6. INDUSTRY OVERVIEW

6.1 Overview of the Global Economy

Global growth in 2008, expected to be generally more broad-based both across regions and within countries, will continue to spur world trade and investment flows. Growth in world trade volume is projected at 7.4% in 2008 (2007: 7.1%), supported by steady demand-driven expansion in global high-technology industries, commodities and services.

The positive outlook, however, could be affected by fallout of the US subprime mortgage crisis, impacting on the real economy in the US and the global economy. Other near-term risks include the possibility of a disorderly unwinding of global imbalances, and global inflationary pressures arising from higher crude oil prices.

Notwithstanding these risks, the global economy is anticipated to continue expanding at 5.2% in 2008 (2007: 5.2%) with Japan, Europe and emerging Asia, in particular China and India, counterbalancing a possible moderation of the US economy.

(Source: Economic Report 2007/2008)

On the international front, the world economy is forecast to grow at an average rate of 4.3% per annum during the 2006-2010 periods. With this growth projection, demand for Malaysian exports from China, the US and other traditional and new trading partners, is expected to remain strong. Global inflation is projected to remain moderate. The Consumer Price Index (**"CPI"**) in advanced economies is projected to increase at an average rate of 2.0% per annum while the CPI in emerging and developing economies is expected to grow higher at 5.3% per annum during 2006-2010 periods. Prices of commodities such as vegetable oils, rubber, tin and crude oil are expected to remain stable but at higher levels. The crude oil market is expected to remain tight in the medium term. Thus, crude oil price is projected to average US dollar (**"USD"**) 58 per barrel during the Ninth Malaysia Plan (**"9MP"**) period. World trade is expected to grow at an average rate of 7.1% per annum during the 9MP period mainly due to increased trade integration arising from bilateral and multilateral initiatives. An important development is the increasing number of regional trading agreements (RTAs) and bilateral free trade agreements (FTAs) that will enhance trade and investment flows.

(Source: Ninth Malaysia Plan, 2006-2010)

6.2 Overview of the Malaysian Economy

The Malaysian economy is expected to register robust growth in 2008, with real Gross Domestic Product expanding between 6.0% and 6.5%. This translates to a 6.8% growth in nominal per capita income, rising from RM22,345 in 2007 to RM23,864 in 2008 or in purchasing power parity terms from USD13,289 to USD14,206. With an unemployment rate of 3.3%, the Malaysian economy will continue to operate under full employment. These developments augur well for all Malaysians and keep the nation on track towards realising Vision 2020.

(Source: Economic Report 2007/2008)

The Malaysian economy is projected to grow in line with its potential output. Private expenditure will be the main impetus to growth. The government will adopt a pragmatic approach in its fiscal management while remaining supportive of private sector initiatives. With improved productivity and efficiency, inflation is expected to increase moderately. The unemployment rate is expected to remain low due to concerted efforts to create more job opportunities in all sectors of the economy.

The economy is projected to grow at an average rate of 6% per annum with price stability. This growth will be supported by domestic demand with strong private investment and consumption. Per capital Gross National Product (**"GNP"**) in current terms is projected to increase by an average rate of 5.9% per annum to RM23,573 in 2010. Per capital GNP in terms of purchasing power parity is expected to increase to USD13,878 in 2010.

(Source: Ninth Malaysia Plan, 2006-2010)

6. INDUSTRY OVERVIEW *(Cont'd)*

6.3 Overview of the Manufacturing Industry

Value added in the manufacturing sector is projected to grow by 3.8% (2007: 3.1%) in line with expansion in global trade. Global demand for manufactured goods, particularly E&E products, is expected to rise sharply, underpinned by sustained world growth and strengthening US economy. This will benefit Malaysia's export oriented industries. Output of resource-based products is expected to expand due to strong demand for refined petroleum products, plastics and chemicals including biofuels, rubber gloves as well as wooden furniture and fixtures. Growth in non-metallic minerals and metal industries will be further supported by increased activity in the domestic economy, in particular construction.

(Source: Economic Report 2007/2008)

6.4 Plastic Products Industry Overview

6.4.1 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. 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. As a result, only a handful had established their competitive advantage through product differentiation.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.2 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:

Common Plastic Conversion Processes

Conversion Process	Description	
Blow moulding	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.	
	Extrusion blow moulding	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.
	Injection blow moulding	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.
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.	
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. PVC sheeting, which can be used to produce binders and notebooks, is an example of a product manufactured using this process.	

Conversion Process	Description
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.

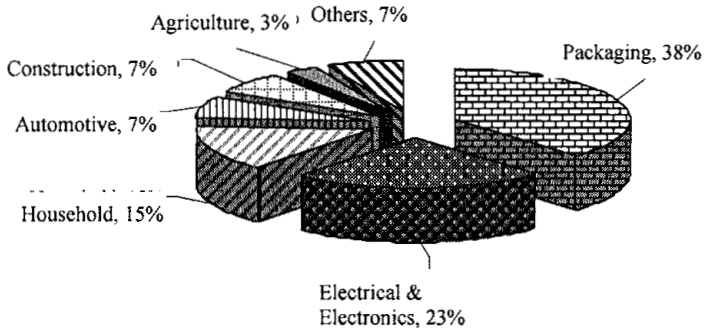
With better understanding of the chemistry of plastics, new and improved techniques will continue to be developed to optimise the properties and expand the uses of plastics. The development of new processing techniques in the future will be motivated by the need for more environmentally friendly and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

(Source: Independent Market Research Report by D&B Malaysia)

6.4.3 Industry Applications of Plastic Products

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

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 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.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.4 Thermo Vacuum Formed Plastic Packaging

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.

Types of Thermoplastics Used in Thermoforming

Thermoplastics	Properties
PET	Most commonly recycled plastic, which is used to make two-litre soda bottles and plastic liquor bottles, amongst others.
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.
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.
HDPE	Mostly used to make milk and juice bottles, which are recyclable.
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.
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.
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.

Thermoplastics	Properties
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	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.
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 a type of plastic composite made from a mixture of recyclable plastics and wood fiber.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.5 Industry Dynamics

6.4.5.1 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 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.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.5.2 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.

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 for import value is 17.1%.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.5.3 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). 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.

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.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.6 Demand and 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.

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 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, the 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.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.7 Industry Players and Competition

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.

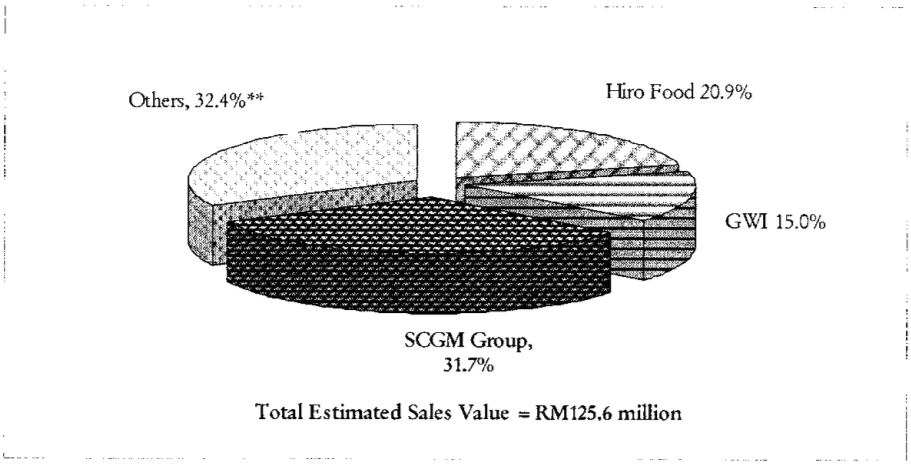
Some larger players have moved up the value-chain towards higher-end thermo-vacuum formed plastic packaging services in terms of materials used and processes, which are commonly integrated with complementary services such as logistics and other forms of value-added services. Examples of key local industry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

(Source: Independent Market Research Report by D&B Malaysia)

6.4.8 Market Share

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.

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



Notes:

* *Based on turnover/operating revenue figures 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 FYE 2006 prepared for illustrative purpose.*

** *Includes Asiatic Plastic, Guang Heng Plastic Industries Sdn Bhd, Multiplex Packaging Sdn Bhd and Sup-Form Industries Sdn Bhd.*

(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)

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.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.9 Government Legislations, Policies and Incentives

6.4.9.1 Government Regulations

The Plastic Packaging Industry is subject to the following regulations:

(i) Environmental Quality Act 1974 ("**EQA**")

EQA is related to preventing, abating and controlling pollution, and enhancing the environment, or for other related purposes. Pollution, as declared in EQA, includes the direct or indirect alteration of any quality of the environment or any part of it by means of a positive act or act of omission.

(ii) Occupational Safety and Health Act 1994

An act to make further provisions for securing the safety, health and welfare of persons at work, for protecting others against risks to safety or health in connection with the activities of persons at work, to establish the National Council for Occupational Safety and Health and for matters connected therewith.

(iii) Intellectual Property Rights Protection

Intellectual property rights in relation to the plastic products manufacturing industry are protected under the Trade Mark Act 1976. Trade mark protection in Malaysia is governed by the Trade Marks Act 1976 and the Trade Marks Regulations 1997. A mark is a sign which serves to distinguish the goods or services of an industrial or a commercial enterprise or a group of such enterprise. The sign may consist of one or more distinctive words, letters, numbers, drawings or pictures, emblems, colours or combinations of colour, or the form or other special presentation of containers or packages for the product (provided they are not solely dictated by their function). The sign may consist also of combinations of any of the said elements.

6.4.9.2 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 and they placed little emphasis on product design. It is timely for plastics manufacturers to play a bigger role in product design and research and development to add value to their products. MPDC would assist the plastics industry to transform OEM suppliers to become Original Design Manufacturers 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.

6.4.9.3 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, research and development, training and environmental protection activities.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.10 Substitute Products/Services

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 research and development will continue to result in innovative applications, in particular within the food packaging, medical devices, pharmaceuticals, automotive engineering and E&E sectors.

(Source: Independent Market Research Report by D&B Malaysia)

6.4.11 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, Scientex Resources, 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.

(Source: Independent Market Research Report by D&B Malaysia)

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6.5 Outlook of the Plastic Packaging Industry

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. 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, hard disk drives and liquid crystal display 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.

(Source: Independent Market Research Report by D&B Malaysia)

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7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

7.1 Promoters, Directors and Substantial Shareholders

7.1.1 Promoters, Directors and Substantial Shareholders' Shareholdings

Our Promoters, Directors and Substantial Shareholders and their respective shareholdings in our issued share capital before and after the IPO are as follows:

	Nationality/ Country of Incorporation	Designation	Before the IPO				After the IPO			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters, Substantial Shareholders and Directors										
Lee Hock Seng	Malaysian	Executive Chairman/ Managing Director	21,638,000	31.81	(1)46,362,000	68.18	6,365,000	7.96	(2)37,635,000	47.04
Lee Hock Guan	Malaysian	Executive Director	15,454,000	22.73	(1)52,546,000	77.27	4,545,000	5.68	(2)39,455,000	49.32
Lee Hock Chai	Malaysian	Executive Director	15,454,000	22.73	(1)52,546,000	77.27	4,545,000	5.68	(2)39,455,000	49.32
Lee Hock Meng	Malaysian	Executive Director	15,454,000	22.73	(1)52,546,000	77.27	4,545,000	5.68	(2)39,455,000	49.32
Substantial Shareholder										
SLSB	Malaysia	-	-	-	-	-	24,000,000*	30.00	-	-
Directors										
Amrik Singh Harcharan Singh	Malaysian	Independent Non-Executive Director	-	-	-	-	80,000	0.10	-	-
Wong Tun Boon	Malaysian	Independent Non-Executive Director	-	-	-	-	20,000	0.03	-	-
Tang Nai Soon	Malaysian	Independent Non-Executive Director	-	-	-	-	400,000	0.50	-	-

Notes:-

* *During the prescription period, certain shareholders of our Group, namely Lee Hock Seng, Lee Hock Guan, Lee Hock Chai and Lee Hock Meng, will transfer a portion of their Shares to the SLSB. Please refer to Section 5.3.4 of this Prospectus for further details.*

(1) Deemed interested by virtue of his siblings' interests, namely Lee Hock Seng, Lee Hock Chai, Lee Hock Guan and Lee Hock Meng and vice versa.

(2) Deemed interested by virtue of his siblings' interest, namely Lee Hock Seng, Lee Hock Chai, Lee Hock Guan and Lee Hock Meng and vice versa, and his direct interest in SLSB.

7.1.2 Profile of our Promoters and Substantial Shareholders

The substantial shareholders of our Company will consist of SLSB and the Promoters, pursuant to the Share Transfer. The profile of our Promoters who are also Directors of our Group are set out in Section 7.1.3 of this Prospectus.

SLSB is principally an investment holding company. During the prescription period, our substantial shareholders, namely Lee Hock Seng, Lee Hock Chai, Lee Hock Guan and Lee Hock Meng, will transfer 24,000,000 SCGM Shares to SLSB.

The shareholdings of the Directors and substantial shareholders of SLSB in the enlarged issued and paid-up share capital of SCGM before and after the Share Transfer of SCGM are as follows:

	Before the Share Transfer		After the Share Transfer	
Promoters	**No. of Shares held**	**No. of Shares to be transferred**	**No. of Shares held**	**% of the enlarged share capital**
Lee Hock Seng	14,000,000	7,635,000	6,365,000	7.96
Lee Hock Guan	10,000,000	5,455,000	4,545,000	5.68
Lee Hock Chai	10,000,000	5,455,000	4,545,000	5.68
Lee Hock Meng	10,000,000	5,455,000	4,545,000	5.68
TOTAL	**44,000,000**	**24,000,000**	**20,000,000**	**25.00**

7.1.3 Profile of our Directors

(i) Lee Hock Seng

Lee Hock Seng, aged 58, was appointed as the Executive Chairman/Managing Director of SCGM on 19 December 2007. He was appointed as the Managing Director of LSSPI on 4 May 1984. He is one of the founders of LSSPI and has been the company's Managing Director since its incorporation on 4 May 1984. In 1995, he completed an external training programme, namely the 7th Asian Factory Management Course 1995 in Taipei, Taiwan. Subsequently, in 1997, he completed a course in Middle Management Leadership Training Programme in Johor Bahru, Johor.

Mr. Lee started his career in 1969 as a Marketing and Distribution personnel with Lee Soon Seng, a distributor and wholesaler for F&N (M) Sdn Bhd. In 1984, he left Lee Soon Seng to set up LSSPI. Presently, he is responsible for the strategic business development and future directions of our Group. He frequently travels abroad to keep abreast with the latest developments in the packaging industry and to explore new market prospects for our Group. Furthermore, his responsibilities also include the development and implementation of marketing strategies and product distribution.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

(ii) Lee Hock Chai

Lee Hock Chai, aged 46, was appointed as the Executive Director of SCGM on 19 December 2007. He was appointed as the Executive Director of LSSPI on 4 May 1984. He is one of the founders of LSSPI. He began his career as a Factory Manager with LSSPI in 1984. In 1998, he was promoted to his current position as an Operations Manager. His responsibilities include developing new products and providing engineering support, machinery and factory facility maintenance. He has more twenty (20) years of experience in the field of research and development.

(iii) Lee Hock Guan

Lee Hock Guan, aged 48, was appointed as the Executive Director of SCGM on 19 December 2007. He was appointed as the Executive Director of LSSPI on 4 May 1984. In 1997, he completed a course on Middle Management Leadership Training Programme in Johor Bahru, Johor. Mr. Lee began his career in 1979 as a Sales Executive in Lee Soon Seng, a distributor and wholesaler for F&N (M) Sdn Bhd. In 1984, he joined LSSPI as a Factory Manager and has held his current position since then. His responsibilities include planning for material requirements, manpower and production capacity, providing general machinery maintenance and ensuring overall safety in production. He frequently travels abroad to enhance his knowledge in new technology and automation for production. He has more than twenty (20) years of experience in the field of production.

(iv) Lee Hock Meng

Lee Hock Meng, aged 55, was appointed as the Executive Director of SCGM on 19 December 2007. He was appointed as the Executive Director of LSSPI on 4 May 1984. In 1997, he participated in the 9th seminar on Factory Management and Marketing for Overseas Chinese Businessman. In 1979, he began his career with Lee Soon Seng, a distributor and wholesaler for F&N (M) Sdn Bhd, as a Sales Executive. He was attached to Lee Soon Seng for approximately ten (10) years before joining LSSPI in 1990 as a Logistics Manager. He is presently responsible for overseeing shipping and logistic arrangements for our Group.

(v) Amrik Singh Harcharan Singh

Amrik Singh Harcharan Singh, aged 39, was appointed as the Independent Non-Executive Director of SCGM on 19 December 2007. He graduated with an Honours Degree from the University of London in 1994 and later obtained a Certificate in Legal Practice to qualify as an Advocate and Solicitor in 1996. He has eleven (11) years experience in handling civil litigation matters, as well as Industrial Court cases. He has been appointed as the legal adviser and counsel for the Food Industry Employees Union for the state of Johor, Malaysia which is recognised by the United Nations. He is currently acting as counsel for more than five (5) legal firms throughout the country. He is also running his own legal advisory firm under the name of Messrs. Amrik Singh and Co. since 2003.

(vi) Wong Tun Boon

Wong Tun Boon, aged 32, was appointed as the Independent Non-Executive Director of SCGM on 19 December 2007. He holds a Bachelor of Commerce (Honours) degree from the University of Windsor, Canada, which he obtained in 1998. After graduation up to 2001, he worked in two (2) audit firms, namely Syarikat Y.S. Tay and Azman, Wong, Salleh & Co. He also completed his post graduate studies and was conferred the Masters Degree of Business by the Victoria University of Technology, Australia in 2001. He joined M. S. Wong & Co. in Johor as an audit & tax senior executive from 2001 till 2005. In 2004, Mr. Wong fulfilled all required practical requirements and was successfully admitted as the member of the Certified Practicing Accountant (CPA), Australia and also the Malaysia Institute of Accountants (**"MIA"**). Mr Wong had set up his own firm in Johor and has been practicing as a Chartered Accountant and Company Secretary since then. His firm, Thomas Wong & Co., which is registered with MIA, provides a range of complementary professional services such as accountancy, secretarial and taxation services. He is also a Government Licensed Tax Consultant approved by the Ministry of Finance.

(vii) Tang Nai Soon

Mr. Tang Nai Soon, aged 39, was appointed as the Independent Non-Executive Director of SCGM on 19 December 2007. He graduated with a degree in Computer Science (Hons) from Malaysia Technology University in 1993. Up to 1994, he worked as a marketing executive in CTE Computer (M) Sdn Bhd, Johor Bahru. Subsequently, he works as the personal assistant for Yang Berhormat Datuk Lim Si Cheng, Member of Parliament for Senai/ Kulai since June 1995. From 1996 to 2006, he occupied the post of a Kulai District Councillor. He was also appointed as the Advisor for the Juvenile Court in Johor Bahru as well as the Village Chief of the Ayer Bemban New Village in 2006 and 2007, respectively.

Mr. Tang is also the Central Committee Member of the MCA Youth Movement, the Deputy Chief of the Johor State MCA Youth Movement, Chief of the Kulai Division MCA Youth Movement and Chairman of the Ayer Bemban MCA Branch.

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7.1.4 Promoters, Directors and Substantial Shareholders' Directorships and Substantial Shareholdings in Other Public Corporations for the Past Two (2) Years

None of our Promoters, Directors and substantial shareholders have any directorships or substantial shareholdings in other public corporations for the past two (2) years up to 31 December 2007, being the latest practicable date prior to the printing of this Prospectus.

7.1.5 Changes in our Promoters and Substantial Shareholders' Shareholdings

The changes in the registered substantial shareholders' shareholdings in our Company since incorporation are as follows:

	As at the date of incorporation, 29 June 2007				After the Acquisition				After the Rights Issue*			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Kok Chew Lan	1,000	50.00	-	-	-	-	-	-	-	-	-	-
Liaw Choon Ying	1,000	50.00	-	-	-	-	-	-	-	-	-	-
Lee Hock Seng	-	-	-	-	19,366,000	31.81	(1)41,490,000	68.18	21,638,000	31.81	(1)46,362,000	68.18
Lee Hock Chai	-	-	-	-	13,830,000	22.73	(1)47,026,000	77.27	15,454,000	22.73	(1)52,546,000	77.27
Lee Hock Guan	-	-	-	-	13,830,000	22.73	(1)47,026,000	77.27	15,454,000	22.73	(1)52,546,000	77.27
Lee Hock Meng	-	-	-	-	13,830,000	22.73	(1)47,026,000	77.27	15,454,000	22.73	(1)52,546,000	77.27

Notes:

* *Before the Share Transfer, which shall take place during the prescription period. Please refer to Section 5.3.4 of this Prospectus for further details.*

(1) Deemed interested by virtue of his siblings' interests, namely Lee Hock Seng, Lee Hock Chai, Lee Hock Guan and Lee Hock Meng and vice versa.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

7.1.6 Directors' Remuneration and Benefits

The remuneration and material benefits-in-kind paid and proposed to be paid to all our Directors for services rendered to us in all capacities to our Group was approximately RM2.10 million for the FYE 2007, and forecasted at approximately RM2.16 million for the financial year ending 30 April 2008.

The remuneration and material benefits-in-kind paid/forecasted to be paid to our Directors is as follows:

Directors	Remuneration range	
	FYE 2007	Financial Year Ending 30 April 2008
Lee Hock Seng	RM500,001 - RM550,000	RM500,001 - RM550,000
Lee Hock Chai	RM500,001 - RM550,000	RM500,001 - RM550,000
Lee Hock Guan	RM500,001 - RM550,000	RM500,001 - RM550,000
Lee Hock Meng	RM500,001 - RM550,000	RM500,001 - RM550,000
Wong Tun Boon	-	Below RM500,000*
Amrik Singh Harcharan Singh	-	Below RM500,000*
Tang Nai Soon	-	Below RM500,000*

Note:

* *Remuneration from the date of their appointment as Independent Non-Executive Directors of our Company on 19 December 2007.*

7.1.7 Term of Office

According to our Articles of Association, one third of our Directors (including the Managing Director) or if their number is not multiple of three, then the number nearest to one third shall retire from office at each annual general meeting. However, a retiring Director is eligible for re-election at the meeting at which he retires. All Directors shall retire from office once every three (3) years. An election of Directors shall take place each year.

Any person appointed as Director shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Our Directors, Lee Hock Seng, Lee Hock Chai, Lee Hock Guan, Lee Hock Meng, Amrik Singh Harcharan Singh, Wong Tun Boon and Tang Nai Soon shall hold office until the next annual general meeting and shall then be eligible for re-election.

7.2 Audit, Remuneration and Nomination Committee

7.2.1 Audit Committee

The composition of our Audit Committee is as follows:

Name	Designation	Directorship
Wong Tun Boon	Chairman	Independent Non-Executive Director
Amrik Singh Harcharan Singh	Member	Independent Non-Executive Director
Tang Nai Soon	Member	Independent Non-Executive Director

The summary of the terms of reference of the Audit Committee is as follows:

(i) recommends to our Board regarding the selection of the external auditors;

(ii) reviews the results and scope of the audit and other services provided by our Group's external auditors;

(iii) reviews and evaluates our Group's internal audit and control functions; and

(iv) assess the financial risk and matters relating to related party transactions and conflict of interests.

The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

7.2.2 Remuneration Committee

The composition of our Remuneration Committee is as follows:

Name	Designation	Directorship
Wong Tun Boon	Chairman	Independent Non-Executive Director
Lee Hock Seng	Member	Executive Chairman/Managing Director
Tang Nai Soon	Member	Independent Non-Executive Director

The summary of the terms of reference of the Remuneration Committee is as follows:

(i) recommend to our Board the remuneration of the Directors;

(ii) assist our Board in assessing the responsibility and commitment undertaken by our Board membership; and

(iii) assist our Board in ensuring the remuneration of our Directors reflects the responsibility and commitment of the Director concerned.

7.2.3 Nomination Committee

The composition of our Nomination Committee is as follows:

Name	Designation	Directorship
Tang Nai Soon	Chairman	Independent Non-Executive Director
Amrik Singh Harcharan Singh	Member	Independent Non-Executive Director
Wong Tun Boon	Member	Independent Non-Executive Director

The summary of the terms of reference of the Nomination Committee are as follows:

(i) review our Board structure, size and composition;

(ii) nominate candidates to the Board to fill Board vacancies when they arise;

(iii) recommend Directors who are retiring by rotation to be put forward for re-election; and

(iv) ensure that all Board appointees undergo an appropriate introduction and training programme.

7.3 Key Management and Key Technical Personnel

7.3.1 Key Management's and Key Technical Personnel's Shareholdings

The direct and indirect interests of our key management and key technical personnel in our issued and paid-up share capital before and after the IPO are as follows:

		Before the IPO				After the IPO*			
		<-------Direct-------->		<------Indirect------>		<-------Direct-------->		<------Indirect------>	
Name	**Designation**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Kok Yon Lan	Finance Manager	-	-	-	-	200,000	0.25	-	-
Chai Chwan Fuat	Assistant Production Manager	-	-	-	-	200,000	0.25	-	-
Wong Khai Loon	Quality Assurance Manager	-	-	-	-	3,000	^	-	-
Tan Hong Huat	Assistant Sales Manager	-	-	-	-	70,000	0.09	-	-

Notes:

^ *Negligible.*

* *Assuming full subscription of the Pink Form Allocation.*

7.3.2 Profile of our Key Management and Key Technical Personnel

(i) Lee Lih Chyong

Lee Lih Chyong, aged 37, is our Administration cum Human Resouce Manager. In 1994, Ms. Lee graduated with a degree in Business Administration from Coventry University, United Kingdom. After graduation, she joined Beaver Industries (M) Sdn Bhd as a Production and Materials Control Coordinator, where she was in charge of material purchase and scheduling as well as import and export arrangements. In 1996, she was transferred to Beaver Industries (Philippines) Co. as a Trainer. She was responsible for training new recruits and assisting in setting up the workflow of, the Production and Materials Control Department for the new plant. In 1997, Ms. Lee was employed as a General Manager in Formpak Industries Sdn Bhd, a company involved in thermo-vacuum forming activities. Her responsibilities included the management of the entire company's operations. In 2000, she joined LSSPI and has held her current position since then. Presently, her responsibilities include managing administrative, human resource and purchasing matters.

(ii) Kok Yon Lan

Kok Yon Lan, aged 45, is our Finance Manager. In 2002, she completed an External Training Programme (Taiwan) in the 3rd Study Session of the Financial Manager Workshop of Overseas Chinese Business Persons by the Overseas Chinese Affairs Commission Taiwan, PRC. Ms. Kok began her career in 1981 as an Accounts Clerk in Inhoe Construction Sdn Bhd, a company involved in the construction industry. In 1989 and 1991, she joined Kelex Industries Sdn Bhd, a manufacturer of school and travelling bags, and Idex Builder (M) Sdn Bhd, a company involved in renovation and decoration works, respectively as an Accounts and Administration Executive. In 1993, she joined LSSPI as an Accounts Officer. She was responsible for credit control, accounting, taxation, financial planning, business analysis, collating financial information together with monthly sales figures, profit and loss reporting and advising the management on financial related matters. She is also experienced in dealing with issues relating to the Customs Department, and matters relating to manufacturing licenses, import duty exemption and government grant. She was promoted to her current position in 2003.

(iii) Chai Chwan Fuat

Chai Chwan Fuat, aged 35, is our Assistant Production Manager. In 1998, Mr. Chai graduated with a Bachelor in Business Administration from the National Chung-Ching University, Taiwan. After graduation, he was employed as a Junior Purchasing Executive in Kenmark Industrial Co., Taiwan, a company involved in the manufacturing of furniture. In 1999, he was transferred to Kenmark Industrial Co., Malaysia Sdn Bhd as a Junior Production Executive, where he was responsible for the production control. Between 2000 and 2001, he joined Ecom Computer, a company involved in the trading of computers, as a Lecturer. In 2001, Mr. Chai left Ecom Computer and joined LSSPI. He has held his current position since then, and is responsible for production control and maintenance of machineries.

(iv) Wong Khai Loon

Wong Khai Loon, aged 35, is our Quality Assurance Manager. Mr. Wong graduated with a Diploma in Computer Programming from Informatic Computer College in 1992. After graduation, he was employed as a Computer Programmer in Tai Wah Garments Sdn Bhd, a company involved in the manufacturing of garments. From 1996 to 1999, he was working in KODA Woodcraft Sdn Bhd, a company involved in the manufacturing of furniture, as a Research and Development Executive. In 1999, he joined LSSPI and has held his current position since then. Presently, he is responsible for overseeing the whole QC process and department.

(v) Tai Chin Lian

Tai Chin Lian, aged 37, is our Business Development Manager. Mr. Tai graduated with a degree in Electrical and Electronic Engineering from the University of Plymouth, United Kingdom in 1998. After graduation, he was employed as a Customer Quality Failure Analysis Engineer, responsible for identifying the causes of product failure, in Seagate (Prai) Sdn Bhd. Between 2000 and 2001, he was working in Flextronics (Senai) Sdn Bhd as a Quality Engineer. In 2001, Mr. Tai joined LSSPI and has held his current position since then. He is presently responsible for developing our local and overseas business as well as assisting Mr Lee Hock Chai in RDD of new products and design.

(vi) Tan Hong Huat

Tan Hong Huat, aged 39, is our Assistant Sales Manager. In 1990, he graduated with a Diploma in Computer Programming from the Informatics College, Johor Bahru, Johor. He started his career in 1991 as a Production Planner with Han Tong Metal Component Sdn Bhd. From 1994 to 1996, he was employed with Masuna Sdn Bhd as a Sales Representative, and between 1996 and 1998, he worked in Perniagaan Yakin Diri as a Sales Executive. In 1999, he joined Victory Packaging Industries Sdn Bhd as a Marketing Executive. Within the same year, Mr. Tan joined LSSPI as a Marketing Executive and was responsible for overseeing domestic sales. He was promoted to his current position in 2005. He is presently responsible for marketing all kinds of plastic packaging products.

7.4 Declaration from our Promoters, Directors, Key Management and Key Technical Personnel

None of our Promoters, Directors, key management and key technical personnel is or has been involved in any of the following events (whether in or outside Malaysia):

(i) a petition under any bankruptcy or insolvency laws that was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or key personnel;

(ii) disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) charged and/or convicted in a criminal proceeding or is named subject of a pending criminal proceeding;

(iv) any judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

7.5 Relationships

As at 31 December 2007, being the latest practicable date prior to the printing of this Prospectus, there is no family relationship (as defined in Section 122A of the Act) or association between our substantial shareholders, promoters, Directors, key management and key technical personnel save for the following:

(a) Lee Hock Seng, Lee Hock Chai, Lee Hock Guan and Lee Hock Meng are siblings;
(b) Lee Lih Chyong is Lee Hock Seng's daughter; and
(c) Tai Chin Lian is the spouse of Lee Lih Chyong and son-in-law of Lee Hock Seng.

7.6 Service Agreements

As at 31 December 2007, there are no existing or proposed service agreements between our Group and Directors or key management, excluding contracts expiring or determinable by our Company without payments or compensation (other than statutory compensation), which are not terminable by notice without payment or compensation (other than statutory notice).

7.7 Involvement of Executive Directors and Key Management in other Business/Corporation

Save as disclosed below, none of our executive Directors and key management are involved in other businesses/corporations:

Executive Directors / Key Management	Name of Corporation	Principal Activities	Position Held	Remarks
Lee Hock Seng	Lee Soon Seng Holding Sdn Bhd	Property investment	Director / Shareholder	Time and effort spent is minimal
	Benxon Hightech Sdn Bhd	Property investment	Director / Shareholder	Time and effort spent is minimal
Lee Hock Chai	Lee Soon Seng Holding Sdn Bhd	Property investment	Director / Shareholder	Time and effort spent is minimal
	Benxon Hightech Sdn Bhd	Property investment	Director / Shareholder	Time and effort spent is minimal
Lee Hock Guan	Lee Soon Seng Holding Sdn Bhd	Property investment	Director / Shareholder	Time and effort spent is minimal
	Benxon Hightech Sdn Bhd	Property investment	Director / Shareholder	Time and effort spent is minimal
Lee Hock Meng	Lee Soon Seng Holding Sdn Bhd	Property investment	Director / Shareholder	Time and effort spent is minimal
	Benxon Hightech Sdn Bhd	Property investment	Director / Shareholder	Time and effort spent is minimal

8. APPROVALS AND CONDITIONS

8.1 Conditions on Approvals for the Flotation Exercise

In conjunction with and as an integral part of the listing and quotation for our entire issued and paid-up share capital on the Second Board of Bursa Securities, we undertook the Flotation Exercise as set out in Section 5.3 of this Prospectus, which was approved by the SC and FIC (through SC) and MITI on 14 November 2007 and 25 September 2007, respectively.

The conditions imposed by the SC in its approval and the status of compliance are set out as follows:

Conditions		Status of compliance
(i)	Full disclosure to be made in the listing prospectus on SCGM's dependency on a major supplier, including the steps taken/to be taken to mitigate the risks arising from the dependency;	Complied. Relevant disclosures have been made in Sections 4.3 and 5.6 of this Prospectus.
(ii)	With regard to trade debtors, SCGM should:	
	(a) Fully disclose in the listing prospectus the debtors' position, the ageing analysis and, for amounts exceeding the credit period, comments by directors on the recoverability of the amounts;	Complied. Relevant disclosures have been made in Section 11.18 of this Prospectus.
	(b) Make full provision for all overdue trade debtors which are in dispute or under legal action, or for amounts which have been outstanding for more than six (6) months; and	Complied. Relevant disclosures have been made in Sections 11.18 and 15.4 of this Prospectus.
	(c) Confirm and submit a declaration by its directors to the SC that the trade debtors exceeding the credit period which have not been provided for as doubtful debts, excluding those under paragraph (b) above, are recoverable;	Complied. A declaration letter dated 9 January 2008 was submitted to the SC.
(iii)	The directors/proposed directors and substantial shareholders of SCGM should not, in the future, carry out any new businesses which will compete directly or indirectly and be in conflict with the business of the SCGM Group;	Noted and to be complied with.
(iv)	Any future transactions between SCGM and the proposed directors/substantial shareholders or companies related to the proposed directors/substantial shareholders, if any, must be on an "arm's-length" basis and must not be unfavourable to SCGM. In this regard, the Audit Committee of SCGM is to monitor and the directors to report on the position of such transactions, in the annual report of SCGM;	Noted and to be complied with.

8. APPROVALS AND CONDITIONS *(Cont'd)*

<table>
<tr><th>Conditions</th><th>Status of compliance</th></tr>
<tr><td>(v) In compliance with the moratorium requirement of the Policies and Guidelines on Issue/Offer of Securities (Issues Guidelines), the promoters/shareholders have agreed to place their shareholdings amounting to 45% of the enlarged issued and paid-up capital of SCGM under moratorium for one (1) year from the date of listing of SCGM on Bursa Securities, as follows:
<table>
<tr><th>Name</th><th>No of Shares held after Public Issue</th><th>% of enlarged issued and paid-up capital</th><th>No of Shares held under moratorium</th><th>% of enlarged issued and paid-up capital</th></tr>
<tr><td>Lee Hock Seng</td><td>6,365,000</td><td>7.96</td><td>3,819,000</td><td>4.77</td></tr>
<tr><td>Lee Hock Guan</td><td>4,545,000</td><td>5.68</td><td>2,727,000</td><td>3.41</td></tr>
<tr><td>Lee Hock Chai</td><td>4,545,000</td><td>5.68</td><td>2,727,000</td><td>3.41</td></tr>
<tr><td>Lee Hock Meng</td><td>4,545,000</td><td>5.68</td><td>2,727,000</td><td>3.41</td></tr>
<tr><td>SLSB</td><td>24,000,000</td><td>30.00</td><td>24,000,000</td><td>30.00</td></tr>
<tr><td></td><td>44,000,000</td><td>55.00</td><td>36,000,000</td><td>45.00</td></tr>
</table></td><td>To be complied with.</td></tr>
<tr><td>(vi) SCGM complying with the National Development Policy (NDP) requirement whereby Bumiputra investors holding 30% of the enlarged share capital of SCGM to be nominated and approved by MITI;</td><td>MITI had vide its letters dated 9 January and 14 January 2008 approved the allocation of 24,000,000 SCGM Shares reserved for Bumiputera investors to be offered at the Offer Price.

The SC had vide its letter dated 17 January 2008 approved our application for an extension of time for SCGM to comply with this condition, for up to twelve (12) months from the date of Listing, as detailed in the paragraphs below.</td></tr>
<tr><td>(vii) PIVB and SCGM should inform the SC with the status of compliance with the NDP requirement upon completion of the proposed listing exercise;</td><td>To be complied with.</td></tr>
<tr><td>(viii) PIVB should submit to the SC, prior to the issue of the listing prospectus, the statutory declarations (as per Schedule 16.02 of the Issues Guidelines) of the new directors to be appointed by SCGM; and</td><td>Complied.</td></tr>
<tr><td>(ix) SCGM to fully comply with all the relevant requirements pertaining to the implementation of the listing proposal as specified in the Issues Guidelines.</td><td>Noted and to be complied with.</td></tr>
</table>

8. APPROVALS AND CONDITIONS *(Cont'd)*

The SC has taken note that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in SCGM would change arising from the implementation of the flotation proposal, as follows:

	Before proposals[(1)] %	**After proposals %**
Bumiputera	-	[(2)]30.00
Non-Bumiputera	100.00	70.00
Foreigners	-	-
Total	100.00	100.00

Notes:

(1) As at incorporation.

(2) Subject to MITI's approval.

With regard to condition (vi) above, the SC (under the FIC Guideline) had vide its letter dated 17 January 2008, granted its approval for an extension of time of up to twelve (12) months from the date of Listing, for SCGM to comply with this condition, subject to the following:

Conditions		**Status of compliance**
(i)	Up to 14,000,000 SCGM Shares (Offer for Sale portion) are allowed to be placed into a Bumiputera trust account (under PIVB), whereby these Shares are to be placed to Bumiputera investors approved by MITI within a period of up to twelve (12) months from the date of Listing; and	To be complied with.
(ii)	PIVB is to provide a written undertaking that the SCGM Shares placed in the Bumiputera trust account will be placed to Bumiputera investors approved by MITI and the said Shares are not to be dealt with other than for the purpose of placement to the said Bumiputera investors.	To be complied with.

Further, the SAC of SC has vide its letter dated 7 January 2008 classified our securities as being Syariah-compliant for the purpose of the IPO, based on our activity and financial information for the FYE 2007. The classification is valid until a reassessment is made by the SAC of the SC based on the information for the next financial year.

The conditions imposed by MITI in its approval for the Flotation Exercise, vide its letter dated 25 September 2007 and the status of compliance are as follows:

Conditions		**Status of compliance**
(i)	Receipt of the SC's approval and compliance to the guidelines on acquisition of interests, mergers and take-overs by local and foreign interests.	Complied with. The approval of the SC and FIC (through SC) was received on 14 November 2007.
(ii)	For observation purposes, the Company is required to inform MITI on the shareholding interests of the approved Bumiputera shareholders six (6) months after the Listing.	Noted and to be complied.

The MITI also has, vide its letter dated 14 January 2008 approved the allocation of 10,000,000 Shares reserved for Bumiputera investors to be offered at the IPO Price. The said allocation is subject to the following conditions:

Conditions		Status of compliance
(i)	The MITI's approval is required for the sale/transfer of shares allocated. However, 30% of the total shares allocated are allowed to be sold/transferred without the approval of MITI.	To be observed by each Bumiputera investors.
(ii)	SCGM and PIVB to inform MITI on the status of shareholding of the investors recognized/approved by MITI six (6) months after the Listing.	To be complied with.

The MITI also had, vide its letter dated 9 January 2008, approved the deposit of up to 14,000,000 Shares in trust account for a period of twelve (12) months from the date of Listing. These Shares shall be distributed to Bumiputera investors approved by MITI after the Listing. This approval is subject to the compliance of public spread requirement or subject to obtaining the waiver from complying with such requirement from Bursa Securities.

Bursa Securities has granted its approval-in-principle for our Listing vide its letter dated 25 January 2008.

8.2 Moratorium on Shares

In accordance with the Issues Guidelines, our Promoters and/or substantial shareholders and/or Directors will not be allowed to sell, transfer or assign its shareholding amounting to 45% of our enlarged issued and paid-up share capital for one (1) year from the date of our admission to the Official List of the Second Board of Bursa Securities.

The shareholders whose Shares are subjected to the moratorium as imposed by the SC vide its letter dated 14 November 2007, on the approval of the Flotation Scheme, is as follows:

	After the IPO			
Shareholders	**No. of SCGM Shares held**	**% of enlarged share capital***	**No. of SCGM Shares to be held under moratorium**	**% of enlarged share capital***
Lee Hock Seng	6,365,000	7.96	3,819,000	4.77
Lee Hock Guan	4,545,000	5.68	2,727,000	3.41
Lee Hock Chai	4,545,000	5.68	2,727,000	3.41
Lee Hock Meng	4,545,000	5.68	2,727,000	3.41
SLSB	24,000,000	30.00	24,000,000	30.00
Total	44,000,000	55.00	36,000,000	45.00

Note:

* *Comprising 80,000,000 SCGM Shares.*

The restriction, which is fully accepted by the shareholders, are specifically endorsed on the share certificates representing the shareholding of each shareholder which is under moratorium to ensure that our share registrars do not register any transfer not in compliance with the restriction imposed by the SC.

The Promoters and SLSB have provided undertakings that they shall comply with the abovementioned terms relating to the sale of their Shares under moratorium as outlined above. The shareholders of SLSB, namely, Lee Hock Seng, Lee Hock Chai, Lee Hock Guan and Lee Hock Meng, have also provided undertakings that they shall not sell, transfer or assign their shareholdings in SLSB during the moratorium period.

9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST

9.1 Existing and Proposed Related Party Transactions

Our Group has not entered into any non-recurrent transactions with our related parties for the past three (3) FYE 2007 and for the six (6) month FPE 31 October 2007. Related parties mean Directors, substantial shareholders and/or persons connected with such Director or substantial shareholder as defined under Section 122A of the Act.

Save as disclosed below, our Group does not have any other existing and/or proposed recurrent related party transactions that are of revenue or trading in nature entered into between our Group and our related parties, which involve the interests, direct or indirect, of our Directors, substantial shareholders, key management personnel and/or persons connected to them (**"Recurrent Transactions"**) for the past three (3) FYE 2007 and for the six (6) month FPE 31 October 2007.

Company	Related party	Nature of interest	Nature of transaction	Transaction value			
				FYE 2005 RM	FYE 2006 RM	FYE 2007 RM	Six (6) month FPE 31 October 2007 RM
Formpak Industries Sdn Bhd	Lee Hock Seng Lee Hock Chai Lee Hock Meng Lee Hock Guan	Note (1)	Sales	1,792,079	1,485,194	2,334,883	1,489,118
Lee Soon Seng Holding Sdn Bhd	Lee Hock Seng Lee Hock Chai Lee Hock Meng Lee Hock Guan	Note (2)	Rental of property	14,500	19,200	19,200	9,600

Notes:

(1) Deemed interested by virtue of the directorship and shareholding of the Directors' sister and her spouse in Formpak Industries Sdn Bhd.

(2) Deemed interested by virtue of being Directors and substantial shareholders of Lee Soon Seng Holding Sdn Bhd.

In our ordinary course of business, we would enter into Recurrent Transactions, including but not limited to the above, with persons which are considered as related party as defined in the Listing Requirements. Our Directors are of the opinion that the above Recurrent Transactions have been conducted on arm's length basis and on terms which are not more favourable to the related parties than those available to the public and which will not be detrimental to our minority shareholders. The Audit Committee will supervise the terms of the related party transactions, and our Directors will report any related party transaction, if any, annually in our Company's annual report.

9.2 Loans Made to Related Parties

There are no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of related parties in respect of the past three (3) FYE 2007 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

9.3 Transactions that are Unusual in their Nature or Condition

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we or our subsidiary was a party in respect of the past three (3) FYE 2007 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

9.4 Promotion of Assets

Save for the Acquisition, of which details are set out in Section 5 of this Prospectus, and the related party transactions disclosed in Section 9.1 above, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets which have, within the past three (3) FYE 2007 and the subsequent financial period thereof, immediately preceding the date of this Prospectus, been acquired or disposed of by or leased to our Group, or are proposed to be acquired or disposed of by or leased to our Group.

9.5 Interest in Similar Business

To the best knowledge and belief of our Directors and substantial shareholders, none of our Directors and/or substantial shareholders and/or key management has any interest, direct or indirect, in any other businesses and corporation carrying on a similar trade as that of our Group.

9.6 Declaration by Advisers

PIVB has given the confirmation that there is no existing or potential conflict of interest in its capacity as the Adviser, Underwriter and Placement Agent in respect of the IPO.

Messrs. SJ Grant Thornton has given the confirmation that there is no existing or potential conflict of interest in their capacity as Auditors and Reporting Accountants in respect of the IPO.

Messrs. Teh & Lee Advocates & Solicitors has given the confirmation that there is no existing or potential conflict of interest in their capacity as solicitors in respect of the IPO.

Messrs. D&B Malaysia has given the confirmation that there is no existing or potential conflict of interest in its capacity as Independent Market Researcher in respect of the IPO.

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10. OTHER INFORMATION CONCERNING THE SCGM GROUP

10.1 Land and Buildings

10.1.1 Landed Properties Owned by Our Group

The summary of the information on landed properties owned by our Group as at 31 December 2007 (being the latest practicable date prior to printing of this Prospectus) are set out below:

Registered Owners	Title/Location/ Postal Address	Description/ Existing Use	Land area/ Built up area (sq ft)	Tenure (years)	Approximate age of buildings/ Date of Issuance of Certificate of Fitness	Audited net book value as at 31 October 2007 RM'000	Restrictions in interest/Encumbrances
LSSPI	H.S. (M) 2452, Lot 3304, Tempat Batu 24, Jalan Air Hitam-Johor Bahru, Mukim Senai-Kulai, Daerah Kulai, Negeri Johor Darul Takzim	Manufacturing/ Industrial Land/ Factory	136,277/ 70,000	Leasehold (99 years expiring on 9.8.2090)	6 years/ Certificate of Fitness for Occupation dated 10.7.2002	2,749	"Tanah yang dikurniakan ini tidak boleh dijual, dicagar, digadai, dipajak atau dipindahmilik dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan semata untuk melepaskan/menjualkan tanah ini, tanpa kebenaran Penguasa Negeri" Charged to Public Bank Berhad
LSSPI	Geran 694, Lot 3316, Tempat Batu 24, Jalan Ayer Hitam-Johor Bahru, Mukim Senai-Kulai, Daerah Kulai, Negeri Johor Darul Takzim	Manufacturing/ Industrial Land/ Single Storey Factory & Double Storey Office	138,030/ 80,000	Freehold	1 year/ Certificate of Fitness for Occupation dated 28.03.2007	4,676	"Tanah yang dikurniakan ini tidak boleh dijual, dicagar, digadai, dipajak atau dipindahmilik dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan semata untuk melepaskan/menjualkan tanah ini, tanpa kebenaran Penguasa Negeri" Charged to Public Bank Berhad

10. OTHER INFORMATION CONCERNING THE SCGM GROUP *(Cont'd)*

Registered Owners	Title/Location/ Postal Address	Description/ Existing Use	Land area/ Built up area (sq ft)	Tenure (years)	Approximate age of buildings/ Date of Issuance of Certificate of Fitness	Audited net book value as at 31 October 2007 RM'000	Restrictions in interest/Encumbrances
LSSPI	H.S.(M) 840, Lot 3059, Daerah Seberang Perai Tengah, Mukim 06, Negeri Pulau Pinang	Building	5,037 / 5,637	Freehold	15 years/ Certificate of Fitness for Occupation dated 29.12.1992	477	No restriction in interest No encumbrances
LSSPI	Geran 696, Lot 3281, Tempat Batu 24, Jalan Ayer Hitam-Johor Bahru, Mukim Senai-Kulai, Daerah Kulai, Negeri Johor Darul Takzim	Agricultural	117,339	Freehold	N/A	650	No restriction in interest No encumbrances
LSSPI	Geran 697, Lot 3282, Tempat Batu 24, Jalan Ayer Hitam-Johor Bahru, Mukim Senai-Kulai, Daerah Kulai, Negeri Johor Darul Takzim	Agricultural	113,256	Freehold	N/A	650	No restriction in interest No encumbrances

Note:

N/A *Not applicable*

None of the existing use of the land in the above properties breaches the land-use conditions or permissible land use.

10.1.2 Properties Rented by Our Group

As at 31 December 2007 (being the latest date prior to the printing of this Prospectus), there is only one (1) rented property used by our Group as sales office located at No. 1, Jalan PU 5, Taman Utama Puchong, 47100 Puchong, Selangor, which bears a monthly rental of RM1,600.

To the best of our Directors' knowledge and belief, there is no material non-compliance with current statutory requirements, land rules or building regulations in respect of the landed properties owned and rented by our Group.

10.2 Acquisitions of Properties During Two (2) Years Preceding the Date of this Prospectus

There were no properties acquired by our Group during the past two (2) years preceding the date of this Prospectus.

10.3 Plant and Equipment

The details of our Group's material plant and equipment are as follows:

Type of Machine	Description/Purpose	No. of Units	Audited net book value as at 31 October 2007 (RM'000)
Thermo-vacuum Forming Process			
High-speed automated thermo-vacuum forming machine	To conduct thermo-vacuum forming process.	31	4,503
Press cutting machine	To die-cut the individual thermo-vacuum formed plastic packaging from the formed extrusion sheet into required shapes and sizes.	20	1,258
Extrusion Process			
Single-layer sheet extruder – HIPS, PP	To conduct HIPS and PP extrusion process.	1	689
Three (3)-layer PET extruder	To conduct APET, PET-G and GAG extrusion process.	1	2,753
Mould Preparation Process			
CNC milling machine	To produce aluminium moulds used in thermo-vacuum forming process.	1	245
Milling machine	To conduct parts work, i.e. drilling of small air passages in the moulds, and fabrication of moulds.	4	*

Note:

* *Less than RM1,000.*

The capacity for each of the thermo-vacuum forming, extrusion and mould preparation processes are disclosed in Section 5.4.4 of this Prospectus.