14. EXECUTIVE SUMMARY FOR THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON

(Prepared for inclusion in this prospectus)

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16 DEC 2003

To:

The Board of Directors
Plastrade Technology Berhad
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Johor

Re: Independent Market Consultant Report on the Resin Compounds Industry

This executive summary is prepared for inclusion in the prospectus of Plastrade Technology Berhad to be dated 23 DEC 2003 in relation to its listing on the Mesdaq Market of the Kuala Lumpur Stock Exchange. This research is undertaken with the purpose of providing an analysis of the market position of Plastrade Technology Berhad within the resin compounds industry in Malaysia. The report provides a special focus on the particular segment of the industry that Plastrade Technology Berhad is operating in.

The information provided in this Prospectus with reference to our name is principally the extractions from our research report, which was undertaken through both primary and secondary sources. Interviews were conducted with the main market participants in the country as well as Plastrade Technology Berhad's direct competitors. Primary research is provided to gain an in-depth understanding of the current industry profile and to provide an overall picture of the market performance and trends.

Secondary research includes a review of the in-house database of Frost and Sullivan, the Eighth Malaysia Plan 2001-2005, the Third Outline Perspective Plan 2001-2010, the Malaysia International Trade and Industry Report 2002, the Monthly Statistical Bulletin, Bank Negara Malaysia Annual Report 2002, the Monthly Manufacturing Statistics and others.

The research was conducted between August and September 2002, with some updates done in September 2003. Findings in this study may be used in the listing prospectus with consent from Frost and Sullivan.

Yours faithfully
For and behalf of
Frost and Sullivan (M) Sdn Bhd

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LEOW HOCK BEE
RESEARCH MANAGER

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Executive Summary

Overview of the Malaysian Market for Resin Compounds

In Malaysia, resin compounds are principally utilised in the manufacturing of wires and cables, as well as automotive plastic component parts. Resin compounds are derived from plastic resins, which in return, are mainly produced from petroleum. In Malaysia, the precursors used are natural gas, while the higher-valued crude oil is used for other purposes. Every price increase in the precursors such as petroleum is automatically translated into higher prices of the feedstock, that is, polypropylene (PP) and polyethylene (PE). In return, this caused the price of resin compounds to rise as well. It is not possible to pass on these price increases to the end users of resin compounds to the necessary extent and hence, the resin compound manufacturers have to absorb some of the raw material costs.

With upstream (PE and PP manufacturing) profits eroding, many synthetic resins manufacturers are placing greater emphasis on forward integration such as resin compounding, looking to develop niches, create brand identity, and increase their ability to customise products according to customer's requirements. At the same time, these companies need to invest in new equipment and train their staff to move into resin compounding. Ultimately, this will pose a challenge to the independent resin compounders. However, the independent resin compounder has the ability to offer services that cannot be duplicated by the larger synthetic resin manufacturer that needs to focus on economies of scale.

The market for resin compounds used in the manufacturing of wires and cables in Malaysia was recorded at approximately RM70.0 million in 2002. In the case of resin compounds utilised in the production of automotive plastic component parts, it was registered at around RM73.9 million. In terms of volume, more tonnage of resin compounds is used in the manufacturing of wires and cables, compared to the manufacturing of automotive plastic component parts. However, the unit price of resin compounds is higher for the automotive plastic component parts, and hence leads to a higher market value for this end-user segment.

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The industry drivers include:

- Revival of Bakun Dam

  The revival of Bakun dam is expected to generate additional demand for power wires and cables. There is a need for 160 kilometers of wires and cables between Bakun and Bintulu; and another 665 kilometers of wires and cables between Bakun and Tanjung Parih.

- Electrified Double Track Rail Project

  Work had started on the Ipoh-Rawang electrified double-tracking rail link in 2000. In additional there are plans to electrify the proposed double-tracking rail link between Seremban and Johor Bahru in the south; and between Ipoh and Padang Besar in the north.

- Promotion of Shipbuilding Industry

  The government plans to gradually establish a ship-building and repair infrastructure, as the country is a major trading partner. This has the potential to generate additional demand for control cables and wires.

- Increasing Electrification

  The Eighth Malaysia Plan (2001-2005) envisages that both the transmission and distribution system will be further strengthened to enhance reliability and efficiency. The trend in the transmission network is towards higher voltage capacity. Meantime, the distribution network is to be expanded and upgraded to improve the coverage, reliability and customer services.

- Substitution of Metals with Plastics

  Thermoplastic, which is a heat-resistant compound reinforced with glass fibres, are beginning to replace metal component parts in automobiles. Besides saving weight, plastic component parts have a smooth finish that requires little, if any, machining after moulding. This translates into a lower production cost, compared with metal component parts. Ultimately, this affects the price of an automobile in the market.

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However, the industry is faced with restraints such as follow:

- High Property Overhang

  Low vacancy rates existing in the various property market segments have translated into less demand for power and telecommunications cables use in these projects. There is a substantial amount of cables used in every property development project.

- Advent of Wireless Technologies

  The advent of wireless technologies in the telecommunications industry such as cellular phones, Bluetooth and Wi-Fi have lessened the demand for wires and cables. Wireless technologies are popular with executives on the move, who do not have to contend with carrying along a cluster of wires.

Wires and Cables End-User Market

About 25 percent of the wires and cables manufactured in Malaysia are produced for the telecommunications segment, with power cables taking up another 55 percent. Optic fibre cables, also used for telecommunications purposes, take up another 10 percent. The remaining 10 percent is accounted by the manufacturing of control cables for machineries and ships, as well as consumer electrical durables. The demand for cables and wires is closely related to both industrialisation and infrastructure spending. Communication cables are the link between the emitting and receiving points, transferring voice, data, and image. The growth and expansion of the market for communication cables is highly dependent on the investment climate stimulated by the growth of the business community. Demand from the business community has led to the need for sophisticated wires and cables to fulfil the complex needs of industries for instantaneous communications and information retrieval from points around the globe.

In this context, the manufacturing of wires and cables is closely associated with the implementation of power and telecommunications infrastructure. The bulk of the domestic demand comes from the corporations vested with power generation and telecommunications needs of the country. In this context, the main consumers for power cables are Tenaga Nasional Bhd, the Sabah Electricity Board, and the Sarawak Electricity Supply Corporation. In the case of the telecommunications cables, the main consumer is Telekom Nasional Bhd.

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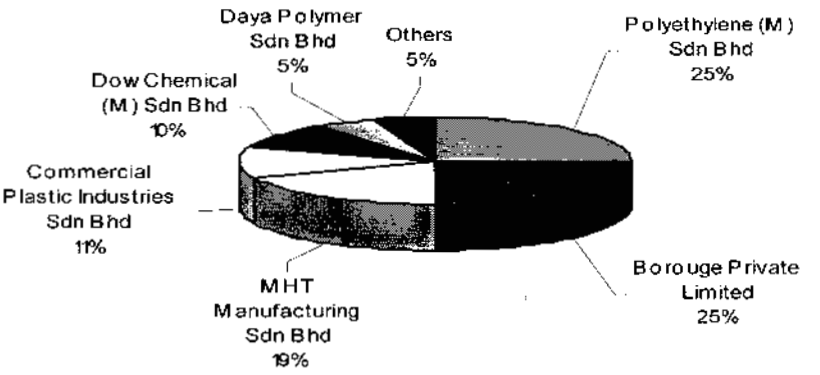
Figure 1: Wires and Cables End-User Market



The market concentration of the top three participants in the wires and cables end-user market was about 69 percent in 2002. These companies are Polyethylene (M) Sdn Bhd (25 percent), Borouge Private Limited (25 percent) and MHT Manufacturing Sdn Bhd (19 percent). There are 4 major domestic players and 2 foreign players in Malaysia. They compete mainly in terms of price, quality and customer service and support.

Automotive Plastic Component Parts End-User Market

When the first automotive assembly plant was established in 1967, it heralded the arrival of the automotive industry in Malaysia. The country moved into the manufacturing of motor vehicles and their component parts in the mid-eighties with the implementation of the national car program. The automotive industry is the most diversified user of plastics in the world. Of the 30 families of different types of plastics, nearly all are used in thousands of automotive applications. Different polymers are chosen for their specific aesthetic and functional qualities. In the interior of the car, plastic materials have more or less gained an application saturation of approximately 80 percent.

As the automobile industry is intensely competitive, the local automotive assemblers put pressure on the automotive plastic component parts manufacturers to be more cost-competitive. This pressure is transmitted backward through the value chain to reach the resin compound manufacturers. The production of automotive plastic component parts is a derived demand from the market for automobiles.

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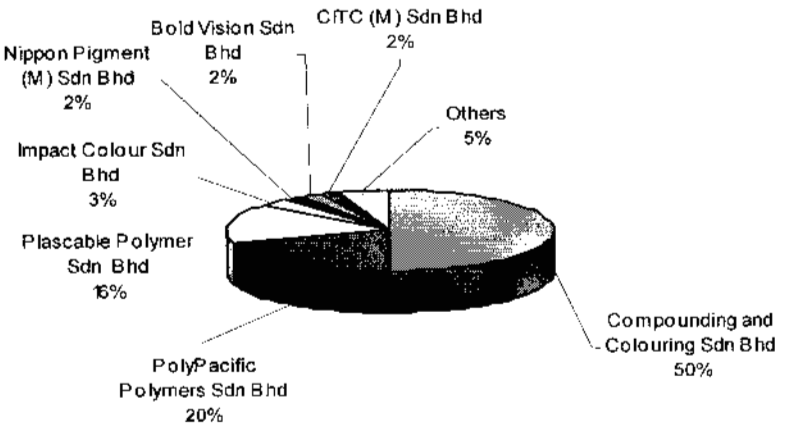
Figure 2: Automotive Plastic Component Parts End-User Market



The market concentration of the top three market participants in the automotive plastic component parts end-user market was around 86 percent in 2002. These companies were Compounding and Colouring Sdn Bhd (50 percent), PolyPacific Polymers Sdn Bhd (20 percent) and Plascable Polymer Sdn Bhd (16 percent). There are 7 major players in the market. To compete in the market, attributes like quality and customer support are important.

Overview of the Chinese Market for Resin Compounds

Factors like the entry of China into the World Trade Organisation (WTO), its emergence as an engine of growth in Asia, its inexhaustible reservoir of both skilled and unskilled labour supply and its recognition as the manufacturing workshop of the world have led to influx of foreign direct investments (FDIs) into the country. In 2002, about 56 percent of the US$95 billion of FDI inflows to Asia went to China, making it the largest recipient of FDI in the region.

Along with the rapid economic growth, an unprecedented progress has been made in recent years in upgrading and modernising China's basic economic infrastructure. Infrastructure modernisation has been a high priority of China's successive five year plans. Due to the heavy investment by the Government in the nineties, China has now become one of the world's leading countries in terms of electrical power generating capacity and public telecommunications network. Along with these investments, there has been a change in the product structure of the wires and cables industry - with total production of power cables, telecommunications cables, and optic fibre cables increasing, while

that of control wires and cables for consumer electrical durables had decreased. By 1998, the wires and cables manufacturing industry amounted to about 1 percent of the GDP.

The country has seen the rapid use of fibre optics that is used not as a replacement for copper wires, but for initial telecommunications lines, thus leapfrogging the old technology. The construction of both inter-province and intra-province trunk lines for telecommunications purposes is driving the demand. From an extremely primitive communications system in most of the country in 1990, and with almost no fibre optic lines in 1995, China had 1.58 million km. of optical trunk cable in operation in 2002. This provided fibre optic service to 75 percent of Chinese cities and counties and brought phone access to 85 percent of China's rural administrative villages. The demand for fibre optics can be seen from the installed base of 182 million fixed-line phones in 2002, and which are now increasing at almost 3 million units per month. China plans a 100 percent increase, doubling its fibre optics network to 2.4 million km. during the 10th Five Year Plan that ends in 2005. Demand for fibre optics is anticipated to grow at 10-15 percent per annum in the rundown to the Olympic Games in 2008.

The world's largest hydroelectric power plant, the $75 billion Three Gorges Dam, is partially completed on the Yangtze River at Sandouping. Started in 1992, it is expected to take 20 years to complete. At more than 1.9 km. length and 181 m. height, it will be the single largest power plant in the world. The 26 generators, with a total capacity of 18,200 megawatt (MW), will feed 15 transmission lines with 500 kilovolt (kV) alternating current (AC) lines going west to central China, and 500 kV direct current (DC) lines to east China. Once the Three Gorges Dam is completed, there will be a need for the usage of 1,000 kV ultra-high voltage AC and super-high voltage DC transmission lines. The transmission lines from the project site to south China will exceed 1,000 km. in length. By the end of the first decade, China will also see the completion of three combined power grids: the north, the mid, and the south grids.

In 2002, sales of automobiles reached 3.39 million units, an increase of 920,000 units over the previous year. However, there were only 16 million cars in China – not many for a country with 1.3 billion people. Automobile traffic has skyrocketed since the start of the economic reforms and the subsequent boom in economic activities. Looking ahead, sales growth will be given further shots in the arm, by a number of government initiatives, the country's rapid economic growth, and eventually, by loans for private car owners from both the car manufacturers and banks.

As an industrial raw material, there is a huge demand for both PE and PP in China's rapid industrialising economy. Although substantial investments in polyolefin capacity will take place over the next few years, expanding demand will ensure that the country remains the largest polyolefin's importer. China accounts for about 30 percent of global PE imports and 40 percent of global PP imports.

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Overview of the Thai Market for Resin Compounds

It was Thailand's openness that first lured the world's top automobile manufacturers into establishing operations in the country, as a platform for markets in the region. The country saw the potential advantages of globalisation in the early nineties. Generous incentives were offered to foreign automobile manufacturers setting up their operations in an economically backward area of the country. The efficient and strategically located port of Laem Chabang, about 10 km. from the Eastern Seaboard Industrial Estate, was a vital factor in the decisions of the foreign investors. Japanese automotive companies were the first to take the bait, followed by American companies. The supporting and ancillary industries followed, and to date, Thailand has attracted more than 200 Japanese automotive component parts manufacturers.

Although the 1997 Asian financial crisis put many bold expansion plans on hold, 16 of the world's top automobile manufacturers currently have operations in the country, now widely known as "Detroit of the East". Post-1997, automobile multinationals and their supporting industries such as BMW, Honda, Toyota, Land Rover, and Ishikawajima-Harima have continued to consolidate their regional auto-manufacturing bases in Thailand.

As globalisation has taken hold of the automobile industry, Thailand's automobile industry hub is beginning to hum – strategically and logistically planned to become an important vehicle production centre of East Asia. The automobile industry's roller-coaster ride after the slump in 1997 is nearly at an end, with the market shifting into cruise control to assume its much-touted position as the regional hub for both automobile assembly operations and exports. Thailand is rapidly becoming the global production base for one-ton pickup trucks outside the United States. This type of vehicle accounted for about 60 percent of the industry's production, while passenger cars took up about 30 percent. In 2002, Thailand produced over 500,000 automobiles, surpassing Malaysia for the first time, which assembled 457,000 units. The industry is forecasted to grow between 15 percent and 20 percent over the next three years, before slowing down to between 5 percent and 10 percent in the following years.

Concomitantly, the automotive component parts manufacturing industry in Thailand is considered to be the most capable in Southeast Asia. The industry is able to supply around 80 percent of the component parts used in pickup trucks and approximately 60 percent of the component parts for passenger cars. Altogether, there are over 1,000 automotive component parts manufacturers in the country.

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Future Prospects of the Resin Compounds Industry

On the raw material side, the trend of increasing capacity of polymer manufacturing plants due to advances in operating and catalyst technology will allow both the existing and new facilities to be even more productive and efficient in the years to come. The major impact will be the lower prices paid for the feedstock by the resin compound manufacturers, translating into lower prices of resin compounds in the market. A major advantage of the resin compound industry is the abundant natural gas deposits in the country, which has spurred the development of the plastic resins industry.

A major challenge facing resin compound manufacturers in Malaysia is the relatively small end-user markets in Malaysia. Hence, this has an impact on the achievement of economies of scale, which is a major cost driver, in their operations. In addition, the small domestic market is not large enough to permit the manufacturing of the entire range and grades of resin compounds. The emergence of China as a global manufacturing workshop has also attracted many supporting and ancillary industries to relocate there, hence indirectly affecting the demand for resin compounds, which is an intermediate industrial raw material.

More telecommunications and power lines are expected to be utilised as spending on infrastructure continues and the country industrialises further, and hence the demand for resins compounds used in the manufacturing of wires and cables. A modern telecommunications and power structure is part and parcel of modern life. The market for resin compounds used in the production of wires and cables is anticipated to grow from RM70 million in 2002 to RM116.9 million in 2007, producing a CAGR of 10.8 percent.

The demand for resin compounds used for automotive plastic component parts is projected to decelerate in the coming years as AFTA comes into effect. More imported automobiles with their component parts manufactured in the other AFTA countries are expected to take place. This is anticipated to have an impact on the domestic plastic component parts manufacturers This would, in return, have an impact on the domestic automotive plastic component parts manufacturers, and hence, the consumption of resin compounds. On average, about 10 percent of the value of an automobile is accounted by plastic component parts. Out of the approximately 4,000 component parts that make up an automobile, around 13 percent is made from plastic component parts. The market for resin compounds utilised in the manufacturing of resin compounds for automotive plastic component parts is expected to rise from RM73.9 million in 2002 to RM120.6 million in 2007, yielding a CAGR of 10.3 percent.

15. DIRECTORS' REPORT

(Prepared for inclusion in this prospectus)

PLASTRADE TECHNOLOGY BERHAD (Company No.:591077-X)
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City Plaza, Jalan Tebrau
80300 Johor Bahru
Johor Darul Takzim

16 DEC 2003

The Shareholders of Plastrade Technology Berhad

Dear Sir/Madam

On behalf of the Board of Directors of Plastrade Technology Berhad ("PTB"), I report after due inquiry that during the period from 30 June 2003 (being the date to which the last audited accounts of PTB and its subsidiaries have been made up) to the date hereof, (being a date not earlier than fourteen (14) days before the date of issue of this Prospectus), that:

(a) the business of PTB and its subsidiaries have, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of PTB and its subsidiaries which have adversely affected the trading or the value of the assets of PTB and its subsidiaries;

(c) the current assets of PTB and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities by reason of any guarantees or indemnities given by PTB and/or its subsidiaries;

(e) there have been no default or any known event that could give rise to a default situation, in respect of either interest and/or principal sums in relation to any borrowings in which they are aware of since the last audited accounts of PTB and its subsidiaries; and

(f) save as disclosed in the Accountant's Report and Proforma Consolidated Balance Sheets in this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of PTB and its subsidiaries since the last audited accounts of PTB and its subsidiaries.

Yours faithfully
For and on behalf of the Board of Directors
PLASTRADE TECHNOLOGY BERHAD

PUA KONG HOI
Managing Director