
CORPORATE DIRECTORY

BOARD OF DIRECTORS

Director	Address	Occupation	Nationality
Zakaria Merican Bin Osman Merican <i>(Non-Independent Non-Executive Chairman)</i>	19, Jalan Sri Hartamas 4 50480 Kuala Lumpur Wilayah Persekutuan	Company Director	Malaysian
Loo Bin Keong <i>(Chief Executive Officer)</i>	185, Selasar Rokam 14 Kampung Sri Ampang 31350 Ipoh Perak Darul Ridzuan	Company Director	Malaysian
Tan Sin Keat <i>(Executive Director)</i>	142, Taman Pertama 1 Taman Pertama 30100 Ipoh Perak Darul Ridzuan	Company Director	Malaysian
Leuk Sing King <i>(Executive Director)</i>	16, Persiaran Kuala Kangsar 4 Taman Muhibbah Baru 30100 Ipoh Perak Darul Ridzuan	Company Director	Malaysian
Teoh Teik Kean <i>(Executive Director)</i>	83, Persiaran Wira Jaya Barat 38 Taman Ipoh Jaya Timur 1 31350 Ipoh Perak Darul Ridzuan	Company Director	Malaysian
Lau Tiang Hua <i>(Independent Non-Executive Director)</i>	11-1-2, Jalan Concordia The Ascot 10250 Pulau Pinang	Company Director	Malaysian
Lim Beng Huat <i>(Independent Non-Executive Director)</i>	E-211 Sea Park Apartment Jalan 21/13 46300 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Neoh Choo Kean <i>(Independent Non-Executive Director)</i>	A-11-02 Fraser Towers Gasing Heights, Jalan 5/60 46000 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian

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CORPORATE DIRECTORY (Cont'd)

AUDIT COMMITTEE

Member of Audit Committee	Designation	Directorship
Lau Tiang Hua	Chairman	Independent Non-Executive Director
Lim Beng Huat	Member	Independent Non-Executive Director
Leuk Sing King	Member	Executive Director

COMPANY SECRETARIES :

Chan Chee Kheong
(MAISCA 0810287)
116, Golden Dragon Garden
31900 Kampar
Perak Darul Ridzuan

Chang Pooi Yee
(MAISCA 7036213)
9 Jalan Satu
First Garden
30100 Ipoh
Perak Darul Ridzuan

REGISTERED OFFICE :

41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan
Tel: 05 5480 888

HEAD/MANAGEMENT OFFICE :

Lot P.T. 404, Jalan Bota
31750 Mukim Belanja
Tronoh
Perak Darul Ridzuan
Tel: 05 367 7866
Website: <http://www.scanwolf.com>
Email: export@scanwolf.com

AUDITORS :

Deloitte KassimChan (AF 0080)
Chartered Accountant
87, Jalan Sultan Abdul Jalil
30450 Ipoh
Perak Darul Ridzuan
Tel: 05 253 1358

REPORTING ACCOUNTANTS :

Shamsir Jasani Grant Thornton (AF 0737)
Chartered Accountant
Level 11, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03 2692 4022

SOLICITORS FOR OUR LISTING EXERCISE :

Susie See, Norbaya & Cheah
Advocates & Solicitors
Unit A-5-6, Block A, Megan Avenue I
189 Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03 2166 8255

CORPORATE DIRECTORY (Cont'd)

- PRINCIPAL BANKERS** : Public Bank Berhad (6463-H)
(Jalan Yang Kalsom Branch)
46-54, Jalan Yang Kalsom
30250 Ipoh
Perak Darul Ridzuan
Tel: 05 2547 323
- HSBC Bank Malaysia Berhad (127776-V)
138, Jalan Sultan Yussuf
30000 Ipoh
Perak Darul Ridzuan
Tel: 05 241 1022
- FINANCIAL ADVISER,
UNDERWRITER & PLACEMENT
AGENT** : RHB Investment Bank Berhad (19663-P)
(formerly known as RHB Sakura Merchant Bankers Berhad)
Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03 9287 3888
- INDEPENDENT BUSINESS AND
MARKET RESEARCH
CONSULTANTS** : Vital Factor Consulting Sdn Bhd (266797-T)
75C & 77C Jalan SS22/19
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03 7728 0248
- VALUER** : Colliers, Jordan Lee & Jaafar Sdn Bhd (59901-U)
Level 6, Block G North
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: 03 2095 5811
- Suites 1,2 & 3, Tingkat Satu
Labrooy House
Jalan Dato Sagor
30000 Ipoh
Perak Darul Ridzuan
Tel: 05 2414 826
- ISSUING HOUSE** : MIDF Consultancy and Corporate Services Sendirian Berhad
(11324-H)
12th Floor, MIDF Building,
195A, Jalan Tun Razak,
50400 Kuala Lumpur
Tel: 03 2161 3355
- REGISTRAR** : PFA Registration Services Sdn Bhd (19234-W)
41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan
Tel: 05 545 1222
- LISTING SOUGHT** : Second Board of Bursa Securities

1. SUMMARY INFORMATION

THIS SECTION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR GROUP AND THE PUBLIC ISSUE. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THIS SECTION TOGETHER WITH THE WHOLE PROSPECTUS CAREFULLY PARTICULARLY THE MATTERS SET OUT UNDER THE “RISK FACTORS” SECTION OF THE PROSPECTUS BEFORE YOU DECIDE TO INVEST IN THIS PUBLIC ISSUE.

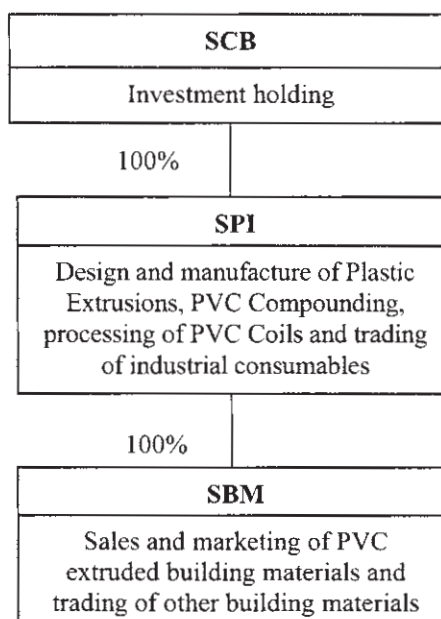
1.1 Overview of our Group and business

Our Company was incorporated in Malaysia under the Act on 13 July 2006 as a public limited company under our present name Scanwolf Corporation Berhad. Our incorporation is mainly to facilitate our Listing.

Our Company is principally an investment holding company with 2 wholly-owned subsidiary companies, namely SPI and SBM.

Our Group is primarily a designer and manufacturer of Plastic Extrusions. Our secondary activities include manufacturing of PVC Compounding, processing of PVC Coils and trading of industrial consumables as well as other building materials.

Our Group structure is as follows:



For further information on our Group and our business, please refer to Section 5 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)

1.2 Our competitive strengths

We believe our position, as one of the key players among the manufacturers of Plastic Extruded Edgings and Profiles in Malaysia is primarily attributable to our competitive strengths as follows:

(a) Our Group as an integrated manufacturer of Plastic Extrusions

With our Group's in-house R&D capabilities, we are able to meet the total requirements of customers in terms of Plastic Extrusions including formulation and compounding of PVC Resins, Die design and fabrication, extrusion, printing and finishing.

(b) Our Group's high product quality

Our Group places high emphasis on strict QC procedures to maintain the quality of our products. The ISO 9001:2000 quality accreditations of our subsidiary, SPI is an endorsement of the QA system that is in place for our Group's Plastic Extrusions design and manufacturing operations.

(c) We have an established and large customer base

Since incorporation, we have established a large customer base of approximately 600 customers. An established customer base provides some stability to our Group but also more importantly, offers opportunities for future business growth.

(d) We have wide market coverage

Our Group has wide market coverage, which extends to 28 countries including Malaysia for the FYE 31 March 2007. Our overseas markets include among others Thailand, Bangladesh, Indonesia, Vietnam, Philippines and the Middle East. The coverage of different markets helps us to minimise the dependency on any one particular country or market.

(e) Our strong market reputation and established track record

With approximately 22 years of experience (since the commencement of our Group's manufacturing operations in 1984), we have successfully established ourselves as a reputable manufacturer of Plastic Extrusions.

(f) We have in-house profile design capabilities

Our Group has in-house profile design capabilities and Die fabrication facilities to meet almost all the varying applications of Plastic Extrusions. This is reflected in our Group's cumulative total of approximately 800 designs of Plastic Extrusions since the commencement of our Group's manufacturing operations.

(g) Our Group's R&D capabilities

We are constantly undertaking R&D to improve on our products to better meet customer needs and identify areas of opportunities. This requires the ability to keep abreast of developments in technological and process improvements, development of compounding formulations of Plastic Extrusions to attain desired properties and characteristics such as cushioning impact, weather resistance and scratch resistance properties to meet the requirements of the market and customers.

For further information on our competitive strengths, please refer to Section 5.16 of this Prospectus.

1. SUMMARY INFORMATION *(Cont'd)*

1.3 Our financial performance

The following table presents a summary of our proforma consolidated financial highlights and should be read in conjunction with our "Historical Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Sections 10 and 11 of this Prospectus, respectively.

	<----- FYE 31 March ----->		
	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	22,478	27,251	31,426
Gross profit	7,798	9,940	11,186
EBITDA	5,890	7,990	8,915
Depreciation	(1,220)	(1,586)	(2,060)
Amortisation of goodwill	-	(9)	-
Interest Expense	(401)	(449)	(718)
PBT	4,269	5,946	6,137
Tax Expense	(971)	(1,013)	(725)
PAT	3,298	4,933	5,412
Enlarged number of ordinary shares assumed in issue ('000) ⁽¹⁾	43,648	43,648	43,648
Gross EPS (sen)	9.8	13.6	14.1
Net EPS (sen)	7.6	11.3	12.4
Gross profit Margin (%)	34.69	36.48	35.59
PBT Margin (%)	18.99	21.82	19.53
PAT Margin (%)	14.67	18.10	17.22
Effective tax rate (%) ⁽²⁾	23.09	19.02	10.78

Notes:

- (1) *Based on the number of Shares after Acquisition but before the Rights Issue and Public Issue*
- (2) *The effective tax rate was arrived at after adjustment for over and under provision for income tax to the respective financial years under review*
- (3) *The results in all the financial years under review were not subject to auditors' qualifications*
- (4) *There were no exceptional or extraordinary items in the financial years under review*
- (5) *There were no minority interests during the financial years under review on a proforma basis*
- (6) *The financial results and position of SBM for the financial period ended 31 March 2005 are assumed to be the same as for the FYE 31 March 2005*

1. SUMMARY INFORMATION *(Cont'd)*

1.4 Information on the Public Issue

We will undertake a public issue of 14,400,000 Issue Shares at an issue price of RM0.75 per Issue Share, which will be allocated in the following manner:

- (i) 2,500,000 Issue Shares representing 3.13% of our enlarged issued and paid-up share capital have been reserved for the eligible employees of our Group and persons who have contributed to our Group's success;
- (ii) 975,000 Issue Shares representing 1.22% of our enlarged issued and paid-up share capital have been reserved for Bumiputera investor(s) approved by MITI;
- (iii) 4,925,000 Issue Shares representing 6.16% of our enlarged issued and paid-up share capital will be placed to identified public investors by way of private placement; and
- (iv) 6,000,000 Issue Shares representing 7.50% of our enlarged issued and paid-up share capital will be made available for application by the Malaysian public.

Any Issue Shares under paragraph (i) which are not subscribed for by the eligible employees of our Group and persons who have contributed to the success of our Group will first be made available for application by the other eligible employees of our Group who wish to apply for additional Issue Shares before making it available for application by the Malaysian public under paragraph (iv) above.

See Section 2 of this Prospectus for detailed information of the Public Issue.

1.5 Future financial information

Our Directors forecast that our consolidated PAT for the FYE 31 March 2008 would be as follows:

	RM'000
Revenue	35,449
Consolidated PBT	7,804
<i>Less: Taxation</i>	<i>(718)</i>
Consolidated PAT	7,086
Weighted average number of shares in issue ('000) ⁽¹⁾	72,528
Enlarged issued and paid-up share capital ('000)	80,000
<i>Based on consolidated PAT and weighted average no. of ordinary shares in issue</i>	
Net EPS (sen)	9.8
Net PE multiple (times) ⁽²⁾	7.7
<i>Based on consolidated PAT and enlarged no. of ordinary shares in issue</i>	
Net EPS (sen)	8.9
Net PE multiple (times) ⁽²⁾	8.4

Notes:

(1) *The Acquisition and Rights Issue were completed on 2 April 2007 and 28 May 2007, respectively and on the assumption that the Public Issue will be completed on 10 July 2007*

(2) *Based on the issue price of RM0.75 per Share*

See Section 12 of this Prospectus for detailed information on our consolidated profit forecast, together with the assumptions on which our consolidated profit forecast has been prepared.

1. SUMMARY INFORMATION *(Cont'd)*

1.6 Dividend policy

The following table sets out a summary of the dividend forecast for the FYE 31 March 2008. See Section 12.4 of this Prospectus for detailed information on our dividend policy.

FYE 31 March	Forecast 2008
Proposed tax-exempt dividend per Share (sen)	2.50
Net dividend yield based on the issue price of RM0.75 per Share (%)	3.33
Net dividend cover (times)	3.54

1.7 Use of proceeds

The net proceeds (being gross proceeds from the Public Issue and the Rights Issue after deducting the expenses relating to the Public Issue) amounts to RM19.78 million and will be utilised for working capital, capital expenditure and repayment of bank borrowings.

See Section 2.7 of this Prospectus for further details on the use of the proceeds.

1.8 Risk factors

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations as set out below.

1.8.1 Risks relating to our Group and industry

- Increases in the prices of raw materials and petroleum
- Dependency on our Directors, key management and key technical personnel
- Exposure to foreign currency exchange risks
- Changes in regulatory, political and economic conditions in the export markets
- Dependency on major suppliers
- Dependency on major customer
- Risk of competition
- Risk of product substitutes
- Production uncertainties
- Dependency on major end-user industries
- Foreign workers
- Future growth strategies
- Control by the Promoters of our Company
- Risk in availability of raw materials
- Risk in downturn in the local and global economies

1. SUMMARY INFORMATION (Cont'd)

1.8.2 Risks relating to investment in our Shares

- No prior market for our Shares
- Potential delays or failure of our Listing
- Volatility in our Share price and trading volume
- Ability to pay dividends
- Achievability of our profit forecast and disclosure regarding forward-looking statements

For further details on our risk factors, please refer to Section 3 of this Prospectus.

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2. PARTICULARS OF THE PUBLIC ISSUE

2.1 Introduction

This Prospectus is dated 26 June 2007.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Form with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for its contents.

We have received the SC's approval on 30 January 2007 for the Flotation Scheme. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue and investors should rely on their own evaluation to assess the merits and risks of the Public Issue.

We will make an application to Bursa Securities within 3 Market Days from the date of this Prospectus for our admission to the Official List of the Second Board of Bursa Securities and for permission to deal in and for the quotation for our entire enlarged issued and paid-up share capital, failing which any allotment made or an application to subscribe for SCB Shares pursuant to this Prospectus shall be void and monies paid in respect of any application will be returned without interest. Our entire enlarged issued and paid-up share capital will be admitted to the Official List of the Second Board of Bursa Securities and official quotation will commence after the receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and an undertaking that notices of allotment will be issued and despatched to all the successful applicants.

Acceptance of applications for the Issue Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of our entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities. Accordingly, monies paid in respect of any application accepted will be returned without interest if the said permission for listing is not granted within 6 weeks from the date 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 timeframe. If any such monies are not repaid within 14 days after we have become liable to repay it, the provision of sub-section 52(2) of the SCA shall apply accordingly.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our Shares as a prescribed security. Therefore, we will deposit the Issue Shares directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Pursuant to the Listing Requirements, an applicant must have at least 25% of the total number of Shares for which Listing is sought in the hands of a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of Listing. In the event that the above requirement is not met pursuant to the Public Issue, we may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be returned in full without interest.

Persons submitting applications by way of Application Forms, Electronic Share Applications or Internet Share Applications MUST have a CDS account. If you presently do not have a CDS account, you should open a CDS account at an ADA prior to making an application for the Issue Shares. If you are applying by way of Application Form, you must state your CDS account number in the space provided in the Application Form. If you are applying by way of Electronic Share Application, you shall furnish your CDS account number to the Participating Financial Institutions by keying in your CDS account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so. If you are applying by way of Internet Share Application, you shall furnish your CDS account number to the Internet Participating Financial Institutions by keying in your CDS account number into the online application form. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application or Internet Share Application.

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by our Company or RHB INVESTBANK. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Group since the date of this Prospectus.

The distribution of this Prospectus and the Public Issue may be restricted by law in certain other jurisdictions. You are required to inform yourselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. The listing of our Shares and our admission to the Official List of the Second Board of Bursa Securities is not to be taken as an indication of the merits of our Company or our Shares.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser before applying for the Issue Shares.

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com or via hyperlink to Bursa Securities' website through the websites of RHB Bank Berhad at www.rhbbank.com.my and Malayan Banking Berhad at www.maybank2u.com.my, and on the website of CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) at www.eipocimb.com and CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad) at www.cimbclicks.com.my.

2.2 Public Issue

In conjunction with our flotation on Bursa Securities, we will undertake a public issue of 14,400,000 Issue Shares representing 18.00% of our enlarged issued and paid-up share capital, at an issue price of RM0.75 per Issue Share.

The 14,400,000 Issue Shares will be allocated in the following manner, subject to the terms and conditions of this Prospectus:

(i) Eligible employees of our Group and persons who have contributed to our Group's success

2,500,000 Issue Shares representing 3.13% of our enlarged issued and paid-up share capital have been reserved for the eligible employees of our Group and persons who have contributed to our Group's success.

Of the 2,500,000 Issue Shares, 1,528,000 Issue Shares have been allocated to 106 eligible employees of our Group who are employed on a full time basis with us or our subsidiary companies as at 28 May 2007 based on, *inter-alia*, performance, staff grades and length of service.

The remaining 972,000 Issue Shares have been allocated to 31 persons who have contributed to the success of our Group based on, *inter-alia*, value of transactions and the length of their relationship with our Group.

(ii) Bumiputera investor(s) approved by MITI

975,000 Issue Shares representing 1.22% of our enlarged issued and paid-up share capital have been reserved for Bumiputera investor(s) approved by MITI;

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

(iii) Identified public investors by way of private placement

4,925,000 Issue Shares representing 6.16% of our enlarged issued and paid-up share capital will be placed to identified public investors by way of private placement; and

(iv) Malaysian public

6,000,000 Issue Shares representing 7.50% of our enlarged issued and paid-up share capital will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

Any Issue Shares under paragraph (i) which are not subscribed for by the eligible employees of our Group and persons who have contributed to the success of our Group will first be made available for application by the other eligible employees of our Group who wish to apply for additional Issue Shares before making it available for application by the Malaysian public under paragraph (iv) above. The Issue Shares under paragraphs (i) and (iv) have been fully underwritten.

The Issue Shares in respect of paragraphs (ii) and (iii) above need not be underwritten as irrevocable undertakings to subscribe for the said Issue Shares have been given by the respective Bumiputera investor(s) and identified investors.

There is no minimum subscription amount, which in the reasonable opinion of our Directors must be raised from the Public Issue.

2.3 Share capital

	RM
Authorised share capital	
<i>100,000,000 ordinary shares of RM0.50 each</i>	50,000,000
Issued and fully paid-up share capital	
Existing	
<i>65,600,000 ordinary shares of RM0.50 each</i>	32,800,000
To be issued pursuant to the Public Issue	
<i>14,400,000 new ordinary shares of RM0.50 each</i>	7,200,000
Enlarged issued and fully paid-up share capital upon Listing	
<i>80,000,000 ordinary shares of RM0.50 each</i>	40,000,000

The issue price of RM0.75 per Issue Share is payable in full on application.

We have only 1 class of shares, namely ordinary shares of RM0.50 each. The Issue Shares will upon allotment and issue, rank equally in all respects with our existing issued and paid-up share capital including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment.

Subject to any special rights attaching to any Shares which we may issue in the future, the holders of our Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share the whole of the profits that we pay out as dividends and other distributions. Similarly, if we are liquidated, our shareholders shall be entitled to the whole of any surplus, in accordance with our Articles of Association.

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

At any of our general meeting, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each present shareholder or representative, proxy or attorney of a shareholder shall have 1 vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote for each share held. A proxy may but need not be a member of our Company.

2.4 Market capitalisation

Our total market capitalisation will amount to RM60,000,000 upon the listing of and quotation for our entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities comprising 80,000,000 Shares at the issue price of RM0.75 per Issue Share.

2.5 Purposes of the Public Issue

The main purposes of the Public Issue are as follows:

- (a) To facilitate our Listing;
- (b) To provide an opportunity for the Malaysian public, eligible employees of our Group and persons who have contributed to the success of our Group to participate in our continuing growth by way of equity participation;
- (c) To enable us to have access to the capital market for cost effective capital raising for future expansion and the continuing growth of our Group; and
- (d) To enable us to gain recognition and certain corporate stature through our listing status and further enhance our corporate reputation and assist us in expanding our business activities.

2.6 Basis of arriving at the issue price

We, together with RHB INVESTBANK as the Underwriter, have determined and agreed to the issue price of RM0.75 per Issue Share, based on the following factors:

- (a) the forecast net PE Multiple of approximately 8.4 ⁽¹⁾ times;
- (b) our Group's operating and financial history as outlined in Sections 5 and 10 respectively of this Prospectus;
- (c) the future plans, strategies and prospects of our Group as outlined in Section 5.19 of this Prospectus; and
- (d) the proforma consolidated NTA per Share of our Company of RM0.52 as at 31 March 2007 after the Flotation Scheme and net of estimated listing expenses.

Note:

- (1) *Based on our forecast consolidated net EPS of approximately 8.9 sen for the FYE 31 March 2008, which was computed based on the forecast consolidated PAT of approximately RM7.09 million and the enlarged number of ordinary shares in issue of 80 million*

However, you should take note that upon and subsequent to our Listing, the market price of our Shares is subject to the vagaries of market forces and other uncertainties, which may affect the market price of our Shares.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.7 Use of proceeds

The total gross proceeds from the Rights Issue and Public Issue amounts to approximately RM21.78 million. We intend to utilise the gross proceeds as follows:

	Notes	RM'000	Timeframe for utilisation of proceeds
Capital expenditure	(1)	6,200	Within 24 months after receipt of proceeds from the Rights Issue
Working capital	(2)	4,076	Within 12 months after Listing
Repayment of bank borrowings	(3)	9,500	Within 12 months after Listing
Defray estimated listing expenses*	(4)	2,000	Within 6 months after Listing
Total		21,776	

Notes:

* If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital purposes

(1) Capital expenditure

We intend to utilise approximately RM6.20 million out of the proceeds raised from the Rights Issue and Public Issue as capital expenditure to purchase additional plant and machineries such as extruders, PVC compounding, printing, calibration and wire cutting machines. Our Directors expect our Group's annual production capacity to increase from the existing 2,909 tonnes to 4,724 tonnes with the purchase of the aforesaid machineries.

At the time of the receipt of proceeds from the Rights Issue and Public Issue, some of the above machineries could have been purchased using internally generated funds. Any amount of internally generated funds used to purchase the above machineries would be replenished using the proceeds from the Rights Issue and Public Issue. As at 28 May 2007, our Group has paid for the aforesaid machineries amounting to RM6.0 million using our internally generated funds, which was subsequently replenished using part of the Rights Issue proceeds.

(2) Working capital

A total of approximately RM4.08 million from the total proceeds raised will be set aside to finance our Group's day-to-day operations that include payment to creditors, salaries, purchase of raw materials, maintenance of machinery and operating expenses.

(3) Repayment of bank borrowings

We intend to allocate approximately RM9.50 million out of the proceeds raised for the repayment of our bank borrowings, which comprises of trade facilities, hire purchases and term loans. As at 28 May 2007, the aforesaid credit facilities available to us amounted to approximately RM19.08 million, out of which, approximately RM15.34 million is outstanding. The facilities have been utilised to finance the working capital requirements and capital expenditure of our subsidiary, SPI.

The utilisation of RM9.50 million to repay our outstanding credit facilities will result in estimated interest savings of approximately RM575,000 per annum, assuming an average interest rate of 6.1% per annum. At the time of the receipt of proceeds from the Rights Issue and Public Issue, part of the outstanding amount of the credit facilities could have been repaid using internally generated funds. Any amount of internally generated funds used to repay the balances would be replenished using the proceeds from the Rights Issue and Public Issue.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(4) Defray estimated listing expenses

All expenses and fees incidental to our Listing, which is estimated at approximately RM2.0 million, shall be borne by us. The breakdown of the estimated listing expenses is as follows:

	RM'000
Professional fees	721
Authorities' fees	94
Advertisement and printing expenses	250
Brokerage fees	108
Underwriting commission and placement fees	216
Issuing House's fees	100
Contingencies	511
<i>Total</i>	<u>2,000</u>

The aforesaid proceeds which are not utilised prior to their due dates shall be kept in interest bearing accounts with licensed financial institutions. The financial impact of the utilisation of proceeds on our proforma consolidated balance sheets as at 31 March 2007 is reflected in Section 10.2 of this Prospectus.

2.8 Brokerage, underwriting commission and placement fee**(a) Brokerage**

We will pay the brokerage fees relating to the Issue Shares, at the rate of 1.0% of the issue price of RM0.75 per Issue Share in respect of successful applications, which bear the stamps of RHB INVESTBANK, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of Malaysian Investment Banking Association or the Issuing House.

(b) Underwriting commission

The Underwriter has agreed to underwrite 8,500,000 Issue Shares to be issued to the Malaysian public, eligible employees of our Group and persons who have contributed to the success of our Group. We will pay for the underwriting commission at the rate of 1.75% of the issue price of RM0.75 per Issue Share.

(c) Placement fee

We will pay the placement agent's fee for the placement of 4,925,000 Issue Shares at the rate of 0.50% of the issue price of RM0.75 per Issue Share.

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2. PARTICULARS OF THE PUBLIC ISSUE (*Cont'd*)

2.9 Salient terms of the underwriting agreement

We have entered into an underwriting agreement with RHB INVESTBANK, being the Underwriter on 16 May 2007, whereby RHB INVESTBANK shall underwrite a total of 8,500,000 Issue Shares (“Underwritten Shares”) mentioned in Section 2.2(i) and Section 2.2(iv) above (“Underwriting Agreement”).

The salient terms of the Underwriting Agreement (including escape clauses) are summarised below:

1. Pursuant to Clause 4.1 of the Underwriting Agreement, the underwriting commitment and obligations of the Underwriter are subject to and conditional upon, *inter-alia*, the following:
 - (a) the approval-in-principle and permission of Bursa Securities for the admission of our Company to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged share capital of our Company on the Second Board of Bursa Securities;
 - (b) the approval of the SC and acceptance for registration with the SC of the Prospectus together with copies of all documents in relation thereto required under the SCA, and the registration of the Prospectus with the SC under Section 42 of the SCA as well as the lodging of a copy of the registered Prospectus together with the form of application accompanying the Prospectus with the Registrar of Companies;
 - (c) there having been, as at any time after the date of the Underwriting Agreement up to and including the last date for receipt of applications for the subscription of the Issue Shares as provided in the Prospectus, or such other later date as our Company and the Underwriter may agree upon (the “Closing Date”), no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of our Company and its subsidiaries (which in the opinion of the Underwriter are or will be material in the context of the underwriting of the Underwritten Shares and/or the success of the Public Issue) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect an extent which is or will be material in any of the representations, warranties and undertakings contained in the Underwriting Agreement if they are repeated on and as of the Closing Date;
 - (d) the issue, offering and subscription of the Issue Shares in accordance with the provisions of the Underwriting Agreement and the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
 - (e) all necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been obtained and are in full force and effect;
 - (f) the Underwriter having been satisfied that arrangements have been made by our Company to ensure payment of the expenses under and pursuant to the Underwriting Agreement;
 - (g) the delivery to the Underwriter prior to the date of registration of the Prospectus of (i) a copy certified as true by an authorised officer of our Company of all the resolutions of our Directors and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Public Issue and the issuance of the Prospectus; (ii) a certificate dated the date of the Prospectus signed by duly authorised officers of our 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 referred to in Clause 4.1(d) of the Underwriting Agreement; and

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (h) the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from your Board as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of our Company or subsidiaries nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations, warranties and/or undertakings contained in Clause 3 of the Underwriting Agreement as though they have been given and/or made on such date.
2. In the event any of the conditions precedent set forth above are not satisfied by the Closing Date, the Underwriter shall be entitled at its sole and absolute discretion to terminate the Underwriting Agreement and its commitment and obligations under and pursuant to the Underwriting Agreement by giving to our Company written notice to such effect whereupon the Underwriter shall with immediate effect be released and discharged from its commitment and obligations under and pursuant to the Underwriting Agreement and save for our Company's liabilities and obligations under and pursuant to Clauses 3.3, 6.3 and 9 of the Underwriting Agreement, none of the parties shall have any claim against the other save for antecedent breaches by our Company and claims arising therefrom.
3. The Underwriter may by notice in writing to our Company given at any time on or before the allotment and issuance of the Issue Shares, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:
- (a) there is any breach by our Company of any of the representations, warranties, obligations or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice after notice of such breach shall be given to our Company, or by the Closing Date, whichever is earlier; or
- (b) there is withholding of information of a material nature from the Underwriter which in the opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group, the success of the Public Issue or the distribution of the Issue Shares and if capable of remedy, is not remedied within such number of days as stipulated in the notice after notice of such breach shall be given to our Company or by the Closing Date, whichever is earlier; or
- (c) there shall have occurred, happened or come into effect any material and/or adverse change in the business and/or financial condition of our Company or any of our subsidiaries; or
- (d) there shall have occurred, happened or come into effect any of the following circumstances:-
- (i) any material change, or any development involving a prospective change, in 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
- (ii) any changes in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of our Company and/or the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on and/or materially prejudice the business or the operations of our Company or any of our subsidiaries, the success of the Public Issue or the distribution of the Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

- (e) the Underwriter is of the opinion that the success of the Public Issue is materially jeopardised by the Kuala Lumpur Composite Index falling below 1100 and remaining below 1100 for 3 consecutive Market Days at any time between the date of the Underwriting Agreement and up to and including the Closing Date.

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3. RISK FACTORS

WE ARE EXPOSED TO A NUMBER OF POSSIBLE RISKS THAT MAY ARISE FROM ECONOMIC, BUSINESS, MARKET AND FINANCIAL FACTORS AND DEVELOPMENTS, WHICH MAY HAVE AN ADVERSE IMPACT ON OUR FUTURE PERFORMANCE. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH THE OTHER MATTERS IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION.

THE RISKS 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 HAVE A MATERIAL ADVERSE EFFECT ON OUR SHARES OR OUR GROUP.

3.1 Risks relating to our Group and industry

3.1.1 Increases in the prices of raw materials and petroleum

Our main raw materials used in our manufacturing process are PVC Resins, plasticisers, stabilisers and PVC Coils, which contribute to approximately 69% of our raw material purchases for the FYE 31 March 2007.

Petroleum products are the major feedstock for plastic resins including PVC Resins and a range of other raw materials like plasticisers and stabilisers, used in the manufacturing of Plastic Extrusions. As such, the prices of plastic resins including PVC Resins, plasticisers and stabilisers are therefore dependant on the price of petroleum. There is a risk that a sustained increase in the price of petroleum may adversely impact on manufacturers of Plastic Extrusions. Moreover, PVC Resins, plasticisers and stabilisers are globally traded commodities, which are subject to global price fluctuations. Accordingly, any price fluctuations will have an impact on our operating results. *(Source: Vital Factor Report)*

Similarly, petroleum products are the major feedstock used in manufacturing PVC Coils, which are used in the Processing of PVC Coils. The prices of PVC Coils are also dependent on the price of petroleum. There is a risk that a sustained increase in the price of petroleum may adversely affect manufacturers engaged in Processing PVC Coils. PVC Coils are also a globally traded commodity, which is subjected to global price fluctuations. Any price fluctuations can also have an impact on our operating results.

Any significant increase in raw material cost can ultimately be passed on to our customers to a certain extent. In addition, we constantly analyse and monitor the global demand patterns and trends for PVC Resins, plasticisers, stabilisers and PVC Coils, to make prompt decisions regarding our raw material purchases and stockpiles. We also have import duty exemption on amongst others, PVC Resins that provides us with some price advantage. In addition, all manufacturers of Plastic Extrusions are likely to be equally affected.

Notwithstanding the above, there is no assurance that we will be able to obtain sufficient amount of raw materials at acceptable prices or successfully pass on the increase in cost to our customers. Any increase in the prices of PVC Resins, plasticisers, stabilisers and PVC Coils could adversely affect our business, financial condition, operating results and future prospects.

3. RISK FACTORS

3.1.2 Dependency on our Directors, key management and key technical personnel

We believe that our continued success is dependent, to a significant extent, upon the abilities, continued efforts and teamwork of our Directors, key management and key technical personnel. Our management team, led by our CEO, Loo Bin Keong, has been instrumental to the development of our Group. Loo Bin Keong has approximately 34 years of experience in both the furniture fittings and PVC extrusion industries. Two of our Executive Directors, namely, Leuk Sing King and Tan Sin Keat, also have extensive experience in the PVC extrusion industry with 24 years and 25 years of experience, respectively. Hence, the loss of any of our existing Directors, key management or key technical personnel, either due to resignation, health or other reasons, to the extent where we are unable to find suitable replacements, or our inability to attract and retain qualified personnel, will have an adverse effect on our business, operating results, financial conditions and future prospects.

As part of our management succession plan, we have implemented the following steps to retain our key management and key technical personnel:

- (a) allocation of Issue Shares to eligible employees of our Group;
- (b) offering competitive remuneration package; and
- (c) providing training and career development opportunities.

Notwithstanding our efforts to create a conducive working environment and provide motivation to our employees, there is no assurance that the above measures would be successful in retaining our Directors, key management and key technical personnel.

Please refer to Section 6.2 and 6.3 of this Prospectus for the profiles of our Directors, key management and key technical personnel and Section 6.8 of this Prospectus for our management succession planning.

3.1.3 Exposure to foreign currency exchange risks

For the FYE 31 March 2007, our Group's export sales contributed approximately 60% of total Group revenue and these are mainly denominated in USD. For the same financial year, our Group imported approximately 32% of raw materials, which are also mainly denominated in USD. As such, our Group is able to pay for some of our USD denominated purchases with revenue received in USD. To the extent that there are timing differences between collections and payments and for those amounts which are not covered by the natural hedge, we may be exposed to any adverse fluctuations of the USD against RM. This may have an adverse impact on our financial performance.

In mitigating our foreign exchange risk, our Group will continue our current practice in maintaining a natural hedge, whenever possible, by matching our trade receipts which are mainly denominated in USD with the settlement of trade payables on raw material purchases which are also mainly transacted in USD. In addition, our management will constantly monitor our Group's foreign currency exposure. We have taken and will continue to take the necessary steps to minimise the exchange rate exposure whenever deemed appropriate such as, hedging our position by forward sales contract.

However, there is no assurance that the foreign currency exchange risk will not have a material impact on our Group's earnings.

3. RISK FACTORS *(Cont'd)*

3.1.4 Changes in regulatory, political and economic conditions in the export markets

Approximately 60% of our sales for the FYE 31 March 2007 were exported. As such our operating results and financial condition may be affected by political, economic, legal and regulatory developments in our export markets, which include among others, Thailand, Bangladesh, Indonesia, Vietnam, Philippines and the Middle East. The future growth and level of profitability of our Group are closely linked to the regulatory, political and economic conditions of these various foreign countries. Examples of the regulatory risks include amongst others, changes in interpretation of current regulations or introduction of new laws or regulations that impose and/or increase restrictions on the conduct of our Group's business in the foreign markets. These may include the imposition of changes in exchange control regulations and other trade barriers. Any change in exchange control regulations and other trade barriers in any of those countries are mitigated by our Group's diversification of our export market covering 27 countries.

We have not previously experienced any of the abovementioned restrictions on the conduct of our business in the various foreign countries and have not been served with any notices, summons or subject to any proceedings for breach or non-compliance with any foreign laws and legislations. However, there is no assurance that any adverse development or change in the regulatory environment of the differing nations would not have an adverse impact on our Group's ability to conduct business and to grow our market share in the global market.

3.1.5 Dependency on major suppliers

For the FYE 31 March 2007, Vinythai Public Company Limited ("VPCL"), Texchem Materials Sdn Bhd ("TMSB"), Industrial Resins (M) Sdn Bhd ("IRM") and Yi Tai Co. Ltd ("YTCL") each contributed to more than 10% of the total purchases of our Group. VPCL and IRM are suppliers of PVC Resins, TMSB is a supplier of plasticisers and stabilisers whilst YTCL is a supplier of PVC Coils. Although we do not have any long-term contracts with our major suppliers, our Group has not in the past experienced any difficulty or disruption in production due to shortage of supply of raw materials.

Our Group has been dealing with VPCL, IRM and TMSB for the past 4 to 8 years. Our Board believes that this long-term and established business relationship will ensure regular and adequate supplies of PVC Resins, plasticiser and stabiliser in the foreseeable future. Our Group has a policy of maintaining multiple suppliers for each type of these raw materials to eliminate over-dependency on any of the suppliers for our business. We currently have 3 PVC Resins and 4 plasticiser and stabiliser suppliers within our top 20 suppliers to eliminate over-dependency on any single supplier thus ensuring continuous supply of raw materials.

Our Group has been dealing with YTCL for the past 2 years. Our Group can purchase PVC Coils from other sources, if necessary. According to the Malaysian Plastics Manufacturers Association, there are manufacturers of PVC Coils currently operating in Malaysia. In addition, according to the Department of Statistics, in 2006 Malaysia imported PVC Coils from a total of 15 countries.

In addition, our Group plans to diversify our business by employing Calendering technology to produce PVC Films in 2009. Some of the types of PVC Films that our Group plans to produce are suitable for Processing of PVC Coils, and as such we expect purchases of PVC Coils from YTCL will be reduced. Further, we currently maintain an average stock buffer of 3 to 5 months for certain raw materials. Furthermore, our main raw material used, PVC Resins, plasticiser, stabiliser and PVC Coils are readily available and therefore dependency on any particular supplier is minimal.

Notwithstanding the above, there can be no assurance that our Group's operations will not be adversely affected should there be any inadequate supply or delays in the delivery of raw material.

3. RISK FACTORS (*Cont'd*)

3.1.6 Dependency on major customer

For the FYE 31 March 2007, Scanwolf Thailand Co., Ltd contributed to 10.4% of the total sales of our Group. Scanwolf Thailand Co., Ltd is our appointed sole distributor in Thailand since 1 January 2006. This contractual agreement is valid for a period of 5 years expiring on 31 December 2010.

Part of our Group's future plans is to further cultivate and develop the Thailand market by establishing an operational presence in the country. In this respect, we plan to acquire an equity stake in Scanwolf Thailand Co., Ltd by 2009 in order to optimise on our distributor's existing network to expand our market coverage and products. With an equity stake in Scanwolf Thailand Co., Ltd, we will be able to minimise the risk of dependency on Scanwolf Thailand Co., Ltd as it will be part of our Group.

In addition, as at 31 March 2007, our Group has a cumulative customer base of approximately 600 customers since our Group's incorporation in 1993 and hence we are not dependent on a single customer. Further, approximately 70% of our top 20 customers have been dealing with us for 5 years or more. Of these, 3 of our top 20 customers have been customers of our Group for 10 or more years.

Notwithstanding the above, there can be no assurance that our Group's plan to acquire Scanwolf Thailand Co., Ltd will materialise and that our Group's operations will be able to enjoy the continuing support from our customers.

3.1.7 Risk of competition

Our Group operates in an environment that is subjected to normal competitive conditions. The competition exists in the local and global markets. At the local level, our Group competes with other manufacturers of Plastic Extruded Edgings and Profiles in Malaysia. At the global level, Malaysian manufacturers compete against foreign manufacturers as well as other Malaysian export-oriented manufacturers. In addition, lower-cost producing countries such as China also pose some competition in the global market for manufacturers within the Plastic Extrusion Industry, including the PVC Extruded Edgings and Profiles Industry.

However a relatively small group of 20 local manufacturers of Plastic Extruded Edgings and Profiles would help moderate the competitive conditions in the local market. As with all competitive situations, there is a risk that we may not be able to compete effectively against other manufacturers.

(Source: Vital Factor Report)

In mitigation, our Directors believe that our Group as an integrated designer and manufacturer of Plastic Extrusions will enable us to meet the total requirements of customers including formulation, compounding of resins, Die design and fabrication, extrusion, printing and finishing. This complete integration of products and services provides us with an edge to compete effectively in the market. In addition, our in-house profile design capabilities enable us to value-add to customers' specifications by ensuring that the desirable aesthetics is combined with the practical manufacturing solution to minimise cost while maximising efficiency and product quality.

However there can be no assurance that our Group will be able to maintain or strengthen our market share or that our Group will not be affected by the competitive strategies adopted by other players within the industry.

3. RISK FACTORS *(Cont'd)*

3.1.8 Risk of product substitutes

Our Group's products are used in a wide range of user industries including:

- (i) household, office, commercial and industrial furniture;
- (ii) architectural applications, for example door and window edging;
- (iii) promotional display and exhibition systems;
- (iv) kitchen cabinets and wardrobe; and
- (v) interior fit-out for residential and commercial applications.

There are many substitute products to Plastic Edgings and Profiles, especially those made from different materials. These substitutes include Edgings and Profiles made from wood, rubber, melamine, paper laminate, aluminium, steel, copper and others. There is a threat that any significant increase in the preference for these substitute products would result in a corresponding drop in demand for Plastic Edgings and Profiles.

In mitigation, the probability of other materials replacing plastic is low due to the low cost of plastic raw materials in general, and PVC raw materials in particular, as well as the low manufacturing cost associated with Plastic Extrusions. In reality, plastic and PVC extruded products have replaced many other types of materials, especially wood-based products. For example, Woodgrain Design PVC Edging has replaced natural wood edging in many furniture products, particularly furniture that is targeted at the mass-market.

Plastic as a material has its advantages over other substitute materials due to, among others, lightweight properties, cost effectiveness, ability to be extruded into many different shapes and complex profiles, different levels of flexibility, available in a wide array of colours, texture and finishing, high level of tolerance, corrosion resistance, durability, and resistance to cracking, scratches and water.

In contrast, some of the disadvantages of substitute materials compared to plastics are as follows:

- Less versatile in terms of taking on complex shapes and profiles;
- Less aesthetic options in terms of colour, texture and finishing;
- Wood and metals are less flexible in conforming to round or complex shapes;
- Materials are harder to work with; and
- More expensive.

(Source: Vital Factor Report)

3.1.9 Production uncertainties

The occurrence of a natural disaster, fire, equipment failure, electricity failure, water shortage or strike may disrupt the manufacturing process of our Group. This may affect our Group's ability to achieve our operational objectives and meeting our delivery schedules. The business disruption may also damage our reputation and/or result in cancellations of orders, which may lead to a loss of business and affect our profitability.

Our Group has not in the past experienced any major disruptions to our business that has had an adverse effect on our operations. Our management reviews and ensures that all our material assets and stocks are adequately covered by insurance on a continuous basis. Further, our Group places emphasis on proper fire safety procedures being implemented and practised at our premises. This includes the prohibition of smoking in the factory area, installation of fire fighting equipment at designated areas, regular inspection of fire fighting equipment by a fire contractor and certification of fire extinguishers by the fire department.

However, there can be no assurance that the above measures will prevent major disruptions to our Group's business and that the insurance coverage will be sufficient to compensate for the replacement cost of the assets or any consequential losses arising from this.

3. RISK FACTORS (Cont'd)

3.1.10 Dependency on major end-user industries

Our Group is dependent on demand from major end-user industries, particularly the furniture and interior fittings industries. In this respect, our Group is exposed to the risk that a downturn in one or more of these major end-user industries will have a negative effect on the demand for our Group's products.

Our Group's risk of dependency on major end-user industries is mitigated by the diversity of our end-user industry customer base, geographic diversity in the markets we serve, and our overall large customer base.

The products manufactured by our Group is currently used in a range of end-user industries, including household, commercial and industrial furniture, architectural applications, promotional display and exhibition systems, kitchen cabinet and wardrobe systems, interior fit out, and stationery. This diversity in end-user industries reduces our Group's dependency on the performance of any one end-user industry.

Our Group served an estimated 360 customers spread across 28 countries during the FYE 31 March 2007. Our large customer base spread over a diverse range of markets reduces our dependence on the performance of a particular end-user industry in any one particular market.

3.1.11 Foreign workers

As at 28 May 2007, approximately 41% of our workforce consists of foreign workers. Their employments in Malaysia are subject to annual renewal by the Ministry of Home Affairs. As such, any non-renewal of our foreign workers' permit and any changes in regulations and policies, such as, the lowering of the number of foreign workers permissible to be employed by our Group or an increase in levy, may adversely affect our business, financial condition, results of operations and prospects.

3.1.12 Future growth strategies

Our proposed growth strategies and prospects will be dependent upon, among other things, our Group's ability to enter into strategic marketing or other arrangements on a timely basis and on favourable terms, hire and retain skilled management as well as financial, technical, marketing and other personnel, successful in monitoring growth (including monitoring operations, controlling costs and maintaining effective quality, inventory and service controls) and obtain adequate financing as and when needed. While every effort will be made, there can be no assurance that we will be able to successfully implement our growth strategies or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in our implementation or even deviations from our original plans. In addition, the actual results may deviate from the planned growth strategies due to market changes as well as competitive pressures.

3.1.13 Control by the Promoters of our Company

Upon the Listing, the Promoters of our Company, namely Loo Bin Keong, Tan Sin Keat and Leuk Sing King, will collectively hold 40,606,402 Shares, representing approximately 50.76% of our enlarged issued and paid-up share capital. As such, it is likely that they will be able to influence the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

3. RISK FACTORS *(Cont'd)*

3.1.14 Risk in availability of raw materials

Manufacturers are dependent on the availability of raw materials in the production of Plastic Extrusions, including PVC Extruded Edgings and Profiles and in the Processing of PVC Coils. Any interruptions in supply of these raw materials may impact on the operations of manufacturers.

The major raw materials used in the manufacture of PVC Extruded Edgings and Profiles include PVC Resins, plasticisers, stabilisers, pigments, inks and solvents. Although Malaysia has an active petrochemical industry, some of these raw materials may not be readily available in Malaysia. As a result, some of these raw materials may have to be imported.

In mitigation, PVC Resin is a widely manufactured and traded commodity. As such, the likelihood of a shortage in the availability of PVC Resin is minimal. Indeed, a significant amount of PVC Resin is manufactured in Malaysia, with local production of 361,738 tonnes valued at RM1.6 billion recorded in 2006. There are currently 3 manufacturers of PVC Resins operating in Malaysia. Other raw materials such as plasticisers, stabilisers, pigment, inks and solvent can be sourced from a wide range of sources overseas. Consequently, the likelihood of a shortage in the availability of these materials is low.

(Source: Vital Factor Report)

The major raw material used in Processing of PVC Coils is PVC Coils. PVC Coils are available from a range of local and overseas sources. According to the Malaysian Plastics Manufacturers Association, there are manufacturers of PVC Coils currently operating in Malaysia. According to the Department of Statistics, in 2006 Malaysia imported PVC Coils from a total of 15 countries. As a result, the likelihood of a shortage in the availability of PVC Coils is low. In addition, our Group plans to diversify our business by employing Calendering technology to produce PVC Films in 2009. Some of the types of PVC Films that our Group plans to produce are suitable for processing of PVC Coils, and as such we expect our dependency on outside sources of PVC Coils to be reduced.

3.1.15 Risk in downturn in the local and global economies

Any prolonged and/or widespread downturn in the global economy is likely to have a negative effect on the Malaysian economy in general and of the manufacturing sector in particular. A slowdown in the global economy is likely to reduce demand for a wide range of products, including furniture and fittings and automobiles, which would have an impact on the Plastic Extrusion Industry.

In mitigation, the Malaysian Government has previously implemented pro-active policies in mitigating the negative impact of a global economic downturn. This was done through introduction of stimulus packages to boost domestic spending and demand, and these actions have been successful in countering a slowdown in the local economy in the past. A diversified export market base provides some mitigation against the effects of a global economic slowdown, as reduced demand from an individual market may be offset by increased demand from other markets.

3.2 Risks relating to investment in our Shares

3.2.1 No prior market for our Shares

The issue price of RM0.75 per Issue Share has been determined and agreed upon by our Company and RHB INVESTBANK as Financial Adviser and Underwriter, after taking into consideration a number of factors, including but not limited to, financial and operating history, future plans, strategies and prospects of our Group.

Prior to the Public Issue, there was no public market for our Shares. There can be no assurance that an active market for our Shares will develop upon our listing on Bursa Securities or, if developed, that such market can be sustained.

3. RISK FACTORS (Cont'd)

3.2.2 Potential delays or failure of our Listing

The Listing may be potentially delayed or aborted in the event of the following:

- (a) the placees and Bumiputera investors identified under the Public Issue fail to pay for the subscription of the Issue Shares allocated to them notwithstanding that they have furnished their irrevocable undertaking letters to subscribe for such Issue Shares;
- (b) the Underwriter, exercising its rights under the Underwriting Agreement, discharges itself from its stated obligations; and
- (c) we are unable to meet the public spread requirements of at least 25% of the issued and paid-up capital being held by a minimum of 1,000 public shareholders holding not less than 100 shares each.

3.2.3 Volatility in our Share price and trading volume

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, difference between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendation or projections, changes in general market conditions, and broad market fluctuations. The market price of our Shares is also susceptible to certain new developments or technology advancements within the Plastic Extrusion industry, acquisition or strategic alliance by our competitors or gain or loss of our major customers or contracts.

On the other hand, the performance of the Bursa Securities, which affects the volatility of our Share price, is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various economic sectors. These factors invariably contribute to the volatility of trading volumes witnessed on the Bursa Securities, thus adding risk to the market price of our listed Shares, which could result in substantial losses for investors in acquiring our Shares.

3.2.4 Ability to pay dividends

We are principally an investment holding company and the core operations of our Group are carried out through our subsidiary companies. Accordingly, our major sources of income are dividends and other distributions received from our subsidiary companies, namely, SPI and SBM. However, our ability to declare dividends or make other distributions in the future is subject to us having profits and excess funds which are not required to be retained to fund our Group's operations, other obligations or business plans and may in the future be subject to restrictions contained in future loan agreements which limit the payment of dividends without prior written consent of lenders.

3.2.5 Achievability of our profit forecast and disclosure regarding forward-looking statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results. Other statements, which are forward-looking in nature, are subject to uncertainties and contingencies. Although our Group believes that the expectations reflected in the profit forecast and such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will subsequently materialize. Their inclusion in this Prospectus should not be regarded as a representation or warranty by our Company, RHB INVESTBANK or any other advisers that the plans and objectives of our Group will be achieved.

Potential investors will be deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit forecast that are contained herein.

4. INDUSTRY OVERVIEW

THE FOLLOWING DISCUSSION ON THE GLOBAL AND MALAYSIAN ECONOMY AND THE INDUSTRY IN WHICH OUR GROUP OPERATES IS NOT INTENDED TO BE EXHAUSTIVE BUT REFLECTS SOME OF THE FACTORS WHICH ARE CONSIDERED RELEVANT TO UNDERSTANDING THE BUSINESS AND PROFITABILITY OF OUR GROUP BASED ON PREVAILING REGULATIONS, ECONOMIC TRENDS AND DEVELOPMENTS.

4.1 Introduction

Our Group is principally involved in designing and manufacturing of Plastic Extrusions, manufacturing of PVC Compounding, processing of PVC Coils and trading of industrial consumables as well as other building materials. Apart from distributing our products in the Malaysian market, we market our products to 27 countries, including among others, Thailand, Bangladesh, Indonesia, Vietnam, Philippines and the Middle East.

4.2 Overview of global economy

4.2.1 Development in 2006

The global economic environment was favourable in 2006, sustaining its fourth consecutive year of expansion of above 4%. While there was some moderation in USA, especially towards the latter part of the year, global growth momentum remained firm. This resilience was attributed to several factors. First, the moderation of growth in the USA economy was largely centered on the weak housing and automobile-related sectors. Second, although the contribution of the USA to world growth was still significant, there was a broadening of growth across the major economic regions, specifically with growing economic impetus in Europe, continued recovery in Japan, and stronger expansion in the East Asian region as well as other developing economies. Third, the strength of commodity markets throughout most of the year favoured resource based producers, thus benefiting a large number of emerging economies through improved terms of trade and foreign exchange earnings.

Despite a softening global environment in the latter part of 2006, the East Asian region remained resilient. Growth was sustained at a strong pace, with continued support from both external and domestic demand. Growth also benefited from greater regional integration as reflected in the continued expansion in intraregional trade. Higher commodity prices had also enhanced growth, particularly in resource-based countries, contributing to large current account surpluses. China remained the key contributor to regional expansion, with its economy growing at 10.7%, its fastest pace since 1995. Concerns over the sustainability of growth, however, led to measures by the Chinese authorities aimed at achieving more balanced growth, away from exports and investment, and more towards consumption activity.

Globally, headline inflation remained elevated throughout most of 2006 due to the impact of oil prices. Oil prices rose, particularly in the first half-year, due to uncertainties over supply amid robust demand conditions and geopolitical tensions affecting some of the key oil-producing countries. However, pressures on inflation eased when oil prices began to decline in August 2006, partly reflecting the diminishing risks to supply. Expectations of slowing USA growth in the second half of the year together with a build-up in USA inventories following warmer-than-expected weather played a role in easing short-term supply concerns. These developments, together with some reallocation of speculative funds to other markets, accentuated the downward trend in oil prices, despite production cuts by Organization of the Petroleum Exporting Countries (OPEC).

In the East Asian region, inflation trends varied across countries. In the ASEAN-4, inflationary pressures eased due to the waning effects of the removal of fuel subsidies, allowing the authorities in Indonesia, Thailand and the Philippines to adopt a more accommodative stance in their monetary policy. However, inflation in the Newly Industrialised Countries (NIEs) trended upwards, due to tight labour market conditions and strengthening conditions in the property markets. While oil price-induced inflationary pressures eased, several concerns remained. In particular, food prices remained high in most East Asian countries due to shortages caused by weather conditions.

(Source: BNM Annual Report 2006)

4. INDUSTRY OVERVIEW (*Cont'd*)

4.2.2 Outlook in 2007

The outlook for global performance remains fairly optimistic. Global growth in 2007 is forecast to be sustained at above 4% for the fifth consecutive year. A growth of 4.5% is anticipated in 2007 (5.0% in 2006), with further easing of inflationary pressures and with some moderation in growth of world trade. The adjustment in the USA housing market is expected to gradually have a broader impact on consumption. Recovery in Japan would continue, albeit at a more measured pace, while prospects for the euro area now look brighter following signs of a broad-based recovery in the major member countries. Notwithstanding the more moderate pace of expansion in external demand, growth in the Asian region is expected to remain encouraging, supported increasingly by domestic demand, particularly in China and India.

(Source: BNM Annual Report 2006)

4.3 Overview of Malaysian economy

4.3.1 Malaysian economy in 2006

The Malaysian economy strengthened in 2006, with real GDP expanding by 5.9%. The robust global growth during the year resulted in strong demand for electronics and primary commodities. This strong external environment was supported by strong domestic activity as private consumption rose in line with incomes and private investment increased to expand productive capacity to meet demand. As a result of the expansion in domestic and external demand, employment also strengthened as reflected in the decline in retrenchments and the acceleration in job creation. The unemployment rate remained unchanged at 3.5% while nominal wages increased.

In spite of the robust growth in output and wages, the economy remained on a balanced growth path in 2006. A number of indicators confirmed the sustainability of the growth momentum. The output gap was negligible in 2006 and productivity growth exceeded wage growth and hence helped contain inflationary pressures. The only significant source of inflation in 2006 was from supply factors, most notably, the adjustments to a number of administered prices as subsidies were partially removed. As the impact of these adjustments receded during the course of the year, the headline inflation rate also moderated.

Aggregate domestic demand recorded a stronger growth of 7.4% in 2006, driven mainly by the continued expansion in private sector activity. Consumer spending remained strong, benefiting from higher disposable incomes arising from strong export earnings, high commodity prices and favourable labour market conditions. Private investment continued to increase, with significant capital expenditure in the manufacturing, services and oil and gas sectors. Meanwhile, the public sector continued to support growth with the Government committed to improving the infrastructure and the provision of Government services mainly in education and health especially for the rural areas.

(Source: BNM Annual Report 2006)

4. INDUSTRY OVERVIEW (*Cont'd*)

4.3.2 Prospects of the Malaysian economy in 2007

Supported by sustained global growth and resilient domestic demand, the Malaysian economy is expected to register solid growth in 2007, with real GDP expanding by 6%. This pace is consistent with the expansion in productive capacity following the strengthening of the recovery in capital formation. In 2007, investment, particularly private investment, is expected to play a major role in sustaining growth as strong domestic and external demand, coupled with high levels of capacity utilisation, induced firms to expand capacity. In addition, investment activity by the public sector is also expected to expand substantially with the commencement of work on infrastructure and other projects under the Ninth Malaysia Plan (9MP). Firm-level investment is also expected to benefit from the reduction in the corporate tax rate that was announced in the 2007 Budget, while ample liquidity in the financial system will ensure funding would be adequate.

(Source: BNM Annual Report 2006)

4.4 Overview of manufacturing sector in Malaysia

4.4.1 Overview in 2006

Growth in the manufacturing sector strengthened, underpinned by the continued upturn in the global electronics cycle which began in the second half of 2005. The performance was further enhanced by the strong external demand for resource-based industries such as petroleum, rubber and off-estate processing, which experienced better terms-of-trade due to higher export prices. The domestic-oriented industries also showed a marked improvement during the year. Overall, the manufacturing sector recorded a growth of 7%, resulting in its share to GDP remaining at 32%. Amidst the favourable performance, the capacity utilisation rate in the manufacturing sector remained stable during the year due to investments to expand and upgrade facilities in a number of industries.

In the chemical and chemical products industry, growth was more subdued during the year due to lower production of industrial gases, in line with the lower output of natural gas. The industry was also partly affected by weaker demand for intermediate plastic products from China due to reduced reliance on imports as their domestic producers increased production. Nevertheless, the plastic products segment continued to expand due to growing demand from the electronics and electrical industry, as well as demand from the European Union.

The manufacturing sector in 2006 was also supported by the domestic-oriented industries, which grew at a faster pace of 7.2% (2005: 2.8%). This growth was mainly attributable to better performance by industries related to the construction sector, namely iron and steel, non-metallic products, and to some extent fabricated metal products, benefiting both from the gradual improvement in the construction sector as well as the strong external demand from regional countries. Meanwhile, the transport equipment industry recorded a mild decline, affected by the lacklustre demand for new motor vehicles.

(Source: BNM Annual Report 2006)

4.4.2 Outlook in 2007

Growth in the manufacturing sector is expected to be sustained at 6.6% (2006: 7%). While the electronics and electrical (E&E) sector may experience some moderation in the first half of 2007 due to the expected moderation in the USA economy, the growth would be supported by other industries. In particular, resource-based industries and industries related to the construction sector are expected to lend support during the year, led mainly by sustained regional demand and more broad-based domestic activities.

4. INDUSTRY OVERVIEW (Cont'd)

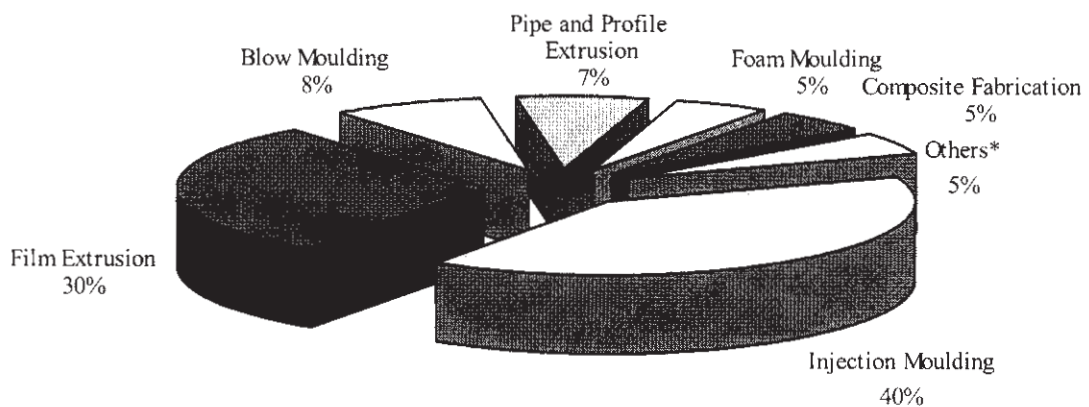
Firm demand for selected resource-based industries such as chemicals, rubber products and petroleum products should provide support for the manufacturing sector during the year. The chemical industry is expected to see an improved performance due to impetus from the new biodiesel plants that would come on-stream during the year. The growth in the rubber products industry is also expected to remain strong, supported by continued demand for rubber gloves and the transition of the tyre industry into higher value-added products amidst the more stable input prices. Output of petroleum products is expected to be driven by higher demand, while construction-related industries would be supported by the implementation of 9MP projects.

(Source: BNM Annual Report 2006)

4.5 Overview of the Plastic Extrusion industry

4.5.1 Processes for manufacturing plastic products

Plastic Extrusions including pipes and profiles are categorised under the umbrella of plastics industry. The plastics industry can be segmented by different types of processes, and their respective market shares in 2006 are depicted as follows:



Note:

* Other processes include calendering, thermoforming, yarn extrusion, rotational moulding, and sheet extrusion.

Pipe and profile extrusion represented 7% of the total plastics industry in 2006. Pipe and profile extrusion is the process where plastic resins and other additives are melted and compounded, and then pushed through a Die to obtain the desired cross-sectional shape. The end result is a continuous length of plastic with a uniform cross-sectional shape determined by the design of the Die.

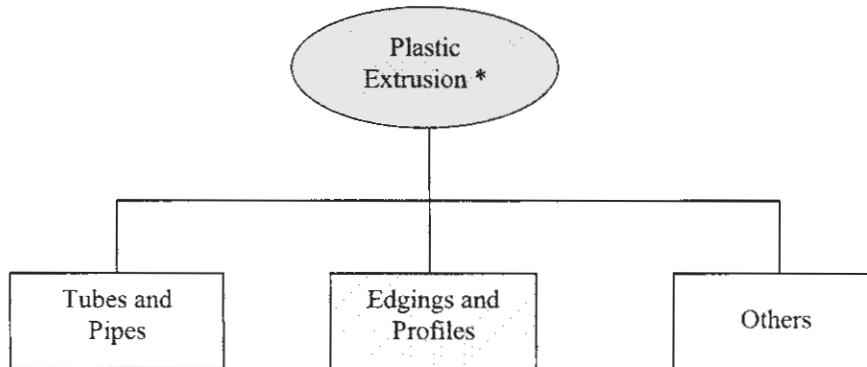
As part of the plastics industry, Plastic Extrusions plays an important role as one of the processes used in downstream manufacturing of finished plastic based products in Malaysia.

(Source: Vital Factor Report)

4. INDUSTRY OVERVIEW (Cont'd)

4.5.2 Plastic Extrusion industry

The Plastic Extrusion industry can be broadly segmented into the following sub-sectors:



Note:

* Does not include film extrusion as it is classified under its own category. In addition, the process of film extrusion is very different from all other types of extrusions. Film extrusions are primarily used by manufacturers of plastic bags and other plastic sheets and films for the packaging industry.

Tubes and pipes refer to extruded profiles that are hollow tubes with a continuous and uniform shape and cross-section throughout the length of the product. The cross-section may be circular, square or some other shape. Edgings and Profiles refer to the extruded material having a uniform shape and cross-section throughout the length of the product. The cross-section of the profile may be circular, square, rectangular or some other shapes. The manufacturing process and machinery used for Plastic Extrusion of tubes and pipes as well as Edgings and Profiles are similar with the main exception being the design of the Die. Nevertheless, they are separated as they service very different markets due to their product applications. Other types of extrusions include sheets and planks, pellet and cable coatings.

Our Group is engaged in the design and manufacture of PVC Edgings, PVC Jointings, PVC Foam Profiles, PVC extruded building materials, TPEE Profiles, ABS Profiles and Edgings, and PVC Wrapping Profiles, all of which fall under the “Edgings and Profiles” sector within the Plastic Extrusion Industry.

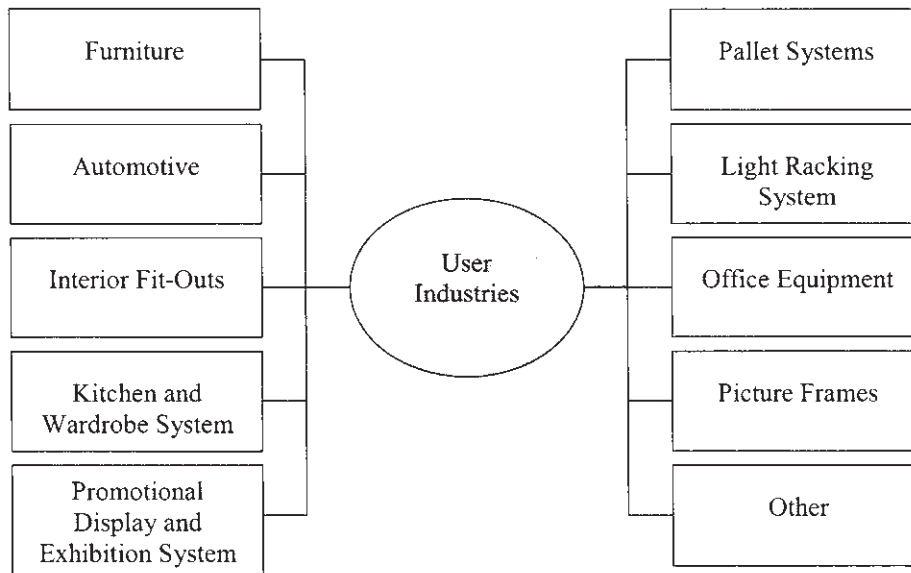
(Source: Vital Factor Report)

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4. INDUSTRY OVERVIEW (Cont'd)

4.5.3 User industries for Plastic Extrusions

Plastic Extrusions, specifically for Edgings and Profiles, have many applications. Some of the user industries of the plastic extruded products are as follows:



The diversity of plastic extruded products is primarily due to its versatility and cost-effectiveness in replacing other materials such as wood, ferrous and non-ferrous metals, plaster and rubber-based materials. Plastic Extrusions is widely used by the furniture sector covering household, commercial and industrial furniture. Plastic Extrusion industry focusing on Edgings and Profiles play a major supporting role in the growth and development of a major export earner for Malaysia, namely the furniture industry. In 2006, export value of furniture and parts thereof amounted to approximately RM8.3 billion.

Plastic Extrusions is also commonly used:

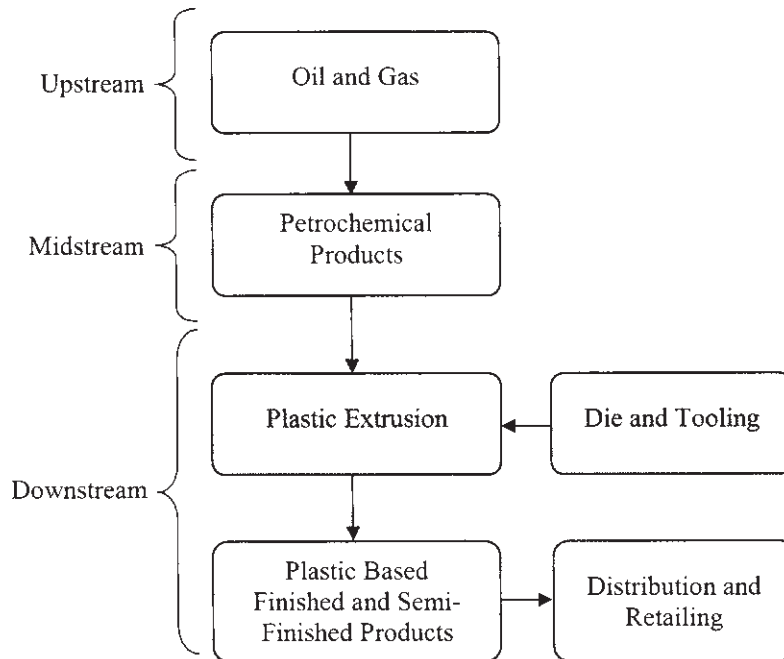
- (i) in the automotive industry, primarily as interior and exterior auto parts such as side moulding, weather strips and interior trimmings;
- (ii) as building materials and decorative profiles for various sectors including interior fit-outs, kitchen cabinet and wardrobe systems, and architectural applications including door and window frames, skirting boards, cornices and wall panels; and
- (iii) as industrial applications for example pallet system and light racking system. Otherwise, it also can be used for polymer based picture frames, horizontal or vertical blind systems and other hardware fittings like plastic screws and nails.

(Source: Vital Factor Report)

4. INDUSTRY OVERVIEW (Cont'd)

4.5.4 Vertical structure of the Plastic Extrusion industry

The Plastic Extrusion industry can also be vertically extended to the following:



The manufacture of Plastic Extrusions can be segmented into upstream, midstream and downstream. Our Group's activities are classified as downstream activities, comprising design and manufacture of Plastic Extrusions, including PVC Edging, PVC Jointing, PVC Foam Profiles, PVC extruded building materials, TPEE Profiles and ABS Profiles and Edgings, PVC Wrapping Profiles, PVC Compounding and processing of PVC Coils.

Upstream

Upstream activities primarily involve the exploration and production of crude oil and gas, and refining of petrochemicals. As at 1 January 2006, the reserves of crude oil (including condensates) in Malaysia totalled 5.25 billion barrels of oil equivalent, while reserves of natural gas totalled 14.66 billion barrels of oil equivalent. During the FYE 31 March 2006, the production of crude oil and condensates totalled 699,100 barrels of oil equivalent per day, while the production of natural gas totalled 957,000 barrels of oil equivalent per day.

Midstream

Midstream activities also comprise the refining of petrochemicals including manufacture of plastic resins, methanol, acetic acid, acrylic acid, and other petrochemical derivatives such as plasticisers and chemicals. Plastic resins are the main feedstock for the plastics industry including the Plastic Extrusion industry. Some of these resins include PVC, Polyethylene (PE), Low Density Polyethylene (LDPE), High Density Polyethylene (HDPE) and Polypropylene (PP). In 2006, the total approved investment in Malaysia's petroleum products including petrochemical industry amounted to RM11.4 billion.

Downstream

Manufacture of Plastic Extrusions is part of downstream activities. The design and fabrication of Dies incorporating tooling, forms a critical supporting role for the manufacture of Plastic Extrusions, as Dies are used to shape the product during the extrusion process. Our Group is primarily involved in the manufacturing of Plastic Extrusions supported by our in-house Die design and fabrication facilities.

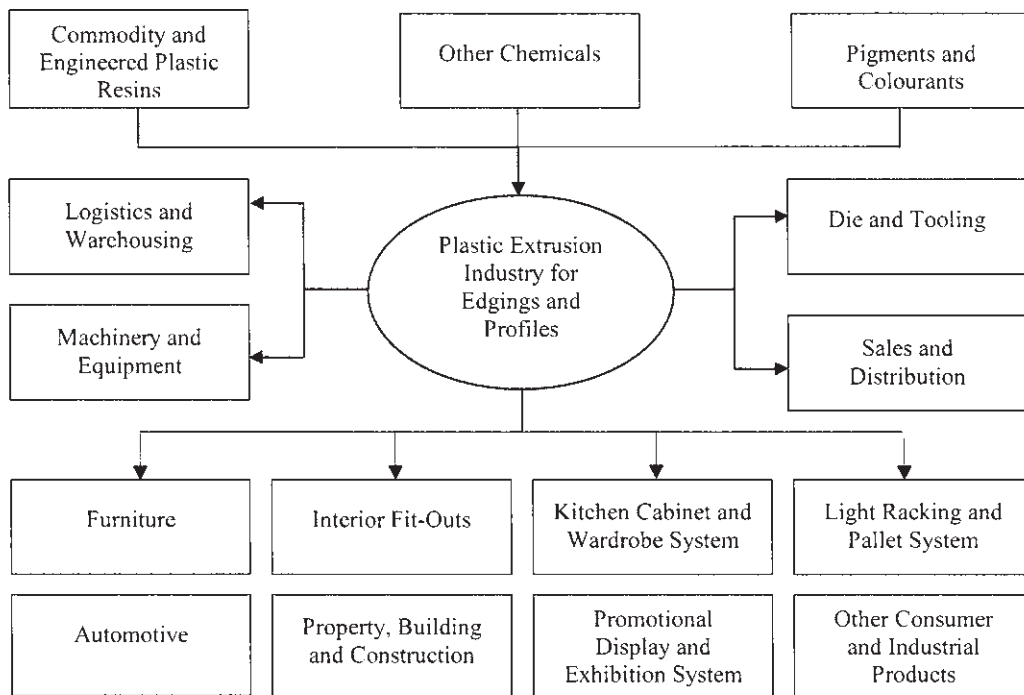
4. INDUSTRY OVERVIEW (Cont'd)

The output from the manufacturing of Plastic Extrusions can be in the form of finished products, for example building materials or semi-finished products for example edging that is then used for furniture manufacturing. Other downstream activities include distribution and retailing of intermediate and finished plastic extruded products.

(Source: Vital Factor Report)

4.5.5 Industry Linkages

The Plastic Extrusion industry has extensive linkages to other industries. These linkages are depicted as follows:



The wide linkages of the Plastic Extrusion industry illustrate its critical role to many other dependent industries. In particular, many manufacturing companies are dependent on Plastic Extrusions specifically PVC Edging and Profiles for their end products due to its versatility, strength, lightweight and cost-effectiveness.

(Source: Vital Factor Report)

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4. INDUSTRY OVERVIEW (Cont'd)

4.5.6 Industry outlook

Local production, exports and performance of end-user industries would provide an indication of the outlook of the Plastic Extrusion industry especially for Edgings and Profiles.

Local Production

Between 2002 and 2006, the sales value of the manufacture of plastic products (including Plastic Extrusions) increased at an average annual rate of 17.2%. In 2006, the sales value of the manufacture of plastic products increased by 17.2% to reach RM15.1 billion.

In 2006, the sales value of the manufacture of plastic extruded products increased by 26.6% to RM500.9 million (based on 17 establishments).

Between 2002 and 2006, the sales value of the production of PVC fittings (a sub-sector of plastic extruded products), including PVC Extrusions, grew at an average annual rate of 23.8%. In 2006, the sales value of the production of PVC fittings increased by 2.7% to reach RM43.6 million.

Exports

In 2006, the export value of plastic profiles increased by 56.3% to reach RM69.7 million.

Between 2002 and 2006, the export value of PVC profiles (a subsector of plastic profiles) increased at an average annual rate of 61.4%. In 2006, the export value of PVC profiles increased by 102.1% to reach RM51.3 million.

Between 2002 and 2006, the export value of plastic furniture profiles and fittings increased at an average annual rate of 29.1%. In 2006, the export value of plastic furniture profiles and fittings increased by 45.2% to reach RM12.9 million.

The applications of plastic extruded products are extensive and diverse, hence its growth will be fuelled by demand from some of the end-user industries as indicated below:

- Between 2002 and 2006, the sales value of manufacture of furniture increased at an average annual rate of 11.5%. In 2006, sales value of manufacture of furniture increased by 5.1% to reach RM5.6 billion;
- Between 2002 and 2006, the export value of furniture and parts thereof increased at an average annual rate of 10.0%. In 2006, export value increased by 7.9% to reach RM8.3 billion;
- The sales value of the manufacture of motor vehicles increased at an annual average rate of 2.8% between 2002 and 2006. In 2006, the sales value of the manufacture of motor vehicles declined by 16.1% to RM13.9 billion;
- Between 2002 and 2006, the export value of motorcars and other motor vehicles for the transport of persons increased at an average annual rate of 13.5%. In 2006, export value increased by 34.5% to RM554.9 million.

4. INDUSTRY OVERVIEW (Cont'd)

An indication of the performance of the Interior Fit-Out Industry can be demonstrated through the value of special trade works undertaken, as there is insufficient statistics specifically for the Interior Fit-Out Industry. Many Interior Fit-Out activities are captured in the statistics for special trade works.

Between 1996 and 2002, the gross output value of special trade works declined at an average annual rate of 3.5%. Despite the decline in 2000 and 2002, the gross output value of special trade works amounted to RM6.5 billion, which is relatively large.

Drivers of growth

The applications of plastic extruded products are extensive and diverse. Hence its growth will be fuelled by demand from various end-user industries. Some of the drivers of growth for the Plastic Extrusion industry are as follows:

- (i) Growth of end-user industries such as furniture, interior fit-outs, automotive, property, building and construction industries. Growth in end-user industries will drive up demand for plastic extruded products.
- (ii) Social-economic growth such as economic and population growth will likely increase demand for a wide range of consumer and industrial products, property and automobiles. As Plastic Extrusions, including PVC Extruded Edgings and Profiles, are used in the manufacture of these items, demand for Plastic Extrusions are also expected to increase.
- (iii) Increasing affluence of consumers reflected by increasing per-capita GNP and disposable income will make consumer goods relatively more affordable, which is expected to further stimulate demand for the Plastic Extrusion industry, including the PVC Extruded Edgings and Profiles industry.
- (iv) Growth in the economies of exports markets is particularly important, as Malaysia exports a very significant proportion of its manufactured products, including furniture and fittings.
- (v) Innovations and developments of new applications would create new demand from existing or new end-user industries.

Implications of End-User Industry Performance

The continuing robust growth of the manufacture of furniture and fittings will ensure continuing demand for Plastic Extrusions. The following substantiates this:

- Between 2002 and 2006, the sales value of manufacture of furniture increased at an average annual rate of 11.5%. In 2006, sales value of manufacture of furniture increased by 5.1% to reach RM5.6 billion;

These positive developments will augur well for operators within the Plastic Extrusion Industry including PVC Edging and Profiles.

(Source: Vital Factor Report)

4. INDUSTRY OVERVIEW (*Cont'd*)

4.6 Industry players and competition

As at April 2007, there were an estimated 20 manufacturers of Plastic Extruded Edgings and Profiles in Malaysia. Some of these manufacturers include:

- Our Group;
- APM Plastics Sdn Bhd;
- Chemtube (M) Sdn Bhd;
- Composite Technology Wood Sdn Bhd;
- Corplast Packaging Industries Sdn Bhd;
- Corlite Packaging Industries Sdn Bhd;
- Dunia Polymer Extrusion Sdn Bhd;
- Edging Master Manufacturing Sdn Bhd;
- Heveaplast (M) Sdn Bhd;
- Highway Plastic (M) Sdn Bhd;
- Kinku Industries (M) Sdn Bhd;
- Malaysian Industrial Plastics Sdn Bhd;
- Perceptive Profile Sdn Bhd;
- Sin Yong Guan Industries Sdn Bhd;
- Texchem Engineering Plastics Sdn Bhd; and
- United Whole Sdn Bhd

Manufacturers of Plastic Extruded Edgings and Profiles face normal competitive conditions. As with most free enterprise environments, competition is based on a number of factors, including quality products and services, cost competitiveness, prompt delivery schedules, manufacturing capabilities and capacities and convenience to customers.

In general, competition within the Plastic Extruded Edgings and Profiles industry is moderate. This is based on the following observations:

- (i) As at April 2007, there were an estimated 20 manufacturers of Plastic Extruded Edgings and Profiles in Malaysia.
- (ii) The relatively small group of manufacturers moderates the competitive intensity in this industry.

Competition within the Plastic Extruded Edgings and Profiles industry is further moderated by the following factors:

- (i) Manufacturers with a high degree of integration and value-adding in terms of compounding, colour matching, profile design, Die design and fabrication, and automated online extrusion, printing and finishing are likely to enjoy competitive advantages such as lower cost of production, better end-to-end quality control, faster turnaround time, and the ability to provide the convenience of a one-stop solution to customers.
- (ii) Manufacturers with the in-house profile design capabilities are likely to face moderate competition. Profile design is a significant value adding activity, which ensures that desirable aesthetics are combined with practical manufacturing solution to minimise cost while maximise efficiency and product quality.
- (iii) Manufacturers that have in-house Die design and fabrication capabilities are in a better position to provide customers with a one-stop solution. At the same time, it enables the manufacturers to better control product quality, as the quality and the proper maintenance of Dies are crucial to ensure consistent product quality.
- (iv) Manufacturers that provide a wide range of products and options in terms of colour, texture and finishing, would be in a better position to meet a wider range of customers' needs. Competitive pressure for such manufacturers are somewhat moderated.

(Source: *Vital Factor Report*)

4. INDUSTRY OVERVIEW (Cont'd)

4.7 Demand/supply conditions***Demand conditions***

Plastic Extrusions specifically for Edgings and Profiles are some of the components used to manufacture many of the plastic based finished products used in a diverse range of industries. Due the versatility of applications and properties such as lightness, strength, chemical resistance and durability, plastic is a popular material that is used in many industries.

Generally, Plastic Extrusions particularly for edging and profiles form the basic materials used in the following applications or parts:

- (i) Furniture applications such as edge banding for the sides of cabinet doors, drawers, cabinet ends, desks, bench tops and tabletops, or profiles for sealing gaps and joints between two panels, or filaments to manufacture furniture products;
- (ii) Architectural applications such as windows and door edgings, structural support for tiling and pavement systems such as floor tile strips and paved edges;
- (iii) Interior fit-outs such as cornices, skirting boards, decorative ceiling profiles, blind slats, and wall panelling systems;
- (iv) Kitchen cabinet and wardrobe systems such as edgings for cabinet doors, drawers, bench tops, and door and wall sealing systems to prevent water penetration;
- (v) Automotive applications such as interior or exterior automotive parts for example side moulding, weather strips, and trimming;
- (vi) Industrial applications such as plastic pallet systems, light racking systems, and other hardware materials; and
- (vii) Consumer products such as polymer picture frames, toys, stationery and others.

The performance of the end-user industries will impact on the demand for Plastic Extrusions, including PVC Edgings and Profiles. The diversity in applications and user industries will continue to provide continuing demand and opportunities for manufacturers within the Plastic Extrusion Industry. Please refer to Section 4.5.6 for the performance of the end-user industries.

Supply conditions

In 2006, the sales value of the manufacture of plastic extruded products (which includes the manufacture of plastic tubes, plastic hose, shapes and sections by the extrusion method) increased by 26.6% to RM500.9 million (based on 17 establishments).

Between 2002 and 2006, the sales of the production of PVC fittings (a sub-sector of plastic extruded products) including PVC Extrusion, grew at an average annual rate of 23.8%. In 2006, sales value of the production of PVC fittings (a sub-sector of plastic extruded products) including PVC Extrusion, increased by 2.7% to RM43.6 million.

Between 2002 and 2006, the import value of plastic furniture profiles and fittings increased at an average annual rate of 3.2%. In 2006, the import value of plastic furniture profiles and fittings declined by 23.6% to RM6.3 million.

(Source: Vital Factor Report)

4. INDUSTRY OVERVIEW (Cont'd)

4.8 Substitute products

The potential threats of substitutes to Plastic Extrusion are from two perspectives, different materials and different processes.

Different Materials

There are many substitute materials to plastic, including among others, wood, rubber, melamine, paper, aluminium, steel, copper and others. Following are some examples:

- wood, melamine and paper edgings can be used as substitutes to PVC Edging;
- wood, rubber and metal profiles can be used to substitute Plastic Profiles such as Jointing; and
- rubber based profiles can be used to substitute plastic based sealing systems.

However, plastic as a material has its advantages over other substitute materials due to, among others, lightweight properties, cost effectiveness, ability to be extruded into many different shapes and complex profiles, different levels of flexibility, high level of tolerance, corrosion resistance, durability, and resistance to cracking, scratches and water.

In addition, plastic materials are more versatile as it can be manufactured in a wide array of colours and finishing compared to substitute products such as natural wood. The wide range of colours can be attained through compounding of different colour pigments whilst different properties such as rigidity and flexibility can also be attained by adding additives such as plasticisers into the compounding process.

In contrast, some of the disadvantages of substitute materials compared to plastics are as follows:

- less versatile in terms of taking on complex shapes and profiles;
- less aesthetic options in terms of colour, texture and finishing;
- wood and metals are less flexible in conforming to round or complex shapes;
- materials are harder to work with; and
- more expensive.

Different Processes

The potential substitute processes to Plastic Extrusion is Calendering and Injection Moulding.

- (a) Calendering process involves using two or more counter rotating rollers in which a film or sheet is produced by squeezing a hot and viscous material between them. Utilising the calendering process, wider width plastic films and sheets can be produced, which usually comes in jumbo coils or rolls.

The plastic films or sheets in jumbo coils can go through further processes such as slitting into desired widths and the final products can be used as Plastic Edging.

- (b) Injection moulding is the process whereby hot molten plastic is injected under high pressure into a mould. Once the plastic has solidified, the moulded object is ejected and thus completes the moulding process. As an example, plastic moulding or jointing can be produced using the injection moulding process.

4. INDUSTRY OVERVIEW (*Cont'd*)

However, Plastic Extrusion process has its advantages over these other processes as follows:

- (a) In utilising the Calendering process, the final end product can only be flat with varying thickness, width, colour and finish. However, the extrusion process has the capabilities to produce various shapes and designs of a cross-section of products including round, square, flat, rectangular shapes and complex shapes with intricate designs.
- (b) Co-extrusion process, part of the general extrusion process, allows multiple-layer extrusion of profiles with different plastic materials, filament coating and extrusion coating. This process would eliminate the need for a laminator for the plastic.
- (c) Extrusion process also has its advantages over the injection moulding process, where the extruded products are cross-sectional, which means that it can be cut to any length as required.

Due to the different process formats, Calendered and Plastic Injection Moulded products can only replace a small proportion of the total portfolio of Plastic Extruded Products.

As part of our Group's future plans, we intend to utilise the Calendering technology to manufacture PVC sheets and films.

(Source: Vital Factor Report)

4.9 Industry's reliance on and vulnerability to imports

The main supply dependency for the Plastic Extrusion industry is resin. These include commodity and engineered resins depending on the requirements and grade of performance of the plastic extruded products including PVC Edging and Profiles. Most types of plastic resin are available from local producers, with the exception of some types of engineered resin. These are primarily imported from a number of source countries overseas.

Some of the main types of resin that are commonly used in Plastic Extrusion include:

- PVC;
- Polypropylene (PP);
- Polyethylene (PE);
- High Density Polyethylene (HDPE);
- Low Density Polyethylene (LDPE);
- Linear Low Density Polyethylene;
- Polystyrene (PS) and Expanded Polystyrene (EPS);
- ABS; and
- Polycarbonate.

The main type of resins used by our Group for our production is PVC Resins.

Between 2002 and 2006, the sales value of the local production of PVC Resin increased at an average annual rate of 20.6%. In 2006, the sales value of the production of PVC Resin increased by 3.6% to reach RM1.6 billion. Between 2002 and 2006, the production quantity of PVC Resin increased at an average annual rate of 6.8%. In 2006, the production quantity of PVC Resin increased by 1.1% to 361,738 tonnes.

Between 2002 and 2006, the import value of PVC Resin increased at an average annual rate of 17.5%. In 2006, the import value of PVC Resin increased by 209.5% to RM212.0 million. Between 2002 and 2006, the import quantity of PVC Resin declined at an average annual rate of 19.7%. In 2006, the import quantity of PVC Resin increased by 25.4% to 19,710 tonnes.

(Source: Vital Factor Report)

4. INDUSTRY OVERVIEW *(Cont'd)*

4.10 Our market coverage, position and share

In 2006, our Group ranked first among manufacturers of Plastic Extruded Edgings and Profiles in Malaysia based on sales value of local production.

In 2006, the market size of the Plastic Extrusion Industry (including Tubes and Pipes, and Edgings and Profiles but excluding Films and Sheets) in Malaysia was estimated at RM1.1 billion based on sales value of local production. In 2006, our Group's market share in the Plastic Extrusion Industry (including Tubes and Pipes, and Edgings and Profiles but excluding Films and Sheets) in Malaysia was estimated at 3%.

In 2006, the market size of the Plastic Extruded Edgings and Profiles in Malaysia was estimated at RM120 million based on sales value of local production. In 2006, our Group's market share for the manufacture of Plastic Extruded Edgings and Profiles in Malaysia was estimated at 25%.

(Source: Vital Factor Report)

4.11 Government laws, regulations and incentives

SPI, our wholly-owned subsidiary is currently operating with a manufacturing licence issued by MIDA for the manufacture of "Furniture Profiles and Fittings" and "PVC Compounds".

Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on the performance and growth of operators within a free enterprise environment in Malaysia. The major incentives for companies investing in the manufacturing sector are pioneer status, investment tax allowance, reinvestment allowance and import duty exemption.

Some of the benefits of the respective incentives include:

(i) Pioneer Status and Investment Tax Allowance

Eligibility for incentives under Pioneer Status and Investment Tax Allowance will be determined according to the priorities termed as "promoted activities" or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration.

(ii) Reinvestment Allowance

All manufacturing companies that have been in operation for at least 12 months and incur qualifying capital expenditure to expand production capacity, modernise and upgrade production facilities, diversify into related products, and automate its production facilities can obtain a Reinvestment Allowance.

Types of plastic products listed as a promoted activity/product eligible for consideration of Pioneer Status and Investment Tax Allowance under the Promotion of Investment Act 1986, includes inflatable plastic products, specialised plastic film/sheet, geosystem products, plastic products for engineering use, precision engineering plastic products and multiwall pipes. Plastic Extrusions that is currently manufactured by our Group is not regarded as promoted activity/product. However, SPI, a subsidiary within our Group is currently enjoying Reinvestment Allowance incentive.

4. INDUSTRY OVERVIEW (Cont'd)

(iii) Import Duty Exemption

Our Group was granted import duty exemption on specified raw materials and components for the manufacture of specified finished goods. This import duty exemption was granted by the MoF in accordance with Section 14(2), Customs Act 1967. The type of raw materials that were granted import duty exemption by MoF for manufacturing operations under the category of "Plastic Furniture Profiles and Fittings" is as follows:

Raw Material/ Component	Input/Output Ratio (kg)	Quantity ⁽¹⁾ (tonnes)	Customs Station ⁽²⁾	Exemption Period
PVC Resins	0.85:1.00	2,500	Bukit Kayu Hitam	10.05.2006 to 19.07.2008
Coating oil	0.05:1.00	60	Pulau Pinang	13.07.2006 to 19.07.2008
PVC rigid film	0.95:1.00	500	Ipoh Cargo Terminal	20.07.2006 to 19.07.2008

Notes:

(1) Quantity may be amended by submitting a written application to MITI

(2) Customs Stations may be amended by submitting a written application to Royal Customs and Excise Department of Malaysia

(Source: Vital Factor Report)

(iv) Diesel subsidy

Our Group was granted diesel subsidy by the Ministry of Domestic Trade and Consumer Affairs for 7,200 litres per month effective on 1 January 2006.

As part of the process of manufacturing Plastic Extrusions, our Group creates waste in the following forms:

(a) Waste and off-cuts in the form of PVC scrap

Our Group recycles most of the PVC Scrap internally by shredding the material and mixing or compounding it with other resins for in-house extrusion operations. Our Group occasionally sells the PVC scrap to external parties for re-use or recycling purposes. As such, there is virtually no discarded waste generated by our Group.

(b) Our Group generates liquid solvent waste during the manufacturing process

According to the Department of Environment (DOE), solvent waste generated during the manufacturing process is categorised under Scheduled Waste from Non Specific Sources, which falls under the Environmental Quality (Scheduled Wastes) Regulations, 2005.

Our Group has appointed Resources Conservation Sdn Bhd, a company licensed by the DOE, to collect and dispose of liquid solvent waste generated during the manufacturing process.

4. INDUSTRY OVERVIEW *(Cont'd)*

4.12 Barriers to entry

Overall, barriers to entry into the Plastic Extrusion industry focusing on PVC Profile and Edging are moderate. This is mainly substantiated by the fact that in Malaysia, there were an estimated 20 local producers of Plastic Extrusions for edging and profiles as at April 2007. Some of the barriers to entry to the industry to be considered include government regulations and policies, capital and set-up costs, technical skills, track record and product quality.

(i) Government regulations and policies

Barriers to entry based on government regulations and policies are low. Apart from the normal manufacturing licence, there are no material government regulations or policies preventing the entry of manufacturers into Plastic Extrusion industry. A manufacturing licence is required if a manufacturer has 75 or more employees, or has shareholders' funds of RM2.5 million or more.

(ii) Capital and set-up costs

Barriers to entry for the manufacture of Plastic Extrusions focusing on Edgings and Profiles based on capital and set-up costs are moderate. The capital cost of setting-up a small-sized Plastic Extrusion plant would be approximately RM4 million (excluding land and building costs). This would include:

- 3 profile extrusion lines with on-line printing;
- 1 profile extrusion line without on-line printing; and
- 1 compounding facility.

At this level of entry, production would be semi-automated and therefore dependent on labour for manual processing. With this size of establishment, the estimated revenue is approximately RM4 million per year.

(iii) Technical skills

The level of technical expertise required for the manufacture of Plastic Extrusions is moderate. The main technical skills and knowledge required are R&D, Die design and fabrication, compounding, colour matching and finishing processes.

(a) R&D

Manufacturers that continually conduct R&D are in a stronger position to address opportunities and compete effectively in the local and global markets. Some of the areas of R&D are in the following areas:

- continuing improvements in production processes and parameters including compounding formulation, temperature, extrusion speed, finishes, and undertaking testing and inspections to ensure quality;
- designing and customising innovative and functional profiles to cater to various applications in an economical and cost effective manner; and
- design parameters including shape configuration, dimensional tolerance, surface finishing, and printing designs.

The R&D activities are an important component in the Plastic Extrusion industry. To gain a competitive edge, operators have to undertake research to monitor new and emerging trends in customer preferences, new materials, new technologies and developments in processes and use the results to assess the implications and impact on existing manufacturing operations.

4. INDUSTRY OVERVIEW (Cont'd)

(b) Die design and fabrication

There is a high level of technical expertise and experience in Die design and fabrication, particularly for complex shape with intricate designs. This is because Die forms a key component of the extrusion process to shape the end products. Although this process can be sub-contracted to third parties, there are competitive advantages to have this technical expertise in-house. Ultimately, the quality of the output from the extrusion process is dependent on the quality of the Die. From this perspective, it is critical to ensure that key dependencies such as Die design and fabrication processes are undertaken in-house.

The design of the Die will also have an effect on minimising wastage during the extrusion process and the final extruded products. Thus, a precise and high quality Die will enhance and increase the productivity and efficiency of output. Dies play a critical supporting role to the Plastic Extrusion industry and manufacturers with their own Die design and fabrication facilities will be able to add value for their customers by providing a one stop-solution centre to meet customers' requirements. More importantly, this will help to maintain a high level of product quality in the manufacturing of Plastic Extrusions. Currently, our Group undertakes designing and fabrication of Dies in-house.

(c) Compounding

The raw materials used as feedstock for Plastic Extrusion need to be compounded to obtain the desired mechanical and physical properties of the final product. Compounding is similar to formulation where what is used, in what proportion and under what operating parameters will have an important and direct impact on the final output.

Plastic Extrusion manufacturers have the choice of compounding their own feedstock, or outsource the compounding process. The major advantages of having compounding undertaken in-house are that it allows the manufacturer to do the following:

- undertake R&D to continually improve on the final output;
- undertake R&D to continually find lower cost and/or better raw materials;
- create innovative and proprietary materials to gain competitive advantages;
- QC; and
- use cheaper recycled raw materials to bring down the overall cost of product.

In addition, having in-house compounding eliminates some of the profits going to third parties. As such, having the technical skills to undertake in-house compounding would pose some barriers to entry for a new entrant.

(d) Colour Matching

As many of the applications of plastic Edgings and Profiles are used in conjunction with other materials (for example edging for furniture) or architectural and household products (for example cornices and blinds), colour matching and/or coordination is important. There are three ways to obtain the desired colour and colour designs:

- solid colours where pigments are used in the feedstock;
- printing of various colours and designs; and
- laminating and wrapping.

4. INDUSTRY OVERVIEW (Cont'd)

Especially with solid colours and printing, skills and experience are required to ensure a high level of colour matching. In many situations, customers would provide the manufacturer with a sample colour and the manufacturer is expected to match it in its final manufactured product.

As such, the capability to undertake colour matching cost-effectively and efficiently could pose a problem to a new entrant, especially someone who has limited experience.

(e) Finishing Processes

There is a certain level of technical expertise and experiences required in the finishing processes including:

- wrapping and laminating of decorative foils to achieve desired designs without printing;
- multi colour extrusions with online two or four-tone colour printing; and
- Other surface appearances including different textures like smooth, rough, dimpled, line textured, glossy and matte finishes, and embossed wood pores to provide the natural wood feel.

As such, the technical skills required during the production process would pose some barriers to entry for new entrants into the Plastic Extrusion industry.

(iv) Track Record

Track record also forms one of the barriers to entry for new entrants. It is unlikely that a new entrant without any track record will be able to compete effectively in the local and global markets for Plastic Extrusion industry. As plastic extruded products are regarded as an important material used by other manufacturers for further processing into finished plastic products, track record and quality of the extrusions are critical factors in securing sales orders. It will take time for new entrants to establish themselves in the market before customers are willing to take them on as suppliers. As such, track record would pose a barrier to entry for new entrants.

(v) Product Quality

As Plastic Extrusions are important materials used in a wide range of applications including architectural applications (for example window and door edging) and furniture applications (for example, cabinet door edging, table top edging, profiles for door sealing systems), the quality of Plastic Extrusions is critical to customers. As such, manufacturers that improve their manufacturing processes over time to ensure high product quality would have an advantage over a new entrant that has yet to attain consistent high product quality.

Thus, manufacturers that have stringent quality assurance programmes in place including ISO accreditation and compliance to standards are important contributing factors in securing sales orders. New entrants into the industry would take time to develop the quality required to meet industry standards.

(Source: Vital Factor Report)

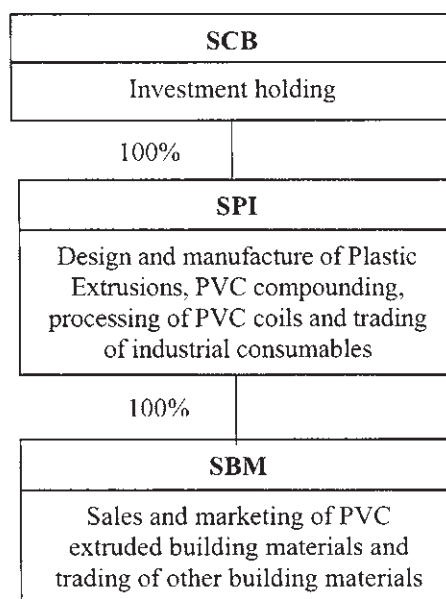
5. INFORMATION ON OUR GROUP

5.1 History

We were incorporated in Malaysia under the Act on 13 July 2006 as a public limited company under our present name Scanwolf Corporation Berhad. Our incorporation is mainly to facilitate our Listing.

Our Company is principally an investment holding company with 2 wholly-owned subsidiary companies, namely SPI and SBM. Our Group is primarily a designer and manufacturer of Plastic Extrusions. Our secondary activities include manufacturing of PVC Compounding, processing of PVC Coils and trading of industrial consumables as well as other building materials.

Our Group structure is as follows:



Our history can be traced back to 1984 with the establishment of a partnership by Loo Bin Keong, Tan Sin Keat and Leuk Sing King, operating under the name of Scanwolf Plastics Engineering Consultant Firm, and commenced business in the same year, initially specialising in the manufacture of PVC pipes and conduits, and Plastic Extrusions for furniture fittings. The name of the partnership was subsequently changed to Scanwolf Plastic Industries in 1985 and in the same year, the business activities of the partnership also expanded to incorporate PVC Compounding. Each of the founders of our Group namely, Loo Bin Keong, Tan Sin Keat and Leuk Sing King, brings with them more than 22 years of experience in the Plastic Extrusion industry and they have been instrumental in the success, growth and development of our Group.

In 1989, the partnership, made its first foray into overseas markets when it started exporting its Plastic Extrusions to China and Sri Lanka. In 1993, the partnership was then converted into a private limited company and changed its name to SPI. In the same year, the company also stopped manufacturing pipes and conduits and focused on the manufacturing of PVC Edgings and Profiles.

In 1996, Tan Sin Keat together with another business partner incorporated Score Precision Sdn Bhd, a company specializing in design and development of dies for extrusion companies, the assets of which was then injected into SPI in 2001. Score Precision Sdn Bhd has remained dormant since and has been struck-off from the Registry of Companies effective from 31 July 2006.

In 2004, our Group acquired Thin Chun Sdn Bhd (now known as SBM), then a property investment company. In 2005, SBM commenced its business on the sales and marketing of PVC extruded building materials.

5. INFORMATION ON OUR GROUP (Cont'd)

As part of our business expansion programme, our Group also ventured into the processing of PVC Coils in 2005. This involved printing and slitting of jumbo PVC Coils to produce thin PVC Edgings. This new business venture is part of our Group's horizontal expansion strategy of increasing our product range to service other user-markets and applications.

Our Group reached another milestone in 2006 with our first exports to Central and South America. To date, we have successfully extended our export market coverage whereby approximately 60% of our Group's revenue for the FYE 31 March 2007 was derived from 27 overseas countries. As part of our Group's commitment to quality, SPI obtained ISO 9001:1994 on 20 April 1999. This was subsequently updated to ISO 9001:2000 on 18 July 2005.

We moved to our present location in 1996 with the completion of our first factory. At that time, the manufacturing facility had a total of 12 production lines. In the same year, our Group formed the Mould Design and Technical Department to undertake the critical in-house function of designing and fabricating moulds for internal use.

In 2001, we completed the construction of our second factory on the same plot of land and further expanded our production facilities. We have completed the construction work of our third factory cum warehouse adjacent to our two existing factories and it is currently in operation.

Since the commencement of our Group's operations in 1984, we have established ourselves as a reputable designer and manufacturer of Plastic Extrusions with revenue of RM31.43 million for the FYE 31 March 2007.

5.2 Share capital

Our authorised share capital is currently RM50,000,000 comprising 100,000,000 Shares.

Our present issued and paid-up capital is RM32,800,000 comprising 65,600,000 Shares. Upon completion of the Public Issue, the enlarged issued and paid-up share capital of our Group will be RM40,000,000 comprising 80,000,000 Shares.

The changes in our issued and paid-up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
13.07.2006	2	1.00	Subscribers' shares	2
12.03.2007	4	0.50	Share Split	2
02.04.2007	43,648,152	0.50	Acquisition	21,824,078
28.05.2007	21,951,844	0.50	Rights Issue	32,800,000

As at 28 May 2007, we do not have any outstanding warrants, options, convertible securities or uncalled capital.

5. INFORMATION ON OUR GROUP (Cont'd)

5.3 Flotation Scheme

We undertook a restructuring exercise in conjunction with, and as an integral exercise prior to our Listing. The details of the Flotation Scheme are as set out below:

(i) Revaluation of Landed Properties

In conjunction with the Flotation Scheme, SPI undertook a revaluation exercise of all its landed properties as follows:

Registered owner	Location	Date of valuation	Open market value * RM	NBV as at 31 March 2006 RM	Revaluation Surplus/ (Deficit) RM	Method of valuation
SPI	Title No. HS (D) 44267, Lot P.T. 404, Mukim of Belanja, District of Kinta, State of Perak	27.06.2006	6,530,000	5,238,141	1,291,859	Cost and Investment method
SPI	Title No. Pajakan Negeri 148201, Lot 192446, Mukim of Belanja, District of Kinta, State of Perak	27.06.2006	3,110,000	2,889,810 [^]	220,190	Cost and Investment method
SPI	Title No. Pajakan Negeri 90115, Lot 195536, Mukim of Belanja, District of Kinta, State of Perak	27.06.2006	830,000	473,794	356,206	Cost and Investment method
SPI	Title No. Pajakan Negeri (WP) 16482, Lot 44536, Mukim of Batu, District of Kuala Lumpur, State of Wilayah Persekutuan K.L.	04.07.2006	800,000	684,565	115,435	Comparison and Investment method
SPI	(HSM 1048, P.T. 4528), (HSM 1049, P.T. 4529), (HSM 1050, P.T. 4530), (HSM 1051, P.T. 4531), (HSM 1052, P.T. 4538), (HSM 1053, P.T. 4539), (HSM 1054, P.T. 4540), (HSM 1055, P.T. 4541), (HSM 1059, P.T. 4552), (HSM 1067, P.T. 4583), (HSM 1068, P.T. 4584), (HSM 1069, P.T. 4585), (HSM 1070, P.T. 4586), (HSM 1071, P.T. 4587), (HSM 1072, P.T. 4590), (HSM 1073, P.T. 4591), (HSM 1074, P.T. 4592), (HSM 1075, P.T. 4593), (HSM 1076, P.T. 4594), and (HSM 1077, P.T. 4595), Mukim of Sungai Terap, District of Kinta, State of Perak	27.06.2006	300,000	387,954	(87,954)	Comparison method
					<u>1,895,736</u>	

Notes:

* Approved by the SC

[^] Based on cost of investment as at 13 September 2006

The revaluation was carried out by Colliers, Jordan Lee & Jaafar Sdn Bhd, an independent valuer. The above revaluation surplus / deficit has been incorporated into the books of SPI for the FYE 31 March 2007.

5. INFORMATION ON OUR GROUP (Cont'd)

(ii) Dividend Payment

SPI had declared a dividend to its shareholders prior to the Acquisition from earnings generated between 1 April 2006 and 31 March 2007, which amounted to approximately RM5.4 million which was subsequently paid on 25 May 2007.

(iii) Share Split

SCB undertook a share split of ordinary shares of RM1.00 each in SCB into ordinary shares of RM0.50 each by way of sub-division of the par value from RM1.00 to RM0.50.

The Share Split was completed on 12 March 2007.

(iv) Acquisition

We have acquired the entire issued and paid-up share capital of SPI comprising 2,300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM21,824,076.

The purchase consideration for the Acquisition was arrived at on a willing buyer-willing seller basis after taking into consideration SPI's adjusted audited consolidated NA as at 31 March 2006 of RM21,824,076.

	RM
Share capital	2,300,000
Reserves	18,159,146
Shareholders' funds /NA	20,459,146
Add: Revaluation surplus (net of deferred tax) ⁽¹⁾	1,364,930
Adjusted proforma NA	21,824,076

Note:

(1) Arrived at based on aggregated revaluation surplus and deficit of RM1,895,736 less deferred tax of RM530,806. Please refer to Section 5.3(i) for details

The said purchase consideration was wholly satisfied by the issuance of 43,648,152 new SCB Shares at par in the following manner:

Shareholders of SPI	No. of shares held in SPI	% of the issued and paid-up share capital of SPI	No. of new SCB Shares issued as consideration
Loo Bin Keong	836,500	36.37	15,874,644
Zakaria Merican Bin Osman Merican	540,500	23.50	10,257,316
Tan Sin Keat	293,600	12.77	5,571,781
Leuk Sing King	293,600	12.77	5,571,781
Saffie Bin Bakar	133,400	5.80	2,531,593
Azlin Bin Khalid	133,400	5.80	2,531,593
Teoh Teik Kean	69,000	3.00	1,309,444
	2,300,000	100.00	43,648,152

The Acquisition was completed on 2 April 2007.

5. INFORMATION ON OUR GROUP (Cont'd)

(v) Transfer of Subscribers' Shares

Upon completion of the Acquisition, the subscribers of our Company's Shares had transferred in total 4 Shares held by them to Loo Bin Keong for a total cash consideration of RM2.00.

The Transfer of Subscribers' Shares was completed on 2 April 2007.

(vi) Rights Issue

Upon completion of the Transfer of Subscribers' Shares, we undertook a rights issue of 21,951,844 new Shares at par on the basis of approximately 2,749 new Shares for every 5,466 Shares held as follows:

Shareholders of SPI	Before Rights Issue		Rights Issue Entitlement		After Rights Issue	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Loo Bin Keong	15,874,648	36.37	7,983,792	36.37	23,858,440	36.37
Zakaria Merican Bin Osman						
Merican	10,257,316	23.50	5,158,683	23.50	15,415,999	23.50
Tan Sin Keat	5,571,781	12.77	2,802,200	12.77	8,373,981	12.77
Leuk Sing King	5,571,781	12.77	2,802,200	12.77	8,373,981	12.77
Saffie Bin Bakar	2,531,593	5.80	1,273,207	5.80	3,804,800	5.80
Azlin Bin Khalid	2,531,593	5.80	1,273,207	5.80	3,804,800	5.80
Teoh Teik Kean	1,309,444	3.00	658,555	3.00	1,967,999	3.00
	43,648,156	100.00	21,951,844	100.00	65,600,000	100.00

The Rights Issue resulted in an increase in our issued and paid-up share capital from RM21,824,078 comprising 43,648,156 Shares to RM32,800,000 comprising 65,600,000 Shares.

The Rights Issue was completed on 28 May 2007.

(vii) Public Issue

Pursuant to this Prospectus, we will undertake a Public Issue of 14,400,000 Issue Shares, representing 18.00% of our enlarged issued and paid-up share capital, at an issue price of RM0.75 per Issue Share, to be allocated in the following manner:

(a) Eligible employees of our Group and persons who have contributed to our Group's success

2,500,000 Issue Shares representing 3.13% of our enlarged issued and paid-up share capital have been reserved for the eligible employees of our Group and persons who have contributed to our Group's success.

(b) Bumiputera investor(s) approved by MITI

975,000 Issue Shares representing 1.22% of our enlarged issued and paid-up share capital have been reserved for Bumiputera investor(s) approved by MITI.