
6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

(xvi) Marketing Strategies (cont'd)

In order to enhance competitive advantage and to broaden the earning base, the PREMIUM Group has placed strong emphasis on producing value-added finished products from speciality fats that has higher return than non-speciality fats business segment.

(xvii) Mode of Distribution**(a) Marketing Network**

The marketing and principal office of the PREMIUM Group is located at Level 27, Wisma Tun Sambanthan, Jalan Sultan Sulaiman, 50000 Kuala Lumpur. It has an organized and experienced marketing team comprising eleven (11) full time staff with an average of ten (10) years experience in marketing. The Vice-President of the marketing division leads the sales and marketing of speciality fats and is assisted by six (6) Marketing Managers, five (5) of whom are responsible for the export market and one (1) is responsible for the domestic market.

The PREMIUM Group has wide market coverage with its customers located in more than 50 countries. However, its marketing division has been continuously searching for new markets to enhance the diversity of customers. PVOB has twenty (20) agents representing the Company in foreign countries to market and distribute its products worldwide. The agents are responsible for establishing and maintaining client contacts as well as generating sale orders. For large orders, goods are directly shipped to overseas customers from Pasir Gudang. Small orders from overseas customers are serviced by agents who keep limited stock in the respective countries and will directly deliver the goods to them.

The PREMIUM Group's production site is at Pasir Gudang Industrial Estate in Johor which is adjacent to the Pasir Gudang and Singapore port. The strategic location of its production site enhances the competitive edge of the Group in terms of freight cost and distribution efficiency.

(b) Over Dependence On Customers

The PREMIUM Group's refined oil products and speciality fats are sold to local and foreign customers. Over the years, the PREMIUM Group has maintained a close working relationship with its existing customers and to date, it has been able to expand its customer base to approximately 100 buyers. PREMIUM has a well established customer base where 40% of its top twenty (20) customers have been dealing with PREMIUM between two (2) to fourteen (14) years.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

(xvii) Mode of Distribution (cont'd)

The ability of the Group to secure customers reflects the users' confidence in the PREMIUM Group's products. Some of its major foreign customers are from New Zealand, Hong Kong, People's Republic of China, Romania, the European and Middle East countries. In order to reduce the risk of reliance on a limited number of customers, the PREMIUM Group has diversified into other non-traditional markets such as India, Pakistan and the Latin America markets.

6.4 Employees

The PREMIUM Group's business is supported by competent personnel with sound industry knowledge, and hands-on experience and expertise. The key personnel in the PREMIUM Group are from diverse technical disciplines that encompass chemical engineering, biotechnology, law, finance, management accounting, marketing and business administration and have accumulated considerable wealth of experience in speciality fats industry.

As at 16 June 2003 (being the latest practicable date prior to printing of this Prospectus), the PREMIUM Group has a total workforce of over 450 employees comprising mainly operational staff and production workers. The employees do not belong to any labour union and enjoy a cordial relationship with the management.

The employees of the PREMIUM Group can generally be segregated into the following three (3) categories:

Category	No. of employees	Average no. of years in service
Managerial/professional	40	7
Technical/supervisory	90	5
Clerical, general and site workers	320	3

As the Company has shifted its focus from commodity-based products to value-added finished products such as speciality fats, the production process is expected to be more automated. In this regard, the Company is expected to be less dependent on manual labour in the future.

PREMIUM has 450 employees out of whom 300 are Malaysians and 150 expatriates and foreign workers. It has always been the policy of the Company to groom its existing pool of management trainees to eventually replace its expatriate staff.

In addition, PREMIUM recognises and rewards its performing staff in the form of promotion and cash bonuses in addition to the competitive salaries.

There has not been any industrial disputes in the past as the management enjoys a continuous cordial working relationship with its employees.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5 Subsidiary and Associated Companies

Details of PREMIUM's subsidiary and associated companies as at the date hereof are as follows:

Subsidiaries	Date / Place of incorporation	Authorised share capital	Issued and paid-up capital	Effective equity interest %	Principal activities
PVOB	17 May 1978 / Malaysia	RM100,000,000	RM54,862,500	100	Manufacturing and sale of speciality oils and fats based on palm kernel oil, palm oil, coconut oil, rapeseed oil and soyabean oil including those refined and fractionated.
<i>Subsidiaries of PVOB</i>					
PFSB	9 February 1996 / Malaysia	RM100,000	RM2	100	Has not commenced operations since incorporation. Its intended principal activity consists of manufacturing downstream products.
MSSB	4 May 1979 / Malaysia	RM25,000,000	RM25,000,000	100	Processing of oil palm fruits, refining of palm oil and sale of refined products from palm oil.
AAO	9 October 1986 / India	IRs60,000,000* (equivalent to RM4,704,000)*	IRs35,000,000 (equivalent to RM2,744,000)*	74 ⁶⁹	Principal activities consist of refining and processing of vegetable oils and manufacturing speciality fats.
<i>Associated company of PVOB</i>					
SPCSB	6 May 1994 / Malaysia	RM1,000,000	RM100,000	50	General trading of oils and fats.

Notes:

* Based on exchange rate of IRs100: RM7.84

Exclude preference shares

⁶⁹ Pursuant to the shareholders' agreement dated 22 August 2002, PVOB agreed to acquire 74% of the enlarged share capital of AAO, and has gained control of AAO from the date of the agreement. PVOB has an option to purchase the remaining 26% equity interest in AAO via a put and call option commencing in 1 January 2004. As at the date of this Prospectus, PVOB has acquired 52% equity interest in AAO. For the purpose of consolidation for the financial year ended 31 December 2002, the PVOB Group has consolidated AAO's results based on the effective interest of 74%.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.1 PVOB

(i) History and Business

PVOB was incorporated in Malaysia as a private limited company on 17 May 1978 under the Act, as Nalfico Premier Oils Sdn Bhd. On 10 September 1985, the name of the Company was changed to Premier Nalin Sdn Bhd and subsequently to Premium Vegetable Oils Sdn Bhd on 15 September 1992. The Company was converted into a public limited company and assumed its present name on 28 June 1999.

The principal activities of the Company consist of manufacturing and sale of speciality oils and fats based on palm kernel oil, palm oil, coconut oil, rapeseed oil and soybean oil including those refined and fractionated.

(ii) Share Capital

Its present authorised, and issued and fully paid-up share capital are as follows:

Type	No. of ordinary shares	Par value RM	RM
Authorised	100,000,000	1.00	100,000,000
Issued and paid-up	54,862,500	1.00	54,862,500

Changes in the issued and paid-up share capital of PVOB since its incorporation are as follows:

Date of allotment	No. of shares allotted/ (redeemed)	Par value RM	Consideration RM	Cumulative issued and paid-up share capital RM
<i>Ordinary shares of RM1.00 each</i>				
17.05.78	2	1.00	Subscribers' Shares	2
10.02.84	541,000	1.00	Cash	541,002
17.07.84	900,000	1.00	Cash	1,441,002
24.08.84	264,000	1.00	Cash	1,705,002
10.09.84	600,000	1.00	Cash	2,305,002
01.10.84	100,000	1.00	Cash	2,405,002
18.12.84	222,000	1.00	Cash	2,627,002
23.12.84	111,000	1.00	Cash	2,738,002
15.02.85	962,000	1.00	Cash	3,700,002
09.03.85	50,000	1.00	Cash	3,750,002
11.04.85	50,000	1.00	Cash	3,800,002
16.04.85	250,000	1.00	Cash	4,050,002
07.10.85	60,000	1.00	Cash	4,110,002

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.1 PVOB (cont'd)

(ii) Share Capital (cont'd)

Date of allotment	No. of shares allotted/ (redeemed)	Par value RM	Consideration RM	Cumulative issued and paid-up share capital RM
<i>Ordinary shares of RM1.00 each</i>				
21.10.85	100,000	1.00	Cash	4,210,002
29.10.85	50,000	1.00	Cash	4,260,002
31.01.86	250,000	1.00	Cash	4,510,002
17.06.86	45,000	1.00	Cash	4,555,002
30.09.86	45,000	1.00	Cash	4,600,002
30.12.86	656,000	1.00	Cash	5,256,002
12.02.88	75,981	1.00	In kind ¹	5,331,983
09.09.88	59,669	1.00	Cash	5,391,652
09.09.88	114,350	1.00	In kind ¹	5,506,002
25.11.88	2,000,000	1.00	Cash	7,506,002
11.04.90	1,000,000	1.00	Cash	11,506,002
11.04.90	2,301,200	1.00	Bonus issue of 1 for 5	13,807,202
11.07.95	4,961,200	1.00	Conversion from Preference shares 'D'	18,768,402
25.08.95	3,753,680	1.00	Bonus issue of 1 for 5	22,522,082
20.09.96	3,346,000	1.00	Conversion from Preference shares 'D'	25,868,082
20.09.96	2,155,673	1.00	Bonus issue of 1 for 12	28,023,755
23.10.96	11,876,245	1.00	Cash	39,900,000
08.07.02	4,987,500	1.00	Bonus Issue of 1 for 8	44,887,500
07.08.02	9,975,000	1.00	Rights issue of 1 for 4	54,862,500
<i>Cumulative redeemable preference shares 'A' of RM1.00 each</i>				
20.10.84	500,000	1.00	Cash	500,000
20.10.94	(500,000)	1.00	Redemption	-

Note:

¹ The PVOB shares were allotted to Birla Eastern Limited in consideration for the acquisition of inventories and plant and machinery.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.1 PVOB (cont'd)

(ii) Share Capital (cont'd)

Date of allotment	No. of shares allotted/ (redeemed)	Par value RM	Consideration RM	Cumulative issued and paid-up share capital RM
<i>Cumulative redeemable preference shares 'B' of RM1.00 each</i>				
07.05.92	2,500,000	0.10	Cash	250,000
22.08.95	(2,500,000)	0.10	Redemption	-
<i>Cumulative redeemable preference shares 'D' of RM1.00 each</i>				
06.11.92	4,395,255	1.00	Cash	4,395,255
25.11.92	2,102,745	1.00	Cash	6,498,000
04.02.93	3,307,200	1.00	Cash	13,807,200
25.08.95	4,961,200	1.00	Conversion to ordinary shares	8,846,000
20.09.96	(3,346,000)	1.00	Conversion to ordinary shares	5,500,000
28.06.99	(5,500,000)	1.00	Redemption	-

The Cumulative Redeemable Preference Shares 'A' were redeemable at par in 1994. These shares bear a dividend rate of 9% unless a dividend, higher than 9% is declared on ordinary shares.

The Redeemable Preference Shares 'B' are convertible into ordinary shares at any time before redemption date at the option of the shareholder and if the option is not exercised, shall be redeemable in two equal instalments on 23 December 1995 and 23 December 1996. However, the company has the option to redeem at any time by giving three (3) months notice. The shares are convertible at fair market value based on the average earnings per share of the immediate past two accounting periods multiplied by a PE Ratio of seven (7) times. The shares bear a dividend rate of 95%. In case no dividend is declared and/or paid for any accounting period from the date of issue, compensation in the rate of dividends for future periods shall be worked out by mutual agreement.

Cumulative Redeemable Preference Shares 'D' are convertible into ordinary shares at par after one (1) year from the date of issue but before redemption date at the option of the shareholder and if the option is not exercised shall be redeemable in 1998. The redemption date was extended to 30 June 1999 and on 28 June 1999, the shares were fully redeemed.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.1 PVOB (cont'd)

(ii) Share Capital (cont'd)

The dividend rate was originally at 9.5% and was increased to 11% from 1 January 1998 to 30 June 1998. It was further increased to 12% effective from 1 July 1998 and remained at the said rate until the date of redemption on 28 June 1999.

(iii) Subsidiary and Associated Companies

Details of subsidiary and associated companies of PVOB, as at the date hereof, are set out in the ensuing sections of this Prospectus.

(iv) Major Shareholder

PREMIUM holds 100% equity interest in PVOB.

(v) Profit and Dividend Records

The following is a summary of the audited results of PVOB for the past five (5) financial years ended 31 December 2002:

	← Audited →				
	Financial Year Ended 31 December				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	364,715	308,838	241,851	237,351	286,972
Profit before taxation and exceptional items	6,004	8,307	9,362	7,011	3,602
Exceptional items	-	-	2,727	-	-
Profit before taxation after exceptional items	6,004	8,307	12,089	7,011	3,602
Taxation	(1,202)	(1,080)	(473)	(948)	(241)
Profit after taxation before minority interest	4,802	7,227	11,616	6,063	3,361
Minority interest	-	-	-	-	(406)
Profit after taxation and minority interest	4,802	7,227	11,616	6,063	3,361
No. of shares in issue	39,900	39,900	39,900	39,900	54,863
Net EPS (RM) (based on number of shares in issue)	0.12	0.18	0.29	0.15	0.06
Gross dividend rate (%)					
- Ordinary shares	6	6	3	5	6
- Cumulative redeemable preference shares 'D' (p.a)	*	*	-	-	-
NTA	55,265	53,639	64,058	78,095	85,005
NTA per share (RM)	1.39	1.34	1.61	1.96	1.55
Shareholders' funds	55,265	53,639	64,058	78,112	85,047
Total borrowings ⁽⁶⁾	47,043	65,616	67,189	62,187	66,263

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

(v) Profit and Dividend Records (cont'd)

* Dividend declared for the followings periods were as follows:-

1/1/98 to 30/6/98 11.0% p.a
 1/7/98 to 31/12/98 12.0% p.a
 1/1/99 to 28/6/99 12.0% p.a.

@ Inclusive of cumulative redeemable preference shares and unsecured convertible redeemable loan stocks ("UCLS") held by the shareholders of PVOB.

During the year 2000, PVOB has issued RM7,980,000 nominal amount of UCLS of RM1.00 each, at an issue price of RM1.20 each to the existing shareholders. Each UCLS is entitled to 8% interest computed based on the conversion price of RM1.20 payable on the redemption date.

The registered holders of the UCLS has the right to convert the UCLS at RM1.20 into ordinary shares of PVOB during the conversion period up to 15 October 2001. The said conversion period was later extended to 30 June 2002 pursuant to PVOB shareholders' approval at an extraordinary general meeting held on 15 December 2001. All outstanding UCLS not converted have been compulsorily redeemed on 30 June 2002. There are no outstanding UCLS in the company as at the date of this Prospectus.

+ The profit and dividend record of PVOB for the past five (5) financial years have been adjusted to incorporate prior year adjustments. Please refer to Accountants' Report of PREMIUM as set out in Section 11 of this Prospectus for details of the prior year adjustments.

Notes:

1 There are no extraordinary items for the five (5) financial years ended 31 December 2002

2 The higher turnover for the financial year ended 31 December 1998 was due to a higher selling price that resulted from the appreciation of the USD against RM as PVOB's export sales are mainly denominated in USD. In addition, export sales volume has also increased. However, the profit before taxation was lower due to a foreign exchange loss attributed to the volatile fluctuation in foreign exchange and higher interest costs on borrowings.

3 The lower turnover for the financial year ended 31 December 1999 was due to a loss in production caused by plant breakdown and lower selling prices. Despite that, profit before taxation increased mainly due to insurance claims on loss of gross profit.

4 The lower turnover for the financial year ended 31 December 2000 was due to a disruption of its operations caused by a fire accident at one of its plant, and the reduction in the selling price of its speciality fats. The selling price which was derived based on a cost plus method, which was lower on the back of a lower raw material cost which resulted from an oversupply of edible oils in the world market. Despite that, profit before taxation increased mainly due to the exceptional profit on insurance claim on the loss of equipment caused by fire, as well as the insurance claim on consequential loss of gross profit.

5 The lower turnover for the financial year ended 31 December 2001 was due to a further decrease in the selling price of speciality fats due to the prolonged oversupply of edible oils in the world market. Profit before taxation decreased in tandem with the lower turnover.

6 The higher turnover for the financial year ended 31 December 2002 was due to increase in selling price attributed to the higher raw material prices arising from the tight global supply in the vegetable oil industry. In addition, the higher turnover was attributed to a 10% increase in sales volume as compared to the financial year ended 31 December 2001. Profit before taxation increased in tandem with the higher turnover.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.2 PFSB**(i) History and Business**

PFSB was incorporated in Malaysia under the Act on 9 February 1996. The company has not commenced operations and its intended principal activity is to undertake projects for manufacturing downstream products.

(ii) Share Capital

Its present authorised, and issued and fully paid-up share capital are as follows:

Type	No. of ordinary shares	Par value RM	RM
Authorised	100,000	1.00	100,000
Issued and paid-up	2	1.00	2

Changes in the issued and paid-up share capital of PFSB since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value RM	Consideration RM	Cumulative issued and paid-up share capital RM
09.02.96	2	1.00	Subscribers' shares	2

(iii) Subsidiary and Associated Companies

PFSB does not have any subsidiary and associated company.

(iv) Major Shareholder

PVOB holds 100% equity interest in PFSB.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.2 PFSB (cont'd)

(v) Profit and Dividend Records

The following is a summary of the audited results of PFSB for the past three (3) financial years ended 30 June 2001, and 6 months period ended 31 December 2001 and 12 months ended 31 December 2002:

	-----Financial year ended 30 June-----			6 months ended	12 months
	1999	2000	2001	31 December	ended 31
	RM'000	RM'000	RM'000	2001	December
					2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-
Loss before taxation	-	-	8	1	6
Taxation	-	-	-	-	-
Loss after taxation	-	-	8	1	6
No. of ordinary shares of RM1.00 each in issue	-	2	2	2	2
Net loss per share (RM'000)	-	-	4	0.5	3
Dividend rate (%)					
- Gross	-	-	-	-	-
- Tax exempt	-	-	-	-	-

Notes:

- 1 PFSB is expected to commence production in the last quarter of 2003.
- 2 The financial year-end of PFSB has been changed from 30 June to 31 December in 2001, to coincide with the financial year-end of PVOB

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6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.3 MSSB**(i) History and Business**

MSSB was incorporated in Malaysia under the Act on 4 May 1979. The principal activities of MSSB are processing of oil palm fruits, refining of palm oil and sale of refined products along with its by products. MSSB became a wholly-owned subsidiary of PVOB on 31 December 2001 and all the assets and liabilities of Malim Sawit Division of PVOB was sold to MSSB at a consideration of RM22.0 million based on the assessment and valuation carried out by Jones Lang Wootton on 27 December 2001 in exchange for 21,147,000 ordinary shares of RM1.00 each and unsecured interest free loan stocks of RM853,000 in MSSB.

(ii) Share Capital

Its present authorised, and issued and fully paid-up share capital are as follows:

Type	No. of ordinary shares	Par value RM	RM
Authorised	25,000,000	1.00	25,000,000
Issued and paid-up	25,000,000	1.00	25,000,000

Changes in the issued and paid-up share capital of MSSB since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value RM	Consideration RM	Cumulative issued and paid-up share capital RM
04.05.79	3	1.00	Subscribers' shares	3
09.02.80	30,000	1.00	Cash	30,003
04.03.81	100,000	1.00	Cash	130,003
20.05.81	75,000	1.00	Cash	205,003
18.08.81	122,000	1.00	Cash	327,003
	360,000	1.00	In kind ¹	687,003
24.08.81	315,000	1.00	Cash	1,002,003
28.10.81	455,997	1.00	Cash	1,458,000
01.03.82	500,000	1.00	Cash	1,958,000
02.05.82	762,000	1.00	Cash	2,720,000
16.08.82	610,000	1.00	Cash	3,330,000

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.3 MSSB (cont'd)

Date of allotment	No. of shares allotted	Par value RM	Consideration RM	Cumulative issued and paid-up share capital RM
22.01.83	370,000	1.00	Cash	3,700,000
23.04.83	153,000	1.00	Cash	3,853,000
22.04.02	21,147,000	1.00	In kind ²	25,000,000

Notes:

- 1 The MSSB shares were allotted prior to the acquisition of MSSB by PVOB. No further details are available.
- 2 MSSB shares were allotted to PVOB in consideration for the acquisition of the following assets and liabilities of the Malim Sawit business:

	RM'000
<i>Property, plant and equipment</i>	30,171
<i>Stock</i>	4,196
<i>Liabilities</i>	(12,367)
	<u>22,000</u>

(iii) Subsidiary and Associated Company

MSSB does not have any subsidiary and associated company

(iv) Major Shareholder

PVOB holds 100% equity interest in MSSB.

(v) Profit and Dividend Records

The following is a summary of the audited results of MSSB for the past five (5) financial years ended 31 December 2002.

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	-	-	-	-	54,363
(Loss)/Profit before taxation	(3)	(2)	(2)	95	2,025
Taxation	-	-	-	-	(744)
(Loss)/Profit after taxation	(3)	(2)	(2)	95	1,281
No. of ordinary shares of RM1.00 each in issue ('000)	3,853	3,853	3,853	3,853	25,000
EPS (sen)	*	*	*	2.47	5.12
Dividend rate (%)					
- Gross	-	-	-	-	-
- Tax exempt	-	-	-	-	-

Notes:

* Less than RM0.01

MSSB commenced operation in the financial year 2002 after it acquired the Malim Sawit Division from PVOB on 31 December 2001

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.4 AAO

(i) History and Business

AAO was incorporated in India on 9 October 1996. The principal activity of AAO is manufacturing and processing of sunflower oil, soyabean oil, palm oil olein, rice and speciality fats.

(ii) Share Capital

Its present authorised, and issued and fully paid-up share capital of AAO are as follows:

Shares	No. of shares	Par value IRs	IRs
<i>Ordinary shares of IRs10 each</i>			
Authorised	4,000,000	10	40,000,000
Issued and paid-up	3,500,000	10	35,000,000
<i>12.5% cumulative redeemable preference shares 'A'</i>			
Authorised	355,000	100	35,500,000
Issued and paid-up	327,062	100	32,706,200
<i>5% cumulative redeemable preference shares 'B'</i>			
Authorised	200,000	100	20,000,000
Issued and paid-up	-	-	-

Changes in the issued and paid-up share capital of AAO since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value IRs	Consideration IRs	Cumulative issued and paid-up share capital IRs
<i>Ordinary shares of IRs10 each</i>				
09.10.86	63	10	Cash	630
28.02.02	2,499,937	10	Cash	25,000,000
15.06.02	1,000,000	10	Cash	35,000,000

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.4 AAO (cont'd)

(ii) Share Capital (cont'd)

Date of allotment	No. of shares allotted	Par value IRs	Consideration IRs	Cumulative issued and paid-up share capital IRs
<i>12.5% cumulative redeemable convertible preference shares 'A'</i>				
04.12.02	49,833	100	Cash	4,983,300
25.12.02	146,488	100	Cash	19,632,100
24.01.03	49,376	100	Cash	24,569,700
15.03.03	81,365	100	Cash	32,706,200

(iii) Subsidiary and Associated Company

Nil

(iv) Major Shareholder

PVOB will hold 74% effective equity interest in AAO by 31 July 2003.

(v) Profit and Dividend Records

The summary of the audited results of AAO for the past four (4) financial years ended 31 March 2002 and the unaudited results for the financial year ended 31 March 2003 are set out below.

-----Financial year ended 31 March-----

	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	Unaudited 2003 RM'000
Revenue	-	-	-	43	26,409
(Loss) / Profit before taxation	-	-	-	(8)	200
Taxation	-	-	-	-	(480)
Loss after taxation	-	-	-	8	280
No. of ordinary shares of IRs 10 each in issue	63	63	63	2,500,000	3,500,000
Net loss per share (sen)	-	-	-	0.32	8.00
Dividend rate (%)					
- Gross	-	-	-	-	-
- Tax Exempt	-	-	-	-	-

Note:

AAO commenced production in the fourth quarter of 2002.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.5 SPCSB**(i) History and Business**

SPCSB was incorporated in Malaysia under the Act on 6 May 1994 as Pertiwi Pasifik Sdn Bhd and assumed its present name on 1 August 1994. The principal activity of SPCSB is that of general trading of oils and fats. However, the company has ceased trading of frying oil and commenced provision of management services to related companies in 2001.

(ii) Share Capital

Its present authorised, and issued and fully paid-up share capital are as follows:

Type	No. of ordinary shares	Par value RM	RM
Authorised	1,000,000	1.00	1,000,000
Issued and paid-up	100,000	1.00	100,000

Changes in the issued and paid-up share capital of SPCSB since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value RM	Consideration RM	Cumulative issued and paid-up share capital RM
06.05.94	2	1.00	Cash	2
30.09.95	60,000	1.00	Cash	60,002
10.10.95	19,999	1.00	Cash	80,001
06.02.96	19,999	1.00	Cash	100,000

(iii) Subsidiary and Associated Company

SPCSB does not have any subsidiary and associated company.

(iv) Major Shareholder

PVOB holds 50% equity interest in SPCSB. The remaining 50% equity interest is held by Nutri Swiss SA, 30% and Swiss Line Corporation, 20% respectively.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.5.5 SPCSB (cont'd)

(v) Profit and Dividend Records

The following is a summary of the audited results of SPCSB for the past five (5) financial years ended 30 June 2002:

	-----Financial year ended 30 June-----				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	191	264	45	172	83
Loss before taxation	50	59	27	3	3
Taxation	-	-	-	-	-
Loss after taxation	50	59	27	3	3
No. of ordinary shares of RM1.00 each in issue ('000)	100	100	100	100	100
Net loss per share (sen)	50.0	59.0	27.0	3.0	3.0
Dividend rate (%)					
- Gross	-	-	-	-	-
- Tax exempt	-	-	-	-	-

Notes:

1. *The higher turnover for the financial year ended 31 December 1999 was mainly due to higher sales derived from trading of high quality frying oil. However, loss before taxation increased arising from a marginal increase in overhead cost.*
2. *The lower turnover for the financial year ended 31 December 2000 was due to lower sales derived from the trading of frying oil arising from the reduced marketing support provided by the joint venture shareholders of the company, namely Nutri Swiss SA, and Swiss Line Corporation. Loss before taxation decreased in tandem with the reduction in revenue.*
3. *In the financial year ended 31 December 2001, the company ceased trading of frying oils and started providing management services to PVOB which contributed higher revenue as compared to the previous financial year. The lower loss before taxation was attributed to lower overhead cost incurred, in line with the change in business activity of the company.*
4. *The lower turnover for the financial year ended 31 December 2002 was due to lower management fee received during the year.*

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.6 Industry Overview**6.6.1 Outlook of the Global Economy**

The global economic outlook continues to be affected by the geopolitical and economic uncertainties and the adverse impact of sharply rising oil prices on private sector consumption and investment. Economic outturn was uneven throughout the course of the year and across regions. Recovery in the US was lower than expectations and the performances of Japan and the euro area slowed down further, while growth in the East Asian region rebounded. The lower than expected growth in the US was due to the slow pick-up in the investment amid continued excess capacity and uncertainties over the strength and sustainability of economic recovery, the threats of terrorist attacks, corporate scandals and declining stock prices. Underlying growth, however, remains positive, supported by fundamentals. While growth would likely remain positive, the magnitude of this growth would depend largely on the influences arising from the geopolitical tensions in the Middle East and the impact on consumers and businesses in the major industrial economies. The immediate adverse effect has been the rising oil prices since the second quarter of 2002 to a 12-month high of USD34.99 per barrel on 7 March 2003.

The global economic growth is expected to remain modest in 2003. Growth will be supported by a moderate expansion in the US and Asian regional economies as growth prospects for Japan and the euro area remain difficult. Under these circumstances, it is projected that world growth will expand modestly by 3.1%(2001: 3%) while world trade will increase by 3.5-4.5% in 2003. Growth in the major industrial countries as a group is estimated at 1.8% (2002: 1.6%).

(Source: Bank Negara Malaysia Annual Report 2002)

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6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.6.2 Outlook of the Malaysian Economy

In an environment of heightened uncertainty in the global economy, growth in the Malaysian economy would be mainly domestic driven, supported by a modest growth in external demand. Real GDP growth has the potential to be sustained in the region of 4.5% in 2003 (4.2% in 2002). However, unlike 2002, when the public sector remained the principal driver of economic growth, private sector demand is expected to assume a more significant role in driving economic expansion in 2003. The improved domestic fundamentals would provide support for the sustained consumption and continued recovery in private investment. The public sector, whilst consolidating, would remain supportive of growth. External demand, however, remains a concern for possible downside risks. Malaysia's increased resilience provides the authorities with the policy flexibility to enhance domestic sources of growth. Hence, policies in 2003 would focus on promoting domestic-led private sector driven growth, with the Government providing a positive enabling environment for private sector activities and initiatives.

The projections for growth in 2003 are based on a modest world economic growth, some pick-up in the global electronics industry, firm commodity prices and further expansion in intra-regional trade. The expectation of a moderate pace of growth takes into account the increasing strength of domestic sources of growth following the restructuring of the financial and corporate sectors since the crisis. These developments would provide further flexibilities for the economy in managing the uncertainties emanating from the spillover of geopolitical tensions. Increased domestic sources of growth in the region and the consequent stronger growth in regional trade would also contribute towards growth in Malaysia.

In this regard, key strategies in the 2003 Budget focused on promoting domestic investment in all sectors with growth potential, in particular to promote activities in new and niche growth areas in the services, agriculture and manufacturing sectors; enhancing human resource development to support a knowledge-based economy; and strengthening Malaysia's competitive position.

Towards this end, further tax and non-tax incentives were provided to encourage the development of small-and medium-scale enterprises (SMEs) and penetration of new export markets and to encourage manufacturers to undertake higher value-added activities such as design and research and development. Direct fiscal incentives focused on lowering cost for small businesses through cuts in corporate taxes as well as attracting higher investment in target areas in the agriculture sector (including non-traditional downstream activities), and in higher value-added services related activities. Going forward, the new growth sectors, the information, communications and technology sector and resource-based industries would be important drivers of growth that would add depth and diversity as well as strengthen the resilience of the economy.

(Source: Bank Negara Malaysia Annual Report 2002)

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.6.3 Sectoral Performance of the Malaysian Economy**6.6.3.1 Manufacturing Industry**

External developments and domestic factors point to stronger recovery of the manufacturing sector in year 2003. Value added growth in the manufacturing sector is expected to increase by 5% in 2003, on the assumption of a modest global economic outlook and moderate growth in the global electronics sector. The rising trend in intra-regional trade is expected to continue to augment demand for exports of manufactured goods. While Malaysian companies producing computer-related products are optimistic on the outlook for 2003, others in the sector expect a moderate performance. The general consensus is that growth would improve in the second half of the year.

Growth in the domestic-oriented industries is also expected to improve to 4.3% in 2003 (2002: 3.4%), supported by food, beverages, fabricated metal, paper and petroleum industries. Nevertheless, growth in the construction-related industries and transport equipment industry is expected to remain modest, reflecting the slower performance of the construction sector and some moderation in demand for passenger cars following the strong growth of the last two years.

Given the upside potential in the electronics and electrical products industry and the positive spin-off on the chemical products industry, growth of the export-oriented industries as a whole is projected to increase by 6.2% (2002: 5%).

The performance of manufacturing exports is expected to be sustained into 2003 with a growth of 6.7%, reflecting the improvement in electronics demand, especially from the Asian region.

Exports of non-electronics products are projected to turn around to increase by 5.6% (2002: -0.8%), attributable to better performance in the chemical products, wood products, non-metallic mineral products, optical and scientific equipment, toys and sporting goods, furniture and textiles. As in 2002, the increase in manufactured exports is expected to be driven mainly by higher export volume, which is projected to increase by 9.3% (2002: 7.9%).

(Source: Bank Negara Malaysia Annual Report 2002)

The manufacturing and services sectors will continue to be the major contributors to growth in the Eighth Malaysia Plan period. The manufacturing sector is expected to grow at an average rate of 8.9% per annum, with its share of GDP increasing to 35.8% by 2005. Electrical and electronics industry will remain the driving force shifting towards higher technology and value added consumer and industrial products. Resource-based industries, particularly the petrochemical, pharmaceutical, furniture and food product industries as well as handicraft industry, are also expected to strengthen during the Eighth Malaysian Plan period.

(Source: Eighth Malaysia Plan 2001-2005)

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.6.3.2 Palm Oil and Edible Oil Industry

Production of CPO remained the single largest contributor to value added in the agriculture sector, accounting for about one-third of the sector. Output growth was however, marginal, due mainly to lower yields. CPO production remained almost unchanged from the previous year's level at 11.9 million tonnes (2001: 11.8 million tonnes). Higher production was seen only in East Malaysia where newly matured oil palm areas expanded by 8.4% to 1.26 million hectares. Production in Peninsular Malaysia, which accounts for almost 60% of total national palm oil production, declined by 6.1%, due to lower biological yields as well as reduced production acreages following replanting activities undertaken largely in the first half of 2002. Against a backdrop of a marginal increase in CPO production and a small increase in export volume, stocks of palm oil closed slightly lower at 1.1 million tonnes as at end-2002 (1.2 million tonnes as at end-2001).

Meanwhile, the recovery in palm oil prices (as measured by local delivered prices) which started in late 2001 continued into 2002, with prices gradually firming from RM1,180 per tonne in January 2002 to RM1,449 in June and RM1,646 in December. For the year as a whole, prices averaged RM1,364 per tonne (2001: RM895), representing a sharp improvement of 52.4%. Firm demand for palm oil amidst tight supplies of other major vegetable oils and a marginal increase in palm oil output as well as the very strong prices for soyabean oil attributed in the significant increase in CPO prices. Stocks of soyabean in the major producing countries were adversely affected by the lower harvest in the US as well as supply disruptions in Argentina following the global economic and political uncertainties. Consumption of palm oil by India, which is one of Malaysia's major buyers, remained high following the shortfall in its domestic oilseed production. Imports by the People's Republic of China, on the other hand, rose substantially overtaking India to become the largest buyer of Malaysia's palm oil products during the year. Despite the sharp increase in prices, palm oil remained the most competitive and attractive vegetable oil in the international markets in 2002, CPO price in 2002 continued to trade at a discount of US\$64, US\$203 and US\$94 per tonne, against soyabean, sunflower and rapeseed oils respectively.

Given the tight global supplies of oils and fats amidst competitive palm oil prices, export volume of palm oil expanded by 3.8% during the year, with the People's Republic of China emerging as the major buyer, followed by India, the European Union, Pakistan and Egypt. Together, these countries accounted for about 60% of total Malaysian palm oil exports in year 2002. Following the increase in export prices and volume, total receipts from palm oil exports rose sharply by 50.2% to RM14.8 billion. Thus, palm oil retained its position as the single largest contributor to total agricultural export receipts.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.6.3.2 Palm Oil and Edible Oil Industry (cont'd)

Since CPO production has been rising at an average annual rate of 6.5% in the last decade, efforts have been intensified to ensure sustained external demand. These include increasing the market share of existing export markets, gaining new markets, and increasing the applications of palm oil, in both the edible and non-edible palm-based products. Market promotional efforts continued to be carried out by the Malaysian Palm Oil Board Technical Advisory Services. Following these promotions, Malaysia succeeded in making inroads into six new markets, namely, Burkina Faso, Niger, Antigua, Suriname, Seychelles and Mongolia. In addition, measures were also undertaken to reduce existing ageing and less productive oil palm areas through the replanting of high yielding hybrids to lower the cost of production.

In the area of research and development, MPOB continued its efforts to diversify palm oil applications in both the upstream and downstream industries, resulting in a total of 174 technologies/products being developed by the end of 2002, of which 47 technologies/products were launched during the year. Among the products which have been developed for the downstream industries include shortening formulations, protein fortified trans-free margarine, automobile components (boot and door trims, and spare wheel cover), cosmetic products, block board from oil palm trunk, printing ink, and pulp and paper from oil palm fibres. In the upstream sector, the technologies developed include mechanical loose fruits collector, sprayer for young palms and effluent treatment.

Commodity prices are expected to remain strong in 2003. This would raise export proceeds from the agriculture sector by 10.9%, after the strong growth of 31.9% in 2002. While export volume is forecast to rise slightly, the higher export receipts would reflect primarily higher average prices of all major agricultural commodities. Given the expectation of tight global supplies of oils and fats, particularly during the first half of 2003, the export price of palm oil is expected to record a higher average of RM1,550 per tonne.

(Source: Bank Negara Malaysia Annual Report 2002)

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6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.6.3.3 Speciality Fats Industry Growth

The establishment of fractionation facilities in refineries has enabled the fractionation of palm oil into various component products such as palm olein and palm stearin. Palm olein is used worldwide as a liquid cooking oil, industrial frying oil in tropical countries and as liquid oil component in the production of margarine. Palm stearin is used to produce soap, detergent, stearic acid and shortenings. Palm kernel stearin which is produced by selective fractionation of palm kernel oil is used to produce cocoa butter substitute products. The other fraction which is called palm kernel olein is used to produce speciality fats for ice-cream, frozen dessert, pudding, coating and filling fat. On a very selective multi-fractionation of palm oil, a fraction can be produced as the main component for manufacture of Cocoa Butter Equivalent. In the process of production of palm mid fraction, various other value added products are manufactured such as high stability oil, and low cloud point olein which is super olein. Super olein is the most appropriate grade of speciality fats which can be blended with other oils to produce cooking oil for the retail market.

In view of the many developments in the usage of palm oil as elaborated above, the growth of the speciality fats industry is expected to be positive.

6.6.3.4 Nature of the Speciality Fats Industry

Speciality fats industry is capital intensive. The speciality fats industry is also characterized by the rapidly evolving technology, hence, specific labour skills are important applying in the technical know-how of the food industry and in monitoring the automated speciality fats production process.

Like most products in the market, the prices for the speciality fats are determined by the supply and demand conditions of the entire market for the product and the price of the substitute products. There is a natural barrier to entry in the speciality fats industry due to the capital-intensive nature of the industry. In addition, the speciality fats industry required technical knowledge which in most cases is self-developed over time, in order to meet the requirements of food producer's worldwide. Despite the barriers to entry, competition exists in the industry due to differentiation in the physical properties of speciality fats produced among the various producers worldwide.

The different players in the speciality fats industry can focus on different types of speciality fats depending on their respective levels of technical knowledge. This is possible due to the different types of properties of speciality fats required by end-users. Production of speciality fats products normally has a long gestation period as it requires extensive research and development works and extensive product testing to gain buyers' acceptance.

In Malaysia, there are several producers of speciality fats. At the international level, there are four (4) major producers of speciality fats, namely, Loders Croklaan of Netherlands (IOI Corporation Berhad), Aarhus Olie of Denmark & USA, Karshamns of Sweden and Fuji Oil of Japan.

In short, the market structure of the speciality fats industry is that there are several producers competing in the industry where there are barriers to entry and the producers produce and sell similar but differentiated close substitute products.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.6.3.5 Key Industry Players in the Industry

Apart from the PREMIUM Group, there are eight (8) other manufacturers of speciality fats in Malaysia, namely Intercontinental Speciality Fats Bhd ("ISF"), Kempas Edible Oil Sdn Bhd, Ngo Chew Hong Oils & Fats (M) Sdn Bhd, Olinco (M) Sdn Bhd, Socktek Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Unitata Berhad ("Unitata") and Palmaju Edible Oils Sdn Bhd ("Palmaju") (part of Fuji Oil Group of companies based in Japan). They are involved in the production of various grades of speciality fats.

Amongst the eight (8) manufacturers above, Unitata exclusively serves its parent company in Denmark. ISF is free to market in any part of the world while Palmaju exclusively serves the Japanese market. The other remaining companies including the PREMIUM Group serve the markets in China, India, Pakistan and Europe.

The management of the PREMIUM Group believes that the PREMIUM Group has the advantage over the aforementioned players serving the similar markets, in terms of its quality, cost competitiveness and research and development.

6.6.3.6 Demand and Supply Conditions

Demand for speciality fats is directly linked to the food industry and it is also dependent on the economic outlook, population growth as well as social aspects of the country. In the light that food is a recession-resilient business and speciality fats based on vegetable oils play an increasingly important role in the essential diet of consumers due to its health and nutritional benefits, it is very likely that such products are poised for growth in demand.

Demand

In Malaysia, the demand for speciality fats which is vegetable oil based is generated by the export market. The overseas demand for food products is expected to grow substantially, especially in China and India where the rates of population growth are increasing at a fast pace. The demand for food products is highly and positively correlated to variables such as the population base, the rate of population growth and the standard of living. The gradual trend towards more convenient, western style snacks such as chocolate and confectionery products that have become good substitutes for conventional and traditional food items in developing countries and due to the increase in number of working women, the strong tendency to eat in restaurants and to consume factory produced food products is expected to increase. Hence with the continued economic growth of China and India, improvement in the standards of living, rise in per capita income levels and coupled with the increasing population growth of both countries, the demand for speciality fats products is encouraging.

Consumption of speciality fats in other Asian countries is also expected to increase in view of their increasingly affluent life-style and that most Asians are now following the eating habits in the western countries.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

Supply

In the speciality fats industry, the supply of raw materials is adequately met by the domestic production of palm oil and palm kernel as well as from the import of other raw materials such as soyabean oil, cotton seed oil, rapeseed oil, sesame seed oil, etc. Hence, supply risk is mitigated in the production of speciality fats.

6.6.3.7 Substitute Products

Speciality fats are required in the food industry because of its unique chemical characteristics which are similar to cocoa butter. However, cocoa butter is not favoured as it is more expensive than speciality fats. Further it has limited application in the confectionery industry. Therefore, it can be said that the threat of substitute products in the speciality fats industry is minimal.

6.6.3.8 Prospects and Outlook of the Industry**(a) Prospects**

The prospects of the speciality fats industry will depend on the continuing acceptance of speciality fats in food production, particularly in the production of confectioneries. Price competitiveness, nutritional value, technical performance of speciality fats and the demand for the food products produced using speciality fats are expected to be the key determining factors for the continuing increase in demand for speciality fats.

Although cocoa butter is the most commonly used vegetable fats for the production of confectioneries due to the suitability of its chemical composition, it is a scarce and expensive product. Speciality fats based on palm oil and palm kernel oil are therefore an excellent substitute to cocoa butter due to the similarities in chemical composition of both products. In terms of price competitiveness, speciality fats could be obtained at a lower price than cocoa butter in view of the abundant supply of palm oil from the world's major exporting countries such as Malaysia, Indonesia, Papua New Guinea and the Ivory Coast.

Another advantage of speciality fats over cocoa butter is that speciality fats have higher resistance to oxidation which contributes towards its long shelf-life. Cocoa butter also lacks the flexibility of speciality fats that the latter can be tailor made into a various patterns to suit any particular applications that serve the various needs of consumers. Speciality fats are therefore an excellent alternative to cocoa butter in the production of confectioneries.

The prospects of the speciality fats industry are to a certain extent, dependent on the outlook of the food industry. Although the consumption of chocolate products and other confectioneries such as ice-cream and biscuits bears a direct correlation to the economic performance, these sectors' revenue has been less affected by the country's economy as the local market is comparatively smaller than the export market while the room to grow in the export market is greater than the domestic.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

The products from the aforementioned three sectors, namely, manufacturing of chocolate, biscuits and ice-cream tend to be income inelastic as they are consumed by consumers of all ages and income groups. They are also a source of healthy diet, providing energy and nutrition for today's consumers. As the confectionery products form part of the staple diet of most households in any economic situation, demand for these products are expected to be continuous and to grow in tandem with the demand for speciality fats.

The future growth of the speciality fats industry is expected to be robust in view of the continuous growth of the world population and rising affluence of consumers worldwide.

Premised on the above factors, the prospects of the speciality fats in Malaysia and worldwide are expected to be favourable.

(b) Market growth

The world demand for the 17 types of oils and fats has been increasing by the years and this can be illustrated by the world export of the 17 types of oils and fats for the past 9 years from 1994 to 2002:

Oils/Fats (tonnes)	1994 '000	1995 '000	1996 '000	1997 '000	1998 '000	1999 '000	2000 '000	2001 '000	2002* '000
Palm Oil	14,304	15,210	16,282	17,903	16,919	20,631	21,825	23,355	23,750
Palm Kernel Oil	1,861	1,945	2,083	2,230	2,168	2,557	2,688	2,872	2,951
Soyabean Oil	18,684	20,404	20,322	21,052	24,038	24,809	25,546	27,779	29,495
Cottonseed Oil	3,566	3,905	4,119	4,047	4,043	3,822	3,852	4,006	4,419
Groundnut Oil	4,309	4,423	4,563	4,521	4,502	4,694	4,573	5,073	5,579
Sunflower Oil	7,391	8,556	9,006	9,165	8,439	9,308	9,677	8,223	7,177
Rapeseed Oil	9,970	10,955	11,479	11,830	12,229	13,066	14,467	13,725	13,570
Com Oil	1,675	1,855	1,834	1,858	1,880	1,938	1,968	1,962	2,190
Coconut Oil	3,015	3,350	2,867	3,301	3,107	2,388	3,272	3,539	3,469
Olive Oil	1,900	1,888	2,042	2,701	2,588	2,461	2,545	2,690	2,550
Castor Oil	446	483	479	442	441	442	494	515	475
Sesame Oil	616	589	668	723	736	726	715	751	755
Linseed Oil	636	701	666	691	694	730	698	621	645
Total Vegetable Oils	68,373	74,264	76,410	80,464	81,784	87,572	92,320	95,111	97,025
Butter	5,677	5,677	5,648	5,685	5,761	5,918	6,026	6,059	6,198
Tallow	7,550	7,507	7,500	7,572	7,784	8,175	8,199	8,196	8,321
Fish Oil	1,490	1,285	1,336	1,194	865	1,354	1,416	1,121	1,208
Lard	5,430	5,692	5,936	6,150	6,520	6,703	6,716	6,815	7,140
Total Animal Oils/Fats	20,147	20,161	20,420	20,601	20,930	22,150	22,357	22,191	22,867
GRAND TOTAL	88,520	94,425	96,830	101,065	102,714	109,722	114,677	117,302	119,892

* estimate only as the actual figures for the year are not available.

(Source: Malaysian Palm Oil Board)

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

(c) Laws and Regulations

The manufacturing activities of PVOB are regulated by among others MITI and PORLA, under the Ministry of Primary Industry, Malaysia. PVOB has taken all necessary steps to ensure that the relevant requirements or regulations are complied with.

6.7 Future Plans, Strategies And Prospects**6.7.1 Future Plans and Strategies of the PREMIUM Group**

The future plans of the PREMIUM Group are as follows:

- (a) The involvement of PVOB in the production of speciality fats is in line with the Government's policy of producing higher value-added downstream products from primary products such as palm oil and palm kernel oil as outlined in the Second Industrial Master Plan.
- (b) The rapid advancement in food technology and product development will provide ample opportunities for PVOB to further diversify into new product development such as various grades of CBR, CBE and MFR. In addition, PVOB is also exploring the possibility to diversify into various industries such as animal feed, confectionery, cosmetic, pharmaceutical and organic candle manufacturing.
- (c) The Group has the capability to diversify into upstream and downstream products of speciality fats as it has a fully-equipped centralised strong research and development team who constantly keeps abreast with the changing needs of the customers as well as updates of technical know-how in the development of new products and recipes for various applications. However, at this juncture, the management of PVOB is of the view that PVOB would concentrate only on its niche specialty fats industry in order to tap into the continuous growth facing the industry.
- (d) The Group has recently started a plant in India for the manufacturing of speciality fat products to tap into the huge potential market in India, in view that there are trade restrictions on import of speciality fats into India.
- (e) MSSB, a wholly owned subsidiary of PVOB has set up a refining and fractionation plant at its premises in Kulai and this will enable MSSB to produce special grade palm oil/ olein which enhances the quality of PVOB's products, and creates its own niche market for producing small volume quality products. The fractionation plant will also be used to manufacture crude olein and crude stearin that can be exported or further processed to produce high quality products.
- (f) For the future, PREMIUM is looking forward to expanding its market for speciality fats in countries such as Austria, Armenia, Bosnia Herzegovina, Brazil, Czech Republic, Japan, Poland, Slovakia and Uzbekistan.

6. INFORMATION ON THE PREMIUM GROUP (CONT'D)

6.7.1 Future Plans and Strategies of the PREMIUM Group (cont'd)

- (g) The Directors of PREMIUM are of the view that there is room for expansion of the businesses of the PREMIUM Group. The PREMIUM Group has the flexibility and capability to face future challenges and to undertake projects of large magnitude and complexity in both the local and overseas market.

6.7.2 Future Prospects of the PREMIUM Group

The prospects of PREMIUM Group are promising considering that it is the only speciality fats producer in Malaysia which has a fully integrated lauric oil as well as palm oil production facility from the production of crude oil to a large range of value added product types of speciality fats. The PREMIUM Group will continue diversifying its range of speciality fats into new industries such as the cosmetic, animal feed, pharmaceutical and organic candle manufacturing.

Coupled with the experience of the management team, their technical expertise and the proven track record of the PREMIUM Group in the speciality fats industry, the PREMIUM Group is expected to take advantage of the vast opportunities available to diversify its operations both in the upstream and downstream activities, as well as expand its operations into other countries. The new production activities in India is also expected to significantly boost its production and increase its market share in the sale of speciality fats.

Further, the speciality fats industry is characterised by high barriers to entry through licensing requirements by the authorities, technological complexity and huge initial capital outlay. Amongst others, the PREMIUM Group's activities are regulated by MITI and PORLA which governs the conduct of companies in the manufacturing of primary commodities such as CPO and CPKO. The barriers to entry coupled with the proven track record of PREMIUM in the speciality fats industry over the past eighteen (18) years augur well for the prospects of the PREMIUM Group.

The Directors also believe that the PREMIUM Group is one of the leading market players and pioneers in the speciality fats industry in Malaysia. With the strength of its experienced management team, vast technical expertise and established business relationships, PREMIUM is expected to thrust itself into an excellent position as a key player in this industry.

In addition, the PREMIUM Group's future prospects are further reinforced by its established local and overseas clientele, its complete and integrated production facility, the support of quality foreign principals, and the competitiveness of its products in the domestic and foreign markets.