(Prepared for inclusion in this Prospectus)

Deloitte.

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20 September 2005

The Board of Directors
Asia Poly Holdings Berhad
Lot 758, Jalan Haji Sirat
Mukim Kapar
42100 Klang
Selangor Darul Ehsan

Dear Sirs,

ACCOUNTANTS' REPORT
ASIA POLY HOLDINGS BERHAD

A. INTRODUCTION

This Report has been prepared by Deloitte KassimChan, an approved company auditors, for inclusion in the Prospectus of Asia Poly Holdings Berhad (hereinafter referred to as "the Company" or "Asia Poly") to be dated 30 September 2005 in connection with the public issue of 22,179,000 new ordinary shares of RM0.10 each in Asia Poly at an issue price of RM0.34 per share payable in full upon application pursuant to the listing of and quotation for the entire enlarged issued and paid-up share capital of Asia Poly, comprising 87,914,960 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

B. GENERAL INFORMATION

B.1 Incorporation and Principal Activity

Asia Poly was incorporated in Malaysia under the Companies Act, 1965 on 20 June 2003 as a public limited company.

The Company is principally an investment holding company.

B.2 Listing Exercise

In conjunction with and as an integral part of the listing of and quotation for its entire enlarged issued and paid-up share capital on the MESDAQ Market of Bursa Securities, Asia Poly undertook/will undertake the following:

(i) Acquisition of 4,700,000 ordinary shares of RM1.00 each in Asia Poly Industrial Sdn Bhd (hereinafter referred to as "APSB") representing the entire equity interest in APSB for a purchase consideration of RM6,573,576 satisfied by the issuance of 65,735,760 new ordinary shares of RM0.10 each at par in Asia Poly ("APSB Acquisition"). The APSB Acquisition was completed on 2 September 2004;

(ii) Public issue of 22,179,000 new ordinary shares of RM0.10 each at an issue price of RM0.34 per share payable in full on application comprising:

  (a) 2,000,000 new ordinary shares of RM0.10 each available for application by the Malaysian public;

  (b) 4,395,000 new ordinary shares of RM0.10 each available for application by eligible employees, executive director and business associates of Asia Poly and its subsidiary company;

  (c) 15,784,000 new ordinary shares of RM0.10 each to be placed with identified investors by way of private placement; and

(iii) Listing of and quotation for the entire enlarged issued and paid-up share capital of the Company comprising 87,914,960 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

Approvals for the listing of the Company were obtained from the Ministry of International Trade and Industry, and Bursa Securities on 10 September 2003 and 14 May 2004, respectively.

B.3 Share Capital

The present authorised share capital of the Company is RM10,000,000, comprising 100,000,000 ordinary shares of RM0.10 each.

The present issued and paid-up share capital of the Company is RM6,573,596, comprising 65,735,960 ordinary shares of RM0.10 each.

Details of the movements in the issued and paid-up share capital of the Company since the date of its incorporation are as follows:

Date Of Allotment	No. Of Ordinary Shares Of RM0.10 Each Allotted	Consideration For Shares Issued	Resultant Share Capital RM
20.6.2003	200	Cash	20
2.9.2004	65,735,760	Shares issued pursuant to the APSB Acquisition	6,573,596

Upon completion of the public issue of 22,179,000 new ordinary shares of RM0.10 each in the Company, the issued and paid-up share capital of the Company will be RM8,791,496, comprising 87,914,960 ordinary shares of RM0.10 each.

B.4 Information on APSB

APSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 28 December 1984 and commenced its business operations in 1992.

APSB was incorporated under the name of Mutual Jaya (Selangor) Sdn Bhd and subsequently changed its name to Mutualwang Poly Industrial Sdn Bhd on 17 August 1990 and assumed its present name on 12 January 1991.

APSB is principally involved in the manufacturing and selling of Cast Acrylic products.

The present authorised share capital of APSB is RM6,000,000, comprising 6,000,000 ordinary shares of RM1.00 each.

The present issued and paid-up share capital of APSB is RM4,700,000, comprising 4,700,000 ordinary shares of RM1.00 each.

Details of the movements in the issued and paid-up share capital of APSB since the date of its incorporation are as follows:

Date Of Allotment	No. Of Ordinary Shares Of RM1.00 Each Allotted	Consideration For Shares Issued	Resultant Share Capital RM
28.12.1984	2	Cash	2
25.10.1985	49,998	Cash	50,000
12.11.1991	4,650,000	Cash	4,700,000

C. AUDITED FINANCIAL STATEMENTS

We have been appointed as the auditors of Asia Poly since its incorporation on 20 June 2003.

We have also acted as auditors of APSB since the financial year ended 31 March 2003. The financial statements of APSB for the financial years ended 31 March 2000 to 2002 were audited by another firm of auditors.

The auditors' reports on the financial statements of Asia Poly and APSB for the respective years/period under review were not subject to any qualification.

D. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of Asia Poly and APSB included in this Report have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by the Malaysian Accounting Standards Board.

There were no changes in accounting policies or accounting estimates made by Asia Poly and APSB for the financial years/period under review other than as disclosed in Section F of this Report.

E. DIVIDENDS

No dividend has been paid or declared by Asia Poly and APSB since their respective dates of incorporation.

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F. SUMMARISED INCOME STATEMENTS

F.1 ASIA POLY GROUP

The summarised proforma consolidated income statements of Asia Poly and its subsidiary company ("Group") for the five financial years ended 31 March 2005 presented for illustrative purposes only are as follows:

	← Financial Years Ended 31 March →				
	2001 RM	2002 RM	2003 RM	2004 RM	2005 RM
Revenue	29,082,469	30,848,665	38,997,863	45,228,615	58,267,736
Profit before depreciation and interest expense	1,025,263	2,856,182	4,139,912	4,473,855	5,683,082
Depreciation	(466,082)	(612,904)	(847,659)	(860,684)	(1,030,269)
Interest expense	(963,543)	(500,352)	(399,008)	(354,250)	(414,675)
Profit/(Loss) before tax	(404,362)	1,742,926	2,893,245	3,258,921	4,238,138
Income tax expense	(10,000)	(427,700)	(667,000)	(752,000)	(622,000)
Net profit/(loss) for the year	(414,362)	1,315,226	2,226,245	2,506,921	3,616,138
Number of ordinary shares of RM0.10 each assumed in issue*	65,735,960	65,735,960	65,735,960	65,735,960	65,735,960
Gross earnings/(loss) per ordinary share of RM0.10 each (sen)	(0.62)	2.65	4.40	4.96	6.45
Net earnings/(loss) per ordinary share of RM0.10 each (sen)	(0.63)	2.00	3.39	3.81	5.50

* *The number of ordinary shares assumed in issue throughout the financial years under review represents the number of ordinary shares in issue after the APSB Acquisition.*

Assumptions used in the preparation of the summarised proforma consolidated income statements

The summarised proforma consolidated income statements of the Group for the five financial years ended 31 March 2005, presented for illustrative purposes only, are prepared by the summation of the audited income statements of Asia Poly and APSB for the respective years on the assumption that the Group has existed throughout the years under review and after incorporating such adjustments as considered necessary.

Notes:

(a) The summarised proforma consolidated income statements of the Group for the five financial years ended 31 March 2005 are prepared based on the following:

(i) audited financial statements of Asia Poly for the financial period 20 June 2003 (date of incorporation) to 31 March 2004 and financial year ended 31 March 2005; and

(ii) audited financial statements of APSB for the financial years ended 31 March 2001, 2002, 2003, 2004 and 2005.

(b) No provision for estimated current tax payable has been made for the financial years under review as the Group has sufficient unabsorbed capital allowances, tax losses and reinvestment allowances to offset in full the business income that would otherwise be taxable.

Income tax expense during the financial years under review arose mainly from the retrospective recognition of deferred tax assets in accordance with Malaysian Accounting Standards Board ("MASB") 25, Income Taxes. Income tax expense for the financial years under review incorporates the retrospective effect of the adoption of MASB 25, Income Taxes, pursuant to which the deferred tax assets in respect of deductible temporary differences, unused tax losses and unused tax credits which were not recognised in the audited financial statements of APSB as of 31 March 2003 have been recognised and adjusted. The effects on the prior years' financial statements have also been recognised and adjusted by way of prior year's adjustments.

The income tax expense for the financial year ended 31 March 2005 has been adjusted to reallocate the underprovision to the year in which it relates.

The effective tax rates for the financial years ended 31 March 2002, 2003, 2004 and 2005 are lower than the statutory tax rate due mainly to the utilisation of reinvestment allowances to partially offset the business income that would otherwise be taxable.

(c) The gross earnings/(loss) per ordinary share of the Group for the respective financial years under review is calculated based on the proforma consolidated profit/(loss) before tax over the enlarged issued and paid-up share capital of 65,735,960 ordinary shares of RM0.10 each assumed in issue after the APSB Acquisition.

(d) The net earnings/(loss) per ordinary share of the Group for the respective financial years under review is calculated based on the proforma consolidated net profit/(loss) for the year over the enlarged issued and paid-up share capital of 65,735,960 ordinary shares of RM0.10 each assumed in issue after the APSB Acquisition.

(e) There were no extraordinary or exceptional items during the financial years under review.

(f) There were no changes in accounting policies or accounting estimates for the financial years under review except for the change in accounting policy arising from the adoption of MASB 25, Income Taxes by APSB as mentioned above and the change in accounting policy by APSB in relation to the measurement of freehold land from cost to valuation in 2002.

F.2 ASIA POLY

The summarised income statements of Asia Poly based on the audited financial statements for the period 20 June 2003 (date of incorporation) to 31 March 2004 and financial year ended 31 March 2005, are as follows:

	Financial Period 20 June 2003 (date of incorporation) to 31 March 2004 (9 months) RM	Financial Year Ended 31 March 2005 (12 months) RM
Revenue	-	-
Loss before depreciation and interest expense	(2,945)	(2,000)
Depreciation	-	-
Interest expense	-	-
Loss before tax	(2,945)	(2,000)
Income tax expense	-	-
Net loss for the period	(2,945)	(2,000)
Number/Weighted average number of ordinary shares of RM0.10 each	200	38,346,060
Gross loss per ordinary share of RM0.10 each	(14.73)	(0.01)
Net loss per ordinary share of RM0.10 each	(14.73)	(0.01)

Notes:

(a) No provision for estimated current tax payable has been made for the financial period 20 June 2003 (date of incorporation) to 31 March 2004 and financial year ended 31 March 2005 as Asia Poly incurred operating losses.

(b) The gross loss per ordinary share of Asia Poly for the financial period 20 June 2003 (date of incorporation) to 31 March 2004 and financial year ended 31 March 2005 is calculated based on the loss before tax for the period/year over the number and weighted average number of ordinary shares of RM0.10 each in issue, respectively, at the end of the financial period/year.

(c) The net loss per ordinary share of Asia Poly for the financial period 20 June 2003 (date of incorporation) to 31 March 2004 and financial year ended 31 March 2005 is calculated based on the net loss for the period/year over the number and weighted average number of ordinary shares of RM0.10 each in issue, respectively at the end of the financial period/year.

(d) There were no extraordinary or exceptional items during the financial period/year under review.

F.3 APSB

The summarised income statements of APSB based on the audited financial statements, after incorporating such adjustments as considered necessary, for the five financial years ended 31 March 2005 are as follows:

	Financial Years Ended 31 March				
	2001 RM	2002 RM	2003 RM	2004 RM	2005 RM
Revenue	29,082,469	30,848,665	38,997,863	45,228,615	58,267,736
Profit before depreciation and interest expense	1,025,263	2,856,182	4,139,912	4,476,800	5,685,082
Depreciation	(466,082)	(612,904)	(847,659)	(860,684)	(1,030,269)
Interest expense	(963,543)	(500,352)	(399,008)	(354,250)	(414,675)
Profit/(Loss) before tax	(404,362)	1,742,926	2,893,245	3,261,866	4,240,138
Income tax expense	(10,000)	(427,700)	(667,000)	(752,000)	(622,000)
Net profit/(loss) for the year	(414,362)	1,315,226	2,226,245	2,509,866	3,618,138
Number of ordinary shares of RM1.00 each in issue	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000
Gross earnings/(loss) per ordinary share of RM1.00 each (sen)	(8.60)	37.08	61.56	69.40	90.22
Net earnings/(loss) per ordinary share of RM1.00 each (sen)	(8.82)	27.98	47.37	53.40	76.98

Notes:

(a) No provision for estimated current tax payable has been made for the financial years under review as APSB has sufficient unabsorbed capital allowances, tax losses and reinvestment allowances to offset in full the business income that would otherwise be taxable.

Income tax expense during the financial years under review arose mainly from the retrospective recognition of deferred tax assets in accordance with MASB 25, Income Taxes. Income tax expense for the financial years under review incorporates the retrospective effect of the adoption of MASB 25, Income Taxes, pursuant to which the deferred tax assets in respect of deductible temporary differences, unused tax losses and unused tax credits which were not recognised in the audited financial statements of APSB as of 31 March 2003 have been recognised and adjusted. The effects on the prior years' financial statements have also been recognised and adjusted by way of prior year's adjustments.

The income tax expense for the financial year ended 31 March 2005 has been adjusted to reallocate the underprovision to the year in which it relates.

The effective tax rates for the financial years ended 31 March 2002, 2003, 2004 and 2005 are lower than the statutory tax rate due mainly to the utilisation of reinvestment allowances to partially offset the business income that would otherwise be taxable.

(b) The gross earnings/(loss) per ordinary share of APSB for the respective financial years under review is calculated based on the profit/(loss) before tax over 4,700,000 ordinary shares of RM1.00 each in issue at the end of the respective years under review.

(c) The net earnings/(loss) per ordinary share of APSB for the respective financial years under review is calculated based on the net profit/(loss) for the year over 4,700,000 ordinary shares of RM1.00 each in issue at the end of the respective years under review.

(d) There were no extraordinary or exceptional items during the financial years under review.

(e) There were no changes in accounting policies or accounting estimates for the financial years under review except for the change in accounting policy arising from the adoption of MASB 25, Income Taxes, by APSB as mentioned above and the change in accounting policy by APSB in relation to the measurement of freehold land from cost to valuation in 2002.

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G. BALANCE SHEETS

G.1 ASIA POLY GROUP

It is impractical to present the proforma consolidated balance sheets of the Group for the four financial years ended 31 March 2004 as the APSB Acquisition was completed on 2 September 2004 and the purchase consideration is determined based on the net assets of APSB as of 31 March 2003 as shown in the audited financial statements.

The consolidated balance sheet of Asia Poly Group based on the audited financial statements for the financial year ended 31 March 2005 is as follows:

	As of 31 March 2005 RM
Property, plant and equipment	16,333,099
Total current assets	35,859,092
Total current liabilities	(34,045,851)
Net Current Assets	1,813,241
Long-term and Deferred Liabilities	
Hire-purchase payables – non-current portion	(21,314)
Term loans – non-current portion	(4,054,371)
Deferred tax liabilities	(1,154,000)
	(5,229,685)
Net Assets	12,916,655
Represented by:	
Issued capital	6,573,596
Reserves on consolidation	3,606,599
Unappropriated profit	2,736,460
Shareholders' Equity	12,916,655
Net tangible assets per ordinary share of RM0.10 each based on number of shares in issue as at balance sheet date	19.65

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G.2 ASIA POLY

The balance sheets of Asia Poly based on the audited financial statements for the financial period 20 June 2003 (date of incorporation) to 31 March 2004 and financial year ended 31 March 2005 are as follows:

	As of 31 March	
	2004	**2005**
	RM	**RM**
Investment in subsidiary company	-	6,573,576
Total current assets	286,262	346,161
Total current liabilities	(289,187)	(351,086)
Net Current Liabilities	(2,925)	(4,925)
Net Assets/(Liabilities)	(2,925)	6,568,651
Represented by:		
Issued capital	20	6,573,596
Accumulated loss	(2,945)	(4,945)
Shareholders' Equity/(Capital Deficiency)	(2,925)	6,568,651
Net tangible assets/(liabilities) per ordinary share of RM0.10 each based on number of shares in issue as at balance sheet date	(14.63)	0.10

G.3 APSB

The summarised balance sheets of APSB based on the audited financial statements, after incorporating such adjustments as considered necessary, for the five financial years ended 31 March 2005 are as follows:

	As Of 31 March				
	2001	**2002**	**2003**	**2004**	**2005**
	RM	**RM**	**RM**	**RM**	**RM**
Property, plant and equipment	6,593,149	10,663,096	13,411,215	14,382,542	16,333,099
Deferred tax assets	1,452,000	887,000	220,000	-	-
Total current assets	10,138,146	10,969,343	15,935,112	22,190,233	35,862,017
Total current liabilities	(17,539,914)	(13,635,167)	(18,800,102)	(23,288,980)	(34,043,851)
Net Current Assets/ (Liabilities)	(7,401,768)	(2,665,824)	(2,864,990)	(1,098,747)	1,818,166
Long-Term and Deferred Liabilities					
Hire-purchase payables – non-current portion	-	-	(49,706)	(35,510)	(21,314)
Term loans – non-current portion	-	(4,316,941)	(3,922,943)	(3,412,843)	(4,054,371)
Deferred tax liabilities	-	-	-	(130,000)	(1,154,000)
	-	(4,316,941)	(3,972,649)	(3,578,353)	(5,229,685)
Net Assets	643,381	4,567,331	6,793,576	9,705,442	12,921,580
Represented by:					
Issued capital	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000
Revaluation reserve	-	2,608,724	2,608,724	2,608,724	2,608,724
Unappropriated profit/(Accumulated loss)	(4,056,619)	(2,741,393)	(515,148)	2,396,718	5,612,856
Shareholders' Equity	643,381	4,567,331	6,793,576	9,705,442	12,921,580
Net tangible assets per ordinary share of RM1.00 each based on number of shares in issue as at balance sheet date (sen)	13.69	97.18	144.54	206.50	274.93

Note:

In addition to the adjustments mentioned in Section F.3 Note (a) of this Report, the summarised balance sheets of APSB also incorporate the retrospective effect of the deferred tax liability of RM137,300 on the revaluation surplus arising from the revaluation of freehold land in 2002 pursuant to the adoption of MASB 25.

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H. STATEMENTS OF ASSETS AND LIABILITIES AS OF 31 MARCH 2005

The statements of assets and liabilities of the Group and the Company based on the audited financial statements as of 31 March 2005 which were issued on 27 May 2005 are as follows:

	Note	The Group RM	The Company RM
Property, plant and equipment	J.3	16,333,099	-
Investment in subsidiary company	J.4	-	6,573,576
Current Assets			
Inventories	J.5	16,700,426	-
Trade receivables	J.6	12,288,414	-
Other receivables and prepaid expenses	J.6	2,633,916	346,141
Fixed deposits with licensed bank		200,000	-
Cash and bank balances		4,036,336	20
		35,859,092	346,161
Current Liabilities			
Trade payables	J.7	11,832,114	-
Other payables and accrued expenses	J.7	798,896	2,000
Amount owing to subsidiary company	J.4	-	349,086
Hire-purchase payables- current portion	J.8	14,196	-
Short-term borrowings	J.9	21,400,645	-
		34,045,851	351,086
Net Current Assets/(Liabilities)		1,813,241	(4,925)
Long-Term and Deferred Liabilities			
Hire-purchase payables– non-current portion	J.8	(21,314)	-
Term loans – non-current portion	J.10	(4,054,371)	-
Deferred tax liabilities	J.11	(1,154,000)	-
		(5,229,685)	-
Net Assets		12,916,655	6,568,651
Represented by:			
Issued capital	J.12	6,573,596	6,573,596
Reserves	J.13	6,343,059	(4,945)
Shareholders' Equity		12,916,655	6,568,651
Total net tangible assets		12,916,655	6,568,651
Net tangible assets per ordinary share of RM0.10 each based on the issued share capital at balance sheet date (sen)		19.65	10.00

The above proforma statements of assets and liabilities should be read in conjunction with the Notes as set out in Section J of this Report.

I. CASH FLOW STATEMENTS

The cash flow statements of the Group and of the Company based on the audited financial statements for the year ended 31 March 2005 which were issued on 27 May 2005 are as follows:

	The Group RM	The Company RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) before tax	3,020,405	(2,000)
Adjustments for:		
Depreciation of property, plant and equipment	630,989	-
Finance costs	246,181	-
Property, plant and equipment written off	7,499	-
Operating Profit/(Loss) Before Working Capital Changes	3,905,074	(2,000)
Increase/(Decrease) in:		
Inventories	(4,669,910)	-
Trade receivables	(3,126,622)	-
Other receivables and prepaid expenses	99,047	(76,901)
Increase/(Decrease) in:		
Trade payables	(5,974,297)	-
Other payables and accrued expenses	25,121	(287,187)
Amount owing to subsidiary company	-	366,088
Short-term borrowings	14,741,000	-
Cash Generated From Operations	4,999,413	-
Interest paid	(246,181)	-
Net Cash From Operating Activities	4,753,232	-
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,076,432)	-
Increase in fixed deposit with licensed bank	(200,000)	-
Acquisition of a subsidiary company, net of cash and cash equivalents acquired*	1,290,592	-
Net Cash Used In Investing Activities	(985,840)	-
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from term loans	800,000	-
Repayment of term loans	(522,795)	-
Payment of hire-purchase payables	(8,281)	-
Net Cash From Financing Activities	268,924	-

(Forward)

		The Group RM	The Company RM
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,036,316	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		20	20
CASH AND CASH EQUIVALENTS AT END OF YEAR	J.15	4,036,336	20

* Analysis of net assets of subsidiary company acquired is as follows:

	The Group RM
Property, plant and equipment	14,895,155
Inventories	12,030,516
Trade receivables	9,161,792
Other receivables and prepaid expenses	2,446,721
Cash and bank balances	1,290,592
Trade payables	(17,806,411)
Other payables and accrued expenses	(484,588)
Hire-purchase payables	(43,791)
Short-term borrowings	(5,486,000)
Term loans	(4,950,811)
Deferred tax liabilities	(873,000)
Fair value of net assets acquired	10,180,175
Reserve on consolidation	(3,606,599)
Total purchase consideration	6,573,576
Less: Shares issued as purchase consideration (Note J.12)	(6,573,576)
	-
Cash and cash equivalents acquired	1,290,592
Cash flow on acquisition, net of cash and cash equivalents acquired	1,290,592

The above proforma cash flow statements should be read in conjunction with the Notes as set out in Section J of this Report.

J. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES AND CASH FLOW

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The statements of assets and liabilities of the Group and of the Company have been prepared in accordance with the applicable approved accounting standards of the MASB, and using the same accounting principles and policies as were used in the preparation of the statutory financial statements of the Company and APSB, the subsidiary company.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The statements of assets and liabilities of the Group and of the Company have been prepared under the historical cost convention, modified to include the revaluation of freehold land of a subsidiary company. This freehold land is stated in the Group's financial statements at the effective acquisition cost by the Group.

Basis of Consolidation

Subsidiary company is the enterprise controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary company controlled by the Company made up to the end of the financial year.

Subsidiary company is consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the subsidiary company are measured at their fair values at the date of acquisition.

All significant intercompany transactions and balances are eliminated on consolidation.

Reserve on consolidation represents the excess of the fair values attributable to the identifiable net assets of the subsidiary company at the effective date of acquisition over the cost of the Company's investment.

Foreign Currency Conversion

Transaction in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of financial year, at the approximate exchange rates prevailing at that date. All foreign exchange gains and losses arising from foreign currency conversion are taken up in the income statements.

The closing rates used in the translation of foreign currency amounts are as follows:

	RM
1 United States Dollar	3.80

Impairment of Assets

The carrying amounts of property, plant and equipment and investment in subsidiary company are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income immediately, unless the relevant assets are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets, the amounts revalution reserve account relating to the assets disposed are transferred to unappropriated profit account.

Freehold land is not depreciated. All other assets are depreciated on a straight-line method to write-off the cost of the various assets over their estimated useful lives at the following annual rates:

Factory building	2%
Labour quarters	2%
Plant and machinery	4% - 20%
Fire protection system	10%
Office equipment, furniture and fittings	10%
Laboratory and factory equipment	10%
Motor vehicles	20%

Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Investment in Subsidiary Company

Investment in unquoted shares of subsidiary company, which is eliminated on consolidation, is stated in the Company's financial statements at cost less any impairment losses.

Inventories

Inventories are stated at the lower of cost (determined on the 'first-in, first-out' basis) and net realisable value. The cost of raw materials comprises the original cost of purchase plus the cost in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

3. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold Land RM	Factory Building RM	Plant and Machinery RM	Fire Protection System RM	Office Equipment, Furniture and Fittings RM	Laboratory and Factory Equipment RM	Motor Vehicles RM	Motor Vehicles Under Hire-Purchase RM	Total RM
Cost									
At beginning of year	-	-	-	-	-	-	-	-	-
Assets of subsidiary company acquired	4,520,000	4,671,127	9,210,898	386,751	1,080,635	1,920,643	4,388	80,689	21,875,131
Additions	-	245,694	1,593,582	-	73,497	163,659	-	-	2,076,432
Write-off	-	-	-	-	(11,480)	-	-	-	(11,480)
At end of year	4,520,000	4,916,821	10,804,480	386,751	1,142,652	2,084,302	4,388	80,689	23,940,083
Accumulated Depreciation									
At beginning of year	-	-	-	-	-	-	-	-	-
Assets of subsidiary company acquired	-	882,883	4,875,047	375,282	393,032	420,653	584	32,495	6,979,976
Charge for the year	-	56,069	390,596	824	55,559	118,014	732	9,195	630,989
Write-off	-	-	-	-	(3,981)	-	-	-	(3,981)
At end of year	-	938,952	5,265,643	376,106	444,610	538,667	1,316	41,690	7,606,984
Net Book Value									
At end of year	4,520,000	3,977,869	5,538,837	10,645	698,042	1,545,635	3,072	38,999	16,333,099

(Forward)

The freehold land and factory building of the subsidiary company with carrying amounts of RM4,520,000 and RM3,977,869, respectively are pledged to banks for bank borrowings and term loans granted to the subsidiary company as disclosed in Notes 9 and 10.

Included in property, plant and equipment of the Group are fully depreciated plant and machinery at costs totalling approximately RM3,211,000 which are still in use.

4. INVESTMENT IN SUBSIDIARY COMPANY

	The Company RM
Unquoted shares – at cost	6,573,576

The details of the subsidiary company, which is incorporated in Malaysia, are as follows:

Name of Company	Effective Equity Interest	Principal Activities
Direct subsidiary company		
Asia Poly Industrial Sdn Bhd	100%	Manufacturing and selling of Cast Acrylic products

Amount owing to subsidiary company, which arose mainly from expenses paid on behalf of the Company, is interest-free and has no fixed terms of repayment.

5. INVENTORIES

	The Group RM
At cost:	
Raw materials	12,652,206
Work-in-progress	376,845
Finished goods	3,671,375
	16,700,426

6. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

The currency exposure profile of trade receivables is as follows:

	The Group RM
Ringgit Malaysia	6,340,844
United States Dollar	5,947,570
	12,288,414

Trade receivables of the Group comprise amounts receivable for the sales of goods. The credit period granted for sales of goods ranges from 30 to 120 days.

Other receivables and prepaid expenses consist of:

	The Group RM	The Company RM
Other receivables	1,026,541	-
Refundable deposits	429,572	-
Prepayments	905,822	346,141
Tax recoverable	271,981	-
	2,633,916	346,141

7. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs.

The credit period granted for trade purchases ranges from 30 to 180 days.

8. HIRE-PURCHASE PAYABLES

	The Group RM
Total outstanding	42,483
Less: Interest-in-suspense	(6,973)
Principal outstanding	35,510
Less: Amount due within 12 months (shown under current liabilities)	(14,196)
Non-current portion	21,314

The non-current portion is payable as follows:

Financial years ending 31 March:	
2007	14,196
2008	7,118
	21,314

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The average term of hire-purchase is about 3 to 5 years. The interest rate implicit in the hire purchase obligations is 3.95% per annum.

9. SHORT-TERM BORROWINGS

Short-term borrowings consist of the following:

	The Group RM
Bankers' acceptance	20,227,000
Term loans - current portion (Note 10)	1,173,645
	21,400,645

The subsidiary company has bank overdraft and other credit facilities totaling RM32,600,000 obtained from local banks. The amount utilised bears interest at rates ranging from 5.00% to 7.50% per annum. The bank overdraft and other credit facilities are secured by legal charges over the freehold land and factory building of the subsidiary company as disclosed in Note 3, a pledge of fixed deposit with licensed bank of RM200,000 as disclosed in Note 15, a personal guarantee of a third party and a corporate guarantee from the Company.

10. TERM LOANS

	The Group RM
Principal outstanding	5,228,016
Less: Amount due within 12 months (Note 9)	(1,173,645)
Non-current portion	4,054,371

The non-current portion is repayable as follows:

Within 1 to 2 years	1,256,884
Between 2 to 5 years	2,797,487
	4,054,371

The Group has the following term loans obtained from a local bank:

(a) a term loan facility of RM4,250,000, which bears interest at 7.50% per annum and is repayable in equal monthly instalments of RM61,460 (inclusive of interest) over 120 months commencing May 2001.

(b) a term loan facility of RM2,000,000, which bears interest at 7.50% per annum and is repayable in equal monthly instalments of RM40,076 (inclusive of interest) over 60 months commencing the following month after full drawdown or no later than 31 August 2004, whichever is earlier.

(c) a term loan facility of RM800,000, which bears interest at 5.00% per annum and is repayable in equal monthly instalments of RM23,978 (inclusive of interest) over 36 months commencing April 2005.

The term loans are secured by legal charges over the freehold land and factory building of the subsidiary company as disclosed in Note 3, a pledge of fixed deposit with licensed bank of RM200,000 as disclosed in Note 15, a personal guarantee of a third party and a corporate guarantee from the Company.

11. DEFERRED TAX LIABILITIES

	The Group RM
At beginning of year	-
Arising from acquisition of subsidiary company	873,000
Transfer from income statements	281,000
At end of year	1,154,000

The net deferred tax liabilities are in respect of the tax effects of the following:

	Deferred Tax (Asset)/Liability The Group RM
Temporary differences arising from:	
Property, plant and equipment	1,500,800
Revaluation reserve	137,300
Unused tax losses	(484,100)
	1,154,000

The unused tax losses are subject to agreement with the tax authorities.

12. SHARE CAPITAL

	The Company RM
Authorised:	
Ordinary shares of RM0.10 each	
At beginning of year	100,000
Created during the year	9,900,000
At end of year	10,000,000
Issued and fully paid:	
Ordinary shares of RM0.10 each	
At beginning of year	20
Issued during the year	6,573,576
At end of year	6,573,596

During the current financial year, the authorised share capital of the Company was increased from RM100,000 to RM10,000,000 by the creation of an additional 99,000,000 ordinary shares of RM0.10 each.

Also, on 2 September 2004, the issued and paid-up share capital of the Company was increased from RM20 to RM6,573,596 by the issue and allotment of 65,735,760 new ordinary shares of RM0.10 each at par as purchase consideration for the acquisition of the subsidiary company, Asia Poly Industrial Sdn Bhd.

These new shares issued rank pari passu with the then existing ordinary shares of the Company.

13. RESERVES

	The Group RM	The Company RM
Non-distributable reserve:		
Reserve on consolidation	3,606,599	-
Distributable reserve:		
Unappropriated profit/ (Accumulated loss)	2,736,460	(4,945)
	6,343,059	(4,945)

14. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

(i) **Foreign currency risk**

The Group undertakes certain trade transactions in foreign currencies where the amounts outstanding are exposed to foreign currency risk. Exposures to foreign currency risk are monitored on an ongoing basis.

(ii) **Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing short-term borrowings and term loans. The interest rates of short-term borrowings and term loans of the Group are disclosed in Notes 9 and 10. Interest rate of hire-purchase payables, which is disclosed in Note 8, is fixed at the inception of the financing arrangement.

(iii) **Credit risk**

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

(iv) **Liquidity risk**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(v) **Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal financial assets are trade and other receivables and cash and bank balances.

The accounting policies applicable to the major financial assets are as disclosed in Note 2.

Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liability or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include trade and other payables, hire-purchase payables, short-term borrowings and term loans, which are stated at their nominal values.

Significant financial liabilities of the Company also include amount owing to subsidiary company, which is stated at its nominal value.

Bank borrowings and term loans are recorded at the proceeds received. Interest on bank borrowings and term loans are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

Fair values

The carrying amounts and estimated fair values of the financial instruments of the Group as of 31 March 2005 are as follows:

		The Group	
	Note	**Carrying Amount RM**	**Fair Value RM**
Financial Liabilities			
Hire-purchase payables	8	35,510	34,342
Term loans	10	5,228,016	4,576,775

Hire-purchase payables and term loans

The fair values of hire-purchase payables and term loans are estimated using discounted cash flow analysis based on current borrowing rates for similar type of borrowings.

Cash and cash equivalents, trade and other receivables, trade and other payables, short-term borrowings and intercompany indebtdness

Amount owing to subsidiary company as disclosed in Note 4 is substantially without any definite term and as such, it is not practicable to determine the fair value of the balance with sufficient reliability.

Other than the above, the carrying amounts approximate the fair values because of the immediate or short-term maturity period for these financial instruments.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Group RM	The Company RM
Fixed deposit with licensed bank	200,000	-
Cash and bank balances	4,036,336	20
	4,236,336	20
Less: Fixed deposit pledged with licensed bank	(200,000)	-
	4,036,336	20

Fixed deposit with licensed bank of the Group, which is pledged to the said licensed bank for a term loan facility of RM800,000, earned interest at 3.7% per annum.

16. CAPITAL COMMITMENTS

As of 31 March 2005, the Group has the following capital commitment in respect of acquisition of property, plant and equipment:

	The Group RM
Contracted but not provided for	81,303

17. CONTINGENT LIABILITY

The Company has given unsecured corporate guarantees totalling RM13,000,000 to certain licensed banks for bank overdraft and other credit facilities granted to its subsidiary company. Accordingly, the Company is contingently liable to the said licensed banks to the extent of the amount of credit facilities utilised.

K. NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the statement of assets and liabilities of the Group as of 31 March 2005, the net tangible assets per ordinary share of RM0.10 each after incorporating the effects of the public issue and estimated listing expenses is as follows:

	The Group RM
Net tangible assets of the Group	12,916,655
Add: Proceeds from public issue of 22,179,000 ordinary shares of RM0.10 each at an issue price of RM0.34 per share	7,540,860
Less: Estimated share issue and listing expenses to be incurred	(1,100,000)
Adjusted net tangible assets	19,357,515
Number of ordinary shares of RM0.10 each in issue as of 31 March 2005	65,735,960
Public issue of 22,179,000 ordinary shares of RM0.10 each	22,179,000
Adjusted number of ordinary shares of RM0.10 each in issue	87,914,960
Net tangible assets per ordinary share of RM0.10 each (sen)	22.02

L. AUDITED FINANCIAL STATEMENTS

No audited financial statements of the Company and its subsidiary company have been prepared in respect of any period subsequent to 31 March 2005.

Yours very truly,

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LAI CAN YIEW
2179/09/07 (J)
Partner

12. DIRECTORS' REPORT

ASIA POLY HOLDINGS BERHAD (619176-A)
Lot 758, Jalan Haji Sirat, Mukim Kapar, 42100 Klang, Selangor Darul Ehsan, Malaysia
Tel > 60-3-3342 2567, 3342 8604 Fax > 60-3-3342 8320 E-mail > apoly@po.jaring.my
http://www.asiapoly.com.my

Registered Office:

Level 14, Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Date : 26 September 2005

To: The Shareholders of Asia Poly Holdings Berhad ("Asia Poly" or "Company")

Dear Sir / Madam,

On behalf of the Board of Asia Poly, I report after due inquiry that during the period from 31 March 2005, being a date to which the last audited financial statements of Asia Poly Holdings and its subsidiary, namely Asia Poly Industrial Sdn Bhd have been made up, to the date hereof, being a date not earlier than fourteen (14) days before the issue of this Prospectus, that:

(i) the business of the Company and its subsidiary have, in the opinion of the Directors, been satisfactorily maintained;

(ii) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Company and its subsidiary which have adversely affected the trading or the value of the assets of the Company or its subsidiary;

(iii) the current assets of the Company and its subsidiary appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or its subsidiary;

(v) since the last audited financial statements of the Company and its subsidiary, there is no default nor any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and

(vi) since the last audited financial statements of the Company and its subsidiary, save as disclosed in the Accountants' Report as set out in Section 11 of this Prospectus, there have been no material changes in published reserves nor any unusual factors affecting the profits of the Company and its subsidiary.

Yours faithfully
For and on behalf of the Board of Directors
ASIA POLY HOLDINGS BERHAD

TEOH CHENG CHUAN
Chief Executive Officer

13. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON

(Prepared for inclusion in this Prospectus)

Infocredit D&B (527570-M)
Creating value ... building trust
Tel : 603-2718 1000
Fax : 603-2718 1001
www.icdnb.com.my

Board of Directors
Asia Poly Holdings Berhad
Lot 758, Jalan Haji Sirat
Mukim Kapar, 42100, Klang
Selangor Darul Ehsan

RE: EXECUTIVE SUMMARY FOR THE INDEPENDENT MARKET RESEARCH REPORT FOR ASIA POLY HOLDINGS BERHAD ("ASIA POLY" OR THE "COMPANY")

Infocredit D&B (Malaysia) Sdn Bhd ("Infocredit D&B") has prepared an Independent Market Research report ("Report") dated 4 August 2003, of which the Executive Summary dated 22 September 2005 which contains extracts updated from the said Report has been prepared for inclusion in the Prospectus dated 30 September 2005 pursuant to the listing of Asia Poly on the Mesdaq Market of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

This research has been undertaken with the purpose of providing an overview of the Acrylics Sheet Products Industry in Malaysia. The research methodology for the research includes both primary research, involving in-depth trade interviews and telephone interviews of pertinent companies, as well as secondary research such as reviewing press articles, periodicals, trade/government literatures, in-house databases, internet research as well as online databases.

Infocredit D&B has prepared the Executive Summary of the IMR Report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, Infocredit D&B acknowledges that if there are significant changes affecting the content of the Infocredit D&B's Executive Summary after the issue of the Prospectus and before the issue of securities, then the Expert has an on-going obligation to either cause this Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

For and on behalf

INFOCREDIT D&B (MALAYSIA) SDN BHD

Tan Sze Chong
Managing Director

1 ECONOMIC OUTLOOK

1.1 GLOBAL ECONOMY

In 2004, the global economy expanded at its fastest pace of 5% since 1984, led by the United States ("U.S."), strong growth in the Asian region and a revival of growth in Japan and Europe. Above average growth in the first half-year reflected the strong rebound from the lower base of 2003 as a result of the economic uncertainties related to the war in Iraq and the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in Asia. In the second half-year, despite the dampening effects of sharply higher oil prices and the increase in interest rates, the growth momentum was sustained, reflecting sustained strong consumer spending and the revival in private investments. Overall, the global economy exhibited greater resilience to energy shocks.

Robust global expansion was reflected in significant improvements in both international trade and financial flows. Global trade expanded by 8.8% in 2004, due mainly to the global electronics up-cycle, higher commodity prices and rising import demand, notably in the U.S. and China. In the Asian region, these developments in tandem with stronger domestic demand contributed to further expansion in intra-regional trade. In the financial markets, major equity market indices increased strongly, buoyed by improved investor optimism amidst higher corporate earnings. In the foreign exchange markets, growing concerns on the large and widening U.S. current account imbalances, and the sustainability of capital inflows to finance the fiscal deficit led to the depreciation of the United States dollar (USD) against the other key currencies.

The outlook for 2005 remains favourable. Both global output and global trade are projected to expand at 4% and 5.8%, respectively, in 2005. The pace of slowdown in the U.S. and to a smaller extent, China is expected to be modest, on the basis that adjustments of the imbalances in these economies would be gradual. In addition, as crude oil prices recede from its peak as the supply and demand forces reach equilibrium, inflationary pressures are expected to remain manageable. This would provide flexibility for gradual increases in interest rates and in return, dampens the slowdown in consumer expenditure in the U.S.. Monetary conditions are therefore, expected to remain supportive of growth. Meanwhile, China is expected to manage some softening of the economy so as to lessen its impact on the unemployment front. On the global inflation front, price increases are forecast to rise gradually, stemming mainly from the pass-through effects of higher commodity prices. Nonetheless, the rise in inflation is expected to be gradual as labour productivity continues to exceed real wage growth. The consensus is that the global expansion, while still solid, will therefore likely be somewhat weaker than earlier expected. The balance of risks has shifted to the downside with further oil price volatility a particular concern. On the policy side, interest rates will need to rise further as the economic recovery proceeds, although the pace and timing vary considerably across countries, depending on their relative cyclical positions.

1.2 MALAYSIAN ECONOMY

With the more robust growth in global trade and domestic demand, the momentum of economic expansion in Malaysia, which began in the second half of 2003, gathered steam in 2004. Real Gross Domestic Product ("GDP") increased by 7.1% in 2004, registering the fastest growth since 2000. The economy benefited from the rapid growth of global trade in manufactured products and higher prices for primary commodities. Although global growth moderated somewhat in the second half of the year, the Malaysian economy remained resilient with stronger domestic demand providing the impetus for sustained expansion. The private sector was the main force of economic expansion, while the government continued with fiscal consolidation.

The prospects for the Malaysian economy in 2005 remain sound. Real GDP is expected to grow by at least 5.0%. The sustained global growth, the modest downturn in the global semiconductor industry as well as relatively favourable prices for primary commodities are expected to provide support for exports. While the global electronics industry is beginning to consolidate after reaching a peak in mid-2004, the cyclical downturn is forecast to be modest in view of the strong Asian demand, fast product life cycle and the relatively rapid inventory adjustments. In the domestic economy, the private sector would remain as the main driver of growth, as the government remains committed to optimising expenditure in order to strengthen the fiscal position. Both household consumption and business outlays are projected to remain resilient, thereby cushioning some of the effects of lower public investment spending arising from the government's gradual fiscal consolidation programme.

As a small net oil exporter, Malaysia benefits to a degree from the higher world oil prices as crude oil accounts for around 5.0% of exports. Since the 2001 economic slowdown, most industrial countries, but notably the U.S., have pursued highly expansionary macroeconomic policies. As a result, world interest rates are close to historical lows and many countries have high fiscal deficits. Low interest rates have fuelled housing and asset price rises, at the same time supporting consumption and leading to a sharp deterioration in the current account in the U.S. As global GDP accelerated over the past year, inflationary pressure started to mount, albeit remaining very mild. However, higher oil prices, if sustained over a long period of time, will feed inflationary pressures, possibly forcing interest rates to rise faster than expected. This could trigger a sudden reversal in consumption and savings behaviour, leading to a substantial slowdown in world economic growth and affecting, in particular, non-oil exports from the Asian economies, including Malaysia. A slowdown in the U.S. economy would have both heavy direct and indirect negative effects on exports, since the U.S. is by far Malaysia's biggest export market. The signing of a Malaysia-US Trade and Investment Framework Agreement in May 2004 may help to mitigate this.

Inflation is likely to nudge up in 2005, as budgetary consolidation may lead the government to reduce its subsidies on consumer energy. Due to a slowdown in exports, particularly electronics and electrical products, private consumption is expected to remain the main source of GDP growth. The 2005 budget targets a modest reduction in the deficit to 3.8% of GDP. Going forward, the government's plan for a new broad-based goods and services tax in 2007 adds credibility to its commitment to fiscal balance, and may pave the way for a long-anticipated cut in business income taxes, which is critical in attracting more direct foreign investments.

1.3 MANUFACTURING SECTOR IN MALAYSIA

Output in the manufacturing sector grew at 9.8% in 2004. The growth is in tandem with developments in the global electronics industry, in which Malaysia is a major exporter. The manufacturing sector continued to be an important contributor to the national economy, accounting for 31.6% of GDP in 2004. As an export-led economy, manufactured exports took up 78.4% of the country's total exports. The manufacturing industries have widespread linkages to the rest of the economy. The diversified base would assists to moderate the impact of the ongoing consolidation in the global electronics industry. With the export-oriented industries facing a slowdown, the domestic-oriented industries are expected to sustain the growth in the manufacturing sector.

The country's manufacturing business is largely concentrated on production, with limited upstream activities as well as downstream activities, where a major portion of the value added can be derived. In light of the keen competition for foreign direct investments from the other emerging economies, the manufacturing sector is venturing into industry deepening, defined as a process of increasing technological capability within a particular industry. This is achieved by increasing the capability to undertake more complex and demanding tasks through the development of new processes, systems and methods, adaptation of best practices, design, engineering development and innovation within the current technology that is used. Industry deepening can lead to a more widespread diffusion on technology, more product differentiation, higher added value and a greater use of local resources. It can also enhance the ability to respond more effectively to changes in market conditions.

Industry deepening is especially applicable to the small and medium enterprises ("SMEs"). Rapid technological advancements as well as trade liberalisation and globalisation have placed a severe strain on the SMEs. In promoting the industry deepening process, a core element is the supporting industries, which are mostly SMEs. Having a strong supporting industry base enables less reliance on foreign imports. It can also create additional employment as well as provide linkages between the large companies and SMEs. A strong supporting industry can also assist the growth of SMEs through subcontracting arrangements and lead to the further development of local entrepreneurs, resulting in a higher utilisation of domestic resources. Recognising the SMEs as an endogenous engine of growth, the Government's current development focus is on SMEs with the capability of manufacturing products with higher intellectual property content with the requisite human capital.

2 INDUSTRY OVERVIEW: THE ACRYLIC SHEET PRODUCTS INDUSTRY

2.1 INTRODUCTION TO ACRYLIC SHEET PRODUCTS

Acrylic is a specialty polymer that is manufactured using Methyl Methacrylate ("MMA") monomer, which is the main raw material. MMA polymerises easily to form resins and polymers which are durable, flexible, have high optical clarity and high chemical resistance level. The Table below highlights some main products manufactured using MMA.

Monomer	***Specialties***	***Polymer***	***Sheet Composites***
Methyl Methacrylate (MMA) monomer	Specialty resins Specialty methacrylates (SpMAs) • Methacrylate acid (MAA) • Butyl methacrylate (BMA) • Ethyl methacrylate (EMA) • Ethyl hexylmethacrylate (EHMA) Reagent and Effect • Chemicals (REC)	Polymethyl-Methacrylate ("PMMA") Impact modified PMMA	Cell Cast Product Continuous Cast Product Extruded Product Composites Lighting

Acrylic products (such as acrylic sheets and acrylic block) are commonly known as PMMA sheets/block. Acrylic products are also known under trade names such as Perspex and Plexiglas. Acrylic monomers, PMMA and ethyl acrylate are both colourless liquids that could be polymerised into transparent solids. Acrylic is a glassy thermoplastic well known for its weatherability, light-weight and ease of fabrication characteristics.

ADVANTAGES

i Flexibility

Acrylic is a thermoplastic that can be heated and combined with other monomers to be formed in various ways. Acrylic can be used to form a broader range of products typically used in paints and coatings. It is also polymerised into a solid form to become sheet that can be easily cut, sawed, machined, thermoformed and cemented, making it an idealistic material for use in a variety of household goods as well as industrial products.

ii Transparency

Acrylic or PMMA sheet has a 92% transparency level much higher than glass and has only 50% the weight with higher impact resistance. Acrylic sheet products offer excellent optical characteristics, thickness tolerances, light stability and low internal stress levels for consistent performance. In summary, acrylic is the clearest of all the plastics, and it maintains an outstanding luminous transmittance of 92% while carrying half the weight of glass.

iii Strength and durability

Acrylic products are durable and fairly rigid, although breakable beyond its maximum impact level. As with plastics, acrylic flexes much more than glass. Its impact resistance is also an important feature. If subjected to force beyond its limit, it does not shatter into small segments but rather large pieces. The measure of this resistance depends largely on the thickness chosen for the sheet. Some forms of specially made acrylic sheets/block are known to have enough impact resistance to combat the bullet of a 0.44-caliber handgun.

iv Weather resistance

Acrylic products can withstand long exposure to sunlight. Most commercial acrylics have been UV stabilised and as such, is weather resistance to extreme cold and sudden temperature changes. Therefore, this makes it highly suitable for outdoor application such as signboards.

v Unaffected by laboratory chemicals

Acrylic products are unaffected by the aqueous solutions of most laboratory chemicals, including detergents, cleaners, dilute inorganic acids, alkalines and aliphatic hydrocarbons. This makes storage and maintenance easy, as acrylic is not known to cause hazardous chemical reaction when mixed with other compounds or chemicals.

DISADVANTAGES

i Poor scratch/abrasion resistance

Acrylics, as with most plastics, have poor scratch resistance, dissolved by a number of organic solvents or organic materials that are not solvents for acrylic which can cause cracking and crazing. This makes it unsuitable as a substitute product for many items requiring high level of scratch resistance. However, certain acrylic products can be mixed or coated with special abrasion-resistant additives during the production process, which significantly increases the service life of the products while retaining its enhanced properties. It offers higher level of resistance from yellowing and hazing for an extended service life in high profile architectural glazing.

ii Difficult to join/weld

Acrylic is difficult to weld which makes it unsuitable for products that require joining parts. However, acrylic can be satisfactorily solvent cemented.

2.2 ACRYLIC SHEET PRODUCTS MANUFACTURING

There are three (3) basic processes which exist in the realm of acrylic sheet product manufacturing, catering for different applications. The types of acrylic sheet products produced are mainly differentiated by its production process, which ultimately determines the combination of properties required for certain applications.

The three (3) processes are listed in the following table:

Cell casting	Cell casting utilises the liquid chemical ingredients of acrylic such as Methyl Methacrylate ("MMA") monomer, which is further reacted and processed, poured and sealed between two (2) panels of glass separated by a gasket. A heat process then causes a reaction to occur, hardening the liquid and reproducing a good surface of the glass moulds. However, there can be slight inconsistencies in the thickness of the sheet from one end to the other due to the contraction and weight of the material during the curing process.
Continuous casting (also known as continuous manufacturing)	In the continuous casting process, process syrup is successively poured into a die in rollers which extrude the mass onto and between two (2) highly-polished steel belts, where heating and cooling take place, and come out at the end of a long line as sheets. The slurry is continuously passed through the belts where the thickness is controlled by numerous sets of rollers on both sides of the belts, reducing in thickness the slurry until the correct thickness has been achieved. Cooling takes along the belts, following which the continuous sheets will shrink. With continuous casting, the plastic will shrink in a similar manner in each which it offers more uniformed thickness, but with less mechanical and chemical values of cast sheet.
Extrusion	On the other hand, extrusion uses polymerized acrylic in pallet form and reheats the material into a slurry. The mass is then passed through a horizontal die which is regulated to achieve a particular thickness after passing through a set of thickness regulating rollers which also pre-cools the monomer that is being processed. The sheets are then cut according to size as blanks while the sheets are still hot. Shrinkage to size takes place in the storage. Extrusion is a process which uses already processed PMMA granules. This means that the material is heated and processed twice over, causing the monomer to loose some of its Chemical and Mechanical values, while decreasing its capabilities.

2.3 RELEVANT LAWS AND REGULATIONS GOVERNING THE INDUSTRY

The major incentives for manufacturers in Malaysia are tax incentives, both direct and indirect, provided under the Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Sales Tax Act 1972 and Excise Act 1976 and Free Zone Act 1990. These acts cover investments in the manufacturing, Research and Development, training and environmental protection activities.

Manufacture of plastic related products such as acrylic sheet products is one of the industry in the list of promoted activities that are eligible for consideration of pioneer status and Investment Tax Allowance ("ITA"). Specifically, the list of activities is as follows:

- Inflatable plastic products;
- Specialised plastic films/sheets;
- Geosystems products (Cellular Confinement System and Porous Pavement System);
- Plastic products for engineering use;
- Precision engineering plastic products; and
- Expanded polystyrene foam.

Engineering plastics and in particular, MMA monomer can be imported into Malaysia without any restrictions. MMA forms the main bulk of the main raw materials used in the production of acrylic sheet products. Current tariff rates are based on the Harmonised Commodity Description and Coding System ("HS"). To comply with the World Trade Organization's requirement, the tariff rate for almost all engineering plastic materials, including MMA is 20%.

2.4 ENVIRONMENTAL CONCERNS

From an environmental perspective, plastic products, which take a long time to decompose, have come under some amount of increasing scrutiny. There have been sporadic pressures from some local authorities and the public to reduce and recycle plastic products. However, at present, recycling of PMMA is non-existent in Malaysia due to its high costs and environment requirements to recycle plastic products.

Asia Poly's products are known to be environmental friendly. Off-cuts from cast acrylic products can be reprocessed without causing any special environmental problems. Furthermore the raw materials used such as monomers are 100% recyclable. The Group collects all the scraps and waste left over from sizing and production, and later to be sold to countries such as India and South Africa for recycling purposes. Cast acrylic wastes such as scraps and chips are subjected to thermal cracking at very high temperature. The products obtained after this process can be distilled to regenerate decomposed MMA.

However, Asia Poly is unable to control the recycling of acrylic when they have reached end-users as acrylics are used in various industries such as aerospace, building construction, advertising, transportation, lightings, food, pharmaceutical and others. It is difficult to decompose or pull apart the steel, fibre and acrylics that have been riveted together.

2.5 INDUSTRY'S RELIANCE ON AND VULNERABILITY TO IMPORTS

Malaysia continued to import plastics in their primary and non-primary forms where more than 90% of imports consist of plates, sheets, films, foils and strips. The non-primary forms such as resins imported are polystyrene and co-polymers, polyethylene, polyesters that include Polyethylene Terephthalate and epoxies. The imported resins are the more complex polymers and co-polymers and are often sold in the form of granules, powders or liquids. There are also times when the original equipment manufacturers ("OEM")s and multinational companies have specified the raw materials and suppliers they want or some may even do their own materials sourcing. This is often aimed at reducing costs with the bulk purchase arrangement and/or for quality control purpose. Some contract manufacturers are riding on the OEM customers for reliable raw material sourcing and competitive costing especially those customers who could take price advantage with their regional procurement centres. Demand for plastic resins is also expected to increase with advances in product designs and emerging applications for plastics.

2.6 PLAYERS AND COMPETITION

Generally, competition within the acrylic products manufacturing industry in Malaysia is minimal as there are only a few players competing within the same market. There are three (3) key players active in manufacturing acrylic products in a multitude of sizes and dimensions, catering for both local as well as export markets. The most common types of acrylic products produced by most manufacturers are the transparent or clear products, with thickness ranging between 2mm and 100mm.

Companies	*Brand*	*Export*	*Export country*	*Import country (Raw materials)*	*Status*	*Certification*
Asia Poly	A-CAST	Yes	Australia, New Zealand, Europe, Middle East, Africa and Canada	Europe, Japan, USA and UK	Manufacturing /Trading	None
UB Acrylic (M) Sdn Bhd	UB	Yes	Australia, New Zealand, China, Hong Kong	Singapore and others	Manufacturing	None
Malaysia Plastics Sdn Bhd	Unique Cast	Yes	Asia	Japan, Singapore, USA	Manufacturing	ISO 9002

The most common applications of acrylic products that are manufactured by these key manufacturers in Malaysia are used for signage requirements (corporate logos, advertising signs, billboards, cosmetic counters, point of sales and outdoor media) and building requirements (architectural requirements for shopping malls, security doors, outdoor passageways and noise barriers). The acrylic sheet product manufacturers in Malaysia are also involved in a somewhat homogeneous manufacturing process, as most manufacturers produce similar types of products, which are differentiated only by product quality, pricing and efficiency.

2.7 SUBSTITUTE PRODUCTS

Acrylics monomer plays a prominent part in the production of paints and synthetic fibres and is sold as glass replacements in the glazing industry. Acrylic sheet products have often displaced fibreglass, paper and glass from traditional applications, horizontally across many industries. In many cases, the use of acrylic sheet products in place of other materials has a significant positive effect on sustainable development and cost.

At present, there is no substitute for acrylic sheet products. In fact, acrylic sheet products are used as an alternative to glass due to various factors such as shorter production time, durability, higher transparency and its lightweight characteristics. Acrylic sheet products can also be transformed into various flexible sizes as it is lighter in weight and more flexible than most materials such as glass. Its strong characteristics and physical properties make it an ideal substitute product for sheet products made from polycarbonate, glass, polyvinyl chloride ("PVC"), polyester and even acrylonitrile butadiene styrene ("ABS").

3 PROSPECTS AND OUTLOOK OF THE INDUSTRY

Malaysia imported RM31.23 million worth of polymethyl methacrylate, comprising all forms of acrylic related products in 2004. The total export value for acrylic related products is valued at RM44.35 million in 2004, registering a decrease of 24% mainly due to lesser demand from other foils, strips and flat shapes of acrylic polymers. Nevertheless, exports of polymethyl methacrylate sheets increased in 2004 and remained strong. Based on trade interviews with the local players, most of the acrylic sheets are exported to countries such as Australia, China, Hong Kong, New Zealand, Middle East and other Asian countries.

Based on the Table below, the Asia Poly Group is one of the major and leading exporters of acrylic sheet products with an estimated market share of approximately 47.64% in the Malaysian acrylic products export category in 2004. This is a testament of a continuous growth for exports of acrylic sheet products for Asia Poly This is a broad comparison based on a diverse product-mix comprising polymethyle methaycrylate in the form plates, tiles, sheets, foils, strips and other flat shapes as well as a variety of raw materials such as polymers.

The market share of Asia Poly is further highlighted in the table below:

Asia Poly's estimated export market share for acrylic sheet products from 2001 to 2004 are as follows:

Year	Total Exports Malaysia [a]	Growth	Total Exports Asia Poly [b]	Growth	Asia Poly's Market Share [b/a]
	RM million	%	RM million	%	%
2001	28.19	(21.61)	9.05	-	31.10
2002	44.54	58.00	10.52	16.24	23.61
2003	58.45	31.23	13.15	25.00	22.49
2004	44.35	(24.12)	21.13	60.68	47.64

(Sources: Department of Statistics, Malaysia and the management of the Asia Poly Group)

There have been growing trends for components that require some of the properties of acrylic, such as transparency, strength and outdoor durability where UV stability plays a prominent and demanding role. UV impregnated acrylic sheet products, which is a form of higher-end acrylic is fast replacing glass due to these property requirements. In addition, high-tech and advanced acrylic sheet products are also widely used as a replacement for polycarbonates, as it offers higher UV resistance level as well as transparency with an assortment of colours and tints.

In terms of demand, the surge of applications that require more high-tech and advanced acrylic sheet products than generic purpose acrylic sheet products are also steadily gaining pace. Impact resistant acrylic products offer greater flexibility and better properties such as increased UV protection, abrasion and chemical resistance. In addition, anti-static acrylic products have also been developed by engineers for future acrylic implementation. Research chemists are developing new technologies to improve acrylic. Enhanced PMMA that comprise a mixture of modified acrylic co-polymers is also known to improve the overall physical properties. With improvements, the automotive and medical sectors can bring new product applications into these fields. Meanwhile, lighting fixture, optical disc, appliance, houseware and personal accessory markets will soon see improved product items such as telephones, button lamps, tables and furniture parts.