9.0 APPROVALS AND CONDITIONS

9.1 Approvals and Conditions

The Listing Scheme, the details of which are as set out in Section 7.2 of this Prospectus, was approved by MITI on 27 November 2006 and SC (including approval under the FIC's Guidelines on the Acquisition of Interests, Merger and Take-overs by Local and Foreign Interests) on 17 January 2007. Set out below are conditions imposed by the MITI and SC in their approvals for the Listing Scheme:-

	Conditions imposed by the SC	Status of compliance
(i)	The existing/proposed directors and substantial shareholders who are involved in full-time capacity in Superlon should not be involved in full-time capacity in their personal businesses;	To be complied by the relevant directors and substantial shareholders.
(ii)	The promoters, directors and substantial shareholders of Superlon Group should not in future, carry out any other new business, which will compete directly or indirectly and be in conflict with the business of the Superlon Group. The promoters, directors and substantial shareholders of Superlon should provide an undertaking that they would not be involved in a new similar/competing business with the existing businesses of Superlon in the future;	Complied. The letters of undertaking have been furnished to the SC on 13 March 2007 by the Promoters, Directors and substantial shareholders (after IPO) of Superlon
(iii)	Superlon should ensure that any future transactions between the Superlon Group and its directors/substantial shareholders must be at arms-length basis, and on terms and conditions that are not unfavourable to Superlon. In this regard, the audit committee of Superlon is to report on the position of such transactions in the annual reports of Superlon;	To be complied.
(iv)	In relation to the unapproved structures on Lot 2567, Sungei Jaty, Mukim and District of Klang, Selangor, Superlon is to rectify the unapproved structures within six (6) months from the date of SC's approval letter;	To be complied.
(v)	Superlon should disclose, in its listing prospectus, details concerning the steps the company has taken or will take in order to drive its future growth;	Complied. Please refer to Section 6.10.
(vi)	Moratorium to be imposed on the following parties pursuant to paragraph 6.24 of the SC Guidelines:	To be complied by Jessica Liu, Tan Sri Hamid, KPFB and Sua Hee Yuan.

	No. of shares held after proposal	% of enlarged issued and paid-up capital	No. of shares to be placed under moratorium	% of enlarged share capital
Jessica Liu	34,178,700	42.72	20,808,000	26.01
Tan Sri Hamid	10,069,600	12.59	6,120,000	7.65
KPFB	7,441,300	9.30	4,536,000	5.67
Sua Hee Yuan	7,429,300	9.29	4,536,000	5.67
TOTAL	59,118,900	73.90	36,000,000	45.00

9.0 APPROVALS AND CONDITIONS *(Continued)*

	Conditions imposed by the SC	Status of compliance
(vii)	The proceeds from the offer for sale should be put in a trust account until the listing of Superlon on Bursa Securities;	To be complied.
(viii)	MIMB and Superlon should fully comply with the SC Guidelines in implementing the proposal; and	To be complied.
(ix)	MIMB/Superlon to inform the SC regarding the status of its compliance with the National Development Policy requirement upon completion of the proposed flotation.	To be complied.

The SC also noted that the effect of the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in Superlon would change arising from the implementation of the proposed flotation as follows:-

	Before Proposal %	After Proposal %
Bumiputera	50.00	30.36*
Non-Bumiputera	50.00	26.92
Foreigners	-	42.72
Total	100.00	100.00

Note:-
** As approved by MITI via its letter dated 27 November 2006*

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9.0 APPROVALS AND CONDITIONS *(Continued)*

	Conditions imposed by the MITI	Status of compliance
(i)	The approval from the SC is obtained for the Listing Scheme and adherence to the FIC's Guidelines on the Acquisition of Interests, Merger and Take-overs by Local and Foreign Interests.	Complied. The approval from SC was obtained on 17 January 2007.
(ii)	MITI recognises the following Bumiputera shareholders and shareholdings in Superlon after implementation of all proposals for the Listing Scheme:-	

Shareholder	No. of Shares	%
Tan Sri Hamid	10,069,600	12.59
KPFB	7,441,300	9.30
Wan Khazali	3,394,300	4.24
Tengku Ardy	3,382,400	4.23
TOTAL	24,287,600	30.36

The recognition of the above Bumiputera shareholders and shareholdings is subject to the following conditions:-

	Conditions imposed by the MITI	Status of compliance
	(a) only 30% of the total recognised Bumiputera shareholdings can be sold within three (3) months after the Listing and the balance 70% can be sold in stages, subject to prior approval of MITI; and	To be observed by the respective recognised Bumiputera shareholders.
	(b) Superlon is to be listed only after 27 November 2006, after Tan Sri Hamid, Wan Khazali and Tengku Ardy have complied with the MITI Bumiputera recognition criteria in respect of their Bumiputera shareholdings/interest existing prior to MITI submission where the required minimum period of their shareholdings prior to Listing must be at least 6 months from the date the relevant shares are held.	Complied.
(iii)	Superlon is required to inform the MITI upon the completion of the Listing Scheme.	To be complied.

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10.0 CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS

10.1 Related Party Transactions

Save as disclosed below, for the last three (3) FYs up to the last FYE 30 April 2006 and subsequent 7 month FPE 30 November 2006, there are no existing or proposed related party transactions, entered or to be entered by our Group that involves the interests, direct or indirect, of a Director, substantial shareholder and/ or any of our key management which would/could potentially benefit the interest of such Director, substantial shareholder and/or any of our key management.

Transacting parties				Value and period of transactions				Balance amount outstanding as at Latest Practicable Date RM
				<-------------FYE 30 April----------->			Seven (7) month FPE	
Our Group	Counter party	Interest of related parties and / or key management	Nature of transaction	2004 RM	2005 RM	2006 RM	30 November 2006 RM	
SWSB	Jessica Liu	Jessica Liu is our Promoter, substantial shareholder, Managing Director and Chief Executive Officer.	Money advances received from Director with no security, interest and fixed terms of repayment.	204,312	-	-	-	-
			Advance of money to Director with no security, interest and fixed terms of repayment.	2,034,303	505,949	584,000	-	-
SWSB	Superlon Insulation Materials (Kunshan) Co Ltd ("**SIM**")	Liu, Man-Tien is the former husband of Jessica Liu and was a Director of SWSB from 13 September 2003 to 1 May 2006. He was also a substantial shareholder of SWSB from 15 March 2005 to 26 May 2006.	Advances of money to SIM with no security, interest and fixed terms of repayment.	93,052	18,589	6,325	-	-
			Purchase of machines for line 5 of Factory 1 from SIM.	-	-	1,875,522	-	-
		Liu, Man-Tien who had interests in SWSB as stated above, was and still is a Director and substantial shareholder of SIM.	Sales of NBR thermal insulation products to SIM.	-	-	77,508	-	-
		Jessica Liu who is our Promoter, substantial shareholder and Managing Director, was a substantial shareholder of SIM. Jessica Liu had on 16 May 2006 sold all her interest in SIM to Liu, Man-Tien.	Purchase of machines, tools and parts from SIM.	-	25,655	-	-	-

10.0 CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS *(Continued)*

As at the Latest Practicable Date, there are no related party transactions proposed to be entered by our Group. Our Directors are of the opinion that the historical related party transactions as disclosed above had not resulted in a conflict of interest situation as the above transactions, save for advances made to or received from related parties (which have been fully repaid), were conducted on arms length basis and on terms not more favourable to the relevant related parties than those available to other non-related parties.

In relation to any other future related party transactions (if any), our Directors will ensure that all future transactions which involve the interests of our related parties are:-

- at arm's length basis;
- on our normal commercial terms which are not favorable to the related parties than those generally available to the public or non-related parties; and
- not to the detriment of our minority shareholders or of our Company or Group.

In addition, as provided under Chapter 10 of the Listing Requirements, all related party transactions transacted by listed issuers (including their subsidiaries) must be announced through Bursa Securities and must be approved either by non-interested shareholders and / or non-interested directors of the relevant listed companies (depending on the materiality of the amount involved) thus mitigating the risk for the occurrence of a situation of conflict of interest. Further, our Audit Committee will supervise the terms of related party transactions, and our Directors will report related party transactions, if any, annually in our annual reports.

In relation to any related party transactions that are revenue and recurrent in nature ("**RRPT**") (if applicable), due to the time-sensitive nature of such transactions as it relates to our ordinary course of business, in order to mitigate any potential conflict of interest arising from such future related party transactions without the need to convene numerous extraordinary general meetings to approve such RRPT as and when they are entered into, our Board shall seek the approval from our non-interested shareholders for a mandate in relation to these RRPT at the next general meeting of our Company (in the event there is any RRPT in future).

10.2 Interest in Similar Business

As at the Latest Practicable Date, none of our Directors or substantial shareholders have any interest, direct or indirect, in any other business or company which is carrying on a similar trade as our Group.

10.3 Transactions That Are Unusual in Their Nature or Conditions

Save as disclosed in Section 10.1 above, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party in respect of the last three (3) FYs up to the FYE 30 April 2006 and the 7 month FPE 30 November 2006.

10.4 Outstanding Loans Made for Benefit of Related Parties

There are no loans, including guarantees of any kind, made by us or our subsidiary, to or for the benefit of our related parties in respect of the last three (3) FYs up to the FYE 30 April 2006 and the 7 month FPE 30 November 2006 that are still outstanding as at the Latest Practicable Date.

10.5 Outstanding Receivables / Payables from or to Related Parties

As at the Latest Practicable Date, we have no outstanding payables to related parties and there are also no outstanding receivables from related parties to us.

10.6 Promotions of Material Assets Within Two (2) Years Preceding the Date of This Prospectus

Save for the Acquisition of SWSB as disclosed in Section 7.2.1 of this Prospectus and the transactions as disclosed in Section 10.1, none of our Directors or substantial shareholders has any interest, direct or indirect, in the promotion of, or in any material assets which have, within the last three (3) FYs up to the FYE 30 April 2006 and the 7 month FPE 30 November 2006, been acquired or are proposed to be acquired by, or disposed of or proposed to be disposed of, or leased to or are proposed to be leased to, us or our subsidiary.

10.7 Declaration by the Advisers

(i) MIMB has confirmed that, save as disclosed below, as at the Latest Practicable Date, there is no existing or potential conflict of interests situation in its capacity as our Adviser, Managing Underwriter, Underwriter and Lead Placement Agent for the IPO.

EON Bank Berhad (**"EBB"**), the parent company of MIMB had granted the following credit facilities to certain parties involved in the IPO as set out below:-

Borrower and relevant party's interest	Type of Facility	Limit RM'000	Outstanding as at Latest Practicable Date RM'000
Blessed Realty Sdn Bhd. Tan Sri Hamid is stated as a Director of this company.	RC (with sublimit for OD)	12,000 (1,000)	7,503
	OD	1,000	1,221
	BG	500	48
	HP	100	21
Tan Sri Hamid	TL OD	*4,689 250	4,449 108
C.B. Industrial Product Sdn Bhd. Tengku Ardy is stated as a Director of this company.	OD LC/TR/BA/BG/SBLC BG/SBLC	200 2,000 6,000	(23) Nil Nil
THR Hotel (S'wak) Sdn Bhd. Tan Sri Hamid is stated as a Director of this company.	RC	10,000	10,000

Notes:-
RC : Revolving Credit
OD : Overdraft
BG : Bank Guarantee
HP : Hire Purchase
TL : Term Loan
LC or SBLC : Letter of Credit
TR : Trust Receipt
BA : Banker's Acceptance
** The amount of RM4.689 million relate to Tan Sri Hamid's financing of the Special Issue details of which as disclosed in Section 7.2.1. (i.e. subscription of new shares in SWSB)*

MIMB is of the view that the extension of the above banking facilities will not result in a conflict of interest situation as none of the proceeds from the Public Issue and Offer for Sale shall be utilised to repay the above banking facilities. MIMB is also of the view that its role as the Adviser, Managing Underwriter, Underwriter and Lead Placement Agent for the IPO has been carried out professionally and objectively in accordance with the relevant terms of the due diligence planning memorandum. The due diligence processes and the verification exercises have been duly undertaken and performed in relation to the preparation of relevant documents relating to the IPO. Further, MIMB would not receive nor derive any financial interest or benefit from the IPO other than the normal advisory fees and the underwriting and placement fees to be charged.

10.0 CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Messrs SC Lim, Ng & Co has confirmed that, as at the Latest Practicable Date, there is no existing or potential conflict of interests situation in their capacity as the Auditors of our Group and Reporting Accountants for the listing exercise.

(iii) Messrs Christina Chia Ng & Partners has confirmed that, as at the Latest Practicable Date, there is no existing or potential conflict of interests situation in their capacity as the due diligence solicitors for the listing exercise.

(iv) F&S has confirmed that, as at the Latest Practicable Date, there is no existing or potential conflict of interests situation in its capacity as the independent market research consultant for the listing exercise.

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11.0 FINANCIAL INFORMATION

11.1 Proforma Financial Information

11.1.1 Proforma Consolidated Income Statement

The following table is a summary of our proforma consolidated income statements for the past three (3) FYs up to the FYE 30 April 2006 and the 7 month FPE 30 November 2005 and 2006 prepared for illustration purposes only on the assumption that our current group structure has been in existence throughout the financial years / periods under review. The proforma consolidated income statements should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' letter on our proforma consolidated financial information as set out in Section 11.4.1 of this Prospectus.

	Proforma Group				
	FYE 30 April			7-month FPE 30 November	
	2004 RM'000	2005 RM'000	2006 RM'000	^2005 RM'000	2006 RM'000
Revenue	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	6,132
Amortisation	-	-	-	-	-
Depreciation	(1,598)	(1,753)	(1,919)	(1,220)	(1,553)
Interest expenses	(389)	(390)	(414)	(249)	(393)
Interest income	1	*	6	1	79
Other income	-	150	35	20	165
PBT	2,999	4,053	6,085	3,553	4,430
Taxation	(399)	(349)	(905)	(581)	(738)
PAT	2,600	3,704	5,180	2,972	3,692
No. of Shares assumed to be issued ('000) #	67,649	67,649	67,649	67,649	67,649
Gross EPS (sen)	4.4	6.0	9.0	**9.0	**11.2
Net EPS (sen)	3.8	5.5	7.7	**7.5	**9.4
GP Margin (%)	25.9	22.7	24.3	24.3	23.3
PBT Margin (%)	9.7	9.5	11.5	12.0	12.1
PAT Margin (%)	8.4	8.7	9.8	10.0	10.1
Effective tax rate (%)	13.3	8.6	14.9	16.4	16.6

<u>Notes:-</u>

1. Basis of preparation:-

   Our proforma consolidated income statements for the past three (3) FYs up to the FYE 30 April 2006 and 7 month FPE 30 November 2005 and 2006 are provided for illustrative purpose only and have been prepared:-

   (i) based on the audited financial statements of Superlon and SWSB (except for the 7 month FPE 30 November 2005 which has not been audited) for the respective relevant periods and on the assumption that we have been in existence throughout the years / periods under review. No adjustments were made to the proforma consolidated income statements above as compared to the audited financial statements upon which they were based as there are no inter-company transactions during the periods under review;

(ii) in compliance with applicable approved accounting standards in Malaysia; and

(iii) based on the accounting policies and bases which are consistent with those adopted by our Group in the preparation of our audited financial statements.

2. There were no exceptional items or extraordinary items or MI during the periods under review.

3. Gross EPS is calculated based on PBT and divided by the number of our Shares assumed to be issued.

4. Net EPS is calculated based on PAT and divided by the number of our Shares assumed to be issued.

^ The proforma consolidated income statement for the 7 month FPE 30 November 2005 is not audited and is included for comparison purpose only.

* Amount is less than RM1,000.

** Annualised.

As our Company was only incorporated on 10 July 2006, the number of Shares assumed to be issued is based on our issued and paid up share capital after the Acquisition of SWSB but prior to the Public Issue.

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11.0 FINANCIAL INFORMATION *(Continued)*

11.1.2 Proforma Consolidated Balance Sheets / Statement of Assets and Liabilities

Our proforma consolidated balance sheets / statement of assets and liabilities as at 30 November 2006 as set out below have been prepared solely to illustrate the proforma effects of the Acquisition of SWSB, the IPO and proposed utilisation of proceeds from the Public Issue on the assumption that these transactions were effected and completed at that date and should be read together with the accompanying notes and assumptions included in the Reporting Accountants' letter on the proforma consolidated financial information as set out in Section 11.4.1 of this Prospectus.

	Superlon	Proforma Group as at 30 November 2006	
		Proforma I	Proforma II
	As at 30 November 2006 RM'000	After Acquisition of SWSB RM'000	After I, IPO and proposed utilisation of proceeds RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	-	30,825	30,825
Intangible assets	-	1,000	1,000
Investments	-	47	47
	-	31,872	31,872
Current assets			
Inventories	-	8,781	8,781
Trade and other receivables	-	14,152	14,152
Cash and bank balances	*	4,747	6,640
	*	27,680	29,573
Total assets	*	59,552	61,445
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	^	33,824	40,000
Share premium	-	1,015	1,732
(Accumulated losses) / Retained profits	(8)	3,692	3,692
	(8)	38,531	45,424
Non-current liabilities			
Borrowings	-	8,766	3,766
Deferred tax liabilities	-	1,577	1,577
	-	10,343	5,343
Current liabilities			
Trade and other payables	8	6,329	6,329
Borrowings	-	4,109	4,109
Current tax payable	-	240	240
	8	10,678	10,678
Total equity and liabilities	*	59,552	61,445
(Net tangible liabilities per Share) / NTA per Share (RM)	(2,000)	0.55	0.56

^ *This represents the issued and paid-up share capital of RM2.00*
* *Amount less than RM1,000.00*

11.0 FINANCIAL INFORMATION *(Continued)*

Notes:-

1. Basis of preparation:-

Our proforma consolidated balance sheets as at 30 November 2006 are provided for illustrative purpose only and have been prepared:-

(i) based on the audited financial statements of Superlon and SWSB as at 30 November 2006 after making such adjustments considered necessary as set out below;

(ii) in compliance with applicable approved accounting standards in Malaysia; and

(iii) based on the accounting policies and bases which are consistent with those adopted by our Group in the preparation of our audited financial statements.

2. Our Proforma Consolidated Balance Sheets as at 30 November 2006 are prepared on the basis as set out in Note 1 above after incorporating the following transactions on the assumptions that they have been effected and completed on 30 November 2006:-

Proforma I: Acquisition of SWSB

Proforma I incorporates:-

(a) The acquisition by Superlon of the entire issued and paid-up share capital of SWSB comprising 10,000,000 ordinary shares of RM1.00 each representing 100% equity interest in SWSB for a purchase consideration of RM34,838,990 based on SWSB's adjusted net assets ("NA") as at 30 April 2006 wholly satisfied through the issuance of 67,648,596 new Shares at an issue price of RM0.52 per share.

The purchase consideration had been determined based on the audited NA of SWSB as at 30 April 2006 after adjusting for the special issue of 1,488,516 new ordinary shares of RM1.00 at an issue price of RM3.15 per SWSB share which was completed on 5 May 2006.

	RM
Audited NA as at 30 April 2006	30,150,165
Add: Issuance of new shares on 5 May 2006	4,688,825
Total purchase consideration	34,838,990

Proforma II: IPO and proposed utilisation of proceeds from Public Issue

Assumed after Proforma I and IPO including the public issue of 12,351,400 new Shares at an issue price of RM0.72 per Share to the investing public and the utilisation of the gross proceeds arising from the Public Issue amounting to RM8,893,008 in the following manner:-

	RM
Repayment of bank borrowings	5,000,000
Working capital	1, 893,008
Listing expenses	2,000,000
	8,893,008

The estimated listing expenses of RM2,000,000 will be set off against the share premium account.

3. Share Capital and Share Premium

The movement of our issued and paid-up share capital and share premium account after the Acquisition of SWSB, Public Issue and proposed utilisation of proceeds are as follows:-

	Notes	Share capital RM'000	Share premium RM'000	Total RM'000
As at 30 November 2006		^	-	^
Issuance of shares pursuant to the Acquisition of SWSB	(i)	33,824	1,015	34,839
Proforma I balance		33,824	1,015	34,839
Add: Issuance of shares pursuant to Public Issue	(ii)	6,176	2,717	8,893
Less: Estimated listing expenses	(iii)	-	(2,000)	(2,000)
Proforma II balance		40,000	1,732	41,732

Notes:

(i) *Share premium is arrived at based on the issue price of approximately RM0.52 per share for the Acquisition of SWSB.*

(ii) *Share premium is arrived at based on the issue price of RM0.72 per share for the Public Issue Shares.*

(iii) *Estimated listing expenses of RM2.0 million relating to the proposals have been debited against share premium account.*

^ *This represents issued and fully paid-up share capital of RM2.00*

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11.0 FINANCIAL INFORMATION *(Continued)*

11.1.3 Proforma Consolidated Cash Flow Statement

The table below sets out our proforma consolidated cash flow statement for the 7 month FPE 30 November 2005 and 2006 prepared for illustration purposes only assuming our Group has been in existence throughout the periods under review.

The proforma consolidated cash flow statement of our Group have been extracted from and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' letter on the proforma consolidated financial information as set out in Section 11.4.1 of this Prospectus.

	<--Proforma Group-->	
7-month FPE 30 November	**^2005**	**2006**
	RM'000	**RM'000**
CASH FLOW FROM OPERATING ACTIVITIES		
PBT	3,553	4,430
Adjustments for:-		
Depreciation of property, plant and equipment	1,220	1,553
Gain on foreign exchange, unrealised	-	(159)
Interest expenses	249	393
Interest income	(1)	(79)
Loss on disposal of property, plant and equipment	(18)	4
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	5,003	6,142
CHANGES IN WORKING CAPITAL		
Inventories	323	(3,372)
Trade and other receivables	(1,108)	3,370
Trade and other payables	(222)	(7,424)
CASH GENERATED FROM OPERATIONS	3,996	(1,284)
Interest paid	(249)	(393)
Tax paid	(235)	(333)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	3,512	(2,010)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	1	79
Proceeds from disposal of property, plant and equipment	37	19
Purchase of property, plant and equipment	(589)	(2,330)
NET CASH (USED IN) INVESTING ACTIVITIES	(551)	(2,232)
CASH FLOW FROM FINANCING ACTIVITIES		
Net movement in trade bills	(1,827)	(2,632)
Proceeds from issuance of new shares	-	4,689
Proceeds from term loan	-	7,632
Repayment of hire purchase payables	(310)	(907)
Repayment of term loan	-	(405)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(2,137)	8,377
NET INCREASE IN CASH AND CASH EQUIVALENTS	824	4,135
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(877)	(172)
Effect of exchange rate changes on cash and cash equivalents	-	10
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(53)	3,973

7-month FPE 30 November	**<--Proforma Group-->** **^2005** **RM'000**	**2006** **RM'000**
Note:		
Cash and cash equivalents comprise the following:		
Cash and bank balances	630	4,747
Bank overdraft	(683)	(774)
	(53)	3,973

Notes:-

Our proforma consolidated cash flow statement for the 7 month FPE 30 November 2005 and 2006 are provided for illustrative purpose only and have been prepared:-

(i) based on the audited financial statements of Superlon and SWSB as at 30 November 2006 (except for the 7 month FPE 30 November 2005 which has not been audited) after making such adjustments considered necessary and on the assumption that we have been in existence throughout the periods under review;

(ii) in compliance with applicable approved accounting standards in Malaysia; and

(iii) based on the accounting policies and bases which are consistent with those adopted by our Group in the preparation of our audited financial statements.

^ The proforma consolidated cash flow statement for the 7 month FPE 30 November 2005 is not audited and is included for comparison purpose only.

11.2 Directors' Discussion and Analysis of Operating Results, Trends and Liquidity and Capital Resources

The following management's discussion on and analysis of our operating results, recent trends and liquidity and capital resources should be read together with our proforma consolidated financial information and the related notes thereon for the past three (3) financial years up to the FYE 30 April 2006 and 7 month FPE 30 November 2006 as set out under Section 11.1 of this Prospectus. This discussion and analysis contains data derived from the audited financial statements of our Group as well as forward-looking statements that involve risks and uncertainties. Our results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

Save as disclosed below, as at the Latest Practicable Date, to the best of our knowledge and belief, our financial conditions and operations have not been and are not expected to be affected by any of the following:-

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those disclosed below and in Sections 4, 5 and 6 of this Prospectus;

(ii) material commitment for capital expenditure save as disclosed in Section 11.2.8 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations save as disclosed below and in Sections 4.1, 5 and 6 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and/ or profits save for those that has been disclosed below and in Sections 5 and 6 of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of our future financial performance and position other than those disclosed below and in Sections 4, 5 and 6 of this Prospectus.

11.2.1 Summary discussion of recent trends in sales, production output and capacity, inventory, costs and selling prices of our products since the most recent financial year

Based on our latest available proforma group income statement for the 7 month FPE 30 November 2006 in comparison with our proforma group income statement for the FYE 30 April 2006, the following recent trends have been noted:-

a) On sales, production output and capacity and inventory

As highlighted in Section 11.1.1, for the 7 month FPE ended 30 November 2006, we have achieved RM36.7 million in total sales and as outlined in Section 11.2.2 below, in terms of the business activity and markets, our first seven (7) months sales for the FY 2007 was contributed mainly from sales of NBR thermal insulation products that we manufacture which reflects more or less the same sales mix as compared to last FY 2006. For the remaining months of this current FY 2007, we expect the same sales mix in terms of business activity and markets to continue.

In terms of our NBR thermal insulation production capacity and output, as highlighted in Section 11.2.3 below, our total production capacity for NBR thermal insulation products for the current FY 2007 of 8,160MT has increased with effect from December 2006 as compared to the FY 2006 of 5,160MT. Our production output for the FY 2007 up to the 7 month FPE 30 November 2006 was 2,661MT which, if annualised, represents a utilisation rate of 56% which is lower than the utilisation rate of 66% for last FY 2006.

Further, in terms of average inventories holding period, as highlighted in Section 11.2.3, save for the holding period for trading products, there were no material differences noted for the 7 month FPE 30 November 2006 as compared to the last FY 2006 and we expect this trend to also continue for the rest of the FY 2007. The holding period for trading products was higher because of expected delay in import shipment during year end as many suppliers' production would be closed for holidays, stock take and maintenances.

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b) On costs and selling prices of our products

For prices of raw materials, save for DINP, blowing agent and rubber additives and fillers, there were no material differences noted for the 7 month FPE 30 November 2006 as compared to the average prices incurred during the FY 2006 some of which are highlighted in Section 6.4.6. However, there is no assurance that the prices of our raw materials would continue as per the current trend especially prices of raw material NBR being a by product from the production of crude oil and liquid gas which price movement has, in the past, correlated with the movement in crude oil prices. Accordingly, our PAT forecast assumption include assumptions of a step-up pricing for certain raw materials input (including raw material NBR) which has in the past reflect some form of volatility to account for the potential price increase for such materials. For our trading activity, the movements in selling prices and cost of purchase would not usually have a material impact to our operational results as we operate mainly on a cost-plus basis for our trading activities.

In terms of the selling prices for our NBR thermal insulation materials, as highlighted in Section 11.2.3, average prices achieved for the 7 month FPE 30 November 2006 was lower as compared to last FY 2006. The reason for this was greater promotional activities during the seven months period where discounts to selling prices were given to our customers. However, this promotional activity has ceased since mid November 2006. Accordingly, we expect sales price for the remaining period of the FY 2007 to be more or less comparable with the sales prices assumed for the forecast PAT for the FY 2007.

11.2.2 Segmental Analysis

Set out below is the segmental analysis of our Group's revenue and gross profits for the past three (3) FYEs 30 April 2006 and seven (7) month FPE 30 November 2005 and 2006 prepared based on our proforma consolidated income statements during that period on the assumption that our Group has been in existence throughout the financial years and periods under review.

(i) Revenue and gross profit by Division or Activity

	FY 2004		FY 2005		FY 2006		#7-month FPE 30 November 2005		7-month FPE 30 November 2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue										
Manufacturing^	25,971	84.1	32,024	75.1	37,151	70.1	2,070	71.0	26,701	72.8
Trading*	4,906	15.9	10,592	24.9	15,841	29.9	8,620	29.0	9,995	27.2
Total	30,877	100.00	42,616	100.00	52,992	100.00	29,690	100.0	36,696	100.00
Gross Profit										
Manufacturing^	7,273	90.9	8,384	86.6	10,622	82.5	6,033	83.6	6,874	80.5
Trading*	725	9.1	1,298	13.4	2,250	17.5	1,186	16.4	1,663	19.5
Total	7,998	100.00	9,682	100.00	12,872	100.00	7,219	100.0	8,537	100.00
GP Margin										
Manufacturing^	28.0%		26.2%		28.6%		28.6%		25.7%	
Trading*	14.8%		12.3%		14.2%		13.8%		16.6%	
Overall	25.9%		22.7%		24.3%		24.3%		23.3%	

11.0 FINANCIAL INFORMATION *(Continued)*

(ii) Revenue and gross profit by export and local (as well as geographical markets)

(a) Overall (Domestic & Overseas)

	FY 2004		FY 2005		FY 2006		#7-month FPE 30 November 2005		7-month FPE 30 November 2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue										
Domestic	11,017	35.7	17,240	40.5	23,560	44.5	13,204	44.5	15,417	42.0
Overseas	19,860	64.3	25,376	59.5	29,432	55.5	16,486	55.5	21,279	58.0
Total	30,877	100.00	42,616	100.00	52,992	100.00	29,690	100.0	36,696	100.00
Gross Profit										
Domestic	3,036	38.0	3,937	40.7	4,903	38.1	2,738	37.9	3,304	38.7
Overseas	4,962	62.0	5,745	59.3	7,969	61.9	4,481	62.1	5,233	61.3
Total	7,998	100.00	9,682	100.00	12,872	100.00	7,219	100.0	8,537	100.00
GP Margin										
Domestic	27.6%		22.8%		20.8%		20.7%		21.4%	
Overseas	25.0%		22.6%		27.1%		27.2%		24.6%	
Overall	25.9%		22.7%		24.3%		24.3%		23.3%	

(b) Domestic

	FY 2004		FY 2005		FY 2006		#7-month FPE 30 November 2005		7-month FPE 30 November 2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue										
Manufacturing^	6,203	56.3	7,022	40.7	8,131	34.5	4,721	35.8	5,799	37.6
Trading*	4,814	43.7	10,218	59.3	15,429	65.5	8,483	64.2	9,618	62.4
Total	11,017	100.00	17,240	100.00	23,560	100.00	13,204	100.0	15,417	100.00
Gross Profit										
Manufacturing^	2,328	76.7	2,688	68.3	2,708	55.2	1,575	57.5	1,696	51.3
Trading*	708	23.3	1,249	31.7	2,195	44.8	1,163	42.5	1,608	48.7
Total	3,036	100.00	3,937	100.00	4,903	100.00	2,738	100.0	3,304	100.00
GP Margin										
Manufacturing^	37.5%		38.3%		33.3%		33.4%		29.2%	
Trading*	14.7%		12.2%		14.2%		13.7%		16.7%	
Overall	27.6%		22.8%		20.8%		20.7%		21.4%	

(c) Overseas

	FY 2004		FY 2005		FY 2006		#7-month FPE 30 November 2005		7-month FPE 30 November 2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue										
Manufacturing^	19,768	99.5	25,002	98.5	29,020	98.6	16,349	99.2	20,902	98.2
Trading*	92	0.5	374	1.5	412	1.4	137	0.8	377	1.8
Total	19,860	100.00	25,376	100.00	29,432	100.00	16,486	100.0	21,279	100.00
Gross Profit										
Manufacturing^	4,945	99.7	5,696	99.1	7,914	99.3	4,458	99.5	5,178	98.9
Trading*	17	0.3	49	0.9	55	0.7	23	0.5	55	1.1
Total	4,962	100.00	5,745	100.00	7,969	100.00	4,481	100.0	5,233	100.00
GP Margin										
Manufacturing^	25.0%		22.8%		27.3%		27.3%		24.8%	
Trading*	18.5%		13.1%		13.3%		16.8%		14.6%	
Overall	25.0%		22.6%		27.1%		27.2%		24.6%	

11.0 FINANCIAL INFORMATION *(Continued)*

(d) Further breakdown of total revenue by region [(1)]

	FY 2004		FY 2005		FY 2006		#7-month FPE 30 November 2005		7-month FPE 30 November 2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Africa	947	3.1	1,651	3.9	1,594	3.0	700	2.4	1,025	2.8
Americas										
-Central	272	0.9	156	0.4	191	0.4	315	1.1	437	1.2
-North	343	1.1	587	1.4	991	1.8	507	1.7	658	1.8
-South	415	1.3	694	1.6	848	1.6	187	0.6	245	0.7
Sub-total	1,030	3.3	1,437	3.4	2,030	3.8	1,009	3.4	1,340	3.7
Asia										
-Central	3,036	9.8	5,445	12.8	7,419	14.0	3,968	13.4	4,508	12.3
-Middle East	3,375	10.9	3,253	7.6	3,003	5.7	1,621	5.5	2,182	5.9
-North East	2,369	7.7	3,498	8.2	5,473	10.3	3,389	11.4	4,923	13.4
-South East (excluding Malaysia)	6,116	19.8	6,948	16.2	7,368	13.9	4,236	14.3	5,873	16.0
Sub-total	14,896	48.2	19,144	44.8	23,263	43.9	13,214	44.6	17,486	47.6
Europe	588	1.9	902	2.1	1,202	2.3	747	2.5	798	2.2
Oceania	2,399	7.8	2,242	5.3	1,343	2.5	816	2.7	630	1.7
Malaysia	11,017	35.7	17,240	40.5	23,560	44.5	13,204	44.4	15,417	42.0
Total	30,877	100.00	42,616	100.00	52,992	100.00	29,690	100.0	36,696	100.00

(e) Revenue by products

	FY 2004		FY 2005		FY 2006		#7-month FPE 30 November 2005		7-month FPE 30 November 2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue										
Manufacturing^										
- NBR thermal insulation materials	25,971	84.1	32,024	75.1	37,151	70.1	21,070	71.0	25,729	70.1
- Other foam insulation materials^^	-	-	-	-	-	-	-	-	972	2.7
Sub total	25,971	84.1	32,024	75.1	37,151	70.1	21,070	71.0	26,701	72.8
Trading*										
- Copper tubing	2,764	9.0	5,947	14.0	9,929	18.7	5,154	17.3	7,646	20.8
- Refrigerant gas	970	3.1	2,952	6.9	3,708	7.0	2,251	7.6	1,092	3.0
- Refrigerant compressor	427	1.4	973	2.3	1,411	2.7	395	1.3	858	2.3
- Others**	745	2.4	720	1.7	793	1.5	820	2.8	399	1.1
Sub total	4,906	15.9	10,592	24.9	15,841	29.9	8,620	29.0	9,995	27.2
Total	30,877	100.00	42,616	100.00	52,992	100.00	29,690	100.0	36,695	100.0

11.0 FINANCIAL INFORMATION *(Continued)*

Notes:-

Unaudited and included for comparison purposes only

^ *For FYE 30 April 2004 - 2006, amount include sales / gross profits relating to NBR thermal insulation materials manufactured mainly for the HVAC&R industry and for other industry application.*

For the 7 month FPE 30 November 2006, amount comprise sales / gross profits relating to NBR thermal insulation materials manufactured mainly for the HVAC&R industry and for other industry application ***plus*** *sales / gross profits for new manufacturing activity of supplying other readily-cut foam based insulation materials to our existing converter customer base such as EPDM, EVA conductive or ESD, Cork, Neoprene or CR, PE buns and high resilient sponge (i.e. NBR plus EVA).*

^^ *Comprise other readily-cut foam based insulation materials such as EPDM, EVA conductive or ESD, Cork, Neoprene or CR, PE buns and high resilient sponge (i.e. NBR plus EVA)*

* *Include sales / gross profits relating to trading of HVAC&R parts and equipment such as copper tubing, refrigerant gas, refrigerator compressor and other equipments and tools such as vacuum pump, motor fan, temperature controller, digital thermometer, halogen leak detector for the HVAC&R industry*

** *Comprise other HVAC&R parts and equipment such as vacuum pump, motor fan, temperature controller, digital thermometer and halogen leak detector*

(1) *Details of countries in respective regional groupings are as follows:-*

Regions		***Countries***
Africa	:	*Egypt, Mauritius, Reunion Island, Kenya and South Africa*
Americas		
- Central	:	*Guatemala, Jamaica, Panama, Puerto Rico, Mexico, El Salvador and Republic of Dominica*
- North	:	*Canada and United States of America*
- South	:	*Chile, Peru, Uruguay and Venezuela*
Asia		
- Central	:	*India, Maldives, Pakistan, Nepal, Bangladesh and Sri Lanka*
- Middle East	:	*Bahrain, Iran, Kuwait, Lebanon, Qatar, Saudi Arabia, Jordan and United Arab Emirates*
- North East	:	*China, Hong Kong, Japan, South Korea and Taiwan*
- South East	:	*Brunei, Cambodia, Indonesia, Laos, Philippines, Singapore, Thailand and Vietnam (Not including Malaysia)*
Europe	:	*Germany, Norway, Belgium and Spain*
Oceania	:	*Australia, New Zealand and Papua New Guinea*

The profitability analyses of overseas market based on region are not available throughout the financial years/period under review as the accounting records maintained by us do not have such analysis and it is not practicable for management to provide estimates.

The analyses of revenue and gross profits by company are not prepared as our manufacturing and trading business operations is undertaken only by SWSB our sole subsidiary company.

11.0 FINANCIAL INFORMATION *(Continued)*

11.2.3 Key Financial Ratios

The table below highlights key financial ratios for the past three (3) financial years up to the FYE 30 April 2006 and 7 month FPE 30 November 2005 and 2006 which are provided for illustrative purpose only and are prepared based on our proforma financial information on the assumption that our Group has been in existence throughout the years/ periods under review.

	<-------FYE 30 April-------->			<----7 month FPE 30-----> November	
	2004	**2005**	**2006**	**#2005**	**2006**
Production capacity of NBR insulation materials (MT) (at year/period end)	3,960	5,160	5,160	5,160	**8,160
Production output of NBR insulation materials (MT)	3,484	3,428	3,419	2,029	2,661
Sales of NBR insulation materials (MT)	3,362	3,397	3,406	2,017	2,626
Weighted average sales price per kg of NBR (RM)	7.73	9.43	10.91	10.44	9.67
Interest cover ratio (times)	8.7	11.4	15.7	15.3	12.3
Current ratio (times)	1.4	0.9	1.2	1.7	2.6
Gearing (times)	0.34	0.51	0.19	0.34	0.34
Total borrowings (RM'000)*	6,161	11,008	5,870	8,696	12,875
Average inventories holding period (months)^					
- Raw materials	0.9	1.3	1.8	1.8	1.2
- Work in progress	0.0	0.0	0.1	0.1	0.1
- Manufactured products	0.3	0.4	0.3	0.4	0.3
- Trading products	1.4	1.3	1.6	1.6	2.32
- Other foam insulation materials	N/A	N/A	N/A	N/A	N/A
Average trade debtors turnover period (months)^^	3.3	2.8	2.9	2.9	2.4
Average trade creditors turnover period (months)^^^	2.5	2.2	2.6	2.5	2.1

Notes:-
* *Comprise all interest bearing debts*
^ *Based on average inventories balances*
^^ *Based on average trade receivables balances*
^^^ *Based on average trade payables balances*
** *Annualised*
\# *Unaudited and included for comparison purposes only*

11.2.4 Overview of the proforma financial results of the past three (3) financial years ended 30 April 2006 and the seven (7) month FPE 30 November 2006

Save as disclosed below or elsewhere in this Prospectus, our Directors are of the opinion that there are no other material factors including any arising from changes in selling prices, changes in the volume or amount of products or services being sold, or the introduction of new products or services or the continuance or discontinuance of any business operations or activity or as a result of foreign exchange rate changes or hedging activities, interest rates or raw material input price changes, tax consideration or issues and exceptional or extraordinary items that had a material impact on our net revenues and/ or profits.

(a) FYE 30 April 2004 vs FYE 30 April 2003

Revenue

Revenue for the FYE 30 April 2004 increased to RM30.9 million as compared to RM26.2 million achieved for the FY 2003 mainly driven by manufacturing sales, which accounted for RM3.5 million of the total increase of RM4.7 million. The growth in manufacturing sales was attributed to increased local sales and overseas exports especially to the Asian and Oceania region which accounted for RM0.8 million and RM2.0 million, respectively with the balance contributed equally from increased sales to the regions of Americas and Europe while sales to African region had suffered a slight contraction. The main reason for the increase in such sales was the slight increase in selling prices and volume of sales for our NBR products with the addition of an additional production line during the FY 2004. The growth of about RM1.2 million sales for our trading activity was due to the volume of products sold locally as we had sold more units of HVAC&R parts and equipment during the FY 2004 as a result of increasing demand and as we had further expanded our trading product range during the FY 2004.

Gross profit and GP Margin

During the FY 2004, overall GP Margin increased slightly by 1.4 percentage points to 25.9% as compared to 24.5% previously principally due to the rise in profit margin contribution from our manufacturing division as a result of the slight increase in the selling prices of our NBR products with NBR and other raw material prices remaining relatively stable. Meanwhile, the GP Margin for our trading activity rose by 5.1 percentage points principally due to the sales mix of our trading products as there were more primary air-conditioner parts sold as compared to copper tubing which commands a lower profit margin given the commodity nature of its pricing determinants.

PBT

The slight increase in GP margin during FY 2004 had resulted in a corresponding rise in PBT margin by 1.9 percentage points to 9.7% as compared to 7.8% previously as the percentage to total revenue of our operating expenses during the financial year remain relatively unchanged as compared to the previous FY 2003.

Effective tax rate

For the FY 2004, our effective tax rate was 13.3% which was lower than the statutory rate of 28% mainly as a result of the utilisation of reinvestment allowances and the availability of double deduction for certain expenses.

11.0 FINANCIAL INFORMATION *(Continued)*

(b) FYE 30 April 2005 vs FYE 30 April 2004

Revenue

Revenue for the FY 2005 increased significantly by RM11.7 million (approximately 37.8% increase) to RM42.6 million as compared to the sales achieved for FY 2004 principally due to the increase in overseas export of manufactured goods and local trading activities. During this period, overseas export of manufactured goods accounted for RM5.2 million of the increase while local trading sales had contributed RM5.4 million to the growth in turnover with the remaining RM1.1 million contributed mainly from the increase in local sales of our manufactured products.

The main reason for such increases in sales was the increase in the volume of our NBR and trading products sold as a result of industry growth and from the implementation of an across the board quantity discounts and rebate scheme to our network of dealers and distributors both locally and overseas where they may qualify for discounts and/ or rebate of up to 2.0% to the total sales value payable and/ or paid to us if the total aggregate purchase of NBR and trading products they made from us during the year reaches certain amount. With this scheme and as a result of industry growth, overseas demand for our NBR thermal insulation products rose especially from the regions of Asia which constitute the bulk of the RM5.2 million increase while local demand for both our range of HVAC&R parts and equipment and NBR thermal insulation products also rose as most of our local dealers who purchase both our manufactured and trading products increased their reliance on the supply of our trading products for their inventories so as to capitalise on the discount and rebate scheme.

Gross profit and GP Margin

During the FY 2005, overall GP Margin decreased by 3.2 percentage points to 22.7% as compared to 25.9% in FY 2004 principally due to the implementation of the discounts and rebate scheme mentioned above and the general rise in raw material cost in particular the main raw material of NBR, a petrochemical by product, as a result of the continuous increase in global oil prices during this period where such input cost increase was not fully passed on to our customers as a result of the time lag between the timing when sales orders' prices were confirmed and the timing when orders for raw material purchases were made. Additionally, the reduction was also due to the higher proportion of sales of our trading products which commands a lower margin than our manufactured products.

PBT

PBT margin reduced slightly as compared to the FY 2004 as a result of the drop in GP Margin. However the reduction was not in the same proportion principally due to the significantly higher sales.

Effective tax rate

For the FY 2005, our effective tax rate was 8.6% which was lower than the statutory rate of 28% mainly as a result of the utilisation of reinvestment allowances and the availability of double deduction for certain expenses. The significant dropped as compared to last FY 2004 of 13.3% was mainly due to higher amount of qualifying expenditure claimed for reinvestment allowance.

(c) FYE 30 April 2006 vs FYE 30 April 2005

Revenue

Revenue for the FY 2006 grew by RM10.4 million (up by about 24%) to RM53.0 million as compared to RM42.6 million achieved for the FY 2005 principally due to the increase in manufacturing and trading activities sales of RM5.1 million and RM5.2 million respectively as a result of increased sales volume. Growth in manufacturing sales was mainly driven by export sales especially to the Asian region which account for about RM4.0 million of the increase whilst the growth in trading was mainly attributed to local sales which had increased by about RM5.2 million.

Gross profit and GP Margin

During the FY 2006, overall GP Margin improved by 1.6 percentage points to 24.3% mainly as a result of higher sales with lower discounts allowed as we were able to maintain our manufacturing margins by gradually passing on the increase in raw material costs to our customers through higher selling prices. The reason for the significant increase in manufacturing GP Margin from 26.2% to 28.6% was due to increase selling prices for NBR thermal insulation products while the reason for the increase in trading GP Margin from 12.3% to 14.2% was due to increased proportion of higher margin products such as refrigerant gas and compressor.

PBT

During the FY 2006, the increase in PBT margin by 2 percentage points were mainly due to the corresponding rise in GP Margin as well as improved control over our operating expenses.

Effective tax rate

For the FY 2006, our effective tax rate was 14.9% which was lower than the statutory rate of 28% mainly as a result of the utilisation of reinvestment allowances and the availability of double deduction for certain expenses. The significant increase as compared to last FY 2005 of 8.6% was mainly due to less amount of qualifying expenditure claimed for reinvestment allowance.

(d) 7 month FPE 30 November 2006 vs 7 month FPE 30 November 2005

Revenue

We recorded a higher revenue of RM36.7 million for the 7 month FPE 30 November 2006 as compared to the revenue of RM29.7 million for the previous corresponding period as a result of higher sales volume generated and higher selling prices achieved.

Gross profit and GP Margin

Our gross profit of RM8.5 million was also higher as compared to the gross profit for the previous corresponding period of RM7.2 million as a result of higher sales volume generated and higher selling prices achieved with raw material prices remaining fairly unchanged. However, the GP margin decreased to 23.3% for the 7 month FPE 30 November 2006 from 24.3% for the previous corresponding period due to greater promotional activities during the 7 month FPE 30 November 2006 where discounts to selling prices were given to our customers.

PBT

We recorded a higher PBT and PBT margin of RM4.4 million and 12.1% respectively for the 7 month FPE 30 November 2006 as compared to the PBT and PBT margin of RM3.5 million and 12.0% recorded for the previous corresponding period as a result of operating expenses remaining fairly unchanged.

11.2.5 Liquidity and Capital Resources Analysis

Based on our proforma consolidated cash flow statement for the 7 month FPE 30 November 2006 as disclosed in Section 11.1.3, our primary sources of funds during that financial period was mainly derived from financing activities. During the 7 month FPE 30 November 2006, we had raised approximately RM4.689 million of proceeds from issuance of shares by our subsidiary SWSB and RM7.632 million of proceeds from term loan. These funds were utilised to fund, among others, our operating activities (mainly for the settlement of amount owing to the vendor of Factory 2 pursuant to the issuance of CF) and purchase of property, plant and equipment of approximately RM2.330 million mainly for our manufacturing division where we had acquired additional machineries for our factory.

With the surplus net cash generated during the 7 month FPE 30 November 2006 of approximately RM4.135 million our net cash and cash equivalents position (which includes bank overdrafts position) improved from a deficit of approximately RM0.05 million as at 30 November 2005 to a surplus of approximately RM3.973 million as at 30 November 2006.

Our Board is of the opinion that, after taking into consideration our present cash flow positions and the gross proceeds to be raised from the Public Issue, we would have adequate working capital for our business operations for a period of twelve (12) months from the date of this Prospectus.

11.2.6 Borrowings and Financial Instruments used for hedging

Based on our proforma consolidated balance sheet / statement of assets and liabilities as at 30 November 2006 as disclosed in Section 11.1.2 (and as also highlighted in Section 11.2.3), our total borrowings, all of which are interest bearing and relate to local borrowings denominated in RM, amounted to approximately RM12.875 million comprising the following:-

	Less than 12 months RM'000	**More than 12 months RM'000**	**Total RM'000**
Secured:-			
Bank overdrafts	774	-	774
Trade Bills / banker's acceptances	940	-	940
Hire purchase	1,585	2,349	3,934
Term loan	810	6,417	7,227
	4,109	8,766	12,875
Unsecured:-			
N/A	-	-	-

We have not defaulted on payments of either interest and/or principal sums in respect of any borrowing throughout the past 7 month FPE 30 November 2006 and the subsequent financial period thereof up to the date of our Directors' Report.

As highlighted in Section 11.2.3, on a proforma basis after the Acquisition of SWSB the net gearing position of our Group was 0.34 times. Pursuant to the IPO and proposed utilisation of proceeds, the net gearing position of our Group as at 30 November 2006 on a proforma basis would reduce to 0.17 times.

For the purpose of hedging against foreign currency price fluctuations arising from our business operations from the buying and selling of inputs and products from and to overseas suppliers and customers, respectively, our Group mainly practices natural hedging method and utilises forward foreign exchange contracts to limit our exposure to foreign currency risk arising from the mentioned trade transactions.

11.2.7 Contingent Liabilities

As at the Latest Practicable Date, our Board is not aware of any material contingent liabilities which, upon becoming enforceable, may have a material impact on our financial position, profits or business.

11.2.8 Material Capital Commitments

As at the Latest Practicable Date, our Board is not aware of any material commitments for capital expenditure contracted or known to be contracted by our Group.

11.2.9 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.

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11.0 FINANCIAL INFORMATION *(Continued)*

11.3 Future Financial Information

11.3.1 Consolidated Profit Forecasts

Our Directors forecast that our consolidated results for the FPE/FYE 30 April 2007 and FYE 30 April 2008 will be as follows:-

	Notes	<---------------- Forecasts------------------>		
		FPE 30 April 2007* RM'000	FYE 30 April 2007** RM'000	FYE 30 April 2008 RM'000
Revenue		17,025	68,099	79,963
PBT		1,949	8,095	10,135
Tax expense		(309)	(1,234)	(2,047)
PAT		1,640	6,861	8,088
Add: Reserve on consolidation credited to consolidated income statement	(i)	5,221	-	-
Net profit for the financial year		6,861	6,861	8,088
Enlarged no. of Shares assumed in issue ('000)	(ii)	N/A	80,000	80,000
Net EPS (sen)	(iii)	N/A	8.6	10.1
Net PE Multiple (times)	(iv)	N/A	8.4	7.1

Notes:

N/A: *Not applicable*

(i) *Reserve on consolidation or negative goodwill is credited to consolidated income statement upon acquisition in compliance with Financial Reporting Standard ("FRS") 3: Business Combination. It represents the excess of fair value of the subsidiary company (namely SWSB) acquired by Superlon over its acquisition cost. The fair value is determined to be the net assets value at the completion date of the acquisition by Superlon of the entire equity interest in SWSB ("Acquisition of SWSB") on 31 January 2007.*

(ii) *The enlarged number of shares assumed in issue is arrived at after the completion of the Acquisition of SWSB and Public Issue.*

(iii) *Net EPS is calculated by dividing the consolidated PAT but before reserve on consolidation with the enlarged number of shares assumed in issue.*

(iv) *The net PE multiple is computed based on the issue price of RM 0.72 per share over the net EPS.*

* *Consolidated results for the three (3) months FPE 30 April 2007 are prepared based on the annual forecast of revenue and profit using a time-apportionment basis after the Acquisition of SWSB on 31 January 2007.*

** *Consolidated results are prepared on a proforma basis with the assumption that our Group had been in existence since 1 May 2006.*

The principal bases and assumptions upon which the above consolidated profit forecasts have been made are set out in the Reporting Accountants' letter on the consolidated profit forecasts as set out in Section 11.4.2 of this Prospectus.

11.3.2 Directors' Commentary on the Consolidated Profit Forecasts

The principal bases and assumptions upon which our consolidated profit forecasts have been made are set out in the Reporting Accountants' letter on the consolidated profit forecasts which is included in Section 11.4.2 of this Prospectus.

Our Directors who are responsible for the profit forecasts have reviewed and analysed the reasonableness and fairness of the bases and assumptions stated in arriving at our consolidated profit forecasts for the FYE 30 April 2007 and FYE 30 April 2008 after due and careful inquiry. It is in the opinion of our Directors that the bases and assumptions stated have been clearly disclosed and specified in detail to the extent possible with utmost care and objectivity to provide useful information to investors to assist them in forming a view as to the reasonableness and reliability of our profit forecasts.

Some of the key bases and assumptions for the consolidated forecasts PAT for the FYE 30 April 2007 and FYE 30 April 2008 in comparison with the actual or average actual range recorded for the FYE 30 April 2006 in respect of certain operating parameters are as follows:-

Types of Raw Materials	Weighted average range / actual during FYE 30 April 2006	Assumption for FYE 30 April 2007 forecast	Assumption for FYE 30 April 2008 forecast
NBR thermal insulation annual output			
Total annual (year end) capacity	5,160 MT	8,160 MT	8,160 MT
Total production	3,419 MT	4,653MT	5,486MT
Total sales	3,406 MT	4,261MT	5,031MT
Approximate capacity utilisation	66%	57%	67%
NBR thermal insulation sales price			
Local sales	RM12.40 per kg	RM12.40 per kg	RM12.40 per kg
Export sales	USD2.885 per kg	USD2.885 per kg	USD3.0293 per kg
Weighted average local & export	RM10.91 per kg	RM10.68 per kg	RM10.87 per kg
Major raw materials prices			
NBR	USD1.75 - USD2.08 per kg	USD1.88 - USD2.00 per kg	USD2.00 per kg
DPVC	RM4.50 - RM4.71 per kg	RM4.65 - RM4.75 per kg	RM4.75 per kg
DINP	RM4.45 - RM5.00 per kg	RM4.50 - RM7.12 per kg	RM7.12 per kg
Blowing agent	RM5.50 - RM9.00 per kg	RM5.28 - RM7.98 per kg	RM5.08 - RM7.98 per kg
Rubber additives and fillers	RM1.00 - RM1.30 per kg	RM1.05 - RM1.67 per kg	RM1.28 - RM1.61 per kg
GP Margin			
Manufacturing overall	28.6%	26.8%	27.2%
- NBR thermal insulation materials	28.6%	26.9%	27.5%
- Other foam insulation materials	N/A	24.6%	25.2%
Trading	14.2%	15.0%	15.0%
OVERALL	24.3%	23.5%	24.2%
Exchange rate			
RM:USD	RM3.80-RM3.64:USD1.00	RM3.64-RM3.50:USD1.00	RM3.50:USD1.00

11.0 FINANCIAL INFORMATION *(Continued)*

In addition, some of the key bases and assumptions for the consolidated forecasts PAT for the FYE 30 April 2007 and 2008 in comparison with the actual recorded for the FYE 30 April 2006 in respect of the sales and gross profit mix or composition in terms of our business activity are as follows:-

FYE 30 April	(a) Proforma Superlon Group 2006		(b) Forecast Superlon Group 2007		Increase / (decrease) (b) – (a)		(c) Forecast Superlon Group 2008		Increase / (decrease) (c) – (b)	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue										
Manufacturing										
- NBR thermal insulation materials	37,151	70.1	45,734	67.1	8,583	23.1	54,981	68.7	9,247	20.2
- Other foam insulation materials	-	-	3,600	5.3	3,600	^^^	5,280	6.6	1,680	46.7
Sub-total	37,151	70.1	49,334	72.4	12,183	32.8	60,261	75.3	10,927	22.1
Trading*	15,841	29.9	18,765	27.6	2,924	18.5	19,702	24.7	937	5.0
Total	52,992	100.00	68,099	100.0	15,107	28.5	79,963	100	11,864	17.4
GP Margin										
Manufacturing	28.6%		26.8%		-1.8% points		27.2%		0.4% points	
- NBR thermal insulation materials	28.6%		26.9%		-1.7% points		27.5%		0.6% points	
- Other foam insulation materials	N/A		24.6%		24.6% points		25.2%		0.6% points	
Trading*	14.2%		15.0%		0.8% points		15.0%		-	
Overall	24.3%		23.5%		-0.8% points		24.2%		0.7% points	

Notes:-

* *Include sales / gross profits relating to trading of HVAC&R parts and equipment such as copper tubing, refrigerant gas, refrigerator compressor and other equipments and tools such as vacuum pump, motor fan, temperature controller, digital thermometer and halogen leak detector.*

^^^ *Represents more than 100%*

Save for other foam insulation materials, we have also assumed that the proportions of our manufacturing and trading revenues contribution shall be similar to that achieved during the 7 month FPE 30 November 2006 which are set out in Section 11.2.2(ii). Sales for other foam insulation materials are all assumed to be locally generated.

Our Directors are of the opinion that the consolidated profit forecasts are reasonable, achievable, realistic and fair in view of the bases and assumptions made and after taking into consideration the following:-

(i) our on-going business operations an overview of which is set out in Section 6.0 where sales and profits assumed to be derived are based on our current and potential capabilities in terms of, among others, our production capacity, our technological capabilities, our product range, our network of dealers and distributors and our source of supply of raw materials;

(ii) the recent trends of our business environment or parameters some of which are as set out in Section 11.2 which we have considered not to be materially different from the trends or parameters we have assumed for our forecast which are more or less in line with the parameters we had faced during the FYE 30 April 2006 as highlighted above with selling prices and input prices remaining fairly unchanged;

(iii) the future prospects of the industries in which we operate as set out in Section 5.7 which appears to be favourable, our future plans and strategies to be adopted as disclosed in Section 6.10 which contributes to our Group's favourable future prospects as highlighted in Section 6.11 which appears to be favourable as well as after taking into consideration our existing and proforma level of gearing, liquidity and working capital requirements as set out in Sections 11.2.5 and 11.2.6 which supports our view and assumption that our Group would be able to achieve a higher revenue of RM68.099 million and RM79.963 million for FY 2007 and 2008, respectively as compared to RM52.992 million achieved last FY 2006 and the forecast PATs for the FY 2007 and FY 2008 of RM6.861 million and RM8.088 million respectively, which represents an increase of about RM1.681 million (or 32%) and RM2.908 million (or 56%), respectively as compared to the PAT achieved for last FY 2006 of RM5.180 million.

As at the Latest Practicable Date, our forecast revenue for the FYE 30 April 2007 of approximately RM68.099 million is expected to be derived as follows:-

Forecast FYE 30 April 2007	**Revenue composition RM'000**	**%**
Actual sales recorded from 1 May 2006 up to 30 November 2006	36,696	53.9
Secured sales orders (not yet recorded) as at 30 November 2006	5,204	7.6
Expected repeat and new future sales orders	26,199	38.5
	68,099	100.0

As highlighted above, for the 7 month FPE 30 November 2006, we have achieved RM36.696 million in sales which, if annualised would total about RM62.907 million which seems not in line with our forecast sales of RM68.111 million as disclosed in Section 11.3.1. However, if we include secured sales orders (not yet recorded) as at 30 November 2006 in the annualised amount, the annualised amount would total RM68.111 million which seems more in line with our targeted sales of RM68.099 million. As at the Latest Practicable Date, we expect the abovementioned secured sales orders to be delivered in view of the factors mentioned above.

However, investors should note that our actual results may differ materially from what is expected as estimations and forecasts are subject to future occurrences which are uncertain and may not be as per expectations and these risks have been highlighted in Sections 4.3.1 and 4.3.2.

In view thereof, we have undertaken a sensitivity analysis on certain parameters or key assumptions which may be subject to a high degree of uncertainty to gauge the likely impact of certain material change in business and operating conditions which may result in our forecasts to be materially different from the actual achieved in future as disclosed in Section 11.3.3 below.

11.3.3 Sensitivity Analysis

The principal bases and assumptions upon which the sensitivity analysis on our forecasts PAT for the FYE 30 April 2007and 30 April 2008 have been made are as follows:-

(i) The three (3) selected variable parameter items namely selling prices and/ or volume; raw material prices; RM:USD exchange rates will vary ± 5% and ± 10% from the base case; and the omission of the forecast sales contribution from our new manufacturing activity of supplying converted or pre-cut other foam based insulation materials;

(ii) relevant and applicable variable expenses will vary with the change in the respective parameters set out in (i) above as applicable;

(iii) Except for the assumption in (i) and (ii), the same assumptions for the other items in the base case shall apply; and

(iv) Effective tax rate as per the base case apply except for loss instances where no tax is assumed payable (if applicable).

The following scenarios attempt to show the impact of changes in PAT as a result of changes in the respective scenarios.

(a) Changes in selling price and / or volume

Forecast for the FY 2007	**-10%**	**-5%**	**0%**	**+5%**	**+10%**
	RM’000	**RM’000**	**RM’000**	**RM’000**	**RM’000**
PAT	3,255	5,245	6,861	8,445	10,028

Forecast for the FY 2008	**-10%**	**-5%**	**0%**	**+5%**	**+10%**
	RM’000	**RM’000**	**RM’000**	**RM’000**	**RM’000**
PAT	4,390	6,239	8,088	9,936	11,785

(b) Changes in purchase price (or cost of sale i.e. representing raw material prices)

Forecast for the FY 2007	**-10%**	**-5%**	**0%**	**+5%**	**+10%**
	RM’000	**RM’000**	**RM’000**	**RM’000**	**RM’000**
PAT	9,954	8,412	6,861	5,290	3,343

Forecast for the FY 2008	**-10%**	**-5%**	**0%**	**+5%**	**+10%**
	RM’000	**RM’000**	**RM’000**	**RM’000**	**RM’000**
PAT	11,539	9,915	8,088	6,276	4,365

11.0 FINANCIAL INFORMATION *(Continued)*

(c) Changes in RM:USD exchange rates (i.e. '+' reflects RM depreciation while '-' reflects RM appreciation against USD)

Forecast for the FY 2007 (Based on RM:USD assumed at 3.64:1.00 only)	**-10% (3.28)**	**-5% (3.46)**	**0% (3.64)**	**+5% (3.82)**	**+10% (4.00)**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
PAT	4,984	5,966	6,861	7,761	8,658

Forecast for the FY 2008	**-10% (3.15)**	**-5% (3.33)**	**0% (3.50)**	**+5% (3.68)**	**+10% (3.85)**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
PAT	5,837	6,966	8,088	9,219	10,352

(d) Omission of all sales contribution from new business

Sales forecast for our new manufacturing activity of supplying readily-cut other foam based insulation materials was estimated at RM3.6 million for forecast FY 2007 and RM5.28 million and RM1.33 million for forecast FY 2008. The figures below represent what would be the forecast PATs for FY 2007 and 2008 if there were no sales contribution from this new business not withstanding the sales achieved thus far as at the Latest Practicable Date:-

Forecast for the FY 2007	**RM'000**
PAT	6,072

Forecast for the FY 2008	**RM'000**
PAT	6,916

Based on the above assumption, for FY 2007, an increase in selling prices (or sales volume) by 5% and 10% will increase the PAT by 23% and 46% respectively while a decrease in selling prices (or sales volume) by 5% and 10% will decrease the PAT by 24% and 53% respectively. For the FY 2008, an increase in selling prices (or sales volume) by 5% and 10% will increase the PAT by 23% and 46% respectively while a decrease in selling prices (or sales volume) by 5% and 10% will decrease the PAT by 23% and 46% respectively.

In terms of purchase price changes, for FY 2007, an increase in purchase price by 5% and 10% will decrease the PAT by 23% and 51% respectively and a decrease in purchase price by 5% and 10% will increase the PAT by 23% and 45% respectively. For the FY 2008, an increase in purchase price by 5% and 10% will decrease the PAT by 22% and 46% respectively and a decrease in purchase price by 5% and 10% will increase the PAT by 23% and 43% respectively.

In terms of RM:USD exchange rates, for FY 2007, if the rate of exchange between RM to USD depreciates by 5% and 10%, PAT will increase by 13% and 26% respectively while an appreciation of such exchange rates by 5% and 10% will decrease the PAT by 13% and 27% respectively. For the FY 2008, if the rate of exchange between RM to USD depreciates by 5% and 10%, PAT will increase by 14% and 28% respectively while an appreciation of such exchange rates by 5% and 10% will decrease the PAT by 14% and 28% respectively.

In addition, if there were no sales achieved from our new business of supplying other foam based insulation materials, our forecast PAT for FY 2007 would have been RM6.072 million instead of RM6.861 million, a reduction by RM0.789 million or 11%. For the FY 2008, our forecast PAT would have been RM6.916 million instead of RM8.088 million, a reduction by RM1.172 million or 14 %

Our Board has reviewed and analysed the bases and assumptions used upon which the sensitivity analysis of our profit forecasts have been made. Based on the above assumptions and the sensitivity analysis, the following may be assumed:-

(i) that our PAT is more sensitive to changes in selling prices or volume than to changes in raw material prices.

(ii) that changes to foreign exchange rates such as between RM and USD would not materially impact our forecast PAT for the FY 2007 and 2008 reflecting our Board's view as indicated in Section 4.1.16; and

(iii) if there were no sales contribution from our new business, our forecast PE Multiple for FY 2007 and 2008 based on the IPO price of RM0.72 would be about 9.5 and 8.4 times respectively as our forecasts EPS based on our enlarged number of Shares of 80 million for FY 2007 and 2008 would be 7.6 sen and 8.6 per Share respectively.

11.3.4 Dividend Forecasts

It is our policy to recommend dividends to allow shareholders to participate in our profits as well as to leave adequate reserves for our future growth. In determining the size of any dividend recommendation, we will take into consideration a number of factors including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and tax credits, future expansion plans and compliance with regulatory requirements.

Notwithstanding the above, we have full discretion not to propose any future dividend payment as and when we deemed necessary, if it is in our best interest. Nonetheless for the year FYE 30 April 2007, our Board anticipate that we will be in a position to propose a gross tax exempt dividend of 2.5 sen per Share or at a dividend rate of 5% based on the par value of RM0.50 each per Share on our enlarged issued and paid-up share capital of 80,000,000 Shares as detailed below:-

FYE 30 April	**2007**
Gross tax exempt dividend per Share	2.5 sen
Net dividend per Share	2.5 sen
Gross / net dividend yield	3.5%
(based on the IPO Price of RM0.72 per IPO Share)	
Net dividend cover (times)	*3.43
(based on the consolidated PAT forecasted for the FYE 30 April 2007 of RM6.861 million)	

* *Net dividend cover is calculated by dividing the forecast consolidated PAT for the FYE 30 April 2007 of RM6.861 million by the total net dividend forecast for the FYE 30 April 2007 of RM2.0 million.*

The dividends to be declared for the FYE 30 April 2008, if any, will depend on various factors including but not limited to our financial performance, cashflow requirements, availability of distributable reserves and tax credits, future expansion plans and compliance with regulatory requirements at that time.

11.0 FINANCIAL INFORMATION *(Continued)*

11.4 Reporting Accountant's Letters

11.4.1 Reporting Accountant's Letter on our Proforma Consolidated Financial Information
(Prepared for inclusion in this Prospectus)

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

Date: 14 March 2007

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,

SUPERLON HOLDINGS BERHAD ("SUPERLON" OR THE "COMPANY")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

We have reviewed the proforma consolidated financial information of Superlon Holdings Berhad and its subsidiary company (collectively known as "Superlon Group" or the "Group"), which consists of proforma consolidated income statements for the financial years ended 30 April 2004, 2005 and 2006 and for the seven (7) months financial period ended 30 November 2006; proforma consolidated balance sheets as at 30 November 2006; proforma consolidated cash flow statement for the seven (7) months financial period ended 30 November 2006; and proforma consolidated statement of assets and liabilities as at 30 November 2006, together with the accompanying notes thereto (which we have stamped for the purpose of identification) prepared for illustrative purposes only, as set out in this Prospectus of Superlon in connection with the 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).

The proforma consolidated financial information, because of its nature, may not give a true picture of Superlon Group's actual financial results, position and cashflows. Further, such information does not support to predict the Superlon Group's future financial results, position and cashflows.

It is the responsibility solely of the Board of Directors to prepare the proforma consolidated financial information. Our responsibility is to form an opinion on the proforma consolidated financial information and report to you our opinion based on our work.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information to the audited financial statements of Superlon Group for the financial years ended 30 April 2004, 2005 and 2006 and for the seven (7) months financial period ended 30 November 2006; and considering the evidence supporting the adjustments; and discussing the proforma consolidated financial information with the Directors of Superlon.

A Member of The International Accounting Group
• **KUALA LUMPUR** : A-11-3 (Suite 1), Northpoint Offices, Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Malaysia. Tel: 603-2284 1788 Fax: 603-2284 2688 E-mail: kl-office@scln.com.my
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• **JOHOR BAHRU** : 19-01, Jalan Molek 3/10, Taman Molek, 81100 Johor Bahru, Johor, Malaysia. Tel: 607-353 5585 Fax: 607-353 5545 E-mail: jb-office@scln.com.my

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

In our opinion,

(a) the proforma consolidated financial information, which has been provided solely for illustrative purposes only, has been properly prepared:

   (i) on the bases and assumptions as set out in the accompanying notes to the proforma consolidated financial information and such bases are consistent with the accounting policies of Superlon Group; and

   (ii) based on financial statements which have been prepared in accordance with applicable approved accounting standards in Malaysia.

(b) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing such proforma consolidated financial information.

We understand that this letter will be used solely for the purpose stated above. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

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

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

A Member of
The International Accounting Group

SUPERLON HOLDINGS BERHAD
(Company No: 740412-X)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1.1 The proforma consolidated financial information have been prepared to illustrate what:

(a) the financial results of Superlon Group for the financial years ended 30 April 2004, 2005 and 2006. and for the seven (7) months financial period ended 30 November 2006 would have been if the group structure had been in place since the beginning of the years/period being reviewed;

(b) the financial position of Superlon Group as at 30 November 2006 would have been if the group structure had been in place on that date, adjusted for the proceeds from, and utilisation of the public issue; and

(c) the cashflows of Superlon Group for the seven (7) months financial period ended 30 November 2006 would have been if the group structure had been in place since the beginning of the seven (7) months financial period ended 30 November 2006.

1.2 The proforma consolidated financial information have been prepared based on the audited financial statements of Superlon for the financial period ended 30 November 2006, and audited financial statements of its wholly-owned subsidiary company, namely Superlon Worldwide Sdn Bhd ("SWSB"), for the financial years ended 30 April 2004, 2005 and 2006 and for the seven (7) months financial period ended 30 November 2006; and using the bases and the accounting principles consistent with those adopted in the audited financial statements, after giving effect to the proforma adjustments considered appropriate.

1.3 For illustrative purposes, it was assumed that the acquisition of SWSB took place prior to 1 May 2003 in arriving at the proforma consolidated income statements for the financial years ended 30 April 2004, 2005 and 2006; and for the seven (7) months financial period ended 30 November 2006.

FOR IDENTIFICATION PURPOSES
SC LIM, NG & CO.

SUPERLON HOLDINGS BERHAD
(Company No: 740412-X)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

2. PROFORMA CONSOLIDATED INCOME STATEMENTS

The proforma consolidated income statements of Superlon Group for the past three (3) financial years ended 30 April 2004, 2005 and 2006, and for the seven (7) months financial period ended 30 November 2006 are provided for illustrative purposes based on the audited financial statements of Superlon and SWSB assuming the Superlon Group had been in existence throughout the financial years/period under review.

	← Year ended 30 April		→	7 months period ended 30 November	
	2004 RM '000	2005 RM '000	2006 RM '000	2005 # RM '000	2006 RM '000
Revenue	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	6,132
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	2,999	4,053	6,085	3,553	4,430
Tax expense	(399)	(349)	(905)	(581)	(738)
Profit after tax	2,600	3,704	5,180	2,972	3,692
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	16.7
Number of ordinary shares of 50 sen each assumed to be in issue ('000) **	67,649	67,649	67,649	67,649	67,649
Earnings per share (sen)					
- Gross	4.4	6.0	9.0	9.0 ^	11.2 ^
- Net	3.8	5.5	7.7	7.5 ^	9.4 ^

\# *Unaudited and included for comparison purpose only*

* *Amount less than RM 1,000*

** *As Superlon was only incorporated on 10 July 2006, the number of ordinary shares of 50 sen each assumed to be issued was computed using the issued and fully paid-up ordinary share capital of Superlon after the acquisition of SWSB but prior to the Public Issue.*

^ *Annualised*

FOR IDENTIFICATION PURPOSES SC LIM, NG & CO.

SUPERLON HOLDINGS BERHAD
(Company No: 740412-X)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

2. PROFORMA CONSOLIDATED INCOME STATEMENTS (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED INCOME STATEMENTS

(a) The proforma consolidated income statements have been prepared based on the audited financial statements of Superlon for the financial period ended 30 November 2006, and audited 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. No adjustments were made to the proforma consolidated income statements above as compared to the audited financial statements upon which they were based as there are no inter-company transactions during the financial years/period under review;

(b) The gross and net earnings per share are computed based on the consolidated profit before tax and consolidated profit after tax respectively divided by the number of Superlon shares assumed to be in issue after the acquisition of SWSB but prior to the Public Issue.

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

FOR IDENTIFICATION PURPOSES
SC LIM, NG & CO.

SUPERLON HOLDINGS BERHAD
(Company No: 740412-X)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

3. PROFORMA CONSOLIDATED BALANCE SHEETS

The proforma consolidated balance sheets of Superlon have been prepared for illustrative purposes only to show the effects of the transactions as mentioned in Note 3.2 to the proforma consolidated balance sheets on the assumption that these transactions had been effected on 30 November 2006:

	The Company	Proforma Group as at 30 Nov 2006	
		Proforma I	Proforma II
	As at 30 Nov 2006 RM '000	After Acquisition of SWSB RM '000	After Proforma I, Public Issue and Utilisation of Proceeds RM '000
ASSETS			
Non-current assets			
Property, plant and equipment	-	30,825	30,825
Intangible assets	-	1,000	1,000
Investment	-	47	47
	-	31,872	31,872
Current assets			
Inventories	-	8,781	8,781
Trade and other receivables	-	14,152	14,152
Cash and bank balances	*	4,747	6,640
	*	27,680	29,573
Total assets	*	59,552	61,445
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	^	33,824	40,000
Share premium	-	1,015	1,732
(Accumulated losses)/Retained profits	(8)	3,692	3,692
	(8)	38,531	45,424
Non-current liabilities			
Borrowings	-	8,766	3,766
Deferred tax liabilities	-	1,577	1,577
	-	10,343	5,343
Current liabilities			
Trade and other payables	8	6,329	6,329
Borrowings	-	4,109	4,109
Current tax payable	-	240	240
	8	10,678	10,678
Total equity and liabilities	*	59,552	61,445
Net tangible (liabilities) / assets per share (RM)	(2,000)	0.55	0.56

^ *This represents the issued and fully paid-up share capital of RM2.00*

* *Amount less than RM 1,000*

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

3. PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

3.1 The proforma consolidated balance sheets of Superlon have been prepared for illustrative purposes only based on the audited balance sheets of Superlon and SWSB as at 30 November 2006 and consolidated using the acquisition method of accounting.

3.2 The proforma consolidated balance sheets together with the notes thereon, have been prepared on the accounting principles and bases consistent with those normally adopted in the preparation of audited financial statements to illustrate the consolidated balance sheets of Superlon Group assuming that all the transactions mentioned below had taken place on 30 November 2006.

(a) Proforma I

Acquisition of the entire issued and fully paid-up share capital of SWSB, comprising 10,000,000 ordinary shares of RM 1.00 each for a total purchase consideration of RM 34,838,990 based on SWSB's adjusted audited net assets ("NA") as at 30 April 2006 to be fully satisfied by the issuance of 67,648,596 new ordinary shares of RM 0.50 each in Superlon at an issue price of approximately RM 0.52 per share, vide a conditional shares sale agreement undertaken by the vendors of SWSB and Superlon (the "Acquisition of SWSB").

The purchase consideration had been determined based on the audited NA of SWSB as at 30 April 2006 after adjusting for the special issue of 1,488,516 new ordinary shares of RM 1.00 at an issue price of RM 3.15 per SWSB share which was completed on 5 May 2006.

	RM
Audited NA as at 30 April 2006	30,150,165
Add: Issuance of new shares on 5 May 2006	4,688,825
Total purchase consideration	34,838,990

(b) Proforma II

(i) 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").

(ii) Utilisation of proceeds from Public Issue is as follows:

	RM
Repayment of bank borrowings	5,000,000
Payment of listing expenses	2,000,000
Working capital	1,893,008
	8,893,008

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3. PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

3.3 Changes in equity

The changes in the share capital and share premium account of Superlon Group after the Acquisition, Public Issue and Utilisation of Proceeds are as follows:

	Notes	Share capital RM '000	Share premium RM '000	Total RM '000
As at 30 November 2006		^	-	^
Issuance of shares pursuant to the Acquisition of SWSB	(i)	33,824	1,015	34,839
Proforma I balance		33,824	1,015	34,839
Add: Issuance of shares pursuant to Public Issue	(ii)	6,176	2,717	8,893
Less: Estimated listing expenses	(iii)	-	(2,000)	(2,000)
Proforma II balance		40,000	1,732	41,732

Notes:

(i) *Share premium is arrived at based on the issue price of approximately RM 0.52 per share for the Acquisition of SWSB.*

(ii) *Share premium is arrived at based on the issue price of RM 0.72 per share for the Public Issue Shares.*

(iii) *Estimated listing expenses of RM 2.0 million relating to the proposals have been debited against share premium account.*

^ *This represents issued and fully paid-up share capital of RM2.00*

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4. PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

The proforma consolidated statement of assets and liabilities of Superlon Group have been prepared based on the audited financial statements of Superlon and SWSB and on the assumptions that the Acquisition of SWSB had been effected on 30 November 2006. The proforma consolidated statement of assets and liabilities have been prepared for illustrative purposes only and should be read in conjunction with the notes thereto.

	Notes	Proforma Group As at 30 Nov 2006 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	5.4	30,825
Intangible assets	5.5	1,000
Investment	5.6	47
		31,872
Current assets		
Inventories	5.7	8,781
Trade and other receivables	5.8	14,152
Cash and bank balances	5.9	4,747
		27,680
Total assets		59,552
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	5.10	33,824
Share premium	5.11	1,015
Retained profits		3,692
		38,531
Non-current liabilities		
Borrowings	5.12	8,766
Deferred tax liabilities	5.13	1,577
		10,343
Current liabilities		
Trade and other payables	5.14	6,329
Borrowings	5.12	4,109
Current tax payable		240
		10,678
Total equity and liabilities		59,552

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

5.1 SIGNIFICANT ACCOUNTING POLICIES

5.1.1 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 Malaysian Accounting Standards Board ("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.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1.1 Basis of preparation of financial statements (cont'd)

(b) Basis of consolidation (cont'd)

(ii) Principles of consolidation (cont'd)

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.

5.1.2 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.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1.3 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.

5.1.4 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 5.1.2.

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

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5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1.5 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.

5.1.6 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.

5.1.7 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.

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5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1.8 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 5.1.3.

(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.

5.1.9 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.

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5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1.10 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.

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5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1.10 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 5.1.2.

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

5.1.11 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.

5.1.12 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.

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5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1.13 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 Nov 06 RM
1	United States Dollar	3.66
1	Singapore Dollar	2.37

5.1.14 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.

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5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.2 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.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

5.3.1 Critical Judgements in Applying the Accounting Policies

In the process of applying the Group's accounting policies, which are described in Note 5.1 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 5.3.2 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.

5.3.2 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.

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5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.4 PROPERTY, PLANT AND EQUIPMENT

	Proforma Group RM '000
At net book value	
Freehold land	6,764
Factory buildings and staff quarter	8,970
Plant, machinery, tools and equipment	13,876
Motor vehicles	981
Office equipment, renovation, furniture and fittings	234
	30,825

(a) The following motor vehicles, plant and equipment are acquired under hire purchase instalment plans (Note 5.12):

	Proforma Group RM '000
At net book value	
Plant, machinery, tools and equipment	4,556
Motor vehicles	620
	5,176

(b) The following property plant and equipment are charged against bank borrowings (Note 5.12):

	Proforma Group RM '000
At net book value	
Freehold land	6,764
Factory buildings	8,940
	15,704

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5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.5 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.

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 the Proforma Group;

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

5.6 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 the Proforma Group 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 the financial period, there was no indication of impairment loss.

5.7 INVENTORIES

	Proforma Group RM '000
At Cost	
Raw materials	2,195
Work-in-progress	126
Finished goods	1,088
Trading stock	5,372
	8,781

FOR IDENTIFICATION PURPOSES SC LIM, NG & CO.

SUPERLON HOLDINGS BERHAD
(Company No: 740412-X)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.8 TRADE AND OTHER RECEIVABLES

	Proforma Group RM '000
Trade receivables	12,225
Other receivables	
- Sundry receivables	251
- Deposits	422
- Prepayments	1,254
	14,152

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

The foreign currency exposure profile of the Proforma Group as at financial period end is as follows:

	Proforma Group RM '000
Trade receivables	
Singapore Dollar	300
United States Dollar	6,641
	6,941

5.9 CASH AND BANK BALANCES

	Proforma Group RM '000
Cash and bank balances	773
Fixed deposit with licensed bank	3,974
	4,747

(a) The effective interest rates of deposit placed with licensed bank of the Proforma Group as at the end of financial period are interest bearing ranging from 2.6% - 4.9% per annum.

(b) The maturity period for deposit placed with licensed banks of the Proforma Group as at the end of financial period is less than one month.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.10 SHARE CAPITAL

	Proforma Group	
	No. of shares ('000)	RM '000
Ordinary shares of 50 sen each		
Authorised:		
As at incorporation	200	100
Created during the financial period	199,800	99,900
As at 30 November 2006	200,000	100,000
Issued and fully paid-up:		
As at incorporation	*	*
Issued during the financial period		
- Acquisition of SWSB	67,649	33,824
As at 30 November 2006	67,649	33,824

* *Representing issued and fully paid-up share capital of RM 2.00 comprising 4 ordinary shares of 50 sen each*

5.11 SHARE PREMIUM

	Proforma Group RM '000
As at incorporation	-
Issued during the financial period	
- Acquisition of SWSB	1,015
As at 30 November 2006	1,015

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

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.12 BORROWINGS

		Proforma Group RM '000
Current		
(a) Secured bank borrowings	- Bank overdraft	774
	- Trade bills	940
	- Term loan	810
(b) Hire purchase payables		1,585
		4,109
Non-current		
(a) Secured bank borrowings	- Term loan	6,417
(b) Hire purchase payables		2,349
		8,766
Total		12,875

(a) The bank borrowings are secured against the Proforma Group's freehold land and factory buildings (Note 5.4) and joint and several guarantees by certain directors. The bank overdraft is interest bearing at 8.2% per annum on a monthly rest basis whilst the trade bills are interest bearing at 4.1% to 5.1% per annum. The term loan is interest bearing at 5.5% per annum on a monthly rest basis and repayable by 120 equal monthly instalments.

(b) The effective interest rates of the hire purchase obligations are ranging from 4.6% - 6.1% per annum.

5.13 DEFERRED TAX LIABILITIES

	Proforma Group RM '000
Taxable temporary differences arising from excess of capital allowances over book depreciation	1,577

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.14 TRADE AND OTHER PAYABLES

	Proforma Group RM '000
Trade payables	4,603
Other payables	
- Accruals	1,344
- Sundry payables	382
	6,329

The foreign currency exposure profile of the Proforma Group as at financial period end is as follows:

	Proforma Group RM '000
Trade payables	
United States Dollar	165

5.15 PROFORMA NET TANGIBLE ASSETS PER SHARE

Based on the proforma consolidated statement of assets and liabilities of the Proforma Group as at 30 November 2006, the net tangible assets ("NTA") per share is calculated as follows:

	Proforma Group
NTA as per the Proforma Group's statement of assets and liabilities (RM '000)	37,531
Total number of ordinary shares of 50 sen each assumed to be in issue ('000)	67,649
NTA per ordinary share of 50 sen each (RM)	0.55

5.16 CONTINGENT LIABILITIES

	Proforma Group RM'000
Secured	
Bank guarantees issued to third parties	652

FOR IDENTIFICATION PURPOSES SC LIM, NG & CO.

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

5. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5.17 CAPITAL COMMITMENT

As at period end, the capital expenditure contracted for but not provided for in the proforma consolidated statement assets and liabilities are as follows:-

	Proforma Group RM'000
Acquisition of plant and machinery approved and contracted for	375

5.18 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 the Proforma Group 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 the Proforma Group 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 the Proforma Group approximate their carrying amounts as at 30 November 2006 except that it is not practicable to estimate reliably the fair value of contingent liabilities due to uncertainty of timing, costs and eventual outcome.

5.19 SUBSEQUENT EVENTS

On 31 January 2007, the Company completed the Acquisition of SWSB as mentioned in Section 3.2 (a) above.

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.

FOR IDENTIFICATION PURPOSES
SC LIM, NG & CO.

SUPERLON HOLDINGS BERHAD
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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

6. PROFORMA CONSOLIDATED CASH FLOW STATEMENTS

The proforma consolidated cash flow statements of Superlon Group have been prepared for illustrative purposes only based on the audited financial statements of Superlon and SWSB for the seven (7) months financial period ended 30 November 2006 assuming that the Superlon Group had been in existence since the beginning of the financial period under review.

	Proforma Group For the financial period ended 30 November	
	2005 #	2006
	RM '000	RM '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	3,553	4,430
Adjustments for :		
Depreciation of property, plant and equipment	1,220	1,553
Gain on foreign exchange, unrealised	-	(159)
Interest expense	249	393
Interest income	(1)	(79)
Loss on disposal of property, plant and equipment	(18)	4
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	5,003	6,142
CHANGES IN WORKING CAPITAL		
Inventories	323	(3,372)
Trade and other receivables	(1,108)	3,370
Trade and other payables	(222)	(7,424)
CASH GENERATED FROM / (USED IN) OPERATIONS	3,996	(1,284)
Interest paid	(249)	(393)
Tax paid	(235)	(333)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	3,512	(2,010)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	1	79
Proceeds from disposal of property, plant, plant and equipment	37	19
Purchase of property, plant and equipment	(589)	(2,330)
NET CASH (USED IN) INVESTING ACTIVITIES	(551)	(2,232)
CASH FLOW FROM FINANCING ACTIVITIES		
Net movement in trade bills	(1,827)	(2,632)
Proceeds from issuance of new shares	-	4,689
Proceeds from term loan	-	7,632
Repayment of hire purchase payables	(310)	(907)
Repayment of term loan	-	(405)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(2,137)	8,377

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PROFORMA CONSOLIDATED FINANCIAL INFORMATION

6. PROFORMA CONSOLIDATED CASH FLOW STATEMENTS (CONT'D)

	Proforma Group For the financial period ended 30 November	
	2005 #	2006
	RM '000	RM '000
NET INCREASE CASH AND CASH EQUIVALENTS	824	4,135
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(877)	(172)
Effects of exchange rate changes on cash and cash equivalents	-	10
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(53)	3,973

Note:
Cash and cash equivalents comprise of the followings:

Cash and bank balances	630	4,747
Bank overdraft	(683)	(774)
	(53)	3,973

\# *Unaudited and included for comparison purpose only.*

NOTES TO THE PROFORMA CONSOLIDATED CASH FLOW STATEMENTS

(a) The proforma consolidated cash flow statements of Superlon Group has been prepared after taking into account the acquisition of SWSB but prior to the Public Issue.

(b) The proforma consolidated cash flow statements have been prepared on the accounting principles and bases consistent with those normally adopted in the preparation of audited financial statements of Superlon Group.

FOR IDENTIFICATION PURPOSES
SC LIM, NG & CO.

11.4.2 Reporting Accountant's Letter on our Proforma Consolidated Profit Forecasts
(Prepared for inclusion in this Prospectus)

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

Date: 14 March 2007

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,

**SUPERLON HOLDINGS BERHAD ("SUPERLON" OR THE "COMPANY")
CONSOLIDATED PROFIT FORECASTS FOR THE FINANCIAL YEARS ENDING 30 APRIL 2007 AND 2008**

We have reviewed the consolidated profit forecasts of Superlon Holdings Berhad and its subsidiary company (collectively known as "Superlon Group") for the financial years ending 30 April 2007 and 2008 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Approved Standards on Auditing in Malaysia applicable to the review of forecast. International Standards on Assurance Engagements Standard AI 3400 – The Examination of Prospective Financial Information. This letter and the forecasts have been prepared for the purpose of inclusion in the Prospectus of Superlon in connection with the following proposals and should not be relied on for any other purposes:

(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 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

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

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecasts, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by Superlon Group in its audited financial statements for the interim financial period ended 30 November 2006. The Directors of Superlon are solely responsible for the preparation and presentation of the consolidated profit forecasts and the assumptions on which the consolidated profit forecasts are based.

• KUALA LUMPUR : A-11-3 (Suite 1). Northpoint Offices, Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Malaysia. Tel: 603-2284 1788 Fax: 603-2284 2688 E-mail: kl-office@scln.com.my
• MUAR : 8 (2nd Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor, Malaysia. Tel: 606-952 9939 Fax: 606-952 7328 E-mail: muar-office@scln.com.my
• JOHOR BAHRU : 19-01, Jalan Molek 3/10, Taman Molek, 81100 Johor Bahru, Johor, Malaysia. Tel: 607-353 5585 Fax: 607-353 5545 E-mail: jb-office@scln.com.my

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

Forecasts, in this context, mean prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information are prepared (best-estimate assumptions). While information may be available to support the assumptions on which forecasts are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecasts since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs: -

(i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statements, do not provide a reasonable basis for the preparation of the consolidated profit forecasts; and

(ii) in our opinion, the consolidated profit forecasts, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by Superlon Group in its audited financial statements for the interim financial period ended 30 November 2006.

The accompanying forecasts and this letter have been prepared solely for the inclusion in the Prospectus of Superlon in connection with the aforementioned transactions. This letter should not be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

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

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

A Member of
The International Accounting Group

SUPERLON HOLDINGS BERHAD ("SUPERLON")
(Company No: 740412-X)

CONSOLIDATED PROFIT FORECASTS AND ASSUMPTIONS FOR THE FINANCIAL YEARS ENDING 30 APRIL 2007 AND 2008

1. Consolidated Profit Forecasts

The Directors of Superlon forecasts that the consolidated results for the financial years ending 30 April ("FY") 2007 and 2008 will be as follows:

	Notes	Forecast * 30 Apr 07 RM '000	Forecast ** 30 Apr 07 RM '000	Forecast 30 Apr 08 RM '000
Revenue		17,025	68,099	79,963
Profit before tax		1,949	8,095	10,135
Tax expense		(309)	(1,234)	(2,047)
Profit after tax		1,640	6,861	8,088
Add: Reserve on consolidation credited to consolidated income statement	(i)	5,221	-	-
Net profit for the financial year		6,861	6,861	8,088
Enlarged no. of shares assumed to be in issue ('000)	(ii)	NA	80,000	80,000
Net earnings per share (sen)	(iii)	NA	8.6	10.1
Net price earnings multiple (times)	(iv)	NA	8.4	7.1

NA: *Not applicable*

Notes:

(i) *Reserve on consolidation or negative goodwill is credited to consolidated income statement upon acquisition in compliance with Financial Reporting Standard ("FRS") 3: Business Combination. It represents the excess of fair value of the subsidiary company (namely Superlon Worldwide Sdn Bhd ("SWSB")) acquired by Superlon over its acquisition cost. The fair value is determined to be the net assets value at the completion date of the acquisition by Superlon of the entire equity interest in SWSB ("Acquisition of SWSB") on 31 January 2007.*

(ii) *The enlarged number of shares assumed in issue is arrived at after the completion of the Acquisition of SWSB and Public Issue.*

(iii) *Net Earnings Per Share ("EPS") is calculated by dividing the consolidated profit after tax but before reserve on consolidation with the enlarged number of shares assumed in issue.*

(iv) *The net price earnings multiple is computed based on the issue price of RM 0.72 per share over the net EPS.*

FOR IDENTIFICATION PURPOSES
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SUPERLON HOLDINGS BERHAD
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CONSOLIDATED PROFIT FORECASTS AND ASSUMPTIONS
FOR THE FINANCIAL YEARS ENDING 30 APRIL 2007 AND 2008

1. Consolidated Profit Forecasts (cont'd)

Notes (cont'd):

* *Consolidated results for the three (3) months financial period ending 30 April 2007 are prepared based on the annual forecast of revenue and profit using a time-apportionment basis after the Acquisition of SWSB on 31 January 2007.*

** *Consolidated results are prepared on a proforma basis with the assumption that Superlon Group had been in existence since 1 May 2006.*

2. Specific Assumptions

The specific bases and assumptions made in the preparation of the consolidated profit forecasts are set out as below:

(a) The acquisition of the entire issued and fully paid-up share capital of SWSB, comprising 10,000,000 ordinary shares of RM 1.00 each for a total purchase consideration of RM 34,838,990 based on SWSB's adjusted audited net assets ("NA") as at 30 April 2006 was fully satisfied by the issuance of 67,648,596 new ordinary shares of RM 0.50 each in Superlon at an issue price of approximately RM 0.52 per share, vide a conditional shares sale agreement undertaken by the vendors of SWSB and Superlon (the "Acquisition of SWSB"). The Acquisition of SWSB was completed on 31 January 2007.

(b) The following transactions are expected to be completed by the end of April 2007:

(i) 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");

(ii) 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

(iii) 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 comprising 80,000,000 ordinary shares of RM 0.50 each.

(c) The proceeds from Public Issue is to be utilised as follows:

	RM '000	Assumed time for utilisation from date of receipt of the proceeds
Repayment of bank borrowings	5,000	Within 2 months
Payment of listing expenses	2,000	Within 3 months
Working capital	1,893	Within 2 months
	8,893	

FOR IDENTIFICATION PURPOSES SC LIM, NG & CO.

SUPERLON HOLDINGS BERHAD
(Company No: 740412-X)

CONSOLIDATED PROFIT FORECASTS AND ASSUMPTIONS FOR THE FINANCIAL YEARS ENDING 30 APRIL 2007 AND 2008

2. Specific Assumptions (cont'd)

(d) The estimated listing expense of RM 2.0 million will be set off against the share premium account.

(e) Superlon Group is expected to generate revenue as follows:

(i) Segment by Activity and Products

	Financial Year 2007		Financial Year 2008	
	RM'000	**%**	**RM'000**	**%**
Revenue				
Manufacturing				
- Acrylonitrile Butadiene Rubber ("NBR") thermal insulation materials	45,734	67	54,981	68
- Other foam insulation materials ^	3,600	5	5,280	7
Sub total	49,334	72	60,261	75
Trading				
- Copper tubing	14,356	22	15,073	19
- Refrigerant gas	2,051	3	2,154	3
- Refrigerant compressor	1,611	2	1,691	2
- Others *	747	1	784	1
Sub total	18,765	28	19,702	25
Total	68,099	100	79,963	100

(ii) Segment by Market

The approximate percentage of revenue contribution for each main category of product by local and overseas revenue breakdown assumed for the forecasts years are illustrated below:

	Financial Year 2007		Financial Year 2008	
	Local %	**Overseas** %	**Local** %	**Overseas** %
Manufacturing				
NBR thermal insulation materials	12	54	12	57
Other foam insulation materials ^	6	-	6	-
Sub total	18	54	18	57
Trading	27	1	24	1
Total	45	55	42	58

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CONSOLIDATED PROFIT FORECASTS AND ASSUMPTIONS FOR THE FINANCIAL YEARS ENDING 30 APRIL 2007 AND 2008

2. Specific Assumptions (cont'd)

(e) Superlon Group is expected to generate revenue as follows (cont'd):

Notes:-

^ *Comprise other readily-cut foam-based insulation materials such as Ethylene-Vinyl Propylene Diene Methyene ("EPDM"), Ethylene-Vinyl Acetate ("EVA") conductive or Electro Static Discharge ("ESD"), Cork, Neoprene or Chloroprene ("CR"), PE buns and high resilient sponge (i.e. NBR plus EVA)*

* *Comprise other HVAC&R parts and equipment such as vacuum pump, motor fan, temperature controller, digital thermometer and halogen leak detector.*

(f) The costs of raw materials, production capacity and gross profit margin are assumed to be as follows:

Types of Raw Materials	Key Assumptions Financial Year 2007	Financial Year 2008
NBR thermal insulation annual output		
Total annual (year end) capacity	8,160 MT	8,160 MT
Total production	4,653 MT	5,486 MT
Total sales	4,261 MT	5,031 MT
Approximate capacity utilisation	57%	67%
NBR thermal insulation selling price		
Local sales	RM 12.40 per kg	RM 12.40 per kg
Export sales	USD 2.885 per kg	USD 3.0293 per kg
Weighted average local & export	RM 10.68	RM 10.87
Major raw materials prices		
NBR	USD 1.88 – USD 2.00 per kg	USD 2.00 per kg
DPVC	RM 4.65 – RM 4.75 per kg	RM 4.75 per kg
DINP	RM 4.50 – RM 7.12 per kg	RM 7.12 per kg
Blowing agent	RM 5.28 – RM 7.98 per kg	RM 5.08 – RM 7.98 per kg
Rubber additives and fillers	RM 1.05 – RM 1.67 per kg	RM 1.28 – RM 1.61 per kg
Gross Profit Margin		
Manufacturing overall	26.8%	27.2%
- NBR thermal insulation materials	26.9%	27.5%
- Other foam insulation materials	24.6%	25.2%
Trading	15.0%	15.0%
OVERALL	23.5%	24.2%

FOR IDENTIFICATION PURPOSES SC LIM, NG & CO.

SUPERLON HOLDINGS BERHAD
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CONSOLIDATED PROFIT FORECASTS AND ASSUMPTIONS FOR THE FINANCIAL YEARS ENDING 30 APRIL 2007 AND 2008

2. Specific Assumptions (cont'd)

(g) Foreign currency exchange rates will not change materially from their present levels. The principal foreign exchange rate used in these forecasts are as follows:

Exchange rate	Financial Year 2007	Financial Year 2008
Ringgit Malaysia ("RM") : United States Dollar ("USD")	RM 3.50 – RM 3.64 : USD 1.00	RM 3.50 : USD 1.00

(h) Statutory tax rate will be at 27% for FY 2007 and 26% for FY 2008.

3. General Assumptions

The principal bases and assumptions upon which the profit forecasts has been made are set out as follows:

(a) There will be no significant changes to the prevailing economic and political conditions in Malaysia and other parts of the world which will adversely affect the activities or performance of the Superlon Group.

(b) There will be no material changes in the structure and principal activities of the Superlon Group. The Superlon Group will be able to maintain its current customer base, secure additional new customers and achieve the market shares anticipated. There will be minimal threat from new entrants into the market in which the Superlon Group operates.

(c) There will be no material changes in the existing key management personnel which will affect the marketing capabilities of the Superlon Group.

(d) There will be no significant changes in the customer demand, product selling prices, product sales mix and market growth, save for those forecasted by the Superlon Group.

(e) There will be no major disruption in the supply of raw materials and manpower, industrial disputes or any abnormal circumstances which will adversely affect the operations of the Superlon Group or the markets in which it operates.

(f) There will be no material changes in salary, cost of supplies and other operating costs that would adversely affect the activities and operations of the Superlon Group, save for those forecasted by the Superlon Group.

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CONSOLIDATED PROFIT FORECASTS AND ASSUMPTIONS FOR THE FINANCIAL YEARS ENDING 30 APRIL 2007 AND 2008

3. General Assumptions – (cont'd)

(g) There will be no major breakdown or disruption in the manufacturing facilities, which will adversely affect the operations of the Superlon Group.

(h) There will be no significant changes in the present legislation or government regulations, bases and rates of duties, levies and taxes affecting the Superlon Group's activities including the tax incentives such as Reinvestment Allowances.

(i) The Superlon Group will not be engaged in any material litigation and there will be no legal proceedings which will adversely affect its activities or performance, or give rise to any contingent liabilities which will materially affect its position or results.

(j) There will be no significant changes in the discount, commission and promotional policies which will adversely affect the performance of the Superlon Group.

(k) There will be no material changes in the accounting and management policies adopted by the Superlon Group.

(l) Existing financing facilities will remain available at present terms and conditions with no significant changes in their interest rates.

(m) The Superlon Group's capital expenditure programme will be implemented as planned and there will be no material changes to the costs of capital expenditure from the present level. There will be no material acquisition or disposal of property, plant and equipment other than those planned.

(n) Cash in excess of working capital requirements will be placed in interest bearing deposits and at the interest rate as forecasted.

(o) There will be no significant incidence of bad debts and obsolete stocks or other abnormal circumstances, which will adversely affect the operations of the Superlon Group.

(p) No options will be granted to any employee to exercise options to subscribe for shares in Superlon or its subsidiary company under any employees' share option scheme.