

BUSINESS POTENTIAL REPORT

This report prepared by D&B Malaysia for inquiry on:

ABC SDN BHD **REGISTRATION NO : XXX-P**

Report Date : 2nd April 2014

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Dun & Bradstreet (D&B) Malaysia Sdn Bhd

ABC SDN BHD

XXX
48000 RAWANG, SELANGOR
Tel : (603) 6092 3333
Fax : (603) 6092 8833
Web Site : www.abc.com.my

Executive Summary

Identification

Registration Date : 21.11.2005
Registration Number : XXX-P
Legal Form : Limited Private Company

Company Sizing

Chief Executive : Mr. Frankie (Senior General Manager)
Staff Strength : Approximately 400
Paid Up Capital : RM6,000,002 (In Cash RM2 & Otherwise than Cash RM6,000,000)

Operating Summary

Auditor : Ernst & Young
Banker (s) : NA
SIC Code : 3081-0103; 3081-0100; 5162-9902
Line of Business : Manufacturing and marketing of plastic film packaging products

Financial Summary

Latest Accounts Date : 31st December 2012
Turnover : RM140,267,280
Profit After Tax : RM6,640,759
Networth : RM27,977,153

Business Score

BR 3

(Please refer to Appendix)

Business Score
Satisfactory

Financial Condition
Average

Operational Trend
Average

General Reputation
Average

Legal Status
Limited Private Company

A Limited Private Company is one that has a group of shareholders of not more than 50 people. A private company cannot ask the public to invest in it or to deposit money with it. Capital must be raised privately from this group of shareholders or through bank loans.

Score Assessments

Business Score
BR3

Commentary

1. Increased in turnover and net profits
2. Unsatisfactory liquidity standing; Average leveraged
3. Working capital surplus and net cash surplus registered in FYE2012



Moderate business condition

Corporate Profile

SC was incorporated on 21st November 2005 as a LIMITED PRIVATE COMPANY under the name style of DEF SDN BHD. Subsequently, the company changed its name style to ABC SDN BHD on 27th November 2013. The company is registered with the Companies Commission of Malaysia under registration number XXX-P.

SC has set up business in the manufacturing and marketing of plastic film packaging products. An establishment of about 9 years, SC has been in this line of business since the commencement of its business operations.

SC's office is registered at XXX, 40000 Shah Alam, Selangor. However, the company is currently operating from XXX, 48000 Rawang, Selangor. The above address houses its sales cum administrative office as well as manufacturing facilities.

Shareholding Structure

Headed by Mr. Frankie, this company is a wholly-owned subsidiary of CDE Sdn Bhd, a company incorporated in Malaysia.

As of March 2014, SC's authorized and paid-up capital stands as follows:

	<u>Amount</u>	<u>V/Share</u>	<u>Currency</u>
Authorized Capital	10,000,000.00	1.0000	Malaysian Ringgit
Issued Ordinary	6,000,002.00	1.0000	Malaysian Ringgit
Paid-up Ordinary	6,000,002.00	1.0000	Malaysian Ringgit

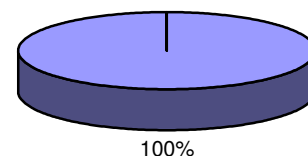
Shareholder's Information

Details of Shareholder(s):

1. Name	:	CDE SDN BHD
Registration Number	:	XXX
Place of Origin	:	MALAYSIA
Number of Ordinary Shares	:	6,000,002 @ RM1 each
Other Shareholding	:	-
Other Directorship	:	-

Note: The record above is retrieved from Companies Commission of Malaysia.

SHAREHOLDING BREAKDOWN



■ SCIENTEX PACKAGING FILM SDN BHD

Board of Directors:

1	Name	:	LIM
	IC/Passport	:	XXX
	Nationality	:	MALAYSIAN
	Address	:	XXX SUBANG JAYA 47500 PETALING JAYA, SELANGOR
	Date of Appointment	:	08.01.2013
	Position	:	DIRECTOR
	Other Shareholding	:	DEF SDN BHD EFG SDN BHD
	Other Directorship	:	-
2	Name	:	CHOO
	IC/Passport	:	XXX
	Nationality	:	MALAYSIAN
	Address	:	XXX 40170 SHAH ALAM, SELANGOR
	Date of Appointment	:	08.01.2013
	Position	:	DIRECTOR
	Other Shareholding	:	-
	Other Directorship	:	DEF SDN BHD EFG SDN BHD
3	Name	:	LIM
	IC/Passport	:	XXX
	Nationality	:	MALAYSIAN
	Address	:	XXX 47410 PETALING JAYA, SELANGOR
	Date of Appointment	:	15.02.2006
	Position	:	DIRECTOR
	Other Shareholding	:	DEF SDN BHD XYZ SDN BHD KLM SDN BHD
	Other Directorship	:	JKL SDN BHD DEF SDN BHD KLM SDN BHD

Note: The record above is retrieved from Companies Commission of Malaysia.

Company Secretary

1. Name : NG
 IC/Passport : XXX
 Nationality : MALAYSIAN
 Address : XXX
 47100 PUCHONG, SELANGOR
 Date of Appointment : 08.01.2013
 Position : SECRETARY

Key Personnel

Heading the management is Mr. Frankie as the Senior General Manager of the company. He is the overall in charge of SC's daily business operations.

Staff Strength (Approx)

400

Assisting Mr. Frankie is a team of experienced personnel who are responsible for the different aspects of the business.

In summary, the key personnel are as follows:

Senior General Manager : Mr. Frankie
 Finance & Administration Manager : Mr. Allen
 Assistant Accounts & Finance Manager : Ms. Yap
 Human Resources Manager : Mr. Chin
 Business Development Manager : Mr. Beh

According to internal sources, Mr. Frankie has about X years of experiences in this industry. Meanwhile, Mr. Beh has about X year of experiences in this industry.

Checks revealed that the company has an approximately staff strength of 400 assisting in its daily activities.

Business Operations

On 1st April 2014, SC declined all information about the company business operations. The information below was obtained from previous investigation as well as external sources.

According to the records with the Companies Commission of Malaysia, SC is engaged in the manufacturing and marketing of plastic film packaging products.

Checks revealed that SC is a wholly owned subsidiary of CDE Sdn Bhd, a company incorporated in Malaysia. Further check revealed that SC's ultimate parents is FGH Berhad, a company incorporated in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The group is a leading industrial packaging manufacturer and a reputable property developer in South Malaysia. FGH is also a stretch film producer and among the top three globally with a production capacity of 194,000 MT annually.

To date, the group has manufacturing facilities in Malaysia and Vietnam; as well as sales and marketing arms in Japan and Indonesia. More than 80% of its manufacturing products are exported to over 60 countries worldwide.

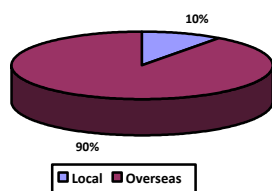
External sources revealed that SC offers the following products:-

- Shrink Hood
- Shrink Film
- Lamination Film
- Stretch Film
- Printed Film
- Barried Films
- Stretch Hoods

Previous sources revealed that 10% of the company's products are sold to local clients whilst the remaining 90% are exported to overseas clients based in:-

- Japan
- Hong Kong
- Australia
- Denmark
- Vietnam
- China
- Indonesia
- Bangladesh
- Taiwan

Market Segmentation Breakdown

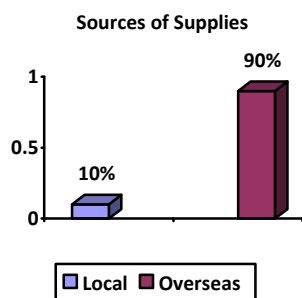


Principal Activity

Manufacturing and marketing of plastic film packaging products

Furthermore, SC's products are reportedly obtained from local suppliers as well as imported from overseas suppliers. Previous investigation revealed that 10% of its suppliers are based locally whilst the remaining 90% are based in:-

- Indonesia
- Thailand
- Singapore
- United States of America
- Canada
- Saudi Arabia
- Belgium



In general business transactions, SC is granted 30 days credit terms by its suppliers. On the other hand, SC grants 30 days credit terms, Cash on Delivery as well as Telegraphic Transfer to all its customers.

The company currently operates from a premise located in Rawang, Selangor. This premise is reportedly occupied by the company, and houses its sales and administrative office as well as manufacturing facilities.

Media Release**Date: 21st March 2014****XXX****Source: The Edge**

XXX

Related Companies**Immediate Holding Company:**

Name	% of shareholding
CDE Sdn Bhd, Malaysia	100

Two Year Financial Outlook

Auditor Opinions / Qualifications

Year	Qualified	Auditor's Opinion
31 December 2012	No	Comply with Companies Act, 1965
31 December 2011	No	Comply with Companies Act, 1965

Financial Rating **FR 3**



Average

Financial Highlights

Profitability

- Increased in turnover
- Enlarged in net profits
- Higher cost of sales and total operating expenses

Liquidity

- Unsatisfactory liquidity standing
- Experienced cash flow flexibility during the current financial year

Asset Management

- Efficient management of its overall assets
- Lengthened collection and payment periods
- Average inventory control

Capital Structure and Solvency

- Undertaken much greater current liabilities than long-term liabilities to finance its assets and these current liabilities are reported to be fluctuating
- Average leveraged – SC was more reliant on debt than equity to finance its assets

Auditor

Ernst & Young

Financial Statement Type
Company

Fiscal Year

31 December 2010 to 2012

Currency

RM

Rating Guide

FR1	Strong
FR2	Above Average
FR3	Average
FR4	Fair
FR5	Below Average
FR6	Poor
N.R.	No Rating

This rating serves as a reference to assess SC's financial performance. The financial rating assigned to SC takes into account of the following considerations: Profitability, Return on Invested Capital, Liquidity, Asset Management, Capital Structure and Solvency.

Table 1: Key Balance Sheet Data (RM)

December	2012	2011	% Changes
Current Assets	30,176,522	25,865,935	19.48
Other Assets	-	-	-
Fixed Assets	32,110,155	34,461,239	21.26
Total Assets	62,286,677	60,327,174	19.83
Current Liabilities	29,324,412	32,727,065	7.71
Non-Current Liabilities	4,985,112	6,263,715	36.02
Total Liabilities	34,309,524	38,990,780	10.61
Working Capital	852,110	(6,861,130)	(35.64)
Share Capital	6,000,002	6,000,002	-
Accumulated Profit (Loss)	21,977,151	15,336,392	57.22
Total Shareholder's Equity	27,977,153	21,336,394	36.87

Table 2: Key Earnings Data (RM)

December	2012	2011	% Changes
Turnover	140,267,280	127,645,993	19.20
Profit (Loss) Before Tax	8,467,357	6,249,407	20.04
Income Tax	(1,826,598)	126,099	(828.34)
Profit (Loss) After Tax	6,640,759	6,375,506	24.09
Accumulated Profit (Loss) B/Forward	15,336,392	8,960,886	84.39
Accumulated Profit (Loss) C/Forward	21,977,151	15,336,392	57.22

Table 3: Key Cash Flow Data (RM)

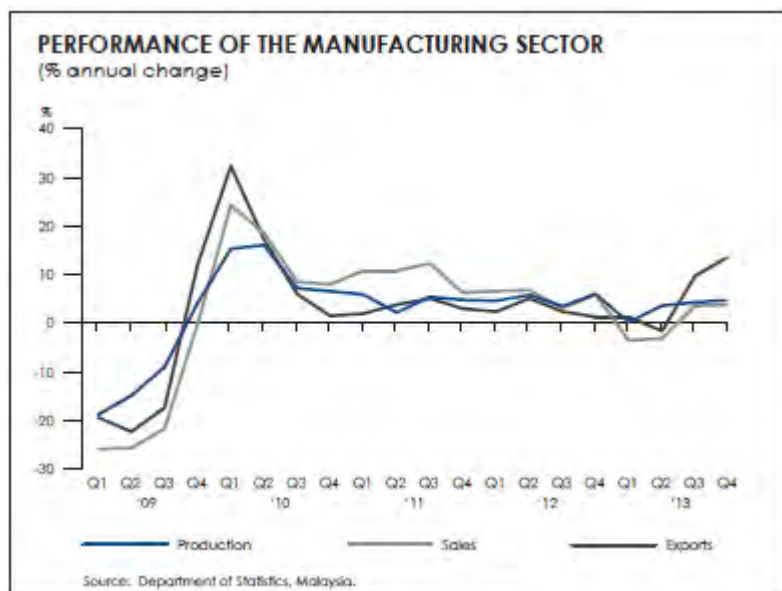
December	2012	2011	% Changes
Net Cash Flow from Operating Activities	5,803,484	10,622,781	(128.16)
Net Cash Flow from Investing Activities	(430,700)	(13,832,421)	707.42
Net Cash Flow from Financing Activities	(4,864,601)	2,139,941	(194.69)
Net Increase (Decrease) in Cash and Cash Equivalents	508,183	(1,069,699)	(112.59)
Effect on Exchanges Rate Changes on Cash and Bank Balances	6,749	47,098	(115.92)
Cash and Cash Equivalents B/Forward	1,280,281	2,302,882	(56.21)
Cash and Cash Equivalents C/Forward	1,795,213	1,280,281	(2.09)

Table 4: Key Financial Ratios

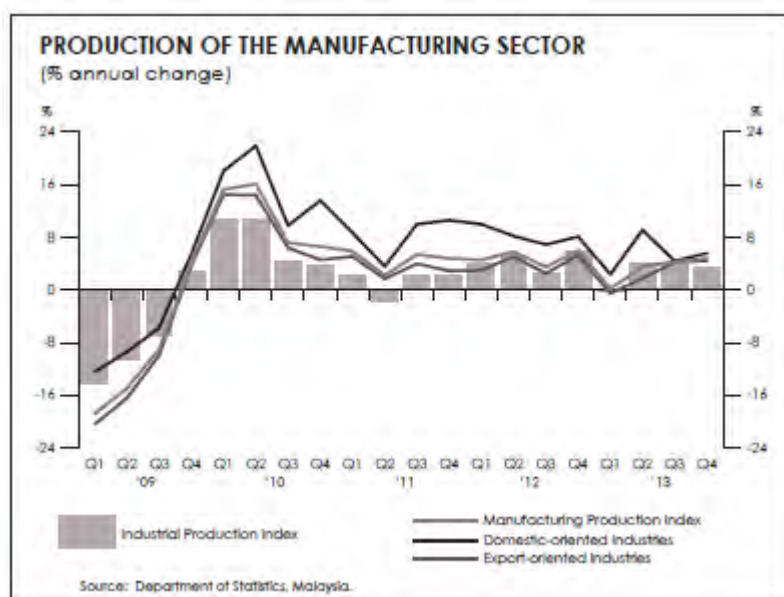
December		2012	2011
Profitability			
Gross Profit (Loss) Margin (%)	Gross Earnings/Turnover*100%	28.07	26.11
Pre-Tax Profit (Loss) Margin (%)	Pre-Tax Earnings/Turnover*100%	7.30	7.59
Net Profit (Loss) Margin (%)	Net Earnings/Turnover*100%	5.53	5.77
Basic Earning Power (%)	Earnings Before Interest & Tax/Net Assets*100%	18.53	18.94
Earnings Per Share (RM)	Net Earnings/No. Of Shares Outstanding	1.06	1.09
Return on Invested Capital			
Return on Assets (%)	Net Earnings/Total Assets*100%	4.40	8.24
Return on Equity (%)	Net Earnings/Total Equity*100%	11.77	13.77
Liquidity			
Current Ratio	Current Assets/Current Liabilities (Current Assets-Inventories)/Current Liabilities	2.03	3.70
Quick Ratio		1.31	2.04
Cash Ratio	Cash/Current Assets	0.37	0.11
Accounts Receivable Turnover Ratio (Times)	Turnover / A/C Receivable	6.65	8.07
Accounts Payable Turnover Ratio (Times)	COS / A/C Payable	20.17	-
Collection Period (Days)	A/C Receivable/Turnover*365	54.91	45.24
Payment Period (Days)	A/C Payable/COS*365	18.09	-
Inventory Turnover Ratio (Times)	Turnover/Inventory	4.74	5.22
Inventory Conversion Period (Days)	Inventory/Turnover*365	76.99	69.98
Asset Management			
Fixed Asset Turnover Ratio (Times)	Turnover/Fixed Assets	1.51	3.65
Asset Turnover Ratio (Times)	Turnover/Total Assets	0.80	1.43
Capital Structure And Solvency			
Total Debt to Asset Ratio (%)	Total Liabilities/Total Assets*100%	62.59	40.18
Total Debt to Equity Ratio (%)	Total Liabilities/Total Equity*100%	167.34	67.17
Non-Current Debt to Equity Ratio (%)	Non-Current Liabilities/Total Equity*100%	105.15	39.67
Total Bank Borrowings to Equity Ratio (%)	Total Bank Borrowings/Total Equity *100%	109.73	42.41
Current Bank Borrowings Coverage Ratio	Net Earnings/Current Bank Borrowings	2.24	3.68
Interest Coverage Ratio	Earnings Before Interest & Tax/Interest Expense	6.18	22.64

Industry Information

Value-added of the manufacturing sector increased further by 5.1% (Q3 2013: 4.2%). Production expanded 4.8% (Q3 2013: 4.3%) mainly attributed to higher external demand, amid improving global market conditions. Subsequently, sales of manufacturing products rose 3.9% to RM162.8 billion (Q3 2013: 3.6%; RM161.2 billion) while the overall capacity utilisation rate increased to 80% (Q3 2013: 75.6%).



Following the improving growth performance among advanced economies, export-oriented industries registered a higher output at 4.5% (Q3 2013: 4.2%). Growth was largely supported by E&E products which accelerated 9.7% (Q3 2013: 4%) on account of stronger demand for semiconductors from major importing countries, such as China, Hong Kong, Japan and Singapore. Output of chemicals and chemical products increased further by 4.6% mainly driven by stronger output of plastic products (22.7%). Meanwhile, production of rubber products increased strongly by 15%, supported by higher output of rubber tyres and tubes (21.2%) in line with the steady growth in the motor vehicle segment. Textiles, apparel and footwear products, particularly wearing apparel, expanded favourably by 14.6% supported by strong consumption during year-end and festive sales. However, output of petroleum products contracted 3.2% due to lower production of crude oil, despite higher output of natural gas.



MANUFACTURING PRODUCTION INDEX
(2005 = 100)
(% annual change)

	2012	2012				2013	2013			
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4
Overall Manufacturing	5.0	4.6	5.8	3.5	6.0	3.2	0.2	3.6	4.3	4.8
Export-oriented industries	3.9	3.0	5.1	2.5	5.3	2.5	-0.5	1.8	4.2	4.5
Electrical and electronic products	2.2	0.0	2.9	1.9	3.9	4.0	1.1	1.3	4.0	9.7
Chemicals and chemical products	8.4	9.1	10.8	5.9	7.8	5.6	3.5	5.0	9.1	4.6
Petroleum products	4.3	3.8	9.5	-0.2	4.2	-3.7	-11.4	0.1	0.6	-3.2
Wood products	7.2	-1.3	8.5	9.3	12.5	-1.0	5.4	-0.5	-6.5	-1.6
Off-estate processing	0.0	2.2	-15.4	2.5	11.1	1.7	11.9	0.2	-0.8	-1.9
Rubber products	3.0	2.4	4.1	1.5	3.2	11.7	12.1	6.7	13.1	15.0
Paper products	-3.3	-3.5	-6.2	-2.8	-0.4	-4.2	-9.2	-13.0	2.0	3.5
Textiles, apparel and footwear	-7.4	-10.3	-3.0	-8.2	-7.9	2.8	-5.6	6.4	-0.6	11.4
Domestic-oriented industries	8.3	10.0	5.2	6.9	6.1	5.4	2.4	9.1	4.4	5.6
Non-metallic minerals	5.0	9.5	5.4	6.1	-0.5	-8.2	-9.3	-12.0	-11.1	0.3
Fabricated metal products	18.0	17.4	7.6	21.6	25.2	9.9	9.6	27.2	5.1	0.0
Basic metals	-5.8	-11.7	-2.0	-5.9	-8.6	5.0	6.6	-1.7	11.0	5.0
Transport equipment	13.9	9.9	14.6	11.9	19.1	15.8	8.5	23.9	12.1	18.7
Food products	8.7	14.1	11.8	6.1	3.6	2.9	2.3	3.0	4.8	1.4
Beverages	-3.0	0.8	3.2	-9.2	-5.3	-1.3	-10.0	-3.0	0.9	5.9
Tobacco products	10.6	31.7	20.9	6.6	-9.6	-18.0	-9.2	-7.2	-24.0	-32.5
Others	-1.1	18.0	6.4	-15.6	-9.5	10.7	-5.5	10.2	19.7	20.3

Source: Department of Statistics, Malaysia.

Output of domestic-oriented industries strengthened further by 5.6% (Q3 2013: 4.4%), largely supported by stronger production of transport equipment (18.7%), particularly motor vehicles (17%). Construction-related industries improved slightly by 1% (Q3 2013: 0.8%) mainly contributed by expansion in residential and non-residential projects. Meanwhile, food production expanded moderately by 1.4% due to slower production of dairy products and manufacture of refined palm oil.

Sources: Ministry of Finance, Malaysia

Remarks

Based on the financial statements, SC's financial performance appears to be average. SC has been in its line of business for about 9 years. Taking into account its long-standing history, reputation in the market, as well as its financial condition, we recommend that the business rating of the company is satisfactory.

Appendix

Business Score Guide

SCORE KEY		SCORE DESCRIPTION
BR1	Excellent	Excellent business condition
BR2	Good	Good business condition with growth
BR3	Satisfactory	Moderate business condition; occasionally review
BR4	Less than Satisfactory	Below average business condition; cautious monitoring
BR5	Passable	Challenging business condition; frequent review
BR6	Poor	Trouble within SC; business not recommended
NR	Assessment not conducted	Insufficient data available

This score serves as a reference to assess SC's business score and its condition. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors and their relative weights (as indicated through %) in our analyses are as follows:

Financial condition	(30%)	Business Potential	(20%)	Company record	(10%)
Management Capability	(30%)	Industry record	(10%)		

In case of unlimited companies, newly established companies, or lack of financial data, more weight is given to 'Business Potential' and 'Management Capability' in our analysis.

Adopted abbreviations:

NA - Not Available RM - Malaysia Ringgit SC - subject company (the company inquired by you)