

Sugar Bun Destination Centers 2003

“We are upbeat and optimistic about our attempts in going “beyond fast food” will bring out inherent benefits as the creation of the “Happening Platforms” in various destination centres will enable thousands of people to congregate each evening under good ambiance for food and entertainment.” Datuk Mohd. Yussof Bin Hj. Yahab - Chairman

Sugar Bun Destination Centers – The Place for everyone to mingle and mix[1]

Destination centres are an area within a community that act as informal gathering places allowing for social binding and encouraging people to be more sociable than isolated. The centers would make life more colorful and enrich life and also help an open mind.

The idea behind the Destination Centers is provide a great entertainment variety catering for all ages and gender. People may want to listen to live music and also watch a dance performance. The reef area of the center will provide people to dance to great tunes. The center area will provide loud music and shows. The first and second floors of Sugar Bun will provide a slightly quieter ambiance. People may also prefer a roof top view, or be at ground level parallel to the dancers and singers.

The centers will provide a great food variety ranging from Western type meals, Asian cuisine, freshly baked pastries, pasta, pizza, and a wide variety of beverages.

Background

The company has assumed different names through the past several decades. On November 26, 1990 it changed its name from WK Wung Holdings Sdn Bhd to Motherwell Corporation Sdn Bhd. On September 16, 1991 it changed its name to Sugar Bun Services Corporation Sdn Bhd. Finally on June 24, 2002 it changed its name to Sugar Bun Corporation Bhd. The stock is traded on the Second Board of the KLSE.

The Group's principal activities are the operation and franchising of restaurants, bakeries and confectioneries. Other activities include provision for food processing, general trading and catering services, manufactures and sells ice cream, food and beverages, provides administrative, marketing and management services, and trades equipment and spare parts.

Upstream Value Chain Activities

The group imports all its beef and fish fillets requirements from Australia and New Zealand. Chicken requirements are sourced from local suppliers. The company processes the meat locally.

Downstream Value Chain Activities

The company is organised into two major business segments: restaurant and franchising operations; and general trading of machinery and spare parts and phone cards. During the past year the restaurant and franchising segment generated RM42,810,824 in sales, while the general trading of machinery and spare parts generated RM5,587,151 in sales. (See Appendix A) The following table lists the subsidiaries of the company.

Name of Group Subsidiaries	Equity Interest	Principal Activities
Sugar Bun Fast Food Centre Sdn. Bhd. Subsidiary: Strawberry Foods Sdn. Bhd.(Fast food Restaurants) Subsidiary: Strawberry Baking System Sdn. Bhd.(Bakery and Confectionery)	100	Fast Food Restaurants and investment holding
Applebee's Bakery Sdn. Bhd.	100	Bakery, confectionery and investment holding
Vanilla Foods Centre Sdn. Bhd.	100	Food processing, general trading and provision of catering services
Vanilla Enterprises Sdn. Bhd.	100	General trading and providing management and marketing services

Grand Colada Sdn. Bhd. And Landrock Realty Sdn. Bhd.	100	Property Holding
L & V Trading Sdn. Bhd.	100	Equipment and spare parts trading
SB Resorts Sdn. Bhd.	100	Provision of management services, catering services, and café cum entertainment operation
Softmatics Sdn. Bhd. Subsidiaries: Labuan Fast Food Centre Sdn. Bhd.(Investment Holding) Caprila Sdn. Bhd. (Sales of ice cream, food and beverages)	100	Investment holding, manufacturer and sale of ice cream.

Source: Annual Report 2003 pp.45-46.

Restaurant and Franchising Segment

The Group has the following brand names under its umbrella: SugarBun, AppleBee's and Caprila Ice Cream.

Sugar Bun Restaurants

In 1978, SugarBun began as an ice cream and snack parlour in a little corner next to Kenyalang Theatre in Kuching, Sarawak. In 1981, a fast food restaurant was added with SB Chicken as its hero product.

SugarBun has evolved into a diversified and franchising group with more than 50 restaurants spread across Malaysia, Negara Brunei Darussalam and China.

Sugar Bun's exacting standards has earned it the coveted MS ISO 9002 award for 'Quality Excellence in Preparation and Sale of Food' by the Standard & Industrial Research Institution of Malaysia (SIRIM).

One of SugarBun's success factors is its proven and customer-tested menu including its signature entries - SB Chicken and savoury rice. Sugar Bun has refined its menu through intensive Research & Development efforts by blending Asian culinary tastes with safe, hygienic and modern equipment and techniques. Regionally, it is an acknowledged leader in the fast food business offering consistency in high quality, healthy and delicious meals in clean, cozy and friendly restaurants.[2]

Sugar Bun has a recognizable brand name with a distinctive trademark and signage.

Sugar Bun utilizes an on-going stream of creative and successful advertising and cost-effective marketing programs for new product introductions, promotions and point-of-sale materials.

Sugar Bun has recently introduced a new "lifestyle" branding concept to its outlets. "Business at some outlets have increased by between 100% and 300%, depending on the location," Sugar Bun Corp Bhd regional general manager for Sarawak, Johnny Leo Lee Boon, said. Leo said that under the new concept, the number of food items offered at a Sugar Bun restaurant was increased.[3]

Applebee's Bakery Sdn. Bhd.

AppleBee's is sold in the regular Sugar Bun restaurants, and brand name bakeries.

Caprila Ice Cream.

Caprila Ice Cream is sold in the regular Sugar Bun restaurant, and in some centers there are Caprila Ice Cream Cafes.

Malaysian Food Service Industry[4]

Type of Establishment	Market Share(Percent)
Full Service Family Restaurants	25
Food and Drinks Hawker stalls	25
Fast Food Restaurant Chains	15
Coffee Shops	15
Hotels and Resorts	15
Catering Services	5

Hawkers

Hawkers are the backbone of the Malaysian food industry. The hawkers provide a limited range of local dishes at inexpensive prices, and command around 25% of the total food service market. These businesses operate from temporary roadside stalls, coffee shops, and food halls in modern shopping complexes. This sector's market segment consists of low to middle income workers, families and students.

Full Service Family Style Restaurants

Full service family style restaurants are usually air-conditioned, and provide waiter services. The restaurants have around 25% of the total food service market. The restaurants provide different cuisine such as Asian, European, and American. This sector's market segment consists of middle to high-income groups, business people, tourists and affluent younger Malaysians.

Local Coffee Shops

Local coffee shops offer simple local dishes for breakfast and lunch at inexpensive prices, without air conditioning and waiter services. The coffee shops have around 15% share of the total food service market. The coffee shops cater mainly to low and middle income consumers.

Quick Service Restaurants

The QSR sector consists of both international and local fast food companies. This sector has around 15% of the total food service market.

Competition is intense. Seventy percent of customers who patronize quick service restaurants are students in the "teen" market. Some 36 percent of its 23 million population are aged 15 years and below, and this points to a potentially large consumer base for the fast-food business.[5]

Hotels and Resorts

Hotels and resorts have around 15% of the total food service market.

The three to five star rated hotels operate restaurants that are key users of imported food and beverages. Usually each hotel has more than three food and beverage outlets: a coffee

house; a local Asian restaurant; a foreign restaurant (Western food or Japanese food); and a bar that is licensed to sell alcoholic drinks.

Franchising in Malaysia

Malaysia has enacted comprehensive regulations that govern all aspects of franchising, including disclosure, registration, and the relationship itself. Under the Malaysian law, franchise agreements must be in writing, must have a term of at least five years, and must have a cooling-off period of at least seven working days.[6]

The Malaysian Franchise Association was formed in 1994 to support the implementation of the Government program to promote entrepreneurship through franchising. The objectives of the association was to: to unite the members in view of protecting their interests; to cultivate and protect the image of franchising and encourage ethical business practice; and to support the government's effort in encouraging Bumiputra's direct and active involvement in franchising.

The functions of the association are extensive. Some of the most important functions are: Set and enforce standards of ethical business amongst members; act as a registry for information pertaining to franchise business operating or intending to operate within the country; coordinate and offer educational programs, seminars and exhibitions specially oriented to franchising matter; undertake promotional activities to promote franchising as a successful marketing business concept; provide input and liaise with government departments and / or agencies on matters concerning franchising and its application; and establish and maintain affiliations with counterpart organization globally.[7]

The following table shows the capital investment needed to obtain a franchise in Malaysia for a quick service restaurant.[8]

Company	Capital Investment
McDonald's	RM1.2-RM1.5 million
Dave's Deli	RM200,000-500,000
Marry-Brown Family Restaurant	RM150,000-RM2 million
Sugarbun	RM120,000-450,000
Chicken King	RM18,000-RM380,000
Kenny Rogers Roasters	RM450,000 - RM650,000

Environmental Factors

Opportunities

Purchasing Power

The middle to upper income group comprises sixty-one percent of Malaysia's population. The population is well educated and is growing at more than 2% per annum.[9]

Population Demographics

Malaysian's percentage age levels are given below:

0-14 years: 35%,

15-64 years: 61%,

65 years and over: 4%

More than 36% of the population is under 15 years of age. The majority of them are expected to participate in tomorrow's consumer market.[10]

Increasing Number of Shopping Malls

New modern air-conditioned shopping malls are continuing to open, providing increased opportunities for food service operators to access customers on a nationwide basis. The most successful food service businesses have strategies that involve obtaining prime sites within the country's key shopping malls/areas. This also involves new food service outlets along Malaysia's highways, in particular the North-South highway.

Increased usage of new shopping malls has resulted in increased usage of the modern food service outlets operating within the malls.

Changing Dining Out Patterns

Diet and eating/dining-out habit modernization especially amongst Malaysia's more affluent and younger urban residents is underpinning demand for a broad range of food service outlets.

Menu Diversification

Menu diversification by food service operators is part of their strategy to attract younger urban residents to their outlets.

Buyer Preferences

Many of Malaysia's food service buyers are well exposed to foreign products and understand product quality based on their comparisons with equivalent products.

Halal Certification

Halal certification is a total quality health and sanitary system that involves adopting procedures for slaughtering, processing and other related operations as prescribed by Islamic rules. It certifies raw materials, ingredients and products based on quality, sanitary and safety considerations.[11]

Malaysia aims to be the international center for *halal* food production and its accreditation on *halal* products is highly respected and recognized by most Islamic nations.

Constraints

Sourcing of orders for the food service sector

Relatively small and frequent order quantities by the food service sector mean that buyers are unable to source directly from exporters who prefer to satisfy large orders only.

Malaysian Food Culture

Malaysian food culture is strong and dominates restaurant output, which mainly revolves around local Malay, Chinese and Indian dishes today.

Suppliers of food and beverage

Local products and those from neighboring countries dominate the supply of food and beverages to Malaysia's food service sector. This includes supplies to fast food businesses like McDonald's and KFC, which have localized/ASEANised many of their food and beverage requirements.

Price Sensitivity of Consumers

Price sensitivity of consumers affects the food service sector's buyers and their suppliers, e.g. importers and distributors.

Distribution Network

Malaysia's large geographical area requires a strong distribution network to supply all urban areas where key food service outlets operate. Increased spending in the food service sector, especially in the urban areas.

Limited Number of Distributors

Limited availability of importers/distributors for imported products targeting food service users.

Trends in the UK Quick Service Restaurant(QSR) Industry[12]

The QSR industry in the UK is in the mature stage of the product life cycle. To remain the market leader, for a company like McDonald's, involves enhancing the reputation of the brand coupled with product innovation based on detailed market research.

In the past, the success of McDonald's was due to a formula of providing a range of standardized products quickly and cheaply. However, through their research, the company has discovered that modern consumers of all ages are seeking experiences that are more individualized than in the past.

The QSR industry in the UK is very competitive. Many of McDonald's competitors had copied the trail blazing ideas of the company, and had promoted new ideas of their own such as making fast food available in urban supermarkets and petrol stations. McDonalds has had to develop competitive strategies that differentiated it from its rivals. The company has differentiated its product in three ways: adding greater value through innovation; making the process of visiting a McDonald's less routine and controlled; and enhancing the overall in-house experience.

The company's market research indicates there are a number of trends apparent in the industry. Snacking is important among teenagers and young people. The importance of organic food is rising. Chicken continues to be seen as healthier than red meat. The traditional mealtimes of breakfast and lunch are becoming less important, and the main meal of the day has to be flexible to reflect the changing lifestyles of consumers.

The company has adapted its marketing mix to reflect these realities.

It provides the right **product**. The menu contains chicken as well as beef, salad items, and healthy drinks for children.

It charges the right **price**. The menu offers a flexible combination of drinks, sandwiches, etc. in addition to a basic meal to provide value for money.

It provides its product in the right **place** such as shopping areas/malls.

It provides the right **promotion** to promote its products.

Quick Service Restaurant (QSR) Industry in Malaysia

The Quick Service Restaurant (QSR) industry is dynamic, highly competitive and vulnerable to adverse developments in the economy. The following table shows the approximate market share of the main competitors in the industry.

Company	Market Share - Percent
KFC Holdings (Malaysia) Bhd's	60
McDonald's	20
Marry Brown	6.7
Sugar Bun	2.5
Other	10.8

Source: Various

The preceding table indicates that KFC Holdings has the greatest market share in Malaysia.

KFC Holdings (Malaysia) Bhd's - KFCH

The company is the franchise holder of KFC for Malaysia, Brunei and Singapore and Pizza Hut for Malaysia and Singapore. As of April 2003, the company has 327 KFC and 102 Pizza Hut outlets in the country.

KFCH's solid footing in the local market is attributable to its strategies of backward integration (feedmill, breeder farms, hatchery, contract broiler farms, poultry processing plant, sauce manufacturing plant, bakery, and bottling plant) and successful expansion in both urban and rural areas ahead of its competitors.

The wide restaurant network built over the years has generated the critical mass in customer traffic necessary for the Group to maintain its dominant market position.

The Group also consistently introduces new products, developed by the franchisors and its in-house research & development unit, to respond to changing consumer tastes over time.[13]

McDonalds

Golden Arches Restaurants Sdn. Bhd. was incorporated in Malaysia in December 1980. It has the license to operate McDonalds restaurants in Malaysia by the McDonalds Corporation, U.S.A. They opened their first McDonalds restaurant at Jalan Bukit Bintang, Kuala Lumpur, in April, 1982.

To date, Malaysia has 146 restaurants nationwide that serve over 5 million customers monthly. [14]

The company plans to double sales in four years, leveraging on its just launched three-year “i'm lovin' it” campaign.[15]

Marry Brown

The *Marrybrown* chain of family restaurants, currently the 3rd largest fast food chain in Malaysia after KFC and McDonald's, has already made inroads into Brunei, India, China and Dubai, and is currently negotiating for the opening of outlets in Indonesia and Thailand. It is also eyeing other markets such as Myanmar, South Africa and the Philippines.

The eatery, serving primarily burgers, both vegetable and non vegetable, and fried chicken along with side dishes, providing great value for the money, and is affordable to students, couples, and families.

The company's aim is to establish Marrybrown as a global fast food chain that could one day introduce Malaysian signature food like *satay* to the rest of the world. [16]

Dave's Deli

Dave's Deli is a medium-meal-price quick service restaurant requiring high sales turnover as well as tight control of labor and food costing.

Dave's Deli differentiates itself from competitors by offering a more extensive menu. By featuring a more diversified menu, Dave's Deli has increased its appeal to a wider and greater spectrum of eating times, consumer tastes and market segments. delights. We provide a special weekend roast, which may vary, from prime US beef to NZ lamb.[17]

Financial Highlights

Profit and Loss Summary

During the past year sales increased by 29%. However, the cost of sales increased by 39%, and the administrative expenses increased by approximately 19%. The loss position improved by RM1,057,650.[18]

Consolidated Income Statement as of January 31, 2003

	2003(RM)	2002(RM)
Revenue	48,397,975	37,532,627
Cost of Sales	<u>25,740,610</u>	<u>19,251,496</u>
Gross Profit	22,657,365	18,281,132
Other Operating Income	2,560,231	330,359
Administrative and other operating expenses	<u>30,859,709</u>	<u>26,012,170</u>
Loss from Operations	5,642,113	7,400,679
Finance cost, net	<u>834,449</u>	<u>587,638</u>
Loss before taxation	6,476,562	7,988,317
Taxation	466,996	917,267
Loss after taxation	6,009,566	7,071,050
Minority interests	<u>92,957</u>	<u>96,791</u>
Net Loss for the year	<u>5,916,609</u>	<u>6,974,259</u>

Working Capital Requirements

During the year the working capital position of the company improved dramatically. In 2002 the working capital position of the company was –RM1,865,477.00. The working capital position of the company in 2003 was RM27,186,259.00.

Consolidated Balance Sheet as of January 31, 2003.

	2003(RM)	2202(RM)
NON-CURRENT ASSETS		
Property, plant and equipment	40,446,893	30,845,712
Other investments	5,530	5,530
Long term receivables	2,603,832	5,231,829
Intangible assets	<u>4,079,692</u>	<u>5,147,362</u>
	<u>47,135,947</u>	<u>41,230,433</u>
CURRENT ASSETS		
Inventories	5,118,142	3,954,305
Trade receivables	4,422,208	4,049,422
Other receivables	21,205,839	5,046,466
Cash and bank balance	<u>10,001,810</u>	<u>3,977,527</u>

	<u>40,747,999</u> 2003(RM)	<u>17,027,720</u> 2002(RM)
CURRENT LIABILITIES		
Short term borrowings	2,254,944	7,096,648
Trade payable	9,304,839	10,150,050
Other payables	1,824,693	1,454,802
Taxation	<u>177,264</u>	<u>191,697</u>
	<u>13,561,740</u>	<u>18,893,197</u>
NET CURRENT ASSETS(LIABILITIES)		
	<u>27,186,259</u>	<u>(1,865,477)</u>
	<u>74,322,206</u>	<u>39,364,956</u>
FINANCED BY:		
Share Capital	68,640,000	27,456,000
Reserves	<u>326,095</u>	<u>9,640,270</u>
Shareholders' equity	69,431,635	37,654,767
Minority interests	<u>465,540</u>	<u>558,497</u>
	<u>69,431,635</u>	<u>37,654,767</u>
Long term borrowings	4,874,571	1,228,189
Deferred taxation	<u>16,000</u>	<u>482,000</u>
	<u>4,890,571</u>	<u>1,710,189</u>
	<u>74,322,206</u>	<u>39,364,956</u>

Corporate Governance – Annual report 2003[19]

The board has four members. Two of the members are executive directors, and two are non-executive directors. The non executive directors are independent.

The roles of chairman and executive director are separated to ensure the balance of power and authority. The non executive directors provide the board with a mix of skill and experience.

The chairman of the board is Datuk Mohammed Yussof Bin Haji Yakob.

Datuk Mohammed Yussof Bin Haji Yakob – (Independent Non-Executive Chairman) -54

Datuk Mohammed Yussof Bin Haji Yakob was appointed a Director of SSCB on 23rd March, 2001 and was appointed chairman of the company on 23rd August, 2001.

He formerly served with the State Government of Sabah. From 1975 to 1977 he held the Registrar of Land position. From 1978 to 1980 he was appointed as Permanent Secretary of the Sabah State Ministry of Manpower and Environmental Development. From 1981 until March 1982 he was appointed as Permanent Secretary of the Sabah State Ministry of Communication and Works. He held various other posts such as Deputy Chairman of Sabah Tourism Promotion

Corporation(1978 until 1980), Deputy Chairman of Sabah National Parks (from 1984 until 1986), Deputy Chairman of Sabah Credit Corporation (1984 until 1986), Vice Chairman of Migration Fund Board Sabah (1978 until 1980) and from 1981 until 1992 as Board Member of Sabah Ports Authority and Sabah Electricity Board. He held professional qualifications in LLB (Adelaide) and CLP (Malaya),. He currently is an advocate and solicitor.

Datin Kong Hwa Ling (Executive Director) - 46

She was appointed to the board on August 23, 2001.

Since 1984, she had been formerly appointed a Director of Softmatics Sdn Bhd. The company is now a subsidiary of SSCB.

She is the Property Manager for various Malaysian private limited companies involved in property investment.

Tan Kok Chor (Independent Non-Executive Director) – 53

He was appointed to the board on August 21, 2001.

He has more than 5 years experience in litigation, conveyancing and preparing legal documentation and related matters. He is also a very experienced businessman involved in property investment.

He holds directorships in several other Malaysian private limited companies.

Chee Su Kyun (Executive Director)- 42

He was appointed to the board on July 3, 2002.

He leads a strong operations team consisting of operation, marketing, training and project personnel.

He holds a Bachelor Degree in Finance, Business Administration and Economics. He obtained his degree from the University of Western Ontario, Canada.

Prior to joining the company he was involved in 3 major international fast food franchise namely KFC, Pizza Hut and Burger King for 12 years. His international exposure includes United States of America, Australia, Hawaii, Korea and Singapore.

The Reef Project Dance Bar and Grill

A RM6million destination centre in Beach Street, Kota Kinabalu in Sabah, is drawing in the crowds. The talk-of-the-town flagship outlet operating round the clock has under its roof a SugarBun restaurant, western grills, a Japanese restaurant, a fun pub, a wine bar and a family recreational area.

The centre's most distinctive feature is "The Reef Project Dance Bar and Grill," inspired by Borneo's indigenous marine life.

Every major town in Sabah and Sarawak would eventually have a destination centre covering at least 20,000 sq ft each., and two such centres have also been planned for Kuala Lumpur.

The development of the destination centres forms a major effort by SugarBun to reposition itself in an increasingly competitive fast food market.[20]

Appendix A Segment Information[21]

	Revenue & Franchising Operations(RM)		General Trading(RM)	
	2003	2002	2003	2002
Revenue and Expenses				
External Sales	42,810,824	37,561,712	5,587,151	15,915
Iner-segment Sales			<u>874,608</u>	<u>741,924</u>
Total Revenue	<u>42,810,824</u>	<u>37,516,712</u>	<u>6,461,759</u>	<u>757,639</u>
Results	(5,687,913)	(7,090,104)	45,800	(310,575)
Segment Assets	85,830,144	57,006,473	2,053,802	1,251,680
Segment Liabilities	18,307,333	20,597,958	144,978	5,428
Capital Expenditure	14,996,564	1,569,166	2,698	23,573
Depreciation	3,172,285	3,069,756	8,068	6,821
Amorization of goodwill, intangible Assets, and prepaid lease rental	1,141,038	1,067,670		

Appendix B Share Capital Information [22]

	2003	2002
Authorized(Par Value – RM1)	100,000,000	100,000,000
Issued and Fully paid		
At Febraury 1	27,456,000	26,594,000
Issued under Employees Share Option Scheme		862,000
Issued under the Rights Issue, at par	<u>41,184,000</u>	<u>N/A</u>
At 31 January	<u>68,640,000</u>	<u>27,456,000</u>

Note: The Rights Issue was used to finance working capital requirements and expansion. The related costs amounted to RM3,397,566. The new ordinary shares rank *pari passu* in all respects with existing ordinary shares.

Appendix C: Other Receivables(RM)[23]

	2003	2002
Prepaid Lease Rental(See Note 1)	7,753,463	
Advances to Suppliers	3,185,874	
Amount Due from Subsidiaries	--	--
Amount Due from Resort Company(See Note 2)	4,599,000	2,631,000
Amount Due from Local Franchisee	11,518,965	11,518,965
Amount Due from a Franchisee in China	--	2,100,480
Prepayments	1,099,777	
Deposit	3,447,632	1,685,624
Sundry Receivables	1,016,671	607,581
Tax Recoverable	<u>223,370</u>	<u>241,771</u>
	<u>32,644,772</u>	<u>18,785,421</u>
Less: Provision for Doubtful Debts	<u>(11,638,933)</u>	<u>(13,738,955)</u>
	<u>21,205,839</u>	<u>5,046,466</u>

Notes:

1. The rental payments are costs incurred in developing certain areas in Kota Kinabalu belonging to the government authority in return for allowing the Group to operate its operation in these areas for a period of between ten to eleven years in lieu of rental payment.
2. In a prior year, a subsidiary, SB Resorts Sdn Bhd made certain advances to a resort company under a marketing and management agreement. The amount is be paid via 36 monthly installments commencing February 1, 2002.

Appendix D: Consolidated Cash Flow Statement (RM)[24]

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(6,476,562)	(7,988,317)
Adjustments for:		
Depreciation	3,180,353	3,076,577
Property, plant and equipment written off	727,773	295,032
Amortisation of prepaid lease rental	73,368	
Amortisation of goodwill arising on consolidation	567,670	567,670
Loss on disposal of property, plant and equipment	173,188	161,522
Amortisation intangible assets	500,000	500,000
Provision for doubtful expenses		17,796
Write back of provision for doubtful debts	(2,100,000)	
Interest Expense	1,003,075	625,676
Interest Income	<u>(76,226)</u>	<u>(104,713)</u>
Operating loss before working capital changes	(2,427,361)	(2,848,757)
Increase in inventories	(1,163,837)	(503,875)
Increase in receivables	(11,895,931)	(931,467)
(Decrease)increase in payables	<u>(475,320)</u>	<u>3,624,123</u>
Cash Used in Operations	(15,962,449)	(659,976)
Interest Paid	(1,003,075)	(625,676)
Taxes Refunded(paid)	<u>4,964</u>	<u>(51,884)</u>
Net Cash Use in Operating Activities	(16,960,560)	(1,337,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment	(14,421,962)	(1,553,685)
Proceeds from disposal of property, plant and equipment	1,316,767	669,471
Interest Received	<u>76,226</u>	<u>104,713</u>
Net Used in Investing Activities	(13,028,969)	(749,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share, net of related expenses	37,786,434	2,086,040
Drawdown of banker acceptances and trust receipts	564	176,035
Repayment of hire purchases and lease financing	(256,366)	(229,051)
Drawdown of term loans	12,000,000	500,000
Repayment of term loans	<u>(8,311,973)</u>	<u>(171,336)</u>
	<u>41,208,659</u>	<u>2,361,688</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,219,130	274,651
CASH AND CASH EQUIVALENTS AT BEGINNING AT BEGINNING OF FINANCIAL YEAR	<u>(2,480,237)</u>	<u>(2,754,888)</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>8,738,893</u>	<u>(2,480,237)</u>

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