

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT



**Decide with Confidence**

7 January 2008

The Board of Directors  
SCGM Berhad  
Level 15-2  
Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur

Dear Sirs,

**EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (“EXECUTIVE SUMMARY”) FOR SCGM BERHAD (“SCGM” OR “THE COMPANY”)**

Dun & Bradstreet (D&B) Malaysia Sdn Bhd (“D&B Malaysia”) has prepared an Independent Market Research report (“Report”) dated 16 August 2007, of which the Executive Summary dated 7 January 2008 which contains extracts updated from the said Report has been prepared for inclusion in the Prospectus to be dated 31 January 2008 pursuant to the listing of SCGM on the Second Board of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the thermo-vacuum formed plastic packaging industry in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, Government literatures, in-house databases, Internet research and online databases.

D&B Malaysia has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, D&B Malaysia acknowledges that if there are significant changes affecting the contents of the Executive Summary between the date hereof and the issue date of the Prospectus or after the issue of the Prospectus and before the issue of securities offered pursuant to the Prospectus, then D&B Malaysia has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

*For and on behalf of*  
**DUN & BRADSTREET (D&B) MALAYSIA SDN BHD**

A handwritten signature in black ink, appearing to read 'Tan Sze Chong', written over a faint, stylized background graphic.

**TAN SZE CHONG**  
Managing Director

**Dun & Bradstreet (D&B) Malaysia Sdn Bhd**

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## EXECUTIVE SUMMARY

### 1. PLASTIC PRODUCTS INDUSTRY OVERVIEW

#### 1.1 INTRODUCTION

Plastics are now used by virtually every end-user segment of the world economy. The unique attributes of plastics, such as process-able, lightweight and corrosion resistance have led to the creation of various new products. Plastics have often displaced paper, glass and metal from traditional applications. In many cases, the use of plastics in place of other materials has a significant positive effect on its sustainable development.

For example, plastics displace metal parts in some automotive applications ranging from body panels to under-hood manifolds and cushioned instrument panels. Vehicle weight is lowered, and the resulting improved fuel economy conserves petroleum and reduces emissions of exhaust gases. In packaging, plastics deliver the desired packaging performances that are lighter and less bulky than glass, metal and paper. Plastics have also been a key in the development of tamper-resistant packaging for food and medical products.

In Malaysia, there are currently a total of 1,500 players in the plastic products manufacturing industry<sup>1</sup>. Generally, successful plastic products manufacturers benefit from the innovations made in machinery, moulds and synthetic resins as well as their own proprietary products and process technologies. However, majority of the local players have not been self-reliant in innovation. Most have not cultivated the financial resources to make longer-term investments in research and development (“R&D”). As a result, only a handful had established their competitive advantage through product differentiation.

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<sup>1</sup> Source: Malaysian Industrial Development Authority (“MIDA”)



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## 1.2 DEFINITION

The term “plastics” covers a range of synthetic or semi-synthetic polymerisation products. Plastics are made up mainly of a binder consisting of long chainlike molecules called polymers. Natural polymers have been with us since the beginning of time and they began to be chemically modified during the 1800s to produce other materials. The most famous of these were vulcanised rubber, gun cotton and celluloid. There are few natural polymers generally considered to be “plastics”. The first truly synthetic polymer or plastic was produced in 1909 but the real advent of petrochemical-based polymers occurred during the 1930s, with rapid innovation taking place during the post-war period. Adding plasticisers and fillers to the plastic binder improves its hardness, elasticity, and resistance to heat, cold, or acid, while pigment gives colour to the finished plastic products.

Plastics can be formed into objects, films or fibres. Their names are derived from the fact that many plastics are malleable, namely having the property of plasticity. There are various manufacturing techniques adopted for converting plastic into finished products. The commonly used plastic conversion processes are summarised as below:

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## 13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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**Table 1: Common Plastic Conversion Processes**

Conversion Process	Description <sup>2</sup>
Blow moulding	<p>A widely used plastic manufacturing process for the production of hollow thermoplastic shapes such as bottles. The hollow inside of the product is formed by air pressure. The mould is cooled using water which circulates in cooling jackets within the mould. Once the plastic solidifies, the product is removed, and any excess material is trimmed off. There are several ways to blow mould a product and the common ones are extrusion blow moulding and injection blow moulding.</p> <p><b>Extrusion blow moulding</b> A common process that forms bottles from thermoplastics. The molten plastic is extruded (pushed out) as a hollow tube from a type of mould called a die. Once extruded, this hollow tube of plastic melt, which is known as a parison, is expanded within the mould cavity by air pressure. When it comes in contact with the cold mould, the plastic freezes into the shape of the mould.</p> <p><b>Injection blow moulding</b> A two-stage process where plastic is first injection moulded into a pre-form, after which it is then transferred to a blow mould where it is expanded. This requires injecting the molten plastic into the first of two steel moulds to form a test-tube shaped pre-form. The pre-form is then inserted into the second mould and is expanded by air pressure to achieve the desired shape.</p>
Extrusion moulding	A machine, called an extruder, changes thermoplastic powder or pellets into a continuous melt. This melt is forced through a die, and then cooled to a solid. Some extruded products include customised shapes, sheets, pipes, tubing and films. Co-extrusions, or multi-layered products made with more than one material or colour, can also be formed using this method. Meanwhile, film extrusion, which is a form of extrusion moulding, caters mainly for flexible plastic packaging such as bags, films, sheets and laminated plastics.
Injection moulding	Plastic granules or powders are conveyed through a cylinder (known as the barrel) and heated in the barrel until they become fluid. The helical screw then forces the fluid into a mould where it cools and hardens. This process is one of the most important in the plastic products industry.
Thermoforming	The process of heating a thermoplastic sheet and forming it into a finished shape by means of heat or pressure. The thermoplastic sheet or film is heated between infrared heaters to its forming temperature, and then stretched over or into a temperature-controlled, single-surface metal mould. It is held against the mould surface unit until cooled. Once cooled, the formed part is removed from the mould and trimmed from the sheet. Trimmed sheets are then normally re-grounded, mixed with virgin plastic and reprocessed into useable extrusion sheets.
Foam moulding	Foam moulding is a type of injection moulding process. It uses blowing agents to expand and mould beads into lightweight, rigid products such as polystyrene drink cups, packaging materials, insulation panels, and fast food cartons. When exposed to heat, these blowing agents expand the beads.

<sup>2</sup> Source: D&B Malaysia, Modern Plastics Encyclopaedia

## 13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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Conversion Process	Description <sup>3</sup>
Calendaring	Molten thermoplastic is forced through a die to form a film. The film is then passed between heated calendar rollers which determine the finished film's thickness. These rolls can produce extremely accurate and thin sheets with an almost perfect surface finish. Polyvinyl chloride ("PVC") sheeting, which can be used to produce binders and notebooks, is an example of a product manufactured using this process.
Compression moulding	Compression moulded products are made by placing plastic pellets in a mould, then applying pressure and heat until the plastic conforms to the mould and solidifies into the desired shape. To strengthen the finished product, reinforcing material, such as fibreglass or carbon fibres, can be added to the process.
Rotational moulding	Rotational moulding uses heat to melt and fuse plastic resins inside a closed mould without using pressure. Solid or liquid resins are placed within the mould which is mounted on a machine capable of rotating on two (2) axes simultaneously. When heat is applied, the rotation distributes the plastic into a uniform coating on the inside of the mould until the plastic part cools and sets. Hollow configurations such as shipping drums, storage tanks and some consumer furniture and toys are examples of products made using this process.

Source: Dun & Bradstreet (D&B) Malaysia Sdn Bhd ("D&B Malaysia")

With better understanding of the chemistry of plastics, new and improved techniques will continue to be developed to optimise the properties and expand the uses of plastics. The development of new processing techniques in the future will be motivated by the need for more environmentally friendly and recyclable products as well as to satisfy increasing consumer demand and improve efficiency.

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<sup>3</sup> Source: D&B Malaysia, Modern Plastics Encyclopaedia



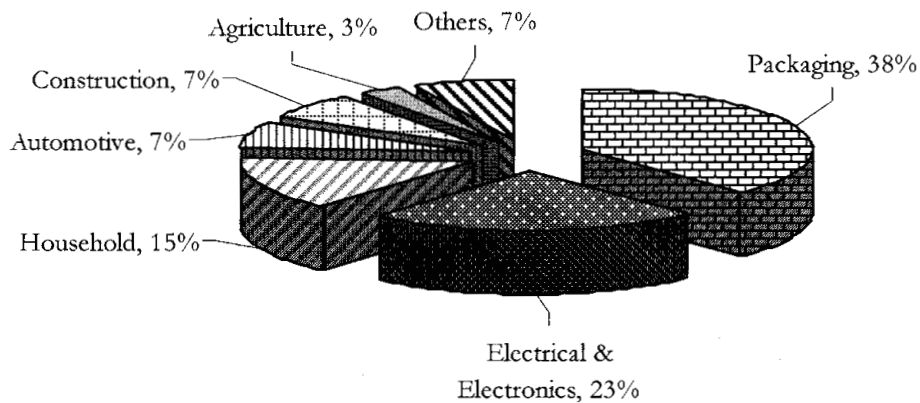
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### 1.3 INDUSTRY APPLICATIONS OF PLASTIC PRODUCTS

The user group by industry application is summarised in the following chart:

**Figure 1: Industry Applications of Plastic Products by User Group, 2006**



Source: Malaysian Plastics Manufacturers Association ("MPMA")

In terms of industry application in Malaysia, the packaging sub-sector, which comprises both flexible and rigid (including bottles and containers), remained the largest market for the plastic products manufacturing industry, with an estimated 38% market share. Total production of films, bags, rigid containers and bottles were valued at RM5.1 billion in 2006, contributing to 34% of the total production of plastic products. Market share for the electrical & electronics ("E&E") consumer products made up 23% of the total plastic products market in 2006, while the output for plastic household wares commanded a higher market share from 13% in 2005 to 15% in 2006. The production of plastic automotive parts and construction pipes each contributed 7% to the total plastic products manufactured in 2006.



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## 1.4 GOVERNMENT LEGISLATIONS, INITIATIVES AND INCENTIVES

### 1.4.1 GOVERNMENT LEGISLATIONS

The following legislations relate to the plastic products industry:

- Environmental Quality Act 1974;
- Occupational Safety and Health Act 1994; and
- Intellectual Property Rights Protection.

### 1.4.2 GOVERNMENT INITIATIVES

The establishment of the Malaysian Plastics Design Centre (“MPDC”) in 1998 has enhanced the design capability of its members. Plastics manufacturers had traditionally been operating as original equipment manufacturers (“OEM”) suppliers to the multinational companies (“MNCs”) and they placed little emphasis on product design. It is timely for plastics manufacturers to play a bigger role in product design and R&D to add value to their products. MPDC would assist the plastics industry to transform OEM suppliers to become Original Design Manufacturers (“ODM”) to enhance their competitiveness globally.

Furthermore, a total of ten (10) projects were approved with investments totalling RM242 million in the engineering plastics, and specialty polymers and composites sub-sector in 2006. These are high value-added products which are in line with the Government’s efforts to move the industry up the value chain.

### 1.4.3 GOVERNMENT INCENTIVES

As part of the Government’s efforts to stimulate continuous growth of the industry, the Government has launched several initiatives and incentives. The major incentives for manufacturers in Malaysia are tax incentives, both direct and indirect, provided under the Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Sales Tax Act 1972 and Excise Act 1976 and Free Zone Act 1990. These acts cover investments in the manufacturing, R&D, training and environmental protection activities.



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## 1.5 INDUSTRY DYNAMICS

### 1.5.1 MARKET PERFORMANCE

In 2006, the plastic products manufacturing industry generated about RM15.1 billion (2005: RM13.9 billion) in revenue, representing an annual growth rate of 9% (2005: 22%). The industry contributed 2.5% to the Malaysian gross domestic product ("GDP"). The growth was mainly due to an increase in the selling price of plastic finished products caused by a surge in resin cost, which was estimated to have increased by 15% in 2006 compared to 2005. Resin consumption increased by 7.6% to 1.85 million tonnes in 2006 (2005: 1.72 million tonnes), representing a per capita resin consumption of 68kg (2005: 66kg). In addition to the rise in resin costs, electricity and other operating overheads have also contributed to the upward adjustment in selling prices of plastic finished products.

In 2006, there were approximately 900 SMEs involved in various types of plastic products manufacturing. In terms of ownership, majority of the plastic manufacturers are Malaysian-owned. In 2006, the injection moulding and film extrusion sub-sectors dominated the plastic products industry accounting for 46% and 34% respectively. In the same year, other forms of plastics production activities contributed less than 10%, such as blow moulding, foam moulding and pipes and profile extrusion contributing 3% each to the industry.

In efforts to ensure continued growth in the local plastic products manufacturing industry, consolidation within the industry through mergers and acquisitions, joint-ventures and other forms of collaboration with MNCs are widely encouraged to benefit from technology transfers, cost efficiencies and enlarged markets.

### 1.5.2 EXPORT AND IMPORT PERFORMANCE

Malaysia is a net exporter of plastic products. Between 2001 and 2005, exports of plastic products recorded a strong growth, achieving an impressive average growth rate of 12.2% outpacing the import value's average growth rate of 7.2%. In 2006, exports of plastic products reached RM7.8 billion, an increase of about 16.6% from 2005. Major export destinations include Japan, China, Hong Kong, Singapore, USA and Thailand.





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The export of plastic bags, boxes and containers recorded an increase of 15.4% from RM2.6 billion in 2005 to RM3.0 billion in 2006. In the same year, the export of flexible and rigid packaging materials amounted to RM4.8 billion, which is an increase of 17.1% from RM4.1 billion in 2005. As a result of growing demand for packaging materials, such as plastic sacks, bags and stretch films, from the export market, many of the local exporters are expanding their capacity. For the same time period from 2002 to 2006, the Compounded Annual Growth Rate<sup>4</sup> (“CAGR”) for import value is 17.1%.

### 1.5.3 INVESTMENT PERFORMANCE OF THE INDUSTRY

The overall plastic products manufacturing industry has registered tremendous growth during the 1990s. The average annual growth rate recorded during the period was 17% despite a decline registered in the year 1997 and a slowdown in the subsequent two (2) years resultant from the economic and currency crisis. In 2006, there were a total of 85 projects approved with investments valued at RM1.1 billion (2005: 81 projects valued at RM1.2 billion)<sup>5</sup>. These projects are expected to bring positive development to the related plastic packaging, and parts and components manufacturing industries as the major raw materials, such as PE, PP, polyester and PVC, are mainly produced locally. The majority of applications came from foreign investments and these accounted for 67% of the total investment value approved in 2006. Projects approved in 2006 are expected to provide potential employment for 7,607 persons.

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<sup>4</sup> The year-on-year (“yoy”) growth rate applied to an investment over a multiple-year period.

<sup>5</sup> Source: Performance of the Manufacturing and Related Services Sector 2006 - MIDA



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Plastic packaging products remained as one of the dominant sub-sectors in terms of number of projects approved. A total of 21 projects were approved involving an investment value of RM325.2 million, representing 29% of total investments in projects approved in the plastic products manufacturing industry in 2006. The majority of these projects involve the production of flexible films, sheets and bags, and blow moulding of bottles and containers. There were 11 new projects with a total investment value of RM133 million and ten (10) were related to expansion and/or diversification projects. The continued growth of Malaysian-owned companies in the packaging sub-sector has enabled the provision of a full range of in-house services from conceptual design, design drawing and prototyping, to final sub-assemblies. The Malaysian government is granting high technology incentives in line with its target to attract high technology and high value-added projects in the plastic products manufacturing industry.

## 1.6 PRODUCT SUBSTITUTES

Metal, glass and wood are generally substitutes to plastic. However, plastics are still primarily used in applications such as food packaging, consumer electronics and medical components industries due to its lightweight, non-corrosive and low-cost properties. Plastics are increasingly being used in cutting-edge technologies, including medical devices and artificial limbs. It can be therefore concluded that breakthroughs in R&D will continue to result in innovative applications, in particular within the food packaging, medical devices, pharmaceuticals, automotive engineering and E&E sectors.

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## 2. THERMO-VACUUM FORMED PLASTIC PACKAGING

### 2.1 AN OVERVIEW

Thermoforming is one of the manufacturing processes for thermoplastic sheet or film and is commonly used to produce shaped plastic sheets for packaging consumer products.

A thermoplastic is plastic that is temperature sensitive, namely it becomes soft or liquid when heated, and stiffens or hardens when cooled sufficiently. The thickness of a thermoplastic can range from less than 1.5mm to more than 3mm. Thinner gauged thermoplastic are mainly used in rigid or semi-rigid disposable packaging, while thicker gauge thermoplastic can be used as permanent structural components or automotive parts, amongst others.

**Table 2: Types of Thermoplastics Used in Thermoforming**

THERMOPLASTICS	PROPERTIES
Polyethylene Terephthalate ("PET")	Most commonly recycled plastic, which is used to make two-litre soda bottles and plastic liquor bottles, amongst others.
Amorphous Polyethylene Terephthalate ("APET")	Commonly used for food packaging applications due to its superior clarity and excellent barrier properties. Also widely used to make tray or blister packages.
Glycol Modified Polyethylene Terephthalate ("PET-G")	PET-G is noted for its thermoforming versatility, its impact resistance (toughness), and its retention of optical clarity after bending or forming. These properties allow PET-G to be widely used in packaging applications. Other applications include point-of-sale retail displays, signs, drinks bottles and smart cards.
High Density Polyethylene ("HDPE")	Mostly used to make milk and juice bottles, which are recyclable.
High-Impact Polystyrene ("HIPS")	Commonly used for demanding end-user applications in the food, dairy and medical packaging industries. Its properties ensure compliance with strict food and medical regulations. Available in sheet or rollstock form, HIPS is especially suitable for thermoforming (apart from form-fill-seal) and die-cutting applications. Its low residual volatility makes it particularly useful in packaging of taste-and-odour sensitive products.
Oriented Polystyrene ("OPS")	Most suitable for cold case and room temperature applications. It has superior leak resistance properties, and can be made hinged or as a two-piece. Applications include packaging of sandwiches and salad, amongst others.
Polyamides ("PA")	The majority of nylons tend to be semi-crystalline and are generally very tough materials with good thermal and chemical resistance. The different types give a wide range of properties, with specific gravity, melting point and moisture content tending to reduce as the nylon number increases.

## 13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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THERMOPLASTICS	PROPERTIES
Polycarbonate ("PC")	Polycarbonates are strong, stiff, hard, tough and transparent engineering thermoplastics that can maintain rigidity up to 140°C and toughness down to -20°C (special grades can maintain toughness at even lower temperatures).
PVC	Compatible with many different kinds of additives, PVC can be clear or coloured and rigid or flexible. Formulation of the compound is key to PVC's "added value". PVC can be used in the forming of food packaging and medical products packaging, amongst others.
Acrylonitrile Butadiene Styrene ("ABS")	Rigid, opaque, glossy, tough, low creep, good low temperature properties, good dimensional stability and easily electroplated.
PE	Flexible, translucent / waxy, weatherproof, good low temperature toughness (to -60°C), easy to process by most methods, low cost and good chemical resistance.
PP	A tough, lightweight and rigid thermoplastic that is exceptionally shock resistant, and is noted for its flexibility at low temperatures and resistance to chemicals. Commonly used to make plastic caps, disks, syrup bottles, yogurt tubs, straws and film packaging. This type of plastic is recyclable.
Polystyrene ("PS")	Commonly known as "Styrofoam" which is used to make coffee cups, take-out food packaging and egg cartons. Recycled in some areas and made into the same type of products, insulation or even plastic wood which is type of plastic composite made from a mixture of recyclable plastics and wood fiber.

Source: D&amp;B Malaysia

## 2.2 DEMAND & SUPPLY CONDITIONS

Thermo-vacuum formed plastic packaging can be used in packaging of food, E&E, medical/pharmaceutical, toiletry, cosmetic and a number of other products. However, the most significant industry that uses thermo-vacuum formed plastic packaging is the packaging industry itself. Products such as blister packs, inserts, trays and clamshells are used to house other products, and they protect the item that they hold as well as improve the item's aesthetic value. Due to the wide array of applications, thermo-vacuum formed plastic packaging products command enduring demands and are not susceptible to significant seasonality risks.



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Meanwhile, on the supply side, there are only a handful of large local thermo-vacuum formed plastic packaging manufacturers. These include, amongst others, Hiro Food Packages Manufacturing Sdn Bhd (“Hiro Food”), Asiatic Plastic Packaging Industries Sdn Bhd (“Asiatic Plastic”), SCGM Berhad and GWI Manufacturing Sdn Bhd (“GWI”). The larger players have a greater number of thermo-vacuum forming machines, affording them with more production capacity. In addition, these players have usually established strong existing customer bases and better design capabilities. Most of these players also have their own niche markets. For example, SCGM Group mainly caters to the food processing and electronics markets.

Apart from the large-scale manufacturers, there are a number of smaller players. These players offer more limited product ranges and often play the role of secondary suppliers to their customers, who do not want to rely solely on one supplier.

### **2.3 RELIANCE ON AND VULNERABILITY TO IMPORTS**

The thermo-vacuum formed plastic packaging industry is not highly reliant on imports of raw materials. Malaysia currently produces about 2.0 million metric tonnes of various types and grades of resins for differing applications, of which almost half are exported.

Imports of semi-raw materials, primarily extrusion sheets used for the manufacture of thermo-vacuum formed plastic packaging products, depend mainly on the specifications set by customers as some customers require certain types and/or grades of extruded thermoplastic sheets and these may not be available locally. Some of the major local producers of extrusion sheets include Packerman Sdn Bhd, Scientex Resources Sdn Bhd, Danapac Industries Sdn Bhd and Polymal Corporation Sdn Bhd. Local suppliers of semi-raw materials are estimated to sufficiently meet the local consumption requirements of the thermo-vacuum formed plastic packaging industry.



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## 2.4 MAJOR APPLICATION MARKETS

Thermo-vacuum forming process can be used to produce packaging products, such as blister packs, inserts, trays and clamshells. Thermo-vacuum formed plastic packaging is thin, lightweight, has a high resistance to breakages, and is easy to handle. The different application markets for thermo-vacuum formed plastic packaging include food packaging, E&E products packaging, medical/pharmaceuticals packaging, and packaging of other consumer products.

## 2.5 BARRIERS TO ENTRY

A number of factors that could pose as high barriers to entry to new entrants or smaller to medium-sized establishments include technical and process knowledge, economies of scale, established network of clientele base, mould & tooling design and development capabilities, high capital investment requirements, as well as strong and liquid cashflow requirements.

## 2.6 INDUSTRY CHALLENGES

Changing technologies, competition, and fluctuating/rising raw material prices are among some of the major issues that the industry currently faces and endeavours to overcome. The key challenges that are faced by the thermo-vacuum formed plastic packaging industry include:

### 2.6.1 RAPID TECHNOLOGICAL CHANGES

The industry operates within an ever-changing technological environment, where related production and material costs are increasing rapidly as a result of fast-changing technology. Machinery and equipment are very expensive, resulting in the industry being very capital intensive. Thus unless companies are profitable and financially strong, they will not be able to upgrade to the latest machinery. Industry players would need to possess keen industry foresight and good implementation methodology in the industry to remain ahead of competition.



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The research, design and development activities make up a major strategic component in ensuring that players remain competitive and cost-efficient. In order to meet these objectives, in-house R&D teams responsible for research, design and development activities are required in order to identify value engineering solutions during the mould and tooling design and development process. Thermo-vacuum forming companies must also have the ability to foresee new design requirements, as well as keep up with quality standards development and benchmarking, and new end-products packaging methods for the benefit of customers.

### 2.6.2 FLUCTUATION IN RAW MATERIAL PRICES

Plastic resins are one (1) of the main raw materials in the manufacturing of extrusion sheets used, which are in turn used in the production of thermo-vacuum formed plastic packaging. This would have an impact on the thermo-vacuum forming companies' overall raw material cost considerations, and as such, would affect their companies' budget and cost control efforts. Crude oil and natural gas are two (2) major ingredients in the manufacturing of plastic resins. Being industrial commodities, crude oil and natural gas are subjected to fluctuations in prices. The prices of plastic resins also fluctuate in tandem. Research findings show that the price of plastic resins has generally seen an upward trend in recent years due to a combination of global effects, one of them being the global political instability of oil producing countries which led to rising crude oil prices.

While crude oil and natural gas have an impact on the overall fluctuations on the resin prices, which in turn account for a reasonable portion of the costs on average, it might not be as damaging as expected to thermo-vacuum forming players since many pass these costs on to customers, a fact that most customers know and are accustomed to adjusting for. Albeit fluctuations in raw material prices, competitive prices offered by local thermo-vacuum formed plastic packaging players, as well as the high quality of products and services, continue to attract buyers from countries that include Japan, Singapore, United Kingdom, the US, Australia, and France.



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### 2.6.3 LABOUR SHORTAGE

The industry may be exposed to risks of both skilled and unskilled labour supply shortage. There were situations where manufacturers faced difficulty in releasing their workers from their tight work schedule for training programmes. Furthermore, some of these manufacturers need to rely on foreign workers to ease the shortage situation. The Government and private organisations have taken proper steps to attract, train and increase skilled workers in this industry. For instance, the Human Resources Development Funds Act 1992 was amended with effect from 1 January 1995 to enable companies hiring a minimum of ten (10) workers, with a paid-up capital of RM2.5 million to be eligible for financial assistance in the form of training grants to upgrade and retain their workers.

Private organisations on the other hand, had started their own initiatives by setting up training centres to attract workers into this industry and retain them. One such initiative that has facilitated the continuous development of the plastic product manufacturing industry is through MPMA's support in establishing the Plastics Technology Training Centre in 1993. All the above initiatives and incentives are backed by the Government to spur the growth of the local plastics manufacturing industry.

### 2.6.4 ABSENCE OF LONG TERM WRITTEN CONTRACTS

The nature of the thermo-vacuum formed plastic packaging industry is such that companies do not have any long-term agreements with its customers and/or suppliers due to the price competitiveness of the industry. The failure to secure future orders due to the absence of long-term contracts may have a material adverse effect on the future financial performance of companies.





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Despite the absence of long-term agreements with its customers, established industry players do not foresee termination of service from their customers as these companies have the capability to collaborate with customers on many aspects including mould and tooling design, as well as product quality issues. These companies would have earned the confidence and recognition of their customers due to the proven track records in delivering high quality products that satisfy the stringent specifications and requirements in a consistently prompt manner. Furthermore, in the event of complete termination of orders, the “switching-cost” of moving from one (1) supplier to another, from the customer’s point of view, is also not economically viable and requires a long gestation period of acceptance.

### 2.6.5 ENVIRONMENTAL ISSUES AND CONCERNS

From an environment perspective, one of the issues that manufacturers need to deal with is the proper management of hazardous waste that is generated from the manufacturing processes. In view of the recent escalating incidences of illegal waste dumping, emission of toxic gases from industrial activities and other forms of environmental pollution, the Government is particularly concerned with environmental pollution control.

### 2.7 CRITICAL SUCCESS FACTORS

The critical success factors that give players the extra edge over their competitors within the thermo-vacuum formed plastic packaging industry include, amongst others, the capacity to operate with economies of scale, the ability to manufacture quality products and provide prompt delivery services, the availability of solid financial backing, mould & tooling design and development capabilities, the ability to meet quick time-to-market, as well as strong and proactive cost control management.



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### 3. COMPANY POSITIONING AND COMPETITIVE ANALYSIS

Overall, players in the thermo-vacuum formed plastic packaging industry are fragmented with each player servicing different end-users, which include industries such as food and beverage, E&E, healthcare and medical devices, pharmaceuticals, textiles and apparels, agriculture and plantation, as well as to other manufacturing industries in general.

#### 3.1 COMPETITIVE LANDSCAPE

Most of the industry players, especially those of a smaller outfit, are focused on producing common low-quality plastic packaging products. However, some of these players were also found to be exporting to a limited number of countries. The larger players are involved in a diverse range of plastic packaging products which are usually customised to comply with customers' specifications and requirements to meet the end-product dimensions and characteristics. Over the years, the demand for thermo-vacuum formed plastic packaging products has been on a rising trend and standards required by customers have also been increasingly more stringent and challenging.

Some larger players have moved up the value-chain towards higher-end thermo-vacuum formed plastic packaging services in terms of materials used and processes, which are commonly integrated with complementary services such as logistics and other forms of value-added services. Examples of key local industry players include the SCGM Group, Hiro Food, Asiatic Plastic, GWI, Guang Heng Plastic Industries Sdn Bhd ("Guang Heng"), Multiplex Packaging Sdn Bhd ("Multiplex Packaging") and Sup-Form Industries Sdn Bhd ("Sup-Form Industries"). These selected players make up the majority of the thermoformed plastic packaging market in Malaysia.

## 13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



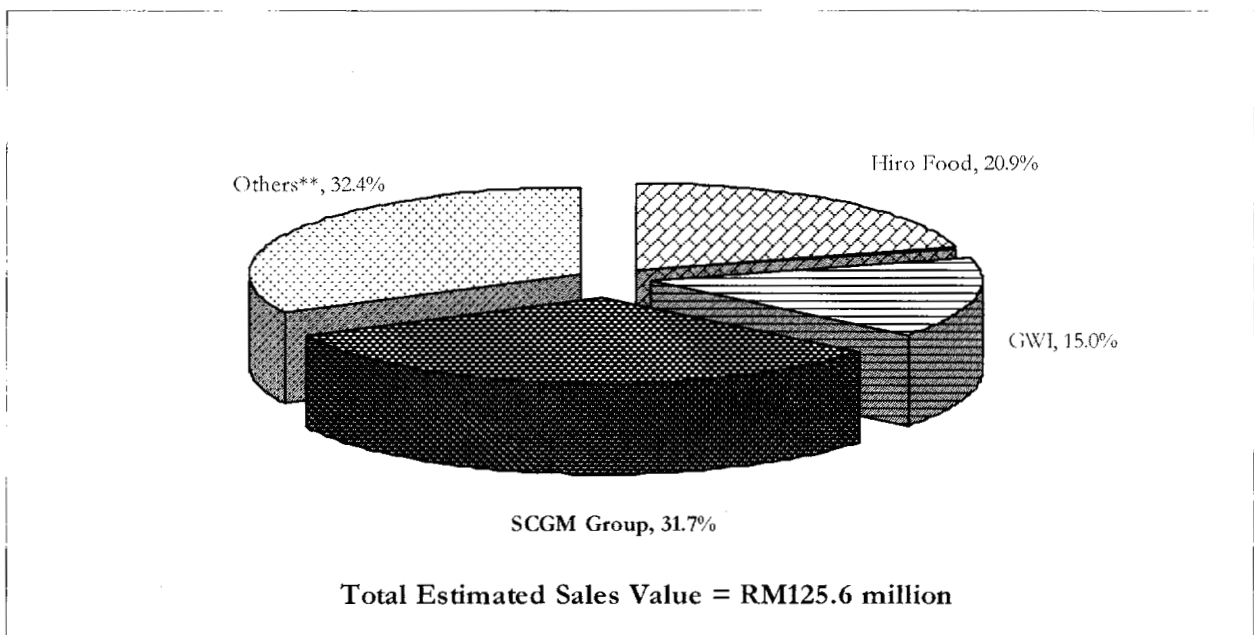
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### 3.2 MARKET SHARE ANALYSIS

In 2006, the sales value of the local thermo-vacuum formed plastic packaging industry was estimated at RM125.6 million, of which the SCGM Group commanded a market share estimated at 31.7%. The remaining 68.3% is serviced by other players involved in vacuum forming that cater to both locally as well as to customers that are located in overseas countries.

**Figure 2: SCGM Group's Estimated Market Share within the Thermo-Vacuum Formed Plastic Packaging Industry, 2006\***



*Notes:*

\* - Based on turnover/operating revenue obtained from the respective companies' latest audited financial statements for their fiscal years 2006.

In relation to the SCGM Group, information used to estimate market share were derived from the SCGM Group's proforma consolidated income statement for FYE2006 prepared for illustrative purpose.

\*\* - Others include Asiatic Plastic, Guang Heng, Multiplex Packaging and Sup-Form Industries.

Source: Latest audited financial statements publicly available from CCM for respective companies as at 27 November 2007; SCGM Group's proforma consolidated income statement for FYE 2006; D&B Malaysia



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Research findings further suggest that the SCGM Group is the leading thermo-vacuum formed plastic packaging manufacturer in terms of the number of forming machines used in its manufacturing facility. With a total of 31 forming machines, the SCGM Group is currently the largest thermo-vacuum forming player that caters mainly to the food processing sector with more than 5,000 types of thermo-vacuum formed plastic packaging products.

An analysis of gross profit ("GP") margins from FYE2004 to FYE2006 was performed for comparison purpose. On average, the SCGM Group ranked third (3<sup>rd</sup>) amongst the selected key players, with a three (3)-year GP margin average of 26.8% margin for the period from FYE2004 to FYE2006, and is above the industry average of 22.9%. The Group's GP margins were generally above the industry average for the same period.

### 3.3 IN-HOUSE EXTRUSION SHEET PRODUCTION FACILITIES

The SCGM Group produces semi-raw materials, namely extrusion sheets used for the manufacture of thermo-vacuum formed plastic packaging products, that are in excess of its in-house production consumption requirements. Primary research conducted on the selected key players further show that players such as Hiro Food, Asiatic Plastic and Multiplex Packaging manufacture a range of PP, HIPS, PVC, APET and PET-G extrusion sheets that are 100% used to meet their production needs. On the other hand, GWI and Sup-Form Industries do not have in-house extrusion facilities.

For its FYE2007, the Group's packaging product manufacturing activities raked in revenues totalling RM5.1 million related to the sales of extrusion sheets, a significant increase of more than 2.5 times that of the RM2.0 million registered for FYE2006.



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## 4. CONCLUSION ON INDUSTRY OUTLOOK

Plastic packaging continues to be the fastest-growing sector of the Malaysian plastic products manufacturing industry and is gaining market share from rival materials, such as paper, glass, metals and wood, in a large number of household and retail applications. Plastic packaging materials manufacturers are also making considerable efforts in the environmental arena to counter the negative image of plastics, with recycling being encouraged.

Players that constantly improve themselves in terms of innovation, sophistication, constant reinvention and redefinition of designs are likely to stay ahead of competition and contribute to making the local plastic packaging industry more dynamic and visionary. The challenge lies in making quality items that are affordable, while maintaining costs through maximising purchases of raw materials from local sources and utilising more basic packaging that still guarantees food safety. These players stand better chances in securing customer sales orders and benefiting from the increasing outsourcing trend. Besides, players should actively look for growth opportunities in off-shore market development to take advantage of fast growing developing markets such as China, India and Vietnam, and to reduce their dependence on economic cycles of the major application sectors within the local market. The SCGM Group has successfully developed and produced a wide range of thermo-vacuum formed plastic packaging products catering to end-users in the industrial and retail sectors. The Directors of the Group envisage that it is paramount to continuously diversify its product portfolios through channelling its efforts to enhance and widen its range of product lines, offering special features such as thin-gauge packaging strength and barrier properties. In particular, the in-depth understanding and appreciation of the role of colourants and additives in food and beverage packaging can be essential to elevate the competitiveness of a thermo-vacuum former.

However, as with the current export markets of ASEAN, Japan and the European Union ("EU") countries, Malaysian plastic packaging manufacturers will need to continue to develop their products in line with advances in technology and industrial standards to remain at the forefront of the market.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT *(Cont'd)*



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Thermo-Vacuum Formed Plastic Packaging Industry in Malaysia

In this aspect, the SCGM Group has successfully penetrated Singapore, particularly catering to the growing food and beverage packaging segment, as well as the high technology industry sectors of semiconductors, HDD and LCD through the development and production of high-end design and quality HIPS trays with antistatic and black conductive properties (to protect the electronics parts and to prevent contamination) and PVC trays that are silicon-free. The Group plans to continue capitalising on its strong market presence in Singapore created in this niche market, and further expand its global reach to other regions that include the Middle East, South East Asia and the EU.

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14. DIRECTORS' REPORT



25 January 2008

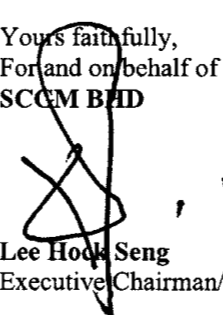
The Shareholders of  
SCGM Bhd ("SCGM")  
Lot 3304, Batu 24 ½  
Jalan Kulai-Air Hitam  
81000 Kulai, Johor.

Dear Sir/Madam,

On behalf of the Board of Directors of SCGM, I wish to report after due enquiry that between the period from 30 April 2007 (being the date to which the last audited financial statements of SCGM and its subsidiary ("Group") have been made up) to 25 January 2008 (being a date not earlier than 14 days before the issuance of this Prospectus), that:

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;
- (e) there have been, since the last audited financial statements of the Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in respect of any borrowings; and
- (f) save as disclosed in this Prospectus, there have been, since the last audited financial statements of the Group, no material changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**SCGM BHD**

  
**Lee Hock Seng**  
Executive Chairman/Managing Director

## 15. ADDITIONAL INFORMATION

### 15.1 Share Capital

- (i) No Shares will be issued or allotted on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) There is no founder, management or deferred shares in our Company. We have only one class of shares, namely ordinary shares of RM0.50 each, all of which rank equally with one another.
- (iii) Save as disclosed in Sections 5.2 and 5.8 of this Prospectus, no shares and debentures of our Company or our subsidiary company have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) preceding years from the date of this Prospectus.
- (iv) Other than the 4,500,000 Public Issue Shares reserved for our eligible Directors and employees, and other persons who have contributed to the success of our Group as disclosed in Section 3.5.1 of this Prospectus:
  - (a) no person including Directors or employees of our Group has been or is entitled to be given or has exercised any option to subscribe for any share or debenture of our Company or our subsidiary company; and
  - (b) there is currently no other scheme involving our Directors and employees in the share capital of our Company or our subsidiary company.
- (v) As at the date of this Prospectus, we do not have any convertible debt securities.

### 15.2 Articles of Association

The following provisions are reproduced from our Company's Articles of Association. Terms defined in our Articles of Association shall have the same meaning when used here unless they are otherwise defined here or the context otherwise requires.

The following clauses are extracted from our Company's Articles of Association:

(a) *Transfer of Securities*

*Article 27 – Execution of transfer*

*Subject to the provisions of the Central Depositories Act, the Rules and these Articles, any Member may transfer all or any of his shares in the manner prescribed under the Rules and approved by the Exchange. The transfer of any shares shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 103 and 104 of the Act but subject to Sections 107C(1) and 107C(2) of the Act, the Company shall be precluded from registering and effecting any transfer of shares.*

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**15. ADDITIONAL INFORMATION (Cont'd)**

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**Article 28 – Liability over transfer**

*Subject to the provisions of the Act, the Central Depositories Act and the Rules, neither the Company nor any of its Directors or other officers shall incur any liability for acting upon a transfer of shares registered by the Depository, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although transferred, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. In every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.*

**Article 29 – Refusal to register**

*The Directors may decline to effect the registration of any transfer of shares if such shares are not fully paid up or the Company has a lien on them or otherwise if the transfer does not comply with the provisions of the Act, the Central Depositories Act and the Rules.*

**Article 30 – Notice of refusal**

*Any Member whose transfer of shares has been refused shall be notified of the precise reasons thereof or dealt with in accordance with the Act, the Central Depositories Act and the Rules.*

**Article 31 – Suspension of registration**

*The registration of transfers may be suspended at such times and for such duration as the Directors may from time to time determine provided the period shall not exceed thirty (30) days in the aggregate in any one year. Any suspension shall comply with the notice requirements applicable to Members and the Depository as prescribed by the Act, the Central Depositories Act or the Rules.*

**Article 32 - Renunciation**

*Subject to the provisions of these Articles the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.*

**(b) Transmission of Shares****Article 33 – Death of Member**

*In the case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal representatives of the deceased where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.*

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**15. ADDITIONAL INFORMATION (Cont'd)**

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**Article 34 – Shares of deceased or bankrupt Member**

*In the event of the death or bankruptcy of a Member any person becoming entitled as a result thereof may transfer or be registered as the owner of the shares held by that Member before his death or bankruptcy or otherwise deal with the said shares in the manner allowed by law and in accordance with the Rules. The person so entitled shall notify the Depository accordingly in writing of his election whether to have the shares of the deceased or bankrupt Member to be registered under his name or otherwise to be transferred to another person and shall comply with the Rules affecting the registration and transfer of the said shares, as the case may be.*

**Article 35 – Person entitled or may receive dividends**

*A person entitled to a share by reason of the death or bankruptcy of a Member shall be entitled to and may give a good discharge for, any dividend or other distribution in respect of the said share except that he shall not be entitled to receive notice of or to attend or vote at, meetings of the Company until and unless he has been duly registered in the Record of Depositors. The Directors may at any time give notice in writing requiring any such person to elect whether to transfer the share to himself or to another person and to comply with the Rules and any other applicable law in relation thereto and if such person fails or refuses to do so to the satisfaction of the Directors, the dividend payment or any other distribution in respect of the said share shall subject to law be withheld until the requirements of the notice have been complied with. Where two (2) or more persons are jointly entitled to any share in consequence of the death of a Member, they shall, for the purposes of these Articles, be deemed to be joint holders of the share.*

**Article 36 – Transmission of shares**

*Where:-*

- (a) the securities of the Company are listed on another stock exchange; and*
- (b) the Company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the rules of the Depository in respect of such securities,*

*the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.*

**(c) Remuneration of Directors****Articles 94 – Directors' remuneration**

- (1) The fees payable to the Directors (except salaries payable to executive Directors for their services) shall from time to time be determined by a resolution of the Company in general meeting. Provided that such fees shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.*

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**15. ADDITIONAL INFORMATION (Cont'd)**


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- (2) *The Directors shall also be paid such travelling, hotel and other expenses properly and reasonably incurred by them in the execution of their duties including any such expenses incurred in connection with their attendance at meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company as the Directors may determine.*
- (3) *Fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or percentage of turnover.*
- (4) *Any fee paid to an Alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.*

**Article 95 – Reimbursement of expenses**

- (1) *If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a Committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or by a percentage of profits (applicable only if he is an executive Director) or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors, provided that no Director shall be remunerated by a commission on or percentage of turnover.*
- (2) *No payment shall be made to any Directors by way of compensation for loss of office or as consideration for or in consideration with his retirement from office unless particulars with respect to the proposed payment (including the amount thereof) have been disclosed to the Members and the proposal has been approved by the Company in general meeting.*

**(d) Powers and Duties of Directors**
**Article 98 – Prior approval of Company required**

*The Directors shall not without the prior approval of the Company in general meeting:-*

- (a) *carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's main undertaking or property and in the event of the carrying out of such sale or disposal without the prior approval of the Company in general meeting having been obtained, then such sale or disposal shall be subject to ratification by the Company in general meeting; or*
- (b) *exercise any power of the Company to issue shares unless otherwise permitted under the Act; or*
- (c) *enter into any arrangement or transaction with a Director of the Company or its holding company or with a person connected with such a Director to acquire from or dispose to such a Director or person any non-cash assets of the requisite value.*

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**15. ADDITIONAL INFORMATION (Cont'd)**


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**Article 99 – Directors' borrowing powers**

- (1) *The Directors may exercise all the powers of the Company to borrow any sum or sums of money from any person, bank, firm or company (expressly including any person holding the office of Director) and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its wholly owned subsidiaries or of any related or associated corporation. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for the payment of money, the performance of contracts or obligations, or for the benefit or interest of the Company or of any subsidiary corporation.*
- (2) *The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.*

**(e) Changes in Capital and Variation of Class Rights****Article 4 – Rights of Preference Shareholders**

*Subject to the Act, any preference shares may with the sanction of a special resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not without the consent of the existing preference shareholders at a class meeting issue further preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith.*

*Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited financial statements, and attending general meetings of the Company.*

*Preference shareholders must be entitled to a right to vote in each of the following circumstances:*

- (a) *when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months;*
- (b) *on a proposal to reduce the Company's share capital;*
- (c) *on a proposal for the disposal of the whole of the Company's property, business and undertaking;*
- (d) *on a proposal that affects rights attached to the share;*
- (e) *on a proposal to wind up the Company; and*
- (f) *during the winding up of the Company.*

**15. ADDITIONAL INFORMATION (Cont'd)****Article 5 – Repayment of Preference capital**

Notwithstanding Article 7 hereof the repayment of preference share capital other than redeemable preference shares or any alteration of preference shareholder rights shall only be made pursuant to a special resolution of the preference shareholders concerned provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing obtained from the holders of three-fourths (3/4) of the preference shares concerned within two (2) months of the meeting shall be as valid and effectual as a special resolution carried at the meeting.

**Article 6 – Power to issue preference shares**

The Company shall have power to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner and either at par or at a premium as they may think fit.

**Article 7 – Modification of class rights**

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of these Articles (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares of the class or group, or with the sanction of any special resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of these Articles relating to general meetings or to the proceedings thereat shall, *mutatis mutandis*, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-tenth (1/10) in nominal amount of the issued shares of the class or group (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively.

**Article 8 – Ranking of class rights**

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith but in no respect in priority thereto.

**(f) Increase of Capital****Article 51 - Power to increase capital and conditions of issue**

The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting.

**15. ADDITIONAL INFORMATION (Cont'd)****Article 52 - Offer of unissued shares**

Subject to any direction to the contrary that may be given by the Company in general meeting any shares or securities from time to time to be created shall before they are issued be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may in like manner dispose of any such new shares or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors be conveniently offered in the manner herein provided.

**Article 53 - Approval for issue of shares from relevant authority**

Notwithstanding there is still in effect a resolution approving the issuance of shares by the Company in accordance with the provisions of Section 132D of the Act, no shares shall be issued by the Company without the prior approval of any relevant authority being obtained.

**Article 54 - New shares to rank with original shares**

Except so far as otherwise provided by the conditions of issues, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transaction, forfeiture and otherwise as the original share capital and shall also be subject to the Rules.

**(g) Alteration of Capital****Article 55 - Power to alter capital**

The Company may by ordinary resolution:-

- (i) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; or
- (ii) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the other or any other of such shares; or
- (iii) cancel any shares which at the date of the passing of the resolution in that behalf have not been taken, agreed to be taken by any persons or shares which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

**Article 56 – Power to reduce capital**

The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner subject to any conditions and any consent required by law. The Company shall give notice to the Registrar in accordance with the Act of such alteration in capital.

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**15. ADDITIONAL INFORMATION (Cont'd)**

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**15.3 Directors and Substantial Shareholders**

- (i) The names, addresses and occupations of our Directors are set out in Section 1 of this Prospectus.
- (ii) A Director is not required to hold any qualification share in our Company unless otherwise so fixed by our Company at a general meeting.
- (iii) Save as disclosed in Section 7.1.6 of this Prospectus, no amount or benefits have been paid or intended to be paid or given to any of our Directors or substantial shareholders within two (2) years preceding the date of this Prospectus.
- (iv) Save and except for the dividends payable to the Promoters as Directors of the Company and as detailed in Section 7.1.6 of this Prospectus, no other amounts or benefits are paid or intended to be paid or given to any Promoter within two (2) years preceding the date of Prospectus.
- (v) There are no existing or proposed service contracts between our Company or subsidiary company, and our Directors or key management.
- (vi) Save as disclosed in this Prospectus, none of the Directors is aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect our Group's profits.
- (vii) Save as disclosed below, none of our Directors have any interest in any contract or arrangement subsisting at the date of this Prospectus in which our Directors or substantial shareholders are interested and which is significant in relation to the business of our Group as a whole:
  - (a) Sale and Purchase Agreement dated 16 January 2004 between Benxon Hightech Sdn Bhd as the vendor and LSSPI as the purchaser for the acquisition of all that piece of land held under EMR 3372 now known as Geran 694 Lot 3316 Mukim Senai-Kulai, District of Johor Bahru comprising an area of approximately 138,030 sq. ft. together with a detached factory building erected thereon for a total purchase consideration of RM4,200,000; and
  - (b) Tenancy Agreement between Lee Soon Seng Holding Sdn Bhd as the landlord and LSSPI as the tenant, of the building known as double storey terrace house bearing address of No. 1, Jalan PU 5, Taman Utapa Puchong, 47100 Puchong, Selangor as ("the Premises"). The tenancy of the Premises is for a term of two (2) years commencing on the 1 August 2006 at a monthly rental of RM1,600.

**15.4 Material Litigation/Arbitration**

As at 31 December 2007, being the latest practicable date prior to the printing of this Prospectus, our Company and our subsidiary company are not engaged in any litigation or arbitration, either as plaintiff or defendant, which have a material effect on our Company or subsidiary companies' financial position and our Directors have no knowledge of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our Company or subsidiary company's financial position or business.

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**15. ADDITIONAL INFORMATION (Cont'd)**

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**15.5 Material Contracts**

Save as disclosed below, we have not entered into any material contracts, which are not contracts entered into in the ordinary course of business during the two (2) years preceding the date of this Prospectus:

- (i) Share Sale Agreement dated 14 August 2007 entered into between our Company and the vendors of LSSPI in relation to purchase by our Company of the entire issued and paid-up share capital of LSSPI, comprising 2,200,000 ordinary shares of RM1.00 each in LSSPI from Lee Hock Seng, Lee Hock Chai, Lee Hock Guan and Lee Hock Meng, for a total purchase consideration of RM30,427,000, satisfied by the issuance of 60,854,000 new Shares at par; and
- (ii) Underwriting Agreement dated 2 January 2008 between our Company and PIVB for the underwriting of 10,500,000 Public Issue Shares for an underwriting commission of 2% of the IPO Price for the 10,500,000 Public Issue Shares underwritten.

**15.6 General Information**

- (i) The nature of our business is described in Section 5 of this Prospectus. Other than mentioned in Section 5 of this Prospectus, there is no corporation which is deemed to be related to us by virtue of Section 6 of the Act.
- (ii) During the last financial year and the current financial year up to the date of this Prospectus:
  - (a) there were no public take-over offers by third parties in respect of our shares; and
  - (b) there were no public take-over offers by us in respect of other company's shares (save for the Acquisition, which is part of the Flotation Exercise).
- (iii) Save for our business as disclosed in Section 5 of this Prospectus, our Company has not established a place of business outside Malaysia.
- (iv) The name and address of our Auditors and Reporting Accountants are set out in Section 1 of this Prospectus.
- (v) Other than remunerations paid in the normal course of employment, directorship fees and purchase consideration paid pursuant to the Acquisition as disclosed in Section 5.3 of this Prospectus, no amount or benefit has been paid or given within the two (2) preceding years of the date hereof, nor is it intended to be so paid or given, to any Promoter, Director and substantial shareholder.
- (vi) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 16 of this Prospectus.
- (vii) The date and time of the opening of the Application of the IPO is set out in Section 3.2 of this Prospectus.
- (viii) The amount payable in full on application in respect of IPO Share is RM0.78 per Share and is subject to the terms and conditions as set out in this Prospectus.
- (ix) Save as disclosed in Section 4.12 of this Prospectus, our Directors and substantial shareholders are not aware of any persons who are able, directly or indirectly, jointly or severally, to exercise control over our Company and our subsidiary company.



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**15. ADDITIONAL INFORMATION (Cont'd)**

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**15.7 Consents**

- (i) The written consents of the Adviser, Underwriter and Placement Agent, Company Secretary, Principal Banker, Solicitors, Issuing House, and Share Registrar to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of SJ Grant Thornton, the Auditors and Reporting Accountants to the inclusion in this Prospectus of its name, Accountants' Report and letters relating to our consolidated profit forecast for the financial year ending 30 April 2008, our proforma consolidated financial information and our proforma consolidated balance sheets in the manner and form in which they are contained in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.
- (iii) The written consent of D&B Malaysia, the Independent Market Researcher to the inclusion in this Prospectus of its name, Executive Summary of the Independent Market Research ("IMR") Report dated 7 January 2008 and extracts of the said Executive Summary of the IMR Report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

**15.8 Responsibility Statements**

- (i) Our Directors and Promoters, and the Offerors have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Prospectus false or misleading. Our Directors accept full responsibility for the consolidated profit forecast in this Prospectus and confirm that it has been prepared based on the assumptions made.
- (ii) PIVB being the Adviser, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO, and are satisfied that our consolidated profit forecast (for which our Directors are solely responsible), prepared for inclusion in this Prospectus has been stated by the Directors after due and careful inquiry and has been duly reviewed by our Reporting Accountants.

**15.9 Documents Available for Inspection**

Copies of the following documents may be inspected at our Registered Office during office hours for a period of twelve (12) months from the date of this Prospectus:

- (i) Our Memorandum and Articles of Association;
- (ii) The Accountants' Report and Directors' Report as set out in Section 12 and Section 14 of this Prospectus, respectively;
- (iii) The Reporting Accountants' Letters relating to our proforma consolidated financial information and consolidated profit forecast for the financial year ending 30 April 2008 as set out in Section 11.17 and 11.13 of this Prospectus, respectively;
- (iv) The IMR Report together with the executive summary of the same as set out in Section 13 of this Prospectus;

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**15. ADDITIONAL INFORMATION (Cont'd)**

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- (v) The material contracts as set out in Section 15.5 of this Prospectus;
- (vi) The letters of consent referred to in Section 15.7 of this Prospectus;
- (vii) Audited financial statements of SCGM for the FPE 31 October 2007; and
- (viii) Audited financial statements of LSSPI for the past three (3) FYE 2007 and for the six (6) months FPE 31 October 2007.

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