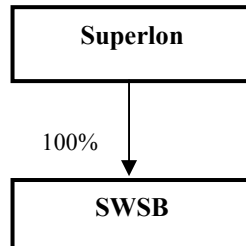


2.0 INFORMATION SUMMARY

THE FOLLOWING IS A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN OUR SHARES.

2.1 Summary of the Business Activities of our Group

The corporate structure of our Group as well as the principal activities of the companies within our Group are summarised below:-



Company	Principal Activities
Superlon	Investment holding and provision of management services.
SWSB	Design, test and manufacture of thermal insulation materials mainly for the HVAC&R industry and trading of HVAC&R parts and equipments.

Further details of our business are set out in Section 6 while details on our Group are set out in Section 7 of this Prospectus.

2.2 Highlights of the IPO

2.2.1 Number and Class of Securities

As at Latest Practicable Date	Total Number of Shares	Total Nominal / Par Amount RM
Authorised share capital	200,000,000	100,000,000
Issued and fully paid-up share capital	67,648,600	33,824,300
To be issued pursuant to the Public Issue	12,351,400	6,175,700
Enlarged issued and paid-up share capital	80,000,000	40,000,000
To be offered pursuant to the Offer for Sale	1,000,000	500,000

Further details on our share capital are set out in Section 3.4 of this Prospectus.

2.0 INFORMATION SUMMARY (Continued)**2.2.2 Offering Price and expected proceeds**

Total no. of Shares to be issued pursuant to the Public Issue	12,351,400
IPO Price	RM0.72
Expected proceeds from the IPO	RM8,893,008

Further details on the IPO are set out in Section 3 of this Prospectus.

2.3 Proposed Utilisation of Proceeds

Purpose	RM'000	Estimated time frame for utilisation from the date of receipt of the proceeds
Repayment of bank borrowings	5,000	Within 2 months
Estimated listing expenses	2,000	Within 3 months
General working capital	1,893	Within 2 months
Total	8,893	

Further details on the above are set out in Section 3.9 of this Prospectus.

2.4 Outline Of Risk Factors

The risk factors of our business, our Shares and other risks for investors' consideration are outlined below.

2.4.1 Risk Relating to Our Business

- (i) Inherent Business Risks
- (ii) Political, Economic and Regulatory Conditions
- (iii) Competition from Other Players
- (iv) Threat of Substitutes and Competing Products
- (v) Technological Obsolescence or Adverse Health Development
- (vi) Dependence on Suppliers and Supply of Raw Materials
- (vii) Increase in Prices of Raw Materials
- (viii) Dependency on Key Management
- (ix) Disruptions to Production and Operations
- (x) Brand Names
- (xi) Availability of Funds for Working Capital
- (xii) No Long Term Contracts
- (xiii) Recoverability of Debts
- (xiv) Stock Management
- (xv) Insurance Coverage Risk
- (xvi) Foreign Exchange Risk

2.4.2 Risk Relating to Our Shares

- (i) No Prior Public Trading Market for our Shares
- (ii) Potential Volatility of Market Price for our Shares
- (iii) Control by Promoters
- (iv) Delay or Failure in our Listing
- (v) Financial Risks on Restrictive Covenants

2.0 INFORMATION SUMMARY (Continued)**2.4.3 Other Risks**

- (i) Forward Looking Statements
- (ii) Potential Variation to our Profit Forecasts

Please refer to Section 4 for further details on the risk factors outlined above.

2.5 Financial Highlights**2.5.1 Summary of Proforma Consolidated Income Statements**

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 structure has been in existence throughout the financial years / periods under review.

	<-----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

^ *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.

For further details on the above, please refer to Section 11.1.1 of this Prospectus.

2.0 INFORMATION SUMMARY (Continued)**2.5.2 Summary Proforma Consolidated Balance Sheet / 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.

	Superlon	Proforma Group as at 30 November 2006	
	As at 30 November 2006 RM'000	Proforma I After Acquisition of SWSB RM'000	Proforma II After I, IPO and proposed utilisation of proceeds of 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	-	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

For further details on the above please refer to Section 11.1.2 of this Prospectus.

2.0 INFORMATION SUMMARY (Continued)**2.5.3 Proforma Consolidated Cash Flow Statements**

Our proforma consolidated cash flow statements for the 7 month FPE 30 November 2005 and 2006 as set out below is provided for illustrative purpose only on the assumption that our Group has been in existence throughout the periods under review.

7-month FPE 30 November	<--Proforma Group-->	
	2005 RM'000	2006 RM'000
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
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)
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
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)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
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

2.0 INFORMATION SUMMARY (Continued)

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

Detailed information on proforma consolidated cash flow statements is set out in Section 11.1.3 of this Prospectus.

2.6 Profit and Dividend Forecasts**2.6.1 Summary of Profit Forecasts**

	Notes	<----- Forecasts ----->		
		FPE 30 April 2007*	FYE 30 April 2007**	FYE 30 April 2008
		RM'000	RM'000	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		<u>6,861</u>	<u>6,861</u>	<u>8,088</u>
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.

2.0 INFORMATION SUMMARY (Continued)

Notes (Continued):

- (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.

Detailed information on our consolidated forecasts PAT is set out in Section 11.3.1 of this Prospectus.

2.6.2 Dividend Forecasts

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%
<i>(based on the IPO Price of RM0.72 per IPO Share)</i>	
Net dividend cover (times)	*3.43
<i>(based on the consolidated PAT forecasted for the FYE 30 April 2007 of RM6.861 million)</i>	

* 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.

Detailed information on our dividend forecasts is set out in Section 11.3.4 of this Prospectus.

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3.0 DETAILS OF THE IPO

3.1 Introduction

This Prospectus is dated 9 April 2007.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus together with the application forms has also been lodged with the ROC, and neither the SC nor the ROC takes any responsibility for its contents.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities which are required to be deposited into the CDS. Consequently, the IPO Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the aforesaid SICDA and the Rules of Bursa Depository. No share certificates will be issued to successful applicants.

An application for the Listing shall be made to Bursa Securities within three (3) Market Days from the date of this Prospectus failing which any allotment made of our Shares pursuant to acceptance of Application shall be void and we shall repay without interest all monies received from such Application.

The allotment of our Shares pursuant to acceptance of Application will also be conditional upon permission for Listing being granted by Bursa Securities within six (6) weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC provided that we are notified by or on behalf of Bursa Securities within the aforesaid time frame. Accordingly, monies paid in respect of any Application received will be returned in full, without interest if the said permission for Listing is not granted.

Further, pursuant to the Listing Requirements, we need at least 25% of our total issued and paid-up share capital for which listing is sought, to be held by a minimum number of 1,000 public shareholders with each holding not less than 100 of our Shares upon completion of the IPO and prior to our admission to the Official List of the Second Board of Bursa Securities. In the event that the above requirement is not met pursuant to the completion of the IPO, we may not be allowed to proceed with the Listing. In such an event, we will return in full, without interest, monies paid in respect of all Application.

In the event any monies repayable as mentioned above are not repaid within fourteen (14) days after we are liable to repay such monies, the provision of sub-section 52(2) of the SC Act shall apply accordingly.

Our Shares will be admitted to the Official List of the Second Board of Bursa Securities and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and an undertaking from the issuing house has been issued that the notices of allotment have been dispatched to all successful applicants.

You must have a CDS account when applying for the IPO Shares. In the case of an Application by way of Application Form, you should state your CDS account number in the space provided in the Application Form. In the case of an Application by way of Electronic Share Application, you can make an Electronic Share Application only if you are an individual who has a CDS account and you shall furnish your CDS account number to the Participating Financial Institutions' ATM screen. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

3.0 DETAILS OF THE IPO (Continued)

3.2 Opening and Closing Dates of Application

The indicative timing of events leading up to the listing of and quotation for our entire enlarged issued and paid-up share capital of RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Securities is set out below:-

EVENTS	DATE
Opening date of the Initial Public Offering	10.00 am, 9 April 2007
Closing date of the Initial Public Offering	5.00 pm, 16 April 2007*
Tentative balloting date	18 April 2007*
Tentative allotment / transfer date	20 April 2007*
Tentative Listing date	26 April 2007*

Note:-

* **THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGE(S) WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION PERIOD FOR THE INITIAL PUBLIC OFFERING WILL CLOSE AT THE TIME AND DATE STATED ABOVE OR SUCH LATER DATE OR DATES AS OUR DIRECTORS AND MANAGING UNDERWRITER MAY, IN THEIR ABSOLUTE DISCRETION MUTUALLY DECIDE. SHOULD THE CLOSING DATE OF THE APPLICATION PERIOD BE EXTENDED, THE DATES FOR THE BALLOTING, ALLOTMENT / TRANSFER OF THE IPO SHARES AND LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL ON THE SECOND BOARD OF BURSA SECURITIES MIGHT BE EXTENDED ACCORDINGLY.**

ANY CHANGES TO THE CLOSING DATE OF THE APPLICATION PERIOD FOR THE INITIAL PUBLIC OFFERING WILL BE PUBLISHED IN A WIDELY CIRCULATED ENGLISH AND BAHASA MALAYSIA DAILY NEWSPAPER WITHIN MALAYSIA.

3.3 Purposes of the IPO

The purposes of the IPO are as follows:-

- (i) to provide an opportunity for the Malaysian investing community, including the Malaysian public, our eligible Directors, employees and business associates who have contributed to the success of our Group, to participate in our equity and future performance;
- (ii) to achieve listing status for our Company and enhance the liquidity of our Shares which should also enhance our ability to access the Malaysian capital markets to tap external sources of equity funding;
- (iii) to strengthen our financial position and competitive standing by way of raising funds from the capital markets to support our future growth and expansion plans whilst providing the Offerors, who have contributed to the success of our Group, the ability to realise a portion of their investments pursuant to the Offer for Sale; and
- (iv) to further enhance our profile locally and to some extent internationally.

3.0 DETAILS OF IPO (Continued)**3.4 Number and Class of Securities**

As at the Latest Practicable Date, there is only one (1) type and class of equity securities applicable for our Company namely, ordinary shares of par value RM0.50 each further details of which are set out below:-

As at Latest Practicable Date	Total Number of Shares	Total Nominal / Par Amount RM
Authorised share capital	200,000,000	100,000,000
Issued and fully paid-up share capital	67,648,600	33,824,300
To be issued pursuant to the Public Issue	12,351,400	6,175,700
Enlarged issued and paid-up share capital	80,000,000	40,000,000
To be offered pursuant to the Offer for Sale	1,000,000	500,000

All our Shares (including the Offer Shares) rank *pari passu* with one another. The Public Issue Shares will rank *pari passu* in all respects with our existing issued and paid-up Shares including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment of the Public Issue Shares.

Subject to any special rights attaching to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends or other distributions and the whole of any surplus in the event of our liquidation, in accordance with our Articles of Association.

At our general meeting, every shareholder shall be entitled to vote in person or by proxy or by attorney or by other authorised representative. On a show of hands, every person who are present as a shareholder or representative or proxy or attorney of a shareholder or other authorised representative shall have one (1) vote. In the case of a poll every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be our member.

3.5 Total Market Capitalisation Upon Listing

Total enlarged number of issued and paid-up Shares after IPO	80,000,000
IPO Price	RM0.72
Total market capitalisation upon listing based on IPO Price	RM57,600,000

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3.0 DETAILS OF IPO (Continued)

3.6 Further Details of the IPO

The IPO is subject to the terms and conditions of this Prospectus and will entail the following offerings:-

(i) Public Issue

Public issue of 12,351,400 new Shares at an issue price of RM0.72 per Share payable in full on application comprising:-

- (a) 6,000,000 of the Public Issue Shares representing 7.50% of our enlarged issued and paid-up share capital after the IPO available for application by the Malaysian public, via balloting, of which at least 30% is to be set aside to the extent possible for Bumiputera individuals, companies, co-operatives, societies and institutions;
- (b) 3,351,400 of the Public Issue Shares representing approximately 4.19% of our enlarged issued and paid-up share capital after the IPO available for application by our eligible Directors, employees and business associates; and
- (c) 3,000,000 of the Public Issue Shares representing 3.75% of our enlarged issued and paid-up share capital after the IPO available for placement to identified investors of which at least 30% is to be set aside to the extent possible for Bumiputera individuals, companies, co-operatives, societies and institutions.

(ii) Offer for Sale

Offer for sale by the Offerors of 1,000,000 Offer Shares representing 1.25% of our enlarged issued and paid-up share capital after the IPO at an offer price of RM0.72 per Share payable in full on application to identified investors by way of placement of which at least 30% is to be set aside to the extent possible for Bumiputera individuals, companies, co-operatives, societies and institutions.

The 6,000,000 and 3,351,400 Public Issue Shares under Sections 3.6(i)(a) and 3.6(i)(b) above have been fully underwritten by the Underwriters.

In the event any of the 6,000,000 Public Issue Shares under Section 3.6(i)(a) above are not subscribed for, such number of unsubscribed Public Issue Shares shall be made available by way of private placement to identified investors, and should there be any further Public Issue Shares not subscribed for, such number of Public Issue Shares shall be taken up by the Underwriters in accordance with the terms and conditions of the Underwriting Agreement.

In the event any of the 3,351,400 Public Issue Shares under Section 3.6(i)(b) above are not subscribed for initially, such number of unsubscribed Public Issue Share shall first be made available for subscription by our eligible Directors, employees and business associates who apply for excess Public Issue Shares on top of their pre-determined allocation (under the Pink Form Allocation) on a proportionate basis (subject to rounding of odd lots if required). In the event there are Public Issue Shares not subscribed for after the said re-allocation, such number of Public Issue Shares shall be made available by way of private placement to identified investors, and should there be any further Public Issue Shares not subscribed for, it will then be made available for application by the Malaysian public. In the event there are still Public Issue Shares not subscribed for thereafter, the balance Public Issue Shares shall be taken up by the Underwriters in accordance with the terms and conditions of the Underwriting Agreement.

The salient terms of the Underwriting Agreement are set out in Section 3.11 of this Prospectus and further details on the brokerage, underwriting commission and placement fees relating to the IPO are set out in Section 3.10 of this Prospectus.

The 3,000,000 Public Issue Shares under Section 3.6(i)(c) above together with the 1,000,000 Offer Shares under Section 3.6(ii) above, which are not underwritten by the Underwriters would be subscribed for and / or taken-up by the respective identified places pursuant to their written irrevocable undertakings.

3.0 DETAILS OF IPO (Continued)**3.7 Further Details on the Pink Form Allocation**

- (i) As determined by our Directors, a total of 128,000 Public Issue Shares under Pink Form Allocation has been allocated to be offered to our eligible Directors details of which are set out below:-

Name of Director	Designation	No. of Shares allocated
Lai Keng Choe	Executive Director	68,000
Lim E @ Lim Hoon Nam	Independent Non-Executive Director	30,000
Freddie Chew Sun Ghee	Independent Non-Executive Director	30,000

- (ii) As determined by our Directors, a total of 1,800,000 Public Issue Shares under Pink Form Allocation has been allocated to be offered to our eligible employees based on the following criteria to be applicable as at 28 February 2007:-

- (a) Minimum allocation of 100 Shares each;
- (b) Malaysian citizen and foreign citizen residing in Malaysia with a Malaysian correspondence address (who have attained 18 years of age);
- (c) Designation/level and length of service with us; and
- (d) He/She must be a confirmed full-time staff.

Based on the above criteria, a total of 66 of our employees are eligible for a total allocation of up to 1,800,000 Public Issue Shares.

- (iii) As determined by our Directors, the remaining balance of 1,423,400 of the Public Issue Shares under Pink Form Allocation have been allocated to be offered to our business associates who have contributed to the success of our Group comprising our customers, suppliers and other business associates based on the following criteria to be applicable as at 28 February 2007 (where relevant):-

- (a) Number of years of business relationship;
- (b) Volume or value of transactions;
- (c) Past as well as potential future contribution to the performance of our Group;
- (d) Malaysian citizen and foreign citizen residing in Malaysia with a Malaysian correspondence address (who have attained 18 years of age) for individuals or a Malaysian or foreign incorporated company or enterprise (where applicable) with a Malaysian correspondence address; and
- (e) satisfactory payment records or credit period given.

Based on the above criteria, a total of 160 of our customers, suppliers and business associates are eligible for a total allocation of up to 1,423,400 Public Issue Shares.

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3.0 DETAILS OF IPO (Continued)

3.8 Basis of Arriving at the IPO Price

The IPO Price of RM0.72 per Public Issue Share / Offer Share was determined and agreed upon by us and MIMB as our Adviser, Managing Underwriter, Underwriter and Lead Placement Agent, based on several factors including the following:-

- (i) our proforma consolidated NTA per share of approximately RM0.56 as at 30 November 2006 based on our proforma consolidated NTA as at 30 November 2006 of approximately RM44.424 million and enlarged issued and paid-up share capital upon listing of 80,000,000 Shares as disclosed in Section 11.1.2 of this Prospectus;
- (ii) the forecast net PE Multiple of approximately 8.4 times based on the IPO Price of RM0.72 per share and our forecast net EPS of approximately 8.6 sen for the FYE 30 April 2007 which was derived based on our consolidated forecast PAT for the FYE 30 April 2007 of approximately RM6.861 million divided by our enlarged issued and paid-up share capital upon listing of 80,000,000 Shares as disclosed in Section 11.3.1 of this Prospectus;
- (iii) the forecast net PE Multiple of approximately 7.1 times based on the IPO Price of RM0.72 per share and our forecast net EPS of approximately 10.1 sen for the FYE 30 April 2008 which was derived based on our consolidated forecast PAT for the FYE 30 April 2008 of approximately RM8.088 million divided by our enlarged issued and paid-up share capital upon listing of 80,000,000 Shares as disclosed in Section 11.3.1 of this Prospectus;
- (iv) the future prospects and outlook of the industry in which we operate as disclosed in Section 5.7 of this Prospectus which appears to be favourable;
- (v) our future prospects as disclosed in Section 6.11 of this Prospectus which appears to be favourable;
- (vi) our anticipated proposed gross dividend yield of approximately 3.5% for the FYE 30 April 2007 as disclosed in Section 11.3.4 of this Prospectus; and
- (vii) the general prevailing market conditions of Bursa Securities as represented by the Kuala Lumpur Composite Index which does not appear to be reflecting a material prevailing weak sentiment based on its closing at 1,130.9 points on the Latest Practicable Date and after considering its March 2006 monthly level of 926.6 points.

Notwithstanding the above, you should also note that the market price of our Shares upon listing would be subject to the vagaries of market forces and other uncertainties which may affect the price of our Shares being traded. Accordingly you should form your own views on the valuation of the IPO Shares before deciding to invest in them. Further details on the risk factors on our Shares are set out in Section 4.2 of this Prospectus.

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3.0 DETAILS OF IPO (Continued)**3.9 Proposed Utilisation of Proceeds**

We expect to raise a total gross proceeds of RM8,893,008 from the Public Issue based on the IPO Price which is expected to be utilised in the following manner:-

Purpose	Notes	RM'000	Estimated time frame for utilisation from the date of receipt of the proceeds
Repayment of bank borrowings	(i)	5,000	Within 2 months
Estimated listing expenses	(ii)	2,000	Within 3 months
General working capital	(iii)	1,893	Within 2 months
Total		8,893	

In the event there is a revision to the estimated listing expenses, the proceeds to be utilised for general working capital will be adjusted accordingly.

Notes:-**(i) Repayment of bank borrowings**

We propose to allocate part of the proceeds to repay our bank borrowings as follows:-

Name of Lender	Type, purpose and terms of facility	Total amount drawn as at Latest Practicable Date RM'000	Outstanding amount as at Latest Practicable Date RM'000	Amount to be repaid from gross proceeds RM'000
CIMB	Term loan for the purchase of industrial land and factory building. Rate: cost of fund ("COF") +1.0% per annum. Tenure: 10 years payable in 120 monthly instalments	7,632	7,025	5,000

The repayment of the above bank borrowings, on the assumption that the applicable COF is 4.5% per annum as at Latest Practicable Date, is expected to result in a total interest cost savings of approximately RM1.72 million to our Group (over the existing tenure of 10 years) with the tenure reduced from the current 10 to 3 years. The said proforma impact has been reflected, where applicable, in our consolidated profit forecasts as set out in Section 11.3.1 of this Prospectus.

(ii) Estimated Listing expenses

	RM
Professional advisory fees	900,000
Fees payable to authorities	110,000
Printing, promotion and advertising charges	450,000
Underwriting, placement and brokerage fees and commission	270,000
Contingencies	270,000
	<u>2,000,000</u>

The payment for the above estimated listing expenses will reduce our share premium account and the proforma impact has been reflected, where applicable, in our proforma consolidated balance sheet as set out in Section 11.1.2 of this Prospectus.

3.0 DETAILS OF IPO (Continued)

(iii) General working capital

An amount of approximately RM1.893 million of the gross proceeds raised will be allocated for our working capital requirements to finance the day-to-day operations of our Group such as payments to suppliers for purchase of inventories or payment for operating expenses which is not expected to result in a material financial impact to our Group. Nonetheless, the said proforma impact has been reflected, where applicable, in our consolidated profit forecasts as set out in Section 11.3.1 of this Prospectus.

3.10 Brokerage, Underwriting Commission and Placement Fees

Brokerage at the rate of 1% of the IPO Price of RM0.72 per Share in respect of successful applications bearing the stamps of either MIMB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House relating to all the Public Issue Shares successfully applied by the Malaysian Public shall be borne by us.

The Underwriters have agreed to underwrite 6,000,000 of the Public Issue Shares available for application by the Malaysian Public and 3,351,400 Public Issue Shares available for subscription by our eligible Directors, employees and business associates.

The underwriting commission relating to the total 9,351,400 Public Issue Shares are payable by us at the rate of 2% of the IPO Price of RM0.72 per Share for the Public Issue Shares underwritten, equivalent to an underwriting commission payable of RM134,660.

Placement fees in respect of the 3,000,000 Public Issue Shares available for application by way of placement to identified investors are payable by us to the Placement Agents at a rate of 2% of the IPO Price of RM0.72 per Share. The placement fees with regards to the 1,000,000 Offer Shares available for application by way of placement to identified investors shall be payable by the Offerors to the Placement Agents at a rate of 2% of the IPO Price of RM0.72 per Share.

3.11 Salient Terms of the Underwriting Agreement

We have entered into the Underwriting Agreement dated 28 February 2007 with MIMB and Kenanga to underwrite the underwritten Shares as mentioned in Section 3.10 of this Prospectus. The following are some of the Clauses reproduced from the Underwriting Agreement which set out the salient terms of the said Underwriting Agreement. In this Section 3.11, the capitalised terms and numbering references used shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement :-

- “2 **AGREEMENT TO UNDERWRITE**
- 2.1 *In consideration of the Underwriting Commission payment to be made by the Company (as illustrated in schedule 1), the Underwriters hereby agree to severally but not jointly act as the Underwriters to underwrite the proportions of the Underwritten Shares as set out in Schedule 1.*
- 2.2 *Relying on the representations, warranties and undertakings made by the Company as set out in Clause 3, the Underwriters agree to underwrite the Underwritten Shares upon the terms and conditions hereinafter contained.*

3.0 DETAILS OF IPO (Continued)

- 2.3 *The obligations of the Underwriters under this Agreement are conditional, as from the date hereof upon:-*
- 2.3.1 *there having been on or prior to the Closing Date, neither any adverse change nor any development reasonably likely, in the opinion of the Underwriters, to result in any adverse change in the condition (financial or otherwise) of the Group, taken as a whole, and which is material in the context of the Public Issue Shares and Offer for Sale Shares from that set forth in the Prospectus, nor the occurrence of any event or the discovery of any facts which makes, in the opinion of the Underwriters, any of the representations, warranties and undertakings by the Company in Clause 3 untrue, incorrect and/or become breached in any material respect;*
- 2.3.2 *the delivery to the Underwriters prior to the date of the registration of the Prospectus with the SC of :-*
- 2.3.2.1 *a certified true copy by an authorized officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue Shares and authorizing the execution of this Agreement and the issuance of the Prospectus;*
- 2.3.2.2 *a certificate signed by a duly authorized officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.3.1 hereof.*
- 2.3.3 *the delivery to the Underwriters on the Closing Date of such reports and confirmations from the board of directors of the Company as the Underwriters may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will materially and adversely affect the performance or financial position of the Company;*
- 2.3.4 *the Underwriters having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 16.3;*
- 2.3.5 *the Public Issue Shares and Offer for Sale Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;*
- 2.3.6 *the Underwriters having been reasonably satisfied that the Company has complied and that the Public Issue Shares and Offer for Sale Shares are in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;*
- 2.3.7 *the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the Securities Commission Act 1993 of Malaysia in relation to the Public Issue Shares and Offer for Sale Shares and the lodgment of the Prospectus with the Companies Commission of Malaysia;*
- 2.3.8 *Bursa Securities having agreed in principle to the listing of and quotation for the entire enlarged issued and paid-up capital of the Company on the Second Board of Bursa Securities, which agreement in principle is unconditional or subject to such conditions that are reasonably acceptable to the Underwriters;*

3.0 DETAILS OF IPO (Continued)

- 2.3.9 *the Underwriters being reasonably satisfied that listing and quotation of the entire enlarged issued and paid-up capital of the Company on the Second Board of Bursa Securities will be granted five (5) clear Market Days or such other period as may be determined by Bursa Securities after the Underwritten Shares have been issued or transferred to entitled holders;*
- 2.3.10 *the offering of the Public Issue Shares and Offer for Sale Shares having been approved by the SC and/or any other relevant authorities (if required);*
- 2.3.11 *irrevocable and unconditional letters of undertaking duly executed by the investors referred to under Item (c) of the Schedule 1 and 4th column of Schedule 2 hereto in a form acceptable to the Underwriters before the issuance of the Prospectus;*
- 2.3.12 *the consolidated profit forecasts of the Company for the financial years ending 30 April 2007 and 30 April 2008 to be disclosed in the Prospectus shall not be less than approximately RM6.855 million and shall be subjected to satisfactory review by the Managing Underwriter; and*
- 2.3.13 *all the ordinary shares of RM0.50 each in the Company ("Shares" or "Superlon Shares") as specified under Item (c) of Schedule 1 (3,000,000 Shares) and 4th column of Schedule 2 (1,000,000 Shares) amounting to a total of 4,000,000 Shares to be issued /offered by way of private placement to identified investors shall be fully subscribed and paid for on or before the Closing Date.*
- 2.4 *If any of the conditions set out in Clause 2.3 is not satisfied by the Closing Date, the Underwriters shall thereupon be entitled to terminate this Agreement by giving a written notice to the Company and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 16.3 incurred prior to or in connection with such termination there shall be no further claims by the Underwriters against the Company, and the Parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriters may at its discretion waive compliance with any of the provisions of Clause 2.3.*

3 REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

- 3.1 *As a condition of the agreement by the Underwriters to underwrite the Underwritten Shares and in consideration thereof, the Company represents, warrants and undertakes to the best of its knowledge and belief (made after due and careful enquiry) to the Underwriters that:-*
- 3.1.1 *the Prospectus shall be in form and substance satisfactory and acceptable to the SC and other relevant authorities (if required) and will contain all information which is material in the context of the Public Issue Shares and Offer for Sale Shares, such information to be contained in the Prospectus will be true, complete and accurate in all material respect and the Prospectus will not omit to state any material fact required or necessary to be stated therein with regard to the Public Issue Shares and Offer for Sale Shares and in light of the circumstances under which they are made, not misleading in any respect and that the Directors have made enquiries to ascertain all facts material for the Prospectus and have verified the completeness and accuracy of all such information and that no material facts have been omitted therein;*
- 3.1.2 *the Public Issue Shares and Offer for Sale Shares:-*
- (a) *do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, the Memorandum and Articles of Association of the Company and/or its subsidiary or any existing law, regulation or listing requirements applying to or affecting the Company and/or its subsidiary; and*

3.0 DETAILS OF IPO (Continued)

- (b) *do not and will not infringe the terms of, or constitute a default under, any law, judgment, order, licence, permit, consent, trust deed, agreement or other instrument or obligations to which the Company and/or its subsidiary is a party or by which it or any part of its undertaking, assets, property or revenues is bound or affected;*
- 3.1.3 *neither the Company nor its subsidiary are involved in, nor is there pending or threatened against it, or any of them, any litigation, winding-up or arbitration proceedings which has a material adverse effect on the financial condition, earnings, affairs or business prospects of the Group;*
- 3.1.4 *no circumstances or situations have arisen which is or are likely to materially and adversely affect the financial condition or business of the Group or the success of the IPO and that no information has been withheld from the Underwriters which may in any way affect their decision to underwrite the Underwritten Shares;*
- 3.1.5 *each of the Company and its subsidiary will carry on and operate its business and affairs with due diligence and efficiency and in accordance with sound financial and commercial standards and practices and, except as disclosed in the Prospectus or as disclosed in writing to the Underwriters, the Company and/or its subsidiary has not entered into any contract or commitment of an unusual or onerous nature, which, in the context of the IPO, might be material for disclosure;*
- 3.1.6 *that all necessary consents, approvals, authorizations or other orders of all regulatory authorities required for or in connection with the execution of this Agreement and the issue of the Public Issue Shares and transfer or offer of the Offer for Sale Shares and any other matters contemplated hereby have been or will be unconditionally obtained, or, if granted subject to conditions, such conditions being fulfilled to the reasonable satisfaction of the Underwriters, and are or will be in full force and effect;*
- 3.1.7 *that all information supplied or to be supplied to the Underwriters for the purpose of or in connection with the Public Issue Shares and Offer for Sale Shares is true, complete and accurate in all material respects and where such information related to opinions or expectations, the basis of such opinions, expectations or intention (including any profit or other forecast) are considered by the Directors of the Company based on relevant considerations and acts then made;*
- 3.1.8 *the Public Issue Shares and Offer for Sale Shares and the execution and delivery by the Company of the Prospectus and this Agreement and the performance of the obligations to be assumed hereunder by the Company have been duly authorized by all necessary corporate action of the Company (where relevant), including but not limited to approval of the shareholders of the Company in a general meeting so that upon due execution, will constitute valid, binding and enforceable obligations of the Company, in accordance with their respective terms;*
- 3.1.9 *each of the Company and its subsidiary is a company duly incorporated under the laws of its place of incorporation and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on business and is not in liquidation and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager or judicial manager of the Company or its subsidiary or of any of its assets or undertakings;*

3.0 DETAILS OF IPO (Continued)

- 3.1.10 *the accounts have been prepared in accordance with the law and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and the Group as a whole for the financial years ended 30 April 2006 and as at 30 November 2006 as the case may be, and (so far as are material for disclosure for the purposes of the accounts) have made adequate provision for appropriate disclosures for all known material liabilities whether actual or contingent, as at such date and have complied in all material respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since 30th November, 2006 there has been no material adverse change in the financial position of the Company, its subsidiary or the Group taken as a whole, save as may be disclosed in the Prospectus, any public announcement or publicly available document or disclosed to the Underwriters prior to the date of this Agreement;*
- 3.1.11 *all forecasts, expressions of opinion, intention and expectation which have been or will be disclosed in writing to the Underwriters in connection with the Public Issue Shares and Offer for Sale Shares are, or will when given be, fair and truly and honestly held by the Directors of the Company after due and careful consideration;*
- 3.1.12 *other than indebtedness contested in good faith by the Group as disclosed in the Prospectus, no outstanding indebtedness of the Group has become payable by reason of default by the Group and no event has occurred or is, as far as the Group is aware, impending which with the lapse of time or the fulfillment of any condition of the giving of notice may result in any such indebtedness becoming so payable;*
- 3.1.13 *unless disclosed in the Prospectus and/or to the Underwriters, all taxes (whether income tax, property tax or otherwise) of the Group or all taxes which are material in the context of the IPO, for which it is liable or which ought to have been paid have been fully paid or adequately provided for; all the returns, and/or notices of information which are made or given by it for taxation are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant and appropriate authorities and there are no present circumstances (of which the Group is or ought reasonably to be aware) which are likely to give rise to any such dispute;*
- 3.1.14 *the records, statutory books and books of accounts of the Group are duly entered upon and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and all records and documents (including documents of title) which are their respective property are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the Companies Commission of Malaysia or such other applicable authority have been duly and correctly delivered or made;*
- 3.1.15 *all the assets of the Group which are of an insurable nature have at all material times been and are at the date hereof adequately insured against fire and other risks normally insured against by companies carrying on similar businesses or owing property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party;*
- 3.2 *The Company covenants and undertakes with the Underwriters to do the following:-*
- 3.2.1 *to pay all and any stamp and other documentary taxes or duties, including any interest and penalties resulting from delay or omission on the part of the Company, payable on, or in connection with, the creation, issue and distribution of the Public Issue Shares or the execution of this Agreement;*

3.0 DETAILS OF IPO (Continued)

- 3.2.2 *to comply with all terms and conditions contained in the approval-in-principal of Bursa Securities for admission of the Company to the Official List of the Bursa Securities and for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of the Bursa Securities and shall comply with all requirements and provisions of the Companies Act, 1965, Securities Commission Act, 1993 and other applicable legislation, the Listing Requirements of the Bursa Securities and the requirements of all other relevant authorities (where relevant);*
- 3.2.3 *to comply with all the conditions, if any, imposed by the SC, Bursa Securities and any other authorities for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of the Bursa Securities;*
- 3.2.4 *to promptly and without any delay whatsoever notify the Underwriters of any facts, information, situations or circumstances which the Company believes may materially and adversely affect the success of the IPO in particular and without prejudice to the generality of the foregoing representations, warranties or agreements at any time prior to the Closing Date take such steps as may be reasonably requested by the Underwriters to remedy the same;*
- 3.2.5 *to give to the Underwriters any or all information which the Underwriters may reasonably require in respect of the accounts or affairs of the Group or in connection with the Public Issue Shares or the other proposals contained in the Prospectus;*
- 3.2.6 *to fix the Closing Date together with the Managing Underwriter;*
- 3.2.7 *to do all other things and sign or execute such documents as may be reasonably required in order to complete the IPO.*
- 3.3 *The commitment of the Underwriters to underwrite the Underwritten Shares is made on the basis of the representations, warranties and undertakings of the Company in this Clause 3 and with the intention that such representations, warranties and undertakings shall remain true and accurate in all material respects up to and including the Listing Date. In consideration of such commitment to underwrite, the Company undertakes with the Underwriters that it shall:-*
- 3.3.1 *hold and keep the Underwriters fully and effectively indemnified and harmless against any damages, losses, liabilities, costs, claims, charges, expenses, actions or demands (including but not limited to all costs, charges and expenses, including legal fees, paid or incurred in disputing or defending any such claim or action) which the Underwriters may incur as a result of any misrepresentations, warranties or undertakings or any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to issue and deliver to the Underwriters or Bursa Depository for the credit of the CDS account of the Underwriters, the certificates or notices of allotment in respect of the Underwritten Shares allotted to the Underwriters and to advise and/or inform of a material change or termination of any of such representations, warranties or undertakings prior to the Closing Date pursuant to Clause 3.3.2 below;*
- 3.3.2 *at any time prior to the Closing Date, forthwith notify the Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect in any material respect any of its representations, warranties or undertakings but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;*
- 3.3.3 *if this Agreement is terminated by the Underwriters in accordance with the provisions of Clause 5 and/or 14, indemnify the Underwriters against any damages, losses, liabilities, costs, claims, charges, expenses, actions or demands which it may sustain or incur as a result of such termination; and*

3.0 DETAILS OF IPO (Continued)

- 3.3.4 *not publish any amendment or supplement to the Prospectus of which the Underwriters have not previously been advised or to which the Underwriters or its legal advisers shall reasonably object.*
- 3.4 *If any action, proceeding, claim or demand shall be brought or asserted against the Underwriters in respect of which indemnity be sought from the Company, the Underwriters shall notify the Company in writing, and the Company shall assume the defence thereof, including the employment of legal advisers selected by the Company with the prior approval of the Underwriters subject to the payment by the Company of all fees and expenses of such employment. The Underwriters shall have the right to participate in the defence of such action, proceeding, claim or demand on behalf of the Underwriters but the fees and expenses of such legal adviser shall be borne by the Company.*
- 3.5 *Before the Closing Date, the Company shall at the request of the Underwriters furnish or deliver to the Underwriters all information and documents which the Underwriters may reasonably request for the purpose of verifying the truth, completeness or accuracy of the representations, warranties and undertakings contained herein.*
- 3.6 *The Company undertakes and agrees not to cause, and to use its best endeavours not to permit, any Specified Event to occur before the Closing Date. If any Specified Event shall occur or come to the knowledge of the Company, the Company shall forthwith give notice to the Underwriters of the same.*
- 3.7 *The said representations, warranties and undertakings to the Underwriters shall be deemed to be repeated on and as of the Listing Date and shall continue in full force and effect notwithstanding completion of the subscription and issue or transfer of the Public Issue Shares and Offer for Sale Shares or any investigation by or on behalf of the Underwriters.*

5 TERMINATION BY THE UNDERWRITERS IN THE EVENT OF ANY ADVERSE CHANGES AND CONSEQUENCE THEREOF

- 5.1 *Notwithstanding anything herein contained the Underwriters may at any time before the Closing Date terminate their obligations under this Agreement if in their reasonable opinion there shall have been such a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates as would in their reasonable opinion prejudice materially the success of the offering of the Public Issue Shares and Offer for Sale Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) and thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 16.3 hereof incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.*

11. UNDERWRITING COMMISSION

- 11.1 *The Underwriters shall be entitled to receive an underwriting commission of 2.0% of the Issue Price per Underwritten Share multiplied by the number of the Underwritten Shares underwritten by them respectively as illustrated in Schedule 1.*

14. EVENTS OF TERMINATION

- 14.1 *Notwithstanding anything herein contained, any one of the Underwriters may by notice in writing to the Company given at any time before the Listing Date terminate and cancel and withdraw its commitment and obligations to underwrite the Underwritten Shares under this Agreement, if in the reasonable opinion of any one of the Underwriters, there shall have occurred, happened or come into effect, any of the following circumstances:*

3.0 DETAILS OF IPO (Continued)

- 14.1.1 *there is any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 or of any of the Company's obligations under this Agreement, which, if capable of remedy, is not remedied within such reasonable number of days as stipulated in the notice given to the Company in respect of such breach; or*
- 14.1.2 *there is withholding from the Underwriters of information of a material nature which is required or ought to be disclosed pursuant to the underwriting commitment under this Agreement, which in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business, financial condition or operations of the Group, the success of the IPO, or the distribution or sale of the Public Issue Shares and Offer for Sale Shares; or*
- 14.1.3 *the Composite Index of Bursa Securities is at less than One Thousand (1,000) points; or*
- 14.1.4 *there shall have occurred, happened or come into effect any material change (prospective or otherwise) development or event in:-*
- (a) *national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-Bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*
- (b) *any relevant law, regulation, directive, policy or ruling in any jurisdiction; or*
- (c) *any other event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*
- which, would have or can reasonably be expected to have, a material adverse effect on the business, financial condition or the operations of the Group, the success of the IPO, or the listing, quotation, distribution or sale of the Public Issue Shares and Offer for Sale Shares, or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.*
- 14.2 *In the event that the permission of Bursa Securities to deal in and for quotation of the entire enlarged issued and paid-up capital of the Company on the Second Board is not obtained or withdrawn for any reason whatsoever within one (1) month after the Unsubscribed Underwritten Shares have been allotted, the Underwriters shall be entitled to terminate this Agreement by notice in writing ("Demand Notice") to the Company. The Company shall within two (2) Market Days from its receipt of the Demand Notice, do the following:-*
- 14.2.1 *pay, if it has yet to be paid, the Underwriting Commission to the Underwriters less any amount set-off by the Underwriters pursuant to Clause 8.1;*
- 14.2.2 *pay all relevant costs and expenses referred to in Clause 16.3;*
- 14.2.3 *compensate the Underwriters for their "total funding cost" for their underwriting commitment exposure which shall be calculated based on the respective Underwriters' relevant cost of funds at the rate of up to 4.0% per annum on the amount equal to their underwriting commitment under this Agreement for the period commencing from the date of this Agreement up to the date on which the Underwriters receives such compensation; and*

3.0 DETAILS OF IPO (Continued)

- 14.2.4 *return the total payment consideration for those Unsubscribed Underwritten Shares for which applications and remittance was made by or on behalf of the Underwriters pursuant to the Underwriting Notice, following which the Underwriters shall cause the transfer of the Unsubscribed Underwritten Shares to the CDS Accounts of persons to be nominated by the Company.*
- 14.3 *The Company may elect to, in lieu of the Underwriters causing the transfer of the Unsubscribed Underwritten Shares to the CDS Accounts of persons to be nominated by the Company pursuant to Clause 14.2.4, instead undertake to carry out a capital reduction exercise within 9 months of the Closing Date. Upon such election, the Company shall undertake to pay the monies referred to in Clause 14.2.4 to the Underwriters prior to the commencement of such capital reduction exercise.*
- 14.4 *Upon such notice(s) being given under Clauses 14.1 and 14.2, the Underwriters shall be released and discharged of its obligations without prejudice to its accrued rights and remedies, whereupon this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of any antecedent breach and its obligations under Clauses 3.3.1, 3.3.2, 3.3.3, 3.3.4, 3.4 and for costs and expenses pursuant to Clause 16.3 that have been incurred up to the date on which such notice is given.”*

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3.0 DETAILS OF IPO (Continued)**3.12 Moratorium on the Sale of Superlon Shares**

Under the SC Guidelines and as a condition of SC's approval for the Listing Scheme, our Promoters/shareholders mentioned below will not be allowed to sell, transfer or assign their respective shareholdings in our Company as shown below, amounting to a total of 45% of our entire enlarged issued and paid-up share capital for one (1) year from the date of our admission to the Official List of the Second Board of Bursa Securities. Such restriction on sale, transfer or assignment shall cease to apply upon expiry of one (1) year after the date of our admission to the Official List of the Second Board of Bursa Securities.

Our Promoters/shareholders who are subject to the moratorium conditions are as follows:-

Promoters/Shareholders	No. of Shares held after IPO*	% of our enlarged issued and paid-up share capital	No. of Shares placed under moratorium	% of our enlarged issued and paid-up 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

* Please refer to Section 8.1.1 for further details on the movements of shareholdings.

The restriction, which has been fully accepted by the aforesaid Promoters/shareholders, is specifically endorsed on the share certificates and notices representing their respective shareholdings of the aforesaid Promoters/shareholders which are under moratorium requirements. This is to ensure that our share registrar does not register any transfer which is not in compliance with the restriction imposed by the SC. The remarks endorsed on the share certificates are as follows:-

“The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission (“the Moratorium Period”). The shares comprised herein will not constitute good delivery pursuant to the Rules of the Bursa Malaysia Securities Berhad during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction.”

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4.0 RISK FACTORS

Before investing in our IPO Shares, you should pay particular attention to the fact that we, our business and our Shares are subject to a number of risk factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with other matters in this Prospectus, the risk and investment considerations described below. The risk and investment considerations set out below are not an exhaustive list of the challenges that we currently face or that may develop in the future. Additional risks whether known or unknown, may in the future have a material adverse effect on us or our Shares.

4.1 Risk Relating to Our Business**4.1.1 Inherent Business Risks**

Our Group is exposed to the risks inherent in the thermal insulation industry, which includes, inter-alia, adverse political, economic and regulatory conditions, possibility of rising raw material prices and other costs and labour costs, unavailability of raw materials, unavailability of funds for working capital, technological or product obsolescent, adverse health and environmental factors, continuity of business relationships, disruptions in productions and operations, recoverability of debts and inventories, economic downturn of industry and/ or markets, adverse foreign currency exchange movements and threats of substitutes or competing products.

Although we seek to limit these risks by, inter-alia, having regular business, management and employees' meetings, undertaking effective human resource management, inventory and debt collection management, effective cost control policy, R&D and QC activities, marketing and procurement activities and entering into forward currency arrangements, no assurance can be given that any change in these factors will not have a material adverse impact on our Group after the Listing.

4.1.2 Political, Economic and Regulatory Conditions

Any change in the political, economic and/or regulatory conditions in the countries where our Group operates and sell our products including, among others, war such as occurring in the Middle East in countries such as Iraq from which we have in the past sold some products, expropriation, nationalisation, changes in political leadership, foreign exchange rates, changes in interest rates and taxation rules which are beyond our control, could materially and adversely affect our business and future financial prospects and position.

However, we seek to limit these risks through deriving our revenues from about 56 countries around the world with our largest three markets based on sales for the FYE 30 April 2006 being Malaysia, India and South Korea, countries that are relatively stable politically and economically. In addition, as we have long been in business in some of our key markets and established relationships with various foreign and local distributors, we have accumulated sufficient local knowledge and contacts in some of our major foreign markets which potentially enable us to better react to adverse changes in political, economic and/or regulatory conditions in such countries.

4.1.3 Competition from Other Players

Primarily, we manufacture and distribute NBR thermal insulation products mainly for the HVAC&R markets and other sectors in Malaysia and foreign countries. As highlighted in Sections 5.3.2.1 and 5.3.2.2 of this Prospectus, competition for our products in these markets comes mainly from other NBR thermal insulation producers and producers of other thermal insulation materials. In addition, competition may also arise from new entrants producing NBR or other thermal insulation materials. As disclosed in the aforementioned sections, there are a number of NBR thermal insulation manufacturers and distributors operating in Malaysia and around the world.

4.0 RISK FACTORS *(Continued)*

Although we may appear relatively small to the other bigger foreign NBR thermal insulation manufacturers operating around the world, we have been identified as the leading producer of NBR thermal insulation materials for the HVAC&R systems for buildings in Malaysia where we are estimated to control approximately 45% to 50% of the market share in year 2006 (*source: IMR Report*). Further, as highlighted in Section 6.3.4 of this Prospectus, our Group has a wide customer base and is considered as one of our Group's strength (as per Section 6.9(vii)) and we have established a steady and long-term relationship with most of our customers, many of whom are repeat customers. Additionally, the threats of new entrants or foreign competition especially for the NBR thermal insulation industry in Malaysia is minimal as competitors from non-Asean member countries would face import duties on their products and as the Malaysian market is dominated by only two (2) major players i.e. our Group and Insulflex where the combined estimated market share is about 80 to 90 percent of the market in year 2006 thus making other players not keen to enter or play a bigger role in Malaysia. Further, in order to enter the NBR thermal insulation market, new entrants would face high capital investments to set up the manufacturing plant to produce NBR thermal insulation products and would need the technology know how to undertake the manufacturing process.

Nevertheless, as highlighted in Section 6 of this Prospectus, to further enhance our Group's competitiveness in the global market, we continuously undertake marketing, R&D and QC activities to enhance our brand name, the quality of our products and identifying methods to further reduce our cost of production and enhance and enlarge the application for our products. These may also enhance our Group's profitability in the future.

4.1.4 Threat of Substitutes and Competing Products

As highlighted in Sections 5.2 and 5.3.2.1 of this Prospectus, competition for our products in the markets which we operate comes from, among others, other NBR thermal insulation producers and producers of other thermal insulation materials. As disclosed in aforementioned sections, there are a number of substitute and / or competing thermal insulation materials available in our principal markets of Malaysia and India and around the world. As a result, our business faces risk of competition from these other thermal insulation products as the competition may adversely impact our business profitability and prospect.

However, given the specifications and the wider applications of NBR thermal insulation products and the comparative advantages and disadvantages of NBR thermal insulation materials as compared against other substitute or competing thermal insulation materials available in our markets, we believe competition from these other thermal insulation materials are manageable and thus there are potential avenues for NBR thermal insulation materials to grow and gain further market acceptance and penetration. Further, as highlighted in Section 6 of this Prospectus, to further enhance our Group's competitiveness, we continuously undertake marketing, R&D and QC activities to enhance our brand name, the quality of our products and identifying methods to further reduce our cost of production and enhance and enlarged the application for our products.

4.1.5 Technological Obsolescence or Adverse Health Development

Any adverse regulatory or technology obsolescence implications or health or environmental factors arising from the usage of NBR thermal insulation materials or the creation of other better thermal insulation materials may dampen the demand for NBR thermal insulation materials and in turn our Group's future profits.

In order to mitigate the above, our Group would, together with the continuous undertaking of R&D and QC activities, further increase penetration of our products into other market segments or industry such as the automotive, mining or building insulation industry or usage in sports equipment and automotive parts by introducing or developing a wider product range to enhance the range of industry or market applications for our products. In addition, we may also consider venturing into other markets, such as other foreign countries we are currently not involved in and further increase our market share in foreign countries where we see growth potential as detailed in our future plans set out in Section 6.10.

4.0 RISK FACTORS *(Continued)*

4.1.6 Dependence on Suppliers and Supply of Raw Materials

As highlighted in Sections 6.4.6 and 5.6 of this Prospectus, the major raw materials used by our manufacturing process are sourced both locally and abroad and most of our raw materials are manufactured overseas. Further our supply orders are based on purchase orders and not long term supply contracts. Although we do not foresee any difficulty in the procurement of raw materials, no assurance can be given that we can continue to source our raw materials from our current sources and/or at competitive prices.

However, the above risk is to some extent mitigated as for each input material, we source our supplies from a number and varied base of suppliers and that there is no over-dependence on any single supplier or groups of suppliers. Further, we have established a steady and long-term relationship with a number of our suppliers and in any event there are other alternative suppliers around the world whom we may source our supply requirements. The number of suppliers competing in the industry has also discouraged us from entering into long-term contracts with our suppliers as it enables us to preserve the price competitiveness and to take advantage of the competition among the suppliers of our raw materials thus ensuring our Group of a constant supply of raw materials, which in turn result in minimal disruption to our operations.

4.1.7 Increase in Prices of Raw Materials

As highlighted in Section 6.4.6 of this Prospectus, the raw materials component of our NBR thermal insulation materials may be volatile and NBR raw material may be subject to the movements in crude oil prices (as per Section 5.3.2). As a result, our profitability may be subject to the volatility of such prices especially if we are unable to pass such price increases to our customers.

However, our Board believes any price movement effect is expected to be manageable, as we may, as in the past, pass on some of the input price increase to our customers thus preserving our margins. Further, our business is also diversified as we also trade in HVAC&R parts and equipments which are based on cost plus basis and we have started to undertake the supply of other foam based insulation materials (Please refer to Section 6.2.1). These other business or activity would to some extent minimise the adverse impact (if any) arising from the rise in raw material prices for our core manufacturing activity of producing NBR thermal insulation materials.

4.1.8 Dependency on Key Management

We believe that our continued success will depend, to a significant extent, upon the abilities and continued efforts of our existing Directors, senior management and skilled personnel. Furthermore, our Group's future success also depends on our ability to continually attract and retain key personnel which is essential towards providing the required support function for the successful operations of our Group.

We have made continuous efforts to groom the younger members of the senior management to slowly take over from the senior members to ensure a smooth transition in the management team should changes occur and to maintain our Group's continued ability to compete in the thermal insulation industry. Our Group also has a large number of long serving employees and enjoy a low turnover of skilled personnel. We believe that by our Listing, we will be able to further attract and retain suitably qualified personnel to play an active role in the growth of our Group.

However, there can be no assurance that the aforementioned measures or characteristics of our business will be able to counter the risks of loss of our key employees and skilled personnel and our business dependence on them.

4.0 RISK FACTORS *(Continued)*

4.1.9 Disruptions to Production and Operations

Our Group's manufacturing business division is dependent on the uptime of our manufacturing lines. Hence, there is a risk that there might be disruptions to our manufacturing activities as a result of power failure or machine or system breakdown, which would affect the performance of our Group's manufacturing division and ability to meet orders and demand. Our Group mitigates this risk through regular review of our processes to ensure that any possible disruptions are reasonably pre-empted or quickly rectified. We have not experienced any major manufacturing disruption for the past years and will continue to undertake preventive measures such as regular maintenance of machine and equipments.

4.1.10 Brand Names

As we depend, to some extent, on market's acceptance and recognition of the majority of our NBR thermal insulation materials through our brand names or trade marks such as "Superlon" (please refer to Section 6.5.1 for details on trademarks), any products not just NBR thermal insulation products, bearing the same or similar brand name or trade mark in countries which we operate or otherwise may create confusion or may have an adverse impact on market's acceptance and recognition for our products in the event these other products carrying the same or similar brand name or trade mark are of bad or low quality. As disclosed in Section 10, one of our previous director namely Liu-Man Tien is a director and shareholder of Superlon Insulation Materials (Kunshan) Co Ltd which is involved in similar activities as our Group and is using the brand name "Superlon" (in both Chinese characters and its English translation) in China.

However, our Board is of the opinion that the aforementioned risks is mitigated by the fact that we have registered our key brand name or trade mark namely "Superlon" in Malaysia and we have submitted and plan to submit further application for registration of this brand name or our other key brand name in our other key markets in which we operate thus minimising the potential of other similar or competing products using similar brand names in our key markets.

4.1.11 Availability of Funds for Working Capital

As in any business, sufficient working capital requirement is crucial in the sustainability of our business and to ensure adequate capital to fund future growth in our business. In the event our Group face difficulty in sourcing funds for working capital, our business and profitability may be adversely affected.

Nonetheless, given our Group's prudent liquidity risk management policy by maintaining adequate cash and reasonable working capital cycle, the aforementioned risk is fairly mitigated. In addition, we also periodically evaluate our cash flow requirements and where deemed necessary, based on estimates of future needs, establishes credit lines with licensed financial institutions in Malaysia. Further, our Board is of the opinion that, after taking into consideration the expected proceeds from the Public Issue and our available banking facilities and our gearing position at present and pursuant to the IPO, we have adequate liquidity and capital resources for our present requirements and the requirements for the next twelve (12) months following the date hereof.

4.1.12 No Long Term Contracts

At present, our Group's historical and expected revenue base is not captive to a single customer or group of customers or industry and our Group do not have any long-term contracts with our customers as most of our sales are based on purchase orders. As such, there is no assurance that our Group will be able to maintain our large customer base and / or expected revenues or profits in the future.

However, our Board do not foresee the above as a material risk as we have established a steady and long-term relationship with most of our customers, many of whom are repeat customers thus mitigating the aforementioned risk. Further, our Group's wide customer base is considered as one of our Group's strength and competitive advantages.

4.0 RISK FACTORS *(Continued)*

4.1.13 Recoverability of Debts

As in most businesses, trade debtors are granted credit terms in which to pay the amount owing to us. As such the potential default by our trade debtors may materially impact the financial position of our Group.

We have not in the past five (5) years written off any significant sum for bad debts and trade debts are usually collected. In addition, we realise the importance of credit control and are continuously monitoring the outstanding trade debts of our Group and will undertake relevant measures to ensure that these debts are maintained at a manageable level at all times. As at the Latest Practicable Date, there is no material amount outstanding from any trade debtors that has exceeded a period of six (6) months.

4.1.14 Stock Management

Our Group maintains a sufficient level of inventory holding for finished goods NBR thermal insulation materials, raw materials for our NBR thermal insulation materials and stocks for our HVAC&R parts and equipment in order to be able to give prompt delivery to our customers. However, our stock may be subject to theft or damage.

Our Board opines that the risk above is minimal as our stock turnover period or holding period is very short as highlighted in Section 11.2.3 and we have adequate security measures to prevent any theft of our stocks including security sentry and gated premises. In addition, our stocks in trade are also covered by fire and burglary insurances.

4.1.15 Insurance Coverage Risk

Our Board believes that our production facilities, buildings, plant and machinery as well as stocks located within our factories are adequately insured against unforeseen events such as burglary and fire and allied perils such as riot, strike, malicious damage, flooding and storm. We are aware of the consequences arising from inadequate insurance coverage that could have an adverse impact on our business operations. In ensuring such risks are maintained at a minimum, our Group regularly reviews and ensures adequate insurance coverage for our assets.

Although we have taken the necessary measures to ensure that our assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of all assets of our Group.

4.1.16 Foreign Exchange Risk

Presently some of our Group's sales and purchases are transacted based on prices quoted in foreign currencies. Accordingly, our Group is exposed to the risk of foreign exchange rates fluctuations.

However, our Board is of the view that the above risk would not materially impact our business or profitability on the basis that whilst we import most of our raw materials and trading stocks inputs, we also export most of our products overseas thus creating a natural hedge situation. Notwithstanding this, as a mitigating factor, we have used and plan to continue to use forward contracts to mitigate the risk of foreign exchange rates fluctuations working against us. However, there can be no assurance that any future significant fluctuations in foreign exchange rates will not have any impact on future revenue and profits of our Group.

4.0 RISK FACTORS *(Continued)*

4.2 Risk Relating to Our Shares**4.2.1 No Prior Public Trading Market for our Shares**

Prior to this IPO, there has been no public market for our Shares within or outside Malaysia. In addition, pursuant to this IPO, our Shares are intended to be listed on the Second Board of Bursa Securities which is a public trading market place which may be deemed to be able to enhance the liquidity for the trading of our Shares in the event our Shares are eventually listed thereon.

In this regard, potential investors should note that there can be no assurance as to the liquidity of any market that may develop for our Shares and that an active market for our Shares will develop upon our intended listing or, if developed, that such market can be sustained. This in turn may adversely affect such investors' ability as potential holders of our Shares to sell our Shares openly in the market or to sell our Shares at prices at which such investor, as a holder of our Shares would wish to sell pursuant to our intended listing.

4.2.2 Potential Volatility of Market Price for our Shares

As disclosed in Section 3.8 of this Prospectus, the IPO Price for our Shares has been determined after taking into consideration a number of factors, including but not limited to, our proforma consolidated NTA, our forecast EPS and net PE Multiple, the prospects of the industry in which we operate, the prospects of our Group, our forecast gross dividend yield and the general prevailing market conditions.

However you should note that there can be no assurance that the price at which our Shares will trade on the Second Board of Bursa Securities upon or subsequent to our listing will correspond to the IPO Price as the market prices of our Shares could be materially and adversely affected by, amongst others, the following factors:-

- (i) the Malaysian and global general market, political and economic conditions;
- (ii) changes in our earnings estimates or forecast and recommendations on our Shares by financial analysts;
- (iii) changes in market valuations of listed shares in general and shares of other listed companies involved in similar businesses to that of our Group in particular;
- (iv) changes in government policy, legislation or regulation in countries which are our products' existing or potential markets; and
- (v) general operational and business risks relating to us and our business.

In addition, many of the other risk factors described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Further, you should also be aware that the Malaysian and global equity markets have in the past experienced price and volume volatility that has affected share prices of many companies and that these fluctuations have at times been unrelated to the operating performance of those companies. These fluctuations may also adversely affect the market price of our Shares.

4.2.3 Control by Promoters

As disclosed in Section 8.1.1 of this Prospectus, our Promoters will collectively hold a total of approximately 52.01% of our enlarged issued and paid-up share capital after the IPO. As a result, our Promoters may be able to, directly or indirectly, jointly or severally, by virtue of their large shareholdings and/or directorships in our Company, exercise control over our Company, our business direction and the outcome of certain matters which may not be in line with the wish or desire of other shareholders and may adversely affect the rights or investment prospect of other shareholders with lesser amount of shareholdings.

4.0 RISK FACTORS *(Continued)*

However the above risk may be mitigated with the formation of our Audit Committee which comprises (and must be comprised at all times) a majority of Independent Directors which should enhance and promote transparency and good corporate governance in all material transactions and our accountability, thereby protecting the interest of all of our shareholders. Details on the terms of reference of our Audit Committee may be referred to in Section 8.2.4 of this Prospectus. Further, pursuant to the Listing Requirements which we are required to comply with pursuant to our Listing, interested Directors or substantial shareholders of our Group would be required to abstain from voting in respect of their directorship (if applicable) and direct or indirect shareholdings in our Company for the purpose of deliberating or deciding upon a related party transaction in which such interested Director or substantial shareholder has an interest. Further details on related party transactions may be referred to in Section 10 of this Prospectus.

4.2.4 Delay or Failure in our Listing

The occurrence of certain events, including but not limited to the following, may cause a delay or failure in our Listing:-

- (i) inability to meet the public spread requirements of the Listing Requirements as highlighted in Section 3.1 of this Prospectus upon Listing; and
- (iii) the Underwriters exercising their rights to discharge themselves from their obligations set out under the Underwriting Agreement the salient terms of which are disclosed in Section 3.11 of this Prospectus.

In the event our admission to the Official List or commencement of trading of our Shares on the Second Board of Bursa Securities do not occur and if the IPO Shares have already been allocated to investors' CDS accounts which would usually occur at least two (2) clear Market Days prior to the anticipated date for our Listing, investors may not be able to recover monies paid in respect of these IPO Shares from us or there may be significant delay in recovering such monies. For IPO Shares following their allotment, a return of monies to all holders of such allotted Shares could be achieved by way of cancellation of capital pursuant to the relevant provisions of the Act and the rules made pursuant thereto which would require the sanction of our shareholders by way of special resolution in general meeting and confirmation by the High Court of Malaya. As such there can be no assurance that monies can be recovered within a short period of time or at all in such circumstances.

4.2.5 Financial Risks on Restrictive Covenants

Pursuant to the credit facility agreements entered or as may be entered into by our Group with banks or financiers, we are or may be bound by certain positive and negative covenants which, although are or may be commonly contained in credit facility agreements in Malaysia, may limit our operating flexibility. Any act or omission by our Group falling within the ambit or scope of such covenants will require the consent of the relevant bank or financier and any breach of such covenants may give rise to a right by the bank or financier to terminate our relevant credit facility and/or enforce upon such security pledged in relation to that credit facility. Our Board is aware of such covenants and shall take all precautions necessary to prevent any such breach.

4.0 RISK FACTORS *(Continued)*

4.3 Other Risks**4.3.1 Forward Looking Statements**

This Prospectus includes forward looking statements. All statements other than statements of historical facts included in this Prospectus including, without limitation, those regarding our financial performance and position, business strategies, plans and objectives of our Management for future operations, are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward looking statements can be identified by the use of forward looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward looking statements may include, without limitation, statements relating to:-

- (i) demand for our products;
- (ii) our business strategies;
- (iii) plans and objectives of our Management for future operations;
- (iv) our financial position and performance;
- (v) our future earnings, cash flows and liquidity; and
- (vi) the estimated future growth and prospect of our industry and markets.

Investors should note that our actual results may differ materially from information contained in such forward looking statements as a result of a number of factors beyond our control, including without limitation:-

- (i) the economic, political and investment environment in Malaysia and globally; and
- (ii) the policy, legislation or regulation of the government which countries are our markets for our products.

Accordingly, we cannot give any assurance that forward looking statements made in this Prospectus will be realised. Such forward looking statements are made only as at the Latest Practicable Date.

4.3.2 Potential Variation to our Profit Forecasts

Our consolidated forecasts PAT for the FYE 30 April 2007 and 2008 are set out in Section 11.3.1 of this Prospectus and was estimated based on assumptions made by our Directors and is presented on a basis consistent with the accounting policies adopted by us that are subject to uncertainties and contingencies. Our Directors have considered the assumptions used in the preparation of the profit forecasts or statement of expectations to be reasonable. Because of the inherent uncertainties of forecasts/expectations and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit forecasts contained and expectations stated herein will be realised and actual results may be materially different from those shown or expected. You are advised to read and understand the descriptions of the assumptions and uncertainties underlying the forecasts contained or expectations stated herein.

5.0 INDUSTRY OVERVIEW

The following industry overview are based on our Directors' understanding of the business and industry in which our Group operates within and after considering and summarising or extracting certain information from the IMR Report. Such information is not intended to be exhaustive but reflect some of the factors that are considered relevant to the understanding of our business and industry in which we operate in, based on the prevailing regulations, economic trends and developments. In addition, in view of the wide application of thermal insulation materials and the many thermal insulation materials available in various countries as mentioned below and considering the wide geographical market coverage of our main business activity of manufacturing NBR thermal insulation materials with our principal markets being Malaysia and India as highlighted in Section 6.3.1, the industry overview set forth below covers a global perspective of the thermal insulation industry with a closer look at Malaysia and India in terms of market share of NBR thermal insulation materials.

5.1 Overview of Thermal Insulation Materials for the HVAC&R Industry and Other Sectors

Thermal insulation materials are used primarily to insulate another material (or surface) to prevent or significantly reduce the thermal energy (heat) flow to preserve either hot or cold temperatures within the insulated material thus enabling energy and cost savings.

In addition, as thermal insulation is provided by covering the materials or surfaces required to be insulated with the thermal insulation materials chosen, depending on the type of insulation materials used and its application purpose, thermal insulation materials are also used to provide other secondary insulation purposes such as the following:-

- (i) to prevent condensation or frost formation on cooling systems and chilled water and refrigeration lines and thermal bridging;
- (ii) acoustic, noise and vibration insulation;
- (iii) shock absorption or as a cushioning material against physical or mechanical impact;
- (iv) to conserve energy and costs and as a safety precautionary measure against unwanted accidents or damage;
- (v) protects items insulated from other environmental hazards such as salt water, sunlight or sunrays (UV attacks), oil and chemicals, dusts, settlement and growth of viruses, bacteria, moulds and fungi;
- (vi) to withstand extremely high or low temperatures;
- (vii) to provide fire resistance and a low smoke and toxic emissions in the event of fire;
- (viii) to provide an aesthetic finishing look and to provide insulation without allergy or other harmful medical effects especially if used outdoors and subject to public viewing and contact; and
- (ix) protects pipes from corrosion in the oil and gas and petrochemical industry.

Not all types of insulation materials can provide all of the above functions as it depends on the inherent nature or characteristics of the material whether it is suitable or not and whether such suitable material had underwent certain processes which would enhance its nature or characteristics and / or provide the material with such functions or ability required.

The critical success factors of an insulation material would be whether it can meet the primary objectives of its application whilst also provide secondary objectives of insulation and other factors such as its durability (i.e. long lasting and can withstand various physical wear and tear without need to replace constantly), time and cost factor (i.e. cheap and ease of installation).

5.0 INDUSTRY OVERVIEW (Continued)

The HVAC&R market or industry is the sector which consumes the most thermal insulation materials in terms of quantity and may be segmented in the following manner:-

Category or type of user	Purpose
OEMs	Air conditioner and refrigerator manufacturers use thermal insulation materials as input materials or parts in the manufacturing of their HVAC&R products of air conditioner and refrigerator.
Residential properties	Residential properties are applied with thermal insulation materials to insulate the HVAC&R systems relating to household air conditioners and refrigerators.
Commercial and Industrial properties	Commercial and industrial buildings or premises are applied with thermal insulation materials to insulate the HVAC&R systems of such premises.
Others	Include thermal insulation for HVAC&R systems (where applicable) to preserve environment and products for other sectors such as motor vehicles, train, aircrafts and shipping vessels and oil and gas and petrochemicals.

HVAC&R systems relates to the system which preserves the environment or a material or product within a contained space or vessel such as the environment within buildings and preserving product or material such as hot or cold water and liquids. At present, the numerous applications for thermal insulation worldwide for the HVAC&R systems include the following:-

General thermal insulation application areas for HVAC&R systems	Specific industry / areas applied
Hot and cold water services	<ul style="list-style-type: none"> ➤ to insulate the network of pipe works and other vessels for hot and cold water plumbing systems of buildings, homes or other property such as shopping complexes, hotels, airports, up market condominiums or service apartments, hospitals, offices, train stations, residential properties, shipyards, indoor stadium, exhibition halls, ships and factories especially in countries with winter weather.
Chilled water/ refrigerant lines	<ul style="list-style-type: none"> ➤ to insulate the network of chilled water pipes, tanks and other vessels such as joints, tees, elbows and crosses in manufacturing processes with chilled or cooling liquid or gas lines such as manufacturing of food, organic and inorganic products, pharmaceuticals, plastics, petrochemicals and rubber.
Heating systems	<ul style="list-style-type: none"> ➤ to insulate the network of air-ducts, relating pipe works and other vessels for the heating systems of the central and/ or integrated heating systems of buildings or other property such as shopping complexes, hotels, airports, up market condominiums or service apartments, hospitals, offices, train stations, shipyards, indoor stadium, exhibition halls, ships and factories which are located in countries with winter weather. ➤ to insulate the heating systems of heat related manufacturing processes such as for boilers and tanks, and the network of pipe works.
Air conditioning and ventilation ductwork	<ul style="list-style-type: none"> ➤ to insulate the network of air-ducts, relating pipe works and other vessels for the ventilation and air-conditioning systems of the central and/ or integrated ventilation and air-conditioning systems of buildings or other property which controls the ambient and climate (temperature, humidity, air-flow and air filtering) within buildings or other premises for the purposes of maintaining a suitable environment within the buildings or premises such as shopping complexes, hotels, airports, up market condominiums or service apartments, hospitals, offices, gold mines, train stations, shipyards, ships, indoor stadium, exhibition halls, power plant and factories. ➤ insulating the relating pipe works and other ancillary equipments of household and vehicle air-conditioning units.
Refrigeration pipe work and ancillary equipment	<ul style="list-style-type: none"> ➤ insulating the relating pipe works and other ancillary equipments of industrial refrigeration systems such as for manufacturing or production of liquid oxygen, nitrogen and other gases and frozen foods such as frozen meats, vegetable and bread. ➤ insulating the relating pipe works and other ancillary equipments of commercial, household or domestic refrigeration units such as meat freezers of supermarkets, cold rooms for storing food and cooling drinks on ships and household refrigerators.

5.0 INDUSTRY OVERVIEW (Continued)

In addition, the numerous applications for thermal insulation worldwide for the other non HVAC&R markets or industry at present, include the following:-

Other non HVAC&R application areas	Specific industry / areas applied
Process work for under corrosion insulation protection	➤ to insulate the network of process pipe works, fittings and vessels such as pipes, tanks, joints, tees, elbows, flanges, valves and crosses of various processes of processing related industries that are exposed to corrosion risk such as oil and gas, gas reticulation, marine, onshore and offshore heavy engineering, petrochemicals, palm oil refining and other related industries.
Property and buildings	➤ for building insulation such as under decking of floors and walls and roofs to prevent cavity floors and to provide vibration, noise and heat insulation for mostly commercial or industrial buildings such as factories and offices.
Motor vehicles, heavy automation, engines and other automated or mechanical process	➤ to insulate specific areas of motor vehicles, heavy automation, marine and offshore surfaces such as under bonnets of motor vehicles, factory or vehicle engine component lining, engine room of ships and oil production platforms for vibration, noise and heat insulation and cushioning purposes.
Electrical components	➤ to insulate specific areas of electronic components and items such as processing chips or computer drives for vibration, noise and heat insulation and cushioning purposes.
Furniture	➤ to insulate specific areas of furniture for vibration insulation and cushioning purposes such as for beds, chairs, tables and cabinets.
Sports equipment	➤ to insulate specific areas of sports equipment for cushioning purposes such as exercise mats and sports equipment grips and handles.
Telecommunication systems	➤ to insulate the electric trace heating of satellite transmission systems such as television and radio communication networks to reduce weather-related downtime on dish antennae and improve data traffic.
UV protection	➤ to insulate against extreme sunlight or UV rays such as solar systems panels and for space stations.

However, it is generally accepted that the widest application for thermal insulation materials is for the HVAC&R systems of residential, commercial and industrial buildings whether for new or replacement application.

In addition, although certain thermal insulation practices for certain items such as for insulating the air-ducts of commercial buildings like hotels is standard practice from one country to another, the extent of application of thermal insulation materials in other application areas in any given country would vary depending on the level of each country's industrial practices in terms of its standards and expectations and technology application involved and the country's expectations and standards on environmental, health or safety awareness in the work place. As such thermal insulation application in more developed countries such as Europe, USA, Japan and Korea would be wider and with more depth as compared to less developed countries such as Malaysia and India. As an example, in these developed countries thermal insulation for commercial buildings are not only used mainly for HVAC&R systems but also for insulation of the floors, walls and ceilings of roofs while in less developed country such as Malaysia and India focus would be more on the HVAC&R systems of buildings which control the climate and temperature within buildings which would require the use of thermal insulation materials in the ducting, piping, etc of such HVAC&R systems for the purposes of maintaining a suitable environment within the building.

5.0 INDUSTRY OVERVIEW (Continued)

5.2 Competing and Substitute Products for Thermal Insulation for the HVAC&R Industry

Forces of globalization and advances in technologies have offered heterogeneous selections of thermal insulation materials available for use in the HVAC&R market. Depending on the consideration of 'application-specific' circumstances and contextualization issues with regards to eco-social issues, pricing and penetration of new innovations into the market, each country has different demands of the different insulation materials available.

Thermal insulation materials can be grouped into 3 generic categories – rubber based insulation materials, plastic based insulation materials and woven insulation materials. Within these respective categories, numerous types of products are made available within both the local and international market. However, from the various insulation materials used in the HVAC&R market, the most commonly used can be identified as follows:-

←-----Broad Types of Insulation Material-----→		
Rubber based	Plastic based	Woven based
EPDM (Ethylene-propylene)	PE (Polyethylene)	Fibre Glass
NBR (Nitrile Butadiene-Acrylonitrile)	PU (Polyurethane)	
CR (Neoprene)	XLPE (Cross-linked polyethylene)	

Each of the aforementioned thermal insulation products are available in the form of sheets, rolls or tubing to be used in the insulation of pipes, ducts, tanks and other vessels of the HVAC&R system. The determination on which of the four insulation materials mentioned afore to be used for the thermal insulation in the HVAC&R system is based on application-specific circumstances.

Tabulated below are the definitions of the insulation materials most predominantly used in the Malaysian and Indian HVAC&R market along with the explanation of its respective properties, the advantages and disadvantages of the respective materials and the suitability of application of the various materials to the various sub-sectors of HVAC&R market and other insulation application markets:-

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5.0 INDUSTRY OVERVIEW *(Continued)*

Name	Definition	Properties	Advantages	Disadvantages	HVAC&R and other non HVAC&R application suitability
XLPE	<ul style="list-style-type: none"> - XLPE is polyethylene (PE) which has undergone a molecular structure change - The result is a thermo set polymer with improved properties 	<ul style="list-style-type: none"> - Mechanical stability at elevated temperatures - Chemical and environmental stress-crack resistance - Lightweight thermal insulation 	<ul style="list-style-type: none"> - Dense and light material - Good environmental stress cracking resistance (EXCR) - Excellent deformation, abrasion, and flame resistance 	<ul style="list-style-type: none"> - Poor fire resistance unless flame retardants are added 	<ul style="list-style-type: none"> - Hot and cold water services - Chilled water lines - Air conditioning and ventilation ductwork - Refrigeration pipe work and ancillary equipment - Electrical components - Furniture - Sports equipment
Fibre glass	<ul style="list-style-type: none"> - A material consisting of extremely fine glass fibres - Open cell structure 	<ul style="list-style-type: none"> - Strong, durable, and impervious to many caustics and to extreme temperatures - High water absorption and vapor permeability 	<ul style="list-style-type: none"> - Light - Prices are relatively cheap - Numerous users/installers are familiar with working with fibre glass and may prefer to do so 	<ul style="list-style-type: none"> - Slightly more difficult to install and leaves debris as required to be punctured - Users/installers will experience itchy skin as fibres may make small cuts on the skin - There is an inhalation problem as the fibres may be inhaled into the user/installers respiratory system - May trigger reactions in chemically sensitive users/installers as it is produced using phenol formaldehyde as a binder to hold the fibres 	<ul style="list-style-type: none"> - Heating systems - Air conditioning and ventilation ductwork - Property and buildings - Hot and cold water services - Chilled water lines
NBR	<ul style="list-style-type: none"> - A form of synthetic rubber or artificially-made polymer material - Synthetic rubber serves as a substitute for natural rubber 	<ul style="list-style-type: none"> - Low water absorption and water vapour permeability - Natural skin outside to prevent water vapour penetration 	<ul style="list-style-type: none"> - Smooth and long-lasting external skin for resisting dirt and moisture therefore less potential for fungal growth - Tough external – resistant to tears - Does not need additional moisture vapor barrier or liner on the top as closed cell structure will not absorb moisture - Surface is easy to clean - Rigidity enhances thermal insulating capability under compression forces - More durable than fibre glass - Higher tolerance of abrasion in comparison to XLPE - Good fire resistance - Good oil and chemical resistance 	<ul style="list-style-type: none"> - Some hazardous gasses may be emitted when burnt 	<ul style="list-style-type: none"> - Hot and cold water services - Chilled water lines - Heating systems - Air conditioning and ventilation ductwork - Refrigeration pipe work and ancillary equipment - Process work (It is the most common polymer for products that are in contact with oil and fuel for under insulation protection for oil and gas and petrochemical sector) - Property and buildings - Motor vehicles - Electrical components - Furniture - Sports equipment - Telecommunication systems

5.0 INDUSTRY OVERVIEW (Continued)

In addition, within the various types of insulation materials above, there exist various types and grades for the purpose of application for specific circumstances and also for some specific application circumstances, an insulation material may be required to be applied, together with another material to achieve the desired insulation result. For example, within NBR thermal insulation materials, there exists Class 1 and Class O rating, with Class O being a higher grade of NBR thermal insulation materials in terms of fire rating which are sometimes requested as a requirement for commercial buildings or for the insulation of off-shore oil transmission pipelines, NBR thermal insulation materials would require Polymer sheeting as an additional skin cover to the NBR thermal insulation material.

5.3 Demand / Supply Conditions for NBR Thermal Insulation Materials**5.3.1 Demand Conditions**

In general, the demand for NBR thermal insulation products is not directly seasonal or cyclical in nature. However, in temperate climate countries such as in Europe, North America, North East Asia and Australia and New Zealand, demand is greater during the hot season as more air conditioning is required. The determination on which of the four insulation materials mentioned afore to be used for the thermal insulation in the HVAC&R system or otherwise is based on application-specific circumstances on whether the materials are suitable or not.

In the event there are more than one material suitable for the same application, then the determination depends on the field service application provider or contractors who are usually technical based professionals such as the mechanical and engineering contractors or building contractors or architects or designers, air-conditioner installers or service contractors and other relevant professional or industry users who would again assess in more detail the suitability of application for each of the material available. After further assessing the type to be used, the cost including ease of application and time taken to install and quality of the various producers of the chosen type of material would be the deciding factor.

5.3.1.1 Factors Affecting Demand

The forces driving the demand for NBR thermal insulation materials would include, inter-alia, investments in items or materials requiring thermal insulation materials, increase applications for NBR thermal insulation materials by substituting items insulated by other materials with NBR or insulating items with NBR which was not previously insulated as a result of increase understanding of the energy, safety, health and cost saving effects of insulation and replacing existing or old NBR insulation materials that has lost its insulating effects with new NBR thermal insulation materials.

As NBR thermal insulation is applied in a diverse range of industries and application and also a diverse range of geographical location and markets, the demand for NBR thermal insulation materials is not solely dependent on any particular industry or application or economic environment in a specific geographical location or market.

With this view, the rise in demand for the NBR thermal insulation products is correlated to or may be reflected by the outlook or growth of the following:-

- (i) the construction sector which would exert a positive drive to the HVAC&R market by increasing the use for HVAC&R systems to be installed in the construction of residential, commercial and industrial buildings and/ or the use of thermal insulation for the walls, floors or roofs, thus requiring thermal insulation materials;
- (ii) the manufacturing sector which utilises thermal insulation materials such as manufacturing or production of liquid oxygen, nitrogen and other gases and frozen foods such as frozen meats, vegetable and bread and other similar industries;

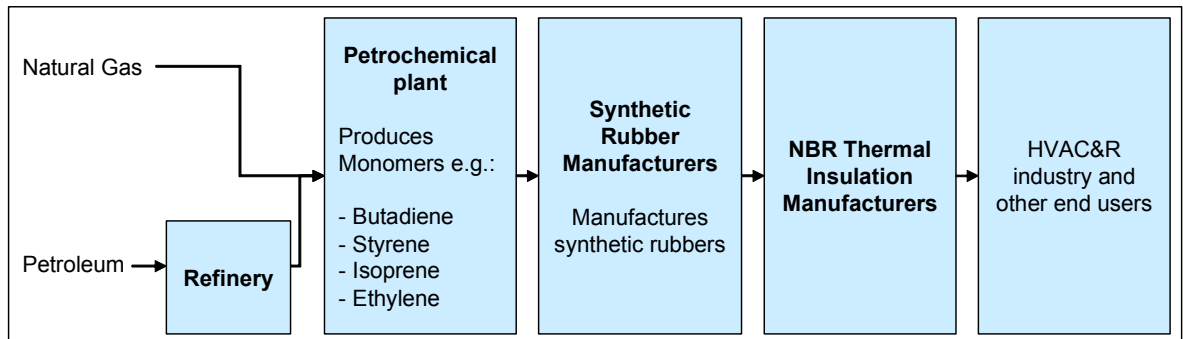
5.0 INDUSTRY OVERVIEW *(Continued)*

- (iii) sectors which utilises thermal insulation materials for under insulation corrosion protection such as off-shore oil and gas production and storage platforms, on-shore oil and gas production, refining and storage facilities, petrochemical and chemical plants, oleo chemicals and palm oil refineries, bio-diesel plants, power generation plants, gas reticulations, marine engineering and other similar industries;
- (iv) the demand for HVAC&R products, parts and equipment which would exert a positive drive to the demand for thermal insulation materials to insulate the HVAC&R products, parts and equipment such as air-conditioners and refrigerators;
- (v) the other sectors in which NBR thermal insulation materials is currently being used such as demand and production of motor vehicles, ships, electronic components, furniture, sports equipment, satellite transmission systems, solar systems panels and space stations;
- (vi) increase understanding of the energy and cost saving effects of insulation materials with NBR thermal insulation applications and a better understanding of the health, safety features of insulating materials with NBR thermal insulation materials as compared to other more hazardous materials. In terms of environmental and health issues, the benefits of using NBR thermal insulation materials over other thermal insulation materials, may be an advantage in the long term as other thermal insulation materials for instance fibre glass has its disadvantages as it is not environmentally-friendly, and may create respiratory problems if inhaled as well as allergic reactions. As such the increase awareness of these concerns or issues may in the long term reduce the use of fibre glass and other deemed more hazardous materials thus would contribute to the potential future growth of demand for NBR thermal insulation materials;
- (vii) increase or wider applications of NBR thermal insulation materials in new areas not currently applied. Due to its nature and special characteristics, NBR thermal insulation materials, with a concoction of additional ingredients, have great durability, flexibility, efficiency and workability and can be easily moulded, extruded or formed and designed and installed with a neat and aesthetic finishing to conform to various required physical properties. Although it is mainly used for thermal insulation in the HVAC&R industry, with the flexibility nature of NBR, most producers of NBR thermal insulation materials also produce NBR thermal insulation materials for usage in other products and industry applications such as sports equipment that utilises rubber such as grips, handles and exercise mats, automotive and other industry insulation materials for heat/cold insulation as well as vibration and noise suppression such as foamed pipes for ornamentals and toys, special industrial-foamed pipes, thermo items, steering wheel covers and other rubber replaceable applications. Thus the potential for NBR thermal insulation materials being used to replace other traditional rubber based materials and other insulation materials would contribute to the potential future growth of demand for NBR thermal insulation materials;
- (viii) general economic environment of the economy which would spur the growth or development of the factors identified in (i), (ii), (iii), (iv), (v), (vi) and (vii); and
- (ix) prices of NBR thermal insulation products in comparison with other competing or substitute products for the respective suitable application especially for less developed countries.

5.0 INDUSTRY OVERVIEW *(Continued)*

5.3.2 Supply Conditions

The manufacturing process of NBR in its raw form as a dry rubber product is similar to that of synthetic rubber and is illustrated in the figure below.



(Source: IMR Report)

As illustrated above, general purpose synthetic rubber (such as NBR in its raw form as a dry rubber product) originates from two gases; butadiene, a by-product of petroleum refining, and styrene, captured either in the coking process or as a petroleum refining by-product. When these two gases are mixed in a reactor in the presence of soapsuds, liquid latex results.

The dry rubber in this milky liquid is then sold by petrochemical plants to synthetic rubber manufacturers who would coagulate into crumbs, washed, dried, and baled ready for shipment to manufacturers who use such synthetic rubbers as their raw material such as NBR thermal insulation producers, rubber glove producers and other polymer compounders who will then undertake their manufacturing process to produce, for example for NBR thermal insulation producers, sheets, rolls, tubing or other forms for thermal and/or other insulation purposes for the HVAC&R industry and other applications by mixing together with additional ingredients such as reinforcement fillers, plasticisers, protectants, and vulcanisation packages.

Thus, NBR raw materials are like commodity where its prices have a positive correlation with the prices of crude oil.

5.3.2.1 Market Share of NBR Thermal Insulation Materials for the Malaysian and Indian HVAC&R market

In Malaysia, NBR thermal insulation materials are mainly used to insulate ventilation and air-conditioning systems of commercial buildings like hotels and shopping complexes especially where the ductwork of buildings requires a black appearance which does not require painting and for installation of split unit air-conditioners. Thermal insulation for the ductworks of buildings in Malaysia is mainly dominated by three main types of thermal insulation which are fibre glass, NBR and XLPE thermal insulation materials. The decision on which type of thermal insulation to use is set by the design consultants. Generally, in the Malaysian construction sector at present, fibre glass dominates as the insulation material of choice for the ductworks of new building projects. This is mainly due to the cheaper price of fibre glass especially for large insulation projects.

5.0 INDUSTRY OVERVIEW (Continued)

Set out below is a table depicting the estimated market share of the various thermal insulation materials available in Malaysia for the insulation of HVAC&R systems of buildings which control the climate and temperature within buildings which would require the use of thermal insulation materials in the ducting, piping, etc of such HVAC&R systems for the purposes of maintaining a suitable environment within the building for the year 2006:-

Thermal Insulation Types	Estimated approximate market share
Fibre Glass	60 – 70%
NBR	20%
XLPE	10%
Others^	5%

^ Others comprise mainly EPDM

(Source: IMR Report)

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

In India at present (as depicted below for the year 2006), the thermal insulation sector for HVAC&R systems of buildings which control the climate and temperature within buildings is divided into approximately 25 percent for NBR thermal insulation and 75 percent of other materials, of which fibre glass comprise a large portion.

Thermal Insulation Types	Estimated approximate market share
Others^	75%
NBR	25%

^ Others comprise mainly fibre glass, EPDM etc

(Source: IMR Report)

5.3.2.2 NBR Thermal Insulation Producers and their Market Share and Reach

The global competitive landscape for NBR thermal insulation can be broadly categorized according to two categories i.e. Tier-1 and Tier-2 companies as illustrated in the figure below.

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

Notes:-

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

* Others refer to Tier 2 companies which are not market players in the Malaysian NBR thermal insulation market. As the IMR Report has been focused on the Malaysian market with a macro view on India, Tier 2 competitors list the market players operating in the Malaysian market and have not accounted for other NBR thermal insulation manufacturers which have been grouped under "Others".

(Source: IMR Report)

5.0 INDUSTRY OVERVIEW (Continued)

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

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

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

(Source: IMR Report)

The figure below illustrates the manufacturing and distribution presence for the leading NBR thermal insulation manufacturers in 2006.

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

Note:

- (1) Companies listed according to alphabetical order, and not according to market strength
- (2) The company's listed above provide NBR thermal insulation products for the HVAC&R market, sports equipment and exercise mats
- (3) D: denotes representation by agent or distributor
- (4) Mfg: denotes manufacturing facility with own sales office
- (5) *: indicates manufacturing facility located in Malaysia
- (6) **: indicates manufacturing facility located outside Malaysia

(Source: IMR Report)

Based on F&S's research, the Malaysian NBR thermal insulation market for HVAC&R market is an oligopolistic market and is mainly dominated by the two local manufacturers; namely Superlon Group, with a market share of 45 - 50 percent and Insulflex, with a market share of 35 - 40 percent for the year 2006 as tabulated below.

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

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

(Source: IMR Report)

5.0 INDUSTRY OVERVIEW *(Continued)*

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

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

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

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

(Source: IMR Report)

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

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

Note:

⁽¹⁾ *All company names are listed in alphabetical order, and do not indicate market share or strength.*

(Source: IMR Report)

5.0 INDUSTRY OVERVIEW *(Continued)*

5.4 Past Performance and Future Growth for the Malaysian and Indian Market

The total revenue for the NBR thermal insulation market in Malaysia for 2006 is estimated to be at approximately RM12.4 million. The base year market growth rate is 8.8 percent and the CAGR is forecast at 6.3 percent from 2006-2011 as set out below.

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

CAGR (2006-2011): 6.3 percent
All figures are rounded; the base year is 2005.

(Source: IMR Report)

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

- (i) The two main Malaysian manufacturers do not rely solely on the Malaysian market. ***Export of NBR thermal insulation materials by both manufacturers contributes to approximately 65 – 70 percent of revenues.*** This amount is not considered in the above figure which only accounts for the Malaysian market.
- (ii) Another ***10 – 20 percent of local revenues are further generated through sales to converters where the NBR thermal insulation material is made into products for use in other industries e.g. automotive.*** This is also not reflected in the above figures as they depict only the amount of revenues for NBR thermal insulation in the HVAC&R market in Malaysia.

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

(Source: IMR Report)

5.0 INDUSTRY OVERVIEW *(Continued)*

India's booming economy is creating strong growth in the construction sector following rapid industrialization. The HVAC&R market is estimated to grow by 15 percent per year and this will spur the use of NBR thermal insulation.

(Source: IMR Report)

5.5 Laws, Regulations and Peculiarities of the Thermal Insulation Industry

5.5.1 Import Duties

Import duties are generally levied by most sovereign Government on products imported into their respective countries. As at the Latest Practicable Date, all ASEAN member countries are granted concessions by each other under the CEPT. This refers to the lower tariff rates or customs duties that exporters from an ASEAN member state have to face when exporting a product to another ASEAN member country as opposed to a higher rate tariff rates imposed to other non-ASEAN countries.

As at the Latest Practicable Date, the import duty imposed by the Government of Malaysia on non-ASEAN member countries is 30 percent for the imports of all NBR based thermal insulation materials imported into Malaysia. This is as compared to the tariff of 5 percent for ASEAN countries.

Conversely, NBR insulation products exported by Malaysia to other foreign countries are subject to the following import tariffs:-

- (a) Export to ASEAN countries – 5% as per granted under CEPT
- (b) Export to non-ASEAN countries include as follows:-

Country	Import Duty
India and Pakistan	15% to 30% *
Korea	8%
Australia	3%
Middle East**	5% to 10%
Other countries	3% to 10%

* *Exact duty dependent on use of insulation material i.e. whether for construction of HVAC&R systems in the government or private sector*

** *Include countries such as Bahrain, Iran, Kuwait, Lebanon, Saudi Arabia and United Arab Emirates*

5.5.2 Health, Safety and Environmental Regulations and Industry Peculiarities

In terms of environmental and health issues, the benefits of using NBR thermal insulation materials may be an advantage in the long term as compared to fibre glass where it has been known to result in respiratory problems if inhaled as well as allergic reactions. Although these concerns are highlighted in more developed markets like in Europe or North America in various forums such as the WHO International Agency for Research on Cancer paper on fibre glass, at present, the global HVAC&R sector (including the Malaysian and Indian market) is still not regulated when it comes to usage of fibre glass or other potentially health or environmental hazardous thermal insulation materials for HVAC&R systems.

5.0 INDUSTRY OVERVIEW *(Continued)*

However, there are certain industry peculiarities applicable for the thermal insulation industry in terms of the standard or quality of thermal insulation materials to be applied in certain circumstances, which regulates or governs the application service providers thus requiring the compliance of thermal insulation producers.

Some of these key industry peculiarities and the various corresponding certification bodies that certifies such compliances are set out below:-

Area of application	General acceptable industry regulation or standard	Some applicable certification / testing bodies (country base)
Insulation for any HVAC&R systems in buildings	Fire rating standard must be complied with and tested where insulation materials must meet the minimum requirement such as must be self extinguishing (i.e. do not spread flames or fire in the event of fire)	Warringtonfire (UK) UL (USA) CSIR (South Africa) BOMBA (Malaysia) Llyods Register SIRIM (Malaysia)
	Smoke density and toxicity must meet minimum requirement and tested for compliance	CSIR (South Africa)
Thermal insulation for any HVAC&R systems	Thermal conductivity, water absorption, density and sound absorption capability must meet industry requirement to perform such functions as insulator and must be tested	PSB (Singapore)
	Product mechanical properties test on tensile strength, tear strength, oil resistance and state of ozone deterioration must meet standard requirements	SIRIM (Malaysia)

5.6 Reliance and Vulnerability to Imports for the Malaysian Market

At present, with the exception for the supply of NBR in its raw material form, blowing agent and certain rubber additives and filler, all other raw materials required by local NBR thermal insulation manufacturers may be sourced locally from local manufacturers. For the supply of NBR raw material, blowing agent and certain rubber additives and filler, local NBR insulation manufacturers can easily obtain these materials from the sales office or manufacturers' representatives representing such overseas manufacturers as these materials are also used by other industries.

5.0 INDUSTRY OVERVIEW (Continued)**5.7 Future Prospects and Outlook of NBR Thermal Insulation Materials Industry**

Given the economic and industry environment of thermal insulation materials and the factors affecting the demand for NBR thermal insulation materials as set out in Section 5.3.1.1, the future prospects and outlook for the NBR thermal insulation industry in general appear to be favourable considering the following factors which could potentially be the main contributors to the future prospects of the NBR thermal insulation materials industry:-

(i) Outlook of the Global and Regional Economy

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

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

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

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

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

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

In contrast, growth has started to slow in most of the ASEAN-4 countries (Indonesia, Malaysia, Philippines and Thailand) owing mainly to the effects of higher oil prices and monetary policy tightening in response to rising inflation. The outlook is for continued strong growth of 8.25 percent in 2006-07, about half of a percentage point higher than projected earlier, thus reflecting more favorable global economic conditions, continued high growth in China, and moderate deceleration in India after the strong momentum in 2005 and early 2006.

5.0 INDUSTRY OVERVIEW (Continued)

Growth in the NIEs is set to slow in 2007 when growth in the import demand of advanced economies is projected to decelerate. In contrast, a modest rebound in activity is expected in the ASEAN-4 countries as the factors behind the recent slowing recede.

Oil revenues in the Middle East region have risen further in the first half of 2006, because of both higher prices and some expansion in production (notably in Kuwait, Libya, Saudi Arabia and the United Arab Emirates ("UAE")). Reflecting the income gains, oil-exporting countries have continued to enjoy robust growth, particularly in the non-oil sectors, while external current account and fiscal balances have improved further. Looking forward, the outlook for the region generally remains favorable, given that oil prices are expected to remain high, and regional GDP growth is projected at close to 6 percent in 2006, moderating slightly to 5.5 percent in 2007.

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

(Source: IMR Report)

(ii) Outlook of the Global and Regional Construction Sector

Global construction spending reached nearly USD4.6 trillion in 2006, a 4.9 percent increase over 2004, with slightly more subdued growth rates expected in 2007. The US market still dominates the global scene as the largest national construction market. Japan remains second, in terms of construction spending in 2006, but its growth prospects are relatively poor compared to the rest of Asia, particularly China and India.

United States

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

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

Europe

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

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

5.0 INDUSTRY OVERVIEW (Continued)

Middle East

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

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

Asia Pacific

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

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

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

Latin America

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

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

Africa

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

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

5.0 INDUSTRY OVERVIEW (Continued)

Growth Prospects for the Global Construction Sector

China is the first ranked country, in terms of growth over the short and medium terms by a wide margin, followed by the UAE. China is also considered to be a relatively open and profitable market, while the UAE is ranked highly because of its perceived profitability potential.

Dubai is the first ranked city closely followed by London and Shanghai. Generally speaking, growth prospects are highest in Chinese cities. However London, just like the UK in the country section, has moved up the rankings with increased scores in all categories, but in particular perceived profitability and openness.

(Source: IMR Report)

(iii) Outlook of Global Demand for HVAC&R Products

Besides its industrial application within the HVAC&R industry, NBR thermal insulation is also used in the residential segment of the air-conditioning market. In 2005, residential air-conditioners made up 18 percent of the U.S. residential market and valued at USD1.5 billion. Driven by the replacement market, the residential air-conditioner market is expected to continue growing in 2006.

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

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

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

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

The global HVAC&R market is very competitive, with low profit margins in saturated markets especially in developed regions. However, opportunities for the expansion within the market still exist for the development of value-added or highly customized products. Replacement of existing outdated HVAC&R systems will also create further demand in the industry, as will replacement occurring from regulations brought on by environmental considerations.

(Source: IMR Report)

5.0 INDUSTRY OVERVIEW *(Continued)*

The following figure reflects the estimates for total world demand of air-conditioners.

('000 units)

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

(Source: IMR Report)

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

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

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

In the U.S., demand for air-conditioners as forecasted indicates the U.S. market will plateau by 2004. Demand will remain due to the replacement of older HVAC&R systems with newer, more efficient systems along with on-going residential remodelling of HVAC&R systems.

(Source: IMR Report)

5.0 INDUSTRY OVERVIEW *(Continued)*

(iv) Increased Applications and Potential to Replace other Materials

Due to its flexibility and workability nature, NBR thermal insulation can and has been adopted for usage and application in a wide variety of products and industry applications. Recognising this, most producers of NBR thermal insulation materials at present also produces NBR thermal insulation materials to be used in various other industry application apart from HVAC&R market and have placed emphasis on continuous development for better quality products with lowered costs and for stronger performance in terms of flexibility and durability for the purpose of identifying and even further developing NBR thermal insulation materials application in other markets or industry which requires thermal, noise and vibration insulation and as a replacement for other rubber based replaceable applications. These continuous developments by the industry players is expected to further contribute to the prospect of NBR thermal insulation materials as the quality and industry application for NBR thermal insulation materials widen.

In addition, in some more developed countries, the application of thermal insulation materials in various industries is wider than other less developed countries as they recognise and appreciate the importance of thermal insulation for the conservation of energy and costs in various process or industry applications. Thus with increasing awareness of this fact and rising energy costs, other less developed countries may realise the potential and advantages in applying thermal insulation thus increasing its application in a more wider scale.

(v) Increase in Environmental and Health Awareness

In terms of environmental and health issues, the benefits of using NBR may be an advantage in the long term as compared to most other thermal insulation materials in the market available. Although other countries have certain legislation regulating the usage of deemed more hazardous thermal insulation materials, the Malaysian construction sector, at present, is still not regulated when it comes to usage of fibre glass or other thermal insulation materials which could potentially be hazardous to health and safety. Given the ever increasing awareness of the global population on health and environmental issues and concerns as are highlighted in more developed markets and international media, these concerns and issues may eventually filter into Malaysia or other less developed markets thus increasing greater awareness among general population and in turn the government of Malaysia and other less developed markets. This may in the long term reduce the use of deemed more hazardous thermal insulation materials and increase the use of NBR thermal insulation materials and other materials that are safer thus further contributing to the prospect of NBR thermal insulation materials.

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