003.

iv) Acquisition of TPC (1976)

TPC entered into a conditional sale and purchase agreement on 9 June 2003 to acquire the entire issued and paid up share capital of TPC (1976) based on its adjusted NTA value as at 31 December 2002 for a purchase consideration of RM1,080,659 satisfied by the issuance of 2,148,848 new ordinary shares of RM0.50 each in TPC, credited as fully paid, at an issue price of approximately RM0.503 per ordinary share to the following parties:-

Name of vendors	No. of shares held in TPC (1976)	(%)	Purchase consideration RM	No of TPC Shares issued
Jimmy E Pian	172,715	24.67	266,637	530,197
Yee Tiam Teck	172,715	24.67	266,637	530,197
Yee Tien Wei	172,715	24.67	266,637	530,197
Jee Chin	172,715	24.67	266,637	530,197
Liang Ah Lit @ Nyah Chung Mun	9,140	1.28	14,111	28,060
	700,000	100	1,080,659	2,148,848

The acquisition of TPC (1976) was completed on 7 October 2003

v) Public Issue and Offer For Sale

The final stage of the Listing Scheme involves a Public Issue of 19,700,000 new ordinary shares of RM0.50 each at an issue price of RM0.90 per ordinary share and the Offer for Sale of 10,800,000 ordinary shares of RM0.50 at an offer price of RM0.90 per ordinary share, are payable in full on application upon such terms and conditions as set out in this Prospectus. The Public Issue and Offer for Sale totalling 30,500,000 ordinary shares of RM0.50 each will be allocated in the following manner:-

(i) 6,000,000 Shares representing 7.5% of the enlarged share capital will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, societies, co-operatives and institutions;

(ii) 2,500,000 Shares representing 3.125% of the enlarged share capital will be placed out to the public investors by the

Placement Agent;

(iii) 4,000,000 Shares representing 5.00% of the enlarged share capital have been reserved for eligible employees, Directors and business associates of the TPC Group; and

(vi) 18,000,000 Shares representing 22.5% of the enlarged share capital have been reserved for Bumiputra investors approved by MITI.

All the new ordinary shares issued pursuant to the Public Issue and Offer For Sale will rank pari passu in all respects with the existing ordinary shares of TPC including voting rights and the rights to dividend that may be declared, subsequent to the date of this Prospectus.

5.4 History and Business Overview

5.4.1 History and Principal Activities of the TPC Group

The history of TPC Group can be traced back to the early 1970's when the founding members of the Yee family in Melaka ventured into the business of egg production. The founders are four brothers namely, Yee Tiam Teck, Jimmy E Pian, Yee Tien Wei and Jee Chin. In view of the fast growing business, the brothers subsequently corporatised their business enterprises into two private limited companies, namely Teck Ping Chan (1976) Sdn Bhd and Teck Ping Chan Agriculture Sdn Bhd in 1976 and 1978 respectively.

The core company within the TPC Group is TPCA, whose principal activity is the production of high quality ordinary table eggs and "Branded Premium Lower Cholestrol Eggs". In addition to selling chicken manure, TPCA also sells end-of-hens for slaughter. TPC (1976) is in the feed milling business, using both local and imported ingredients to manufacture animal feed for TPCA, its most important customer. TPC (1976) is the sole supplier of animal feed to TPCA. The operational base of TPC Group is strategically located just 2 km away from the Simpang Ampat interchange of the PLUS North South Highway at Lot 942 and 96 Mukim of Melekek and Lot 125-127 Mukim of Sg Buloh, at Simpang Ampat, 78000 Alor Gajah, Melaka on its freehold land measuring approximately 105 acres. The farmhouses are located at Lot 942 and 96, Mukim of Melekek, 78000 Alor Gajah, Melaka and Lot 125-127 Mukim of Sg Buloh at Simpang Ampat, 78000 Alor Gajah, Melaka.

Previously the production of eggs was a low-tech industry, with layer houses consisting of bamboo cages to house the chicken. The breed of chickens was also poor, resulting in low quality of eggs. The mid 1990s saw the Group focusing on technological advances in both machinery and new breeds of chicken. The selection of quality breeds is based on egg production, performance, egg size, egg color, ability to withstand environmental and nutritional stress and level of immunity against disease. The Group purchased automated sorting and egg grading machines from the USA and Holland, as well as multi-tier layer technology from Italy, for use in both the open and closed layer houses. The Group built its first closed house for layer hens in 1996, and continues to seek to convert all its open houses to closed houses. In the closed-house system, the feed and water given to the layer hen is less likely to be contaminated by pollution and viruses. The closed-house system is semi-automated, resulting in labour cost savings. Improvements in technology, such as the use of multi-tier layer technology in both closed and open houses, have enabled development and efficiencies in the processing

and packaging of eggs. Multi-tier layer houses are equipped with automated trolley feeders, nipple drinkers, egg collection and egg counting systems, feed weighing, water counting and manure belt systems. Such measures are instrumental in maintaining the high level of bio-security on the Groups' poultry farm. Bio-security is a practice designed to prevent the spread of disease on farms. It is accomplished by maintaining the farm facilities in such a way that causes minimal traffic of biological organisms (viruses, bacteria, rodents etc.) across its borders. Bio-security is the cheapest, most effective means of disease control available. No disease prevention program would function effectively without it.

5.4.2 Manufacturing Facilities

The Group's production/manufacturing facilities consist of a complete and fully forward and backward integrated poultry farming system from in-house feedmilling to layer farm and distribution of farm produce.

The Group uses modern automated equipment as well as the state-of-the-art technology in its production facilities. Amongst the sophisticated equipment used are chain feeders, controlled environmental closed house for its layer cage system, automated egg-collection conveyors and high-speed computerised egg-graders from USA and Holland.

5.4.3 Types of products manufactured by the Group

TPC Group produces table eggs consisting of ordinary eggs and "Branded Premium Lower Cholesterol Eggs", "Body Eggs enriched with Omega" and "Organic Selenium Eggs". The Group also sells end-of-lay hens for slaughter and chicken manure.

TPC "Branded Premium Lower Cholesterol Eggs" were launched and marketed in March 1998. TPC decided to focus on lower cholestrol eggs in the mid 1990s in anticipation of Malaysian consumers increased awareness of the benefits of a healthy lifestyle. TPC believes in innovation and was the first company in Malaysia to produce and market its own brand of TPC "Branded Premium Lower Cholesterol Eggs", as well as to affix an expiry date of 21 days on its egg cartons.

The Group's long-term plans are to concentrate on developing its own brand of high quality lower cholestrol eggs. The Group has its own marketing team to market and distribute its branded products. Today, TPC has successfully built a niche in the market for its popular brand of premium lower cholesterol eggs – the TPC "Branded Premium Lower Cholesterol Eggs". TPC also continues to produce and market a range of other egg products including high quality table eggs. TPC offers its customers **"Total Quality and Total Service"**, which is also the company's motto.

The trend towards smaller households, especially in urban areas, the increasing affluence of the population and an increased awareness of health matters are all factors that have resulted in a growing demand for more nutritional eggs with a lower cholesterol content. There is growing concern regarding the harmful effects of consuming food with high level of cholesterol and polysaturated fat. TPC's "Branded Premium Lower Cholesterol Eggs" cater to such health concerns and remain the cheapest source for healthy proteins for consumers.

5. INFORMATION ON THE TPC GROUP (Cont'd)

5.4.4 Principal markets for products

TPC eggs are being sold across Peninsular Malaysia both through retail / wholesale egg dealers and directly to customers such as major supermarkets, hotels, cake and confectionery houses and others. Amongst the local established supermarkets and chained-store customers are Jaya Jusco, Jaya Jusco La Boheme Bakery, Jaya Jusco The Egg House, Tesco, Aktif Lifestyle, Carrefour, Pasaraya Cold Storage, Xtra SuperCenter, Sogo, Fajar Hypermarket, Pasaraya Hiong Kong, Isetan, The Store, Giant Supermarket and others. TPC also sells its eggs to established hotels such as Hotel Equatorial KL, Hotel Nikko KL, Pearl International Hotel, Park Inn International (KL), Park Plaza International KL, and Plaza Hotel (KL). The fast food chain, Mc Donalds' and Felda Trading also purchase their eggs from TPC. The major retail and wholesale customers are Seng Heng Trading, Seng Fong Trading, Tat Huat Trading Co., Cher Siew Peng, Eggtech Trading, Ming Teck Eggs Dealers, Perniagaan Wah Sing, Fuan Siong Hian and Cap Buah-Buahan.

The distribution efforts of TPC are located at TPC's principal place of business where they have a support team of eleven (11) marketing personnel to service their end-user, wholesaler and distributer customers. Through an aggressive marketing effort, TPC has become the first egg producer to advertise its brand of "Branded Premium Lower Cholesterol Eggs" over the airwaves through the Light and Easy Radio Channel.

With the objective of expanding and increasing its revenue, the Group has changed its marketing strategy to increase its distribution directly to the end consumers. In this way, TPC is able to control the prices of its eggs, which give it the competitive edge over its competitors in commanding higher egg prices.

5.4.5 Modes of marketing / distribution / sales

TPC distributes its egg products directly to the end-user customers using its own transport. Eggs sold to the retail and wholesale egg distributors are delivered either by the distributors own transport or by TPC. The Group's clientele base is widely spread in West Malaysia.

5.4.6 Production / operating capacities

TPC currently owns a total of 71 farm sheds constructed on its approximately 105 acres farm, producing approximately 237.25 million eggs a year. The closed layer houses produce an average of 360,000 eggs per day. The open layer houses produce an average of 290,000 eggs per day. TPC (1976)'s feedmill has a maximum production capacity of 4,000 tonnes per month. It currently produces about 3,300 tonnes of feed per month.

5. INFORMATION ON THE TPC GROUP (Cont'd)

5.4.7 TPC Group's estimated market coverage, position and share

An analysis of the Group's turnover in respect to product categories for the last three (3) years are as follows: -

Product category	Financial year ended 31 December 2000 RM	**%	Financial year ended 31 December 2001 RM	**%	Financial Year ended 31 December 2002 RM	**%
Ordinary eggs	20,128,829	76.29	19,362,580	67.51	27,165,429	71.58
Premium eggs	4,528,897	17.16	6,747,383	23.52	8,012,604	21.11
Chicken Manure	334,087	1.27	316,991	1.11	440,675	1.16
End-of-lay hens	778,813	2.95	1,126,731	3.93	1,011,372	2.66
Others*	69,538	0.26	325,953	1.14	351,045	0.93
	25,840,164	97.93	27,879,638	97.21	36,981,125	97.44
Sales of feed	15,948,434		19,800,001		24,965,599	
Less intercompany transactions	(15,403,452)		(18,999,818)		(23,995,701)	
Net sales of feed after intercompany sales	544,982	2.07	800,183	2.79	969,898	2.56
Proforma group TurnoverN1	**26,385,146**	**100**	**28,679,821**	**100**	**37,951,023**	**100**

Source: TPC

Note:

N1 Proforma turnover based on audited financial statements with the assumption that TPC had acquired TPCA and TPC (1976) prior to 2000.

* Others include the sales of used trays, plastic trays, plastic cover, plain cartons, salted eggs, century eggs, quail eggs, sales of fruits and sundries.

** all percentages are computed based on the Group's proforma turnover.

The table eggs (made up of ordinary eggs and premium eggs) players in Malaysia consist mainly the established local companies. The commercial eggs industry is a highly fragmented with a proliferation of players and competition is highly intense. Most of these players operate a wide range of diversified poultry relate or agriculture related business activities such as feed milling, fertilisers and broiler breeding. Based on the research conducted by Infocredit D&B (Malaysia) Sdn Bhd, there are an estimated eight (8) major players in the premium eggs segment namely, TPC, Lay Hong Berhad, LTKM Berhad, Consolidated Farm Berhad, Teo Seng Farming Sdn Bhd, QL Resources Berhad, TTK & Sons Poultry Farm Sdn Bhd and FFM Berhad. In terms of market share comparison with the local manufacturers of premium eggs (i.e. eggs that fetch higher profit margin), TPC is the market leader in 2002 with a market share of approximately 24%

Source: Infocredit D&B (Malaysia) Sdn Bhd's report dated 2 June 2003

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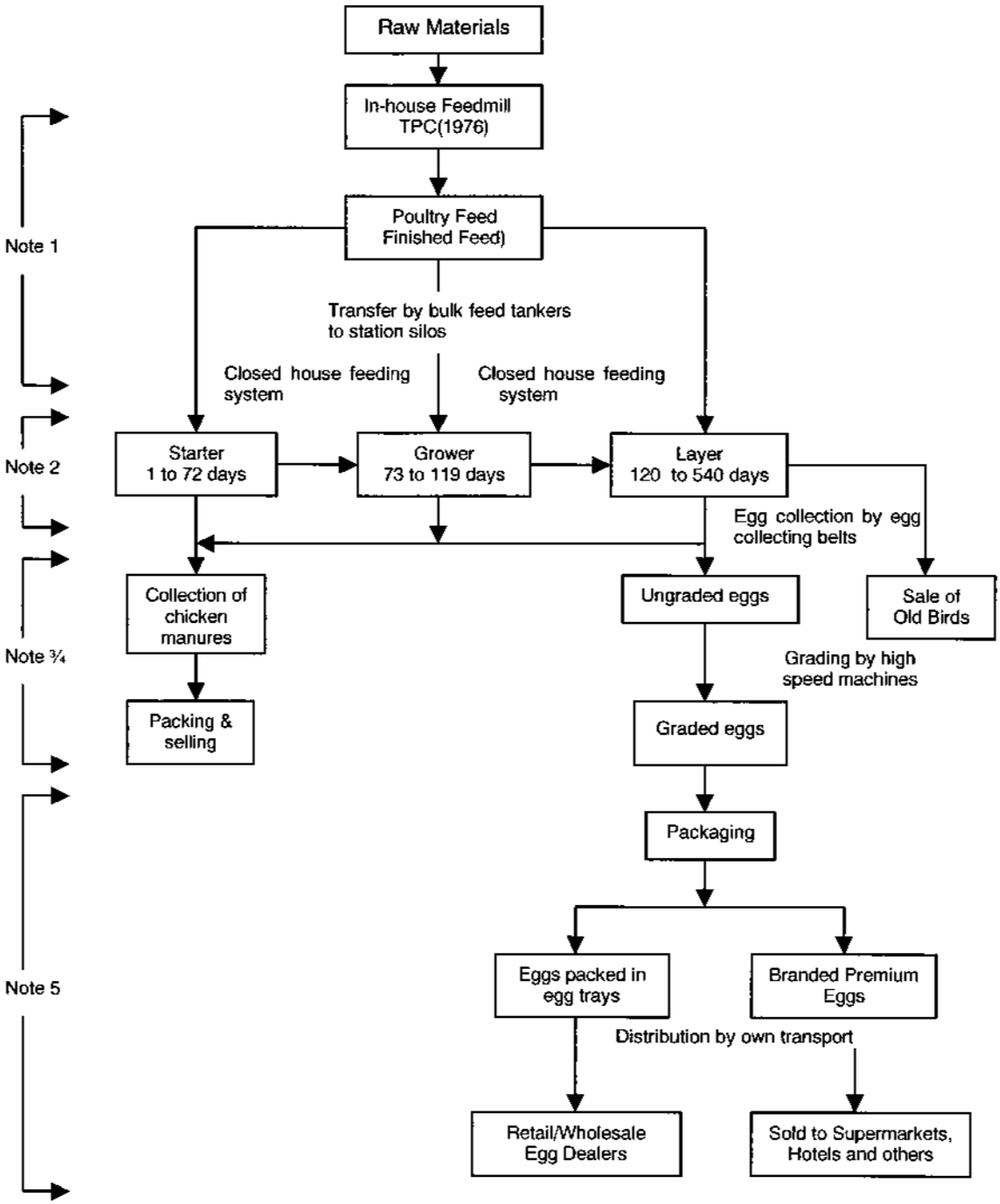
5. INFORMATION ON THE TPC GROUP (Cont'd)

5.4.8 The production mechanism flow-charts

TPCA – Layer Farm Operation



The sequential operational activities of the farm operation are shown below:-

Note:-

1. The starters, growers, layers are all fed by feed processed by TPC (1976)'s feedmill using raw materials such as maize, soyabean-meal and corn gluten meal purchased from local suppliers. Through its in-house feedmill, the Company is able to modify feed formulation

5. INFORMATION ON THE TPC GROUP (Cont'd)

that enables it to have better control over feed quality. The feeding process is largely automated using bulk feed tankers, station silos and various feeding system in the poultry houses.

2. Chicks are purchased and grown in closed pullet houses. As they grow the chicks are given 5 courses of vaccine and one course of debeaking. Another 2 courses of vaccine are given at the grower stage. After approximately 119 days, the growers mature into layers and are transferred to layer cages in the farm sheds.

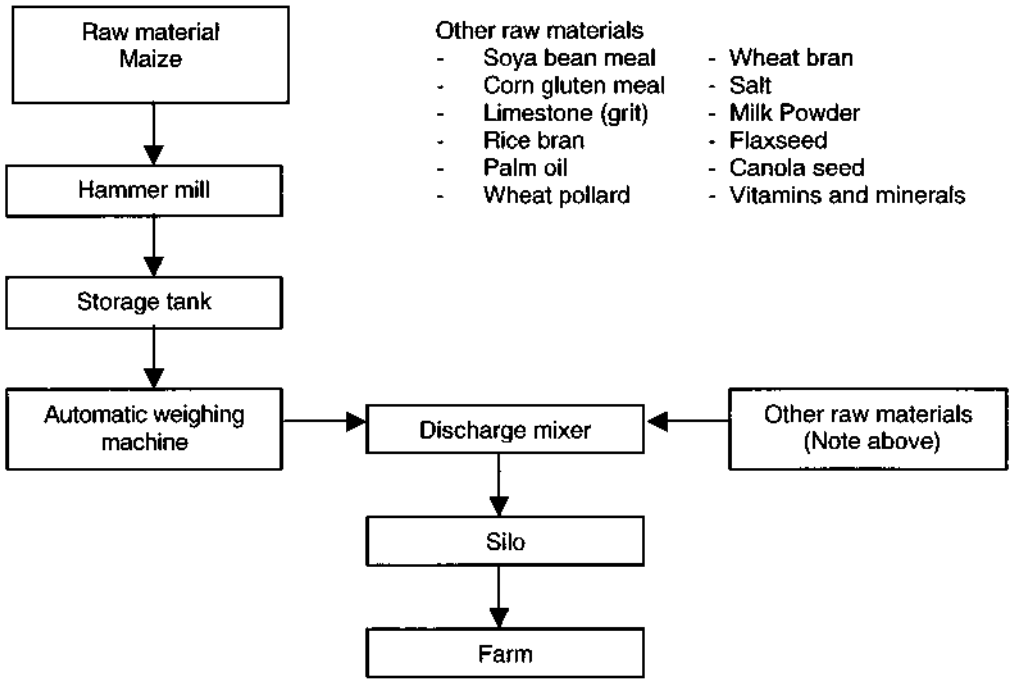
3. Eggs are collected by egg collecting belts and transferred by internal transport lorries to warehouses within the farm. The eggs are then graded according to weight using automated grading machines and packed into trays and design packs.

4. Chicken manure is collected from the farm sheds on a three-day interval. It is then packed and sold to fruit and vegetable farms as organic fertilizer.

5. The graded eggs are packed into the eggs trays and the premium eggs into the design packs. They are then sold to retail and wholesale eggs dealers and supermarkets respectively.

TPC (1976) - PRODUCTION OPERATION/PROCESS
Feed Processing

The various stages of the feed processing operation are illustrated as follows:-



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5.4.9 Types, sources and availability of raw materials / input

TPC has a good relationship with its raw material suppliers. As such, TPC is assured of reliable supply of quality raw materials that will minimise any disruption in its operations and hence, avoiding any losses from idle capacity. Also, due to its large scale of operations, TPC is able to enjoy trade discounts from raw material purchases, which in turn contribute to lower production cost.

Name of major suppliers	Feed purchased	Years of business Relationship
Rhodia Malaysia Sdn Bhd	Vitamins, Feed Supplement (DL Methionine)	27
Kilang Memproses Barang-Barang Tempatan Sdn Bhd	Maize	26
PGEO Edible Oils Sdn Bhd	Soyabean	20
Johor Bahru Flour Mill Sdn Bhd	Pollard, Wheat Bran	7
FFM Berhad	Pollard, Wheat Bran	7

All of the above suppliers purchase their raw materials from overseas.

5.4.10 Quality control procedures

TPC quality control procedures/ quality management programmes are for the feedmill factory, grading house, pullet department and layer department. The layer department is divided into two sections, i.e. the layer closed house and the layer open house.

The quality control procedures for each of the above-mentioned are as follows:

Feedmill Factory

1) Receiving of raw materials
   a. Correct raw materials, quantity and quality specification.
   b. Suspected poor quality materials are sent to external labs for checking (e.g. moisture, mould count aflatoxin.)
   c. Receiving Delivery Order ("DO"), Invoice, quality specification and filed.

2) Production
   a. Correct formula and raw materials used.
   b. Correct weights used. Batch weight used to ensure correct quantity used.
   c. Correct mixing, procedures.
   d. For raw materials that are further processed in the mill, ensure correct specifications are produced e.g. correct size of kibbled maize.
   e. Yearly stock check.
   f. Finished goods stored in correct bin.

3) Delivery
   a. Correct product and quantity to be delivered.
   b. Correct destination.

4) Housekeeping
   a. Daily cleanup of production area after production period.

5. INFORMATION ON THE TPC GROUP (Cont'd)

b. Weekly cleanup of raw materials area and finished goods area.
c. Weekly fogging to prevent insect infestation and disinfection to reduce bacteria load.
d. Regular cleaning on feed silo and silo truck.
e. Regular health checks on workers.

Grading House

The egg grading process in the Grading House is ISO 9001: 2000 compliant. Each process is a control point to ensure that the proper quality process and documentation process are duly performed as per stated in the ISO process.

1) Incoming Raw Materials

Various Types of Ungraded Eggs

The 1st process in the grading house is the receiving of the raw materials. There are two types of raw material received namely the ungraded eggs and egg tray packing materials. In each raw material received the control point have to be monitored, verified and documented.

For the receiving of ungraded eggs, the type and quality of the eggs are monitored for every batch of eggs received. The method of monitoring is by visual and the production personnel are responsible for monitoring this process. The work instruction documents have to be referred to and the daily egg record (delivered via tractor) has to be recorded.

Packing Materials Eggs Tray

For receiving of packaging materials and egg trays, the quantity of the packaging materials received need to be monitored. The egg trays and packaging materials will need to be segregated according to the size, dimension and artwork. All delivery will need to be monitored and one to two samples are kept for reference as to the quality of product received for each delivery. The method of evaluation is by visual. The person responsible for monitoring this process will be from the purchasing, store and production. The document required for monitoring this process is the supplier delivery order.

2) Incoming Process Inspection

Loading & Washing

The 2nd process is the incoming process inspection. This process can be broadly classified into two areas namely loading & washing and grading.

In this process eggs received are monitored for broken eggs, cracked eggs, dirty and spotted egg shell. These are considered second grade eggs and they have to remove and sold as second grade eggs. Every batch of eggs that comes in will have to undergo this process. The method of monitoring will be visual and the person responsible for this process will be the production quality controller. The document for monitoring this process is the Work Instruction and Daily Production Report has to be duly recorded.

5. INFORMATION ON THE TPC GROUP (Cont'd)

Grading

For the final egg grading process, every batch of eggs is passed through the egg-grading machine. Prior to going into this machine a second visual inspection is done to remove crack, broken, dirty and spotted eggs. This machine will further detect hairline cracks and cracked eggs. The eggs are graded automatically according to their weight (AA grade – 70 grams ("g") and above, A grade – 65g to 69g, B grade – 60g to 64g, C grade – 55g to 59g, D grade – 50g to 54g, E grade – 45g to 49g and F grade 44g and below). The methods of monitoring are via visual and machine. The overall person responsible for monitoring is the factory manager. He is assisted by technical personnel, quality controller and production supervisor. The documents needed to for this process are the Specification document (visual reference or standard for quality control), Parameter document (confirming egg weight calibration) and the Work Instruction. All this documents have to be duly filled. The Daily Production Report will also have to be recorded.

3) Out-going Inspection

Grading Eggs & Packing

The 3rd process involves the outgoing inspection. In this process eggs are graded according to types of premium eggs and ordinary eggs, packed and stored in predestine location in the warehouse. A third visual inspection is done where cracked, broken, dirty, spotted and lighter coloured eggshell eggs are removed from premium quality egg store. A random sampling of eggs as per stipulated in the Sampling Table are checked to ensure that the Acceptable Quality Level is achieved before loading onto lorry for delivery. The person responsible for this process is the production supervisor, quality controller and the factory manager. The Specification document (Information for types of eggs to be packed for delivery), Packing List, Outgoing Inspection and log book will be referred to in this process. All the above will be checked by the person responsible before loading onto the lorry.

Pullet Department

1) Preparation of grower house

   i.) To wash house and equipment in the block carefully after birds are transferred to layer house
   ii.) To disinfect the whole building and equipment using an approved disinfectant with bactericidal, fungicidal and virucidal properties applied by means of spraying or fogging.

2) Day Old Chick ("DOC") arrival

   i.) Burner (heater) will be operated 1 day before to keep the house temperature at about 33°C - 34°C.
   ii.) Humidity will be set at 50-55% and with minimum ventilation.

Vaccination program from 1st Day (DOC) to 119 days

Day	Vaccine	Method
1	IBD +IB+ND	Spray
5	IBD+IB+ND (KILLED)	Inject

5. INFORMATION ON THE TPC GROUP (Cont'd)

Day	Vaccine	Method
10	-	Debeaking
15	IB+ND	Spray
20	IBD	Oral
25	FP	Wing web
30	IB+ND	Spray
40	IB+ND (KILLED)	Inject
50	ILT	Eye drop
80	IB+ND	Spray
100	EDS+ND+IB	Inject

The above abbreviation denotes the following:-

IB : Infectious Bronchitis
IBD : Infectious Bursal Disease
ILT : Infectious Laryngotracheitis
ND : Newcastle Disease
FP : Fowl Pox
EDS : Egg Drop Syndrome

Temperature & humidity

From DOC to 119 days

Days/ Weeks	Temperature (°c)	Humidity (%)
1st 5 hrs	36	50
1-3 days	34	50
4-7 days	31	55
8-14 days	28	55
15-21 days	26	60
22-28 days	24	60
Beyond 4 weeks	22	70-80

All the Temperature and Humidity can be set to the chick requirement by using the control panel.

Vitamin & Feed Supplement

1) Liquid vitamins will be given for 2 days every 10-14 days .
2) Feed supplements will be given for 3-5 days every 2 weeks interval or after any vaccination.

Feeding

Feed are categorised into 3 types of feeds

1) Starter mash 1 for the chicks aging from 1-30 days
2) Starter mash 2 for the chicks aging from 31-70 days and
3) Grower mash for the chicks aging from 71-119 days

Bodyweight monitoring

1) Birds are weighed every 2 weeks to monitor the bodyweight.
2) A sample of a minimum of 1% bird population per batch gives a good estimate of mean bodyweight and uniformity.

Serological monitoring

1) Blood samples are taken one day before vaccination and 40 days after vaccination.
2) Serological testing of chicken blood can show bird's immune response

towards the vaccination. These serological results are used to evaluate the vaccination program, the methods of administration and to make changes to vaccination program as needed.

Salmonella monitoring
Done according to Malaysia's National Salmonella Program implemented by the Department of Veterinary Services.

1) Take internal organs of the day old chick from every batch of chicks.
2) Feacal swap sampling of chicks of age 14 days and 4 weeks before transfer to the layer house.

All samples are sent to a laboratory accredited by the Department of Veterinary Services, Malaysia for Salmonella sp isolation.

Transfer birds to layer house
Normally the birds will be transfered to layer house at about 17 weeks of age.

Layer Closed House

Layer Closed House from the age of 120 days old.

1. Disinfection program after culling of previous batch:
   a) To remove all chicken waste from floor.
   b) To wash house and cages with pressurized water mixed with disinfectant.
   c) To fog house with disinfectant again after washing.
   d) Leave for one month.
   e) To disinfect the layer house with disinfectant before new flock is introduce into the house.

2. Management pre lay birds
   a) To ensure that every birds knows where to source for water to drink hence have to teach the birds where to get water for at least a week.
   b) To ensure that they have sufficient feed.
   c) To ensure that the temperature in the house is at the correct temperature. Good condition is between 28°C-30°C.

3. Management of laying birds:
   a) To feed birds according to production for better laying performance and feed efficiency.
   b) Laying egg is a physiological stress. To alleviate this stress, vitamins and electrolytes are added in drinking water.

4. Sanitation and biosecurity:
   a) Every two weeks to disinfect the chicken house with disinfectant.
   b) Every worker to change cloths before entering the farm. Workers to pass through foot baths with disinfectant when entering farm and again before entering chicken house.
   c) Put disinfectant inside the cooling pad tanks once a week.
   d) To clear chicken dung daily.

5. Health program for laying birds:
   a) To implement Salmonella ("S.E")program on day the chickens are housed and subsequently bimonthly. Procedures implemented are;
      i. feacal swap samples
      ii. to check blood antibody titre for S.E
      iii. feed samples

iv. egg's conveyor belting sample.
Samples are sent to Department of Veterinary Services accredited laboratories.

b) Daily monitoring of health status of chicken. In case of suspected disease situation, a consultant veterinarian will be requested to assist in controlling the disease and also for advice on treatment regime.

c) Daily monitoring of feed consumption, water intake mortality and egg production. Ensure dead birds are removed daily.

6. Egg collections:
   a) Eggs are collected and sent directly the grading house via conveyor belts.
   b) Number of eggs collected is recorded daily and submitted to the farm manager daily for his perusal.

Layer Open House

1. Disinfection program after culling of previous batch:
   a) To remove all chicken waste from floor.
   b) To wash house and cages with pressurized water mixed with disinfectant.
   c) The house and equipments are disinfected with disinfectant after washing. The floors below the cages are further disinfected with slake lime.
   d) Leave house for one month.
   e) To disinfect the layer house with disinfectant before new flock is introduce into the house.

2. Management pre-lay birds
   a) Ensure that every hen knows where to source for water to drink hence have to teach the birds where to get water for at least a week.
   b) Ensure that they have sufficient feed.
   c) Ensure that they are not adversely affected by temperature changes in the environment. To add electrolytes and vitamins in drinking water when necessary.

3. Management of laying birds:
   a) To feed birds according to production for better laying performance and feed efficiency.
   b) Laying egg is a physiological stress. To alleviate this stress, vitamins and electrolytes are added in drinking water.

4. Sanitation and biosecurity:

   a) To disinfect the chicken house forth nightly with disinfectant.
   b) Every worker to change cloths before entering farm. Workers to pass through foot baths with disinfectant when entering farm.
   c) The workers would need to dip their feet into a disinfectant footbath before entering chicken house.
   d) Rodent control using baits and traps. Baits to be monitored frequently to replenish bait whenever the bait was eaten.
   e) To control flies infestation using *Snip* and to control larvae control using *Neporex*.
   f) To remove chicken dung cleared and removed every two weeks

5. INFORMATION ON THE TPC GROUP (Cont'd)

5. Health program for laying birds:
   a) To implement Salmonella program on day the chickens are housed and subsequently bimonthly. Procedures implemented are;
      i. feacal swap samples
      ii. to check blood antibody titre for S.E
      iii. feed samples
      iv. egg's conveyor belting sample.

      Samples are sent to Department of Veterinary Services accredited laboratories.
   b) Daily monitoring of health status of chicken. In case of suspected disease situation, a consultant veterinarian will be requested to assist in controlling the disease and also for advice on treatment regime.
   c) Daily monitoring of feed consumption, water intake mortality and egg production. Ensure dead birds are removed daily.

6. Eggs collection:
   a) Cracked, broken and dirty eggs are collected and place separately from clean and non broken eggs.
   b) Number of eggs collected is recorded daily and submitted to the farm manager daily for his perusal.

5.4.11 Research & Development

TPC presently does not have a formal set-up R&D facility with R&D personnel, however improvement and development efforts are constantly being undertaken. The Group regularly sends representatives to attend trade exhibitions, trade seminars, courses and training provided by suppliers of feed additives and drugs. The Group also subscribes to trade magazines and journals. Consequently, the Group is kept abreast of the rapid developments of R&D undertaken within the industry and is quick to adopt any improvement in flock health and nutrition, processing efficiency, poultry inspection, egg products and nutritional content of eggs. The company has out-sourced its QC activities to several independent laboratories. They are as follows: -

1) Rhone Poulenc Animal Nutrition (Adisseo Asia Pacific) Pte Ltd (200108221-W) in Singapore – feed ingredients/feed meal test
2) Jaya Laboratory (172677-X) in Petaling Jaya – feed ingredients/ feed meal test
3) Sinmah MultiFeed Sdn Bhd (15710-D) in Alor Gajah, Melaka – feed ingredients/ feed meal test.
4) Malaysian Vaccines & Pharmaceuticals Diagnostic Services Universiti Kebangsaan Malaysia ("UKM") – Day Old Chick ("DOC") testing.
5) Makmal Veterinar Kawasan Petaling Jaya – Day Old Chick ("DOC") testing.

TPC discusses and implements technical advice and new technical knowledge with technical personnel from the above named companies.

5.4.12 Key achievements / milestones / awards of the Group

As at 14 August 2003, TPCA has received the MS ISO 9001:2000 certificate from Certification International (UK) Limited and is currently implementing and Hazard Analysis and Critical Control Point ("HACCPS").

5.4.13 Information on any interruptions in the business that had a significant effect on the business in the past twelve(12) months

The Group did not experience any disruption in business having significant

5. INFORMATION ON THE TPC GROUP (Cont'd)

effect on its operations for the past twelve(12) months prior to the date of this Prospectus.

5.4.14 Approvals, Major Licenses and Permits obtained, conditions attached (if any) and status of compliance

Approvals, major licenses and permits under the possession of the Group are as follows: -

TPCA

Authority	Reg. No.	Date of Issue	Expiry Date	Nature of business (Purpose of license)	Equity Conditions
Majlis Daerah, Alor Gajah	040010001	26/12/2002	31/12/2003 (renewable yearly)	Membuat makanan binatang	None
	160070001	26/12/2002	31/12/2003 (renewable yearly)	Ternakan Ayam Itik	None
Majlis Daerah, Alor Gajah	040010001	26/12/2002	31/12/2003 (renewable yearly)	Membuat makanan binatang	None
	160080001	26/12/2002	31/12/2003 (renewable yearly)	Ternakan Ayam Itik	None
	040010002	26/12/2002	31/12/2003 (renewable yearly)	Storaj makanan binatang	None
Majlis Daerah, Alor Gajah	060040002	26/12/2002	31/12/2003 (renewable yearly)	Storaj petrolium, diesel @ minyak TA	None
Jabatan Kesihatan, Negeri Melaka	003299	01/01/2003	31/12/2003 (renewable yearly)	To purchase and store Amoxycillin, Streptomycin, Neomycin, Oxytetracycline, Danofloxacin, Supphamonomethoxine, Sulphadimethoxine	None
Certification International (UK) Limited	Certificate no. CI/3640	14 August 2003	Valid for up to 3 years subject to adherence	Certificate of quality management system	None

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5. INFORMATION ON THE TPC GROUP (Cont'd)

TPC (1976)

Authority	Reg. No.	Date of Issue	Expiry Date	Nature of business (Purpose of license)	Equity Conditions
Lembaga Minyak Sawit Malaysia	001531-803000	01/04/2003	31/03/2004 (renewable yearly)	Membeli dan mengalih Minyak kelapa sawit, Menyimpan minyak Kelapa sawit	None
Jabatan Kesihatan Negeri Melaka	003300	01/01/2003	31/12/2003 (renewable yearly)	Amoxycillin, Streptomycin, Neomycin, Oxytetracycline, Danofloxacin, Sulphadimethoxine Supphamonomethoxine	None
Jabatan Keselamatan Dan Kesihatan Pekerjaan Melaka	PMT105794	23/01/2003	22/03/2004 (renewable yearly)	Perakuan Kelayakan Pengandung tekanan Tak berapi	None
Kementerian, Perdagangan, Dalam Negeri Dan Hal Ehwal Pengguna	SK(M)367/84	01/01/2003	31/12/2003 (renewable yearly)	Barang berjadual - Diesel	None
Unit Metrik Bahagian Penguatkuasa Kementerian Perdagangan Dalam Negeri Melaka	D 371776	23/07/2003	22/07/2004 (renewable yearly)	Had Terima – 40,000 kg	None
Kastam Dan Eksais Diraja Malaysia	A 015677	15/06/1977	None	Animal Feeds	None

Presently, TPC Group does not have any registered patents, registered trade marks, technical assistance agreements, franchise and other intellectual property rights pertaining to the Company. TPC uses the mark "TPC" and the TPC Egg Logo as its trademarks. The Company has applied for trademark registration of both marks at the Registry of Trade Marks, Malaysia. As at 31 August 2003, the "TPC" mark has been accepted for advertisement. The Company has attended to advertisement formalities on 26 December 2002 and the publication in the Government Gazette is still pending. As at 31 August 2003, the TPC Egg Logo is pending examination on submissions filed challenging the citations and objections raised by the Registry of Trade Marks on 7 September 2000 and 22 November 2002. The Registry of Trade Marks amongst others cited that the TPC Egg Logo is confusing and/or deceptively similar with other existing marks on the Registry of Trade Marks. However, TPC has confirmed that its logo has been in continuous use since 1997 without any interruptions, third party interruptions or third party threats of infringement and the logo has been developed with no reference to any external sources. Hence, the Board of Directors of TPC opined that TPC has a valid basis to use the logo on its corporate documentations.

5. INFORMATION ON THE TPC GROUP (Cont'd)

5.4.15 Information on TPC Group's employees

As at 30 September 2003 (being the last practicable date prior to the printing of the Prospectus), the Group employs a total of 226 employees. The management of the Group is of the opinion that its dedicated and efficient employees are instrumental to its success. The management of the Group enjoys a good working relationship with the employees. Employees of the Group do not belong to any organised union. The Group maintains a cordial relationship with its employees. There have not been any industrial disputes in the past.

There are only a small number of contractual employees and hence is not significant. The contractual workers are mainly foreign workers from Nepal, whose contracts are for 2 years and are renewed on an individual basis.

Training and development programmes undertaken and on going are as follows

Training	Date
Awareness Training on ISO 9001:2000	24 August 2002
Understanding ISO 9001:2000	6 & 7 September 2002
Food Hygiene and Sanitation	18 November 2002
HACCP Awareness Training	23 December 2002
Internal Quality Audit	20 April 2003
Asean Free Trade Association & World Trade Organisation	8 April 2002

The Group's employees are generally segregated into four (4) categories. The total number of employees employed as at 30 September 2003 (being the last practicable date prior to the printing of the Prospectus) are as follows: -

Category of Employee	Malaysians					Non-Malaysian	Total	Average years of service
	Bumiputra	Chinese	Indian	Others	Total Malaysian			
1. Managerial and professional	0	8	0	0	8	0	8	14.76
2. Technical and supervisory	4	5	1	0	10	0	10	7.41
3. Clerical and related occupations (e.g. clerks, typist, stenographers, personal secretaries, etc) plus sales	5	21	0	0	26	0	26	3.32
4. General workers (e.g. telephone operators, drivers, office boys, watchmen, gardener, etc)	83	12	14	0	109	68	177	3.73
5. Factory workers: (a)Skilled (b)Unskilled	5	0	0	0	5	0	5	6.63
Total (1) to (5)	**97**	**46**	**15**	**0**	**158**	**68**	**226**	

Source: TPC

5. INFORMATION ON THE TPC GROUP (Cont'd)

The Group's average staff turnover is considerably low as TPC provides better benefits and a good working environment. As evidence of a strong and stable management team, there is a minimal turnover at the middle management level and above. As for the number of years of service per employee, please refer to the table above.

The Group Managing Director, Mr Jimmy E Pian, heads TPC and is supported by his senior management team. Most of the members of the management team have been with the Group for more than 10 years and have a thorough understanding of the business and invaluable experience in the industry. The team has weathered the last few global recessions together and has managed to sustain profitability and growth throughout.

The Group is committed to invest in its people through both internal and external training for skill development. The Group believes in promoting teamwork and togetherness where inter-department collaboration and cooperation is a common occurrence. The teamwork culture encouraged by senior management ensures the success of the Group as a whole and is not based on individual interests.

The workers work 8 hours per shift per day. They work 6 days a week.

5.5 Information on the Subsidiary Companies

5.5.1 Teck Ping Chan Agriculture Sdn Bhd (41913-X)

(i) History

TPCA was incorporated in Malaysia on 20 September 1978 as a private, limited liability company under the Companies Act 1965. The company commenced business on 20 September 1978. Its principal activities are poultry farming and investment holding. TPCA's poultry business has expanded throughout the years and currently operates on five (5) plot of freehold land measuring approximately 105 acres at Alor Gajah, Melaka.

(ii) Share Capital

TPCA's present authorised share capital is RM10,000,000 comprising 10,000,000 shares of RM1.00 each whilst its issued and paid-up share capital is RM8,391,952 comprising 8,391,952 shares of RM1.00 each.

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

Date of allotment	No. of shares allotted	Par Value RM	Consideration	Cumulative Issued and Paid-up Share Capital RM
20.09.1978	2	1.00	Subscribers' shares	2
12.05.1984	868,992	1.00	Cash	868,994
01.02.1985	180,000	1.00	Cash	1,048,994
14.07.1997	7,342,958	1.00	Bonus Issue	8,391,952

(iii) Substantial Shareholders

TPCA is a wholly owned subsidiary of TPC.

5. INFORMATION ON THE TPC GROUP (Cont'd)

(iv) Audited financial records

The audited financial records of TPCA for the past five (5) financial periods/ years ended 31 August 1998 to 31 December 2002 are detailed in the Accountants Report, Section 9 of this Prospectus.

(v) Subsidiary and Associated Companies

The subsidiary company is Mestika Arif Sdn Bhd, incorporated in Malaysia and 100% owned by TPCA. Its principal activity is the cultivation of fruits.

TPCA has no associated company.

5.5.2 Teck Ping Chan (1976) Sdn Bhd (29035-W)

(i) History

Teck Ping Chan (1976) Sdn Bhd was incorporated in Malaysia on 1 September 1976 as a private, limited liability company under the Companies Act, 1965. The company commenced business on 1 September 1976. The principal activitiy of TPC (1976) is the manufacture of animal feeds. TPC (1976) was incorporated by four (4) brothers who had ventured into the poultry farming and feedmilling business in the early 1970's. TPC (1976) supplies TPCA with animal feed for its population of layer hens.

The principal place of business of TPC (1976) is:
Lot 942
Simpang Ampat
78000 Alor Gajah
Melaka

(ii) Share Capital

TPC (1976)'s authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each while its issued and paid up share capital is RM700,000 comprising 700,000 ordinary shares of RM1.00 each.

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

Date Issued	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Issued and Paid-Up Ordinary Share Capital RM
01.09.1976	3	1.00	Subscribers' Share	3
19.12.1979	50,000	1.00	Otherwise than cash	50,003
14.05.1980	7,994	1.00	Cash	57,997
17.08.1982	172,800	1.00	Cash	230,797
24.12.1991	269,203	1.00	Cash	500,000
04.11.1997	200,000	1.00	Cash	700,000

(iii) Substantial Shareholders

TPC(1976) is a wholly owned subsidiary of TPC.

5. INFORMATION ON THE TPC GROUP (Cont'd)

(iv) Audited financial records

The audited financial records of TPC(1976) for the past five (5) financial periods/ years ended 31 August 1998 to 31 December 2002 are detailed in the Accountants Report, Section 9 of this Prospectus.

(v) Subsidiary and Associated Companies

TPC (1976) does not have any subsidiary company or associated company.

5.5.3 Mestika Arif Sdn Bhd (255096-A)

(i) History

Incorporated on 4 January 1993 in Malaysia as a private, limited liability company in Malaysia under the Companies Act, 1965. The date of commencement of business was 4 January 1993. The principal activity of Mestika Arif is the cultivation of fruits.

The principal place of business of the Company is:
Lot 942
Simpang Ampat
78000 Alor Gajah
Melaka

(ii) Share Capital

The Company's's authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each while its issued and paid up share capital is RM250,000 comprising 250,000 ordinary shares of RM1.00.

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

Date Issued	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Issued and Paid-Up Ordinary Share Capital RM
04.01.1993	2	1.00	Subscribers' share	2.00
22.07.1993	249,998	1.00	Cash	250,000.00

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5. INFORMATION ON THE TPC GROUP (Cont'd)

(iii) Substantial Shareholders

	RM	No of ordinary shares held after Public Issue			
		Direct	%	Indirect	%
TPCA	250,000	250,000	100	-	-

(iv) Audited financial records

The audited financial records of Mestika Arif for the past five (5) financial periods/ years ended 31 August 1998 to 31 December 2002 are detailed in the Accountants Report, Section 9 of this Prospectus.

(v) Subsidiary and Associated Companies

Mestika Arif does not have any subsidiary company or associated company.

5.6 Industry Overview

The following industry overview was quoted from a number of sources as indicated herein.

5.6.1 Overview of the Malaysian Economy

After experiencing sluggish growth in 2001, the Malaysian economy rebounded strongly in 2002. Higher growth in 2002 bolstered optimism for a stronger economic performance in 2003 in anticipation of an improved world economic outlook. The prospect for a global economic recovery was, however, affected by recent geopolitical developments, in particular the war in Iraq, sporadic incidences of militancy and outbreak of the Severe Acute Respiratory Syndrome (SARS). During the second quarter, consumer and business sentiments in regional economies were particularly affected by the anxiety of a probable prolonged and widespread SARS epidemic that curtailed transport and tourism-related activities besides trade and investment flows.

Against this adverse global environment and concerns of further weakening of the already sluggish global economy, the Government has put in place a package of broad-based pro-growth measures in May 2003. The Package of New Strategies, apart from providing immediate relief for the SARS-affected sectors, was to address structural and organisational issues towards sustaining economic growth in the medium and longer term. The strategic measures introduced boosted confidence necessary to stimulate domestic consumption and investment. In addition, the short war in Iraq and the quick containment of SARS provided the much-needed relief for the economy to ride over the difficult times and remain on track to a firmer growth trajectory.

The economic outlook for 2004 is envisaged to be favourable. Real GDP growth is expected to gain momentum and register a higher rate of 5.5%-6% in 2004. Growth is expected to emanate from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures. Whilst all sectors are forecast to register higher growth, services and manufacturing will continue to lead GDP growth, contributing 3.1% and 2.2% respectively.

5. INFORMATION ON THE TPC GROUP (Cont'd)

Given the better prospects of world economic growth and international trade in 2004, with firm recovery taking place in several major industrialised countries and regional economies, the Malaysian economy is projected to strengthen and be reinforced by more vigorous domestic economic activities.

In this regard, domestic demand (excluding change in stocks) in real terms is likely to increase at a fairly strong rate of 4.7% (2003: 5%), generated largely by the private sector resuming its role as the engine of growth and supported by pro-growth fiscal and monetary measures. External developments and strengthening domestic economy point to stronger growth in the manufacturing sector. Efforts to promote domestic consumption as well as advancements into higher value-added products will further boost growth of domestic-oriented industries.

Growth is expected to be broad-based with all sectors in the economy registering higher output with services and manufacturing continuing to spearhead growth. Growth is also expected to emanate from the domestic sector as well as pick-up in the external sector, following improved world prospects. Following the introduction and implementation of comprehensive measures to enhance the vibrancy of the economy and the medium and long-term competitiveness of the private sector, the private sector is envisaged to drive economic growth with private expenditure expected to be robust at 7.5% and further acceleration in private investment of 9.9%.

The strengthened macroeconomic fundamentals and a more broadly balanced economic structure with emerging new sources of growth will provide the foundation for sustained higher growth. Alongside pragmatic macroeconomic management and the pro-growth measures in place to support private sector initiatives, Budget 2004 will further enhance competitiveness and reinforce the resilience of the economy against likely destabilising external factors and garner higher economic growth for the country. The Malaysian economy is, therefore, targeted to achieve a stronger GDP growth of 5.5%-6% for 2004.

(Source: Economic Report 2003/2004)

5.6.2 Overview of the Poultry Industry

Unlike the broader meat-processing industry, the poultry-processing industry has fewer players. Many of the larger companies have increased their roles in the market by developing vertically-integrated operations that involve all processes from breeding and rearing to retailer supply. The emergence of these 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.

Previously, the poultry market was dominated by a large pool of small farmers and self-mixers of animal feed. Since the emergence of integrated poultry operators, the industry has been heading towards integration with the rearers and processors of broilers collaborating to exploit the synergistic benefits that can be derived.

Animal feed constitutes a large proportion of the cost of production in the chicken farming sub-sector. Most of the raw materials for animal feeds are imported, although to some extent locally produced ingredients are also

common. The imported ingredients range from cereal grains, vegetable and animal proteins such as soybean meal, corn gluten meal, mineral sources and various micro-ingredients: vitamins, minerals and other additives used to improve feed efficiency and growth. Generally, the chicken-farming sub-sector is dependent on imported feedstuffs.

These new breed of poultry operators are mainly attracted by the low barrier of entry into the local feedmilling industry, and most importantly the better control over their business with no dependency on other poultry feed and chicks suppliers. This has also enabled these poultry integrators to lower production costs, ultimately leading to a much lower ex-farm costs for broilers. Cost savings could amount to almost half of the total value of livestock with the balance being absorbed by labour and other farm operational costs.

The key drivers of growth for the poultry meat and poultry products include the growing number of consumers switching from red meat to poultry (perceived as a healthier alternatives to red meat), the rise in income levels in Malaysia and the neighbouring Association of South East Asian Nations ("ASEAN") region and 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, have encouraged strong growth in chicken consumption.

The chicken farming sub-sector has been dynamic in recent years, as the consumption level of poultry products have benefited from consumer demand as chicken meat is the most popular and cheapest source of meat protein among Malaysians, in large because there are no dietary prohibitions and religious restrictions against chicken consumption.

Source: Infocredit D&B (Malaysia) Sdn Bhd's report dated 2 June 2003

5.6.3 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 sector.

Source: Department of Agriculture Malaysia

The NAP3 aims at facilitating sufficient and sustainable supplies of raw materials to producers. The NAP3 also encourages the application of biotechnology and high technology in food production. Hence application of scientific research would enhance the quality of food production as well as boosting productivity.

Specifically the objectives of the 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

5. INFORMATION ON THE TPC GROUP (Cont'd)

- To conserve and utilise natural resources on a sustainable basis

Malaysia continues to promote the policy that is receptive to investors in food production. In its effort to promote value added production and technological improvements in the operation of the livestock industry, various incentives are offered. The Government encourages existing producers to upgrade production capacity and machinery and to venture into value added and further processed products for both chicken meats and eggs. Such a development will not only increase competitiveness internationally and reduce the import value of food products but will also create better linkages within the domestic food sector.

The Government offers attractive investments incentives for the agricultural sectors which are found in the Promotion of Investments Act 1986 and the Income Tax Act 1997.

The main incentives offered are:

- Pioneer Status
- Investment Tax Allowance (ITA)
- Incentives for Food Production
- Incentives for Reinvestment in Food Processing Activities
- Reinvestment Allowance and Reinvestment Incentives for Resourced-Based Industries
- Incentives for Modernising Chicken and Duck Rearing
- Accelerated Capital Allowance (ACA)
- Agricultural Allowances
- Accelerated Agriculture Allowance for the Planting of Rubberwood Trees
- 100% Allowance on Capital Expenditure for Approved Agricultural Projects
- Tax Exemption on the Value of Increased Exports
- Incentives for Companies in Cold Chain Facilities and Services for Food Products
- Deduction on Expenses for obtaining Halal and Quality Certification and Accreditation.

Source: Malaysian Industrial Development Authority

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5. INFORMATION ON THE TPC GROUP (Cont'd)

5.6.4 Associations and Trade Organisations

The Department of Veterinary Services (DVS) is the leading agency responsible for the development of livestock and ensuring safety and quality control of handling livestock products. Licenses, permits and approvals under the DVS are as follows:

- License to import / export animal
- License to import / export of birds and eggs
- Permit for Importation of animal carcasses and others
- Veterinary Health Certificate
- Declaration of Disease Free State
- Quarantine Certificate
- Registration of Operator
- Permit for Religious / Customary Slaughter
- Emergency Slaughter Permit
- Inter-State Movement Permit
- Slaughter Permit
- Registration of Cattle

Source: Infocredit D&B (Malaysia) Sdn Bhd's report dated 2 June 2003

5.6.5 Industry Dynamics

The Malaysian table egg market is made up of premium eggs and ordinary eggs. This industry is highly fragmented with a proliferation of players, including backyard operators, SME's and listed companies, and is characterised by intense competition. The large established producers dominate the market. Previously, the poultry market was dominated by a multitude of small farmers and self-mixers of animal feed. Since the emergence of integrated poultry operators, the industry has been heading towards integration with the rearers and processors of broilers.

These major players have the capability to produce and enhance the nutritional value of their eggs by using their own unique feeding formula for the chickens. These major players are also using automation and high-end manufacturing facilities that include cooling and ventilation systems, feeding system, egg collector machines and packaging machines to accommodate larger volumes of layer hens on their farms. Such improved technology and development of sophisticated mechanical equipment has contributed towards the shift from small farm flocks to larger commercial operations and have materialised the economies of scale in production. The result has been increased industry concentration through regular decreases in farm numbers and owners.

Marketing Structure

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% of sales 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. Integrated producers such as KFC Holdings, Dinding Poultry and Sinmah Resources are known to have their own marketing and distribution arms.

5. INFORMATION ON THE TPC GROUP (Cont'd)

Capital Intensity
The layer industry is a capital-intensive industry. Most of the production is very much dependant on superior technology from production to packaging. 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 industry needs 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. Simultaneously, automation helps reduce production costs through minimising wastage and increasing efficiency as well as productivity. It would also enable manufacturers to maintain consistency in quality control.

Ease of entry and exit
In general, the entry barriers for the quality egg production industry are 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 conditions imposed by buyers. In addition, premium egg producers need to be competitive in offering large production capacity and attractive pricing.

Substantial capital investment is needed for purchase or rental of land, plant, equipment and machinery. Ample space is required to place the machines that are large at 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.

Source: Infocredit D&B (Malaysia) Sdn Bhd's report dated 2 June 2003

5.6.6 Past, Future Growth and Prospects of the Poultry Industry

AFTA
The livestock industry faces a big challenge because of Malaysia's 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 for the whole chicken, whole eggs and day-old-chicks markets. AFTA is meant to create an integrated domestic market among ASEAN's half a billion population, to promote ASEAN as an efficient and competitive base to attract foreign direct investment, to benefit from the increased scope for complementary trade among ASEAN member countries, and to promote greater intra-ASEAN trade and industrial linkages. The major elements are to reduce tariff to 0-5% and to remove all non-tariff barriers. As noted in the National Agriculture Policy 3 ("NAP3"), globalisation and liberalisation will open up new opportunities for export of livestock production and facilitate in the competitive sourcing of raw materials. Malaysia 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 NP3 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.

5. INFORMATION ON THE TPC GROUP (Cont'd)

Source: Infocredit D&B (Malaysia) Sdn Bhd's report dated 2 June 2003

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.

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 are highlighted in the following table:

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.

Source: Infocredit D&B (Malaysia) Sdn Bhd's report dated 2 June 2003

Development in the Nutraceutical Markets

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

5. INFORMATION ON THE TPC GROUP (Cont'd)

slimming foods, tonics and medical nutritional products, herbal and homeopathic remedies and sports energy drinks. Functional food in this context includes premium eggs (eggs fortified with extra vitamins, low in cholesterol or with added omega fatty acids).

During the 1980's and 1990's, conventional eggs were subject to criticism because of their high fat and cholesterol content, and egg consumption fell as a result. However, new studies have created new opportunities for eggs, especially in the organic food market. The American Egg Board ("AEB") reports that eggs contain 22% less cholesterol than previously reported. The American Heart Association has backed up this claim, and egg consumption has grown during the latter half of the 1990's as a result.

Over the past few years, there has been positive development in the functional food market not only in developed countries like 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 for 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 medicines.

The functional food market will also be boosted by wider ranges of functional food being launched in future, with the help of advancing technology, although this activity will be slowed somewhat by increasing regulatory action from an ever-growing number of bodies. Adverse publicity for vitamins and supplements is likely to continue to be a factor in the market, in regard to over consumption and the need in general for taking them. The functional food market is in its infancy stage in Malaysia but it is a high growth market with tremendous potential both domestically as well as internationally.

Source: Infocredit D&B (Malaysia) Sdn Bhd's report dated 2 June 2003

5.7 Major Customers

TPC's top ten customers based on the audited accounts for financial year and /or period ended 31/12/02 and 30/09/03 respectively are listed in the tables below. However, except for Perniagaan Wah Sing who contributed approximately 11% of TPC's sales in the 9-month period of 2003, none of the customer individually contribute more than 10% of the Group's sales.

	Customers	Amount of total turnover FY ended 31 December 2002 RM	Contribution (%)	Length of relationship (Years)
1	Summit Eggs Industries Pte Ltd	3,159,855.51	8.33	7
2	Jaya Jusco Stores Berhad *	2,233,702.00	5.89	5
3	Tong Lee Egg Dealer	1,366,892.63	3.60	9
4	Guan Sing & Co Pte Ltd	1,287,892.17	3.39	11
5	Fuan Siong Hian	1,192,345.90	3.14	2
6	Egg Tech Trading	1,124,414.54	2.96	2
7	Perniagaan Suria Biru	872,995.00	2.30	2
8	Felda Trading *	823,597.00	2.17	4
9	Tat Huat Trading Co.	818,096.00	2.16	5
10	Seng Heng Trading	810,518.73	2.14	23
	Sub total	13,690,309.48	36.08	
	Others	24,260,311.52	63.92	
	Total Sales	37,950,621.00	100.00	

5. INFORMATION ON THE TPC GROUP (Cont'd)

(Source: TPC)

*: Jaya Jusco Stores Berhad & Felda Trading were previously customers of TPC Farm Fresh, a Directors' related company. The operations of TPC Farm Fresh were taken over by TPCA with effect from 1 May 2003.

	Customers	Amount of total turnover 9-mth period ended 30 Sept 2003 RM	Contribution (%)	Length of relationship (Years)
1	Perniagaan Wah Sing	3,498,643.73	10.77	2
2	Jaya Jusco Store Berhad	1,831,297.50	5.64	5
3	Cap Buah-Buahan	1,391,442.00	4.28	2
4	Egg Tech Trading	1,319,759.35	4.06	2
5	Chern Siew Peng	1,246,862.40	3.84	1
6	Fuan Siong Hian	1,072,171.00	3.30	3
7	Yong Soon Egg Dealer Sdn Bhd	1,043,169.39	3.21	6
8	Tat Huat Trading	922,230.00	2.84	3
9	Perniagaan Suria Biru	881,835.00	2.71	2
10	Liweta Farm Trading	793,270.90	2.44	2
	Sub total	14,000,681.27	43.09	
	Others	18,476,959.73	56.91	
	Total Sales	32,477,641.00	100.00	

The Group is not over-dependent on any single customer. As illustrated above, the top ten customers of TPC contributed 36% and 43% of total sales in 2002 and the 9-month period of 2003 respectively.

5.8 Major Raw Material Suppliers

TPC's top ten suppliers based on the latest audited accounts for financial year and/ or period ended 31/12/02 and 30/09/03 respectively are listed in the tables below.

	Suppliers	Amount of total turnover FY ended 31 December 2002 RM	Contribution (%)	Length of relationship (Years)
1	Kilang Memproses Barang-Barang Tempatan Sdn Bhd	9,253,858	34.27	25
2	PGEO Edible Oils Sdn Bhd	7,268,260	26.92	19
3	Vetco Enteprise	963,909	3.57	22
4	Age D'or Sdn Bhd	840,551	3.11	19
5	Ladang Ternakan Maju Sdn Bhd	819,104	3.03	6
6	Sari Jaya Sdn Bhd	663,774	2.46	19
7	Rhodia Malaysia Sdn Bhd	586,738	2.17	26
8	Fijiliam Enterprise Sdn Bhd	495,087	1.83	20
9	Johor Baru Flour Mill Sdn Bhd	422,812	1.56	6
10	Leong Hup Poultry (M) Sdn Bhd	411,225	1.52	9
	Total	21,725,318	80.44	
	Others	5,275,749	19.56	
	Total Purchases	27,001,067	100.00	

5. INFORMATION ON THE TPC GROUP (Cont'd)

	Suppliers	Amount of total turnover 9-mth period ended 30 Sept 2003 RM	Contribution (%)	Length of relationship (Years)
1	Kilang Memproses Barang-Barang Tempatan Sdn Bhd	7,742,257	36.26	26
2	PGEO Edible Oils Sdn Bhd	6,544,727	30.65	20
3	Leong Hup Poultry (M) Sdn Bhd	934,687	4.38	10
4	Vetco Enterprise	830,330	3.89	23
5	Rhodia Malaysia Sdn Bhd	643,135	3.01	27
6	Sari Jaya Sdn Bhd	609,907	2.86	20
7	Age D'or Sdn Bhd	513,360	2.40	20
8	Biomim (Malaysia) Sdn Bhd	468,845	2.19	2
9	Pacific Vet Group (M) Sdn Bhd	359,811	1.69	1
10	Johor Baru Flour Mill Sdn Bhd	272,528	1.28	7
	Total	18,919,587	88.61	
	Others	2,434,000	11.39	
	Total Purchases	21,353,587	100.00	

Except for Kilang Memproses Barang-Barang Tempatan Sdn Bhd and PGEO Edible Oils Sdn Bhd, who contribute approximately 34% and 27% respectively in year 2002 and approximately 36% and 31% respectively in the 9-month period of 2003, none of the supplier individually contributes more than 10% of TPC's purchases. TPC consistently undertakes to maintain good relationships with all its' existing suppliers and to increase its suppliers' base to lessen the Group's dependence on any one supplier.

(Source: TPC)

5.9 Future Plans, Strategies and Prospects

TPC plans to expand its production capacity to increase the daily production of its table eggs from an average of 360,000 to 900,000 eggs daily within the next few years. TPC's motto is **" TOTAL QUALITY AND TOTAL SERVICE ".** TPC's strategy is to be the market leader in providing fresh and healthy high quality eggs to its customers. TPC is focusing on the premium eggs market to cater for the needs of the increasingly health conscious Malaysian consumer. TPC's strategy is to ensure growth and increased market share by creating awareness of its' premium eggs, by focusing on TPC "Branded Premium Lower Cholesterol Eggs", "Body Eggs" and "Organic Selenium Eggs". TPC is moving towards to increasing its market share in the commercial sector and in the long-term contracts and tenders of the government sector, focusing on its "Branded Premium Lower Cholesterol Eggs", 'Body Eggs" and "Organic Selenium Eggs". TPC believes in educating consumers of the health benefits when consuming TPC premium eggs. TPC has its own strong marketing team and own transport to support its strategy.

TPC will continue to study the premium eggs market for the health conscious population and shall continue to develop additional types of premium eggs to meet their requirements. TPC has a strong and experienced management team, focusing on continually improving productivity and quality. Coupled with this and the future growth of the industry, the prospects for TPC are bright.