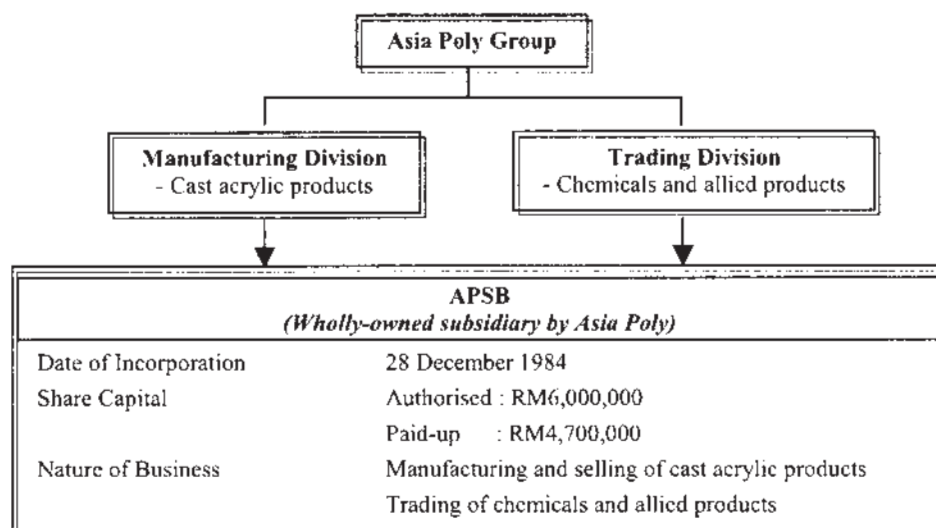


4. INFORMATION ON THE ASIA POLY GROUP

4.1 HISTORY

Asia Poly was incorporated in Malaysia as a public limited company on 20 June 2003 under the Act. The Company was established as the investment holding company of the Asia Poly Group in conjunction with the listing of the Asia Poly on the MESDAQ Market.

The Group's business activities and corporate structure are summarised as follows:



Note:

Cast acrylic sheet products include cell-cast acrylic sheets and BLOCK

Further information on the subsidiary, APSB, is set out in Section 4.4 of this Prospectus.

APSB was incorporated as a private limited company in Malaysia under the Act on 28 December 1984 as Mutual Jaya (Selangor) Sdn Bhd. The company subsequently changed its name to Mutualwang Poly Industrial Sdn Bhd on 17 August 1990 and on 12 January 1991 assumed its present name of Asia Poly Industrial Sdn Bhd.

APSB was established as a joint-venture between Taiwanese investors and local investors to manufacture acrylic sheet products. APSB commenced operations in 1992 from its manufacturing plant located at Lot 758, Jalan Haji Sirat, Mukim Kapar, 42100 Klang, Selangor Darul Ehsan. It occupies a land area of 19,096 sq. m., of which a built-up area of 9,104 sq. m. is being used to accommodate its current production facilities and labour quarters. APSB still has approximately 5,000 sq. m. land for future expansion.

In June 1997, the Taiwanese investors entered into a sale and purchase agreement to sell off their stakes in APSB to Teoh Cheng Chuan and the company has since transformed into a locally owned enterprise. Thereafter, control of management took place in June 1998.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

APSB commenced operations in 1992 with one production line and a production capacity of 200 MT per month. As at 2 September 2005, the Group has expanded its production capacity to 500 MT per month with a single production line. The production is currently running on three (3) eight (8)-hour shifts daily.

The Asia Poly Group manufactures and sells cell cast acrylic products under the brand name of “**ACAST**”. For the financial year ended 31 March 2005, approximately 61% of its manufactured acrylic sheet products are exported overseas to various countries covering four (4) regions, such as Asia, Australia, Europe, North America and others (including Africa, Middle East and South America). Its products are also exported to countries with stringent quality control such as Australia, Japan, the UK and the USA. The cell cast acrylic sheet products (acrylic sheets and acrylic BLOCK) are manufactured in accordance to customers’ specifications with enhanced physical properties and performance values.

Apart from manufacturing and selling cell cast acrylic sheet products, the Asia Poly Group also has a trading division which was set up in 2000 to distribute chemical and allied products to various industries such as the telecommunications and power, wood, chemical and paint, construction and plastics industries.

Acrylic sheet products provide excellent light transmission and resist degradation caused by UV light. Acrylic sheet products are also significantly more shatter resistant as compared to glass as well as having higher tolerance to certain chemicals such as ammonia dilute acids and aliphatic hydrocarbons. Due to its unique characteristics that include versatility, flexibility, durability and optical clarity, acrylic sheet products are used in a wide range of sectors. This includes building and construction, industrial, transportation, healthcare, automotive and consumer sectors.

4.2 SHARE CAPITAL

As at 2 September 2005, the authorised share capital of Asia Poly is RM10,000,000 comprising 100,000,000 Asia Poly Shares, of which 65,735,960 Asia Poly Shares are issued and fully paid-up. Upon completion of the Public Issue, the issued and paid-up share capital of Asia Poly will be increased to RM8,791,496 comprising 87,914,960 Asia Poly Shares.

The changes in the issued and paid-up share capital of Asia Poly since its incorporation are as set out below:

Date of allotment	No. of Asia Poly Shares allotted	Par value (RM)	Consideration	Total issued and paid-up share capital RM
20.06.2003	200	0.10	Cash	20
02.09.2004	65,735,760	0.10	Shares issued pursuant to the APSB Acquisition at par	6,573,596

As at 2 September 2005, Asia Poly does not have any outstanding warrants, options, convertibles or uncalled capital.

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

The principal activities of the Company's subsidiary are as follows:

Subsidiary	Date / Country of incorporation	Effective equity interest %	Issued & paid-up share capital RM	Principal activities
APSB	28 December 1984/ Malaysia	100.00	4,700,000	Manufacturing and selling of cast acrylic products

4.3 RESTRUCTURING AND LISTING SCHEME

As an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market, the Company undertook a restructuring scheme that was approved by the following authorities:

- (i) Bursa Securities vide its letters dated 14 May 2004 and 25 November 2004;
- (ii) SC (including approval under the FIC's Guidelines on the Acquisitions of Interest, Mergers and Take-Overs By Local and Foreign Interests) vide its letters dated 13 May 2004 and 9 May 2005; and
- (iii) MITI vide its letter dated 10 September 2003.

The restructuring scheme entails the following:

4.3.1 APSB Acquisition

The acquisition of APSB by Asia Poly of the entire issued and paid up capital comprising 4,700,000 APSB Shares from the Vendors at a purchase consideration of RM6,573,576 was fully satisfied by the issuance of 65,735,760 new Asia Poly Shares at par in the following manner:

Vendors of APSB	Shareholdings in APSB		No. of new Asia Poly Shares issued as consideration	
	No. of shares	%	No. of shares	% ^
Teoh Cheng Chuan	3,759,999	80.00	52,588,594	80.00
Ratna Maya	400,000	8.51	5,594,533	8.51
Chieng Ing Huong	235,000	5.00	3,286,788	5.00
Choi Yoke Lan	235,000	5.00	3,286,788	5.00
Liza Binti Mohd Noor	70,000	1.49	979,043	1.49
Tan Yee Khun	1	*	14	*
	4,700,000	100.00	65,735,760	100.00

Notes:

* *Negligible*

^ *Based on the enlarged share capital of 65,735,960 Asia Poly Shares after the APSB Acquisition*

The purchase consideration of RM6,573,576 for APSB Acquisition was arrived at based on the audited NTA of APSB as at 31 March 2003 of RM6,573,576. The APSB Acquisition was completed on 2 September 2004.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

The 65,735,760 new Asia Poly Shares were issued on terms that ranked pari passu in all respects with the existing Asia Poly Shares in issue except that they did not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

4.3.2 Public Issue

In conjunction with the proposed listing of Asia Poly on the MESDAQ Market, the Company will be implementing a public issue of 22,179,000 new Asia Poly Shares at an issue price of RM0.34 each per Public Issue Share.

Upon completion of the Public Issue, the issued and paid-up share capital of Asia Poly will be increased from RM6,573,596 to RM8,791,496 comprising 87,914,960 Asia Poly Shares.

The Public Issue of a total of 22,179,000 Asia Poly Shares representing 25.23% of the enlarged share capital of Asia Poly are to be issued to the following parties:

- (i) 2,000,000 Asia Poly Shares representing approximately 2.28% of the enlarged share capital have been reserved for application by Malaysian public;
- (ii) 4,395,000 Asia Poly Shares representing approximately 5.00% of the enlarged share capital have been reserved for eligible employees, Executive Director and business associates of the Asia Poly Group; and
- (iii) 15,784,000 Asia Poly Shares representing approximately 17.95% of the enlarged share capital placed to identified investors by way of private placement.

The 22,179,000 new Asia Poly Shares to be issued will rank pari passu in all respects with the existing Asia Poly Shares in issue except that they shall not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

4.3.3 Listing

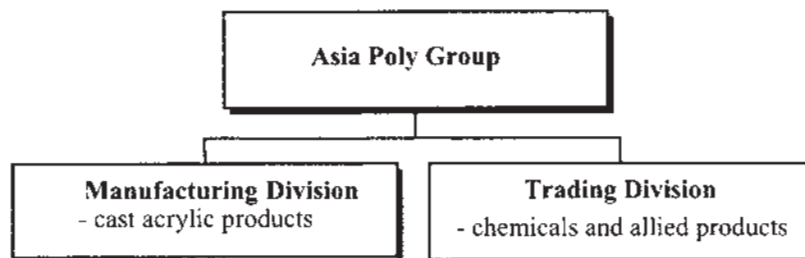
Admission to the Official List of the MESDAQ Market and the listing of and quotation for the entire enlarged issued and paid-up share capital of Asia Poly of RM8,791,496 comprising 87,914,960 Asia Poly Shares.

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4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.4 BUSINESS OVERVIEW

Asia Poly was incorporated as a public company on 20 June 2003 under the Act. The Company is principally an investment holding company. Through its subsidiary APSB, the Asia Poly Group is engaged in the manufacturing and selling of acrylic products (acrylic sheets and acrylic BLOCK) in various types and sizes as well as trading in chemicals and allied products.



Asia Poly Group through APSB manufactures a wide range of cast acrylic sheet products, which are available in various specifications such as clear, tinted, opaque and fluorescent. These cast acrylic sheet products are available in two (2) types of finishes, which are matt-finish and gloss finish. The cast acrylic sheet products manufactured by APSB are also available in a wide range of thickness, length and width as set out in Section 4.4.4 of this Prospectus. The cast acrylic sheet products can also be formulated into various colours according to customers' specification.

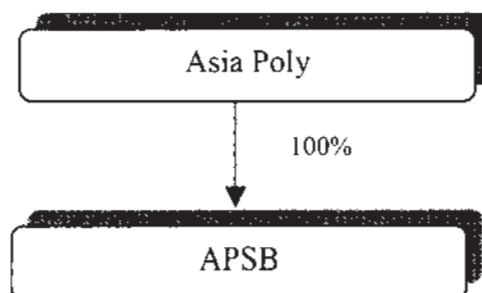
Acrylic sheet products can be used in a wide range of applications such as cosmetic display stands, signs, furniture, infra-red applications, noise barriers, telephone booths, poster displays, interior fittings and other miscellaneous usage. Asia Poly Group's acrylic sheet products are manufactured and marketed under the brand name of "A-CAST".

As for its trading division, it is engaged in trading of chemical and allied products such as raw materials for plywood industry, adhesives, oleo chemicals and white cement. The trading division accounted for 31% of the Group's revenue for the financial year ended 31 March 2005. Asia Poly Group sources most of its chemical products locally and sells them in the domestic and international markets such as Korea, Vietnam and Myanmar.

4.4.1 Principal activities

Asia Poly is principally an investment holding company of the Asia Poly Group while its subsidiary namely APSB is involved in manufacturing and selling of cast acrylic products.

The structure of the Asia Poly Group is as follows:



Further information on the business activities are set out in the ensuing sections from Sections 4.4.4 to 4.4.16 of this Prospectus.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.4.2 Subsidiary and associated company

The principal activities of the Company's subsidiary are as follows:

Subsidiary	Date / Country of incorporation	Effective equity interest %	Issued & paid-up share capital RM	Principal activities
APSB	28 December 1984/ Malaysia	100.00	4,700,000	Manufacturing and selling of cast acrylic products

As at 2 September 2005, Asia Poly does not have any associated company.

4.4.3 Information on APSB

4.4.3.1 History and business

APSB was incorporated in Malaysia under the Act as a private limited company on 28 December 1984 under the name of Mutual Jaya (Selangor) Sdn Bhd. It later changed its name to Mutualwang Poly Industrial Sdn Bhd on 17 August 1990. The company assumed its present name on 12 January 1991.

APSB's principal activity is manufacturing and selling of cast acrylic products.

4.4.3.2 Share capital

The present authorised and issued and paid-up share capital of APSB are as follows:

	RM
Authorised	
Ordinary shares of RM1.00 each	6,000,000
Issued and paid-up	
Ordinary shares of RM1.00 each	4,700,000

4.4.3.3 Changes in share capital

The changes in the paid-up share capital of APSB since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Total paid-up share capital RM
28.12.1984	2	Subscribers' share	2
25.10.1985	49,998	Cash	50,000
12.11.1991	4,650,000	Cash	4,700,000

4.4.3.4 Substantial shareholder

As at 2 September 2005, APSB is a wholly-owned subsidiary of Asia Poly.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.4.3.5 *Subsidiary and associated company*

As at 2 September 2005, APSB does not have any subsidiary and associated company.

4.4.4 **Principal products and services**

4.4.4.1 *Manufacturing division*

The Asia Poly Group currently manufactures and sells cell cast acrylic sheet products under the brand name of "**A-CAST**". The cell cast acrylic sheet products are manufactured in accordance to customers' specifications and have enhanced physical properties and performance values as compared to high-end plastic materials available in the market.

Acrylic sheet products (acrylic sheets and acrylic BLOCK) or PMMA sheets offer excellent transparency, strength and outdoor durability. Acrylic sheet products serve as the building block for many products and are used principally by industries that require good weather resistance. Some other popular uses of acrylic sheet products include sound barriers, kitchen and bath countertops, bathroom stall partitions, furniture, signage, car accessories, skylights, aquariums, button lamps, telephones, musical instruments, security barriers for banks and limousine interiors. It is also the material of choice for museum cases and displays because of its clarity and workability.

Cast acrylic is a rigid, hard thermoplastic material, which is characterised by its colour range availability and easy fabrication. Cast acrylic sheet products' minimal aging, discoloration and does not deform easily is suitable for extended outdoor use. It has very clear and high gloss surface that enhances illumination and comprises a variety of colours. Cast acrylic sheet products weigh half as much as general glass. It has excellent UV stability and is suitable for sign manufacture, point-of-sales display units, safety glazing, machine enclosures and model manufacture.

Acrylic sheet products have the following unique characteristics:

Advantages

(i) Flexibility

Acrylic is termed as 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.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

(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.

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4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

The cell cast acrylic sheet products (acrylic sheets and acrylic BLOCK) produced by Asia Poly are available in the following sizes:

Sizes	Types of Cast Acrylic Products				
	Clear	Tinted	Opaque	Fluorescent	Matt-Finish
2440mm x 1220mm x (2mm - 50mm)	✓	✓	✓	✓	✓
1830mm x 1220mm x (2mm - 50mm)	✓	✓	✓	✓	
1000mm x 2000mm x (2mm - 6mm)	✓	✓	✓	✓	
1200mm x 2000mm x (2mm - 12mm)	✓	✓	✓	✓	
1295mm x 1905mm x (2mm - 25mm)	✓	✓	✓	✓	
1295mm x 2540mm x (2mm - 12mm)	✓	✓	✓	✓	
2450mm x 1840mm x (3mm - 10mm)	✓	✓	✓	✓	
2400mm x 1790mm x (12mm - 25mm)	✓	✓	✓	✓	
3050mm x 2030mm x (3mm - 25mm)	✓	✓	✓	✓	
1295mm x 1905mm x (2mm - 8mm)	✓	✓	✓	✓	✓
1220mm x 1830mm x (10mm - 25mm)	✓	✓	✓	✓	✓

Notes:

- 1 Save for sizes 1295mm X 1905mm X (2mm – 8mm) and 1220mm X 1830mm X (10mm – 25mm) which are only available in matt-finish, all other sizes of acrylic products produced by APSB are available in both gloss-finish and matt-finish
- 2 All normal acrylic has glass surface finish unless it is deliberately converted to matt-finish
- 3 Majority of all acrylic products are clear unless colour is added to change the clarity to tinted or clarity can be removed by converting to opaque so that there is no light transmission through the sheet at all

The cell cast acrylic sheet products are used in a wide range of industries, which include amongst others, building and construction sector, industrial sector, transportation sector, healthcare sector, automotive sector and consumer sector. The usage and application is highlighted as follows:

Type of Acrylic Products	Application	Sizes
Clear Cast Acrylic Products	Cosmetic display stands, illuminated signs, poster displays, skylights and others	1000mm X 2000mm X (2mm - 6mm) 1200mm X 2000mm X (2mm - 12mm) 1220mm X 1830mm X (10mm - 25mm)
Tinted Cast Acrylic Products	Cosmetic display stands, signs, furniture, Infra-red application, noise barrier, telephone booth and others	1295mm X 1905mm X (2mm - 8mm) 1295mm X 1905mm X (2mm - 25mm) 1295mm X 2540mm X (2mm - 12mm)
Opaque Cast Acrylic Products	Display stands, signs, unpolished glazing, back-projection screens and others	2030mm X 3050mm X (3mm - 25mm) 2400mm X 1790mm X (12mm - 25mm)
Fluorescent Cast Acrylic Products	Display stands, interior fittings, stand fittings, décor, illuminated signs and others	2440mm X 1220mm X (2mm - 50mm) 2450mm X 1840mm X (3mm - 10mm)

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

4.4.4.2 Trading division

APSB established its trading division in March 2000 to trade in various chemicals and allied products. For the financial year ended 31 March 2005, this division had contributed 31% to the Group's revenue. These chemical products are traded in the domestic and international markets such as Korea, Vietnam and Myanmar.

The following is a list of products that the Group carries and the industries that consume these products:

Product Name	Industry
Raw materials for plywood	Wood industry
Galvanised steel wire	Telecommunication and power industry
Oleo chemicals	Chemical industry
Crude degummed soyabean oil	Paint industry
Ethylene vinyl acetate copolymer	Glue / adhesive industry
Plastic protectant and polish	Plastic fabrication
White cement	Construction

All of the above-mentioned products are commodity items except for the plastic protectant and polish and white cement, which are marketed under the brand names of "Plexus" and "Knight". The plastic protectant and polish, which are marketed under the brand name of "Plexus" originated from the USA. APSB sources its "Knight" branded white cement from Aalborg RC1 White Cement Sdn Bhd.

4.4.5 Agreements and trade marks

On 1 April 2002, APSB had entered into a supply agreement with Lucite International, the world's largest producer of MMA and acrylic-based products for a supply of MMA at competitive prices. The supply agreement is valid for an initial period of three (3) years and is renewable automatically unless terminated by either party giving twelve (12) months' notice in writing to the other. In this respect, APSB is ensured of constant supply of MMA at competitive prices and minimal disruption to its manufacturing process. In the event the supply agreement between Asia Poly and Lucite International is terminated, the Asia Poly Group is able to source alternative supplies of MMA from countries such as Japan, Singapore, Thailand and Taiwan. The Group also sources its other raw materials from both the local market as well as the overseas markets such as the USA, the UK, Taiwan, Japan, China and Thailand.

Further, on 3 July 2003, the Asia Poly Group has submitted applications to register the "**A-CAST**" and "Asia Poly" trade marks under the Trade Marks Act, 1976 in Classes 16, 17 and 19. The "Asia Poly" and the "**A-CAST**" trade marks have been approved for registration in Classes 16, 17 and 19 by the Registrar of Trade Marks and as at 2 September 2005, all these trade marks are still pending publication in the Government Gazette. These trade marks, when registered, will give the Company the exclusive right to use the aforesaid trade marks and will provide protection to the Company by preventing others from using its trade marks. Any person who uses the Company's trade marks without its authorisation will be liable to be sued for trade mark infringement.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

Details of the trade marks are as follows:

Type	Application No.
"Asia Poly" under the Trade Marks Act 1976, Class 16	2003-08160
"Asia Poly" under the Trade Marks Act 1976, Class 17	2003-08162
"Asia Poly" under the Trade Marks Act, 1976, Class 19	2003-08158
"A-CAST" under the Trade Marks Act, 1976, Class 16	2003-08161
"A-CAST" under the Trade Marks Act, 1976, Class 17	2003-08163
"A-CAST" under the Trade Marks Act, 1976, Class 19	2003-08159

Definitions for each of the classes are as follows:

- Class 16 (Goods): All printed matter;
- Class 17 (Goods): Acrylic resins for insulation; acrylic resins (semi-finished products); acrylic products for use in manufacture; acrylic substances (semi-finished), transparent acrylic resin sheets incorporating conductive meshes; transparent acrylic resin sheets for all types of shielding; and
- Class 19 (Goods): acrylic protective coating (other than paint).

4.4.6 Technology used in production

The Asia Poly Group manufactures the cell cast acrylic sheet products using the cell cast method. The cell cast method is defined as a process whereby liquid monomer, namely MMA, is processed with a combination of chemical formula in a reactor to a temperature of 100 degrees Celsius, which is the boiling level of MMA. The PMMA syrup is then processed further into a specially formulated recipe, after which it is poured between two (2) glass panels and transferred into a hot water bath to polymerise (harden). On hardening, the glass moulds are then placed in an oven to anneal where stress is removed. The glass moulds are then cooled at room temperature. Once these moulds are cooled sufficiently, the glass panels are parted and the acrylic sheet are removed.

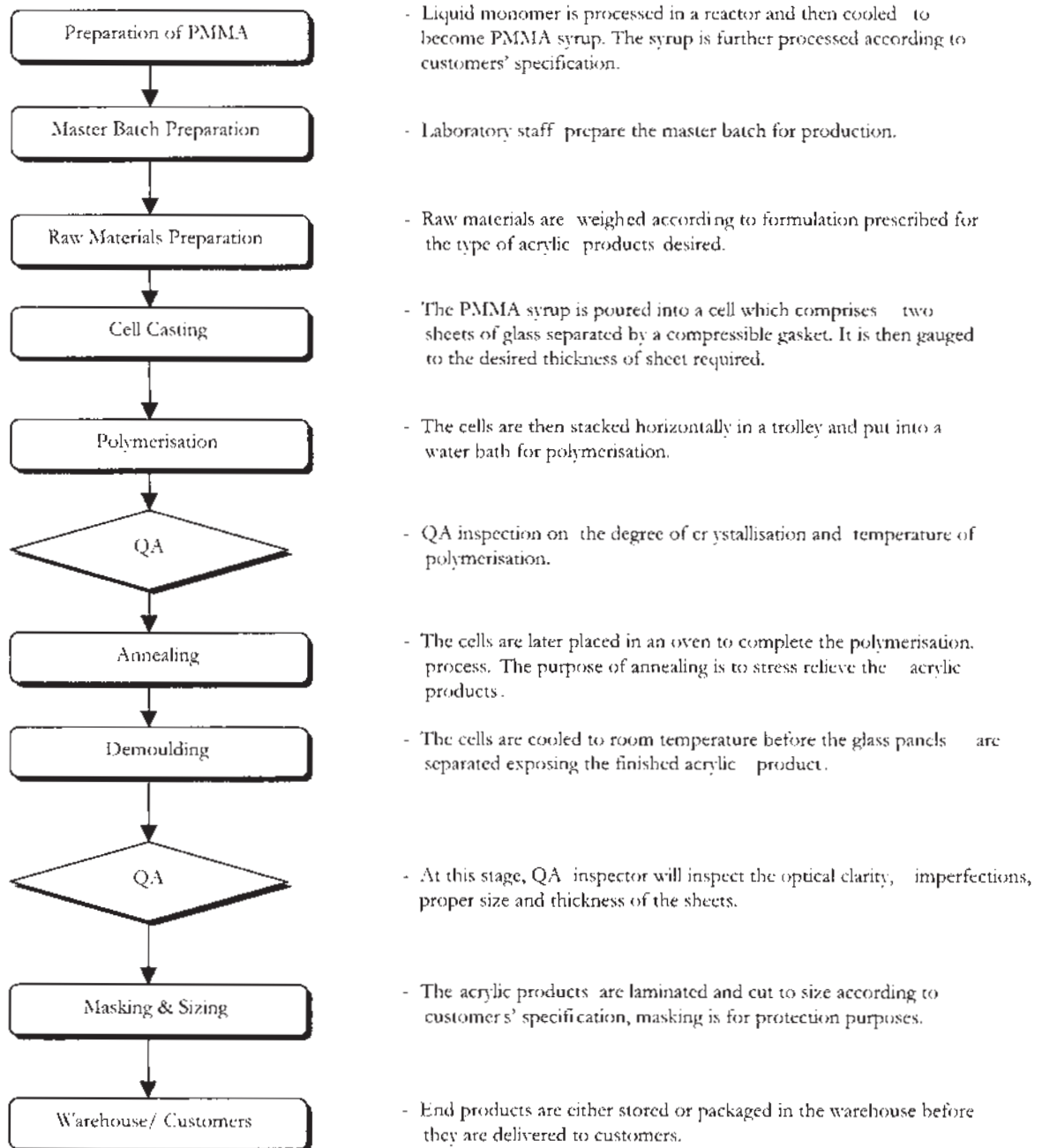
The advantages of producing acrylic sheet products using the cell cast method are the ability to produce better optical clarity, hardness and the flexibility to produce in smaller quantities to allow for customisation of colours, textures and inclusion of other specific features as specified by the customers.

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4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.4.7 Production process

The production process of the cell cast acrylic sheet products for the Asia Poly Group is illustrated in the following diagram:



(Source: Management of Asia Poly Group)

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.4.7.1 Raw material preparation

MMA monomer is stored in two (2) numbers of 100 tonne stainless steel storage tanks at a safe distance from the plant due to its volatile nature. These tanks supply the MMA to the reactors inside the factory via a pumping system. A measured amount of MMA is filled into the reactor along with other additives and indirect heat is applied to "cook" the ingredients to a predetermined temperature. When it has reached the desired temperature the heat source is turned off in order to cool down the contents of the reactor to room temperature. Chilled water is pumped through an outer jacket of the reactor. The cooled mixture or syrup in general is then drained into a storage tank and it is then ready for further processing. The cooled syrup is pumped to the mixing / blending area to blend with additional ingredients such as pigments, and other processing aids to produce syrup of a certain formulation in accordance with the customers' requirements. It will later pass through a number of filters into another container so as to remove any and all contaminants during the process. Once the syrup has been filtered, it has to go through a vacuum process to remove any oxygen (air bubbles) that was created during mixing. After that, the syrup is ready for casting.

4.4.7.2 Cell casting

The cell is made up of two (2) panels of very special glass. A special gasket of a predetermined length and diameter separates these two glass panels. The gasket is restrained on all four (4) corners to form a complete and secure retainer within the cell. The cell is tilted diagonally at a convenient angle to allow the syrup to flow downwards within the constraints of the retainer. The amount of syrup allowed to flow into the cell is predetermined in accordance with the particular size and thickness of sheet required. Before the actual pouring takes place the cell is clamped on the two sides and the bottom with clamps to ensure that none of the syrup when poured leaks out. After the syrup is poured into the cell, it is laid horizontally where the top fringe is now clamped using the "C" clamps. The operator will adjust the press arms and evacuate the air that is trapped in the cell followed by gauging to ensure that the thickness of the sheet is in accordance with the QA standards required.

4.4.7.3 Polymerisation

Polymerisation is the process by which PMMA syrup changes from a liquid, through to a hard tough solid. The polymerisation reaction is an exothermic process as heat is introduced to the liquid PMMA for it to be hardened. Hence, it is essential to control the temperature of the polymerisation process very carefully or the sheet will spoil. If the temperature is too high, it will generate greater heat that will cause the monomer to boil, forming large bubbles in the rapidly hardening materials. The cells are loaded into a specially designed trolley ready to be immersed into a hot water bath heated to a specific temperature. It is in this part of the process that the PMMA syrup polymerises (hardens). This is commonly known as the water bath process.

4.4.7.4 Annealing

After the polymerisation, the trolley is removed from the water bath and placed in an annealing oven. The cells will remain in the oven for a specified time in order to stress relieve the shrinking sheets inside the cells. The cells are then removed from the oven and cooled to room temperature.

4.4.7.5 Demoulding

The cooled down trolley of cells is then sent for demoulding, where the cells are parted and the fully formed acrylic sheets are removed from the cell and sent for masking.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.4.7.6 *Masking/Laminating*

The sheets produced are then laminated with either paper masking or Polyethylene ("PE") film on both surfaces to protect the sheet during handling and transportation.

4.4.7.7 *Sizing*

Once the sheet has been laminated, it is then sized or cut into specific sizes according to customers' requirements.

4.4.7.8 *Packaging/warehousing*

The finished product is then packed and stored in the warehouse before being delivered to the customers according to their order requirements.

4.4.8 **Market coverage and market position**

Asia Poly Group is an export-driven company as approximately 61% of its manufactured acrylic sheet products are exported to international markets. The export market for the Asia Poly Group are as follows:

Region	Countries
Asia	Hong Kong, Singapore, China, Japan, India, Sri Lanka
Australia / New Zealand	Australia, New Zealand
Europe	Belgium, Ireland, Germany, Greece, UK, Portugal, Turkey
North America	USA, Canada
Others	Saudi Arabia, Iran, Syria, United Arab Emirates, Brazil and Mauritius

The remaining 39% of its acrylic sheet products are distributed locally to manufacturers, trading companies and end-users (such as advertising firms). The market segmentation of the Asia Poly Group by industry is highlighted as follows:

Industry	% of revenue contribution (Financial year ended 31 March 2005)
Point-of-sales	50%
Signage (advertising industry)	30%
Construction industry	10%
Other industries	10%

Based on the above table, an estimated 50% of Asia Poly Group's cast acrylic sheet products are used in the production of point-of-sale machines and 30% are used in the advertising industry such as the manufacturing of signage. Meanwhile, 10% of the Group's acrylic sheet products are for the construction industry namely, the glazing fabricators or noise barrier manufacturers. The remaining 10% of Asia Poly Group's acrylic sheet products are distributed to furniture manufacturers and interior designers.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

Based on an independent market study conducted by Infocredit D&B, 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 export category in 2004. This is a broad comparison based on a diverse product-mix comprising PMMA 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)

In terms of market share, there has been a continuous growth for exports of acrylic sheet products for Asia Poly. The Group's export market share stood at approximately 47.64% in 2004.

(Source: Infocredit D&B Report)

4.4.9 Sources and availability of raw materials

4.4.9.1 Manufacturing division

The raw materials used in processing of acrylic sheet is plastic resins that include MMA monomer, polymerisation initiators, light stabilisers, UV absorbers, lubricants, matting agents, pigments/dyestuffs, anti-oxidants, impact resistant additives and fire retardant additives. The highest consumption of raw material is the monomer content.

The Group sources its MMA raw materials from Lucite International, whilst its other raw materials such as colours, chemical and additives are sourced from the USA, UK, Taiwan, Japan and Thailand. In the past, the acrylic sheet products industry has experienced shortage of supply in MMA. This was apparent during the 2002 industry-wide shortage of MMA across Asia, of which APSB remained unaffected and was able to sustain through this period due to this privileged supply agreement coupled with its good business relationship with Lucite International. Besides Lucite International, there are many other MMA suppliers and agents in Malaysia as well as the overseas market such as Japan, Singapore and Thailand.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.4.9.2 *Trading division*

APSB sources most of its trading materials locally from well-established clients such as Borden Chemical (M) Sdn Bhd and Southern Acid (M) Bhd. In addition, the Group purchases certain types of trading materials such as crude degummed soya bean oil from Singapore.

4.4.10 **Marketing and distribution**

Asia Poly Group markets its acrylic sheet products through distributors, agents and direct sales to customers. The Group's commercial division's staff search for prospects by conducting market studies and exploring business opportunities using the Internet. Apart from the aforementioned, the Asia Poly Group also sources new clientele through existing customers' and senior management's recommendations. Its commercial team is responsible for maintaining good relationship with existing and potential customers, monitoring the performance of its products, conducting market surveys for identification of potential products and constantly accessing new avenues to promote its products via e-commerce and other means of channels.

In the trading division, chemical and allied products are distributed through a network of manufacturing and trading companies. The Group mainly secures new businesses through senior management's and cast acrylic product customers' recommendations. Apart from the aforementioned, staff from the commercial division is also responsible in sourcing for new customers. Asia Poly Group's trading division provides better financial terms, distribution modes and value-added market information to its customers.

The commercial division is headed by the Director of Business Development, Miss Lim Chang Ching whose responsibility is to lead the team in search of new opportunities, maintain good relationship with customers, monitor the performance of agents and distributors, conduct market surveys for identification of potential products, promote awareness of its products and constantly access new avenues to promote its products along with providing technical customer service in the promotion of the uses of acrylic sheet.

The Asia Poly Group also markets its products via the Internet and by conducting market studies. Asia Poly's contact details and brief profiles are listed on the following websites:

- Universal Plastic Exchange ("UPE") - UPE is established as a worldwide trading site of information to promote trade in the Plastics Industry;
- Malaysia Manufacturers' Directory – Malaysia Manufacturers' Directory is the country's largest manufacturers' website servicing 23 major industrial categories; and
- Asia E-Business Partner – AsiaEP is one of the largest "Business To Business Vortal"s in Asia and it has been awarded Multimedia Super Corridor status in early 1998.

4.4.11 **QA**

The Group's QA team is decentralised and as such, does not form part of the R&D department. However, the Group practices a project-based system, where the R&D department works closely with other departmental heads of the respective divisions in the Group, especially in the areas of QA. When a new product is planned, specific departments are placed in a common project-team where information and knowledge are shared between project team members. This is to ensure that QA procedures are met and practiced according to customers' requirements before the products are produced. The Group's tagline "Committed to Excellence" is to ensure total customer satisfaction and keeping abreast with the latest trend and developments within the acrylic industry.

As at 2 September 2005, Asia Poly has yet to apply for ISO certification but management has plans to apply for the certification upon completion of its plant and machinery refurbishment and when the employees had adequate training.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

The Group's main quality control areas are as follows:

4.4.11.1 *Raw material requisition*

Before the raw materials are used in production and upon the receipts of all incoming raw materials, the Group's QA personnel will conduct a quality check on the raw materials supplied. Besides that, the maintenance staff is responsible to conduct regular maintenance on the machines in order to minimize the possibility of machine breakdown that will in turn affect the Group's productivity.

4.4.11.2 *Process control*

During all stages of the production process, APSB's QA personnel will conduct thickness check on the cells that has been filled with PMMA syrup. The Group's QA inspector carries out quality control check on the degree of polymerisation during the production process to ensure that the acrylic sheet products are fully harden before they are removed from the water bath process.

4.4.11.3 *Masking and packing*

At the final stage of the production, the QA department will conduct a final quality check on the acrylic sheet products to confirm the products are produced according to customers' requirements. After the end-products are confirmed acceptable, the quality control personnel will ensure the acrylic sheet products are properly masked and packed before they are being delivered to customers.

4.4.12 R&D

APSB recognises that continuous R&D plans are crucial to the Group to remain competitive in its existing markets and to tap into new markets, thus ensuring long-term sustainability of its business. Since the management revamp in January 2001, the current management team comprising Mr Teoh Cheng Chuan, the Chief Executive Officer and Mr Alexander James Brown, the Executive Director have taken bold steps in restructuring the R&D department. Sufficient investments have been made to enhance the R&D department.

The estimated amount spent on R&D for the past three (3) financial years ended 31 March 2005 were as follows:

Financial year ended 31 March	R&D expenditure RM'000	% of revenue
2003	311	0.80
2004	658	1.45
2005	333	0.57

The Group's R&D plan are focused on the consolidation of its inherent strengths and to diversify horizontally into other end-use application such as advanced acrylic sheet products. In this regard, the R&D activities of the Group are revolved around:

- (i) Continuous new product improvement and development, focusing on value-added development of new products;
- (ii) Process improvement with view towards optimising operational efficiency, reduce manufacturing lead time, reduce wastages, reduce wear and tear of machinery and minimise manpower resources;
- (iii) Assessing new technology and production processes to be adopted for new line of products for cost-saving measures and to improve both value and quality of Asia Poly's acrylic sheet products; and
- (iv) Developing new areas for expansion and diversification of business activities and products.

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

The key R&D activities of the Group are explained further under the section on R&D objectives.

(i) **R&D mission statement and summary of objectives**

Asia Poly adopts the following R&D mission statement and R&D objectives:

“Research, Design, Innovate and Integrate Processes with Optimal Cost Efficiency”	
	<p>R&D Objectives</p> <p>Product Improvement and Development Continuous new product improvement and development, focusing on value-added development of new products</p> <p>Process Improvement Process improvement with view towards optimising operational efficiency, reduce manufacturing lead time, reduce wastages, reduce wear and tear of machinery and minimise manpower resources by means of automation</p> <p>Technology Improvement Assessing new technology and production processes to be adopted for new line of products for cost-saving measures and to improve both value and quality of its acrylic sheet products</p>

Source: Management of Asia Poly

(ii) **R&D objectives**

The major R&D objectives of the Group are explained as follows:

(a) **Product improvement and development**

The Group maintains top priority for its R&D effort in product improvement and development. As part of its product improvement strategy, the Group focuses on direct customers and customers downstream by dedicating time to study and understand their production needs. A project-based system, headed by Mr Alexander James Brown, its Executive Director is also present in the Group structure, where the R&D department works closely with other departmental heads of the respective divisions in the Group, especially in the areas of QA. When a new product is planned, specific departments are placed in a common project-team where information and knowledge are shared between project team members.

Ms Loh Poh Ming, plays a dual role as Manager of both the R&D and QA divisions, where historical data from the QA division are used to facilitate corrective actions in order to reduce variances/deviations in the test results of new products. As corrective measures are implemented before the actual commencement of the test, this will speed up the development of the entire research process. Using the current project-based system, the R&D project team has successfully completed the development of a new advanced grade acrylic sheet product in less than twelve (12) months.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

In addition, between financial years ended 31 March 2001 and 31 March 2005, the R&D team has also managed to successfully develop the following value-added products:

- Developed cast acrylic BLOCK from 30mm to 50mm, commonly used in outdoor signboards, highway sound barriers and thicker display stands. It is the ideal choice for “push-thru letters” in signage boards due to its easy fabrication and blemish-free appearance.
- The Group successfully developed a special formulation used in the production of larger cast acrylic sheets such as 1840mm X 2450mm and 2030mm X 3050mm, commonly used in outdoor advertising, larger display stands and skylights.
- Developed new colour range of acrylic products including fluorescent and matt-finish. Fluorescent offers colour uniformity of surface and edge, which is especially important in indoor display applications and in many applications requiring striking colours. Matt-finish reduces reflected light and when in direct contact with an object, higher clarity is achieved. Both are additional colour schemes commonly used in display stands, interior fittings, stand fittings, décor, illuminated signs and others.
- Improved (shorten) production cycle time with enhanced product quality.
- Reduction in the level of wastage.

In respect of product development, the Group is constantly researching and assessing new acrylic sheet products, which is complementary to its existing production capabilities.

(b) Process improvement

The Group is focused on process improvement by studying the design and modification of its production facilities, to increase their existing production capacities, to improve on the operational efficiency and to achieve better utilisation of factory floor space. It has become increasingly important to improve the effectiveness of R&D expenditure and the speed of technology development through a strategy of selectivity and focus.

Between financial years ended 31 March 2001 and 31 March 2005, Asia Poly has managed to successfully achieved the following process improvements:

- The Group has upgraded its boiler from steam generation that was previously used to thermo oil generator in 2002. The thermal oil generators prevent the extreme loss of heat temperature when the heat is delivered from the generator to the areas that need to be heated. Besides that, used heat can be circulated back to the generator through a closed circuit system, which can be re-generated again. This helps substantially to reduce manpower as thermo oil systems does not require a “boiler-man” to be stationed during production.
- Reduce the overall production lead-time and minimise manpower resources by developing and upgrading its current production process.

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

(c) **Technology improvement**

An important aspect of technology improvement revolves around the ability of the R&D team to design, innovate and develop new production methodologies using newer technologies and/or to modify existing “formulation” structure to improve on the properties of its acrylic sheet products. The Group also assesses new technology and production processes to be adopted for new line of products for cost-saving measures and to improve both value and quality of its acrylic sheet products. The Group intends to purchase additional laboratory equipment for its R&D activities.

This continuous R&D process also examines raw materials and additives for the use during the formulation of PMMA syrup. This is done by using high-tech test equipment to test the moisture level of its raw materials, to check the polymer content in PMMA syrup, to determine the softening point and heat deflection temperature of acrylic sheets and to ensure the accuracy of weighted additives. This translates to cost savings in the long run as the R&D activities focuses on improving production cost.

Between financial years ended 31 March 2001 and 31 March 2005, Asia Poly has managed to successfully achieve the following technology improvements:

- Higher accuracy rate in product designs with fewer errors and variations from pre-testing of new products to actual commencement of production.
- Higher technological capabilities in achieving larger sized acrylic sheet products such as the 2440mm x 1220mm x (2mm - 50mm) acrylic sheets. Prior to the acquisition of the semi-automatic masking machine, it is technically impossible for the Group to produce acrylic sheets of these sizes. This machine can cater for masking of sheets of up to 3.4m in width.
- Higher levels of automation and accuracy in the production of acrylic sheet products.

4.4.12.1 R&D divisions

The Group is committed to invest, both in terms of manpower and funds in R&D to gain competitive edge and to achieve its R&D objectives in product development, process improvements and technology improvement.

The Group's R&D centre can be divided into the following four (4) sub-divisions:

R&D Sub-Division	Function / Responsibility
Main Laboratory and Sample Testing Lab	This sub-division is the core of the Group's product development process, which includes product development of semi-finish and end-products, using random selection of material or product. Historical data from the QA department are used to facilitate corrective actions in order to reduce variances/deviations in the test results of new products. As corrective measures are implemented before the actual commencement of the test, this will speed up the development of the entire research process. Its QA personnel carry out the selection process periodically under this division.
Colour Laboratory and Master Batch Preparation Lab	This division is principally where the masterbatch for production is prepared. Asia Poly's R&D staff formulates and mixes the colour acrylic products in this division based on customers order requirements and tests which have been carried out using laboratory pre-cast panels.

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

R&D Sub-Division	Function / Responsibility
Colour Enhancement and Technical Lab	Asia Poly's R&D staff conduct colour testing here to further enhance the colours of the acrylic sheets produced.
General and Instrumentation Lab	This is where the testing of all manufactured sheet products and raw materials are carried out to ensure the Group's stringent QA standards are met. All new product formulations / recipes will pass through this particular section.

The Group continuously improves its production methodologies and technology through the integration of the four (4) R&D sub-divisions with the participation of the QA department. The Group uses a system or method that involves data collection, recording and documentation of data in all stages of the production process flow. The data are then gathered and documented by the QA department, which are used as references for future development of new products by the R&D department.

In addition, the R&D division performs a series of tests in the specific divisions above, by using high-tech equipment and facilities available in-house. Some of the R&D equipment is as follows:

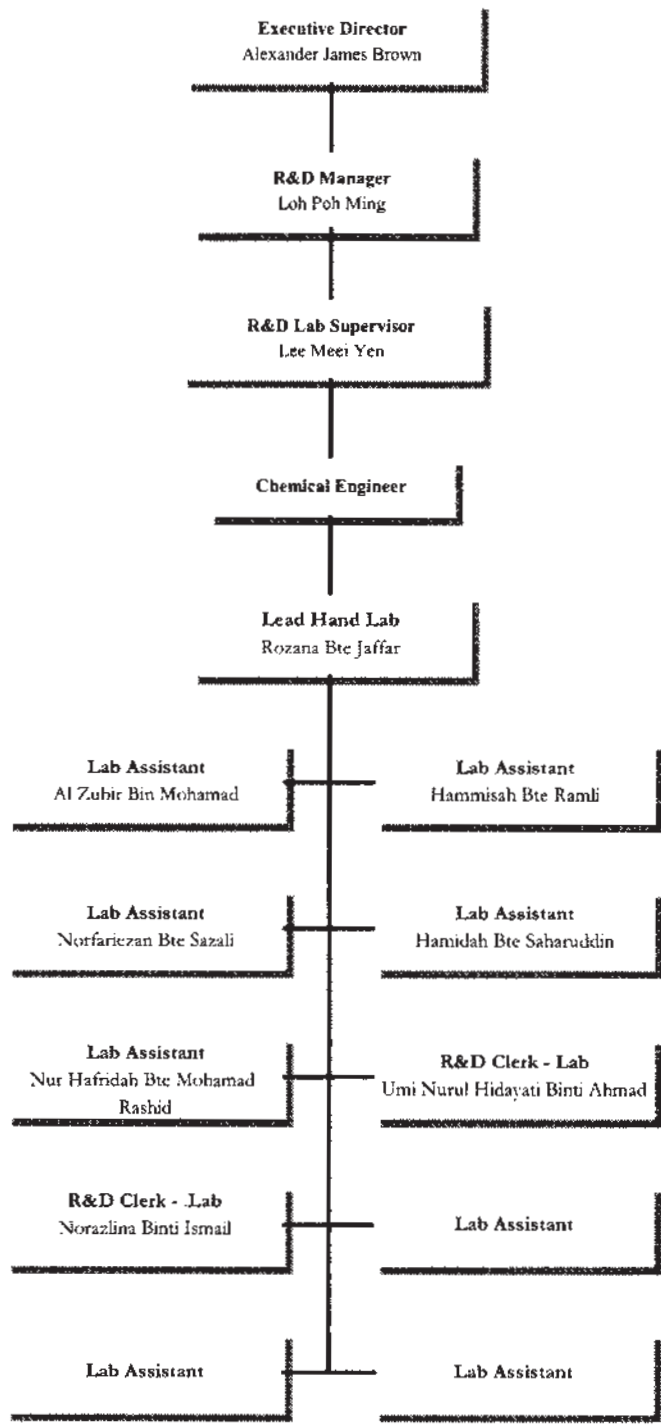
Equipment	Brand	Description (function)
Moisture meter	Mettler Toledo	To check the moisture content of raw materials
Refract meter	Optech	To check the polymer content in PMMA syrup
VICAT and HDT equipment	CEAST	To check free Monomer content in fully polymerised PMMA in order to determine the level of quality of the sheet products produced. HDT is an expensive piece of laboratory equipment on its own. This equipment is specifically used for determining the percentage of Light Transmission and Haze levels present in any PMMA sheet products.
Analytical balance	Sartorius	To ensure the accuracy of weighing additives for polymerisation

4.4.12.2 R&D team

The Group has an R&D team that comprises specialists who have experience various experiences in engineering, product design and development of acrylic sheet products. The R&D department is currently led by Mr Alexander James Brown, who is the Executive Director. The Group's management team and production staff also works closely with the R&D department to further develop products and explore new technology areas. The management team and staff of Asia Poly is committed to the R&D mission statement of the company, which is to Research, Design, Innovate and Integrate all aspects of their operations.

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

The R&D department organisation chart is as follows:



4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.4.12.3 R&D development strategy

The Group's objectives in embarking on an aggressive R&D programme are to be able to produce new products to enhance its capability and to ensure the Group's survival in the future. The Group's R&D activities emphasise on key areas of improvement within its main objectives of product improvement and development, process improvement and technology improvement. The R&D strategies of the Group are highlighted as follows:

(i) Increase R&D manpower, training and resources

The Group intends to employ additional experienced R&D staff and to enhance present staff's capabilities through continuous learning and further education, which will enable the Group to continually meet the unique needs of its customers and improve the quality of its acrylic sheet products as well as to enhance production efficiency. The Group uses a project-based system where specific departments are placed in a common project-team, together with the R&D personnel for knowledge and information sharing, when a new product is planned. This allows the Group to expand horizontally into other end-use application of the market such as advanced acrylic products. The management plans to expand the R&D team in the next few years.

(ii) Enhancing product quality through continuous R&D

The Group's policy is to continuously enhance and upgrade its technological proficiency by incorporating new technologies into the production process to meet customers' increasing requirements. The Group's tagline "Committed to Excellence" is to ensure total customer satisfaction and to keep abreast of the latest trends and development within the acrylic products industry by conducting market studies and obtaining feedback from its customers. The business development and marketing team of Asia Poly conducts regular surveys and carry out tracking activities to research on the latest trends and demands from other countries. Feedbacks are important to the R&D project team to assist them in conducting new product development. The company also adopts a policy of high quality with efficient production capability through intense and continuous R&D.

4.4.12.4 R&D capabilities

The Group's key area of excellence is in its ability to produce high quality products, based on intense R&D works. The product quality of Asia Poly is further exemplified by the fact that it exports approximately 61% of manufactured acrylic sheet products to various countries including those in Asia, Australia, Europe, North America and others (including Africa, Middle East and South America) based on the financial year ended 31 March 2005. In addition, the Group has also penetrated countries with stringent quality control such as Australia, Japan, UK and the USA.

Prior to the R&D of a new product, the Group will explore the needs and market potential for such a product to ensure that the resources invested will be justified by the income generated from it in the future. Product enhancement requirements are collected from the Group's clients, distributors and business development team. All information collected are analysed, prioritised and put into a product enhancement schedule.

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

4.4.13 Management and employees

As at 2 September 2005, the Asia Poly Group has a total of 237 employees. The total number of employees and the length of service as at 2 September 2005 are as follows:

Categories of staff	-----Length of service----->			Total
	More than 5 years	2 to 5 years	Less than 2 years	
Directors	-	2	-	2
Managers/professionals	5	-	-	5
Technical and supervisory	15	7	5	27
Clerical and related operations (such as personal secretary, typists, stenographer)	3	7	5	15
Factory workers:				
- Skilled	2	10	6	18
- Unskilled	5	53	112	170
	30	79	128	237

Generally, the Chief Executive Officer, Mr. Teoh Cheng Chuan provides the strategic, business development and day-to-day guidance to the entire Group. Mr Teoh is assisted by a team of experienced personnel who undertakes different aspects of the business such as the business development, production, operations, R&D, QA and finance cum administration.

The Directors of Asia Poly believe that the working relationship between its senior management with its employees is good. There are no labour or industrial dispute between the employees and the management, which will have material adverse financial impact on the Group. The employees do not belong to any labour union and enjoy a cordial relationship with the management.

The Group actively promotes the upgrading of its junior staff skills through on-the-job training under close supervision and guidance of senior management and key technical staff. The Asia Poly Group also grooms its factory workers with cross functional training and job rotations which provides the employees the opportunity to have hands-on experience in various production process of an acrylic manufacturing facility.

The management of Asia Poly recognises the importance of employees' technical development. Thus, the Asia Poly Group conducts in-house training and on-the-job training to constantly improve their skills and keep abreast with the innovative engineering methodology and processes.

4.4.14 Location of operations and productions capacity

The following table sets out the details on the location of operations and annual capacity of the Group.

Location	Land area/ Built-up area	Beneficial owner	Annual production capacity
Lot 758, Jalan Haji Sirat, Mukim Kapar, 42100 Klang, Selangor Darul Ehsan	19,096 sq. m./ 9,104 sq. m.	Asia Poly	6,000 MT

The Asia Poly Group undertakes its business operations from the aforementioned location. All the manufacturing, marketing, R&D and trading activities are centralised in this plant. The manufacturing plant is used in manufacturing cast acrylic sheet products of various sizes and types.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.4.15 Interruptions in operations

The Asia Poly Group did not experience any disruption in business, which has a significant effect on its operations for the twelve (12)-month period prior to 2 September 2005.

4.4.16 Key achievements/milestones/awards

The key milestones of the Asia Poly Group since it commenced operations are as follows:

Year	Events
1984	APSB was incorporated as a private limited company under the name of Mutual Jaya (Selangor) Sdn Bhd on 28 December 1984. The company was established as a joint venture between a Taiwanese investor and a few local partners
1990	Change of name to Mutualwang Poly Industrial Sdn Bhd on 17 August 1990
1991	Change of name to Asia Poly Industrial Sdn Bhd on 12 January 1991
1992	Commencement of operations in cell cast acrylic sheet products with production capacity of 200 MT per month
1998	Taiwanese investors sold off its interests in APSB to Mr Teoh Cheng Chuan, and APSB became a locally-owned company
1999/ 2000	Upgrading of current facilities and extensive renovation carried out
2000	APSB recorded revenue of RM12.3 million and profit after tax amounting to RM0.3 million for financial year ended 31 March 2000
2001	Revamp of its management team headed by its Chief Executive Officer and major shareholder, Mr Teoh Cheng Chuan and Executive Director, Mr Alexander James Brown in 1 January 2001
2002	APSB's principal activity remains the manufacturing and selling of cell cast acrylic sheet products. Increase production capacity to 500 MT per month with single production line
2002	APSB recorded revenue of RM30.8 million and PAT amounting to RM1.3 million for financial year ended 31 March 2002
2003	APSB recorded revenue of RM39.0 million and PAT amounting to RM2.4 million for financial year ended 31 March 2003
2003	Established Asia Poly Holdings Berhad
2004	APSB becomes a wholly-owned subsidiary of Asia Poly

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.5 INDUSTRY OVERVIEW

4.5.1 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.

(Source: Infocredit D&B Report)

4.5.2 The 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.

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

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.

(Source: Infocredit D&B Report)

4.5.3 The manufacturing industry

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 assist 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.

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

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.

(Source: Infocredit D&B Report)

4.5.4 The acrylic sheet products industry

4.5.4.1 An introduction to acrylic sheet products

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. It offers more uniformed thickness, but with less mechanical and chemical values of cast sheet.
Extrusion	On the other hand, extrusion uses polymerised 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 granuals. 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.

(Source: Infocredit D&B Report)

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

Based on Malaysian Plastic Manufacturers Association, there is no production of acrylic polymers in Malaysia to date. As such, the Malaysian Standard Industrial Classification coding system for industrial production statistics is not used for the purpose of examining the consumption of acrylic in Malaysia.

The most common applications of acrylic sheets in Malaysia are for signage requirements (corporate logos, advertising signs, billboards, cosmetic counters, point of purchase and outdoor media) and building requirements (architectural requirements for shopping malls, security doors, outdoor passageways and noise barriers).

Malaysia imported RM31.23 million worth of polymethyl methacrylate, comprising all forms of acrylic related products in 2004. Imports mainly comprise other foil, strip, flat shapes and sheets of acrylic polymers. Other uses of acrylic are catered only for niche market users, which predominantly have low consumption levels.

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 polymethyl methacrylate sheets increased in 2004 and remained strong. Based on trade interview 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.

(Source: Infocredit D&B Report)

4.5.4.2 Industry players and competition

There are three (3) players active in the acrylic sheet products industry producing acrylic sheet products in a multitude of sizes and dimensions, catering for both the local as well as export markets. The most common types of acrylic sheet products produced by these manufacturers are the transparent or clear sheets, 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

(Source: Infocredit D&B Report)

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.5.4.3 *Relevant laws and regulations governing the industry and peculiarities of the industry*

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%.

(Source: Infocredit D&B Report)

4.5.4.4 *Demand/supply conditions*

Demand

Demand for acrylic sheet products fluctuates from time to time depending on customers' orders and the countries that Asia Poly exports to and in accordance to pricing related to the raw material (MMA) itself. According to an interview conducted with Asia Poly's management, January to March are generally the off-peak months for the Group due to festive seasons such as Christmas and New Year. Other than that, the demands for Asia Poly's cast acrylic sheet products are consistent throughout the year.

The Group exports its products to different country markets, which covers four (4) regions around the world. Major demands for Asia Poly's products mainly come from Australia, New Zealand and Malaysia.

Supply

Asia Poly's current production capacity of its acrylic sheet products is 500 MT per month. The management of Asia Poly has taken the initiative to increase the present calculated plant production capacity from 500MT to 750MT per month. In the extreme event that the Group experiences an unexpected increase in demand from its customers, Asia Poly has the option to work with Lucite International to manage the excess of incoming orders as Lucite International produces and supplies the same grade and quality of acrylic sheet products as Asia Poly. Asia Poly may seek Lucite International's assistance in using a plant in Thailand, which is partly owned by Lucite International to produce acrylic sheet products to meet any unexpected increase in demand from Asia Poly's customers. However, to-date, Asia Poly has not had to resort to this as it is continuously upgrading its manufacturing facilities to increase quality and production capacity.

The Group believes in contingency planning to ensure business continuity. For instance, in the event the production reaches maximum capacity, its policy is to reduce the number of shifts from day-to-day, until the order resume to normal. During this period, the machines are maintained to make certain they are in good condition to enable smooth running of production in the next peak season.

4. INFORMATION ON THE ASIA POLY GROUP *(Cont'd)*

4.5.4.5 *Substitute products/services*

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.

4.5.4.6 *Prospects and outlook of the industry*

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.

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. 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.

(Source: Infocredit D&B Report)

4.5.4.7 *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.

(Source: Infocredit D&B Report)

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

4.6 MAJOR CUSTOMERS

Details of the Group's major customers (being the top ten (10) customers of the Asia Poly Group) for the financial year ended 31 March 2005 are as follows:

No.	Name	% contribution to total revenue	Length of relationship
1	Mulford Plastic Pty Ltd, Australia	16.92%	> 11 years
2	Daewoo International, Korea	11.56%	> 4 years
3.	Baerlocher (M) Sdn Bhd	7.58%	> 4 years
4.	Mulford Plastic (NZ) Ltd	5.99%	> 11 years
5.	Acrylic Signs Material Sdn. Bhd.	5.25%	> 11 years
6.	Sogo Plastic (M) Sdn. Bhd.	3.90%	> 3 years
7.	S. S. Enterprise	3.65%	> 3 years
8.	Syarikat Kien Fatt	3.61%	> 5 years
9.	Vinadaesung Cable Company	2.94%	> 4 years
10.	Matex Trading Co.	2.54%	> 5 years

The Group has maintained strong business relationships with its major customers because of its ability to produce high quality products and continuous support provision to its customers. Should there be an event that products supplied to the Group's major customers are terminated, the management is of the opinion that new customers can be procured to replace the available capacity. Therefore, Asia Poly is not dependent on its major customers for the demand of Asia Poly's products.

4.7 MAJOR SUPPLIERS

Details of the Group's major suppliers (being the top ten (10) suppliers of the Asia Poly Group) for the financial year ended 31 March 2005 are as follows:

No.	Name	Contribution to total purchases %	Length of relationship	Products supplied
1	Lucite International, USA and UK	58.30%	> 12 years	MMA
2	Borden Chemical (M) Sdn Bhd	11.13%	> 4 years	Chemicals
3	Southern Acids (M) Bhd	7.61%	> 4 years	Steel wire
4.	Southern Wire Industries (M) Sdn Bhd	6.64%	> 4 years	Oleo-chemicals
5.	Shunde Foodstuffs Import & Export	1.81%	> 4 years	Masking papers

4. INFORMATION ON THE ASIA POLY GROUP (Cont'd)

No.	Name	Contribution to total purchases %	Length of relationship	Products supplied
6.	Sun Hope Lighting Enterprise	1.33%	> 12 years	Colour pigments
7.	Oilmate Trading Sdn Bhd	1.33%	> 11 years	Diesel
8.	Buan Hoa Leong Mfg. Sdn Bhd	0.97%	> 10 years	Diesel
9.	Fastrek Global Industries Sdn Bhd	0.74%	> 6 years	PVC gasket
10.	Poli-file GMBH	0.62%	> 2 years	Masking film

On 1 April 2002, APSB entered into a supply agreement with Lucite International, ensuring a long-term supply of MMA at competitive prices. The supply agreement is valid for an initial period of three (3) years and is renewable automatically unless terminated by either party giving 12 months' notice in writing to the other.

In the past, the acrylic sheet products industry has experienced a shortage of supply in MMA. This was apparent during the 2002 industry-wide shortage of MMA across Asia, of which APSB remained unaffected and was able to sustain through this period due to this privileged supply agreement coupled with its good business relationship with Lucite International. However, besides Lucite International, there are many other MMA suppliers and agents in Malaysia as well as the overseas market such as Japan, Singapore and Thailand. Therefore, Asia Poly is not dependent on Lucite International for the supply of MMA, the main raw material it requires.

Other raw materials such as additives, pigments or dyestuffs, Polyvinyl Chloride gaskets and masking papers as well as high temperature PE films are purchased from various suppliers within and outside the Asian region.

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5. SUMMARY OF FIVE (5)-YEAR BUSINESS PLAN

The following is a summary of the Five (5)-Year Business Development Plan prepared by Asia Poly.

The Asia Poly Group plans to undertake the following to expand its existing product base and capacity:

5.1 INTRODUCTION OF NEW SIZES AND THICKNESS FOR ACRYLIC SHEET PRODUCTS

Currently, the Group already has the technology and expertise to produce cast acrylic BLOCK. The Group intends to manufacture acrylic BLOCK of above 50mm (termed as acrylic BLOCK if thickness exceeds 25mm). The intended markets for these products are Asia, Australia, Europe, North America and others (including Africa, Middle East and South America) via its existing as well as new distributors, due to the popularity of these specifications in these markets.

New equipments such as vacuum lifter and thickness tolerance machine are also in the pipeline for these new products. The purchase of plant and machinery is in line with the Group's expansion plan of manufacturing new product ranges, which includes producing cast acrylic sheet products such as advanced acrylic sheet and specialty products.

5.2 MANUFACTURING OF HIGH TECH AND ADVANCED ACRYLIC SHEET PRODUCTS

The Group also plans to manufacture high-tech and advanced acrylic sheet products, which comprise mainly value-added acrylic sheet products, which are molecularly modified scientifically. Currently, there is an emerging environmental trend towards replacement of general purpose products lines, with methacrylate based specialty products. With the emergence of these new applications for methacrylates, the Group plans to capitalise on its technical expertise to introduce and manufacture these high-tech and advanced acrylic products, which are expected to command higher profit margin.

In addition, there are very few players that possess the level of technologies needed to advance into this 'high tech' cast acrylic sheet products segment. The Group is envisaged to be amongst the first few companies in the ASEAN region, and the Southern Hemisphere of Asia (except for Japan) to venture into the areas of advance acrylic products. The demand and prospects for the high tech niche products and markets are bright and growing.

The Group has the necessary knowledge required to manufacture the products that are classified as "high tech" or advance acrylic sheet products. These advanced technologies, are being constantly developed on a continuous basis through internal R&D. In general, the Group intends to capitalise on its current technology and manufacturing capabilities to expand horizontally into other end-use application of the market such as high-tech and advanced acrylic sheet products. These niche products will be marketed to Asia, Australia, Europe, North Americas and others (including Africa, Middle East and South America) via its existing as well as new distributors.

5.3 STRATEGIC ALLIANCES TO ENHANCE PRODUCT QUALITY AND TECHNOLOGY

Asia Poly has also embarked on a "Manufacturing Excellence Programme" with Lucite International to exploit a more diverse and innovative opportunity in manufacturing acrylic sheet products. The programme developed by Lucite International is a system to benchmark its own manufacturing facilities around the world to ensure that they maintain the highest standards and consistency in quality in the industry. This is the first time Lucite International had shared its expertise with an external party. In general, Asia Poly will capitalise on current technology and manufacturing capability to expand horizontally into other end-use applications of the market such as advanced acrylic sheet products.

5. SUMMARY OF FIVE (5)-YEAR BUSINESS PLAN *(Cont'd)*

5.4 FOCUS ON EXPANSION PLANS

The Group strives to expand its current customer base in the regional market. The expansion is expected to contribute to the financial performance of the Group in the future. The Group will also acquire new R&D machineries and laboratory equipments to further test and enhance its product range and capabilities. The Group intends to diversify geographically to other European countries such as part of its expansion plans in addition to its existing markets. The Group employs the following strategies for regional expansion, explained as follows:

5.4.1 Expansion of distribution channels

The Group employs “channel-marketing” in the course of expanding its network of distribution channels. The Group markets its acrylic sheet products under the “**n-CAST**” brand name, but as the nature of its products are termed as “raw material ready for conversion”, the Group focuses on one-to-one sales visits. Recognising this fact, the Group turns this into a competitive advantage by focusing its attention on building its distribution networks, which will be accompanied by its corporate branding exercise. Capitalising on its already solid presence in the international markets, the Group has to-date appointed several stockists for its general-purpose acrylic sheet products, spanning four (4) regions from Australia to the Middle East.

The Group employs an aggressive marketing strategy, and has already started introducing its new range of advanced acrylic sheet products, to its existing distributors. This strategy has a two-pronged effect, the first, being able to sustain a closer relationship with its existing customers and the second, being able to generate new trade leads. Seeking new prospects or upon entering a particular foreign market where Asia Poly has no stockist or distributors, a direct sales visit complete with product demonstration will be conducted. Subsequently, a sales agent or distributor will then be chosen in that country, should the market prove to be viable.

5.4.2 Forming strategic alliances with customers and suppliers

Asia Poly plans to continue exploring strategic alliances and joint-venture opportunities to become a major market player in the acrylic sheet products industry. When the Group chooses to form strategic alliances with foreign companies such as Lucite International or any other suitable foreign companies, it will conduct direct sales marketing and roll out technical presentations to these prospects, in the potential countries.

Asia Poly employs an aggressive approach to customer service where it includes regular technical visits, a toll-free customer helpline and regular in-house seminars for both its customers and prospects alike. The Group also identifies new partners, customers or suppliers by regularly visiting trade shows, exhibitions, technical presentations and relevant workshops. Furthermore, Mr Alexander James Brown, the Executive Director is also known as a specialist in the field of advanced polymer, and as such gives regular technical presentations, training and workshops to customers, distributors and industry players alike.

5. SUMMARY OF FIVE (5)-YEAR BUSINESS PLAN *(Cont'd)*

5.5 UPGRADING OF R&D AND PRODUCT DEVELOPMENT

As the Group realises the importance of technology upgrading and product development to sustain its current position in order to create competitive advantage, it has plans to broaden these areas in the manufacturing chain with cooperation from other organisations. Furthermore, frequent visits to exhibitions, trade shows and customers (distributors) in countries such as Australia, China, New Zealand, UK and USA have enabled the Group to enhance exposure towards advanced foreign technologies, product knowledge and expertise. This in turn will be thoroughly studied and tested and subsequently, applied to local market needs if possible.

To enhance the facilities of its R&D division, the Group has plans to purchase additional R&D equipment, specifically on laboratory equipment and tools. In general, the Group intends to capitalise on its current technology and manufacturing capability to expand horizontally into other end-use applications of the market such as advanced acrylic sheet products.

5.5.1 R&D plans

The Group's overall strategy is to expand its manufacturing ability in advanced acrylic sheet products manufacturing to enable maximum leverage of its core competencies so as to differentiate itself from other competitors. One of the Group's strengths is the capability of the R&D department, which essentially develops advanced and efficient methods and technologies to control product quality of acrylic sheet products. In order to enhance its R&D know-how, the Group's R&D department collaborates with its suppliers, such as Lucite International and many others, to improve on its existing technology and to broaden its access to new markets. The Group plans to move to new high margin products such as high-tech and advanced acrylic sheet products in the near future.

5.5.2 Market development plans

Asia Poly has a competitive edge over its competitors in the region due to its strategic alliance with Lucite International. This strategic alliance has enabled Asia Poly to source its supply of raw materials from Lucite International at competitive pricing. The strategic alliance, which also incorporates a joint technology and new product development programme as well as an expression of intent to explore opportunities for possible expansion into China and India will enable Asia Poly to further expand its business profile.

5.6 IMPROVE PRODUCTIVITY AND QUALITY OF PRODUCTS

Asia Poly and Lucite International have embarked on a "Manufacturing Excellence Programme" to ensure that the highest standards in acrylic sheet products are consistently maintained in all manufacturing processes and facilities owned by Lucite International and Asia Poly. Amongst others, this programme is designed to reduce wastage and increase or widen the acceptance of the Group's products. Asia Poly Group has a competitive edge over its regional competitors due to its close partnership with Lucite International for the continuous supply of the main raw material, which is MMA.

5. SUMMARY OF FIVE (5)-YEAR BUSINESS PLAN *(Cont'd)*

5.7 OVERALL GROUP STRATEGY

The strategies adopted by the management of APSB have enabled the Group to be profitable and to achieve strong year-on-year growth. The move to market new high value-added margin products such as advanced acrylic sheet products, with minimal capital expenditure will enable the Group to achieve reasonable growth.

Asia Poly has the competitive edge over the rest of the regional players in the acrylic sheet products industry. Its strategic alliance with Lucite International has enabled it to source raw materials at competitive pricing for the Group. This strategic alliance, which also incorporates a joint technology and new product development programme as well as an expression of intent to explore opportunities for possible expansion into China and India will enable Asia Poly to further expand its business profile.

The “Manufacturing Excellence Programme” between Asia Poly and Lucite International will ensure that the highest standards are consistently maintained in all of Asia Poly’s manufacturing processes and facilities.

5.8 HUMAN RESOURCE POLICY

In line with the Group’s expansion plans, it will continue to employ additional staff to support the overall business activities and operations. The Group recognises the importance of its staffs’ contribution to the overall operations. As such, it updates the staff on the latest developments in the industry by providing internal and external training (including overseas) throughout the year, Asia Poly Group has ambitious plans for growth and with the higher profile achieved through the listing exercise, the ability of the Group to attract qualified personnel in the future to cater for the anticipated growth will be enhanced.

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