Date: 14 March 2007

SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

The Board of Directors
Superlon Holdings Berhad
A-11-3 (Suite 2), Northpoint Offices
Mid Valley City
No.1, Medan Syed Putra Utara
59200 Kuala Lumpur

Dear Sirs/Madam,

1. INTRODUCTION

This report has been prepared by Messrs. SC Lim, Ng & Co, an approved company auditor, for inclusion in the Prospectus of Superlon Holdings Berhad (hereinafter referred to as "Superlon" or "the Company") in connection with the followings:

(a) Public Issue of 12,351,400 new ordinary shares of RM 0.50 each at an issue price of RM 0.72 per share ("Public Issue");

(b) Offer for Sale of 1,000,000 of existing ordinary shares of RM 0.50 each at an offer price of RM 0.72 per share by way of placement to identified investors ("OFS"); and

(c) Listing of and quotation for the entire enlarged issued and fully paid-up share capital of Superlon on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") comprising 80,000,000 ordinary shares of RM 0.50 each.

2. GENERAL INFORMATION

2.1 The Company and Its Subsidiary Company

Superlon was incorporated in Malaysia as a public limited company on 10 July 2006. Its principal activity is that of investment holding and provision of management services. The detail of its wholly owned subsidiary company, Superlon Worldwide Sdn Bhd ("SWSB"), a company incorporated in Malaysia, is as follows:

	Ordinary shares of RM 1 each		
Date of incorporation	**Authorised share capital (RM)**	**Issued and fully paid-up share capital (RM)**	**Principal activities**
7 November 1992	10,000,000	10,000,000	Design, test and manufacture of thermal insulation materials mainly for the Heating, Ventilation, Air-Conditioning and Refrigeration (HVAC&R) industry; and trading of HVAC&R parts and equipments.

Superlon and its subsidiary company are collectively referred to as Superlon Group (or the "Group") hereinafter.

Superlon Group does not have any associated companies.

A Member of The International Accounting Group

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2. GENERAL INFORMATION (CONT'D)

2.2 Share Capital

(a) Authorised Share Capital

At the date of incorporation, Superlon's authorised share capital was RM 100,000 comprising 200,000 ordinary shares of RM 0.50 each. Subsequently on 31 January 2007, the authorised share capital was increased to RM 100,000,000 comprising 200,000,000 ordinary shares of RM 0.50 each through the creation of 199,800,000 ordinary shares of RM 0.50 each.

(b) Issued and Fully Paid-up Share Capital

The present issued and fully paid-up share capital of Superlon is RM 33,824,300 comprising 67,648,600 ordinary shares of RM 0.50 each. The changes in its issued and fully paid-up share capital since its incorporation are as follows:

Date of allotment	No. of shares	Par value (Sen)	Purpose	Cumulative amount (RM)
10 July 2006	4	50	Subscribers' shares	2
31 January 2007	67,648,596	50	Issued at approximately RM 0.52 per share as consideration for the acquisition of 100% equity interest in SWSB	33,824,300

Pursuant to the listing scheme, the issued and fully paid-up share capital of Superlon will be increased to RM 40,000,000 comprising 80,000,000 ordinary shares of RM 0.50 each.

3. LISTING SCHEME

In conjunction with the listing of and quotation for the entire enlarged issued and fully paid-up share capital of 80,000,000 ordinary shares of RM 0.50 each of the Company on the Second Board of Bursa Securities, the Company undertakes the following corporate exercises:

(a) Acquisition of the entire issued and fully paid-up share capital of SWSB comprising 10,000,000 ordinary shares of RM 1 each for a total purchase consideration of RM 34,838,990 based on the adjusted audited net assets of SWSB as at 30 April 2006 being fully satisfied by the issuance of up to 67,648,596 new ordinary shares of RM 0.50 each in Superlon at an issue price of approximately RM 0.52 per share ("Acquisition"). The Acquisition was completed on 31 January 2007;

(b) Public Issue of 12,351,400 new ordinary shares of RM 0.50 each at an issue price of RM 0.72 per share;

(c) Offer for Sale of 1,000,000 of existing ordinary shares of RM 0.50 each at an offer price of RM 0.72 per share by way of placement to identified investors; and

(d) Listing of and quotation for the entire enlarged issued and fully paid-up share capital of Superlon on the Second Board of Bursa Securities comprising 80,000,000 ordinary shares of RM 0.50 each.

The above scheme was approved by the Ministry of International Trade and Industry and Securities Commission on 27 November 2006 and 17 January 2007 respectively.

4. FINANCIAL STATEMENTS AND AUDITORS

The auditors who audited the financial statements of Superlon and its subsidiary company for the financial years/period being reported incorporated in this report are as follows:

Company	Financial year/period ended	Auditors
Superlon	: Financial period ended 30 November 2006	SC Lim, Ng & Co.
SWSB	: Financial year ended 30 April 2006 and seven (7) months financial period ended 30 November 2006	SC Lim, Ng & Co.
	: Financial years ended 30 April 2004 and 2005	Lim Hoon Nam & Co.

The auditors' reports for the relevant financial years/period being reported were not subject to any qualification.

The auditors' report on the financial statements of Superlon for the financial period ended 30 November 2006 is set out in Appendix I.

The auditors' reports on the financial statements of SWSB for the financial years ended 30 April 2004, 2005 and 2006, and for the seven (7) months financial period ended 30 November 2006 are set out in Appendix II, III, IV and V respectively.

4.1 AUDITED FINANCIAL STATEMENTS

The acquisition of SWSB was only completed subsequent to 30 November 2006. Accordingly, there were no consolidated financial statements of Superlon for financial period ended 30 November 2006 to be audited. The summarised audited financial statements of the individual companies in the Group are shown in Section 6 and 7 of this report.

No audited financial statements of the Group have been prepared in respect of any period subsequent to 30 November 2006.

All information are extracted from the audited financial statements except those in *italics* which are prepared based on calculation, representation and/or explanation provided by the management and those as otherwise indicated.

4.2 RESTATEMENTS TO THE AUDITED FINANCIAL STATEMENTS

There were no restatements to the audited financial statements of Superlon and SWSB for the financial years/period being reported other than those disclosed in Section 7.3 of this report.

4.3 ACCOUNTING STANDARDS AND POLICIES

This report is prepared based on the audited financial statements, which have been presented on a basis consistent with the accounting policies normally adopted by Superlon and its subsidiary company; and prepared in accordance with applicable approved accounting standards issued by Malaysian Accounting Standards Board ("MASB") for entities other than private entities. The significant accounting policies are summarised in Section 4.5 below.

4.4 CHANGES IN ACCOUNTING POLICIES

On 1 May 2005, the Group has opted the early adoption of all the following new and revised Financial Reporting Standards ("FRS") and the Interpretations (collectively "FRSs") issued by the MASB that are relevant to the operations and effective for the financial periods beginning on or after 1 January 2006, except for FRS 117 and 124, which are effective for financial periods beginning on or after 1 October 2006. They are as follows:

FRS 3	Business combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 107	Cash Flow Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 112	Income Taxes
FRS 114	Segment Reporting
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 123	Borrowing Costs
FRS 124	Related Party Disclosures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 138	Intangible Assets

The adoption of all the above mentioned FRSs does not have significant effects on the financial statements of Superlon and SWSB except for the followings:

(a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation on the balance sheet, income statement and statement of changes in equity. The presentation of the audited financial statements for the financial years/period being reported is based on the requirements of FRS 101.

(b) FRS 138: Intangible Assets

The adoption of the new FRS 138 prohibits the amortisation of intangible assets with indefinite useful life. Instead, useful lives of such assets should be reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. Such assets are subject to the test of impairment at each reporting date.

4.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.5.1 Basis of preparation of financial statements

(a) Basis of accounting

(i) The financial statements have been prepared in accordance with applicable approved accounting standards issued by MASB for entities other than private entities, accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

(ii) The financial statements have been prepared under the historical cost convention, unless otherwise disclosed in significant accounting policies.

(b) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Company generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

(ii) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full. Unrealised losses are also eliminated unless cost cannot be recovered. Thus the consolidated financial statements reflect external transactions only. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, continue to be consolidated until the date that such control ceases.

Acquisition of subsidiaries is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represent goodwill.

Any excess of the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the income statement on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Company. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated income statement.

4.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5.2 Impairment of assets

The carrying amounts of the Group's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised.

The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

4.5.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation. Freehold land has an unlimited useful life and therefore is not depreciated, whilst other property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Plant, machinery, tools and equipment	8 – 10 years
Office equipment, renovation, furniture and fittings	5 – 10 years
Factory buildings and staff quarter	5 – 33 years
Motor vehicles	7 – 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use, and no further charge for depreciation is made in respect of these assets.

4.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5.4 Investment in subsidiary

The Company's investment in subsidiaries is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.5.2.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

4.5.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite useful lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

4.5.6 Inventories

Inventories comprising raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined on the weighted average and first-in-first-out basis, as applicable. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. In arriving at net realisable value, due allowance is made for all obsolete and slow moving items. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

4.5.7 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

4.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5.8 Lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(a) Hire purchase

Asset acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

Hire purchase payments are apportioned between finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of change on the remaining balance of the obligations for each accounting period.

The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment as described in Note 4.5.3.

(b) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

4.5.9 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date. Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or reserve on consolidation or from the initial recognition of an asset or liability in a transaction which is not a business combination and at that time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

4.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5.10 Financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments. Financial instruments carried on the balance sheets include receivables, cash and cash equivalents, payables, interest-bearing bank borrowings, equity instruments, derivatives and other non-current investments. The particular recognition methods and accounting policy adopted associated with each item are set forth below:

(a) Receivables

Receivables are carried at anticipated realisable values. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due to the original terms of receivables. The amount of the provision is recognised in the income statement.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash with an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(c) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(d) Interest-bearing bank borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(e) Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5.10 Financial instruments (cont'd)

(f) Derivatives

Derivative financial instruments are used by the Group to manage its exposure to foreign currency risk arising from operating, investing and financing activities. The Group does not use derivative financial instruments for speculative and trading purposes.

Derivative financial instruments are initially recognised at cost, and are subsequently re-measured at fair value. Changes in the fair value that do not qualify for hedge accounting are recognised in the profit or loss. The fair value of forward exchange contracts is determined based on the quoted market rate at the balance sheet date.

(g) Other non-current investments

Investment in golf club membership held on a long-term basis is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.5.2.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

4.5.11 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

(a) Revenue from sales of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptances of goods sold.

(b) Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

4.5.12 Employee benefits

(a) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

(b) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

4.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5.13 Functional and foreign currency

(a) Functional and presentation currency

The management has determined the currency of the primary economic environment in which the Group operates i.e. functional currency, to be presented in Ringgit Malaysia ("RM"), which is also the Group's presentation currency.

(b) Foreign currency transactions

Transaction is foreign currencies are translated into RM using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

		←	As at 30 April	→	As at
		2004	**2005**	**2006**	**30 Nov 06**
		RM	RM	RM	RM
1	United States Dollar	3.80	3.80	3.64	3.66
1	Singapore Dollar	2.10	2.20	2.29	2.37
100	Japanese Yen	-	3.05	-	-

4.5.14 Contingent liabilities and assets

Contingent liabilities are disclosed in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group discloses the existence of contingent assets where inflows of economic benefits are probable, but not virtually certain.

4.6 FINANCIAL RISK MANAGEMENT POLICIES

The operations of the Group are subject to various financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk, in connection with its use or holding of financial instruments. The Group has adopted a financial risk management framework with the principal objective of effectively managing these risks and minimising any potential adverse effects on its financial performance.

(a) Foreign currency risk

The Group operates principally in Malaysia but is exposed to various currencies, mainly Singapore Dollar ("SGD") and United States Dollar ("USD") arising from its imports and exports. Foreign currency denominated assets and liabilities together with expected cash flows from highly probably purchases and sales give rise to foreign exchange exposures. The Group does not engage in any hedging transactions.

(b) Interest rate risk

The Group's primary interest rate risk relates to the interest-bearing debts obtained from the financial institutions in Malaysia. It has no substantial long term interest-bearing assets. The investments in financial assets, i.e. deposits placed with licensed banks, are short term in nature and are not held for speculative purposes. The Group does not hedge interest rate risk but ensures that it obtains borrowings at competitive interest rates under the most favourable term and conditions.

(c) Credit risk

The credit risk with respect to trade and other receivables are managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based upon careful evaluation of the customer's financial condition and credit history.

The Group's normal credit term ranges from 30 to 90 days whilst other credit terms are assessed and approved on a case-by-case basis depending on the length of trading relationship, the volume of trade and other management considerations. Notwithstanding the credit terms granted to customers, it is the industry norm to begin counting the credit period from the first day of the immediate following month after sales transactions occurred.

(d) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

4.7 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.7.1 Critical Judgements in Applying the Accounting Policies

In the process of applying the Group's accounting policies, which are described in Note 4.5 above, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt in Note 4.7.2 below):

Intangible assets

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life.

Accordingly, the directors assessed that the trademark of the Group to have an indefinite useful life when, based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Intangible assets with indefinite useful lives are not amortised but are instead tested for impairment annually.

4.7.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Intangible assets

The Directors determine whether trademark is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the trademark is allocated. Estimating the value in use requires the Directors to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line method over their useful lives. The Directors estimated the useful lives of these assets to be within 5 to 10 years except for buildings which is 33 years.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(c) Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. DIVIDENDS

Superlon did not declare and pay any dividend since its incorporation. Details of dividends declared and paid by SWSB during the past three (3) financial years ended 30 April 2004, 2005 and 2006; and the seven (7) months financial period ended 30 November 2006 are as follows:

Financial year ended	Issued and fully paid-up share capital	Gross dividend rate (%)	Net dividend paid
	Ordinary shares of RM 1 each		RM
30 April 2004	7,411,484	Interim dividend of 6.75% tax exempt	500,275
30 April 2005	7,411,484	Interim dividend of 6.75% tax exempt	500,275

6. SUPERLON

6.1 SUMMARISED RESULTS

We set out below the summarised results of Superlon for the interim financial period ended 30 November 2006.

	10 Jul 2006 to 30 Nov 2006
	RM
Revenue	-
Loss before tax	(7,648)
Tax expense	-
Net loss for the financial period	(7,648)
No. of ordinary shares	4
Loss per share (RM)	(1,912)

Notes :

(a) *Superlon was incorporated on 10 July 2006 and remained dormant throughout the period being reported. Its first audited income statement was drawn up for the interim financial period ended 30 November 2006. The loss incurred for the interim financial period ended 30 November 2006 includes preliminary and pre-operating expenses.*

(b) *There was no tax charge for the financial period being reported as Superlon did not derive any chargeable income.*

(c) *There were no extraordinary items during the financial period being reported.*

6. SUPERLON

6.2 SUMMARISED BALANCE SHEET

	As at 30 Nov 2006 RM
ASSETS	
Current assets	
Cash in hand	2
Total assets	2
EQUITY AND LIABILITIES	
Equity attributable to equity holders of the Company	
Share capital	2
Accumulated losses	(7,648)
	(7,646)
Current liabilities	
Other payables	7,648
Total equity and liabilities	2
Net tangible liabilities per share (RM)	(1,912)

6.3 STATEMENT OF CHANGES IN EQUITY

	Share capital RM	Accumulated losses RM	Total RM
As at date of incorporation	2	-	2
Net loss for the financial period	-	(7,648)	(7,648)
As at 30 November 2006	2	(7,648)	(7,646)

6. SUPERLON

6.4 CASH FLOW STATEMENT

	10 Jul 2006 to 30 Nov 2006
	RM
CASH FLOW FROM OPERATING ACTIVITIES	
Loss before tax	(7,648)
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(7,648)
CHANGES IN WORKING CAPITAL	
Other payables	7,648
NET CASH FROM OPERATING ACTIVITIES	-
CASH FLOW FROM FINANCING ACTIVITIES	
Issuance of new shares	2
NET CASH FROM FINANCING ACTIVITIES	2
NET INCREASE IN CASH AND CASH EQUIVALENTS	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2

Note:
Cash and cash equivalents comprise the following:

Cash in hand	2

7. SWSB

7.1 SUMMARISED RESULTS

	Notes	Year ended 30 April 2004 RM '000	Year ended 30 April 2005 RM '000	Year ended 30 April 2006 RM '000	7 months period ended 30 November 2005 # RM '000	7 months period ended 30 November 2006 RM '000
Revenue	7.2.1	30,877	42,616	52,992	29,690	36,696
Gross profit		7,998	9,682	12,872	7,219	8,537
EBITDA		4,985	6,046	8,377	5,001	6,140
Amortisation		-	-	-	-	-
Depreciation		(1,598)	(1,753)	(1,919)	(1,220)	(1,553)
Interest expense		(389)	(390)	(414)	(249)	(393)
Interest income		1	*	6	1	79
Other income		-	150	35	20	165
Profit before tax	7.2.2	2,999	4,053	6,085	3,553	4,438
Tax expense	7.2.3	(399)	(349)	(905)	(581)	(738)
Profit after tax		2,600	3,704	5,180	2,972	3,700
Gross profit margin (%)		25.9	22.7	24.3	24.3	23.3
Pre-tax profit margin (%)		9.7	9.5	11.5	12.0	12.1
Effective tax rate (%)		13.3	8.6	14.9	16.4	16.6
Weighted average number of ordinary shares of RM 1.00 each in issue ('000)		7,411	7,411	7,701	7,411	9,965
Earnings per share (sen)	7.2.4					
- Gross		40.5	54.7	79.0 ^	47.9	44.5 ^^
- Net		35.1	50.0	67.3 ^	40.1	37.1 ^^

\# *Unaudited and included for comparison purpose only*
* *Amount less than RM 1,000*
^ *Based on 7,700,799 weighted average number of ordinary shares in issue*
^^ *Based on 9,965,222 weighted average number of ordinary shares in issue*

7. SWSB

7.2 NOTES TO SUMMARISED RESULTS

7.2.1 Revenue

Revenue comprised the sales of insulation materials manufactured for the Heating, Ventilation, Air-Conditioning and Refrigeration ("HVAC&R") industry; and trading of HVAC&R related parts and equipment.

Revenue for Financial Year ("FY") 2004 rose to RM 30.9 million as compared to RM 26.2 million in FY 2003 principally driven by manufacturing sales to overseas, which accounted for RM 2.8 million of the RM 4.7 million increases in total revenue. The increased export sales were mainly to Asian countries in general, and to the Middle East region in particular.

Revenue for FY 2005 grew approximately 37.8% to RM 42.6 million principally attributable to higher trading sales in the domestic market and higher selling price of insulation materials. Trading sales of products such as coppers and refrigerant gas contributed RM 5.2 million to the increase in total revenue.

Revenue for FY 2006 continued to grow by approximately 24.4% to RM 53.0 million as a result of higher trading sales in domestic market and higher selling price of insulation materials. During this period, there was an across-the-broad increase in selling prices by an average of 10% for insulation materials.

The annualised revenue for the seven (7) months financial period ended 30 November 2006 of approximately RM 62.9 million grew by approximately 18.7% as compared to the previous financial year principally due to the increased contribution from overseas sales.

7.2.2 Gross and pre-tax profit margins

There were no significant fluctuation in gross and pre-tax profit margins during the financial years/period being reported except during FY 2005 where the gross profit margin decreased by 3.2 percentage points as compared to the previous financial year. This was principally due to the general rise in raw material costs and the implementation of an across-the-broad quantity discounts and rebate scheme to its distributors, both locally and overseas. As a result, the pre-tax profit margin also declined in tandem with the gross profit margin. Notwithstanding the decrease in gross profit margin arising from such scheme, revenue has increased significantly during this period.

7.2.3 Effective tax rate

During the financial years/period being reported, the effective tax rate was lower than the statutory income tax rate of 28% principally due to tax savings arising from utilisation of the reinvestment allowances.

7.2.4 Earnings per share

The basic gross and net earnings per share are calculated based on the profit before and after tax over the weighted average number of ordinary shares in issue during the financial year/period.

7.2.5 Others

There were no exceptional or extraordinary items during the financial years/period being reported.

7. SWSB

7.3 SUMMARISED BALANCE SHEETS

	Notes	← As at 30 April 2004 RM '000	2005 RM '000	2006 → RM '000	As at 30-Nov-06 RM '000
ASSETS					
Non-current assets					
Property, plant and equipment	7.4.1	15,347	23,140	26,326	30,825
Intangible assets	7.4.2	1,000	1,000	1,000	1,000
Investment	7.4.3	47	47	47	47
		16,394	24,187	27,373	31,872
Current assets					
Inventories	7.4.4	2,449	5,707	5,409	8,781
Trade and other receivables	7.4.5	10,776	16,108	17,359	14,152
Cash and bank balances	7.4.6	333	288	1,030	4,747
		13,558	22,103	23,798	27,680
Total assets		29,952	46,290	51,171	59,552
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	7.4.7	7,411	7,411	8,511	10,000
Share premium	7.4.8	-	-	2,365	5,565
Retained profits		10,890	14,094	19,274	22,974
		18,301	21,505	30,150	38,539
Non-current liabilities					
Borrowings	7.4.9	745	596	486	8,766
Deferred tax liabilities	7.4.10	886	874	1,405	1,577
		1,631	1,470	1,891	10,343
Current liabilities					
Borrowings	7.4.9	5,416	10,412	5,384	4,109
Trade and other payables	7.4.11	4,604	12,903	13,739	6,321
Current tax payable		-	-	7	240
		10,020	23,315	19,130	10,670
Total equity and liabilities		29,952	46,290	51,171	59,552
Net tangible assets per share (RM)		2.33	2.77	3.42	3.75

Note:
The summarised balance sheets for FY 2004 and 2005 were arrived at after making necessary adjustment for prior year adjustments ("PYA") to the financial statements. The PYA is made to account for the additional sales tax and its related penalties amounting to RM 0.5 million in respect of the financial year ended 30 April 2001 payable to the Royal Malaysian Custom and Excise. The PYA has no effect on the profit in prior years except for the financial year ended 30 April 2001.

7. SWSB

7.4 NOTES TO SUMMARISED BALANCE SHEETS

7.4.1 PROPERTY, PLANT AND EQUIPMENT

	As at 30 April			As at
	2004	**2005**	**2006**	**30-Nov-06**
	RM '000	**RM '000**	**RM '000**	**RM '000**
At net book value				
Freehold land	3,920	6,764	6,764	6,764
Factory buildings and staff quarter	3,661	9,135	9,059	8,970
Plant, machinery, tools and equipment	7,295	6,512	9,325	13,876
Motor vehicles	286	544	969	981
Office equipment, renovation, furniture and fittings	185	185	209	234
	15,347	23,140	26,326	30,825

(a) The following motor vehicles, plant and equipment are acquired under hire purchase instalment plans (Note 7.4.9):

	As at 30 April			As at
	2004	**2005**	**2006**	**30-Nov-06**
	RM '000	**RM '000**	**RM '000**	**RM '000**
At net book value				
Plant, machinery, tools and equipment	1,268	1,171	1,148	4,556
Motor vehicles	-	352	820	620
	1,268	1,523	1,968	5,176

(b) The following property, plant and equipment are charged against bank borrowings (Note 7.4.9):

	As at 30 April			As at
	2004	**2005**	**2006**	**30-Nov-06**
	RM '000	**RM '000**	**RM '000**	**RM '000**
At net book value				
Freehold land	3,920	6,764	6,764	6,764
Factory buildings	3,654	9,086	9,022	8,940
	7,574	15,850	15,786	15,704

7.4.2 INTANGIBLE ASSET

The trademark "Superlon" is registered in Malaysia and acquired for a cash consideration of RM 1.0 million in August 2000.

The recoverable amounts of the asset is determined based on a computed value in use using cash flow projections approved by the management covering a period of five (5) years. The pre-tax discount rate applied to the cash flow projection is 7.6% per annum. The growth rate used to extrapolate the cash flows of the asset beyond the five (5) years period is 5% per annum which is in line with the estimated growth rate for the country's gross domestic products.

7. SWSB

7.4 NOTES TO SUMMARISED BALANCE SHEETS (CONT'D)

7.4.2 INTANGIBLE ASSET (CONT'D)

The followings describe the key assumptions on which the management have based its cash flow projections in undertaking the impairment testing of trademark:

(a) Budgeted gross margin – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year.

(b) Raw material price inflation – there will not be any significant increase in the prices and supply of raw materials, wages and other related costs, resulting from industrial dispute, adverse changes in the economic conditions or other abnormal factors, which will adversely affect the operations of SWSB.

Based on the above test, there is no indication of impairment loss for the trademark as at end of the financial years/period being reported.

7.4.3 INVESTMENT

This represents investment in golf club membership which is assessed to have indefinite useful life because there are no foreseeable limit to the period over which the asset are expected to generate net cash inflows for SWSB and the contractual or legal right of these assets can be renewed without incurring significant costs.

The recoverable amount for such golf club membership is determined by reference to current market price of such similar membership. Based on the current market price as at the end of each financial years/period being reported, there was no indication of impairment loss.

7.4.4 INVENTORIES

	←	As at 30 April	→	As at
	2004	**2005**	**2006**	**30-Nov-06**
	RM '000	**RM '000**	**RM '000**	**RM '000**
At Cost				
Raw materials	1,138	3,204	2,576	2,195
Work-in-progress	*	70	165	126
Finished goods	720	778	702	1,088
Trading stock	591	1,655	1,966	5,372
	2,449	5,707	5,409	8,781
Inventory turnover period (months)	1.1	1.5	1.7	1.8

* *Amount less than RM 1,000*

7. SWSB

7.4 NOTES TO SUMMARISED BALANCE SHEETS (CONT'D)

7.4.5 TRADE AND OTHER RECEIVABLES

	← As at 30 April		→	As at
	2004	2005	2006	30-Nov-06
	RM '000	RM '000	RM '000	RM '000
Trade receivables				
- Amount due from an affiliated company	1,477	1,477	1,484	-
- Other trade receivables	6,688	10,444	11,876	12,225
	8,165	11,921	13,360	12,225
Less: Allowance for specific doubtful debts	-	-	(5)	-
	8,165	11,921	13,355	12,225
Other receivables				
- Amount due from an affiliated company	1,127	1,109	1,811	-
- Amount due from a director	-	228	-	-
- Sundry receivables	358	248	147	251
- Deposits	839	1,584	996	422
- Prepayments	287	1,018	1,050	1,254
	10,776	16,108	17,359	14,152
Trade receivables turnover period based on average trade receivables balances (months)	3.3	2.8	2.9	2.4

SWSB has no significant concentration of credit risk that may arise from exposures to single receivables or to groups of receivables.

(a) Ageing analysis of trade receivables:

		As at 30 Nov 2006	
	Days	RM '000	%
Within credit period:	0 - 30	5,362	44
	31 - 60	2,688	22
	61 - 90	2,176	18
	90 - 120	71	1
Sub-total		10,297	85
Exceeding credit period:	0 - 30	228	2
	31 - 60	250	2
	61 - 90	180	1
	90 - 120	899	7
	More than 120	371	3
Sub-total		1,928	15
Total		12,225	100

7. SWSB

7.4 NOTES TO SUMMARISED BALANCE SHEETS (CONT'D)

7.4.5 TRADE AND OTHER RECEIVABLES (CONT'D)

(b) The foreign currency exposure profile of SWSB as at financial years/period end are as follows:

	As at 30 April			As at
	2004 RM '000	2005 RM '000	2006 RM '000	30-Nov-06 RM '000
Trade receivables				
Singapore Dollar	388	516	574	300
United States Dollar	5,455	6,390	7,909	6,641
	5,843	6,906	8,483	6,941

7.4.6 CASH AND BANK BALANCES

	As at 30 April			As at
	2004 RM '000	2005 RM '000	2006 RM '000	30-Nov-06 RM '000
Cash and bank balances	333	288	484	773
Fixed deposit with licensed bank	-	-	546	3,974
	333	288	1,030	4,747

The effective interest rates of deposit placed with licensed bank as at the end of financial years/period are interest bearing ranging from 2.6% - 4.9% (30 April 2006: 4.2%) per annum with maturity period of less than one month.

7.4.7 SHARE CAPITAL

	As at 30 April			As at
	2004 RM '000	2005 RM '000	2006 RM '000	30-Nov-06 RM '000
Ordinary shares of RM 1.00 each				
Authorised	10,000	10,000	10,000	10,000
Issued and fully paid-up				
As at beginning of financial year/period	7,411	7,411	7,411	8,511
Issued during the financial year/period	-	-	1,100	1,489
As at end of financial year/period	7,411	7,411	8,511	10,000

7. SWSB

7.4 NOTES TO SUMMARISED BALANCE SHEETS (CONT'D)

7.4.8 SHARE PREMIUM

	As at 30 April 2004 RM '000	As at 30 April 2005 RM '000	As at 30 April 2006 RM '000	As at 30-Nov-06 RM '000
As at beginning of financial year/period	-	-	-	2,365
Issued during the financial year/period	-	-	2,365	3,200
As at end of financial year/period	-	-	2,365	5,565

Share premium arose from issue of ordinary shares in excess of its par value

7.4.9 BORROWINGS

	As at 30 April 2004 RM '000	As at 30 April 2005 RM '000	As at 30 April 2006 RM '000	As at 30-Nov-06 RM '000
Current				
(a) Secured bank borrowings				
- Bank overdraft	598	1,165	1,202	774
- Trade bills	4,429	8,798	3,572	940
- Term loan	-	-	-	810
(b) Hire purchase payables	389	449	610	1,585
	5,416	10,412	5,384	4,109
Non-current				
(a) Secured bank borrowings				
- Term loan	-	-	-	6,417
(b) Hire purchase payables	745	596	486	2,349
	745	596	486	8,766
Total	6,161	11,008	5,870	12,875

	As at 30 April 2004 %	As at 30 April 2005 %	As at 30 April 2006 %	As at 30-Nov-06 %
Effective interest rates (per annum)				
- Bank overdraft	7.5	7.5	7.7	8.2
- Trade bills	-	3.1	3.1 - 4.1	4.1 - 5.1
- Term loan	-	-	-	5.5
- Hire purchase payables	3.3	4.6 - 7.0	4.6 - 7.2	4.6 - 6.1

7. SWSB

7.4 NOTES TO SUMMARISED BALANCE SHEETS (CONT'D)

7.4.9 BORROWINGS (CONT'D)

The bank borrowings are secured against SWSB's freehold land and factory buildings (Note 7.4.1) and joint and several guarantees by certain directors. The term loan is repayable by 120 equal monthly instalments.

7.4.10 DEFERRED TAX LIABILITIES

	As at 30 April			As at
	2004	2005	2006	30-Nov-06
	RM '000	RM '000	RM '000	RM '000
Taxable temporary differences arising from excess of capital allowances over book depreciation	886	874	1,405	1,577

7.4.11 TRADE AND OTHER PAYABLES

	As at 30 April			As at
	2004	2005	2006	30-Nov-06
	RM '000	RM '000	RM '000	RM '000
Trade payables	3,094	3,939	4,204	4,603
Other payables				
- Amount due to a director	205	-	-	-
- Accruals	1,142	1,082	1,372	1,344
- Sundry payables	163	7,882	8,163	374
	4,604	12,903	13,739	6,321
Trade payables turnover period based on average trade payables balances (months)	2.5	2.2	2.6	2.1

7. SWSB

7.4 NOTES TO SUMMARISED BALANCE SHEETS (CONT'D)

7.4.11 TRADE AND OTHER PAYABLES (CONT'D)

(a) Ageing analysis of trade payables:

	Days	As at 30 Nov 2006 RM '000	%
Within credit period:	0 - 30	2,276	49
	31 - 60	1,462	32
	61 - 90	722	16
	90 - 120	1	*
Sub-total		4,461	97
Exceeding credit period:	0 - 30	-	-
	31 - 60	7	*
	61 - 90	51	1
	90 - 120	78	2
	More than 120	6	*
Sub-total		142	3
Total		4,603	100

* *Amount less than 1%*

(b) The foreign currency exposure profile of SWSB as at financial years/period end are as follows:

	As at 30 April 2004 RM '000	2005 RM '000	2006 RM '000	As at 30-Nov-06 RM '000
Trade payables				
Singapore Dollar	-	134	94	-
United States Dollar	111	106	35	165
	111	240	129	165

7.4.12 CONTINGENT LIABILITIES

	As at 30 April 2004 RM '000	2005 RM '000	2006 RM '000	As at 30-Nov-06 RM '000
Secured				
Bank guarantees issued to third parties	-	323	323	652

7. SWSB

7.4 NOTES TO SUMMARISED BALANCE SHEETS (CONT'D)

7.4.13 CAPITAL COMMITMENT

As at financial years/period end, the capital expenditure contracted for but not provided for in the audited financial statements are as follows:-

	As at 30 April			As at
	2004	2005	2006	30-Nov-06
	RM '000	RM '000	RM '000	RM '000
Acquisition of plant and machinery approved and contracted for	-	-	3,929	375

7.4.14 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of SWSB are as follows:

(a) The carrying amounts of cash and cash equivalents, receivables, payables and trade bills are considered to approximate their carrying amounts as they are either payable on demand or within the normal credit term or they have short maturity.

(b) The fair value of hire purchase payables approximates its carrying amount as SWSB does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be required for settlement.

(c) The fair values of investment in golf club membership approximate its carrying amounts by reference to such golf club membership market price.

(d) The fair value of term loan approximates its carrying amount as the interest rate is on floating rate basis.

The fair values of financial assets and liabilities of SWSB approximate their carrying amounts as at the end of each financial year/period except that it is not practicable to estimate reliably the fair value of contingent liabilities due to uncertainty of timing, costs and eventual outcome.

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7.5 STATEMENT OF CHANGES IN EQUITY

	Share capital RM '000	Share premium RM '000	Retained profits RM '000	Total RM '000
As at 1 May 2003 as restated	7,411	-	8,790	16,201
Net profit for the financial year	-	-	2,600	2,600
Dividend paid	-	-	(500)	(500)
As at 30 April 2004 as restated	7,411	-	10,890	18,301
Net profit for the financial year	-	-	3,704	3,704
Dividend paid	-	-	(500)	(500)
As at 30 April 2005 as restated	7,411	-	14,094	21,505
Issue of new shares	1,100	2,365	-	3,465
Net profit for the financial year	-	-	5,180	5,180
As at 30 April 2006	8,511	2,365	19,274	30,150
Issue of new shares	1,489	3,200	-	4,689
Net profit for the financial period	-	-	3,700	3,700
As at 30 November 2006	10,000	5,565	22,974	38,539

7. SWSB

7.6 CASH FLOW STATEMENTS

	Year ended 30 April			7 months period ended 30 November	
	2004	**2005**	**2006**	**2005 #**	**2006**
	RM '000	**RM '000**	**RM '000**	**RM '000**	**RM '000**
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax	2,999	4,053	6,085	3,553	4,438
Adjustments for :					
Allowance for doubtful debts, specific	-	-	5	-	-
Depreciation of property, plant and equipment	1,598	1,753	1,919	1,220	1,553
Interest expense	389	390	414	249	393
Interest income	(1)	*	(6)	(1)	(79)
Loss/(gain) on disposal of property, plant and equipment	-	(17)	2	(18)	4
Loss/(gain) on foreign exchange, unrealised	-	-	147	-	(159)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	4,985	6,179	8,566	5,003	6,150
CHANGES IN WORKING CAPITAL					
Inventories	(666)	(3,258)	298	323	(3,372)
Trade and other receivables	556	(5,460)	(1,544)	(1,108)	3,370
Trade and other payables	706	8,300	851	(222)	(7,432)
CASH GENERATED FROM / (USED IN) OPERATIONS	5,581	5,761	8,171	3,996	(1,284)
Interest paid	(389)	(390)	(414)	(249)	(393)
Tax paid	(400)	(233)	(241)	(235)	(333)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	4,792	5,138	7,516	3,512	(2,010)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest received	1	*	6	1	79
Proceeds from disposal of property, plant plant and equipment	-	41	47	37	19
Purchase of property, plant and equipment	(1,408)	(9,571)	(4,618)	(589)	(2,330)
NET CASH (USED IN) INVESTING ACTIVITIES	(1,407)	(9,530)	(4,565)	(551)	(2,232)

7. **SWSB**

7.6 **CASH FLOW STATEMENTS (CONT'D)**

	← Year ended 30 April	→		7 months period ended 30 November	
	2004	**2005**	**2006**	**2005 #**	**2006**
	RM '000	**RM '000**	**RM '000**	**RM '000**	**RM '000**
CASH FLOW FROM FINANCING ACTIVITIES					
Dividend paid	(500)	(500)	-	-	-
Net movement in trade bills	(535)	4,369	(5,226)	(1,827)	(2,632)
Proceeds from issuance of new shares	-	-	3,465	-	4,689
Proceeds from term loan	-	-	-	-	7,632
Repayment of hire purchase payables	(408)	(89)	(485)	(310)	(907)
Repayment of offshore short term loan	(569)	-	-	-	-
Repayment of term loan	-	-	-	-	(405)
Share application monies	(181)	-	-	-	-
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(2,193)	3,780	(2,246)	(2,137)	8,377
NET INCREASE / (DECREASE) CASH AND CASH EQUIVALENTS	1,192	(612)	705	824	4,135
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	(1,457)	(265)	(877)	(877)	(172)
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	10
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	(265)	(877)	(172)	(53)	3,973

Note:
Cash and cash equivalents comprise of the followings:

Cash and bank balances	333	288	1,030	630	4,747
Bank overdraft	(598)	(1,165)	(1,202)	(683)	(774)
	(265)	(877)	(172)	(53)	3,973

\# *Unaudited and included for comparison purpose only*
* *Amount less than RM 1,000*

8. SUBSEQUENT EVENTS

On 31 January 2007, the Company completed the acquisition of SWSB as mentioned in Section 3 (a) of this report.

Other than the above, there were no material subsequent events since the last financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

Yours faithfully,

....
SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

....
NG KIM KIAT
No. 2074/10/08(J)
Partner of the Firm

APPENDIX I

COMPANY NO. 740412 - X

SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

SUPERLON HOLDINGS BERHAD
(Incorporated in Malaysia)

REPORTS OF THE AUDITORS

To the Board of Directors of
SUPERLON HOLDINGS BERHAD

We have audited the financial statements set out on pages 3 to 10. The preparation of the financial statements is the responsibility of the Company's Directors.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating on overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

(a) The financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :

 (i) The state of affairs of the Company as at 30 November 2006 and of the results and the cash flow of the Company for the financial period ended on that date; and

 (ii) The matters required by Section 169 of the Company Act, 1965 to be dealt with in the financial statements of the Company; and

(b) The accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

SC LIM, NG & CO.	NG KIM KIAT
No. AF 0681	No. 2074/10/08 (J)
Chartered Accountants	Partner

Kuala Lumpur.
Date: 15 January 2007

LIM HOON NAM & CO (AF 0057)
(CHARTERED ACCOUNTANTS)
Suite D24, 2nd Floor, Plaza Pekeliling,
No.2, Jalan Tun Razak,
50400 Kuala Lumpur.
Tel: 03-4042 7843 Fax: 03-2775 2130
E-mail: lhn_co@streamyx.com

APPENDIX II

REPORT OF THE AUDITORS TO THE MEMBERS OF

SUPERLON WORLDWIDE SDN. BHD. (Company No. 252355-U)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 8 to 24. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-

  (i) the state of affairs of the Company as at 30th April 2004 and of the financial results and cash flows of the Company for the financial year ended on that date; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

LIM HOON NAM & CO (AF 0057)
Chartered Accountants

LIM HOON NAM
546/03/06(J/PH)

Date: 27 SEP 2004

LIM HOON NAM & CO (AF 0057)
(CHARTERED ACCOUNTANTS)
Suite D24, 2nd Floor, Plaza Pekeliling,
No.2, Jalan Tun Razak,
50400 Kuala Lumpur.
Tel: 03-4042 7843 Fax: 03-2775 2130
E-mail: lhn_co@streamyx.com

APPENDIX III

REPORT OF THE AUDITORS TO THE MEMBERS OF

SUPERLON WORLDWIDE SDN. BHD. (Company No. 252355-U)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 8 to 26. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statement and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion. The financial statements of the Company do not include any adjustment relating to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

In our opinion:

(a) the financial statements are properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-

    (i) the state of affairs of the Company as at 30th April 2005 and of the financial results and cash flows of the Company for the financial year ended on that date; and

    (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

LIM HOON NAM & CO (AF 0057)	LIM HOON NAM
Chartered Accountants	546/03/06(J/PH)

Date: 7 OCT 2005

APPENDIX IV

SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

COMPANY NO. 252355 – U

SUPERLON WORLDWIDE SDN. BHD.
(Incorporated in Malaysia)

REPORT OF THE AUDITORS

To the members of
SUPERLON WORLDWIDE SDN. BHD.

We have audited the financial statements set out on pages 7 to 33 The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating on overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

(i) the state of affairs of the Company as at 30 April 2006 and of the results and the cash flows of the Company for the financial year ended on that date ; and

(ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company ; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

NG KIM KIAT
No. 2074/10/06 (J)
Partner

Kuala Lumpur.
Date: 11 AUG 2006

A Member of The International Accounting Group

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COMPANY NO. 252355 - U

SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

SUPERLON WORLDWIDE SDN. BHD.
(Incorporated in Malaysia)

REPORTS OF THE AUDITORS

To the Board of Directors of
SUPERLON WORLDWIDE SDN. BHD.

We have audited the financial statements set out on pages 3 to 31. The preparation of the financial statements is the responsibility of the Company's Directors.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating on overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

(a) The financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :

  (i) The state of affairs of the Company as at 30 November 2006 and of the results and the cash flow of the Company for the financial period ended on that date; and

  (ii) The matters required by Section 169 of the Company Act, 1965 to be dealt with in the financial statements of the Company; and

(b) The accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

NG KIM KIAT
No. 2074/10/08 (J)
Partner

Kuala Lumpur.
Date: 15 JAN 2007

A Member of The International Accounting Group

• KUALA LUMPUR : 13-7, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia. Tel : 603-2284 1788 Fax : 603-2284 2688 Email : kl-office@scln.com.my
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(Prepared for the inclusion in this Prospectus)

The Board of Directors,
Superlon Holdings Berhad,
Lot 2567, Jalan Sungai Jati,
41200 Klang,
Selangor.

14 March 2007

Dear Sirs,

Executive Summary of the Independent Market Research Report on the NBR Thermal Insulation in the HVAC&R Market in Malaysia

This Executive Summary of the Independent Market Research Report on the NBR Thermal Insulation in the HVAC&R Market in Malaysia dated February 2007 is prepared by Frost & Sullivan Malaysia Sdn. Bhd. for inclusion in the Prospectus of Superlon Holdings Berhad ("Superlon" or the "Company") in relation to the listing of Superlon on the Second Board of the Bursa Malaysia Securities Berhad.

Global Economic Outlook

According to the latest indicative data from the International Monetary Fund (IMF), the world's real Gross Domestic Product (GDP) in 2006 was projected at 5.1 percent (2005: 4.9 percent) before easing back to 4.9 percent in 2007. China and India continue to take charge of the global economy in terms of growth expansion with growth rates of 10.2 percent and 8.5 percent respectively in 2005. For 2006, both China and India are projected to register slightly lower GDP at 10 percent and 8.3 percent respectively. However, this represents an upward revision of 0.5 percent and 1 percent each, compared to earlier projections made in April 2006 by the IMF.

Oil and other commodity prices continued at elevated levels in the first eight months of 2006, with petroleum and metals prices reaching new highs. Oil prices have been supported by tight spare capacity in global markets—both in production and refining—against the background of buoyant GDP growth, security concerns in the Middle East, and continued risks to production in some large producers elsewhere (notably Nigeria).

Global expansion was broad-based in the first-half of 2006, with activity in most regions meeting or exceeding expectations, and recent indicators suggest that the pace of expansion is being maintained in the third quarter of 2006. Growth was particularly strong in the United States in the first quarter, although it slowed in the second quarter in the face of headwinds from a cooling housing market and rising fuel costs. The U.S. Federal Reserve continued to raise the Fed funds rate through June, although pausing in August, seeking to balance inflation concerns against signs that the U.S. expansion is beginning to slow.

In the Euro area, recovery has gained further traction, with real GDP growth accelerating to 3.6 percent (annualized rate) in the second quarter of 2006. Growth is increasingly being driven by domestic demand, particularly investment. Looking forward, recent indicators suggest that the pace of expansion in the Euro area should be sustained during the second half of 2006, and real GDP growth is now projected at 2.4 percent for the year as a whole, up from 1.3 percent in 2005, before slowing to 2 percent in 2007.

In Japan, after a solid first quarter, real GDP growth eased in the second quarter of 2006, owing primarily to inventory decumulation, a sharp contraction in public investment, and drag from net exports. Growth is projected at 2.7 percent for 2006 as a whole, moderating to just above 2 percent in 2007.

Growth continues to run above 8 percent in emerging Asia, with much of the momentum due to vibrant expansions in China and India. In China, real GDP grew by 11.3 percent (year-on-year) in the second quarter of 2006, with a renewed acceleration in investment growth and surging net exports. In the newly industrialized economies or NIEs (Hong Kong SAR, Korea, Singapore and Taiwan Province of China) growth has strengthened since mid-2005 with a pickup in exports, especially of electronic goods due to rapid growth in China and the strong global economy.

In contrast, growth has started to slow in most of the ASEAN-4 countries (Indonesia, Malaysia, Philippines and Thailand) owing mainly to the effects of higher oil prices and monetary policy tightening in response to rising inflation. The outlook is for continued strong growth of 8.25 percent in 2006–07, about half of a percentage point higher than projected earlier, thus reflecting more favorable global economic conditions, continued high growth in China, and moderate deceleration in India after the strong momentum in 2005 and early 2006. Growth in the NIEs is set to slow in 2007 when growth in the import demand of advanced economies is projected to decelerate. In contrast, a modest rebound in activity is expected in the ASEAN-4 countries as the factors behind the recent slowing recede.

Oil revenues in the Middle East region have risen further in the first half of 2006, because of both higher prices and some expansion in production (notably in Kuwait, Libya, Saudi Arabia and the United Arab Emirates). Reflecting the income gains, oil-exporting countries have continued to enjoy robust growth, particularly in the non-oil sectors, while external current account and fiscal balances have improved further.

Looking forward, the outlook for the region generally remains favorable, given that oil prices are expected to remain high, and regional GDP growth is projected at close to 6 percent in 2006, moderating slightly to 5.5 percent in 2007.

Lastly, while the probability and potential risks of an avian flu pandemic are impossible to assess with any certainty, a worse-case outbreak scenario could have extremely high human and economic costs, particularly in developing countries in Africa and Asia.

Source: International Monetary Fund; Frost & Sullivan

NBR Thermal Insulation in the HVAC&R Market

Thermal insulation is the material used to reduce heat flow; whether the product is made from synthetic rubber, plastics, or woven fibres.

Generally, thermal insulation is used in the following segments of the HVAC&R market:
- HVAC&R systems of commercial and industrial properties
- HVAC&R systems of residential properties
- HVAC&R systems of other sectors such as transport vehicles, oil and gas and petrochemicals sector
- Manufacturers of air-conditioners and refrigerators in the production of their products

For the purposes of this report, assessment was only conducted on the application of thermal insulation materials for the HVAC&R market in terms of the HVAC&R systems which relate solely to the air-conditioning and ventilation ductwork systems for commercial and industrial buildings which involve the control of the temperature and environment within the buildings. This does not include insulation materials sometimes applied in the ceilings or roofs of commercial or industrial buildings to assist in the cooling of such buildings, or thermal insulation used in the refrigeration or freezing processes in industrial buildings. The report does not assess thermal insulation materials used by manufacturers of air-conditioners and refrigerators in the production of their products, HVAC&R

systems of residential properties, other application of HVAC&R systems of commercial and industrial properties such as to preserve the heat or cold temperature of such building's plumbing systems or HVAC&R petrochemicals sector.

Accordingly where relevant, references to HVAC&R market in this report only relate to HVAC&R systems which relate solely to the air conditioning and ventilation ductwork systems for the commercial and industrial buildings which involve the control of the temperature and environment within the buildings.

Frost & Sullivan's report focuses on the thermal insulation material known as Nitrile Butadiene-Acrylonitrile Rubber or Nitrile Rubber (NBR), a form of synthetic rubber used in both the Malaysian and Indian HVAC&R markets. It further illustrates how the HVAC&R market (which is driven by the construction sector) is performing in each country as the HVAC&R market is the main consumer of NBR thermal insulation.

In order to provide a greater understanding of the global competitive landscape for NBR thermal insulation, Frost & Sullivan has broadly categorized the market according to two categories i.e. Tier-1 and Tier-2 companies as illustrated in the figure below. As this report has been focused on the Malaysian market with a macro view on India, Tier 2 competitors list the market players operating in the Malaysian market and have not accounted for other NBR thermal insulation manufacturers which have been grouped under 'Others'.

Global Competitive Landscape for the NBR Thermal Insulation Market (2006)

Tier Levels	Companies	Country of Origin
Tier-1	Armacell International GmbH	Germany
	Nomaco K-Flex LLC	Joint partnership between Nomaco Inc. in U.S. and Isolante K-Flex in Italy
Tier-2	Aeroflex International Co. Ltd	Thailand
	Insulflex Sdn Bhd	Malaysia
	Superlon Holdings Bhd	Malaysia
	*Others	-

Note: Companies listed according to alphabetical order, and not according to market strength.

**Others refer to Tier 2 companies which are not market players in the Malaysian NBR thermal insulation market.*

Source: Frost & Sullivan

Tier-1 companies are defined as multinational corporations (MNC) that have worldwide operations and compete globally, such as Armacell International GmbH and Nomaco K-Flex LLC. These companies have large R&D budgets and leverage upon their larger budgets to produce superior products and materials. Their global presence allows them economies of scale that may enable them to reduce pricing. However, the brand and quality of their products also ensures that they need not leverage on pricing to create demand. Within Malaysia, due to the fact of the import taxes on NBR thermal insulation for the Malaysian market, local manufacturers still have more competitive pricing in the Malaysian market.

Tier-2 companies consist of smaller sized companies that operate locally, and export their products globally, with the bulk of the exports mainly to countries within its region. Such players include Malaysian-owned companies such as Superlon Worldwide Sdn Bhd and Insulflex Sdn Bhd.

Although Tier-1 companies have a stronger presence in the global market, Frost & Sullivan believes that market opportunities exist for Tier-2 level companies within their home market and the regions which they serve. These companies can effectively compete by focusing on their core business and serving niche markets regionally. This is because locally-incorporated companies can capitalize on their in-depth knowledge and wider contact base within the local markets.

The figure below illustrated the manufacturing and distribution presence for the leading NBR thermal insulation manufacturers.

Manufacturing and Distribution Presence among Leading NBR Thermal Insulation Companies (2006)

Company / Region	North America	Europe	Asia Pacific	Latin America	Middle East
Aeroflex International Co. Ltd	Mfg**	D	Mfg**	D	D
Armacell International GmbH	D	Mfg**	Mfg**	D	D
Insulflex Bhd	D	D	Mfg*	D	D
Nomaco K-Flex LLC	Mfg**	D	D	D	D
Superlon Holdings Bhd	D	D	Mfg*	D	D

Note:

(1) Companies listed according to alphabetical order, and not according to market strength

(2) The company's listed above provide NBR thermal insulation products for the HVAC&R market, sports equipment and exercise mats

(3) D: denotes representation by agent or distributor

(4) Mfg: denotes manufacturing facility with own sales office

*(5) *: indicates manufacturing facility located in Malaysia*

*(6) **: indicates manufacturing facility located outside Malaysia*

Source: Frost & Sullivan

Overview of Global Construction Sector

Malaysian manufacturers of thermal insulators including Superlon Worldwide Sdn Bhd export between 65 to 70 percent of their NBR thermal insulation products overseas. As the construction sector is the primary driver of the HVAC&R markets that utilize thermal insulators such as NBR, an outlook of the global construction sector will provide an understanding of the potential for the global HVAC&R markets.

Global construction spending reached $4.6 trillion in 2006, a 4.9 percent increase over 2005, with slightly more subdued growth rates expected in 2007. The US market still dominates the global scene as the largest national construction market. Japan remains second, in terms of construction spending in 2006, but its growth prospects are relatively poor compared to the rest of Asia, particularly China and India.

United States

The construction market in the United States experienced a relatively weak showing in 2006 with growth rates moderating during the course of the year after a strong start. In 2007, total construction output is likely to decline by around 1 percent, largely influenced by the slowdown in the residential market, which up until 2006 had been booming, but in 2007 is forecast to decline by as much as 5 percent.

Despite the pessimism there are some bright spots in the US market, in particular the non-residential sector is likely to see an increase of around 7 percent coupled with an increase in manufacturing construction of some 14 percent. In addition public works are expected to grow robustly (5 percent) as infrastructure spending increases.

Europe

The European construction industry exhibited reasonable growth of 3.2 percent in 2006 driven in the main by relatively high demand in the residential and civil engineering sectors. However, growth in Western European markets is expected to be restrained in 2007 while remaining in positive at above 2 percent.

Overall, the sluggish growth in the West is being off-set by strong growth in Eastern Europe in particular in the Czech Republic (5 percent); Slovakia (7.3 percent); Poland (7.2 percent); and Hungary (7.9 percent) with growth forecast to continue in these countries for the foreseeable future. The growth in Eastern Europe is largely being led by civil engineering activity as governments replace dilapidated infrastructure via European Union funding.

Middle East

In most countries in the region GDP is forecast to grow at around 6 percent in 2006 with similar levels expected for 2007. This growth continues to fuel the booming construction sector in the region; in some countries the construction sector now accounts for as much as 10 percent of GDP.

Saudi Arabia, Qatar and the UAE will see the largest growth in construction activity through 2007, which is likely to be related to oil and gas production and also residential, health, education and commercial construction.

Asia Pacific

The Asian market exhibited continued growth in 2006 but with some slowdown of activity evident when compared to 2005. In particular, growth slowed in the largest South East Asian economies namely, Thailand (following the recent military coup), Philippines, Malaysia and Singapore.

However, despite the regional slowdown, China and India continue to grow at a very high rate, with China expected to record double digit GDP growth in 2007 for the fourth consecutive year. The construction market in China is being driven by strong growth in private housing, commercial real estate and public infrastructure. However, there are indications of a potential slowdown looming in 2009 after the Beijing Olympics in 2008.

GDP growth in both Australia and New Zealand was muted in 2006 and inflationary pressures are likely to lead to a further slowdown in 2007. Three recent interest rate increases have combined to dent activity in the construction industry in Australia during 2006. In New Zealand, construction activity is relatively flat with residential activity experiencing a slight downturn while non-residential activity is growing fairly robustly, led by increased spending in the commercial and infrastructure sectors.

Latin America

Despite economic stability throughout the region, the South American market was constrained by presidential elections in a dozen countries during 2006. Generally, the region exhibited growth averaging 5 percent during 2006, although this is forecast to moderate somewhat through 2007 as a result of the slowdown in the USA.

Brazil and Mexico, the regions largest construction markets, are expected to struggle to match the average regional growth levels due to their exposure to the US market. However, one bright spot is Argentina which is expected to continue its strong comeback after its economic meltdown in 2002, with GDP growth of 7 percent forecasted for 2007.

Africa

The African construction market experienced reasonable growth in 2006 (5.8 percent) and this is expected to continue through 2007 (5.5 percent). Oil-exporting countries, however, are outpacing others by a substantial margin.

The outlook for much of the continent continues to be more favorable than it has been for many years. South Africa, in particular, is gearing up for the 2010 World Cup football competition with construction of the stadiums due to get under way in 2007. The construction market is being driven by large increases in public spending and foreign direct investment in readiness for the event.

Overview of Other Uses of NBR Thermal Insulation

Besides its industrial application within the HVAC&R market, NBR thermal insulation is also used in the residential segment of the air-conditioning market (not the key focus area of the report). In 2005, residential air-conditioners made up 18 percent of the U.S. residential market and valued at USD1.5 billion. Driven by the replacement market, the residential air-conditioner market is expected to continue growing in 2006.

A key component in the manufacture of air-conditioners includes NBR as a thermal insulator. Globally, Frost & Sullivan believes the use of NBR thermal insulation in air-conditioners for the residential sector will grow in tandem with increasing household income and rising affluence. This is particularly true in countries with tropical weather and hot climates that require air-conditioning for comfort and better living conditions.

For example, in India where temperatures soar to potentially fatal levels during summer, the use of air conditioners will become increasingly commonplace among middle-to-high income households, following improving economic conditions that are raising the standard of living. As a key component within air conditioners, the market for NBR thermal insulation is forecasted to grow positively.

Manufacturers of NBR thermal insulation within the Asian region where the vast quantities of residential air-conditioners are produced can thus leverage on their presence in Asia to secure purchases of NBR thermal insulation by residential air-conditioner manufacturers.

Within Malaysia, with economic growth remaining stable and increasing affordability of air-conditioning products coupled with easy payment plans from numerous electrical shops, there will likely be increasing growth in the demand for residential air-conditioners as well. This will be a positive factor to NBR thermal insulation manufacturers in Malaysia.

The following figure reflects the estimates for total world demand of air-conditioners according to the Japan Refrigeration and Air-Conditioning Industry Association (JRAIA).

Estimates for World Demand of Air-Conditioners (2000 – 2008)

('000 units)

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Projected	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
World total	41,874	44,834	46,840	54,379	58,147	60,422	62,970	65,663	68,654
Japan	7,791	8,367	7,546	7,307	7,679	7,500	7,500	7,500	7,500
Asia (excl. Japan)	13,897	16,617	17,761	23,650	26,430	28,312	30,340	32,524	34,881
Middle East	1,673	1,730	1,804	2,218	2,366	2,515	2,604	2,660	2,717
Europe	2,907	2,918	3,412	4,359	4,799	5,087	5,382	5,694	6,118
US	12,322	11,894	12,910	13,075	12,876	12,881	12,889	12,897	12,905
Central and South America	2,109	1,939	2,036	2,243	2,331	2,418	2,473	2,530	2,592
Africa	664	758	700	814	850	885	915	944	978
Oceania	512	593	671	712	815	825	868	913	963

Source: Japan Refrigeration and Air-Conditioning Industry Association (JRAIA)

The forecasted trend for total world demand of air-conditioners provides an ***indication*** for the growth of the HVAC&R industry in the respective regions. In northern Europe, HVAC&R demand has remained stable as the growing adoption of IT systems has popularized office air conditioning systems. As such, demand is forecast to continue in an upward trend.

In China, the economy is relentlessly growing and is forecast to become the world's largest consumer market in terms of sales volume. This may enable new business opportunities in the HVAC&R market as economic growth and consumer spending typically leads to growth across industries, including construction. The HVAC&R market may also benefit from the upcoming 2008 Olympics and related construction projects. Lastly, rapid economic development has improved and raised the standard of living for many Chinese, further driving demand for HVAC&R systems across the country .

In Japan, the HVAC&R market is saturated after years of strong competition. Opportunities may lie in providing HVAC&R solutions that serve the customer in terms of delivery, servicing, engineering, control and finance. There are also opportunities to be leveraged upon due to consumer requirements for environmentally friendly products.

In the U.S., demand for air-conditioners as forecasted by JRAIA indicates the U.S. market will plateau. Demand will remain due to the replacement of older HVAC&R systems with newer, more efficient systems along with on-going residential remodeling of HVAC&R systems.

NBR in the Malaysian Thermal Insulation Market

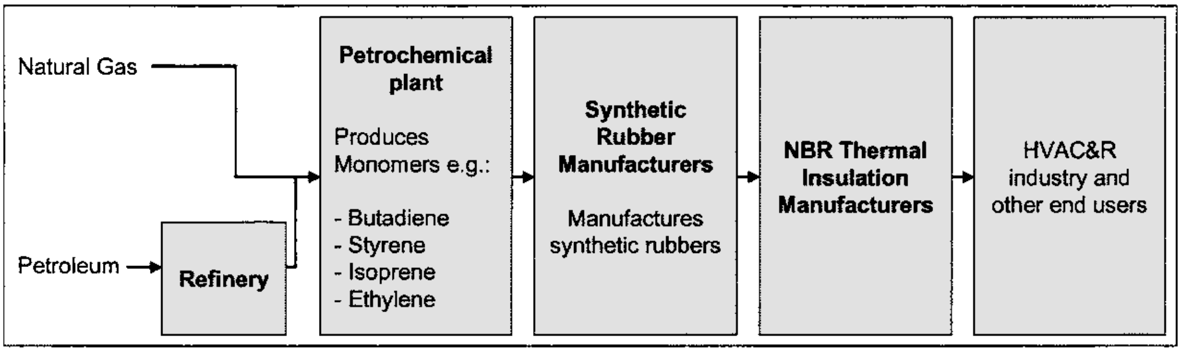
NBR is a form of synthetic rubber, which is a type of artificially-made polymer material that acts as an elastomer. An elastomer is a material with the mechanical (or material) property allowing it to undergo much more elastic deformation when under stress than most materials, yet still return to its previous size without permanent deformation.

Synthetic rubber serves as a substitute for natural rubber in many cases, especially when improved material properties are needed. The following is a list of synthetic rubbers used in various industries:

Nitrile rubber (NBR) - It is the most common polymer for products that are in contact with oil and fuel. Ethylene-propylene rubber (EDM/EPDM) - This is used for various purposes e.g. for manufacture of the sheeting used at high temperatures, EPDM is used. Since ethylene-propylene rubber does not crack outdoors (good ozone resistance) it is widely used for seals in buildings and in the automotive industry.

The manufacturing process of NBR is similar to that of synthetic rubber and is illustrated in the figure below.

Manufacturing Process for Synthetic Rubber



The above process can be described as such: general purpose synthetic rubber has its origin in two gases; butadiene, a by-product of petroleum refining, and styrene, captured either in the cooking process or as a petroleum refining by-product.

When these two gases are mixed in a reactor in the presence of soapsuds, liquid latex is produced. The dry rubber in this milky liquid is then coagulated into crumbs, washed, dried, and baled ready for shipment.

The dry rubber product will then be manufactured into sheets, rolls and tubings of ***NBR for the HVAC&R industry*** and other applications e.g. converted into parts for the automotive industry.

Under the 9MP which was unveiled at the end of March 2006, the Government will allocate RM200 billion for development, higher than the previous RM170 billion during the 8MP. Moving forward, the construction sector is expected to benefit and gradually revive. In 2006, construction is forecasted to grow by 1.0 percent, with optimistic industry players expecting an average growth of 3.5 percent per annum over the 9MP period (2006-2010).

Infrastructure projects that will be undertaken under the 9MP are expected to bode well for property developers with developments currently underway in areas without proper infrastructure. The development of new highways and better infrastructure in such areas is expected to garner positive attention from buyers and investors, as well as create conditions conducive to the development of commercial, industrial as well as residential properties.

A snapshot of NBR thermal insulation in the Malaysian HVAC&R market is as follows:

Market Engineering Measurement and Analysis – NBR Thermal Insulation in the Malaysian HVAC&R Market, (2005)

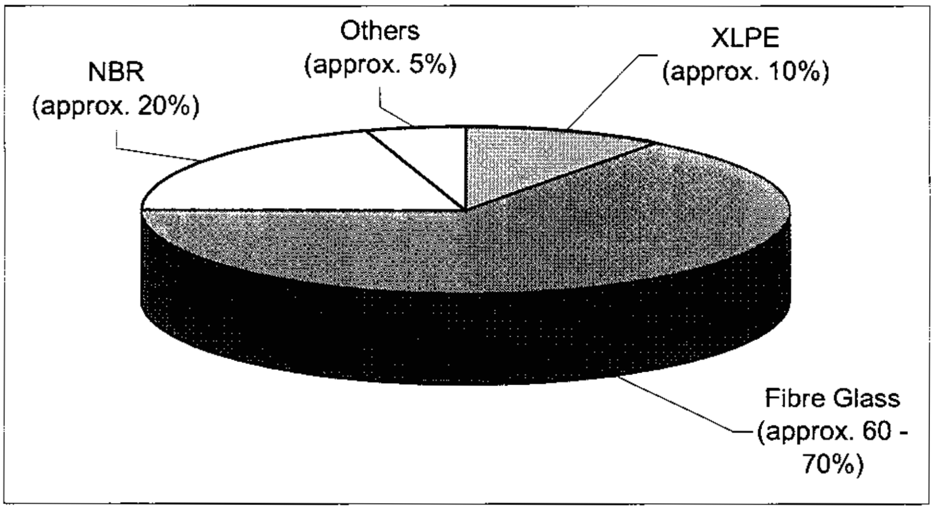
Measurement Name	Measurement	Trend
Market age	Mature Stage	Stable
Approximate revenues 2005	RM 11.7 million	Stable
Base year market growth rate	8.8 percent	Stable
2006 – 2011 Compound Annual Growth Rate (CAGR)	6.3 percent	Stable
Pricing trend	Increasing	Fluctuating with oil prices
Competitors	Approximately 3	Stable
Degree of competition	Low	Stable

All figures are rounded; the base year is 2005.

Source: Frost & Sullivan

In Malaysia, NBR thermal insulation is mainly used for the installation of split unit air-conditioners and where the ductwork requires a black appearance which does not require painting.

Market Share of Thermal Insulation Types for HVAC&R Market, Malaysia (2006)



Note: Others denote mainly EPDM.

Source: Frost & Sullivan

In terms of new competing products, XLPE is also making headway into the thermal insulation market in Malaysia. This is led mainly by Trocellen Southeast Asia Sdn Bhd, a subsidiary of Trocellen GmbH. XLPE is expected to compete directly with NBR thermal insulation. Although XLPE purports to have the same quality as fibre glass, it is more expensive compared to fibre glass.

In the usage of thermal insulation types, pricing therefore is an important factor. Environmental factors and health issues will also need to be considered in the long run as these will change the types of insulation material used.

The total market for NBR thermal insulation in Malaysia for 2005 is estimated to be at approximately RM11.8 million. The base year market growth rate is 8.8 percent and the CAGR is forecast at 6.3 percent from 2006 to 2011.

Revenue Growth – NBR Thermal Insulation in the Malaysian HVAC&R Market, (2002 – 2011)

Year	Revenue (RM million)	Growth (%)
2002	9.3	-
2003	10.0	8.1
2004	10.8	7.3
2005	11.7	8.8
2006	12.4	5.8
2007	13.1	6.0
2008	13.9	6.1
2009	14.8	6.3
2010	15.8	6.4
2011	16.8	6.6

CAGR (2006-2011): 6.3 percent

All figures are rounded; the base year is 2005.

Source: Frost & Sullivan

The revenue forecast for the Malaysian NBR thermal insulation for the HVAC&R market consists of forecast revenues for all the market players involved. The historical performance of these market players has been strong even with the construction sector's weak performance during the past few years. Hence, Frost & Sullivan is of the opinion that the market will continue to grow, although the analysis above has also factored into account industry estimates for growth in the market for the next few years.

The total market for Malaysia is small as evidenced by the above revenue figures. However, this is not a direct representation of the Malaysian manufacturer's performance. This is due mainly to the fact that:

The two main Malaysian manufacturers do not rely solely on the Malaysian market. ***Export of NBR by both manufacturers contributes to approximately 65 – 70 percent of revenues.*** This amount is not considered in the above figure which only accounts for the Malaysian market.

Another ***10 – 20 percent of local revenues are further generated through sales to converters where the NBR material is made into products for use in other industries e.g. automotive.*** This is also not reflected in the above figures as they depict only the amount of revenues for NBR thermal insulation in the HVAC&R market in Malaysia.

As such, Frost & Sullivan concludes that NBR thermal insulation manufacturer's have strong growth potential, provided that they increasingly target the export market, build awareness in the Malaysian HVAC&R market on the benefits of using NBR thermal insulation and expand into alternative uses of NBR as acoustic insulation, converted parts for the automotive industry and sports equipment for the growing health and fitness industry.

Due to the fact that there will be some lead time between approval of construction and development projects and the actual start date of construction activities, the NBR thermal insulation market in Malaysia will also see a slight delay followed by increasing growth. Better forecasts in the purpose-built office and leisure property sub-sector, along with the Malaysian government's efforts to revive the construction sector, is likely to drive the pick up in activities from 2010 onwards.

The improvement in the two above-mentioned construction sub-sectors, coupled with an expected increase in awareness of the advantages of using NBR thermal insulation will remain as the key drivers for the NBR thermal insulation market.

In terms of market share, the following holds true for the Malaysian NBR thermal insulation market.

Market Share – NBR Thermal Insulation in the Malaysian HVAC&R Market (2006)

Company Name	Market Share (%)
Superlon Holdings Bhd	45 – 50
Insulflex Sdn Bhd	35 – 40
Others	10 – 20

Note: Others – Aeroflex International Co. Ltd., Armacell Asia Ltd., etc.

Source: Frost & Sullivan

Based on Frost & Sullivan's research, the Malaysian NBR thermal insulation market for HVAC&R is mainly dominated by two local manufacturers; namely Superlon Holdings Bhd, with a market share of 45 – 50 percent and Insulflex Sdn. Bhd, with a market share of 35 – 40 percent. As such, this is an oligopolistic market dominated by two main competitors.

Other competitors include those operating from abroad and account for 10 -20 percent of the market. Within this group, the biggest competitor in terms of size and reach is Armacell International GmbH (Armacell), an international company that markets its products in Malaysia through its Singaporean office, Armacell Asia Ltd. The company operates a manufacturing plant in Thailand, which provides it with special tariff rates exclusive for ASEAN nations. Due to the limited size of the market, Malaysia is deemed a less important market compared to India, where Armacell has also constructed a manufacturing plant.

The other foreign competitor is Aeroflex International Co. Ltd (Aeroflex) which is based in Thailand. Similar to Armacell, Aeroflex perceives Malaysia to be a small market for NBR thermal insulation. Although Aeroflex does manufacture NBR, its core focus is EPDM.

While there are other products being sold in the market, these do not constitute a significant amount. For instance, Nomaco K-Flex LLC (K-Flex) does not distribute or sell NBR thermal insulation directly into Malaysia, but its products are used locally by customers that directly purchase them.

There are other numerous NBR thermal insulation manufacturers globally that have the option of selling in the Malaysian market. However, at present and into the foreseeable future, high import taxes, the existing oligopolistic market structure, combined with the fact that the local market for NBR thermal insulation is small, are proving to be inhibitors for other competitors to enter the market, leaving the two local manufacturers with most of the market.

However, manufacturers producing NBR thermal insulation in Malaysia must also be aware of potential increases in petrol prices, which would affect their raw material cost. Chemically cross-linked polyethylene (XLPE) is also making an entry into the thermal insulation market as a potential competing product for NBR thermal insulation and manufacturers would do well to bear this in mind.

NBR in the Indian Thermal Insulation Market

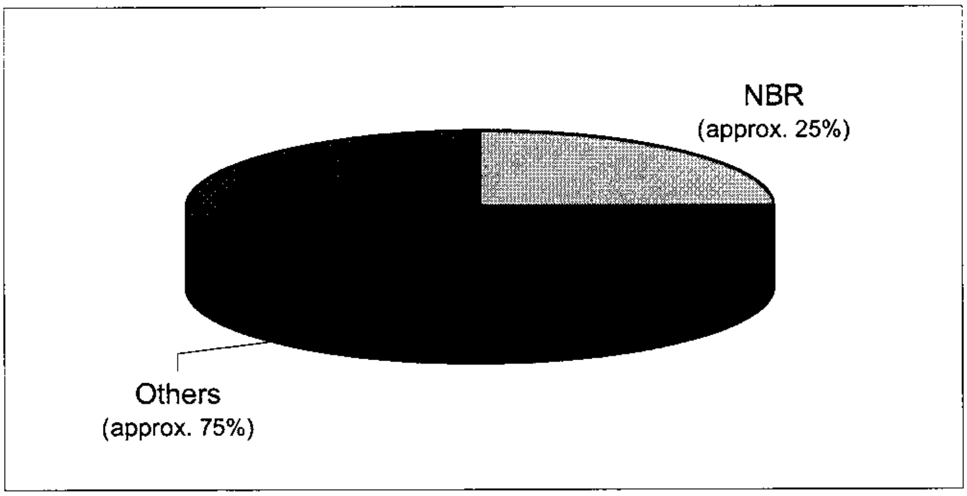
In view of the moderate opportunities within the Malaysian market for NBR thermal insulation in the near future, manufacturers would do well to export their products to countries where there is a greater demand. This is due to the fact that outlook for construction in other parts of the world is much more encouraging. At present, approximately 65-70 percent of the NBR thermal insulation made in Malaysia is estimated to be exported to other countries.

Frost & Sullivan is of the opinion that overseas markets such as India offer manufacturers an ideal export destination for NBR thermal insulation. This is in view of the unprecedented economic growth within the country, along with strong developments in the Indian HVAC&R market following high growth in its construction sector.

Following economic liberalization, India has been experiencing escalating industrialization, urbanization and improving standards of living. These effectual developments have spurred growth in the HVAC&R market in India. According to the Indian Society of Heating, Refrigeration & Air conditioning Engineers (ISHRAE), the ***Indian HVAC&R market is vibrant and growing at 15.0 percent per year.***

At present, the Indian thermal insulation sector for HVAC&R is divided into approximately 25 percent for NBR thermal insulation and 75 percent of other materials, of which fibre glass comprise a large portion.

Market Share of Thermal Insulation Types for HVAC&R Market, India (2006)



Note: Others denote mainly fibre glass, EPDM, etc.

Source: Frost & Sullivan

There are no government regulations which cover the use of thermal insulation in the Indian HVAC&R market.

The major market participants in NBR thermal insulation for India are illustrated in the following figure.

Major NBR Thermal Insulation Market Participants, India (2006)

Company Name	Area of Focus	Method of Supply
Aeroflex International Co. Ltd	Supplies NBR thermal insulation but more focused on supplying EPDM for the automotive sector	Import
Armacell International GmbH	Supplies the Armaflex brand of NBR thermal insulation Focuses on large-scale projects	Previously imported its product into India but has since built a manufacturing plant which is now in operation
Insulflex Sdn Bhd	NBR thermal insulation product sold via distributors Entering into Indian HVAC&R market by working together with HVAC&R manufacturers in shipping of product	Import
Nomaco K-Flex LLC	Focuses on large-scale projects	Import
Superlon Holdings Bhd	NBR thermal insulation product sold via distributors Based on Frost & Sullivan's research, Superlon's thermal insulation products hold a sizeable market share in the Indian market. This is due mainly to the strength of the brand which is recognised in India.	Import

Note: All company names are listed in alphabetical order, and do not indicate market share or strength.

Source: Frost & Sullivan

The growth in the use of NBR thermal insulation in India is expected to increase as the HVAC&R market understands the benefits and advantages of using NBR thermal insulation over present materials used.

Frost & Sullivan forecasts that NBR thermal insulation use in India will increase over the next few years. However, just like in the Malaysian market, XLPE is also making a strong entrance as a competing product in the Indian market. Nonetheless, NBR thermal insulation manufacturers can draw confidence from the actions of global NBR thermal insulation manufacturer, Armacell International GmbH in constructing a manufacturing plant in India as an indication of the abundant market opportunities and growth potential within the Indian NBR thermal insulation market.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Yours Sincerely,
For and on behalf of Frost & Sullivan Malaysia Sdn. Bhd.

Sanjay Singh
Director

14.0 DIRECTORS' REPORT

(Prepared for the inclusion in this Prospectus)

SUPERLON HOLDINGS BERHAD
(740412-X)

Lot 2736, Jalan Raja Nong,
41200 Klang, Selangor D.E, Malaysia.
T 603-5161 7778 F 603-5162 7778
E inquiry@superlon.com.my W www.superlon.com.my

Registered Office:

A-11-3 (Suite 2), Northpoint Offices
Mid Valley City
No. 1, Medan Syed Putra Utara
59200 Kuala Lumpur

Date: 03 APR 2007

The Shareholders of Superlon Holdings Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Superlon Holdings Berhad ("**Superlon**" or "**Company**"), I report after due inquiry, that during the period from 30 November 2006 (being the date to which the last audited financial statements of Superlon and its subsidiary company ("**Superlon Group**") have been made) up to the date hereof (being a date not earlier than fourteen (14) days before the date of issue of this Prospectus), that:

(a) the business of the Superlon Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Superlon Group which have adversely affected the trading or the value of the assets of the Superlon Group;

(c) the current assets of the Superlon Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Superlon Group;

(e) there have been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the Superlon Group in which the Directors are aware of, since the last audited financial statements of the Superlon Group; and

(f) save as disclosed in the Proforma Consolidated Balance Sheet, the Reporting Accountant's letter on the Proforma Consolidated Financial Information and Accountants' Report as set out in Sections 11.1.2, 11.4.1 and 12.0 of this Prospectus respectively, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Superlon Group since the last audited financial statements of the Superlon Group.

Yours faithfully,
For and on behalf of the Board of Directors
SUPERLON HOLDINGS BERHAD

Madam Liu Lee, Hsiu-Lin
(also known as Jessica H. Liu)
Managing Director

15.0 STATUTORY AND OTHER INFORMATION

15.1 Share Capital

(i) We will not allot any Shares or other securities on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

(ii) As at the date of this Prospectus, we only have one (1) class of shares, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with one another.

(iii) Save as disclosed in Sections 7.1.2, 7.2.2 and 7.3.1 of this Prospectus, no shares, debentures, outstanding warrants, options, convertibles securities or uncalled capital of our Company or our subsidiary company have been issued or are proposed to be issued as partly or fully paid-up, in cash or otherwise than in cash, within the two (2) years preceding the date of this Prospectus.

(iv) Save for the 3,351,400 Public Issue Shares which has been reserved for subscription by eligible Directors, employees and business associates of our Group under the Pink Form Allocation as disclosed in Sections 3.6(i)(b) and 7.2.2(i)(b) of this Prospectus:-

(a) no person or Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any shares, stocks or debenture of our Company or our subsidiary company; and

(b) there is no scheme involving the employees of our Group in the shares or other securities of our Company or of our subsidiary company.

(v) Other than the Public Issue as disclosed in Sections 3.6(i) and 7.2.2(i) of this Prospectus, there is no present intention on the part of our Directors to issue any part of the authorised but unissued share capital of our Company.

(vi) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 Articles of Association

The following provisions are reproduced from our Company’s Articles of Association (“**Articles**”). The words, terms and expressions appearing in the following provisions shall bear the same meaning used in the Articles unless they are otherwise defined here or if the context require otherwise:-

(i) Transfer of Securities

The provisions in our Company's Articles dealing with the transfer of securities are as follows:-

<u>Article 35</u>

The transfer of any listed securities or class of listed securities of the Company shall be by way of book entry by the Central Depository in accordance with the Rules and notwithstanding Sections 103 and 104 of the Act, but subject to sub-Section 107C(2) of the Act and any exemption that may be made from compliance with sub-Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities.

Article 36

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the transfer of all or any of the shares of the Company not so deposited with the Central Depository (not being prescribed securities pursuant to Section 14 of the Central Depositories Act) by any Member shall be in the manner provided in these Articles. The instrument of transfer of any share shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered into the Register and/or the Record of Depositors as the case may be in respect thereof.

Article 37

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole, thirty (30) days in any year. Eighteen (18) market days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register and the reason thereof shall be given to the Exchange and published in a daily newspaper circulating in Malaysia. Such notice shall state the Books Closing Date which shall not be less than twelve (12) clear market days from the date of notification to the Exchange.

Article 38

The transfer books and Record of Depositors may be closed for the purpose of determining persons entitled to dividends, interest, or new securities or rights to a priority of application for issued of securities. The Company shall request the Central Depository in accordance with the Rules to issue a Record of Depositors as at a date not less than three (3) market days before the occurrence of the related event.

Article 39

There should be no restriction on the transfer of fully paid shares except where required by law and no share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 40

The Central Depository may refuse to register any transfer of deposited security that does not comply with the Central Depositories Act and the Rules.

(ii) Remuneration of Directors

The provisions in our Company's Articles dealing with the remuneration of the Directors are as follows:-

Article 105

The Directors shall be paid for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting, and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine or failing agreement, equally PROVIDED ALWAYS that:-

(a) fees payable to Directors who do not hold any executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(b) salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover.

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

(d) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid by the Director appointing him, unless the Company be instructed in writing by that Director to pay out any portion of that Director's remuneration over to such alternate Director.

Article 106

(1) The Directors shall be paid all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors of the Company.

(2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors.

(iii) Voting and Borrowing Powers of Directors

The provisions in our Company's Articles dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:-

Voting Powers of Directors

Article 125

A Director may contract with and be directly or indirectly interested in any contract or proposed contract or arrangement with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the Director shall declare the nature of his interest in accordance with provision of the Act. Save as herein provided, a Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest (and if he shall do so his vote shall not be counted), nor shall he be counted for the purpose of any resolution regarding the same, in the quorum present at the meeting.

Article 126

Where proposals are under the consideration concerning the appointment (including fixing or varying the terms of appointment) of two (2) or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each of the Directors separately and in such cases each of the Directors concerned shall be entitled to vote in respect of each resolution except that concerning his own appointment.

Article 127

A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat any decision is taken upon any contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 131 and all other relevant provisions of the Act and of these Articles.

Borrowing Powers of Directors

Article 110

(1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge the Company’s or its subsidiaries’ undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its subsidiaries, as they shall think fit.

(2) The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

(3) The Directors may borrow or raise any such money as aforesaid upon or by the issue or sale of any bonds, debentures, debenture stock, or securities, and upon such terms as to time of repayment, rate of interest, price of issue or sale; payment of premium or bonus upon redemption or repayment or upon any other terms as they may think proper.

(4) Any debenture or other security may be issued at a discount, premium or otherwise and (with the sanction of the Company in general meeting) with any special privilege as to allotment of shares, attending and voting at general meetings of the Company, appointment of Directors or otherwise.

(iv) Changes in Share Capital and Variation of Class Rights

The provisions in our Company's Articles dealing with changes in share capital and variation of class rights, which are no less stringent than those provided in the Act are as follows:-

Variation of rights

Article 7

Subject to the Act, the Company shall have the power to issue preference shares, with the sanction of an ordinary resolution, on the terms that they are, or at the option of the Company are liable, to be redeemed but:

(a) the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time; and

(b) the Company shall not issue preference shares in priority above preference shares already issued, but may issue preference shares ranking equally therewith.

Preference shareholders shall have the same rights as ordinary shareholders in relation to receiving notices, reports and audited accounts and attending general meetings of the Company.

Article 11

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provision of Section 65 of the Act and whether or not the Company is being wound up, be varied with:

(a) the consent in writing of the holders of three-fourths of the issued shares of that class obtained within 2 months from the date of the separate general meeting; or

(b) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of the Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy, one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution, the provisions of Section 152 of the Act shall with such adaptations as are necessary, apply.

Article 12

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith.

Alteration of capital

Article 65

Subject to the Act, the Listing Requirements and any other applicable law, the Company may by ordinary resolution:

(a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(c) sub-divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association; provided that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the resulting shares, one or more of such shares may, by the resolution by which such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares; and

(d) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 67

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any authorization, and consent required by law.

15.3 General

(i) Save for the Acquisition of SWSB and as disclosed in Sections 8.2.3 and 10.1 of this Prospectus, no amount or benefit has been paid or given by our Company within the two (2) years preceding the date of this Prospectus, nor is it intended to be so paid or given, to any of our Promoter, Director or substantial shareholder.

(ii) Save as disclosed in Section 15.4 (d) of this Prospectus, none of our Directors or substantial shareholders has any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(iii) Save as disclosed in Section 8.1.1 of this Prospectus where it shows that our Promoters will collectively hold a total of approximately 52.01% of our enlarged issued and paid-up share capital after the IPO, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company. The relevant risk factor arising from the control of our Promoters over our Company and the mitigating steps are disclosed in Section 4.2.3 of this Prospectus.

(iv) The times of the opening and closing for the Application of the IPO Shares are set out in page (i) of this Prospectus and Sections 3.2 and 18.1 of this Prospectus.

(v) The amount payable in full on Application is RM0.72 per IPO Share.

(vi) The manner in which copies of this Prospectus together with the Application Form and envelopes may be obtained and the details of the procedures for Application are set out in Section 18 of this Prospectus.

(vii) Apart from the listing sought on the Second Board of Bursa Securities, as at the date of this Prospectus, our Company is not listed and is not intending to seek listing on any other stock exchange.

(viii) As at the date of this Prospectus, none of our Directors has any existing or proposed service contracts with us or our subsidiary company which are not terminable by 'notice without payment of compensation' (other than statutory compensation).

15.4 Material Contracts

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of our Group's business) which have been entered into by us or our subsidiary company during the two (2) years immediately preceding the date of this Prospectus :-

(a) A subscription agreement dated 19 January 2006 made between SWSB and KPFB wherein KPFB had subscribed for 1,100,000 new ordinary shares of RM1.00 each in SWSB for a cash consideration of Ringgit Malaysia Three Million Four Hundred and Sixty Five Thousand (RM3,465,000.00) only calculated at a subscription price of RM3.15 per share which was completed on 23 January 2006;

(b) A subscription agreement dated 5 May 2006 made between SWSB and Tan Sri Hamid wherein Tan Sri Hamid had subscribed for 1,488,516 new ordinary shares of RM1.00 each in SWSB for a cash consideration of Ringgit Malaysia Four Million Six Hundred and Eighty Eight Thousand Eight Hundred and Twenty Five and Sen Forty (RM4,688,825.40) only calculated at a subscription price of RM3.15 per share which was completed on 5 May 2006;

(c) The SSA entered into between our Company and the Vendors in relation to the Acquisition of SWSB for a purchase consideration of RM34,838,990 which was satisfied by the issuance of 67,648,596 of our Shares at an issue price of approximately RM0.52 per Share credited as fully paid up to the Vendors. The SSA was completed on 31 January 2007;

(d) A placement agreement dated 27 February 2007 made between MIMB and Kenanga of the first part, our Company of the second part and the Offerors of the third part wherein MIMB and Kenanga have agreed to act as placement agents for the placement via MIMB of 55% and via Kenanga of 45% respectively of each of the whole portion of the Public Issue Shares which are available for application by identified investors comprising of 3,000,000 new Shares and of the whole portion of the Offer Shares comprising of 1,000,000 Shares (collectively "the Placement Shares") at the IPO Price per Share in conjunction with the listing of our Company on the Second Board of Bursa Securities for a placement commission of 2.0% of the IPO Price multiplied by the numbers of the Placement Shares successfully placed out by MIMB and Kenanga respectively; and

(e) An underwriting agreement dated 28 February 2007 made between MIMB of the first part, Kenanga of the second part and our Company of the third part wherein MIMB has agreed to underwrite 55% and Kenanga has agreed to underwrite 45% respectively of each of the whole portion of the Public Issue Shares which are available for application by the Malaysian public comprising of 6,000,000 new Shares and of the whole portion of the Public Issue Shares which are available for application by eligible Directors, employees and business associates of our Group comprising of 3,351,400 new Shares (collectively "the Underwritten Shares") at the IPO Price per Share in conjunction with the listing of our Company on the Second Board of Bursa Securities for an underwriting commission of 2.0% of the IPO Price multiplied by the numbers of the Underwritten Shares underwritten by MIMB and Kenanga respectively.

15.5 Material Litigation

Save as disclosed below, neither our Company nor our subsidiary company is engaged in any material litigation, legal action, proceeding or arbitration, either as plaintiff or defendant as at the Latest Practicable Date, and our Directors do not know of any proceeding, pending or threatened, which might materially and adversely affect our Group's financial position or business or of any fact likely to give rise to any such material litigation, legal action, proceeding or arbitration:-

(i) By a letter dated 19 April 2001 from the Royal Customs and Excise Malaysia ("RCEM") addressed to SWSB, RCEM had claimed for payment of sales tax amounting to RM480,622.21 for the period from 25 January 2000 to 24 September 2000 and the penalties thereon amounting to RM235,629.21 from SWSB failing which legal action under Section 43(a) of the Sales Tax Act 1972 may be taken. By a letter dated 30 April 2001, SWSB had appealed to the Ministry of Finance ("MOF") for remission of the aforesaid sales tax and penalties on the basis, inter alia, that SWSB was only informed by RCEM via its letter dated 7 September 2000 that the goods manufactured and sold by SWSB to be taxable goods with retrospective effect from 25 January 2000. Although SWSB's said appeal was initially rejected by MOF on 4 April 2006 without any reasons given, SWSB had submitted further letters dated 30 June 2006 and 4 July 2006 to MOF for their further consideration and decision. The Board of Directors of SWSB verily believe that there are merits to support the appeal by SWSB for remission of the aforesaid sales tax and penalties but in any event that the liability for payment of the said sales tax and penalties has been fully provided for in the accounts of SWSB.

15.6 Public Take-overs

None of the following has occurred in the last financial year and during the current financial year up to the Latest Practicable Date:-

(a) public take-over offers by third parties in respect of the shares or other securities of our Company or of our subsidiary company; or

(b) public take-over offers by our Company or by our subsidiary company in respect of securities of other corporations.

15.7 Responsibility Statements

This Prospectus has been seen and approved by our Directors, Promoters and the Offerors and they collectively and individually accept full responsibility for the accuracy of the information given and contained herein and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading. Our Directors hereby accept full responsibility for our consolidated profit forecasts included in this Prospectus and confirm that the consolidated profit forecasts have been prepared based on assumptions made therein.

MIMB acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes full and true disclosure of all material facts concerning the IPO, and has satisfied itself that the consolidated profit forecasts included in this Prospectus, for which our Directors are solely responsible for, have been stated by our Directors after due and careful enquiry and has been duly reviewed by the Reporting Accountants.

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16.0 CONSENTS

16.1 Letters of Consent

The written consents of our Adviser, Placement Agent, Managing Underwriter, Underwriters, Company Secretary, Principal Bankers, Solicitors for the listing exercise, Share Registrar and Issuing House for the IPO to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not been subsequently withdrawn as at the date of this Prospectus.

The written consent of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their name, Accountants' Report and their letters relating to our consolidated profit forecasts and proforma consolidated financial information in the form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not been subsequently withdrawn as at the date of this Prospectus.

The written consent of the IMR to the inclusion in this Prospectus of their name, extractions from their IMR Report and the inclusion of their Summary IMR Report in the form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not been subsequently withdrawn as at the date of this Prospectus.

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17.0 DOCUMENTS FOR INSPECTION

17.1 Documents for inspection

Copies of the following documents are available for inspection at our registered office during normal business hours for a period of not less than twelve (12) months from the date of this Prospectus:-

(i) Our Memorandum and Articles of Association;

(ii) The Reporting Accountants' letters relating to our proforma consolidated financial information and our consolidated profit forecasts as included in Sections 11.4.1 and 11.4.2 respectively of this Prospectus;

(iii) The Accountants' Report and Directors' Report as included in Sections 12.0 and 14.0 respectively of this Prospectus;

(iv) The audited financial statements of our Company for the 7 month FPE 30 November 2006 and our subsidiary company for the 3 FYE 30 April 2004 to 30 April 2006 and the 7 month FPE 30 November 2006;

(v) The material contracts referred to in Section 15.4 of this Prospectus;

(vi) Relevant correspondences in respect of the material litigation referred to in Section 15.5 of this Prospectus;

(vii) The Summary IMR Report as included in Section 13.0 of this Prospectus and the IMR Report as referred to herein; and

(viii) The letters of consent referred to in Section 16.1 of this Prospectus.

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18.0 PROCEDURE FOR APPLICATION AND ACCEPTANCE

18.1 Opening and Closing of Application

The period for Application of the IPO Shares will commence at **10.00 a.m.** on 9 April 2007 and will remain open until **5.00 p.m.** on 16 April 2007 or such further period or periods as our Directors and Managing Underwriter may in their absolute discretion mutually decide. **Late applications will not be accepted.**

If the closing date for application is extended, the dates of the balloting, allotment and Listing would be extended accordingly. Any extension of the closing date for application will be advertised in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

18.2 Methods of Application

Application for the Public Issue Shares / Offer Shares may be made by any individual using either of the following ways:-

(i) Application Forms; or

(ii) ESA.

For non individuals, Application for the Public Issue Shares / Offer Shares may be made only by way of Application Forms and NOT by way of ESA.

18.3 General Conditions for Application

All Application shall be made in relation with and subject to the terms of this Prospectus and our Memorandum and Articles of Association. Further conditions for Application based on the category of applicants are set out below.

(i) Application by Malaysian public

Application for the 6,000,000 Public Issue Shares made available for application by Malaysian public must be made only on the **White** Application Forms provided or by way of ESA if the applicant is an individual.

(ii) Application by the eligible Directors, employees and business associates of our Group

Application for the 3,351,400 Public Issue Shares reserved for eligible Directors, employees and business associates of our Group must be on **Pink** Application Forms provided and NOT on any other Application Forms or by way of ESA.

(iii) Application by identified placees

The potential investors for any portion of the 3,000,000 Public Issue Shares and 1,000,000 Offer Shares will be pre-identified by the Placement Agents. The Placement Agents will, on opening of the application, send this Prospectus to this group of pre-identified private investors together with the **Blue** Application Forms. The ESA and any other Application Forms are NOT applicable for identified placees' applications.

18.4 Application Using Application Forms

18.4.1 Types of Application Forms

The following Application Forms are enclosed with this Prospectus and are deemed to form an integral part of this Prospectus: -

(i) **White** Application Forms for application by Malaysian citizens, companies, co-operatives, societies and institutions and for application by identified placees, of which at least 30% is to be set aside to the extent possible for Bumiputera individuals, companies, societies, co-operatives and institutions;

(ii) **Pink** Application Forms for application by eligible Directors, employees and business associates of our Group; and

(iii) **Blue** Application Forms for application by the identified placees.

White Application Forms together with copies of this Prospectus may be obtained, subject to availability, from MIMB, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and MIDFCCS.

18.4.2 Terms and conditions for application using Application Forms

Only one (1) Application Form from each applicant will be considered and an application must be for 100 ordinary shares or multiples thereof. **Multiple applications will not be accepted,** and applications appearing to be, or suspected of being multiple applications may be rejected at the discretion of the Board**. A person who submits multiple applications using his or her own name or the name(s) of others, with or without their consents, commits an offence under Section 87A of the Securities Industry Act, 1983 ("SIA") and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to ten (10) years under Section 88B of the SIA**.

The amount payable in full on application is RM0.72 per Public Issue Share / Offer Share. Persons submitting application by way of Application Form may not submit application by way of ESA and vice versa. A corporation or institution cannot apply for shares by way of ESA.

The Application Forms provided together with this Prospectus must be completed in accordance with the notes and instructions printed on the reverse side of the Application Forms and in this Prospectus. In accordance with Section 41(2) of the Securities Commission Act, 1993, the Application Form together with the notes and instructions printed therein shall constitute as an integral part of this Prospectus. Applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed on the reverse side of the Application Form or which are illegible will not be accepted.

Each completed Application Form must be accompanied by a remittance in Ringgit Malaysia for the full amount payable by either:-

(a) BANKER'S DRAFT OR CASHIER'S ORDER purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants); or

(b) MONEY ORDER OR POSTAL ORDER (for applicants from Sabah and Sarawak only); or

(c) GUARANTEED GIRO ORDER ("**GGO**") from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); or

(d) ATM STATEMENTS OBTAINED FROM ANY OF THE FOLLOWING FINANCIAL INSTITUITION:-

- Affin Bank Berhad

- Alliance Bank Malaysia Berhad;
- AmBank (M) Berhad;
- CIMB Bank Berhd (*formerly known as Bumiputra-Commerce Bank Berhad*);
- EON Bank Berhad;
- Hong Leong Bank Berhad;
- Malayan Banking Berhad;
- Public Bank Berhad;
- RHB Bank Berhad; or
- Southern Bank Berhad,

and must be made out in favour of

"MIDF SHARE ISSUE ACCOUNT NO. 616"

and crossed "**A/C PAYEE ONLY**" (excluding ATM statements) and endorsed on the reverse side with your name.

If you are an individual and not a member of the armed forces/police, your name and national registration identity card number must be exactly the same as that stated in:-

a. your national registration identity card;

b. any valid temporary identity document issued by the National Registration Department from time to time; or

c. your "Resit Pengenalan Sementara (KPPK 09)" issued pursuant to Peraturan 5(5), Peraturan – Peraturan Pendaftaran Negara 1990.

If you are an individual who is a foreigner, your name and passport number must be exactly the same as that stated in your passport. (Applicable for PINK and BLUE application form only).

If you are a member of the Armed Forces/Police, your name and your Armed Forces/Police personnel number, as the case may be, must be exactly the same as that stated in your authority card.

For corporate/institutional applicants, the name and certificate of incorporation number must be exactly the same as that stated in the certificate of incorporation.

Applications accompanied by any mode of payment other than those stated above or with excess or insufficient remittances may not be accepted. You must complete details of remittance in the appropriate boxes provided on the Application Form.

You must state your CDS account number in the space provided on the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account to MIDFCCS or our Company.

You must write your name and address on the reverse side of the banker's draft, cashier's order, ATM statement, money order or GGO from Bank Simpanan Nasional Malaysian Berhad.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents must be despatched by **ORDINARY POST** in the official envelopes provided to the following address:-

MIDF Consultancy and Corporate Services Sendirian Berhad
12th Floor
Bangunan MIDF
195A, Jalan Tun Razak
50400 Kuala Lumpur

or **DELIVERED BY HAND AND DEPOSITED** in the Drop-In Boxes provided at the Ground Floor of Bangunan MIDF, 195A, Jalan Tun Razak, 50400 Kuala Lumpur so as to arrive not later than 5.00 p.m. on 16 April 2007 or such other date or dates as our Directors and the Managing Underwriter may, in their absolute discretion mutually decide. Registered post must not be used and no acknowledgement of the receipt of Application Forms or application monies will be made.

Please direct all enquiries in respect of the white application form to MIDFCCS.

18.5 Applications using ESA

18.5.1 Terms and Conditions for ESA

The procedures for ESA are set out on the ATM screens of the relevant participating financial institutions (“**Steps**”). For illustration purposes, the procedures for ESA at ATMs are set out in “Steps for ESA through a Participating Financial Institution’s ATM” in Section 18.5.2 of this Prospectus. The steps set out the actions that you must take at the ATM to complete an ESA. Please read carefully the terms of this Prospectus, the steps and the terms and conditions for ESA set out below before making an ESA.

In the case of ESA, only an applicant who is an individual with a CDS account is eligible to utilise the facility.

You must have an existing account with, and be an ATM cardholder of, one of the participating financial institutions before you can make an ESA. An ATM card issued by one of the participating financial institutions cannot be used to apply for shares at an ATM belonging to another participating financial institutions. Upon the completion of your ESA transaction, you will receive a computer-generated transaction slip (“**Transaction Record**”), confirming the details of your ESA. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the ESA or any data relating to such an ESA by our Company or MIDFCCS. The Transaction Record is for your retention and should not be submitted with any Application Form.

Upon the closing of the period for the application for the IPO Shares on 16 April 2007 at 5:00 p.m. (or such other extended dates and time), the participating financial institution shall submit the magnetic tapes containing their respective customers’ applications for the IPO Shares to MIDFCCS as soon as practicable but not later than 12:00 p.m. of the second business day after the closing date and time.

You are allowed to make an ESA for the IPO Shares via an ATM that accepts the ATM cards of the participating financial institution with which you have an account with and its branches, subject to you making only one application. You can apply for the IPO Shares via an ATM of that participating financial institution which is situated in another country or place outside of Malaysia, subject to you making only one application.

You must ensure that you use your own CDS account number when making an ESA. If you have a joint account with any participating financial institution, you must ensure that you enter your own CDS account number when using an ATM card issued to you in your own name. Your application will be rejected if you fail to comply with the foregoing.

The ESA shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:-

(a) Your application will not be successfully completed and cannot be recorded, as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the SICDA to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to MIDFCCS, or any relevant regulatory bodies.

(b) You confirm that you are not applying for shares as nominee of any other person and that any ESA that you make is made by yourself as the beneficial owner. You shall only make one ESA and shall not make any other application for the IPO Shares, whether at the ATMs of any participating financial institution or on the prescribed Application Forms.

(c) You must have sufficient funds in your account with the relevant participating financial institution at the time you make your ESA, failing which your ESA will not be completed. Any ESA, which does not strictly conform, to the instructions set out on the screens of the ATM through which the ESA is being made, will be rejected.

(d) You agree and undertake to subscribe for or purchase and to accept the number of shares applied for as stated on the Transaction Record or any lesser number of shares that may be allotted or allocated to you in respect of your ESA. In the event that we decide to allot or allocate any lesser number of such shares or not to allot or allocate any shares to you, you agree to accept any such decision as final. If your ESA is successful, your confirmation (by your action of pressing the designated key on the ATM) of the number of shares applied for shall signify, and shall be treated as, your acceptance of the number of shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles of Association.

(e) You request and authorise us:-

(i) to credit the IPO Shares allotted or allocated to you into your CDS account; and

(ii) to issue share certificate (s) representing such IPO Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

(f) You acknowledging that your ESA is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond the control of our Company, MIDFCCS or the participating financial institutions, and irrevocably agree that if:-

(i) our Company or MIDFCCS does not receive your ESA; and

(ii) data relating to your ESA is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to our Company or MIDFCCS,

you shall be deemed not to have made an ESA and you shall have no claim whatsoever against our Company, MIDFCCS or the participating financial institution for the IPO Shares applied for or for any compensation, loss or damage.

(g) All your particulars in the records of the relevant participating financial institution at the time you make your ESA shall be deemed to be true and correct and our Company, MIDFCCS and the relevant participating financial institution shall be entitled to rely on the accuracy thereof.

(h) By making and completing an ESA, you agree that:-

(i) in consideration of our Company agreeing to allow and accept the making of any application for the IPO Shares via the ESA facility established by the participating financial institutions at their respective ATMs, your ESA is irrevocable;

(ii) our Company, the participating financial institutions, Bursa Depository and MIDFCCS shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your ESA due to a breakdown or failure of transmission or communication facilities or to any cause beyond our/their control;

(iii) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase our Shares for which your ESA has been successfully completed shall be constituted by the issue of notices of successful allocation for prescribed securities, in respect of the said shares;

(iv) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of our Shares allotted or allocated to you; and

(v) our Company agrees that in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or the ESA scheme and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that our Company irrevocably submits to the jurisdiction of the Courts of Malaysia.

18.5.2 Steps for ESA through a Participating Financial Institution's ATM

(a) You must have an account with a participating financial institution and an ATM card issued by that participating financial institution to access the account;

(b) You must have a CDS account; and

(c) You have to choose the ESA option at the ATM of the participating financial institution. Mandatory statements required in the application are set out in Section 18.5.1 of this Prospectus relating to the terms and conditions for ESA. You have to enter at least the following information through the ATM where the instructions on the ATM screen require you to do so:-

- Personal Identification Number (PIN Number);
- MIDF Share Issue Account Number 616;
- CDS account number;
- Number of IPO Shares applied for and/or the Ringgit Malaysia amount to be debited from the account; and
- Confirmation of several mandatory statements.

18.5.3 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following participating financial institutions and their branches:-

- AmBank (M) Berhad;
- Bank Muamalat Malaysia Berhad;
- CIMB Bank Berhad (*formerly known as Bumiputra-Commerce Bank Berhad*);
- EON Bank Berhad;
- HSBC Bank (Malaysia) Berhad;
- Malayan Banking Berhad;
- OCBC Bank (Malaysia) Berhad; or
- Standard Chartered Bank Malaysia Berhad (at selected branches only).

18.6 Applications and Acceptances

You can only apply for our Shares if:-

(i) you have attained 18 years of age as at the closing date of the IPO Shares application;
(ii) you are a Malaysian citizen residing in Malaysia;
(iii) you are a corporation/institution incorporated in Malaysia where, there is a majority of Malaysian citizens on your board of directors/trustee and if you have a share capital, more than half of your issued share capital, excluding preference share capital, is held by Malaysian citizens;
(iv) you are a superannuation, provident or pension fund established or operating in Malaysia;

(v) you have a CDS account;

(vi) you have read the relevant Prospectus and have understood and agreed with the terms and conditions of the application;

(vii) you are not a Director or employee of MIDFCCS or their immediate family members;

(viii) this is the only application that you are submitting; and

(ix) you give consent to the participating financial institution and Bursa Depository to disclose information pertaining yourself and your account with the participating financial institution and Bursa Depository to MIDFCCS and other relevant authorities.

The condition (ii) and (iii) above are applicable for applications in respect of our 6,000,000 Shares available for the Malaysian public. For the 3,351,400 new Shares under Pink Form Allocation, 3,000,000 new Shares available by way of placement to identified investors and the existing Offer Shares available by way of placement to identified investors, applications may also be made by foreign citizen with a Malaysia correspondence address and/or foreign corporation/institution incorporated outside Malaysia but with a Malaysian correspondence address.

The amount payable in full on application is RM0.72 per share. Persons submitting applications by way of Application Forms may not submit applications by way of ESAs and vice versa. A corporation or institution cannot submit an application by way of ESA.

MIDFCCS under authority of our Directors reserves the right not to accept any application or accept any application in part only, without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating our Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

MIDFCCS under authority of our Directors reserves the right not to accept any application which does not strictly comply with the instructions or to accept any application in part only, without assigning any reason therefor.

The submission of your Application Form or the completion of your ESA does not necessarily mean that your application will be successful.

In the event of an over-subscription, acceptance of applications by the Malaysian public shall be subject to ballot to be conducted in a manner as approved by our Directors. Our Board will ensure that any excess IPO Shares will be allocated on a fair and equitable manner, and in our best interest. Due consideration will be given to the desirability of distributing the IPO Shares to a reasonable number of applicants with a view to broadening the shareholding base and establishing an adequate market in the trading of our Shares. The final allocation of our Shares to any single applicant will be made to ensure that our Company complies with the public shareholding spread requirements under the Listing Requirements which is at least 25% of our total number of Shares for which listing is sought must be in the hands of public shareholders, with a minimum of 1,000 public shareholders holding not less than 100 shares each upon listing.

ALL APPLICATIONS MUST BE FOR 100 IPO SHARES OR MULTIPLES THEREOF.

In the event that any of the IPO Shares (under Pink Form Allocation) is not taken up by the eligible Directors, employees and business associates of our Group based on the pre-determined allocation list, such number of shares not taken up will first be re-allocated to those eligible Directors, employees and business associates of our Group who apply for excess IPO Shares on top of their pre-determined allocation on a proportionate basis (subject to rounding of odd lots). In the event that there are Public Issue Shares not taken up after the above re-allocation, such Public Issue Shares will be made available by way of private placement to identified investors, and should there be any further Public Issue Shares not subscribed for, it will then be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions. In the event of an under-subscription by the Malaysian public (including any unsubscribed Public Issue Shares reserved for the eligible Directors, employees and business associates of our Group), and after attempt has been made to place out such unsubscribed IPO Shares (as per Section 3.6 of this Prospectus), such number of IPO Shares not applied for will be made available for subscription by the Underwriters in the manner as specified in the Underwriting Agreement.

If you are unsuccessful/partially successful in your application, the full amount or the balance of the application monies, as the case may be, will be refunded without interest in the following manner:-

(a) For an application by way of Application Form, the full amount or the balance of the application monies, as the case may be, shall be despatched by ordinary post or registered post respectively, to you within 10 market days from the date of the final ballot of the application at your address last maintained with Bursa Depository.

If your application is rejected because you did not provide a CDS account, the full amount of your application monies will be sent to you by MIDFCCS.

MIDFCCS reserves the right to bank in all application monies from unsuccessful applicants and partially successful applicants, which would subsequently be refunded in full without interest by registered post to your address last maintained with Bursa Depository.

(b) For an application by way of ESA, the relevant participating financial institutions will credit the full amount of your application monies into your account with that participating financial institution within 2 market days after the receipt of confirmation from MIDFCCS. MIDFCCS shall inform the participating financial institutions of the non-successful or partially successful applications within 2 market days after the balloting date. You may check your account on the 5th market day from the balloting day.

Where your ESA is accepted in part only, the relevant participating financial institution will credit the balance of your application monies without interest into your account with the participating financial institution within 2 market days after the receipt of confirmation from MIDFCCS. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications, which are subsequently rejected, the application monies without interest will be refunded to you by MIDFCCS by way of cheques issued by MIDFCCS. The cheques will be issued to you not later than 10 market days from the day of the final allotment of the application.

If you encounter any problems in your application, you may refer to the participating financial institutions.

If you are successful in your application, our Directors reserves the right to require you to appear in person at the registered office of MIDFCCS within 14 days of the date of the notice issued to you to ascertain the regularity or propriety of the application. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any of your expenses incurred or to be incurred for the purpose of complying with this provision.

Your remittance having been presented for payment shall not signify that your application has been accepted.

18.7 CDS Accounts

Pursuant to Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, all dealings in the Shares of our Company including the IPO Shares will be by book entries through CDS accounts. No share certificates will be issued to you.

You must have a CDS account when applying for the IPO Shares. If you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for the IPO Shares.

In the case of an application by way of Application Form, you should state your CDS account number in the space provided on the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account to MIDFCCS or our Company.

In the case of an application by way of ESA, you shall furnish your CDS account number to the participating financial institution by way of keying in your CDS account number if the instructions on the ATM screen require you to do so.

Failure to comply with these specific instructions or inaccuracy in the CDS account number may result in your application being rejected. Our Directors reserve the right to reject any incomplete or inaccurate application. Your Application may also be rejected if the records of the participating financial institutions at the time of making the ESA differ from those in Bursa Depository's records, such as the identity card number, name and nationality.

18.8 Notice of Allotment

Our Shares allocated to you will be credited into your CDS account if you are successful or partially successful in your application. A notice of allotment will be despatched to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. This is the only acknowledgement of acceptance of your application.

You shall ensure that your personal particulars as recorded by both Bursa Depository and relevant participating financial institutions are correct and identical. You must inform Bursa Depository of your updated address promptly by adhering to certain rules and regulations of Bursa Depository, failing which the notification letter on successful allotment shall be sent to your address last registered with Bursa Depository.

You may also check the status of your application by calling your respective ADAs or at the telephone number of MIDFCCS stated below (during office hours only) or checking at MIDFCCS's website stated below after the date of allocation of the IPO Shares:

Telephone number: 03 2160 2727 or 03 2160 2728
Website:www.midfccs.com