

4. INFORMATION ON OUR GROUP

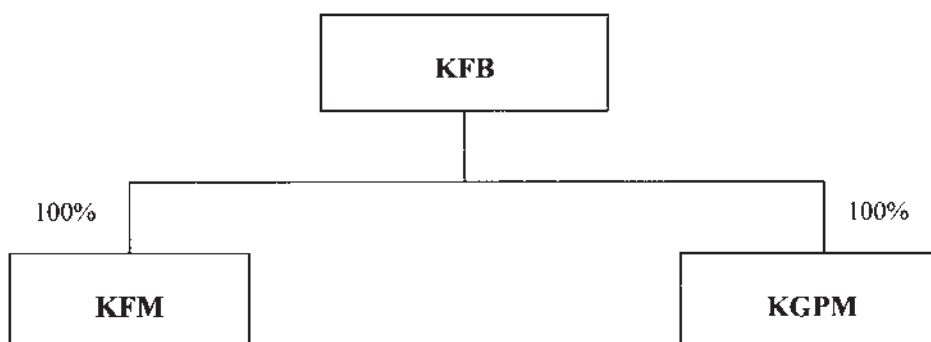
4.1 INFORMATION ON OUR COMPANY

4.1.1 Background

We were incorporated in Malaysia as a public limited company on 21 January 2004 under the Act with the name of “Ganz & Gainz Berhad”. We assumed our present name “Kawan Food Berhad” on 12 March 2004.

Our principal activities are investment holding, and through our subsidiaries, KFM and KGPM, our Group carries out the manufacturing, trading, distributing and exporting of frozen pastries and other food products, more specifically, frozen convenience foods. Our Group commenced business in 1987.

The following diagram represents our Group structure:



Our Group’s co-founders, Gan Thiam Chai and Gan Thiam Hock, started the business as a sole proprietorship, Kian Guan Trading Co. in the late 1970’s. They started by supplying homemade pastry products such as Spring Rolls Pastries – “Kulit Popiah”, Chinese New Year Cake - “Kuih Bakul” to small convenience stores and supermarkets in the Klang Valley. With the assistance and support from family members, the business started to grow. Gradually, they managed to accumulate enough resources to invest into imported machineries with the aim of increasing productivity.

Over the years, Gan Thiam Chai has gained vast experience and valuable knowledge on automation in the food processing industry, while Gan Thiam Hock has also gained great experience and exposure in sales and marketing of the food related products. With their strong leadership abilities, coupled with the adoption of unique and innovative food processing methods, our Board is of the view that we have emerged as one of the international suppliers of frozen food and RTS products. As at 15 June 2005, our Group has a staff force of 208 with an established distribution network of hypermarkets, supermarkets, distributors, wholesalers, restaurants and caterers.

Keeping in line with the Government’s desire for local manufacturers to export, our Group has taken on a more aggressive stance to penetrate the international market whilst striving to add new items to the range to cater for a very discerning convenience food market. Our Group seeks to position itself as a market leader in Malaysia and globally in the manufacture of frozen convenience foods.

Our subsidiary, KFM, is recognised for the quality of its business, its manufacturing processes and its products. During the past three (3) years, KFM has been bestowed with several awards in recognition of its achievements. It has received Certificates of Achievement under the Malaysian Enterprise 50 Programme, organised by SMIDEC, an agency set up by the MITI as a platform for local small and medium-sized enterprises to assess their performance and achievements against standards and qualities considered essential for the enterprises to operate successfully in the global market.

4. INFORMATION ON OUR GROUP (CONT'D)

The following sets out the list of awards granted to KFM for the past three (3) years:

| <i>Year</i> | <i>Accreditations / Awards</i> |
|-------------|---|
| 2002 | Enterprise 50 Award Programme awarded by SMIDEC and Accenture |
| 2002 | Best Performance Recognition Council of International Awards awarded by International Awards Ltd. United Kingdom |
| 2002 | The automation process of Roti Paratha accredited with HACCP |
| 2003 | Enterprise 50 Award Programme awarded by SMIDEC and Accenture |
| 2003 | Roti Paratha named as a Highly Commended Product by Malaysia Institute of Food Technology (MIFT) |
| 2003 | 2nd Asia Pacific International/ Malaysian Honesty Enterprise Keris Award awarded by the Entrepreneur Development Association of Malaysia together with several other joint organizers |
| 2003 | Winner of Golden Bull Award 2003 by Nanyang Siang Pau Berhad |
| 2004 | 7 th Place Winner of Golden Bull Award 2004 by Nanyang Siang Pau Berhad |
| 2004 | Selangor Product Excellence Award by SSIC Berhad |
| 2004 | Selangor Export Excellence Award by SSIC Berhad |
| 2004 | SMI Best Overall Award by SMI Association of Malaysia |
| 2004 | 1 st Place Winner of Enterprise 50 Award Programme awarded by SMIDEC and Deloitte Consulting Malaysia Sdn Bhd |

4.1.2 Restructuring and Listing Exercise

As an integral part of and in conjunction with the Listing, our Group implemented a corporate exercise which was approved by the following authorities:

- (i) MITI, vide its letter dated 31 December 2004; and
- (ii) SC, under the Securities Commission Act, 1993 and Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests, vide its letter dated 25 April 2005.

In addition, the MITI and SC had vide their letter dated 10 June 2005 and 27 June 2005 respectively approved the establishment of the ESOS and revision to certain terms and conditions set out in the said letter dated 31 December 2004 and 25 April 2005 from the MITI and SC respectively.

The corporate exercise involved the following transactions:

4.1.2.1 Share Split

The Share Split involved a change in the par value of our ordinary shares from RM1.00 each to RM0.50 each, by way of sub-division of the par value for every existing ordinary share of RM1.00 each into two (2) ordinary shares in our Company of RM0.50 each.

Prior to the completion of the Share Split, our issued and paid-up share capital was RM2.00 comprising two (2) ordinary shares of RM1.00 each. Following the completion of the Share Split, our issued and paid-up share capital was RM2.00 comprising four (4) ordinary shares of RM0.50 each in our Company.

4. INFORMATION ON OUR GROUP (CONT'D)**4.1.2.2 Acquisitions****(i) KFM Acquisitions****(a) Acquisition of Machineries**

On 30 April 2005, KFM had completed the acquisition of certain machineries and equipment used in the manufacture of frozen food products from KG for a cash consideration of RM3,879,060. The cash consideration of RM3,879,060 was arrived at based on a willing buyer-willing seller basis after taking into consideration the net book value of the said machineries and equipment as at 30 April 2005.

The entire cash consideration of RM3,879,060 was settled by way of a set off against outstanding indebtedness previously due from KG to KFM.

(b) Acquisition of Lot 20

On 28 May 2004, KFM entered into a conditional Sale and Purchase Agreement with KG to acquire Lot 20 for a cash consideration of RM6,900,000. The purchase consideration of RM6,900,000 was arrived at based on a willing buyer-willing seller basis after taking into consideration the net book value of Lot 20 as at 31 December 2003. The entire cash consideration was settled by way of a set off against outstanding indebtedness of RM6,900,000 previously due from KG to KFM. Lot 20 was acquired by KFM on 30 May 2005, and is now pending registration with the relevant land office or registry in favour of KFM.

Lot 20 comprises of an administration and sales office together with a double storey factory from which manufacturing activities of frozen food products are carried out. A cold storage facility is annexed to the said factory.

(ii) Acquisition of Net Assets

On 31 May 2005, KGPM entered into a conditional Sale and Purchase Agreement with KG to acquire certain of the net assets and business undertakings of KG (comprising Johor Land, trademarks, plant, machinery, book debts and other undertakings of KG) for a total purchase consideration of RM11,000,000 satisfied wholly by the issuance of 10,000,000 new ordinary shares of RM1.00 each in KGPM ("KGPM Consideration Shares") at an issue price of RM1.00 per share and RM1,000,000 cash ("Net Assets Agreement").

The purchase consideration of RM11,000,000 was arrived at based on a willing buyer-willing seller basis after taking into consideration the net book value of the Net Assets as at 31 December 2003.

The Acquisition of Net Assets was completed on 31 May 2005 save for the transfer of Johor Land to KGPM ("Land Transfer"), pending the consent of the state authority for the same ("Consent").

Pursuant to the Net Assets Agreement, KGPM has issued 10,000,000 ordinary shares of RM1.00 each in KGPM and paid RM1,000,000 cash for the Acquisition of Net Assets, where RM353,000 (being part of the cash consideration) ("Retained Consideration") has been deposited with KFB's solicitors as stakeholder, pending the completion of the Land Transfer.

4. INFORMATION ON OUR GROUP (CONT'D)

The Retained Consideration of RM353,000 takes into consideration the net book value of Johor Land as at 31 May 2005.

The Retained Consideration will be released to KG upon the completion of the Land Transfer.

In addition, KGPM is entitled to use and occupy the Johor Land for the period commencing from the completion date of the Acquisition of Net Assets (save for the Johor Land) until the completion of the Land Transfer.

The 10,000,000 KGPM Consideration Shares were issued and distributed to the shareholders of KG on 31 May 2005 as dividends in the following proportions:

| Shareholders of KG | Percentage of share capital of KG % | No. of KGPM Consideration Shares received |
|--------------------|--|---|
| Gan Thiam Chai | 50 | 5,000,000 |
| Gan Thiam Hock | 10 | 1,000,000 |
| Kwan Sok Kay | 10 | 1,000,000 |
| KKSB | 30 | 3,000,000 |
| | 100 | 10,000,000 |

Upon completion of the KFM Acquisitions and Acquisitions of Net Assets, KG has ceased operations and only holds a piece of landed property comprising a double storey factory which is currently unoccupied, held under H.S. (D) No. 23659 for No. P.T. 625, Seksyen 16, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 21, Jalan Lada Hitam 16/12, 40000 Shah Alam, Selangor Darul Ehsan, which KG plans to dispose. KG does not have any plan to recommence its operations at this juncture and may be voluntarily liquidated in the future.

(iii) KFB Acquisitions**(a) Acquisition of KFM**

On 1 June 2005, we entered into a conditional Sale and Purchase Agreement with the shareholders of KFM to acquire 1,000,000 ordinary shares of RM1.00 each in KFM, representing the entire issued and paid-up share capital of KFM, for a purchase consideration of RM24,840,609 satisfied wholly by the issuance of 49,680,347 new KFB Shares at an issue price of approximately RM0.50 per KFB Share.

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4. INFORMATION ON OUR GROUP (CONT'D)

The shareholders of KFM, their respective shareholdings therein and the number of new KFB Shares issued to them pursuant to the Acquisition of KFM are as follows:

| Shareholders of KFM | <-----Shareholdings in KFM -----> | | |
|---------------------|---|--------------------------------------|---|
| | No. of ordinary shares of RM1.00 each held in KFM | Percentage of share capital of KFM % | No. of KFB Shares issued as consideration |
| Gan Thiam Chai | 500,000 | 50.00 | 24,840,173 |
| Gan Thiam Hock | 100,000 | 10.00 | 4,968,035 |
| Kwan Sok Kay | 100,000 | 10.00 | 4,968,035 |
| KKSB | 300,000 | 30.00 | 14,904,104 |
| | 1,000,000 | 100.00 | 49,680,347 |

The purchase consideration of RM24,840,609 was arrived at based on a willing buyer-willing seller basis after taking into consideration the audited NTA of KFM as at 31 December 2003.

KFM had declared a dividend of RM8 million to its then shareholders prior to the completion of the Acquisition of KFM such that its NTA was not less than RM24,840,609 after the distribution of dividends.

The Acquisition of KFM was completed on 1 June 2005.

(b) Acquisition of KGPM

On 1 June 2005, we entered into a conditional Sale and Purchase Agreement with, Gan Thiam Chai, Gan Thiam Hock, Kwan Sok Kay and KKSB (being collectively the shareholders of KG who received KGPM Consideration Shares) as well as the subscriber shareholders of KGPM, namely Lim Tsuey Fong and Chan Nyok Haw, to acquire 10,000,002 ordinary shares of RM1.00 each in KGPM, representing the entire issued and paid-up share capital of KGPM, for a total purchase consideration of RM10,000,002.

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4. INFORMATION ON OUR GROUP (CONT'D)

The two (2) ordinary shares of RM1.00 each in KGPM were acquired from Lim Tsuey Fong and Chan Nyok Haw for a cash consideration of RM2.00 paid in their respective proportions. The remaining 10,000,000 ordinary shares of RM1.00 each in KGPM were acquired from the following shareholders for a purchase consideration of RM10,000,000 satisfied wholly by the issuance of 19,999,649 new KFB Shares at an issue price of approximately RM0.50 per KFB Share as follows:

| Shareholders of KGPM | <--Shareholdings in KGPM --> | | No. of KFB Shares issued as consideration |
|----------------------|--|--|---|
| | No. of ordinary shares of RM1.00 each held in KGPM | Percentage of enlarged share capital of KGPM % | |
| Gan Thiam Chai | 5,000,000 | 50 | 9,999,824 |
| Gan Thiam Hock | 1,000,000 | 10 | 1,999,965 |
| Kwan Sok Kay | 1,000,000 | 10 | 1,999,965 |
| KKSB | 3,000,000 | 30 | 5,999,895 |
| | <u>10,000,000</u> | <u>100</u> | <u>19,999,649</u> |

The purchase consideration of RM10,000,002 was arrived at based on a willing buyer-willing seller basis after taking into consideration the unaudited NTA of KGPM after the completion of the Acquisition of Net Assets.

The Acquisition of KGPM was completed on 1 June 2005.

Upon completion of the KFB Acquisitions, our issued and paid-up share capital increased from RM2.00 comprising four (4) KFB Shares after the Share Split to RM34,840,000 comprising 69,680,000 KFB Shares.

4.1.2.3 Public Issue

In conjunction with the Listing, we will undertake a public issue of 10,320,000 new KFB Shares at the IPO Price of RM1.00 per KFB Share. The Public Issue Shares will be allocated in the following manner:

- (i) 3,600,000 Public Issue Shares representing 4.50% of our enlarged share capital will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions, to be allocated via ballot;
- (ii) 3,200,000 Public Issue Shares representing 4.00% of our enlarged share capital will be reserved for application by eligible Directors and employees of our Group; and
- (iii) 3,520,000 Public Issue Shares representing 4.40% of our enlarged share capital will be placed out to investors by the Placement Agent.

Upon completion of the Public Issue, our issued and paid-up share capital will increase from RM34,840,000 comprising 69,680,000 KFB Shares to RM40,000,000 comprising 80,000,000 KFB Shares.

4. INFORMATION ON OUR GROUP (CONT'D)**4.1.2.4 Offer for Sale**

The Offerors will offer for sale an aggregate of 10,400,000 KFB Shares representing 13.00% of our enlarged share capital to the following parties at the IPO Price of RM1.00 per KFB Share:

- (i) 4,800,000 KFB Shares representing 6.00% of our enlarged share capital to Bumiputera investors approved by the MITI;
- (ii) 3,200,000 KFB Shares representing 4.00% of our enlarged share capital will be placed out to investors by the Placement Agent; and
- (iii) 2,400,000 KFB Shares representing 3.00% of our enlarged share capital will be reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions, to be allocated via ballot.

The Offerors and the number of Offer Shares to be offered by the respective Offerors are as follows:

| Offerors | No. of Offer Shares | % of our enlarged issued and paid-up share capital upon the completion of the Public Issue |
|-----------------|----------------------------|---|
| Gan Thiam Chai | 8,200,001 | 10.25 |
| Gan Thiam Hock | 248,000 | 0.31 |
| Kwan Sok Kay | 248,000 | 0.31 |
| KKSB | 1,703,999 | 2.13 |
| | 10,400,000 | 13.00 |

Expenses in relation to the Offer for Sale will be borne by the Offerors.

4.1.2.5 Listing and Quotation

We will seek admission to the Official List of the Second Board and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM40,000,000 comprising 80,000,000 KFB Shares on the Official List of the Second Board.

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4. INFORMATION ON OUR GROUP (CONT'D)

4.1.2.6 ESOS

Prior to our Listing, we will implement an ESOS for the benefit of our Directors and eligible employees. The ESOS allows for granting of options to subscribe for our Shares of up to fifteen percent (15%) of our issued and paid-up share capital at any one time. The granting of options under ESOS to Non-Executive Directors serves to recognise the contribution of our Non-Executive Directors, who are involved in the formulation of our strategies through, amongst others, their participation in Board deliberations and independent views in the decision making process, as well as ensuring that we maintain good corporate practices at all times.

Subsequent to the provisions in the ESOS By-Laws, the ESOS shall be for a duration of five (5) years during which options shall be offered to our Directors and eligible employees in accordance with the ESOS By-Laws.

Our draft ESOS By-Laws are set out in Section 12 of this Prospectus.

4.1.3 Share Capital and Changes in Share Capital

As at the date of this Prospectus, we have an authorised share capital of RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each, of which RM34,840,000 comprising 69,680,000 KFB Shares have been issued and fully paid-up.

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

| Date of Allotment | No. of Shares | Par Value RM | Consideration | Cumulative Issued and paid-up share capital RM |
|-------------------|---------------|-----------------|--|---|
| 21.01.2004 | 2 | 1.00 | Subscriber shares | 2.00 |
| 30.05.2005 | 4 | 0.50 | Share Split | 2.00 |
| 01.06.2005 | 49,680,347 | 0.50 | Issued pursuant to the Acquisition of KFM | 24,840,176 |
| 01.06.2005 | 19,999,649 | 0.50 | Issued pursuant to the Acquisition of KGPM | 34,840,000 |

Upon completion of the Public Issue, our enlarged issued and paid-up share capital will be RM40,000,000 comprising 80,000,000 KFB Shares.

4.1.4 Subsidiaries and Associated Companies

We have two (2) subsidiaries, the details of which are as follows:

| Subsidiary | Date/ Country of Incorporation | Effective equity interest (%) | Principal Activities | Issued and paid-up share capital RM |
|------------|--------------------------------------|-------------------------------------|--|---|
| KFM | 28 August 1984/ Malaysia | 100 | Manufacturing, trading, distributing and exporting of pastries and other food products | 1,000,000 |
| KGPM | 22 May 2004/ Malaysia | 100 | Trading, distributing and exporting of pastries and other food products | 10,000,002 |

As at the date of this Prospectus, we do not have any associated company.

4. INFORMATION ON OUR GROUP (CONT'D)**4.2 INFORMATION ON KFM****4.2.1 History and Business**

KFM was incorporated on 28 August 1984 as a private company limited by shares under the name of K.G. Pastry Products Sdn Bhd and commenced business on 10 January 1987. The company then changed its name to Lucky Food Marketing Sdn Bhd on 20 September 1993 and subsequently to its present name on 17 May 1994.

KFM is principally involved in the manufacturing, trading, distributing and exporting of frozen pastries and other food products. KFM's major products include "Roti Paratha" and "Naan". It operates the manufacture of its products from its factory, that is, Lot 20, and distributes its products both domestically as well as to overseas markets.

4.2.2 Share Capital

As at the date of this Prospectus, the authorised, issued and paid-up share capital of KFM are as follows:

| | RM |
|--|-----------|
| Authorised | |
| 5,000,000 ordinary shares of RM1.00 each | 5,000,000 |
| Issued and paid-up share capital | |
| 1,000,000 ordinary shares of RM1.00 each | 1,000,000 |

4.2.3 Changes in Share Capital

| Date of allotment | No. of ordinary shares of RM1.00 each | Consideration | Cumulative paid-up share capital RM |
|--------------------------|--|----------------------------|--|
| 28.08.1984 | 3 | Subscriber shares for cash | 3 |
| 28.07.1987 | 29,997 | Cash | 30,000 |
| 28.05.1988 | 80,000 | Cash | 110,000 |
| 28.07.1989 | 190,000 | Cash | 300,000 |
| 28.07.1989 | 250,000 | Otherwise than cash | 550,000 |
| 23.02.2000 | 450,000 | Bonus issue | 1,000,000 |

4.2.4 Substantial Shareholders

As at the date of this Prospectus, KFM is wholly-owned by us.

4.2.5 Subsidiary and Associated Companies

As at the date of this Prospectus, KFM does not have any subsidiary or associated companies.

4. INFORMATION ON OUR GROUP (CONT'D)**4.3 INFORMATION ON KGPM****4.3.1 History and Business**

KGPM was incorporated on 22 May 2004 under the name "Oriental Status Sdn Bhd" as a private company limited by shares. On 6 August 2004, it assumed its present name. KGPM commenced business on 1 June 2005.

KGPM is principally involved in the trading, distributing and exporting of frozen pastries and other food products for both the domestic as well as overseas market. It operates from Lot 20 and it also carries out its distribution activities from a distribution centre located in Johor Bahru, Johor.

4.3.2 Share Capital

As at the date of this Prospectus, the authorised, issued and paid-up share capital of KGPM are as follows:

| | RM |
|---|------------|
| Authorised | |
| RM25,000,000 divided into 25,000,000 ordinary shares of RM1.00 each | 25,000,000 |
| Issued and paid-up share capital | |
| RM10,000,002 divided into 10,000,002 ordinary shares of RM1.00 each | 10,000,002 |

4.3.3 Changes in Share Capital

| Date of allotment | No. of ordinary shares of RM1.00 each | Consideration | Cumulative paid-up share capital RM |
|--------------------------|--|--|--|
| 22.05.2004 | 2 | Subscriber shares for cash | 2 |
| 31.05.2005 | 10,000,000 | Issued pursuant to the Acquisition of Net Assets | 10,000,002 |

4.3.4 Substantial Shareholders

As at the date of this Prospectus, KGPM is wholly-owned by us.

4.3.5 Subsidiary and Associated Companies

As at the date of this Prospectus, KGPM does not have any subsidiary or associated companies.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**5.1 INFORMATION ON PROMOTERS****5.1.1 Promoters' Shareholding**

The following sets out details of our promoters and their shareholdings before and after the IPO:

| Promoters | Nationality/Place of Incorporation | Designation | -----Before IPO-----> | | | -----After IPO-----> | | |
|----------------|------------------------------------|--------------------|-----------------------|--------|----------------------|----------------------|--------|----------------------|
| | | | No. of Shares held | % held | <-----Indirect-----> | No. of Shares held | % held | <-----Indirect-----> |
| Gan Thiam Chai | Malaysian | Managing Director | 34,840,001 | 50.00 | - | 26,640,000 | 33.30 | - |
| Gan Thiam Hock | Malaysian | Executive Director | 6,968,000 | 10.00 | - | 6,720,000 | 8.40 | - |
| Kwan Sok Kay | Malaysian | Executive Director | 6,968,000 | 10.00 | - | 6,720,000 | 8.40 | - |
| KKSB | Malaysia | - | 20,903,999 | 30.00 | - | 19,200,000 | 24.00 | - |

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

5.1.2 Profiles

Gan Thiam Chai, Gan Thiam Hock and Kwan Sok Kay are our Promoters, substantial shareholders and Directors. Their profiles are as set out in Section 5.3.2 of this Prospectus.

A brief background on KKSB is as follows:

History and principal activities

KKSB was incorporated as a private limited company under the Companies Act, 1965 on 6 August 1996. KKSB is principally an investment holding company.

Board of Directors

As at 15 June 2005, the Board of Directors of KKSB and their respective shareholding therein are as follows:

| Director | <-----Direct -----> | | <-----Indirect -----> | |
|--|---------------------|--------|-----------------------|--------|
| | No. of shares | % held | No. of shares | % held |
| Tan Sri Dato' Mohd Ibrahim bin Mohd Zain | 12,500 | 50.00 | - | - |
| Datuk Haji Ibrahim bin Haji Ahmad | 12,500 | 50.00 | - | - |
| Amcer bin Shaik Mydin | - | - | - | - |

Substantial shareholders (5% or more of the issued and paid-up share capital)

As at 15 June 2005, according to its Register of Members, the substantial shareholders of KKSB and their respective shareholding therein are as follows:

| Substantial shareholder | <-----Direct -----> | | <-----Indirect -----> | |
|--|---------------------|--------|-----------------------|--------|
| | No. of shares | % held | No. of shares | % held |
| Tan Sri Dato' Mohd Ibrahim bin Mohd Zain | 12,500 | 50.00 | - | - |
| Datuk Haji Ibrahim bin Haji Ahmad | 12,500 | 50.00 | - | - |

5.1.3 Directorships and Substantial Shareholding in Other Public Corporations in the Past Two (2) Years

None of our Promoters hold other directorships and/or have substantial shareholding in any other public corporations in the two (2) years preceding 15 June 2005.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

5.1.4 Changes in our Promoters' Shareholdings

The following sets out the changes in our Promoters' shareholdings in our Company since our date of incorporation up till 15 June 2005, being the latest practicable date prior to the issuance of this Prospectus:

| Promoters | As at incorporation | | After KFB Acquisitions | |
|----------------|---------------------|----------|------------------------|----------|
| | Direct | Indirect | Direct | Indirect |
| | No. of Shares | % held | No. of Shares | % held |
| Gan Thiam Chai | - | - | 34,840,001 | 50.00 |
| Gan Thiam Hock | - | - | 6,968,000 | 10.00 |
| Kwan Sok Kay | - | - | 6,968,000 | 10.00 |
| KKSB | - | - | 20,903,999 | 30.00 |

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**5.2 INFORMATION ON SUBSTANTIAL SHAREHOLDERS****5.2.1 Substantial Shareholders**

The following sets out details of our substantial shareholders and their shareholdings before and after the IPO:

| Substantial Shareholders | Nationality/Place of Incorporation | Designation | -----Before IPO-----> | | | -----After IPO-----> | | |
|---|------------------------------------|------------------------|-----------------------|----------------------|--------|----------------------|----------------------|--------|
| | | | <-----Direct-----> | <-----Indirect-----> | % held | <-----Direct-----> | <-----Indirect-----> | % held |
| Gan Thiam Chai | Malaysian | Managing Director | 34,840,001 | - | 50.00 | 26,640,000 | - | 33.30 |
| Gan Thiam Hock | Malaysian | Executive Director | 6,968,000 | - | 10.00 | 6,720,000 | - | 8.40 |
| Kwan Sok Kay | Malaysian | Executive Director | 6,968,000 | - | 10.00 | 6,720,000 | - | 8.40 |
| KKSB | Malaysia | - | 20,903,999 | - | 30.00 | 19,200,000 | - | 24.00 |
| Tan Sri Dato' Mohd Ibrahim bin Mohd Zain [^] | Malaysian | Non-Executive Chairman | - | 20,903,999 | 30.00 | - | 19,200,000 | 24.00 |
| Datuk Haji Ibrahim bin Haji Ahmad [^] | Malaysian | Non-Executive Director | - | 20,903,999 | 30.00 | - | 19,200,000 | 24.00 |

Note:

[^] Deemed interested pursuant to Section 6A of the Act by virtue of his shareholding in KKSB.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

5.2.2 Profiles

The profiles of Gan Thiam Chai, Gan Thiam Hock, Kwan Sok Kay, Tan Sri Dato' Mohd Ibrahim bin Mohd Zain and Datuk Haji Ibrahim bin Haji Ahmad, who are all our Directors, are set out in Section 5.3.2 of this Prospectus.

The information on KKSB, which is also a Promoter, is as set out in Section 5.1.2 of this Prospectus.

5.2.3 Directorships and Substantial Shareholdings in Other Public Corporations in the Past Two (2) Years

Save as disclosed below, none of our substantial shareholders hold other directorships and/or have substantial shareholdings in other public corporations in the two (2) years preceding 15 June 2005.

| Substantial Shareholder | Company | Date Appointed/ Date Resigned | <-----Direct-----> | | <-----Indirect-----> | |
|--|-------------------------------------|----------------------------------|--------------------|--------|------------------------|-------------------|
| | | | No. of Shares | % held | No. of Shares | % held |
| Tan Sri Dato' Mohd Ibrahim bin Mohd Zain | Pan Malaysia Holdings Berhad | 28.05.1998/- | - | - | - | - |
| | K&N Kenanga Holdings Berhad | 26.07.1996/- | - | - | - | - |
| | Metrojaya Berhad | 20.11.1992/- | - | - | - | - |
| | Pan Malaysian Industries Berhad | 22.06.1991/- | 550,000 | 0.02 | 4,773,000 ¹ | 0.19 ¹ |
| | Pan Malaysia Capital Berhad | 28.05.1998/- | - | - | - | - |
| | AMMB Holdings Berhad | 16.04.2004/- | - | - | - | - |
| | Chemical Company of Malaysia Berhad | 16.02.2001/ 19.08.2004 | - | - | - | - |
| | Astaire & Partners Limited | 19.04.1999/- | - | - | - | - |
| | Weaver International Limited | 25.10.2002/ 26.06.2003 | - | - | - | - |
| Datuk Haji Ibrahim bin Haji Ahmad | Pantai Holdings Berhad | 16.02.2004/ 11.03.2004 | - | - | - | - |
| | Carotech Berhad | 22.11.2004/- | 13,000,000 | 4.56 | - | - |
| | Hovid Berhad | 22.12.2004/- | 5,000,000 | 5.25 | - | - |

Note:

1. Deemed interested pursuant to Section 6A of the Act by virtue of his shareholding in Team Accountants Sdn Bhd.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)
5.2.4 Changes in our Substantial Shareholders' Shareholdings in KFB

The following sets out the changes in our substantial shareholders' shareholdings in our Company since our date of incorporation until 15 June 2005, being the latest practicable date prior to the issuance of this Prospectus:

| Substantial Shareholders | As at incorporation | | After KFB Acquisitions | |
|---|---------------------|----------|------------------------|----------|
| | Direct | Indirect | Direct | Indirect |
| | No. of Shares held | % held | No. of Shares held | % held |
| Gan Thiam Chai | - | - | 34,840,001 | 50.00 |
| Gan Thiam Hock | - | - | 6,968,000 | 10.00 |
| Kwan Sok Kay | - | - | 6,968,000 | 10.00 |
| KKSB | - | - | 20,903,999 | 30.00 |
| Tan Sri Dato' Mohd Ibrahim bin Mohd Zain [*] | - | - | - | - |
| Datuk Haji Ibrahim bin Haji Ahmad [*] | - | - | - | - |
| | | | 20,903,999 | 30.00 |
| | | | 20,903,999 | 30.00 |

Note:

^{*} Deemed interested pursuant to Section 6A of the Act by virtue of his shareholding in KKSB.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**5.3 INFORMATION ON DIRECTORS****5.3.1 Directors' Shareholding**

The following sets out details of our Directors and their shareholdings before and after the IPO:

| Directors | Nationality | Designation | -----Before IPO-----> | | | -----After IPO-----> | | | | |
|---|-------------|------------------------------------|-----------------------|--------|--------------------|----------------------|------------|--------------------|------------|-------|
| | | | No. of Shares held | % held | No. of Shares held | No. of Shares held | % held | No. of Shares held | | |
| Gan Thiam Chai | Malaysian | Managing Director | 34,840,001 | 50.00 | - | - | 26,640,000 | 33.30 | - | - |
| Gan Thiam Hock | Malaysian | Executive Director | 6,968,000 | 10.00 | - | - | 6,720,000 | 8.40 | - | - |
| Kwan Sok Kay | Malaysian | Executive Director | 6,968,000 | 10.00 | - | - | 6,720,000 | 8.40 | - | - |
| Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain [^] | Malaysian | Non-Executive Chairman | - | - | 20,903,999 | 30.00 | - | - | 19,200,000 | 24.00 |
| Datuk Haji Ibrahim bin Haji Ahmad [^] | Malaysian | Non-Executive Director | - | - | 20,903,999 | 30.00 | - | - | 19,200,000 | 24.00 |
| Chen Seng Chong | Malaysian | Independent Non-Executive Director | - | - | - | - | 200,000# | 0.25# | - | - |
| Lim Peng @ Lim Pang Tun | Malaysian | Independent Non-Executive Director | - | - | - | - | 100,000# | 0.13# | - | - |

Notes:

[^] Deemed interested pursuant to Section 6A of the Act by virtue of his shareholding in KKSB

[#] Assuming full subscription by our Directors of their respective entitlements for the pink form allocation.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

5.3.2 Profiles

The following sets out the profiles of our Directors:

Gan Thiam Chai, age 51, a Malaysian, is the co-founder of KFM. He was appointed to our Board on 1 June 2005 as Managing Director. He has accumulated more than 25 years of experience in the food processing industry. After leaving school in 1971, he joined Behn Meyer Industries Sdn Bhd as a Technical Assistant. He left Behn Meyer Industries Sdn Bhd in 1976 and set up Kian Guan Trading Co in 1977. In 1984, he founded KFM, and was appointed its Managing Director. He has also been the Managing Director for KG since its inception in 1992. The growth of KFM from a small business to an award-winning enterprise is attributable to his efforts. His business acumen and sound technical knowledge in the food industry is an invaluable asset to our Group. He is responsible for the overall business planning and development, product research and development, transformation and modernisation of food production process through automation, formulation of companies' strategic plans and policies.

Gan Thiam Hock, age 42, a Malaysian, together with his brother, Gan Thiam Chai, co-founded KFM. He was appointed to our Board on 1 June 2005. After leaving school in 1981, he joined his brother at Kian Guan Trading Co. Gan Thiam Hock has more than 20 years of experience in the marketing of pastry and frozen food products. He started his career in KFM as the Sales Director, a position he still holds until today. He has also been the Sales Director for KG since its incorporation in 1992. As the Sales Director of our Group, he is responsible for the overall expansion and development of the marketing networks as well as implementation of sales, distributions and promotional activities for the domestic market.

Kwan Sok Kay, age 50, a Malaysian, is presently the Finance Director of KGPM. She was appointed to our Board on 1 June 2005. After leaving school in 1973, she was involved in book-keeping work in several companies until she joined Unic Plastics Industries Sdn Bhd, a plastic products manufacturing company, as an Accounts cum Administrative Assistant in 1976. Subsequently, she joined KFM in 1984 as a Director, before holding the post of Finance Director in 1986. As the Finance Director of our Group, she is responsible for the financial management and administrative functions of our Group, as well as the implementation of accounting and operational procedures and human resource policies.

Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain, age 61, a Malaysian, is a Director of KFM and was appointed to our Board on 1 June 2005. Tan Sri Dato' Ibrahim Zain is a graduate of the British Institute of Management and Institute of Marketing in the United Kingdom, and holds a Masters in Business Administration from the University of Ohio, in the United States of America.

Tan Sri Dato' Ibrahim Zain joined University of Technology MARA (formerly known as Institute of Technology MARA) in 1967 as a lecturer where he was later appointed as a Council Member/Director, a position which he holds to date.

Tan Sri Dato' Ibrahim Zain was a founding Board Member of the Penang Regional Development Authority (PERDA), and had served as a Board Member of the Tourist Development Corporation of Malaysia.

Tan Sri Dato' Ibrahim Zain was also the Chief Executive of Amanah International Finance Berhad, Amanah Chase Merchant Bank Berhad and Oriental Bank Berhad, Chairman and Chief Executive Officer of Setron (Malaysia) Berhad, as well as Chairman of Bank Kerjasama Rakyat (M) Berhad, Bescorp Industries Berhad, Pan Malaysian Industries Berhad and Chemical Company of Malaysia Berhad.

Currently, Tan Sri Dato' Ibrahim Zain is the Chairman of Pan Malaysia Capital Berhad and Pan Malaysia Holdings Berhad, Deputy Chairman of Metrojaya Berhad and a Director of K&N Kenanga Holdings Berhad, Pan Malaysia Industries Berhad and AMMB Holdings Berhad. He is also a Director in KKSMB and various other private companies.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Datuk Haji Ibrahim bin Haji Ahmad, age 57, a Malaysian, is a food technologist and entrepreneur. He is a Director of KFM and was appointed to our Board on 1 June 2005. He obtained a Diploma in Agriculture in 1969 from Universiti Putra Malaysia and a Masters in Food Technology in 1974 from Louisiana State University, United States of America in 1974. He returned to be a lecturer in Universiti Putra Malaysia in the Faculty of Food and Biotechnology from 1975 to 1980. From 1980 to 1986, he was the Head of Corporate Research and Development at Kumpulan FIMA Bhd. He left Kumpulan FIMA Bhd to venture into business and has been the Executive Chairman and Group Managing Director of the Dewina group of companies since 1986 until today. He is also the non-executive Chairman of Hovid Berhad and Carotech Berhad.

Chen Seng Chong, age 56, a Malaysian, was appointed to our Board on 16 May 2005. He graduated with a Bachelor of Engineering (Hons) degree from the University of Malaya in 1973. Upon graduation he started work with Impact Industries (M) Sdn. Bhd. as a Plant Engineer. Later in the year, he joined the then Federal Industrial Development Authority (now Malaysian Industrial Development Authority ("MIDA")) as a Project Evaluation Engineer. He was with MIDA for twenty-four (24) years and his last held position with MIDA was as a Deputy Director of the Electrical and Electronics Industries Division. He took optional retirement in 1997 and joined Bright Rims Manufacturing Sdn. Bhd as General Manager. In 2000, he left the company to become an independent Industrial Consultant. He is a Member of the Institution of Engineers, Malaysia.

Lim Peng @ Lim Pang Tun, aged 50, a Malaysian, was appointed to our Board on 16 May 2005. He holds a Masters in Business Administration from Louisiana State University, United States of America. He is a Fellow of the Chartered Association of Certified Accountants (UK), a Chartered Accountant of the Malaysian Institute of Accountants and an Associate Member of the Association of Certified Practising Accountants (Australia) and the Chartered Institute of Management Accountants (UK).

He has over twenty (20) years experience in corporate finance, accounting and general management. He has worked in the merchant banking, healthcare, cruises, chemicals and heavy equipments industry. In corporate finance, he was the Vice-President, Business Development of Hwang-DBS Securities Berhad and General Manager, Corporate Finance with Perwira Affin Merchant Bank Berhad.

In the commercial industry, he is an executive director with Pantai Holdings Berhad and has held positions as Vice-President, Finance & Treasury with Star Cruises Ltd and Business & Financial Planning Manager with Allergen Australia Pty Ltd based in Australia.

Currently, Lim Peng @ Lim Pang Tun sits on the boards of Pantai Holdings Berhad and Paos Holdings Berhad.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

5.3.3 Directorships and Substantial Shareholdings in other Public Corporations in the past two (2) years

Save as disclosed below and in Section 5.2.3 of this Prospectus, none of our Directors hold other directorships and/or have substantial shareholdings in other public corporations in the two (2) years preceding 15 June 2005.

| Director | Company | Date Appointed/ Date Resigned | <-----Direct-----> | | <-----Indirect-----> | |
|-------------------------|----------------------------------|----------------------------------|--------------------|--------|----------------------|--------|
| | | | No. of Shares | % held | No. of Shares | % held |
| Lim Peng @ Lim Pang Tun | Pantai Holdings Berhad | 28 November 2002/- | - | - | - | - |
| | Paos Holdings Berhad | 18 May 2001/- | - | - | - | - |
| | Fountain View Development Berhad | 29 August 2003/ 13 June 2005 | - | - | - | - |

5.3.4 Audit Committee

The composition of the Audit Committee is as follows:

| Name | Designation | Directorship |
|-------------------------|---------------------------|------------------------------------|
| Lim Peng @ Lim Pang Tun | Chairman of the Committee | Independent Non-Executive Director |
| Chen Seng Chong | Member of the Committee | Independent Non-Executive Director |
| Kwan Sok Kay | Member of the Committee | Non-Independent Executive Director |

The main functions of the Audit Committee include the review of audit plans and audit reports with our Group's auditors, the review of the auditors' evaluation of internal accounting controls and management information systems, the review of the scope of internal audit procedures, the review of financial statements and the nomination of auditors. The Audit Committee will also be responsible for the assessment of financial risks and matters relating to related party transactions and conflicts of interest. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

5.3.5 Directors' Remuneration and Benefits

The remuneration and benefits (excluding performance bonus) paid to our Directors (in their capacity as Directors of our Group) for the FYE 31 December 2004 amounted to approximately RM600,000.

The estimated aggregate remuneration and benefits (excluding performance bonus) for our Directors for the FYE 31 December 2005 is approximately RM900,000. The payments for the FYE 31 December 2004 and 31 December 2005 fall within the following remuneration bands:

| Remuneration Band | Number of Directors | | | |
|--------------------------------|----------------------|---------------|----------------------|---------------|
| | FYE 31 December 2004 | | FYE 31 December 2005 | |
| | Executive | Non-Executive | Executive | Non-Executive |
| Below RM25,000 | - | - | - | - |
| Between RM25,000 and RM100,000 | - | 2 | - | 4 |
| Above RM100,000 | 3 | - | 3 | - |

5.3.6 Directors' Service Agreements

We have not entered into or proposed to enter into any service agreement with any of the Directors of our Group at this juncture.

5.3.7 Involvements in other Businesses and Companies

Each of our Executive Directors has confirmed to us that he/she is not involved in the activities or operations of any other business or company which is active, other than as mentioned below.

- (i) Gan Thiam Chai has substantial shareholdings in and sits on the board of directors Unic Food Manufacturing Sdn Bhd. In addition, Gan Thiam Chai has substantial shareholdings in KG. As Gan Thiam Chai does not hold any executive position in KG and only spends an insignificant amount of time at Unic Food Manufacturing Sdn Bhd, our Board is of the opinion that his involvement in the aforesaid companies will not affect his commitment and responsibilities to our Group.
- (ii) Gan Thiam Hock has substantial shareholding in KG. As Gan Thiam Hock does not hold any executive position in KG, our Board is of the opinion that his involvement in the aforesaid company will not affect his commitment and responsibilities to our Group.
- (iii) Kwan Sok Kay has substantial shareholdings in and sits on the board of directors of Unic Food Manufacturing Sdn Bhd. In addition, Kwan Sok Kay has substantial shareholdings in KG. As Kwan Sok Kay does not hold any executive position in KG and only spends an insignificant amount of time at Unic Food Manufacturing Sdn Bhd, our Board is of the opinion that her involvement in the aforesaid companies will not affect her commitment and responsibilities to our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

5.3.8 Declaration

Each of our Directors has confirmed to us that he/she is not and has not been involved in any of the following events, whether within or outside Malaysia:

- (i) a petition under any bankruptcy or insolvency law was filed (and not struck out) against such Director or any partnership in which he or she was a partner, or any corporation of which he or she was a director or key personnel;
- (ii) a charge and/or conviction in criminal proceedings, or is a named subject of pending criminal proceedings; or
- (iii) a subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or regulatory authority permanently or temporarily enjoining him/her from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**5.4 INFORMATION ON KEY MANAGEMENT****5.4.1 Key Management Personnel's Shareholding**

The following sets out details of our key management personnel and their shareholdings in our Company before and after the IPO:

| Key Management | Designation | Nationality | Before IPO | | | After IPO | | |
|-----------------|--------------------------------|-------------|--------------------|--------|--------------------|--------------------|--------|--------------------|
| | | | No. of Shares held | % held | No. of Shares held | No. of Shares held | % held | No. of Shares held |
| Siah Chee Boon | Financial Controller | Malaysian | - | - | 180,000 | 0.23 | - | - |
| Sia Su Lin | Accountant | Malaysian | - | - | 60,000 | 0.08 | - | - |
| Chan Chiow Koon | Sales Manager | Malaysian | - | - | 100,000 | 0.13 | - | - |
| Loo Hoo Sing | Branch Manager, Johor Bahru | Malaysian | - | - | 150,000 | 0.19 | - | - |
| Gan Thiam Chuan | Production Manager | Malaysian | - | - | 240,000 | 0.30 | - | - |

Note:

^a Assuming full subscription by our key management of their respective entitlements for the pink form allocation.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

5.4.2 Profiles of Key Management

The following sets out the profiles of our Group's key management.

Siah Chee Boon, age 34, is the Financial Controller of our Group. He reports to the Finance Director as well as the Managing Director of our Group. Siah obtained a Certificate in Book-Keeping and Accounts, and a Diploma in Accounting from the London Chamber of Commerce and Industry in 1990 and 1992 respectively. He was conferred a professional qualification from the Association of International Accountants in 1999. Siah started his career with Loh & Co in 1992 as an Audit Assistant and proceeded to join Hew & Tan three (3) years later in 1995 as an Audit Semi-Senior. In 1997, Siah started to gain his first commercial experience and exposure when he joined Audrey International (M) Sdn. Bhd as an Assistant Accountant, whilst at the same time, pursuing his professional qualifications from the Association of International Accountants. He obtained his professional qualifications from the Association of International Accountants in 1999. He joined KG in 1999 as an Assistant Accountant before being promoted to the position of Financial Controller in 2001. He joined us as a Financial Controller on 1 June 2005. He has the overall responsibilities of overseeing the entire finance, administration and human resources of our Group.

Sia Su Lin, age 32, is the Accountant of our Group, and is responsible for the financial reporting functions of our Group. In 1993, Su Lin was awarded a Diploma in Accounting from Ungku Omar Polytechnic. She was awarded a professional qualification from the Association of Chartered Certified Accountants (ACCA) in 1996. She is also a member of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants. Whilst pursuing her professional qualifications, she worked in the field of auditing holding the position as an Audit Semi Senior in various accounting firms, including SC Associates and Hew & Tan between 1993 and 1997. In 1997, she commenced work as an Accounts Supervisor for Tops Retail (M) Sdn Bhd and held a position as an Accountant when she left the company in 2003. Subsequently, she joined Apparel World Sdn Bhd as the Finance Manager in October 2003 and later joined our Group in early 2004 as an Accountant. She has more than eight (8) years of professional experience in the field of accounting and finance.

Chan Chiow Koon, age 52, is the Sales Manager responsible for overlooking our Group's markets in the central, east and northern region of Malaysia. After leaving school in 1966, he worked at various companies holding different positions, including Daiwa Auto Sdn Bhd between 1977 and 1979 as a Salesman in the Parts Department, and Aunty May Processing Food Sdn Bhd between 1980 and 1981 as a Salesman in the Food Department. In 1982, he joined Kumpulan FIMA Berhad as a Sales Representative. After leaving Kumpulan FIMA Berhad in 1984, he was attached to Cold Storage Trading (M) Sdn Bhd as a Sales Representative, promoting sales and developing new business opportunities there for five (5) years before joining Ben Foods (M) Sdn Bhd as their Sales Executive in 1996. In 1996, he left Ben Foods (M) Sdn Bhd and joined Ben Trading (M) Sdn Bhd, where he was its National Sales Manager, with the responsibilities of overseeing the sales, customer relations and staffing policies. Subsequently in 2001, he joined KG as its Sales Manager. On 1 June 2005, he joined our Group as a Sales Manager, in charge of sales and marketing.

Loo Hoo Sing, age 48, is the Manager of our Group's Johor Bahru branch. After leaving school in 1976, he did a course in Business Studies at Institut Goon, Petaling Jaya, Selangor, which he completed in 1978. He has more than twenty (20) years in the field of sales and marketing, having started his career at Dearland (M) Sdn Bhd in 1979. In his five (5) years there, he was responsible for the delivery, sales, collection and display of merchandising. Subsequently, in 1984, he joined Eveready Battery (M) Sdn. Bhd as a Salesman, and worked there for five (5) years in its Sales division. In 1993, he joined Sinsan Tien Seng as a Sales Representative. Subsequently, he joined KG in 1996 as the Johor Bahru Branch Manager. On 1 June 2005, he joined our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Gan Thiam Chuan, age 46, is the Production Manager of our Group responsible for its smooth manufacturing operations and production processes. He obtained a Certificate in Book-Keeping and Accounts, and a Diploma in Accounting from the London Chamber of Commerce and Industry in 1978 and 1980 respectively. He attended Yong Siew Chung Cooking Institution in Johor from 1980 to 1982 whereby he obtained a Diploma in Food Cooking, Food Processing and Preparation. He commenced his career as an Accounts Clerk in Folex Industries Sdn Bhd in 1981 and eventually progressed to become an Accounts Executive when he joined Image Associates Management Sdn Bhd in 1984. After leaving Image Associates Management Sdn Bhd in 1986, he joined Top Hiap Corporation Sdn Bhd as an Administrative and Accounts Officer. Thereafter, he joined KG in 1990 as a Production Supervisor being promoted to Production Manager in 1992. He joined our Group on 1 June 2005. He has been working in the manufacturing industry for the past twenty (20) years with valuable experience in the production process of most industries.

5.4.3 Service Agreements

We have not entered into or propose to enter into any service agreement with any of the key management of our Group at this juncture.

5.4.4 Declaration

Each of the key management of our Group has confirmed to us that he/she is not and has not been involved in any of the following events, whether within or outside Malaysia:

- (i) a petition under any bankruptcy or insolvency law filed (and not struck out) against such personnel or any partnership in which he or she was a partner, or any corporation of which he or she was a director or key personnel;
- (ii) a charge and/or conviction in criminal proceedings, or is a named subject of pending criminal proceedings; or
- (iii) a subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or regulatory authority permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

5.4.5 Involvements in other Businesses and Companies

Each of the key management of our Group has confirmed to us that he/she is not involved in the activities or operations of any other business or company.

5.5 INFORMATION ON FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationship or association between our Promoters, substantial shareholders, Directors and key management of our Group.

- (i) Gan Thiam Chai, Gan Thiam Hock and Gan Thiam Chuan are brothers. Gan Thiam Chai and Gan Thiam Hock are our Promoters, substantial shareholders and Directors, whilst Gan Thiam Chuan is our Group's Production Manager;
- (ii) Gan Thiam Chai and Kwan Sok Kay, who are our Directors, Promoters and substantial shareholders, are husband and wife; and
- (iii) Tan Sri Dato' Mohd Ibrahim bin Mohd Zain and Datuk Haji Ibrahim bin Haji Ahmad, who are our Directors and substantial shareholders, are also both Directors and substantial shareholders of KKSB which is also our substantial shareholder.

6. BUSINESS OVERVIEW

6.1 OVERVIEW OF PRODUCTS, PRODUCTION PROCESSES AND OPERATIONS

6.1.1 Products

Our Group is currently involved in the manufacturing and/or trading of at least 70 frozen food products which can be primarily categorised as follows:

- (i) Roti Paratha;
- (ii) Naan and Chapatti range;
- (iii) Springroll & Samosa Pastry range;
- (iv) Springroll & Samosa range;
- (v) Steamed Buns range;
- (vi) Instant Rice range;
- (vii) Seasonal Product range; and
- (viii) Other food products.

Our Group's extensive range of products include the following:

| Categories | Complete Range of Products |
|----------------------------------|---|
| Roti Paratha | Paratha (Plain, Onion, Aloo, Dhal), Lotus Pancake, Red Bean Pancake, Masala Puri |
| Naan and Chapatti Range | Naan (Tandoori, Roghani, and Sher-e Punjab), Roti Chapatti |
| Springroll & Samosa Pastry Range | Springroll Pastry (Various sizes), Samosa Pad |
| Springroll & Samosa Range | Mixed Vegetable Spring Roll, Curry and Mini Yam Samosa, Vegetable Cocktail Spring Roll, Vegetable Cocktail Samosa, Cocktail Prawn Roll, Cocktail Chicken Floss Roll |
| Steamed Buns Range | Mantou (Plain, Pandan, Strawberry, Chocolate and Coffee Flavour), Mini Bun (BBQ Soy Bun, Custard Bun, Red Bean Bun), Flower Roll (Plain and Pandan Flavour), Silver Thread Loaf (Plain and Pandan Flavour), Mini Flower Roll, Mini Mantou (Chocolate and Plain Flavour) |
| Instant Rice Range | Lotus Leaf Glutinous Rice (Nyonya, Chicken and Salted Egg Yolk Flavour) |
| Seasonal Product Range | Chinese New Year Cake "Kuih Bakul", Glutinous Rice Ball (Peanut, Sesame and Red Bean Paste), Rice Dumpling "Kuih Chang" (Nyonya, Chicken and Salted Egg Yolk) |
| Others | Dhall Curry, Mixed Vegetable Curry, Wantan Noodle, Wantan Skin, Puff Pastry (Square and Block), Vegetable Curry Puff, Dumpling Skin, Crab Meat Ball |

6. BUSINESS OVERVIEW (CONT'D)

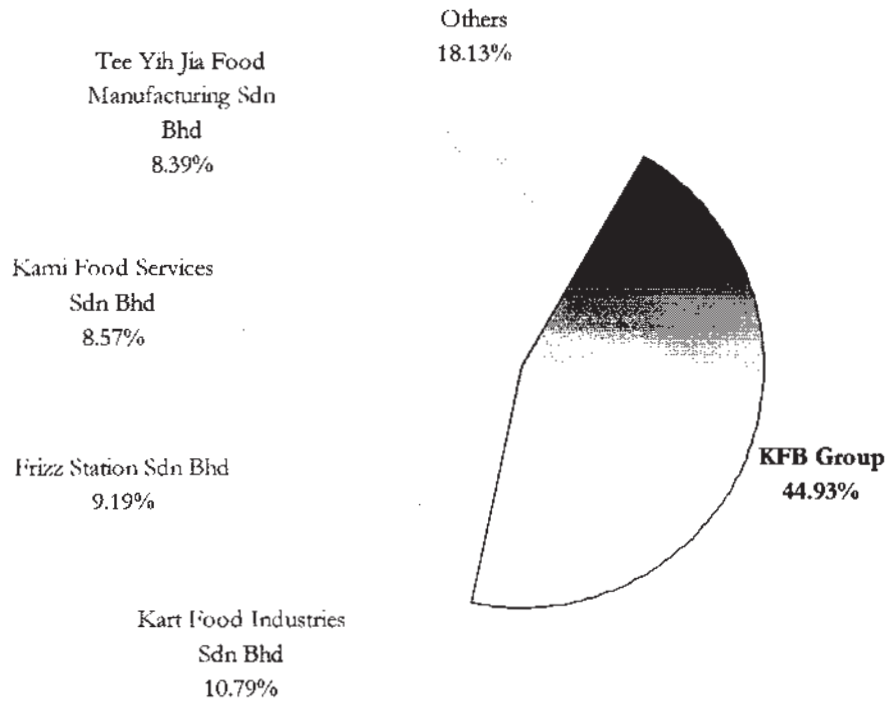
6.2 MARKET SHARE AND COMPETITIVE STRENGTHS

The frozen food industry is a competitive industry, with various market players in the domestic and export markets. As such, our Group competes with both local companies as well as multi-national corporations.

Within the frozen food industry specialising in RTS meals and snack ingredients, there are many players offering a wide range of products. Products available in the country could be produced locally or are imported from other countries. Besides our Group, there are eleven (11) other major players that are involved in the full value chain activities of product development, manufacturing as well as marketing and distribution of frozen RTS meals and other frozen food similar to our Group's products. Except for Tee Yih Jia Manufacturing Sdn Bhd, many of these companies started out as SMEs and slowly grew their businesses through the years.

The market size based on the twelve (12) major market players is about RM101.6 million as depicted in the peer comparison chart below:

Major Players' Market Share in Malaysia Frozen Food Industry



Note:
Others include companies such as Pertama Springrolls Manufacturer Sdn Bhd, Ben Fortune Pastry Manufacturing Sdn Bhd, P.A. Food Sdn Bhd, CEP Industries Sdn Bhd, Food Teller Sdn Bhd, Anika Food Industries Sdn Bhd and Hommaid Foods Sdn Bhd.

Based on the comparative figures of the twelve (12) major players in the frozen food industry, our Group is the market leader garnering approximately 45% of the market share.

(Source: IMR Report)

6. BUSINESS OVERVIEW (CONT'D)

In the frozen food industry, our Board believes that we have the following competitive strengths:

(i) Wide Distribution Coverage

The success in frozen food industry is dependent on the ability of food manufacturers to establish wide distribution coverage in order to create brand awareness among consumers. This distribution coverage can be in the form of supermarkets, hypermarkets or convenience stores chain. The stronger the ability of the manufacturers to promote its products through the displays in the chain stores, the higher the probability that the consumers will become more aware of the products' existence. Due to the limited space available in the refrigeration section of some of these chain stores, smaller companies with lesser known brands and products may find it difficult to persuade these chain stores to display their products. Even if they manage to persuade these chain stores to display their products, manufacturers would still have to ensure that the products will be a revenue generator within a very short period of time as non-saleable items are usually rejected in order not to hoard shelf space. This would be a barrier to entry to certain potential competitors as building wide distribution coverage requires time, resources and a strong reputation in the industry. Given that our founders have been in this industry for more than 25 years, our Group already has a competitive advantage as compared to new entrants to the industry.

(Source: IMR Report)

(ii) Long Presence and Reputation in the Industry

Our Group's founders have been in the food manufacturing industry for more than 25 years. Our Group is the largest RTS food manufacturer in Malaysia and has won numerous awards for our outstanding performance in this industry. Our Group's founders started their business in the late 1970's by distributing Chinese New Year cakes and frozen spring rolls pastries to small convenience stores in Klang Valley. Despite the economic downturn in the mid 1980's, the business managed to survive by diversifying our market overseas to countries such as Australia and United Kingdom. Since then, we have expanded our business by supplying to most of the supermarkets and hypermarkets throughout Malaysia. With our strategic marketing positioning plans, our Group believes that we will be able to maintain our position as the leader in the industry while new entrants are unlikely to be able to replicate this accomplishment within a short span of time.

(iii) Automation of Production Process

Our Group has automated most of our production processes to ensure greater production efficiencies and higher economies of scale. With automation, our Group is able to produce more products at a faster pace, ensuring not only a higher degree of freshness and quality in our products but also shortening our time to market. As compared to many SMEs in the food industry which still rely on manual production, our Group will have the advantage of economies of scale as well as production efficiency through automation of our processes.

(iv) Innovation in Recipes the Creation of a Wide Variety Products

Our Group has gained vast experience over the years in building a plethora of food products marketed today in supermarkets locally as well as abroad. We have managed to continually create recipes upon recipes of new and innovative products which support the changing preferences of consumers, both in taste as well as in convenience. One of our Group's advantages over our competitors is the knowledge, expertise and experience of our Group's research and development team in carefully developing a wide range of products catering to the varying needs of consumers in which our competitors may need to expend more time, effort and expenditure in product development.

6. BUSINESS OVERVIEW (CONT'D)

(v) Food Standard and Critical Control Certification Ensuring High Quality Products

Our Group has obtained HACCP certification for our Roti Paratha range in 2002. In addition to Roti Paratha, our Group also intends to obtain HACCP certification for our other products. The MOH greatly encourages the HACCP certification particularly for those involved in the food related industries. The system identifies specific hazard areas known as critical control points and applies preventive measures to these areas. The critical control points are the quality control points which are pertinent to the entire production process as it helps to minimise the risk of contamination and at the same time ensure high quality standards for the end products. Our Group has taken these critical steps to ensure that our products have gone through stringent quality controls before shipment to the customers.

(Reference: IMR Report)

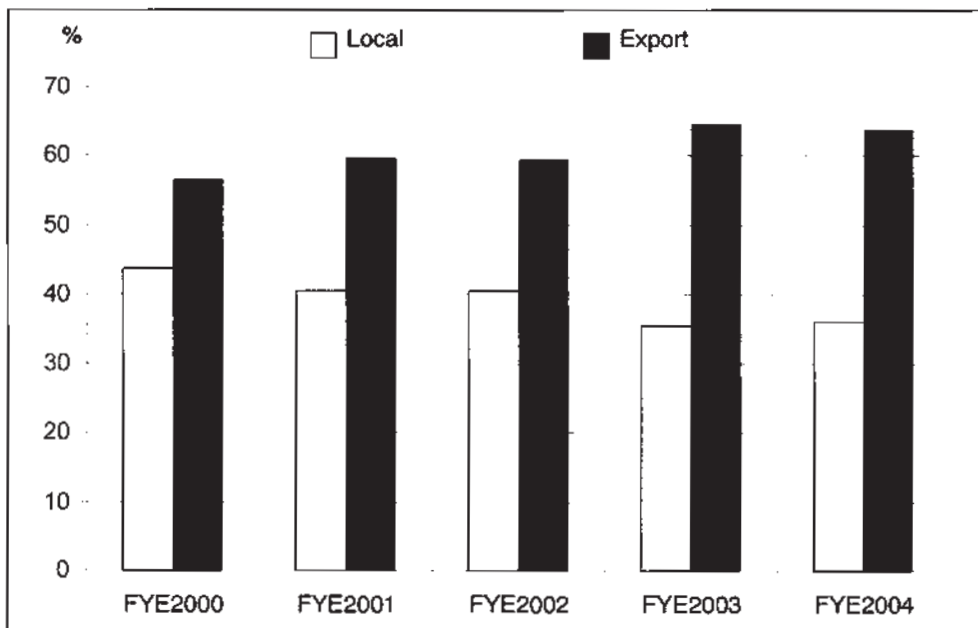
Our Group has also received Halal certifications from JAKIM in keeping with the Halal food standards applied in Malaysia. For our export market, our Group is compliant with the US Food and Drug Administration guidelines. Coupled with the HACCP, we are able to offer both to our domestic as well as international customers quality assurance in our products.

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6. BUSINESS OVERVIEW (CONT'D)**6.3 PRINCIPAL MARKETS AND MODES OF MARKETING****6.3.1 Principal Markets**

Our Group's customer base is divided into two broad categories, namely the local retail sector and the export market. Set out below is a summary of the breakdown of customers from 2000 until 2004:

| | 2000 % | 2001 % | 2002 % | 2003 % | 2004 % |
|---------------|-----------|-----------|-----------|-----------|-----------|
| Local | 43.57 | 40.50 | 40.60 | 35.49 | 36.15 |
| Export | 56.43 | 59.50 | 59.40 | 64.51 | 63.85 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Graphical Representation of the Different Customer Base from 2000-2004

Although our Group is facing new business competition, the revenue generated from the export market remains strong over the past few years. We export our products to various export markets such as US, United Kingdom, United Arab Emirates and Australia. The local market, particularly the retail sector, remains one of our Group's main focuses as it still has the potential for growth. In the near future, our Group intends to penetrate into new markets in the EU and East Asia to establish wider global coverage.

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6. BUSINESS OVERVIEW (CONT'D)**6.3.2 Modes of Marketing and Distribution Channels**

Currently, our Group has conducted many of our marketing and promotional activities through our sales and marketing team. These activities include product sampling, cooking demonstrations, newspaper advertisements and occasional interrupter in the NTV7 TV station. In addition, the website for our Group has also been quite successful, based on the number of enquiries we received from overseas distributors. Our Group is an active member and a strong supporter of the Malaysia External Trade Development Corporation ("Matrade") and we have participated in numerous local and overseas trade shows organised by Matrade. Our Group plans to allocate more funds in advertising and promotional campaigns in the future to build a stronger brand in the local as well as the international markets.

Below is a summary of the trade shows attended by our Group from 2002 to 15 June 2005:

| Name of Trade Shows | City, Country | Year | Sponsor |
|---|------------------------|------|-------------------|
| S.I.A.L International Food Products Exhibition | Paris, France | 2002 | Matrade |
| The Authentic Food Market | United Kingdom | 2002 | Matrade |
| Malaysia Export Exhibition Centre (MEEC) Session | Malaysia | 2002 | Matrade |
| Malaysia Export Exhibition Centre (MEEC) Session | Malaysia | 2003 | Matrade |
| The Foodex Japan | Tokyo, Japan | 2003 | Matrade |
| Consumer Expo | Almaty, Kazakhstan | 2003 | Matrade |
| Tigers of Asia Show | Miami, US | 2003 | Matrade |
| The Food & Beverages Exhibition | Dubai, UAE | 2003 | Matrade |
| Asean Food & Beverages Exhibition | Tokyo Japan | 2003 | Matrade |
| The South Africa International Trade Exhibition | South Africa | 2003 | Matrade |
| Anuga | Cologne, Germany | 2003 | Matrade |
| Exhibition of Hotel Equipment, Supplies and Technology, Food and Drink (Hofex 2004) | Hong Kong, SAR | 2004 | Matrade |
| Food and Beverage Exhibition Japan 2004 (Foodex 2004) | Tokyo, Japan | 2004 | Matrade |
| Seoul Food 2004 | Seoul, Korea | 2004 | Matrade |
| Malaysian Products Exhibition in Mauritius | Mauritius | 2004 | Matrade |
| Malaysia International Food and Beverage 2004 (MIFB 2004) | Kuala Lumpur, Malaysia | 2004 | Matrade |
| Golden Bull Award Exhibition | Kuala Lumpur Malaysia | 2004 | Nanyang Siang Pau |

6. BUSINESS OVERVIEW (CONT'D)

| Name of Trade Shows | City, Country | Year | Sponsor |
|---|----------------------------|-------------|--|
| Malaysia International Halal Showcase (MIHAS) | Kuala Lumpur, Malaysia | 2004 | Yayasan Dakwah Islamiah Malaysia ("YADIM") |
| Western Food and Hospitality Expo | Los Angeles, USA | 2004 | Matrade |
| Shanghai-Food, Drink and Hospitality Show (FHC) | Shanghai, China | 2004 | Matrade |
| Saitex, South Africa | Johannesburg, South Africa | 2004 | Matrade |
| S.I.A.L International Food Products Exhibition | Paris, France | 2004 | Matrade |
| Food and Beverage Exhibition Japan 2004 (Foodex 2004) | Tokyo, Japan | 2005 | Matrade |
| Food and Hotel Arabia | Jeddah, Saudi Arabia | 2005 | Matrade |
| S.I.A.L International Food Products Exhibition | Shanghai, China | 2005 | Matrade |
| Malaysia International Halal Showcase (MIHAS) | Kuala Lumpur, Malaysia | 2005 | YADIM |
| Anuga | Cologne, Germany | 2005 | Matrade |

Our Group's main distribution channels are made up of local and overseas retailers, distributors and wholesalers. Currently, our Group is distributing our products to most of the supermarkets, cash and carry outlets and hypermarkets as well as other smaller establishments in Malaysia. Our Group also has an extensive network of retailers, distributors and wholesalers that covers both domestic and export markets. The wider distribution channels and networking compared with other food producers in the country are competitive advantages for our Group.

Furthermore, we also maintain a fleet of refrigerated vehicles for the distribution of our frozen products, as it is crucial in managing the logistics of our frozen products during distribution. Maintaining an organised cold chain is vital in order to preserve the quality of the frozen products. The cold chain begins once the products are frozen to minus 18 degrees Celsius and below in the production area in the premises of the manufacturer and ends in the customers' cold room or refrigerated display unit. Presently, our Group's fleet of refrigerated trucks is able to cover the entire Peninsular Malaysia while the distributions to East Malaysia and exports are being handled by established shipping companies.

6. BUSINESS OVERVIEW (CONT'D)

6.4 LOCATIONS OF OPERATIONS AND PRODUCTION CAPACITY

6.4.1 Locations of Operations

The following sets out our Group's principal places of business and location of production facilities:

| Company | Location | Description |
|-------------|---|--|
| KFM KGPM | Lot 20, Jalan Pengapit 15/19 40200 Shah Alam Selangor Darul Ehsan | An administration and sales office together with a double storey factory in which manufacturing activities of frozen food products are carried out. A cold storage facility is annexed to the said factory |
| | No.52, Jalan Mutiara Emas 5/12 Taman Mount Austin 81100 Johor Bahru | A one and a half storey terrace factory used as a branch office and distribution centre |

6.4.2 Production Capacity and Output

As at 15 June 2005, our Group owns and operates our manufacturing activities from Lot 20. Currently, our Group operates on two (2) shifts which are from 8.00 a.m. to 8.00 p.m. and 12.00 p.m. to 12.00 a.m. Should the orders increase, overtime is implemented at any production bottlenecks.

| Location | Built-up area (sq. ft.) | Output production capacity* / Maximum capacity |
|----------|-------------------------|--|
| Lot 20 | 78,980 | 66 million pieces*/120 million pieces |

* Based on an average 16 hours per day and 250 working days per annum

6.5 PRODUCTION PROCESSES

6.5.1 Automation of Production Process

Our Group's production processes place more emphasis on automation in order to keep manual intervention to the minimum. Compared to many SMEs in the food industry which are still heavily reliant on manual production, our Group has the advantage of economies of scale as well as production efficiency as we have automated most of our production processes.

Our Group has obtained HACCP certification for our Roti Paratha products in 2002. Besides Roti Paratha, our Group also intends to obtain HACCP certification for our other products. The MOH greatly encourages the HACCP certification particularly for those involved in the food related industries. The system identifies specific hazard areas known as critical control points and applies preventive measures to these areas. The critical control points are the quality control points which are pertinent to the entire production process as it helps to minimise the risk of contamination and at the same time ensure high quality standards for the end products. Our Group has taken these critical steps to ensure that our products have gone through stringent quality controls before shipment to the customers.

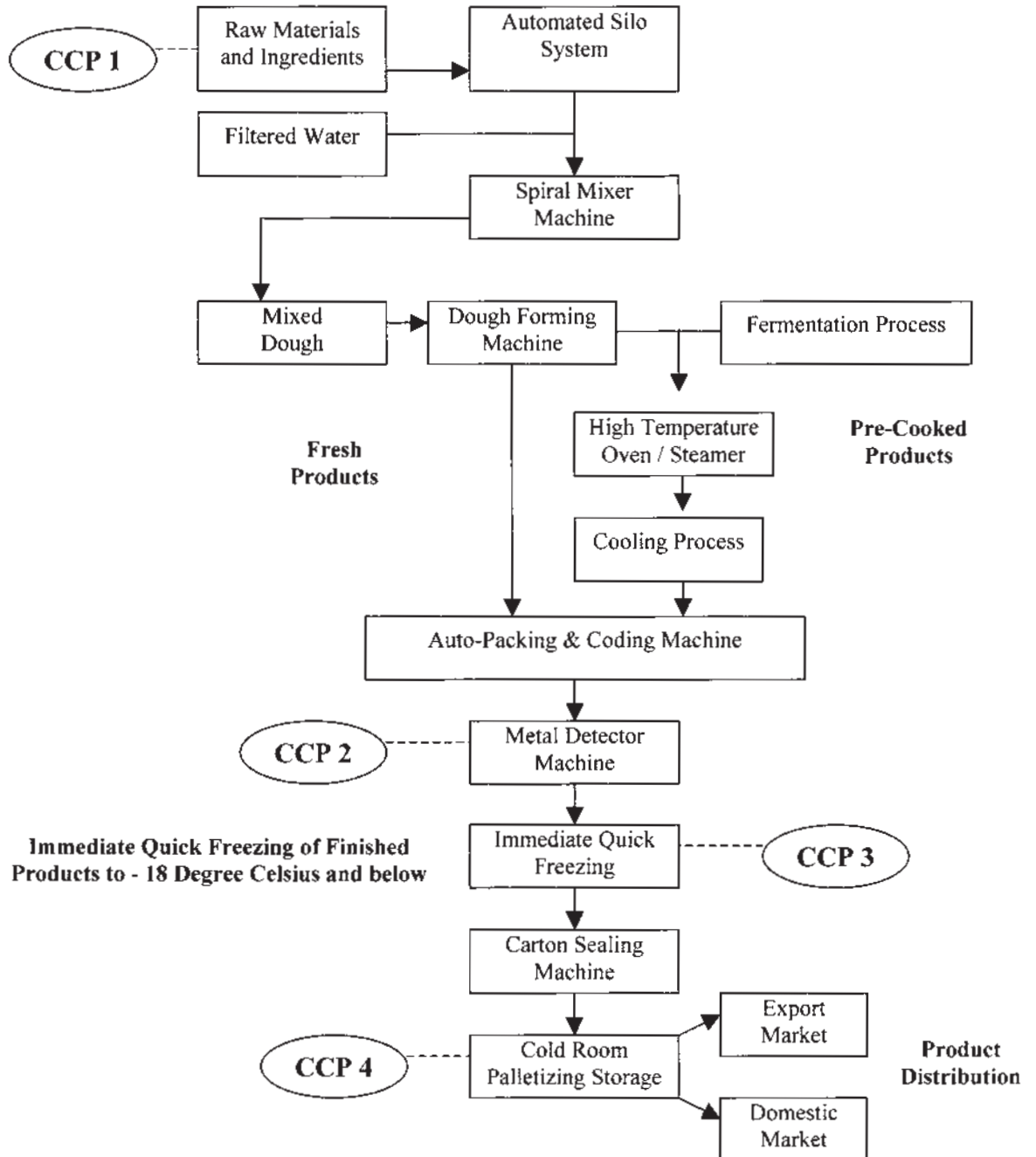
(Reference: IMR Report)

6. BUSINESS OVERVIEW (CONT'D)

6.5.2 Summary Of Production Processes

The following is a summary of the production processes for frozen pastry products, with its critical control points:

Production Process and Quality Control Points of Frozen Pastry Products



6. BUSINESS OVERVIEW (CONT'D)

The first point of production in the pastry making process starts from the receipt of raw materials like flour, margarine and water. This is also the first critical control point which monitors the quality and integrity of the raw materials that go into the production process. These raw materials are kept at the appropriate storage facilities like the silo and dry room to ensure that the quality is maintained.

The next process is the mixing of raw materials which combines all the materials using a special spiral mixer to form mixed dough. This mixed dough is then transferred to the dough forming machine to form the shapes of the products. After this process, the next stage of production can be divided into those for the pre-cooked pastries or the fresh product. The pre-cooked pastries are normally suitable for microwave cooking while the fresh product needs to undergo a simple cooking process before it is ready for consumption. Once the dough is formed, the fresh products are now ready for packing. Some of the pre-cooked products such as steam buns will be set aside for the fermentation process. This process is also commonly known as proofing.

When the pre-cooked pastries complete the fermentation process, they will be transferred to the High Temperature Oven/Steamer for baking/steaming. Once the products had gone through the pre-cooked process, they will then be transferred to the cooling process. The pre-cooked pastries are automatically packed and coded using a coding machine. The products that had been packed accordingly will be channeled through the Metal Detector Machine. The Metal Detector Machine detects and automatically rejects any product found to contain foreign materials such as metal object between 1 to 2 mm in diameter. The Metal Detector Machine also operates as one of the critical control point as it will ensure no foreign materials is found in the finished products before they are being transferred to the next process. Finally, the products will go through the immediate quick freezing process that freezes the products to -18°C and below. This is another critical control point as the freezing process is vital in the preservation of the products' moisture, to retain the texture of the final products. This ensures that the freshness and shelf life of the products are maintained.

Once the finished products are packed into the carton boxes, they are transferred to cold room for storage. The cold storage and handling of the finished products is an important final critical control point. The temperature of the cold room will be closely monitored to ensure it is always kept at minus 18 degree Celsius and below. Stock picking and loading process are done in an ante-room with temperature control to maintain the cold-chain. All the finished goods will be distributed with cold trucks for domestic delivery or by reefer containers for shipments to overseas.

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6. BUSINESS OVERVIEW (CONT'D)**6.5.3 Technology**

Our Group places more emphasis on automation in order to keep manual intervention to the minimum. Compared to many SMEs in the food industry which are still heavily reliant on manual production, our Group has the advantage of economies of scale as well as production efficiency as we have automated most of our production processes.

The technology adopted at various stages of the production process as set out in Section 6.5.2 of this Prospectus includes, amongst others, the following:

| Type of Machinery and Equipment | Function |
|---|---|
| Silo Systems | Bulk storage of flour and conveying raw material through a computerised dosing station |
| Hydraulic Lifting Cooker | To cook sliced vegetables and curry as fillings to products such as Stuffed Paratha, Spring Roll and Samosa |
| Hydraulic Dough Mixer | To mix flour with other ingredients such as water, oil, yeasts, salt and sugar etc. to form dough |
| Computerised Dough Sheeter | To roll mixed dough into required thickness |
| Dough Forming Machine | To form dough into different weight and shapes |
| Make-up Table | To produce puff pastry and to shape dough into different shape |
| Multipurpose Bun Making Machine | To produce buns with different shapes with encrusting system |
| Dough Divider and Dough Rounder | To divide dough into required size and refine the shape of dough |
| Smartline Dough Processing Machine | To produce stress-free yeast dough bread |
| Flat-bread Processing Line | To produce flat-bread such as Roti Paratha and Chapatti |
| Impinger Oven | To par-bake flat-bread products and puff pastry |
| Infra Red Tunnel Oven | Tunnel oven for baking flat-bread |
| Conveyor Systems | Conveying products from station to another |
| Spiral Cooler | To cool down par-cook bread before packaging |
| Sealing Machine | To seal plastic bag of finished products |
| Highspeed Auto Packing Machine / Auto Horizontal Wrapping Machine | Auto packing of finished products |
| Inkjet Printer | Coding of batch production on product packaging |

6. BUSINESS OVERVIEW (CONT'D)

| Type of Machinery and Equipment | Function |
|--|--|
| Metal Detector | To scan foreign object such as metal with 0.2 mm contained in the finished products |
| Blast Freezer | Batch freezing of finished products |
| Spiral Freezer & Refrigeration Systems | Continuous Immediate Quick Freezing system connecting with in-feed supply line and packing station |
| Carton Sealer | Sealing of carton box with finished products automatically |

To keep abreast with the latest technology in the industry, our Group strives to keep up to-date with the development of the automation of more products through our R&D team.

6.6 INTELLECTUAL PROPERTY

As at 15 June 2005, our Group owns two (2) registered trademarks which are “KG” and “Kawan”, which are depicted as follows.



The “KG” trademark is presently registered in Australia and pending registration in Malaysia. The “Kawan” trademark is presently registered in Australia, Singapore, the United Arab Emirates and the United Kingdom, and is pending registration in Malaysia, Canada, India, Bangladesh, Pakistan and US.

Our Group intends to launch new bakery products and texturized soya protein products by 31 December 2005 using the “Passion Bake” and “Veat” brands respectively as represented below:



6. BUSINESS OVERVIEW (CONT'D)

The following table sets out the details of trademarks owned by our Group as at 15 June 2005:

| Country | Trademark | Class | Owner | Application No/ Certificate No. | Application Date/ Certification Date | Status as at 15 June 2005 |
|----------------------|-----------|-------|-------|------------------------------------|---|--|
| Bangladesh | Kawan | 30 | KFM | 77643 | 31.10.2002 | Awaiting examination |
| Canada | Kawan | 30 | KFM | 1171703 | 19.3.2003 | Awaiting examination |
| India | Kawan | 30 | KFM | 2954 | 14.11.2002 | Awaiting examination |
| Malaysia | Kawan | 29 | KFM | 2002-08087 | 11.7.2002 | Awaiting examination |
| Malaysia | Kawan | 30 | KFM | 2002-08166 | 12.07.2002 | Awaiting examination |
| Pakistan | Kawan | 30 | KFM | 184388 | 31.03.2003 | Awaiting examination |
| United Arab Emirates | Kawan | 30 | KFM | 43065 | 26.10.2003 | Registration approved. Valid for a period of ten (10) years from 30 March 2003 |
| United Kingdom | Kawan | 29 | KFM | 2327831 | 16.04.2004 | Registration approved. Valid for a period of ten (10) years from 26 March 2003 |
| United Kingdom | Kawan | 30 | KFM | 2327831 | 16.04.2004 | Registration approved. Valid for a period of ten (10) years from 26 March 2003 |
| US | Kawan | 30 | KFM | 76/528074 | 07.07.2003 | Awaiting examination |
| Australia | Kawan | 29 | KFM | 803683 | 24.05.2001 | Registration approved. Valid for a period of ten (10) years from 16 August 1999. |
| Australia | Kawan | 30 | KFM | 803683 | 24.05.2001 | Registration approved. Valid for a period of ten (10) years from 16 August 1999 |
| Singapore | Kawan | 30 | KFM | T00/03840A | 11.03.2000 | Registration approved. Valid for a period of ten (10) years from 11 March 2000 |
| Australia | KG | 29 | KGPM | 803682 | 21.12.2001 | Registration approved. Valid for a period of ten (10) years from 16 August 1999 |
| Australia | KG | 30 | KGPM | 803682 | 21.12.2001 | Registration approved. Valid for a period of ten (10) years from 16 August 1999 |
| Malaysia | KG | 29 | KGPM | 99-09995 | 07.10.1999 | Further submissions being made to the registrar |
| Malaysia | KG | 30 | KGPM | 99-09996 | 07.10.1999 | Further submissions being made to the registrar |

6. BUSINESS OVERVIEW (CONT'D)

Save as disclosed in the table, our Group currently does not own any patents or intellectual property rights for any of our products or our production process. Although our Group does not own any intellectual property rights to our production process, our Board is of the opinion that the likelihood of another company obtaining the exact replication of the automated system will be difficult. This is because the machines have been modified based on our R&D team's ingenuity and innovative ideas to cater to the production process.

6.7 RESEARCH AND DEVELOPMENT

6.7.1 R&D Policy

Our R&D team is led by Gan Thiam Chai, our Group Managing Director. Together with the support of the R&D team, the members have been responsible for a number of breakthroughs in the commercial production of the frozen pastry range. Our team had contributed to the customisation of the machines to the development of new product recipes. New R&D programmes are usually initiated through feedback from various sources within our Group such as the Marketing Department and the Production Department as well as from the domestic and overseas customers.

Our R&D Department has always been committed to the future development of new products and aimed towards full automation. The department is mainly guided by the following objectives:

- ***To be innovative*** by ensuring creativity in product innovation. By being the first mover, our Group will always have product differentiation in the market.
- ***To develop products from customers' perspective*** by ensuring that the products are:
 - *high in quality*: by maintaining our standards throughout the entire automation processes; and
 - *affordable*: by automating the production process, our Group can ensure economies of scale, thus transferring this cost efficiency to the customers by ensuring competitive pricing.

6.7.2 Achievements in R&D

Our Group started to place more emphasis on our R&D activities since the 1990s. Since then, we have made a number of breakthroughs in the development of new products and had also ventured into automation. Set out below are our R&D development milestones:

| Year | Description |
|------|--|
| 1993 | Automation of steam buns production |
| 1994 | Automation of the Chinese New Year cakes 'kuih bakul' |
| 1997 | Breakthrough in the semi-automation of Roti Paratha production |
| 1998 | Extensive R&D activities to increase the production capacity for Roti Paratha |
| 2000 | Investment in new Roti Paratha machineries, silo systems and spiral freezer which increase the speed of production |
| 2001 | Automation of puff pastry |
| 2002 | Automation of Roti Chapatti production and introduction of frozen Dhall Curry and Mixed Vegetable Curry |
| 2003 | Automation of Roti Naan production |
| 2004 | Introduction of frozen rice dumpling - Lotus Leaf Rice and "Kuih Chang" |
| 2005 | Development and automation of production of texturised soya protein products |

6. BUSINESS OVERVIEW (CONT'D)

6.7.3 Present Status of R&D

Our Group has also established R&D programmes in respect of expanding our existing product range, including the development of convenient and healthy finger food, as well as expanding our Indian and Oriental product range, and introducing products from other ethnic sources.

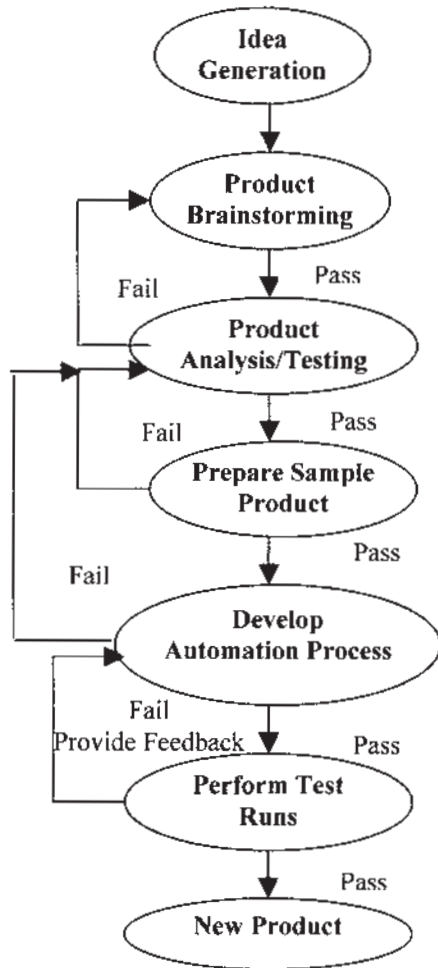
As at 15 June 2005, our Group has employed four (4) professionals to conduct R&D. Our R&D facilities are presently housed at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan. While the percentage of our revenue invested in R&D (excluding the salary of Gan Thiam Chai) for the past three (3) financial years was below 1% each year, we have managed to introduce a steady stream of new products into the market and have made various improvements in our automation processes. The total estimated R&D expenditure amounts to approximately RM96,000, RM114,000 and RM127,000 representing 0.27%, 0.30% and 0.28% of the total revenue for the past three (3) FYE 31 December 2002, 2003 and 2004 respectively.

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6. BUSINESS OVERVIEW (CONT'D)

6.7.4 R&D Process

The following diagram represents our Group’s R&D process:



Our R&D team frequently holds meetings with the Marketing and Production Department where they undergo a brainstorming process to create a pool of resources and ideas for new products. Our R&D team members will discuss the ideas generated as the entire team considers the feasibility of the new products. Our R&D team will analyse various production processes, raw materials requirements and consumer acceptance. Subsequently, our R&D team conducts product experiments, analysis and testing in our in-house facility to produce product samples. Once the product sample is available, it is used as a point of research and consultation with the internal operations consultants and the technical engineer to discuss ways to formulate the production process. At the same time, we will send the product sample to potential customers for their feedback and comments on product appearance, texture and taste for further improvement or modification to suit local tastes. Our production team will conduct several trial runs to ensure repeatability of process and consistency of the new product. Once that is approved, the new product will be put into commercial production.

6. BUSINESS OVERVIEW (CONT'D)

6.7.5 Proposed Plans for Future R&D

Our Group intends to introduce a number of new products in the coming years such as oriental finger food which should appeal to many local as well as overseas consumers. Our policy in new product innovation has always stressed on taste, convenience and affordability. In addition, many of our products use vegetable based ingredients as meat substitutes. Furthermore, these products must be popular among consumers and one that can be consumed everyday thus ensuring a sustainable strong demand in the market which in turn ensures that we maintain our economies of scale. Using these principles as the foundation for new product development, our Group intends to expand our product range into different types of food in the near future. We plan to continuously undertake the R&D on new products based on market demand trends.

6.8 STRATEGIES, FUTURE PLANS AND PROSPECTS**6.8.1 Strategies and Future Plans**

Our Group plans to undertake a number of expansion strategies in the near future. In addition to our proposed plans for future R&D as set out in Section 6.7.5 above, these strategies also include geographical expansion, product branding and horizontal expansion. Horizontal expansion refers to our Group's plan in staying focused in our core competency of the current business model, but expand horizontally by introducing more product lines, such as the introduction of a number of new products as set out in Section 6.7.5 above. Some of these plans are highlighted below:

(i) Market Expansion

We plan to continue to expand our export markets by concentrating on penetrating the markets in Indonesia, Vietnam, China, India, Switzerland and EU countries such as Poland, and Sweden. In addition, we also intend to expand our existing export market especially to United Arab Emirates and Kuwait. China, Indonesia and India have some of the largest populations in the world and present an enormous market potential.

Indonesia is a Muslim country and the acceptance of 'halal' food from our Group will be well received by the population at large. It is estimated that Indonesia has more than 30 million people who can be considered to belong in the middle and upper class category and the size of this segment of the population is even larger than the entire population of Malaysia. This is already a large potential for us to expand our business even if we only target 5% of the population within this segment. Consumers in some European countries are also experiencing a shift towards preference for Asian cuisine and many retail outlets are looking to stock up their products to cater for the changing taste. We intend to explore the possibilities in these countries based on the large potential they represent.

(ii) Product Branding

We plan to continue to invest in product branding. Product branding is important as it provides the manufacturers with control over their products through a creation of a bond between them and the customers via the brand. We have allocated some funds for advertising and promotion of our products in order to further build confidence and brand recognition among the local as well as overseas customers. There are a number of marketing programmes which are in the planning stage such as product branding, advertisements and promotions.

6. BUSINESS OVERVIEW (CONT'D)

(iii) Investment into New Technology

We intend to continue to invest in new technology in order to further improve our production process. Full integration of the production process of our frozen pastries will reduce human intervention thus reducing the risk of contamination and increase productivity. In order to achieve full automation of the production process, we will undertake further research into machineries and in consultation with experts in food machineries technology before it can be introduced commercially.

6.8.2 Our Prospects

Our Group is clearly a market leader in the frozen RTS market in Malaysia and we believe the potential to leverage on our experienced management team, technologically advanced automation processes and high quality products is unlimited. We expect widening our customer base and reinforcing our presence overseas will further strengthen our position as a leader in Malaysia.

We fully support the Government's vision to promote Malaysia as the international halal food hub. Our Board is of the opinion that with our well-established reputation in the local 'halal' market and an increasing recognition in the international 'halal' market, thus we have a competitive edge to further strengthen our market share both locally and globally.

The local frozen RTS market is expected to grow steadily in the near future. The local consumer market is currently very receptive to new product innovations and due to changing lifestyles of the younger generation, there are opportunities for the frozen RTS industry in Malaysia. In particular, our Group's products which are tasty, convenient and affordable will fit these changing lifestyles well and we believe they will become increasingly popular.

With regards to production technology, we plan to continue to invest in automated processes to ensure economies of scale and maintain high productivity level. In line with our strategy to be the "first mover", we will also continue to place strong emphasis on R&D activities to ensure a continual flow of new and innovative products. We are confident that these factors will help ensure that our Group continues to grow and maintain our position as a market leader in the RTS industry in Malaysia and in future, worldwide.

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6. BUSINESS OVERVIEW (CONT'D)**6.9 EMPLOYEES**

As at 15 June 2005, we have a total of 117 full-time employees and 91 contractual employees under the category of foreign workers. A breakdown of our employees as at 15 June 2005 is as follows:

| Categories | < 1 year | 1 – 5 years | > 5 years | Total | % of Total |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Local | | | | | |
| Managerial & Professional | 1 | 4 | 6 | 11 | 5.29% |
| Technical & Supervisory | 4 | 5 | 6 | 15 | 7.21% |
| Clerical, Administrative & Accounts | 19 | 26 | 9 | 54 | 25.96% |
| Production Staff | 28 | 5 | 4 | 37 | 17.79% |
| Total Local Employee | 52 | 40 | 25 | 117 | |
| % of Local Employee | 25.00% | 19.23% | 12.02% | 56.25% | 56.25% |
| Foreign | | | | | |
| Technical & Supervisory | 0 | 1 | 0 | 1 | 0.48% |
| Production Staff | 25 | 65 | 0 | 90 | 43.27% |
| Total Foreign Employee | 25 | 66 | 0 | 91 | |
| % of Foreign Employee | 12.02% | 31.73% | 0% | 43.75% | 43.75% |
| Total Employee | 77 | 106 | 25 | 208 | |
| % of Total Employee | 37.02% | 50.96% | 12.02% | 100% | 100% |

Our Board is of the opinion that staff turnover has been manageable for the past few years, since contractual foreign workers joined our Group. We do not have any incentives schemes for our production staff, but have been consistently giving incentives via yearly bonuses even during times of recession.

Our Group recognises the importance of our employees and we continuously take steps to update our key employees on the latest developments in the food manufacturing industry. These employees are also sent for training courses from time to time in order for them to update their technical knowledge.

It is also our intention to recruit additional employees, particularly business development and R&D activities in line with our business expansion.

Our Group's employees are not members of any trade union, and our management enjoys cordial relations with these employees. There has not been any material dispute to date between management and these employees.

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6. BUSINESS OVERVIEW (CONT'D)**6.10 INTERRUPTIONS TO BUSINESS DURING THE PAST TWELVE MONTHS**

In the twelve (12) months preceding the date of this Prospectus, there has not been any material interruption to the businesses of our Group.

6.11 DEVELOPMENT MILESTONES

The following describes the significant milestones of our Group:

| Year | Achievements |
|-------------|---|
| 1984 | Incorporation of KFM |
| 2002 | KFM awarded the Enterprise 50 Award for 2002 by SMIDEC and Accenture |
| 2002 | KFM awarded the International Award For Best Performance by Council of International Awards, U.K. |
| 2002 | The automation process of Roti Paratha accredited with HACCP |
| 2003 | KFM awarded the Enterprise 50 Award for 2003 by SMIDEC and Accenture |
| 2003 | Roti Paratha named as a Highly Commended Product by Malaysia Institute of Food Technology (MIFT) |
| 2003 | KFM awarded a Golden Bull Award 2003 by Nanyang Siang Pau Berhad |
| 2003 | KFM was awarded the 2nd Asia Pacific International/ Malaysian Honesty Enterprise Keris Award by the Entrepreneur Development Association of Malaysia together with several other joint organisers |
| 2004 | Incorporation of KGPM |
| 2004 | KFM awarded 7 th Place in the Golden Bull Awards 2004 by Nanyang Siang Pau Berhad |
| 2004 | SMI Best Overall Award by SMI Association of Malaysia |
| 2004 | KFM awarded 1 st Place in the Enterprise 50 Award for 2004 by SMIDEC and Deloitte Consulting Malaysia Sdn Bhd |

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6. BUSINESS OVERVIEW (CONT'D)**6.12 MATERIAL LICENCES AND PERMITS**

The following sets out the material licences and permits held by our Group required for the purpose of conducting our business:

| Licences | Authority | Issue Date/ Expiry Date | Company | Material Conditions imposed | Status of Compliance |
|---|--|----------------------------|---------|--|----------------------|
| Manufacturing Licence (A 013011) for the manufacture of frozen convenience food on Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan | MITI | 19.02.2001/- | KFM | MITI shall be informed of any sale of shares in the company. The composition of the board of directors of the company shall reflect the equity structure of the company and MITI shall be informed on any appointment and/or changes in the board of directors. | In compliance |
| "Halal" Certificate of Authentication (Serial No. 000609) for the Halal manufacture of puff pastry, vegetable curry, dhal curry, flat bread naan, onion roti paratha, plain roti paratha-aloo/curry potato in compliance with Islamic law | Islamic Development Department of Malaysia | 01.04.2004/ 31.03.2006 | KFM | The certificate of Halal and Logo awarded to the holders shall not be sold, transferred nor shall its content be altered. Any changes of the holders, companies or factories name, or address, brand name, suppliers, or anything relating thereto, shall be informed in writing to the Director General of Islamic Development Department of Malaysia. The certificated granted may be withdrawn or its validity terminated when JAKIM has reason to believe that the holders are in breach of the "Guide Lines" or that the method or mode of conduct that is contrary to Islamic Law. | In compliance |
| | | | | The holder of such certificate shall only use it for such goods at such premises as therein stated in the certificate. | |

6. BUSINESS OVERVIEW (CONT'D)

| Licences | Authority | Issue Date/ Expiry Date | Company | Material Conditions imposed | Status of Compliance |
|---|--|----------------------------|--------------------------|---|----------------------|
| <p>"Halal" Certificate of Authentication (Serial No. 000610) for the Halal manufacture of roti paratha, red bean pancake, lotus pancake, wholemeal roti paratha, flaky roti paratha and chapatti in compliance with Islamic law</p> | Islamic Development Department of Malaysia | 01.04.2004/ 31.03.2006 | KFM | <p>The certificate of Halal and Logo awarded to the holders shall not be sold, transferred nor shall its content be altered.</p> <p>Any changes of the holders, companies or factories name, or address, brand name, suppliers, or anything relating thereto, shall be informed in writing to the Director General of Islamic Development Department of Malaysia.</p> <p>The certificated granted may be withdrawn or its validity terminated when JAKIM has reason to believe that the holders are in breach of the Guide Lines* or that the method or mode of conduct that is contrary to Islamic Law.</p> | In compliance |
| <p>"Halal" Certificate of Authentication (Serial No. 000630) for the Halal manufacture of Lotus Leaf Glutinous Rice Original, Lotus Leaf Glutinous Rice-Nyonya, Mini Bun Red Bean, Mini Bun Custard, BBQ Mini Bun, Glutinous Rice Ball, Steamed Cake, Pulut Manis, Nasi Kuningit, Pulut Panggang, Ang-Ku Kueh and Lenit Pastry in compliance with Islamic law</p> | Islamic Development Department of Malaysia | 01.04.2004/ 31.03.2006 | KFM, presently KG* | <p>The certificate of Halal and Logo awarded to the holders shall not be sold, transferred nor shall its content be altered.</p> <p>Any changes of the holders, companies or factories name, or address, brand name, suppliers, or anything relating thereto, shall be informed in writing to the Director General of Islamic Development Department of Malaysia.</p> <p>The certificated granted may be withdrawn or its validity terminated when JAKIM has reason to believe that the holders are in breach of the Guide Lines* or that the method or mode of conduct that is contrary to Islamic Law.</p> <p>The holder of such certificate shall only use it for such goods at such premises as therein stated in the certificate</p> | In compliance |
| | | | | <p>The holder of such certificate shall only use it for such goods at such premises as therein stated in the certificate</p> | |

6. BUSINESS OVERVIEW (CONT'D)

| Licences | Authority | Issue Date/ Expiry Date | Company | Material Conditions imposed | Status of Compliance |
|---|--|----------------------------|--------------------------|--|----------------------|
| "Halal" Certificate of Authentication (Serial No. 000879) for the Halal manufacture of seven types of oriental steam buns and spring roll pastry in compliance with Islamic law | Islamic Development Department of Malaysia | 01.06.2004/ 31.05.2006 | KFM, presently KG* | <p>The certificate of Halal and Logo awarded to the holders shall not be sold, transferred nor shall its content be altered.</p> <p>Any changes of the holders, companies or factories name, or address, brand name, suppliers, or anything relating thereto, shall be informed in writing to the Director General of Islamic Development Department of Malaysia.</p> <p>The certificated granted may be withdrawn or its validity terminated when JAKIM has reason to believe that the holders are in breach of the Guide Lines⁸ or that the method or mode of conduct that is contrary to Islamic Law.</p> <p>The holder of such certificate shall only use it for such goods at such premises as therein stated in the certificate</p> | In compliance |
| "Halal" Certificate of Authentication (Serial No. 000880) for the Halal manufacture of vegetable spring roll or popiah, curry potato spring roll or potato spring roll or popiah, curry potato samosa, "gold cake", potato cheese balls, original rice dumpling and nyonya rice dumpling in compliance with Islamic law | Islamic Development Department of Malaysia | 01.06.2004 / 31.05.2006 | KFM, presently KG* | <p>The certificate of Halal and Logo awarded to the holders shall not be sold, transferred nor shall its content be altered.</p> <p>Any changes of the holders, companies or factories name, or address, brand name, suppliers, or anything relating thereto, shall be informed in writing to the Director General of Islamic Development Department of Malaysia.</p> <p>The certificated granted may be withdrawn or its validity terminated when JAKIM has reason to believe that the holders are in breach of the Guide Lines⁸ or that the method or mode of conduct that is contrary to Islamic Law.</p> <p>The holder of such certificate shall only use it for such goods at such premises as therein stated in the certificate</p> | In compliance |

6. BUSINESS OVERVIEW (CONT'D)

| Licences | Authority | Issue Date/ Expiry Date | Company | Material Conditions Imposed | Status of Compliance |
|--|-----------------------------|----------------------------|---------|-----------------------------|----------------------|
| Certificate of Registration with the US Food and Drug Administration Authority ("FDA") (FDA Registration No. 13056867988) | FDA | 30.10.2003/- | KFM | - | In compliance |
| Certificate of Registration with FDA (FDA Registration No. 15167001300) | FDA | 09.05.2005/- | KGPM | - | In compliance |
| SGS Product and Process Certificate of Registration (Cert. No: 1102/923711) for HACCP Certification for the manufacture of Roti Paratha: Plain and Onion and Stuffed Paratha: Aloo, Lotus and Red Bean from receipt of raw materials until delivery of finished products, issued by SGS Malaysia Sdn Bhd | SGS Malaysia Sdn Bhd | 16.10.2002/ 16.10.2005 | KFM | - | In compliance |
| Business Licence for Industries (Licence A/c No: 015010620010001) | Shah Alam Municipal Council | 24.01.2005/ 31.12.2005 | KFM | - | In compliance |

6. BUSINESS OVERVIEW (CONT'D)

| Licences | Authority | Issue Date/ Expiry Date | Company | Material Conditions imposed | Status of Compliance |
|---|---|------------------------------------|----------------|------------------------------------|-----------------------------|
| Business Licence for Industries (Licence A/c No: 015011320050002) | Shah Alam Municipal Council | 23.06.05/ 31.12.05 | KGPM | - | In compliance |
| Free Sale Certificate to export KFM's products to the following countries: | Food Safety and Quality Division, Ministry of Health Malaysia | 18.05.05/- | KFM | - | In compliance |
| Bahrain (Serial No: 102198/FSC05); Jeddah (Serial No: 102203/FSC05); Sri Lanka (Serial No: 102217/FSC05); Turkey (Serial No: 102213/FSC05); China (Serial No: 102200/FSC05); Brunei (Serial No: 102199/FSC05); Hong Kong (Serial No: 102201/FSC05); India (Serial No: 102202/FSC05); Kuwait (Serial No: 102204/FSC05); Thailand (Serial No: 102205/FSC05); Mauritius (Serial No: 102206/FSC05); Nigeria (Serial No: 102207/FSC05); Pakistan 102208/FSC05); Saudi Arabia (Serial No: 102209/FSC05); United Arab Emirates (Serial No: 102210/FSC05); Indonesia (Serial No: 102211/FSC05); Vietnam (Serial No: | | | | | |

6. BUSINESS OVERVIEW (CONT'D)

| Licences | Authority | Issue Date/ Expiry Date | Company | Material Conditions imposed | Status of Compliance |
|--|-----------|----------------------------|---------|-----------------------------|----------------------|
| 102212/FSC05); Korea (Serial No: 102214/FSC05); Singapore (Serial No: 102215/FSC05); Bangladesh (Serial No: 102216/FSC05);and Myanmar (Serial No: 102218/FSC05) | | | | | |

Notes:

- * An application to transfer these licences from KG to KFM has been made to the relevant authorities.
- # "Guide Lines" refers to the "General Guidelines on the Slaughtering of Animals and the Preparation and Handling of Halal Food" issued by JAKIM in May 2001.

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6. BUSINESS OVERVIEW (CONT'D)**6.13 LANDED PROPERTY**

The following sets out the details of the landed property owned by our Group as at 15 June 2005:

| Registered owner | Location / Title details | Description / Existing use | Tenure of Lease | Land Area/Built-up Area | Approx. age of building | Restriction of interest | Encumbrances | Issuance of Certificate of Fitness | Audited NBV as at 31 December 2004 |
|--|--|---|--|---|-------------------------|---|----------------------------|------------------------------------|------------------------------------|
| KG (beneficially held by KFM pursuant to a conditional Sale and Purchase Agreement dated 28 May 2004 between KFM and KG, pending the registration of title in favour of KFM) | Held under H.S. (D) No. 98527 for No. P.T. Tapak Perusahaan Shah Alam, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan | An administration and sales office together with a double storey factory which manufacturing activities of frozen food products are carried out. A cold storage facility is annexed to the said factory | Leasehold interest for a term of 99 years expiring on August 2074 | 7,337.24 sq metres / 6,417.91 sq metres | 25 years | Nil | Nil | 17 December 1975 [^] | 6,899,511 |
| KFM | Lot 20 was acquired by KFM on 30 May 2005 for a purchase consideration of RM6,900,000. | A single storey detached factory | Leasehold interest for a term of 99 years expiring on 20 July 2094 | 4,484 sq metres / 3,149.43 sq metres | 15 years | The Land cannot be sold, charged, mortgaged or transferred in any way other than with the approval of the State Authority | Charged to RHB Bank Berhad | 24 September 1990 | 2,174,009 |
| | Held under H.S. (D) 98490, P.T. No.617, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 4, Jalan Lada Hitam 16/12A, 40000 Shah Alam, Selangor Darul Ehsan | | | | | | | | |

6. BUSINESS OVERVIEW (CONT'D)

| Registered owner | Location / Title details | Description / Existing use | Tenure of Lease | Land Area/Built-up Area | Approx. age of building | Restriction of interest | Encumbrances | Issuance of Certificate of Fitness | Audited NBV as at 31 December 2004 |
|---|--|---|-----------------|-------------------------|-------------------------|-------------------------|--------------|------------------------------------|------------------------------------|
| Eastward Realty (M) Sdn Bhd (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 16 May 2003 between Fajar Marketing & Development Sdn Bhd (as vendor), Eastward Realty (M) Sdn Bhd (as registered owner) and KFM, pending registration of the title in favour of KFM) | Parcel No. 2F-41C with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan ("Parcel 2F-41C") Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan | Shop apartment occupied as staff hostel | Freehold | 67.85 sq metres | 5 years | Nil | Nil | 27 March 2003 | 62,779 |
| Eastward Realty (M) Sdn Bhd (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 29 July 2003 between Fajar Marketing & Development Sdn Bhd (as vendor), Eastward Realty (M) Sdn Bhd (as registered owner) and KFM, pending registration of the title in favour of KFM) | Parcel 2F-41C was acquired by KFM on 16 May 2003 for a purchase consideration of RM63,000. Parcel No. 2B-41D with address at 41D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan ("Parcel 2B-41D") Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan | Shop apartment occupied as staff hostel | Freehold | 67.85 sq metres | 5 years | Nil | Nil | 27 March 2003 | 58,407 |
| Eastward Realty (M) Sdn Bhd (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 29 July 2003 between Fajar Marketing & Development Sdn Bhd (as vendor), Eastward Realty (M) Sdn Bhd (as registered owner) and KFM, pending registration of the title in favour of KFM) | Parcel 2B-41D was acquired by KFM on 29 July 2003 for a purchase consideration of RM42,000. | | | | | | | | |

6. BUSINESS OVERVIEW (CONT'D)

| Registered owner | Location / Title details | Description / Existing use | Tenure of Lease | Land Area/Built-up Area | Approx. age of building | Restriction of interest | Encumbrances | Issuance of Certificate of Fitness | Audited NBV as at 31 December 2004 |
|---|--|---|-----------------|-------------------------|-------------------------|-------------------------|--------------|------------------------------------|------------------------------------|
| Eastward Realty (M) Sdn Bhd (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 16 May 2003 between Fajar Marketing & Development Sdn Bhd (as vendor), Eastward Realty (M) Sdn Bhd (as registered owner) and KFM, pending registration of the title in favour of KFM) | Parcel No. 2F-31C with address at 31C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan ("Parcel 2F-31C") | Shop apartment occupied as staff hostel | Freehold | 67.85 sq metres | 5 years | Nil | Nil | 27 March 2003 | 62,779 |
| Eastward Realty (M) Sdn Bhd (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 29 July 2003 between Fajar Marketing & Development Sdn Bhd (as vendor), Eastward Realty (M) Sdn Bhd (as registered owner) and KFM, pending registration of the title in favour of KFM) | Held under Master Title H.S. (D) 56062 PT 59169 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan Parcel 2F-31C was acquired by KFM on 16 May 2003 for a purchase consideration of RM63,000. | Shop apartment occupied as staff hostel | Freehold | 67.85 sq metres | 4 years | Nil | Nil | 27 March 2003 | 58,407 |
| Eastward Realty (M) Sdn Bhd (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 29 July 2003 between Fajar Marketing & Development Sdn Bhd (as vendor), Eastward Realty (M) Sdn Bhd (as registered owner) and KFM, pending registration of the title in favour of KFM) | Parcel No. 2B-21D with address at 21D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan ("Parcel 2B-21D") | Shop apartment occupied as staff hostel | Freehold | 67.85 sq metres | 4 years | Nil | Nil | 27 March 2003 | 58,407 |
| Eastward Realty (M) Sdn Bhd (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 29 July 2003 between Fajar Marketing & Development Sdn Bhd (as vendor), Eastward Realty (M) Sdn Bhd (as registered owner) and KFM, pending registration of the title in favour of KFM) | Held under Master Title H.S. (D) 56057 PT 59164 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan Parcel 2B-21D was acquired by KFM on 29 July 2003 for a purchase consideration of RM42,000. | Shop apartment occupied as staff hostel | Freehold | 67.85 sq metres | 4 years | Nil | Nil | 27 March 2003 | 58,407 |

6. BUSINESS OVERVIEW (CONT'D)

| Registered owner | Location / Title details | Description / Existing use | Tenure of Lease | Land Area/Built-up Area | Approx. age of building | Restriction of interest | Encumbrances | Issuance of Certificate of Fitness | Audited NBV as at 31 December 2004 |
|--|---|---|-----------------|-------------------------|-------------------------|-------------------------|--|------------------------------------|------------------------------------|
| Ng Ber (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 21 February 2001) made between Darul Kencana Sdn Bhd as the developer, Ng Ber as the registered land owner and KFM as the purchaser, pending registration of the title in favour of KFM) | Shop Apartment Parcel No. B3/3F with address at 57-3A, Jalan Bendahara 10, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan | Shop apartment occupied as staff hostel | Freehold | 69.52 sq metres | 4 years | Nil | Private caveat on 1 June 2004 (has yet to be registered) | 26 October 2004 | 55,603 |
| Ng Ber (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 21 February 2001) made between Darul Kencana Sdn Bhd as the developer, Ng Ber as the registered land owner and KFM as the purchaser, pending registration of the title in favour of KFM) | Shop Apartment Parcel No. B4/3F with address at 55-3A, Jalan Bendahara 10, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan | Shop apartment occupied as staff hostel | Freehold | 69.52 sq metres | 4 years | Nil | Nil | 26 October 2004 | 55,603 |
| Ber as the registered land owner and KFM as the purchaser, pending registration of the title in favour of KFM) | Held under Master Title H.S. (D) 67189 Lot No. P.T. No. 65634 in the Mukim Klang District of Klang State of Selangor | | | | | | | | |
| Ber as the registered land owner and KFM as the purchaser, pending registration of the title in favour of KFM) | Held under Master Title H.S. (D) 67190 Lot No. P.T. No. 65635 in the Mukim Klang District of Klang State of Selangor | | | | | | | | |

6. BUSINESS OVERVIEW (CONT'D)

| Registered owner | Location / Title details | Description / Existing use | Tenure of Lease | Land Area/Built-up Area | Approx. age of building | Restriction of interest | Encumbrances | Issuance of Certificate of Fitness | Audited NBV as at 31 December 2004 |
|---|--|---|-----------------|-------------------------|-------------------------|-------------------------|--------------|------------------------------------|------------------------------------|
| Ng Ber (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 21 February 2001 made between Darul Kencana Sdn Bhd as the developer, Ng Ber as the registered land owner and KFM as the purchaser, pending registration of the title in favour of KFM) | Shop Apartment Parcel No. D4/3F with address at 7-3A, Jalan Bendahara 10, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan | Shop apartment occupied as staff hostel | Freehold | 69.52 sq metres | 4 years | Nil | Nil | 26 October 2004 | 55,603 |
| Ng Ber (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 21 February 2001 made between Darul Kencana Sdn Bhd as the developer, Ng Ber as the registered land owner and KFM as the purchaser, pending registration of the title in favour of KFM) | Shop Apartment Parcel No. D3/3F with address at 5-3A, Jalan Bendahara 10, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan | Shop apartment occupied as staff hostel | Freehold | 69.52sq metres | 4 years | Nil | Nil | 26 October 2004 | 55,603 |
| Ng Ber as the registered land owner and KFM as the purchaser, pending registration of the title in favour of KFM) | Held under Master Title H.S. (D) 67206 Lot No. P.T. No. 65651 in the Mukim Klang District of Klang State of Selangor | | | | | | | | |
| Ng Ber as the registered land owner and KFM as the purchaser, pending registration of the title in favour of KFM) | Held under Master Title H.S. (D) 67207 Lot No. P.T. No. 65652 in the Mukim Klang District of Klang State of Selangor | | | | | | | | |

6. BUSINESS OVERVIEW (CONT'D)

| Registered owner | Location / Title details | Description / Existing use | Tenure of Lease | Land Area/Built-up Area | Approx. age of building | Restriction of interest | Encumbrances | Issuance of Certificate of Fitness | Audited NBY as at |
|---|---|---|-----------------|-------------------------|-------------------------|-------------------------|--------------|------------------------------------|----------------------------|
| Ng Ber (beneficially owned by KFM pursuant to a Sale and Purchase Agreement dated 21 February 2001 made between Darul Kencana Sdn Bhd as the developer, Ng Ber as the registered land owner and KFM as the purchaser, pending registration of the title in favour of KFM) | Shop Apartment Parcel No. D2/3F with address at 57-3A, Jalan Bendahara 10, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan | Shop apartment occupied as staff hostel | Freehold | 69.52 sq metres | 4 years | Nil | Nil | 26 October 2004 | 31 December 2004 55,603 |

6. BUSINESS OVERVIEW (CONT'D)

| Registered owner | Location / Title details | Description / Existing use | Tenure of Lease | Land Area/Built-up Area | Approx. age of building | Restriction of interest | Encumbrances | Issuance of Certificate of Fitness | Audited NBV as at |
|--|---|---|-----------------|----------------------------------|-------------------------|--|--------------|------------------------------------|-----------------------------|
| Mount Austin Properties Sdn Bhd (beneficially owned by KGPM pursuant to the Acquisition of Net Assets) | Held under PTID No. 59709 H.S. (D) 207237 Mukim of Tebrau, Daerah Johor Bahru, Negeri Johor with address at No.52, Jalan Mutiara Emas 5/12, Taman Mount Austin, 81100 Johor Bahru | A one and a half storey terrace factory used as a branch office and distribution centre | Freehold | 289.86 sq metres / 254 sq metres | 6 years | (i) that the land is to be used as a factory for the purposes of light manufacturing and other uses in relation to it, built based on the approved plan by the relevant local authority; | Nil | 2 November 1998 | 31 December 2004 355,027 |
| | Johor Land was acquired by KGPM on 31 May 2005 for a purchase consideration of approximately RM353,000 | | | | | (ii) All waste and pollution arising from the activities has to be discharged to places specified by the relevant authorities; and | | | |
| | | | | | | (ii) All terms and conditions set or imposed from time to time by the relevant authorities must be followed. | | | |
| | | | | | | Restriction in interest: | | | |
| | | | | | | This land, if transferred to a Bumiputra cannot later be sold, charged or transferred in anyway whatsoever to a non-bumiputra without the consent of the State Authority. | | | |
| | | | | | | The land will not be transferred unless the building of the Factory in Express Condition (iii) above is built following the plan approved by the Majlis Perbandaran Johor Bahru. | | | |

Note:
^

Our Group is currently in the process of obtaining the relevant Certificate of Fitness and temporary permit for the extensions made to the building.

6. BUSINESS OVERVIEW (CONT'D)**6.14 MAJOR SUPPLIERS**

Our Group has a wide supplier base. Our Group's major suppliers for raw materials and packaging materials are mainly based in Malaysia. The main raw materials, being flour, margarine and oil, are easily available in Malaysia. Thus, our Directors are of the view that we are not dependent on any one supplier for these supplies as there are many other suppliers in the industry which can supply similar raw materials in event of any disruption. In addition, due to our Group's long standing relationship with many of our suppliers, our Directors believe that the risk of any disruption is minimal.

Our top ten (10) suppliers for the FYE 31 December 2004 are as follows:

| No. | Name of Supplier | % of Total Purchase | Length of Relationship (years) |
|------------|---|----------------------------|---------------------------------------|
| 1 | Prestasi Flour Mill (M) Sdn Bhd | 17.44 | 3 |
| 2 | Eurofreez N.V. | 9.91 | 4 |
| 3 | United Packaging Industries Sdn Bhd | 7.04 | 7 |
| 4 | Green and Natural Sdn. Bhd | 6.27 | 4 |
| 5 | United Malayan Flour (1996) Sdn Bhd | 4.72 | 11 |
| 6 | Daibochi Plastic And Packaging Industry Bhd | 4.69 | 20 |
| 7 | Tee Yih Jia Food Manufacturing Sdn Bhd | 3.90 | 13 |
| 8 | Chinatown Food Corporation Pte Ltd | 3.27 | 13 |
| 9 | Win Win Industrial Supply | 2.81 | 6 |
| 10 | Mydibel | 2.59 | 2 |
| | Total | 62.64 | |

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6. BUSINESS OVERVIEW (CONT'D)**6.15 MAJOR CUSTOMERS**

Our Group's major customer base comprises the local and export markets. For the FYE 31 December 2004, our Group's overseas customers accounted for more than 60% of our Group's total revenue. However, any discontinuation of orders from one customer will usually be compensated by orders from other customers within a short period of time. Most overseas sales are transacted in USD and only a small portion in Singapore dollar. Thus, our Directors are of the view that any foreign exchange risk will not be substantial since it has been mitigated by the exchange control rules where RM is currently pegged against the USD at RM3.80. In addition, our Group may use certain hedging mechanisms on export revenue to further minimise exchange risks.

Our top ten (10) customers for the FYE 31 December 2004 are as follows:

| No. | Name of Customer | % Contribution of Revenue* | Length of Relationship (years) |
|-----|--|----------------------------|--------------------------------|
| 1 | Shana Foods Ltd | 10.66 | 8 |
| 2 | Sterling Seafood Corp. | 10.46 | 5 |
| 3 | Dairy Farm Giant Retail Sdn Bhd | 5.29 | 6 |
| 4 | Al Maya International Ltd (FZC) | 4.76 | 15 |
| 5 | Bengal Seafood Inc. | 4.45 | 5 |
| 6 | Hakka Pty Ltd | 3.58 | 20 |
| 7 | Rubicon Food Products Ltd | 2.98 | 8 |
| 8 | Magnificent Diagraph Sdn Bhd | 1.87 | 8 |
| 9 | Aladin Sweets & Markets Inc. | 1.87 | 1 |
| 10 | Acon Co. (M) Bhd (formerly known as Jaya Jusco Stores Bhd) | 1.73 | 14 |
| | Total | 47.65 | |

* Based on the proforma group of KG and KFM in view that KGPM has acquired KG's business and undertakings pursuant to the Acquisition of Net Assets and based on the assumption that the current structure of our Group has been in existence for the FYE 31 December 2004

6.16 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

The main raw materials used by our Group are wheat flour, margarine and palm oil, which are easily available in Malaysia. These raw materials used by our Group are mainly sourced locally except for certain finished goods which are imported from China, Belgium and Singapore and then packed under our own brand name. As for the other major raw materials such as palm oil, it is abundantly available locally as Malaysia is one of the largest producers of palm oil. Our Group seeks to reduce our exposure to price fluctuation of raw materials by purchasing raw materials from long-term suppliers as well as sourcing from other suppliers on competitive terms. In addition, our Group may consider revising the selling price of our Group's products on a timely basis.

Notwithstanding the above, our Directors are of the view that with the quality of our Group's products, the adverse impact of the fluctuations in raw material prices would be minimised.

6. BUSINESS OVERVIEW (CONT'D)

6.17 MANAGEMENT SUCCESSION PLAN

Our Group's management acknowledges the importance of maintaining minimal interruptions to the management team and operations of our Group. The long-term objective of the management succession plan is to reduce the over dependence on certain key personnel and management. Our Group practises management empowerment whereby department managers are relatively autonomous and have significant decision making authority within their span of control and within clearly defined boundaries. As such, there is no over reliance on our Managing Director to be involved in the details and all aspects of the operational and functional areas of our Group.

This management plan enables our Managing Director to focus on strategic matters and further develop the business for growth and success. In ensuring the smooth running of the business operations, our Group has put in place the following plans:

- (i) grooming department managers for succession to senior positions;
- (ii) grooming the managers for greater managerial roles and responsibilities through specific tasks or projects;
- (iii) training for the existing and new staffs to enable them to perform their responsibilities better as well as prepare them for the next level of management; and
- (iv) rotation and secondment of personnel between the key areas of operation to provide them with wider exposures and experience in the various aspects of our Group's business.

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