9.13 PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF SLP
(Prepared for inclusion in the Prospectus)

1. INTRODUCTION

The summarised proforma consolidated financial information, comprising the proforma consolidated income statements for the financial years ended 31 December 2004 to 31 December 2006 and for the financial period ended 30 September 2006 and 2007, the proforma consolidated balance sheets as at 30 September 2007, the proforma consolidated cash flow statement for the period ended 30 September 2007, the statement of assets and liabilities as at 30 September 2007 and the notes thereto, have been prepared for inclusion in the Prospectus of SLP in connection with the listing of SLP on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

2. PROPOSALS

As part of the restructuring and listing, SLP has undertaken/ will undertake the following:

2.1 Subdivision

SLP effected a change in the par value of its ordinary shares from RM1.00 each to RM0.50 by way of subdivision of its ordinary shares. The change in par value of its ordinary shares in SLP resulted in the issued and paid-up share capital of SLP being revised from 2 ordinary shares of RM1.00 each to 4 ordinary shares of RM0.50 each ("Shares") ("Subdivision").

2.2 Acquisitions

Acquisitions by SLP of the following companies :

Name of Company	No. of Ordinary Shares of RM1.00 Each	Interest %	Purchase Consideration RM	No. of SLP Shares Issued
Sinliplas Holding Sdn Bhd ("SHSB")	5,000,000	100	31,639,689	63,279,378
Sinliplas Sdn Bhd ("SSB")	2,000,000	100	8,345,684	16,691,368
Total	7,000,000		39,985,373	79,970,746

The acquisitions of SHSB and SSB ("Acquisitions") were completed on 25 October 2007.

2.3 Rights Issue

Rights issue of 29,250 new Shares at an issue price of RM0.50 per rights Share in SLP on the basis of approximately thirty seven (37) new Shares for every existing one hundred thousand (100,000) Shares held in SLP after the Acquisitions ("Rights Issue").

The Rights Issue was completed on 26 October 2007.

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2. **PROPOSALS (Cont'd)**

2.4 Transfer

Following the Acquisitions and Rights Issue, the following shareholders transfered part of their Shares in SLP to Khoon Tee & Family Sdn Bhd, an investment holding company:-

Shareholders	No. of Shares	%
Khaw Khoon Tee	4,963,539	11.71
Ong Peik Joo	9,237,328	21.79
Khaw Seang Chuan	9,427,264	22.23
Khaw Choon Hoong	6,265,223	14.78
Khaw Seang Ghee	5,314,736	12.53
Khaw Choon Choon	3,595,955	8.48
Khaw Seang Seng	3,595,955	8.48
Total	**42,400,000**	**100.00**

2.5 Public Issue

Public issue of 26,000,000 new Shares at an issue price of RM0.85 per Share ("Public Issue Shares") ("Public Issue") allocated in the following manner:-

(a) Malaysian Public

6,000,000 Public Issue Shares representing approximately 5.66% of the enlarged issued and paid-up share capital were made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) Private Placement

8,300,000 Public Issue Shares representing approximately 7.83% of the enlarged issued and paid-up share capital were reserved by way of private placement to selected investors (who are deemed public).

(c) Eligible Directors, Employees and Business Associates of SLP Group

5,300,000 Public Issue Shares representing 5.0% of the enlarged issued and paid-up share capital were reserved for the eligible Directors, employees and business associates (which include the suppliers, sales agents, customers and others) of the Group.

(d) Bumiputera Investors

6,400,000 Public Issue Shares representing approximately 6.04% of the enlarged issued and paid-up share capital were reserved for Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").

2. PROPOSALS (Cont'd)

2.6 Offer For Sale

Offer for sale of 25,400,000 Shares representing approximately 23.96% of the enlarged issued and paid-up share capital at an offer price of RM0.85 per Share were reserved for Bumiputera investors approved by MITI ("Offer For Sale").

2.7 Listing

Listing of and quotation for the entire enlarged issued and paid-up share capital comprising 106,000,000 Shares on the Second Board of the Bursa Securities.

The above restructuring and listing exercises were approved by the Securities Commission on 10 October 2007.

3. SUMMARISED PROFORMA CONSOLIDATED INCOME STATEMENTS OF SLP GROUP

3.1 The summarised proforma consolidated income statements of SLP Group for the past three (3) financial years ended 31 December 2004 to 31 December 2006 and for the financial period ended 30 September 2006 and 2007 have been prepared for illustrative purposes assuming that the SLP Group had been in existence throughout the financial years under review.

	31.12.04 RM'000	31.12.05 RM'000	31.12.06 RM'000	*30.9.06 RM'000	30.9.07 RM'000
Revenue	94,767	118,203	142,855	99,529	128,700
Earnings before interest, depreciation and taxation	11,054	13,346	16,711	11,181	14,562
Depreciation	(3,168)	(3,970)	(5,092)	(3,811)	(4,055)
Interest expense	(1,288)	(1,546)	(1,855)	(1,478)	(1,346)
Profit before taxation	6,598	7,830	9,764	5,892	9,161
Taxation	(1,368)	(1,425)	(1,168)	(857)	(880)
Profit after taxation	5,230	6,405	8,596	5,035	8,281
Proforma no. of Shares in issue	106,000,000	106,000,000	106,000,000	106,000,000	106,000,000
Gross profit	9,991,802	13,039,498	13,180,614	8,988,802	13,301,132
Gross profit margin (%)	10.54	11.03	9.23	9.03	10.33
Profit before taxation margin (%)	6.96	6.62	6.83	5.92	7.12
Profit after taxation margin (%)	5.52	5.42	6.02	5.06	6.43
Gross earnings per Share (sen)	6.22	7.39	9.21	5.56	8.64
Net earnings per Share (sen)	4.93	6.04	8.11	4.75	7.81
Gross dividend rate (%)	-	-	80.00	-	-

* Based on unaudited management accounts

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3. SUMMARISED PROFORMA CONSOLIDATED INCOME STATEMENTS OF SLP GROUP (Cont'd)

3.1.1 Notes to the Summarised Proforma Consolidated Income Statements of SLP Group

i) The summarised proforma consolidated income statements of SLP Group for the financial years ended 31 December 2004 to 31 December 2006 and for the financial period ended 30 September 2006 and 2007 are prepared for illustrative purposes only and are based on the audited financial statements of SHSB, SSB and SLP for all financial years/period except for financial period ended 30 September 2006 which is based on the unaudited management accounts.

ii) There were no extraordinary or exceptional items for all the years under review.

iii) The proforma gross earnings per Share has been calculated based on the profit before taxation and on the assumption that the issued and paid-up share capital of the SLP Group of 106,000,000 ordinary shares of RM0.50 each had been in issue throughout the years under review.

The proforma net earnings per Share has been calculated based on the profit after taxation and on the assumption that the issued and paid-up share capital of the SLP Group of 106,000,000 ordinary shares of RM0.50 each had been in issue throughout the years under review.

iv) The summarised proforma consolidated income statements of SLP Group for the financial years ended 31 December 2004 to 31 December 2006 and for the financial period ended 30 September 2006 and 2007 did not take into account the fair value adjustments in relation to the Acquisitions set out in Note 2.2.

4. SUMMARISED PROFORMA CONSOLIDATED BALANCE SHEETS OF SLP GROUP

4.1 The proforma consolidated balance sheets of SLP Group as at 30 September 2007 have been prepared for illustrative purposes only assuming that the Subdivision, Acquisitions, Rights Issue, Transfer, Public Issue, Offer For Sale and Listing had been completed as at that date. The proforma consolidated balance sheets should be read in conjunction with the basis of assumptions set out in the notes below.

	Company RM'000	Proforma (I) RM'000	Proforma (II) RM'000	Proforma (III) RM'000
Non-current assets				
Property, plant and equipment	-	56,619	56,619	62,619
Other investments, at cost	-	177	177	177
Goodwill	-	11	11	11
Total non-current assets	-	56,807	56,807	62,807
Current assets				
Inventories	-	19,605	19,605	19,605
Trade and other receivables	-	27,324	27,324	27,324
Tax recoverable	-	374	374	374
Cash and cash equivalents	*	15,011	15,026	24,126
Total current assets	*	62,314	62,329	71,429
Total assets	*	119,121	119,136	134,236
Equity				
Share capital	*	13,345	13,360	26,360
Reserves	(11)	34,925	34,925	42,025
Total equity attributable to shareholders of the Company	(11)	48,270	48,285	68,385
Non-current liabilities				
Borrowings	-	10,844	10,844	9,008
Deferred tax liabilities	-	5,527	5,527	5,527
Total non-current liabilities	-	16,371	16,371	14,535
Current liabilities				
Trade and other payables	11	26,567	26,567	26,567
Borrowings	-	27,571	27,571	24,407
Taxation	-	342	342	342
Total current liabilities	11	54,480	54,480	51,316
Total liabilities	11	70,851	70,851	65,851
Total equity and liabilities	*	119,121	119,136	134,236
Number of ordinary shares of RM0.50 each in issue ('000)	*	79,971	80,000	106,000
Net (liabilities)/tangible assets per Share of RM0.50 each (RM)	(5,665)	# 0.55	# 0.55	# 0.61

* Denotes 2 ordinary shares of RM1.00 each and cash balance of RM2.

\# After accounting for the interim dividend of RM4.0 million declared and paid in October 2007.

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4. SUMMARISED PROFORMA CONSOLIDATED BALANCE SHEETS OF SLP GROUP (Cont'd)

4.2 Notes to the proforma consolidated balance sheets of SLP Group as at 30 September 2007

The proforma consolidated balance sheets together with the notes thereon have been prepared based on accounting principles and bases consistent with those adopted by SLP Group for the financial period ended 30 September 2007, a summary of which is set out in Section 6.1 of this report, and are presented in a form suitable for inclusion in the Prospectus. Commencing 1 January 2007, SLP adopted all the new and revised Financial Reporting Standards ("FRS") issued by MASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006. The adoption of these new and revised FRS has no material effect on the financial statements of SLP.

4.2.1 The proforma consolidated balance sheets of SLP Group have been prepared for illustrative purposes only assuming SLP Group had been in existence on that date and are based on the audited financial statements of SLP Group as at 30 September 2007. They are prepared using the purchase method of accounting.

Intercompany balances have been eliminated in arriving at the proforma consolidated balance sheets.

4.2.2 The following transactions are assumed to have been effected as at 30 September 2007:

(I) Proforma I

Proforma I incorporates the Subdivision and Acquisitions as set out in Sections 2.1 and 2.2 of this report.

The assets and liabilities of the subsidiaries of SLP at the date of the Acquisitions are based on net book values as stated in their audited financial statements as at 30 September 2007. The Directors of SLP will reassess whether the fair value of the assets and liabilities of the subsidiaries of SLP at the date of the Acquisitions are equivalent to their carrying values at the completion date of the Acquisitions.

The acquisition of SHSB is accounted for using reverse acquisition accounting principles in accordance with the Malaysian Financial Reporting Standards No.3, Business Combinations ("FRS 3"). Upon completion of the acquisition of SHSB, SLP becomes the legal parent company of SLP Group. Due to the relative values of the companies, the former shareholders of SHSB became the majority shareholders of SLP. Accordingly, the substance of the business combination is that SHSB acquires SLP in a reverse acquisition. Under FRS 3, as a result of the reverse acquisition which was assumed to have taken place on 30 September 2007, the proforma consolidated balance sheets have been prepared in the name of legal parent, SLP, but it represents a continuation of the balance sheet of the legal subsidiary, SHSB, which is deemed as the acquirer.

Subsequently, the acquisition of SSB is accounted for using the purchase method of accounting.

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4.2 Notes to the proforma consolidated balance sheets of SLP Group as at 30 September 2007 (Cont'd)

(II) Proforma II

Proforma II incorporates Proforma I and the Rights Issue as set out in Section 2.3 of this report.

(III) Proforma III

Proforma III incorporates Proforma I, Proforma II, Public Issue, Offer For Sale and Listing as set out in Sections 2.5 to 2.7 of this report respectively and the following:

i) Estimated share issue expenses of RM2,000,000 will be set off against the share premium account.

ii) Proposed utilisation of gross proceeds from the Public Issue of RM22,100,000 as set out in Note 4.2.3 of this report.

4.2.3 The gross proceeds of approximately RM22,115,000 from the Rights Issue and Public Issue will be utilised as follows:

	RM'000
Purchase of machinery and equipment	6,000
Repayment of bank borrowings	5,000
Working capital	9,115
Estimated share issue expenses	2,000
	22,115

4.2 Notes to the proforma consolidated balance sheets of SLP Group as at 30 September 2007 (Cont'd)

4.2.4. The movements of the issued and paid up share capital and the share premium account of SLP after taking into account the transactions mentioned in Notes 4.2.2 and 4.2.3 above are as follows:

	Number of ordinary shares '000	Par value RM	Share Capital RM'000	Share Premium RM'000
Balance as at 30 September 2007	*	1.00	*	-
Proforma I				
- Issued as consideration for the Acquisitions	79,971	0.50	39,986	-
- Adjustment for reverse acquisition of SHSB	-		(26,641)	-
After Proforma I	79,971		13,345	-
Proforma II				
- Rights Issue	29	0.50	15	-
After Proforma II	80,000		13,360	-
Proforma III				
- Public Issue	26,000	0.50	13,000	9,100
- Estimated share issue expenses	-		-	(2,000)
After Proforma III	106,000		26,360	7,100

* Denotes 2 ordinary shares of RM1.00 each. This was subsequently subdivided into 4 ordinary shares of RM0.50 each.

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5. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of SLP Group for the financial period ended 30 September 2007 set out below, is based on the audited financial statements of SLP, SHSB and SSB.

The proforma consolidated cash flow statement is provided for illustrative purposes only, and has been presented on the basis that the Acquisitions, Rights Issue and Public Issue had been in effect throughout the financial years under review.

5.1 SLP Group

	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	9,161
Adjustments for :	
Depreciation	4,055
Interest expense	1,346
Interest income	(165)
Dividend income	(5)
Operating profit before working capital changes	14,392
(Increase)/Decrease in :	
Inventories	(1,443)
Trade and other receivables	5,163
Increase in :	
Trade and other payables	7,187
Cash generated from operating activities	25,299
Income tax paid	(587)
Net cash generated from operating activities	24,712

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5. PROFORMA CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(12,992)
Interest received	165
Dividend received	5
Net cash used in investing activities	(12,822)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of hire purchase creditors	(401)
Bank borrowings (net)	(9,230)
Repayment of term loans	(2,478)
Interest paid	(1,346)
Dividend paid	(4,000)
Payment of estimated share issue expenses	(2,000)
Proceeds from the Rights Issue	15
Proceeds from the Public Issue	22,100
Net cash generated from financing activities	2,660
Net increase in cash and cash equivalents	14,550
Cash and cash equivalents at beginning of financial period	7,340
Cash and cash equivalents at end of financial period	21,890

NOTE:

Cash and cash equivalents comprise the following amounts:

	30.9.2007 RM'000
Short term deposits placed with financial institutions (excluding pledged deposits)	8,489
Cash and bank balances	13,406
Bank overdrafts	(5)
	21,890

6. STATEMENT OF ASSETS AND LIABILITIES

The detailed statement of assets and liabilities has been prepared for illustrative purposes only and is based on the audited balance sheet of SLP, SHSB and SSB as at 30 September 2007.

The proforma statement of assets and liabilities has been prepared using the reverse acquisition accounting principles and purchase method of accounting, to show the effects of the Acquisitions of SHSB and SSB respectively, Rights Issue, Public Issue, utilisation of proceeds from the Public Issue and the estimated share issue expenses of RM2,000,000 on the assumption that the respective transactions had been completed on 30 September 2007 and should be read in conjunction with the notes thereon:-

	Note	Company Audited RM'000	Proforma Group RM'000
Non-current assets			
Property, plant and equipment	6.2	-	62,619
Other investments, at cost	6.3	-	177
Goodwill		-	11
Total non-current assets		-	62,807
Current assets			
Inventories	6.4	-	19,605
Trade and other receivables	6.5	-	27,324
Tax recoverable		-	374
Cash and cash equivalents	6.6	*	24,126
Total current assets		*	71,429
Total assets		*	134,236
Equity			
Share capital	6.7	*	26,360
Reserves	6.8	(11)	42,025
Total equity attributable to shareholders of the Company		(11)	68,385
Non-current liabilities			
Borrowings	6.9	-	9,008
Deferred tax liabilities	6.10	-	5,527
Total non-current liabilities		-	14,535
Current liabilities			
Trade and other payables	6.11	11	26,567
Borrowings	6.9	-	24,407
Taxation		-	342
Total current liabilities		11	51,316
Total liabilities		11	65,851
Total equity and liabilities		*	134,236

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6. STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

Number of ordinary shares of RM0.50 each ('000)	*	106,000
Net (liabilities)/ tangible assets per ordinary share of RM0.50 each (RM)	(5,665)	# 0.61

* Denotes 2 ordinary shares of RM1.00 each.

\# After accounting for the interim dividend of RM4.0 million declared and paid in October 2007

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

6.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the proforma SLP Group and are consistently applied throughout the period.

(a) Basis of Accounting

The Proforma Consolidated Statement of Assets and Liabilities of SLP Group has been prepared under the historical cost basis except as disclosed in the notes to the financial statements and in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of Consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the purchase method of accounting.

The Proforma Consolidated Statement of Assets and Liabilities include the audited financial statements of the subsidiaries made up to 30 September 2007 on the assumption that the restructuring of SLP Group as stated in Section 2.1 had been effected as at 30 September 2007. The financial statements of the subsidiaries are consolidated using both the reverse acquisition accounting principles and purchase method of accounting for SHSB and SBB respectively.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intra group transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

(c) Goodwill

Goodwill/Negative goodwill arises on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

(d) Property, plant and equipment (Cont'd)

Depreciation

Capital work-in-progress are not amortised or depreciated.

Leasehold land is amortised over its unexpired lease periods from the years of acquisition.

Other property, plant and equipment are depreciated on a straight line basis to write off the cost of these assets over the term of their estimated useful lives at the following principal annual rates :

	%
Factory buildings	2 - 2.35
Renovation	2
Plant, machinery and factory equipment	12 – 20
Office furniture and equipment	10 – 40
Motor vehicles	16 – 20

(e) Impairment

The carrying amounts of assets except for financial assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the same asset.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro-rata basis.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

(e) Impairment (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that the outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

(m) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(n) Employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employee's Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(o) Revenue

i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

(p) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

6.2 PROPERTY, PLANT AND EQUIPMENT - PROFORMA GROUP

	At Valuation		At Cost						
	Leasehold Land RM'000	Buildings RM'000	Leasehold land RM'000	Office equipment RM'000	Plant, machinery and factory equipments RM'000	Renovation RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Cost									
At 1 January 2007	6,000	15,000	-	622	46,136	48	1,941	25	69,772
Additions	-	-	1,469	83	1,388	-	81	17,807	20,828
Disposals	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	678	-	-	(678)	-
At 30 September 2007	6,000	15,000	1,469	705	48,202	48	2,022	17,154	90,600
Accumulated depreciation									
At 1 January 2007	-	-	-	508	22,072	3	1,343	-	23,926
Charge for the year	100	250	14	33	3,466	1	191	-	4,055
At 30 September 2007	100	250	14	541	25,538	4	1,534	-	27,981
Net book value									
At 30 September 2007	5,900	14,750	1,455	164	22,664	44	488	17,154	62,619

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

6.2 PROPERTY, PLANT AND EQUIPMENT

Leasehold land, buildings and certain machinery of the Proforma Group costing RM35,840,947 are charged to licensed banks as securities for banking facilities granted to the Proforma Group (see Note 6.9).

The cost of property, plant and equipment includes the following assets which are acquired under hire purchase plans:

	Company RM'000	Proforma Group RM'000
Equipment and machinery	-	1,037

6.3 OTHER INVESTMENTS

	Company RM'000	Proforma Group RM'000
Unquoted shares, at cost	-	177
Less: Allowance for diminution in value	-	-
	-	177

6.4 INVENTORIES

At cost:	Company RM'000	Proforma Group RM'000
Raw materials	-	12,927
Work in progress	-	1,899
Manufactured inventories	-	4,779
	-	19,605

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

6.5 TRADE AND OTHER RECEIVABLES

	Company RM'000	Proforma Group RM'000
Trade receivables	-	26,423
Other receivables, deposits and prepayments	-	901
	-	27,324

Ageing analysis of trade receivables as at 30 September 2007 of the Proforma Group is as follows:

	0-30 Days RM'000	31-60 days RM'000	61-90 days RM'000	> 90 days RM'000	Proforma Group Total RM'000
Trade receivables	12,531	9,009	3,838	1,045	26,423
% of total trade receivables	47.42	34.10	14.52	3.96	100

Allowance for doubtful debts has been made in the financial statements for the Proforma Group for the financial year ended 30 September 2007 for trade receivables that are deemed irrecoverable.

6.6 CASH AND CASH EQUIVALENTS

	Company RM'000	Proforma Group RM'000
Cash and bank balances	-	8,489
Short term deposits with financial institutions	-	13,406
Fixed deposits with financial institutions	-	2,231
	-	24,126

The fixed deposits of the Proforma Group amounting to RM2,231,078 are pledged to the bank as security for banking facilities granted to the Proforma Group.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

6.7 SHARE CAPITAL

	Company RM'000	Proforma Group RM'000
Ordinary shares of RM1 each		
Authorised	100	100,000
Issued and fully paid	*	26,360

* Denotes 2 ordinary shares of RM1.00 each. This was subsequently subdivided into 4 ordinary shares of RM0.50 each.

6.8 RESERVES

	Company RM'000	Proforma Group RM'000
Non-distributable		
Revaluation reserve	-	6,707
Share premium	-	7,100
Distributable		
(Accumulated losses)/Retained profits	(11)	28,218
	(11)	42,025

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

6.9 BORROWINGS

	Company RM'000	Proforma Group RM'000
Current		
Bank overdrafts (secured)	-	5
Bankers' acceptances (secured)	-	14,673
Bankers' acceptances (unsecured)	-	1,800
Export credit refinancing	-	2,690
Term loans (secured)	-	4,903
Hire purchase obligations	-	336
	-	24,407
Non-current		
Term loans (secured)	-	8,567
Hire purchase obligations	-	441
	-	9,008
	-	33,415

The secured borrowings of the Proforma Group are secured by legal charges over certain leasehold land, buildings and machinery of the Proforma Group, pledged fixed deposits and are guaranteed by certain Directors of the Group.

The bank overdrafts and term loans of the Proforma Group are subject to interest at rates ranging from 1.15% to 1.25% per annum above the banks' base lending rates while hire purchase obligations are subject to interest at 3.25% to 4.10% per annum.

Hire purchase obligations are payable as follows:

	Company			Proforma Group		
	Payments RM'000	Interest RM'000	Principal RM'000	Payments RM'000	Interest RM'000	Principal RM'000
Less than 1 year	-	-	-	386	50	336
1 to 5 years	-	-	-	493	52	441
	-	-	-	879	102	777

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

6.9 BORROWINGS (Cont'd)

Terms and debt repayment schedule for term loans are as follows:

	Total RM'000	Under 1 Year RM'000	1 – 2 years RM'000	2 – 5 Years RM'000
Company				
- 30 September 2007	-	-	-	-
Proforma Group				
- 30 September 2007	13,470	4,903	4,199	4,368

6.10 DEFERRED TAX LIABILITIES

The recognised deferred tax liabilities are as follows:

	Company RM'000	Proforma Group RM'000
Property, plant and equipment		
- capital allowances	-	3,169
- revaluation	-	2,358
	-	5,527

6.11 TRADE AND OTHER PAYABLES

	Company RM'000	Proforma Group RM'000
Current		
Trade payables	-	17,748
Other payables and accruals	11	8,819
	11	26,567

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (Cont'd)

6.12 FINANCIAL INSTRUMENTS

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury are set out as follows:

Credit risk

Exposure to credit risk arises mainly from sales made on credit terms. Credit terms offered by the Group range from 30 days to 120 days from the date of transactions. Risks arising therefrom are minimised through effective monitoring of receivables and suspension of sales to customers which accounts exceed the stipulated credit limits. Credit limits are set and credit history are reviewed to minimise potential losses.

Foreign currency risk

The Group is exposed to foreign currency risk as substantial amount of the Group's transactions are denominated in foreign currencies. The Group operates foreign currency current accounts to minimise the foreign currency risk.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing borrowings and fixed deposits. The Group's policy to borrow principally on the floating basis but to retain a proportion of fixed rate debt. The objectives for the mixed between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Liquidity risk

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

7. STATEMENT OF ADJUSTMENTS

As SLP has not prepared any audited consolidated financial statements during the periods being reported on, the proforma consolidated financial information as set out therein therefore reflect the net adjustments assuming the Proforma Group had been in place from the beginning of the periods being reported on.

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8. PROFORMA NET TANGIBLE ASSETS ("NTA") PER ORDINARY SHARE

Based on the statement of assets and liabilities of the proforma SLP Group as at 30 September 2007 , the proforma NTA per ordinary share after the Acquisitions, Right Issue and Public Issue is calculated as follows :-

	Proforma Group RM'000
NTA (after accounting for the interim dividend of RM4.0 million declared and paid in October 2007)	64,374
Total no. of ordinary shares in issue ('000)	106,000
NTA per Share (RM)	0.61

9. BASIS OF PREPARATION OF PROFORMA CONSOLIDATED FINANCIAL INFORMATION

9.1 The proforma consolidated financial information has been prepared to illustrate what:

a) the financial results of SLP Group for the financial years ended 31 December 2004 to 31 December 2006 and for the financial period ended 30 September 2006 and 2007, would have been if the group structure as of the date of issuance of the Prospectus had been in place since the beginning of the periods being reported on;

b) the financial position of SLP Group as of the date of the balance sheet as at 30 September 2007 would have been if the group structure as of the date of issuance of the Prospectus had been in place on 30 September 2007 adjusted for the proceeds of the Rights Issue and Public Issue and utilisation of funds; and

c) the cash flows of SLP Group for the year ended 30 September 2007 would have been if the group structure as of the date of issuance of the Prospectus had been in place since the beginning of the financial period ended 30 September 2007 adjusted for the proceeds of the Rights Issue and Public Issue and utilisation of funds.

9. BASIS OF PREPARATION OF PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

9.2 The proforma consolidated financial information have been prepared based on the audited financial statements/unaudited management accounts of the respective companies within the SLP Group for the financial years ended 31 December 2004 to 31 December 2006 and for the financial period ended 30 September 2006 and 2007, after giving effect to the proforma adjustments considered appropriate as set out in the proforma consolidated financial information.

9.3 For illustrative purposes, it was assumed that the following events took place on 30 September 2007 in arriving at the proforma consolidated balance sheets as at 30 September 2007:

a) Acquisitions as detailed in Section 2.2 of this report; and

b) Rights Issue and Public Issue as detailed in Sections 2.3 and 2.5 of this report respectively.

The Acquisitions have been reflected in the proforma consolidated balance sheets as at 30 September 2007 using the reverse acquisition accounting principles and purchase method of accounting for SHSB and SSB respectively.

9.4 For illustrative purposes, it was assumed that the events stated in Sections 2.1 to 2.7 of this report including the utilisation of funds took place since the beginning of the periods being reported on in arriving at the proforma consolidated income statements for each of the three (3) years ended 31 December 2004, 31 December 2005, 31 December 2006 and for the financial period ended 30 September 2006 and 2007.

9.5 For illustrative purposes, it was assumed that the events stated in Sections 2.1 to 2.7 of this report including the proposed utilisation of funds took place since the beginning of the period ended 30 September 2007 in arriving at the proforma consolidated cash flow statement for the year ended 30 September 2007.

9.6 The proforma consolidated financial information have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results of operations and cash flows of SLP Group.

9.7 The proforma consolidated financial information has been prepared in accordance with the accounting policies to be adopted by the Company, which are similar to those of its subsidiaries, as set out in the audited financial statements of its subsidiaries.

9.8 For the purpose of inclusion in the proforma consolidated financial information, the audited financial statements of all SLP's subsidiaries have been prepared in accordance with applicable approved accounting standards for private entities issued by the MASB and were audited in accordance with approved Standards on Auditing in Malaysia except for the audited financial statements for the period ended 30 September 2007 which were prepared under Financial Reporting Standards ("FRS") issued by the MASB.

9. BASIS OF PREPARATION OF PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

The financial year end of all the companies is 31 December. KPMG are the auditors for the following group of companies of SLP for the period/years under review as stated below:

SLP - financial period/year ended 31 December 2005 and 2006
SHSB - financial years ended 31 December 2004, 2005 and 2006
SSB - financial years ended 31 December 2004, 2005 and 2006
SLP, SHSB, SSB – financial period ended 30 September 2007

The audit reports in respect of the statutory financial statements of SLP and its subsidiaries for the purpose of inclusion in the proforma consolidated financial information were not subject to any qualification.

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The Board of Directors
SLP Resources Berhad
Suite 12-A, Level 12, Menara Northam
No. 55, Jalan Sultan Ahmad Shah
10050 Penang

Date : 22 January 2008

Dear Sirs,

SLP RESOURCES BERHAD ("SLP" OR "THE COMPANY")
ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by Messrs KPMG, an approved company auditor, for inclusion in the Prospectus of SLP Resources Berhad dated 20 February 2008 in connection with the restructuring and listing of SLP on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

2. GENERAL INFORMATION

2.1 COMPANY'S BACKGROUND

SLP was incorporated in Malaysia on 25 August 2004 under the Companies Act, 1965 ("Act") as a private limited company under the name of SLP Resources Sdn Bhd. On 24 April 2007, the Company was converted into a public limited company and assumed its present name.

SLP is an investment holding company. Further details on its subsidiaries are set out in paragraph 2.4 below.

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2.2 RESTRUCTURING AND LISTING

As an integral part of the listing of and quotation for the entire issued and paid-up share capital of SLP on the Second Board of the Bursa Securities, the Company undertook a restructuring and listing scheme which was approved by the relevant authorities and entails the following:

2.2.1 Subdivision

SLP effected a change in the par value of its ordinary shares from RM1.00 each to RM0.50 by way of subdivision of its ordinary shares. The change in par value of its ordinary shares in SLP resulted in the issued and paid-up share capital of SLP being revised from 2 ordinary shares of RM1.00 each to 4 ordinary shares of RM0.50 each ("Shares") ("Subdivision").

2.2.2 Acquisitions

Acquisitions by SLP of the following companies :

Name of Company	No. of Ordinary Shares of RM1.00 Each	Interest %	Purchase Consideration RM	No. of SLP Shares Issued
Sinliplas Holding Sdn Bhd ("SHSB")	5,000,000	100	31,639,689	63,279,378
Sinliplas Sdn Bhd ("SSB")	2,000,000	100	8,345,684	16,691,368
Total	7,000,000		39,985,373	79,970,746

The acquisitions of SHSB and SSB ("Acquisitions") were completed on 25 October 2007.

2.2.3 Rights Issue

Rights issue of 29,250 new Shares at an issue price of RM0.50 per rights Share in SLP on the basis of approximately thirty seven (37) new Shares for every existing one hundred thousand (100,000) Shares held in SLP after the Acquisitions ("Rights Issue").

The Rights Issue was completed on 26 October 2007.

2.2 RESTRUCTURING AND LISTING (Cont'd)

2.2.4 Transfer

Following the Acquisitions and Rights Issue, the following shareholders transfered part of their Shares in SLP to Khoon Tee & Family Sdn Bhd, an investment holding company:-

Shareholders	No. of Shares	%
Khaw Khoon Tee	4,963,539	11.71
Ong Peik Joo	9,237,328	21.79
Khaw Seang Chuan	9,427,264	22.23
Khaw Choon Hoong	6,265,223	14.78
Khaw Seang Ghee	5,314,736	12.53
Khaw Choon Choon	3,595,955	8.48
Khaw Seang Seng	3,595,955	8.48
Total	**42,400,000**	**100.00**

2.2.5 Public Issue

Public issue of 26,000,000 new Shares at an issue price of RM0.85 per Share ("Public Issue Shares") ("Public Issue") allocated in the following manner:-

(a) **Malaysian Public**

6,000,000 Public Issue Shares representing approximately 5.66% of the enlarged issued and paid-up share capital were made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) **Private Placement**

8,300,000 Public Issue Shares representing approximately 7.83% of the enlarged issued and paid-up share capital were reserved by way of private placement to selected investors (who are deemed public).

(c) **Eligible Directors, Employees and Business Associates of SLP and its subsidiaries ("SLP Group" or "the Group")**

5,300,000 Public Issue Shares representing 5.0% of the enlarged issued and paid-up share capital were reserved for the eligible Directors, employees and business associates (which include the suppliers, sales agents, customers and others) of the Group.

(d) **Bumiputera Investors**

6,400,000 Public Issue Shares representing approximately 6.04% of the enlarged issued and paid-up share capital were reserved for Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").

2.2 RESTRUCTURING AND LISTING (Cont'd)

2.2.6 *Offer For Sale*

Offer for sale of 25,400,000 Shares representing approximately 23.96% of the enlarged issued and paid-up share capital at an offer price of RM0.85 per Share were reserved for Bumiputera investors approved by MITI ("Offer For Sale").

2.2.7 *Listing*

Listing of and quotation for the entire enlarged issued and paid-up share capital comprising 106,000,000 Shares on the Second Board of the Bursa Securities.

The above restructuring and listing exercises were approved by the Securities Commission on 10 October 2007.

2.3 SHARE CAPITAL

As at the date of this Prospectus, the authorised share capital of SLP is RM100,000,000 comprising 200,00,000 shares of RM0.50 each, of which RM40,000,000 comprising 80,000,000 shares issued and fully paid-up. Upon completion of the Public Issue, the issued and paid-up share capital of SLP will be increased to RM53,000,000 comprising 106,000,000 shares. The changes in the issued and paid-up share capital of SLP since its incorporation are as follows:

Date of allotment/ subdivision	No. of Shares allotted/ subdivided	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
25.08.04	2	1.00	Subscribers' shares	2
24.10.07	4	0.50	Subdivision	2
25.10.07	79,970,746	0.50	Acquisitions	39,985,375
26.10.07	29,250	0.50	Rights Issue	40,000,000

2.4 SUBSIDIARIES

SHSB

SHSB was incorporated in Malaysia under the Act as a private limited company on 14 September 1990 under its present name. SHSB commenced its business in October 1991.

SHSB is principally engaged in manufacturing and exporting of plastic packaging products and plastic related goods.

2.4 SUBSIDIARIES (Cont'd)

The authorised share capital of SHSB is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of SHSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of SHSB since its incorporation are as follows:

Date of Allotment	No. of Shares Allotted	Par Value RM	Type of Issue	Cumulative Issued and Paid-Up Share Capital RM
14.09.1990	5	1.00	Subscribers' shares	5
16.09.1991	249,995	1.00	Cash	250,000
11.05.1994	250,000	1.00	Cash	500,000
30.03.1995	250,000	1.00	Cash	750,000
21.08.1997	250,000	1.00	Cash	1,000,000
28.07.2000	2,000,000	1.00	Bonus issue	3,000,000
15.12.2003	1,000,000	1.00	Cash	4,000,000
16.11.2006	1,000,000	1.00	Cash	5,000,000

SSB

SSB was incorporated in Malaysia under the Act as a private limited company on 15 September 1989 under its present name. SSB commenced its business in the same year of its incorporation.

SSB is principally engaged in manufacturing and distributing of plastic packaging products and plastic related goods, as well trading of polymer products such as plastic resins.

The authorised share capital of SSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of SSB is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of SSB since its incorporation are as follows:

Date of Allotment	No. of Shares Allotted	Par Value RM	Type of Issue	Cumulative Issued and Paid-Up Share Capital RM
15.09.1989	3	1.00	Subscribers' shares	3
03.01.1990	249,997	1.00	Cash	250,000
15.11.1990	250,000	1.00	Cash	500,000
28.12.1998	500,000	1.00	Cash	1,000,000
12.04.2002	500,000	1.00	Cash	1,500,000
15.09.2004	500,000	1.00	Cash	2,000,000

3. FINANCIAL STATEMENTS AND AUDITORS

The financial year end of all the companies is 31 December. KPMG are the auditors for the following group of companies of SLP for the years under review as stated below:

SLP -since the year of incorporation
SHSB -for financial years 2004 to 2006
SSB -for financial years 2004 to 2006
SLP, SHSB, SSB - for financial period ended 30 September 2007

The auditors' reports of SLP and all the subsidiaries for the financial years under review were not subject to any qualification.

4. ACCOUNTING POLICIES AND STANDARDS

The financial statements of SLP Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed under significant accounting policies as presented in Section 6.1 of Reporting Accountants' Letter on proforma consolidated financial information ("PFI"). The financial statements comply with approved accounting standards in Malaysia for the relevant financial years/periods under review.

Commencing 1 January 2007, SLP adopted all the new and revised Financial Reporting Standards ("FRS") issued by MASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006. The adoption of these new and revised FRS has no material effect on the financial statements of SLP.

5. DIVIDENDS

No dividend has been paid or declared by SLP Group since the date of its incorporation except for the following dividends declared by SHSB:

		RM
2006	80% tax exempt	4,000,000
2007	80% tax exempt	4,000,000

6. AUDITED FINANCIAL STATEMENTS

As there were no consolidated financial statements prepared for the financial years ended 31 December 2004 to 2006 and for the 9 months ended 30 September 2007, the summarised audited financial statements of the individual companies in the Group are shown in Section 6.1 to 6.3 below.

6.1 SLP

We set out below the income statement of SLP for the following financial year / periods

	25.8.04 to 31.12.05 RM	Year ended 31.12.06 RM	Period ended 30.9.06* RM	Period ended 30.9.07 RM
Revenue	-	-	-	-
Administrative expenses	(4,791)	(2,155)	-	(4,386)
Loss before tax	(4,791)	(2,155)	-	(4,386)
Tax expense	-	-	-	-
Net loss for the period/year	(4,791)	(2,155)	-	(4,386)
Net dividend per ordinary share (sen)	-	-	-	-
Weighted average number of shares in issue during the period/year	2	2	2	2
Earnings/(Loss) per share (RM)				
- Gross	(2,395.50)	(1,077.50)	-	(2,193.00)
- Net	(2,395.50)	(1,077.50)	-	(2,193.00)
Gross profit margin (%)	-	-	-	-
Net profit margin (%)	-	-	-	-
Debtors' turnover period (months)	-	-	-	-
Creditors' turnover period (months)	-	-	-	-
Inventories' turnover period (months)	-	-	-	-

* Based on unaudited management accounts

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6.1.1 BALANCE SHEETS

We set out below the balance sheets of SLP as at the following financial period / year end.

	As at 31 December		As at 30 September
	2005	2006	2007
	RM	RM	RM
Current asset			
Cash in hand	2	2	2
Total asset	2	2	2
Equity			
Share capital	2	2	2
Accumulated losses	(4,791)	(6,946)	(11,332)
Total equity	(4,789)	(6,944)	(11,330)
Current liability			
Sundry payable and accruals	4,791	6,946	11,332
Total liability	4,791	6,946	11,332
Total equity and liability	2	2	2
Number of ordinary shares	2	2	2
Net liabilities per ordinary share (RM)	(2,394.50)	(3,472.00)	(5,665.00)

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6.1.2 STATEMENTS OF CHANGES IN EQUITY

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
At 25 August 2004	-*	-	-*
Net loss for the period	-	(5)	(5)
At 31 December 2005	-*	(5)	(5)
Net loss for the year	-	(2)	(2)
At 31 December 2006	-*	(7)	(7)
Net loss for the period	-*	(4)	(4)
At 30 September 2007	-*	(11)	(11)

* - Represents share capital of RM2.

6.1.3 CASH FLOW STATEMENTS

	25.8.04 to 31.12.05 RM'000	Year ended 31.12.06 RM'000	Period ended 30.9.2006** RM'000	Period ended 30.9.2007 RM'000
Net cash generated from operating activities	-	-	-	-
Net cash generated from investing activities	-	-	-	-
Net cash generated from financing activities	-	-	-	-
Net increase in cash and cash equivalents	-	-	-	-
Cash and cash equivalents at date of incorporation/ beginning of year	-*	-*	-*	-*
Cash and cash equivalents at end of period/year	-*	-*	-*	-*

*- Represents cash of RM2.
** Based on unaudited management accounts

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6.2 SHSB

We set out below the income statement of SHSB for the following financial years / period:

	Year ended 31 December			Period ended 30 September	
	2004	**2005**	**2006**	**2006***	**2007**
	RM	**RM**	**RM**	**RM**	**RM**
Sales	47,033,463	53,542,210	68,081,181	46,500,536	50,799,917
Cost of sales	(40,277,002)	(44,973,438)	(57,523,043)	(39,965,162)	(41,091,036)
Gross profit	6,756,461	8,568,772	10,558,138	6,535,374	9,708,881
Profit before depreciation and interest	8,658,389	10,101,148	14,469,790	9,050,122	11,191,413
Depreciation	(2,841,851)	(3,701,619)	(4,455,292)	(3,351,926)	(3,512,142)
Interest expense	(1,096,331)	(1,252,671)	(1,359,366)	(1,080,862)	(1,001,015)
Profit before taxation	4,720,207	5,146,858	8,655,132	4,617,334	6,678,256
Taxation	(992,088)	(675,349)	(903,771)	(273,832)	(664,299)
Profit after taxation	3,728,119	4,471,509	7,751,361	4,343,502	6,013,957
Weighted average number of shares in issue during the year	4,000,000	4,000,000	4,123,288	4,123,288	5,000,000
Earnings per share (sen)					
Gross	118.01	128.67	209.91	111.98	133.57
Net	93.20	111.79	187.99	105.34	120.28
Gross profit margin (%)	14.37	16.00	15.51	14.05	19.12
Pre-tax profit margin (%)	10.04	9.61	12.71	9.93	13.15
Interest coverage ratio	5.31	5.11	7.37	5.27	7.67
Effective tax rate (%)	18.83	13.88	10.41	5.93	9.95
Gross Dividend Rate (%)	-	-	80	-	-
Debtors' turnover period (months)	1.84	1.68	2.52	2.51	2.40
Creditors' turnover period (months)	1.57	2.76	1.44	1.46	1.80
Inventories' turnover period (months)	2.92	3.75	2.49	3.14	4.04

* Based on unaudited management accounts

6.2.1 BALANCE SHEETS

We set out below the balance sheets of SHSB as at the following financial years / period end.

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	RM	RM	RM	RM
Assets				
Property, plant and equipment	30,026,069	30,125,306	41,595,450	52,771,992
Other investment	-	177,000	177,000	177,000
Total non-current assets	30,026,069	30,302,306	41,772,450	52,948,992
Inventories	9,810,070	14,060,412	11,936,567	18,426,075
Trade and other receivables	7,881,920	9,000,343	15,108,359	11,153,808
Cash and cash equivalents	4,034,559	11,479,756	7,378,501	6,233,331
Total current assets	21,726,549	34,540,511	34,423,427	35,813,214
Total assets	51,752,618	64,842,817	76,195,877	88,762,206
Equity				
Share capital	4,000,000	4,000,000	5,000,000	5,000,000
Retained profits	11,710,007	16,181,516	26,639,689	32,653,646
Total equity	15,710,007	20,181,516	31,639,689	37,653,646
Liabilities				
Borrowings	7,762,527	10,514,458	9,967,870	9,296,919
Deferred tax liabilities	1,907,259	2,204,636	5,041,600	5,168,600
Total non-current liabilities	9,669,786	12,719,094	15,009,470	14,465,519
Trade and other payables	10,431,204	10,003,106	6,077,342	16,857,248
Borrowings	15,864,121	21,888,933	19,224,257	19,443,624
Taxation	77,500	50,168	245,119	342,169
Dividend payable	-	-	4,000,000	-
Total current liabilities	26,372,825	31,942,207	29,546,718	36,643,041
Total liabilities	36,042,611	44,661,301	44,556,188	51,108,560
Total equity and liabilities	51,752,618	64,842,817	76,195,877	88,762,206
Number of ordinary shares	4,000,000	4,000,000	5,000,000	5,000,000
Net tangible assets per ordinary share (RM)	3.93	5.05	6.32	# 6.73

After accounting for the interim dividend of RM4.0 million declared and paid in October 2007

6.2.2 STATEMENTS OF CHANGES IN EQUITY

	Share Capital RM	Revaluation reserve RM	Retained profits RM	Total RM
At 1 January 2004	4,000,000	-	7,981,888	11,981,888
Net profit for the year	-	-	3,728,119	3,728,119
At 31 December 2004	4,000,000	-	11,710,007	15,710,007
Net profit for the year	-	-	4,471,509	4,471,509
At 31 December 2005	4,000,000	-	16,181,516	20,181,516
Issued during the year	1,000,000	-	-	1,000,000
Revaluation on properties	-	6,706,812	-	6,706,812
Net profit for the year	-	-	7,751,361	7,751,361
Interim dividend declared - 80% tax exempt	-	-	(4,000,000)	(4,000,000)
At 31 December 2006	5,000,000	6,706,812	19,932,877	31,639,689
Net profit for the year	-	-	6,013,957	6,013,957
At 30 September 2007	5,000,000	6,706,812	25,946,834	37,653,646

KPMG

6.2.3 CASH FLOW STATEMENTS

	Year ended 31 December			Period ended 30 September	
	2004	**2005**	**2006**	**2006***	**2007**
	RM	**RM**	**RM**	**RM**	**RM**
Net cash generated from operating activities	5,194,438	3,851,471	6,073,050	2,536,927	11,129,422
Net cash used in investing activities	(4,560,971)	(3,692,228)	(6,532,024)	(6,846,966)	(6,925,229)
Net cash (used in)/ generated from financing activities	(154,334)	6,395,103	(3,217,739)	(1,792,927)	(4,882,806)
Net increase/ (decrease) in cash and cash equivalents	479,133	6,554,346	(3,676,713)	(6,102,966)	(678,613)
Cash and cash equivalents at beginning of year	2,510,580	2,989,713	9,544,059	9,544,059	5,867,346
Cash and cash equivalents at end of year	2,989,713	9,544,059	5,867,346	3,441,093	5,188,733

* Based on unaudited management accounts

6.3 SSB

We set out below the income statement of SSB for the following financial years / period:

	Year ended 31 December			Period ended 30 September	
	2004	**2005**	**2006**	**2006***	**2007**
	RM	**RM**	**RM**	**RM**	**RM**
Sales	47,733,317	64,660,421	74,773,416	53,028,377	77,899,826
Cost of sales	(44,497,976)	(60,189,695)	(72,150,940)	(50,574,949)	(74,307,575)
Gross profit	3,235,341	4,470,726	2,622,476	2,453,428	3,592,251
Profit before depreciation and interest	2,395,394	3,250,130	2,243,200	2,131,310	3,374,520
Depreciation	(326,374)	(268,066)	(636,379)	(458,956)	(543,238)
Interest expense	(191,569)	(293,458)	(495,369)	(397,256)	(344,903)
Profit before taxation	1,877,451	2,688,606	1,111,452	1,275,098	2,486,379
Taxation	(376,052)	(750,000)	(264,616)	(568,577)	(215,473)
Profit after taxation	1,501,399	1,938,606	846,836	706,521	2,270,906
Weighted average number of shares in issue during the year	1,653,425	2,000,000	2,000,000	2,000,000	2,000,000
Earnings per share (sen)					
Gross	113.55	134.43	55.57	63.75	124.32
Net	90.81	96.93	42.34	35.33	113.55
Gross profit margin (%)	6.78	6.91	3.51	4.63	4.61
Pre-tax profit margin (%)	3.93	4.16	1.49	2.40	3.19
Interest coverage ratio	10.80	10.16	3.24	4.21	8.21
Effective tax rate (%)	20.89	27.90	20.85	44.59	8.67
Gross Dividend Rate (%)	-	-	-	-	-
Debtors' turnover period (months)	1.92	2.55	2.83	2.87	1.88
Creditors' turnover period (months)	0.44	0.42	0.92	0.72	1.28
Inventories' turnover period (months)	1.00	0.70	1.04	0.94	0.14

* Based on unaudited management accounts

6.3.1 BALANCE SHEETS

We set out below the balance sheets of SSB at the following financial years / period end:

	At as 31 December			At as 30 September
	2004	2005	2006	2007
	RM	RM	RM	RM
Assets				
Property, plant and equipment	1,439,585	1,277,912	4,252,178	3,847,304
Total non-current assets	1,439,585	1,277,912	4,252,178	3,847,304
Inventories	3,702,751	3,489,791	6,226,140	1,179,304
Trade and other receivables	7,683,217	14,100,633	17,711,502	16,336,914
Tax refundable	-	-	391,199	373,488
Cash and cash equivalents	2,369,435	2,076,236	3,736,734	8,778,251
Total current assets	13,755,403	19,666,660	28,065,575	26,667,957
Total assets	15,194,988	20,944,572	32,317,753	30,515,261
Equity				
Share capital	2,000,000	2,000,000	2,000,000	2,000,000
Retained profits	3,560,242	5,498,848	6,345,684	8,616,590
Total equity	5,560,242	7,498,848	8,345,684	10,616,590
Liabilities				
Borrowings	691,753	439,250	1,934,006	1,546,891
Deferred tax liabilities	58,076	92,076	307,000	358,000
Total non-current liabilities	749,829	531,326	2,241,006	1,904,891
Trade and other payables	1,919,326	2,624,182	5,870,194	9,866,059
Borrowings	6,778,108	10,162,529	15,860,869	8,127,721
Taxation	187,483	127,687	-	-
Total current liabilities	8,884,917	12,914,398	21,731,063	17,993,780
Total liabilities	9,634,746	13,445,724	23,972,069	19,898,671
Total equity and liabilities	15,194,988	20,944,572	32,317,753	30,515,261
Number of ordinary shares	2,000,000	2,000,000	2,000,000	2,000,000
Net tangible assets per ordinary share (RM)	2.78	3.75	4.17	5.31

KPMG

6.3.2 STATEMENTS OF CHANGES IN EQUITY

	Share capital RM	Retained profits RM	Total RM
At 1 January 2004	1,500,000	2,058,843	3,558,843
Issue of shares	500,000	-	500,000
Net profit for the year	-	1,501,399	1,501,399
At 31 December 2004	2,000,000	3,560,242	5,560,242
Net profit for the year	-	1,938,606	1,938,606
At 31 December 2005	2,000,000	5,498,848	7,498,848
Net profit for the year	-	846,836	846,836
At 31 December 2006	2,000,000	6,345,684	8,345,684
Net profit for the year	-	2,270,906	2,270,906
At 30 September 2007	2,000,000	8,616,590	10,616,590

KPMG

6.3.3 CASH FLOW STATEMENTS

	Year ended 31 December			Period ended 30 September	
	2004 **RM**	**2005** **RM**	**2006** **RM**	**2006*** **RM**	**2007** **RM**
Net cash generated from operating activities	(128,791)	(3,063,028)	(1,536,060)	(2,771,776)	13,582,854
Net cash used in investing activities	(871,085)	(132,087)	(3,311,744)	(3,104,388)	(63,364)
Net cash (used in)/ generated from financing activities	3,877,248	2,860,686	5,410,193	5,573,023	(7,405,427)
Net increase/ (decrease) in cash and cash equivalents	2,877,372	(334,429)	562,389	(303,141)	6,114,063
Cash and cash equivalents at beginning of year	(1,632,515)	1,244,857	910,428	910,428	1,472,817
Cash and cash equivalents at end of year	1,244,857	910,428	1,472,817	607,287	7,586,880

* Based on unaudited management accounts

KPMG

7. FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 September 2007.

8. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

No events have occurred subsequent to 30 September 2007 that would require adjustment to, or disclosure in this report, other than the corporate exercise as mentioned in Section 2.

9. RESTATEMENT OF FINANCIAL STATEMENTS

No restatement has been made to the audited financial statements of SLP Resources Berhad and its subsidiaries in the preparation of this report.

Yours faithfully,

KPMG
Firm No: AF: 0758
Chartered Accountants

Ooi Kok Seng
Partner
Approval Number: 2432/05/09 (J)

11. VALUATION CERTIFICATE

(Prepared for inclusion in the Prospectus)

HENRY BUTCHER MALAYSIA

Our Ref : V/K/003(A)/07 (KWK)   Date : 22 January 2008

The Board of Directors
SLP Resources Berhad
Suite 12-A, Level 12,
Menara Northam,
No. 55, Jalan Sultan Ahmad Shah,
10050 Penang

Dear Sirs,

VALUATION CERTIFICATE OF FACTORY PREMISES BEARING POSTAL ADDRESS P.T. 1, LOT 57A, LORONG PERUSAHAAN 5, KAWASAN PERUSAHAAN KULIM, 09000 KULIM, KEDAH ERECTED ON LOT NOS. 1339 AND 1340 HELD UNDER GRN NOS. 51494 AND 51495 RESPECTIVELY, SECTION 38, BOTH OF BANDAR KULIM (FORMERLY P.T. NOS. 6380 AND 6381 HELD UNDER H.S.(D) NOS. 1543 AND 1544, BOTH OF MUKIM SUNGAI SELUANG), DAERAH KULIM, KEDAH DARUL AMAN

This certificate has been prepared for inclusion in the Prospectus of SLP Resources Berhad ("**SLP**") to be dated 20 February 2008 in connection with the following:-

i) Public issue of 26,000,000 new ordinary shares of RM0.50 each ("**Shares**") at an issue price of RM0.85 per Share;

ii) Offer for sale of 25,400,000 Shares to Bumiputra investors approved by the Ministry of International Trade and Industry at an offer price of RM0.85 per Share; and

iii) Listing of and quotation for the entire enlarged issued and paid-up share capital of SLP comprising 106,000,000 Shares on the Second Board of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

In accordance with the instructions from SLP, we have valued the abovementioned property for SLP vide our Report and Valuation bearing Reference No. V/K/003(A)/07(KWK) for the purpose of submission to the Securities Commission ("**SC**").

We have inspected the property on 25th February 2007 and this date is taken as the valuation date.

HENRY BUTCHER MALAYSIA (SEBERANG PERAI) SDN. BHD. (226881-H)
No. 2708, Chain Ferry Road, Kimsar Garden, 13700 Prai.
tel : 04-397 5888 • **fax** : 04-398 8777 • **email** : henrybutcher@hbnorth.com
www.henrybutcher.net
valuation • marketing • consultancy • agency • management • plant & machinery

11. VALUATION CERTIFICATE *(Cont'd)*

The basis of valuation is the Market Value of the subject property. The Market Value is the estimated amount for which an asset should exchange on the date of the valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. We valued the property using the Comparison and Investment Methods of Valuation in arriving at the Market Value of the subject property.

The valuation has been prepared in accordance with the requirements as set out in the Guidelines on Asset Valuation issued by the SC and Manual of Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

We confirm that in our opinion the Market Value of the leasehold unencumbered interest in the subject property in its existing physical condition with the benefit of vacant possession using the valuation methods stated above are as follows :-

11. VALUATION CERTIFICATE *(Cont'd)*

Property Identification	General Description of Property	Market Value
Our Ref No. V/K/003(A)/07 (KWK) **Lot No.** Lot Nos. 1339 and 1340, Section 38, Both of Bandar Kulim (formerly P.T. Nos. 6380 and 6381, Both of Mukim Sungai Seluang), Daerah Kulim, Negeri Kedah Darul Aman **Title No.** GRN Nos. 51494 and 51495 (formerly H.S.(D) Nos. 1543 and 1544) **Postal Address** P.T. 1, Lot 57A, Lorong Perusahaan 5, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah Darul Aman **Land Area** Lot 1339 – 18,655 square metres ("**sq. m.**") Lot 1340 – 25,110 sq. m. **Registered Owner** Perbadanan Kemajuan Negeri Kedah – full share **Registered Lessee** Sinliplas Holding Sdn. Bhd. **Category of Land Use** Perusahaan / Perindustrian **Tenure** Freehold interest **Interest Valued** The leasehold interest held by Sinliplas Holding Sdn. Bhd. with an unexpired term of approximately 45 years	The subject property is situated along Lorong Perusahaan 5 within Kulim Industrial Estate, approximately 5 kilometres north of Kulim town. The subject property is employed in the business of SLP and is predominantly of a flexible plastic packaging industrial nature, which consists of a three-storey office block and a single-storey detached factory (Plant 1), a single-storey detached factory (Plant 2), a canteen, a guard house and other ancillary buildings. The factory extension at the rear of the single-storey detached factory (Phase 2 of Plant 2) was still under construction at the date of our inspection. There is a provisional approval for this factory extension issued by Majlis Perbandaran Kulim Kedah ("**MPKK**"). For the purpose of this valuation, we do not take into consideration this factory extension as it was still under construction at the date of our inspection. **Site** The subject site is near trapezoidal in shape encompassing a total surveyed land area of 43,765 sq. m. (471,082 square feet ("**sq. ft.**")). It has a total frontage of 183.128 metres onto Lorong Perusahaan 5 and an average depth of about 245.001 metres. The land is generally flat in terrain and lies slightly higher than the level of frontage metalled road. **Building** Erected on the subject site are the following buildings:- a) A three-storey office block annexed with a single-storey detached factory (Plant 1) • The three storey-office block is constructed of reinforced concrete structure with plastered brickwalls, metal framed pitched roof laid over with metal deck roofing sheets over aluminium foil and concrete floor finished with ceramic tiles. The age of this building is approximately 12 years.	**Market Value** **RM 21,000,000/-** **Method of Valuation** Comparison and Investment Method **Date of Valuation** 25th February 2007

<table>
<tr><th>Property Identification</th><th>General Description of Property</th><th>Market Value</th></tr>
<tr><td><u>Cont'd</u>
<u>Expresse Conditions</u>
<u>For Lot Nos. 1339 and 1340</u>
Tanah yang terkandung dalam hakmilik ini hendaklah digunakan sebagai tapak satu bangunan perusahaan dan lain-lain kegunaan yang berkaitan dengan perusahaan itu sahaja. Bangunan untuk kediaman dilarang didirikan diatas tanah ini.

<u>Restriction in Interest</u>
<u>For Lot 1339</u>
Ditegah tuan membuat sebarang perkiraan (dealings) di atas tanah yang hendak dimajukan sebagai tapak perusahaan ini melainkan tuan tanah bina dan pelihara simpanan jalan itu dan taruh batu dan tar menurut taraf Jabatan Kerja Raya serta perbuat parit-parit dengan sepuas hati Penguasa Tempatan dan Jabatan Kerja Raya atau ada jaminan daripada Penguasa Tempatan dan Jabatan Kerja Raya bahawa jalan-jalan dan parit-parit itu dapat disempurnakan.

<u>For Lot 1340</u>
Not stated</td><td>• The single-storey detached factory (Plant 1) is constructed of steel portal framework, enclosed with plastered brickwalls with metal cladding sheets on top, metal framed pitched roof laid over with metal deck roofing sheets over aluminium foil plus chicken wire mesh and raised reinforced concrete floor with heavy duty cement screed. The age of this building is approximately 12 years for the front portion of the production area (including the loading bays) (identified as Phase 1) and 2 years for the rear extension and mezzanine floor (including production area, store rooms, cutting machine rooms and clean rooms) (identified as Phase 2). It is used for the production of plastic bags and packaging films.

b) A single-storey detached factory (Plant 2)
• It is constructed of steel portal framework, enclosed with plastered brickwalls with metal cladding sheets on top, metal framed pitched roof laid over with metal deck roofing sheets over aluminium foil plus chicken wire mesh and raised reinforced concrete floor with heavy duty cement screed. The age of this building is approximately 2 years. The building is currently used for storage and production purposes.

c) A canteen
• It is of reinforced concrete structure, partly open-sided and partly enclosed with plastered brickwalls, metal deck roofing sheet and concrete floor finished with ceramic tiles. The age of this building is approximately 2 years.

d) A guard house
• It is constructed of reinforced concrete, enclosed with plastered brickwalls, reinforced concrete flat roof and cement render floor. The age of this building is approximately 12 years.</td><td></td></tr>
</table>

Property Identification	General Description of Property	Market Value
Cont'd **Encumbrances** For Lot 1339 1) A private caveat was filed by Hong Leong Bank Berhad vide No. Perserahan 8763/2003, registered on 13th December 2003.	e) Other buildings and ancillary structures • We noted that there are covered car parking bays, motorcycle and bicycle parking bays, rubbish collection stores, a pump house, TNB 11K switch room and HT switch room and BOMBA pump house on site.	
2) The subject land is leased to Sinliplas Holding Sdn. Bhd. for a term of 60 years commencing on 1st July 1992, expiring on 30th June 2052 vide No. Perserahan 1194/2004, registered on 20th January 2004.	The approximate Gross Floor Area are as follows : a) Annexed three-storey office block – 7,100 sq. ft. b) Single-storey detached factory (Plant 1) – 142,770 sq. ft. c) Single-storey detached factory (Plant 2) – 50,750 sq. ft. d) Canteen – 3,540 sq. ft. e) Guard house – 200 sq. ft.	
3) The subject property is charged to Hong Leong Bank Berhad by the lessee vide No. Perserahan 1195/2004 registered on 20th January 2004.	During our inspection, we noted that there is an extension at the rear of the single-storey detached factory (Phase 2 of Plant 2) which was still under construction. There is a provisional approval issued by MPKK for this factory extension. For the purpose of this valuation, we do not take into consideration this factory extension as it was still under construction as the date of our inspection.	
For Lot 1340 1) The subject land is leased to Sinliplas Holding Sdn. Bhd. for a term of 60 years commencing on 1st July 1992, expiring on 30th June 2052 vide No. Perserahan 14726/2002, registered on 8th July 2002.	**Note** : As at the date of this letter, we noted that the above extension has since completed and it has been approved by MPKK vide Reference No. MPKK.BI(OSC) 13/0009/06(19) dated 7th January 2008. MPKK has no objection on the usage of this extension for production purposes. This extension is still pending for the issuance of Certificate of Fitness for Occupation ("**CFO**").	
2) The subject property is charged twice to Hong Leong Bank Berhad by the lessee vide the followings:- i) No. Perserahan 14727/2002, registered on 8th July 2002; and ii) No. Perserahan 16903/2003, registered on 3rd August 2003.	**Existing Use** The subject property is being used for the production of plastic bags and packaging films, office, storage, canteen and guard house	

Property Identification	General Description of Property	Market Value
Cont'd Endorsement For Lot Nos. 1339 1340 Nil	**Town Planning** The subject property is designated for industrial use as stated in the title deed. **Statutory Requirement** We noted that there is no breach or violation of building by-laws and regulations. The subject buildings had been issued with the CFO by the Local Authority as follows :- 1) CFO dated 7th November 1995 Ref. No. MDK.INDS.133 for the three-storey office block annexed with the single-storey detached factory (Phase 1 of Plant 1); 2) CFO dated 26th June 2005 Ref. No. MPKK BI/13/0053/02 for the single-storey detached-factory (Phase 1 of Plant 2); and 3) CFO dated 30th November 2005 Ref. No. MPKKBI/13/0033/01 for the extension of the single-storey detached factory (Phase 2 of Plant 1). The extension at the rear of the single-storey detached factory (Phase 2 of Plant 2) has been provisionally approved by MPKK with the issuance of a provisional approval letter dated 14th December 2006 Reference No. MPKK.BI(OSC) 13/0009/06(06). We were also given to understand that the building plan of the said extension duly amended as per the comments from the relevant technical departments has been submitted to the Local Authority for consideration on 1st February 2007. **Note** : As at the date of this letter, we noted that the above extension has since completed and it has been approved by MPKK vide Reference No. MPKK.BI(OSC) 13/0009/06(19) dated 7th January 2008. MPKK has no objection on the usage of this extension for production purposes. This extension is still pending for the issuance of CFO. **Building Services** The subject property is facilitated with water supply, electricity power supply, telephone and fax facilities, sewerage, fire fighting system, parking facilities and public transport services.	

Property Identification	General Description of Property	Market Value
Cont'd	**Repairs and Maintenance** As at the date of inspection, we noted that the subject property was in a good state of decorative repair and maintenances. **Occupation** As at the date of inspection, the property is occupied by Sinliplas Holding Sdn. Bhd.	

Yours faithfully,
HENRY BUTCHER MALAYSIA (SEBERANG PERAI) SDN. BHD.

FOOK TONE HUAT (V -556)
B. Sc. (HBP) Hons. M.I.S.M.
Registered Valuer

Decide with Confidence

Date: 22 January 2008

The Board of Directors
SLP Resources Berhad
Suite 12-A, Level 12
Menara Northam
No. 55, Jalan Sultan Ahmad Shah
10050 Penang

Dear Sirs,

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT ("EXECUTIVE SUMMARY") FOR SLP RESOURCES BERHAD ("SLP" OR "THE COMPANY")

Dun & Bradstreet (D&B) Malaysia Sdn Bhd ("D&B Malaysia") has prepared an Independent Market Research report ("Report") dated 31 May 2007, of which the Executive Summary dated 18 January 2008 which contains extracts updated from the said Report has been prepared for inclusion in the Prospectus to be dated 20 February 2008 pursuant to the listing of SLP on the Second Board of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the flexible plastic packaging products 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

TAN SZE CHONG
Managing Director

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EXECUTIVE SUMMARY

1 FLEXIBLE PLASTIC PACKAGING ("FPP") PRODUCTS INDUSTRY

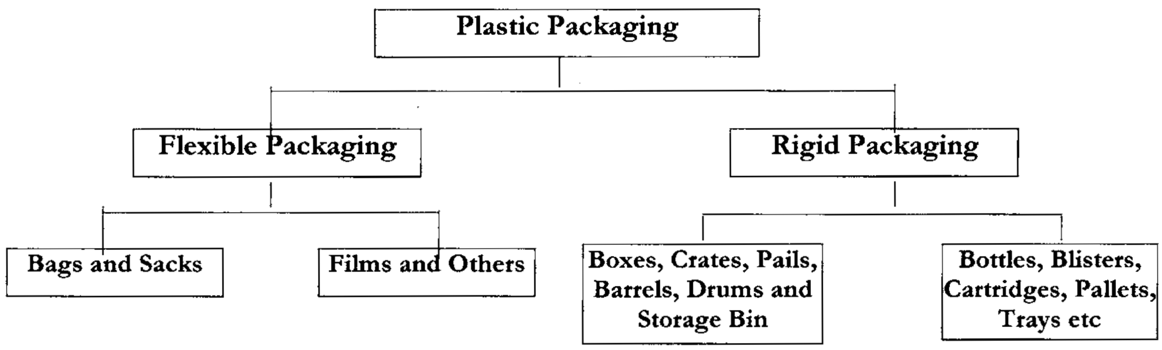
1.1 INTRODUCTION TO PLASTICS PACKAGING

The plastic packaging industry covers the value-chain from manufacturing (converters), supplies and distribution of a variety of products to a diverse pool of end-users in the commercial and household sectors. Generally, the role of plastic packaging is vital to the commercial success of both the consumer and industrial sectors, as it is used to:

- protect the product;
- provide information about the product; and
- provide tamper-evidence for the product.

The market sectors of plastic packaging products are diagrammatically illustrated below:

Figure 1.1: Plastic Packaging - Market Sectors in Malaysia



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

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This report examines only the market for FPP products. In broad terms, FPP includes plastic films and film-multilayer structures used to package food and beverages, consumer, healthcare, and other industrial products. Also included are plastic bags and sacks as well as shrink and stretch wraps. Plastic films are plastic manufactured in thicknesses of up to 254 microns. FPP uses a wide range of polymers, which can be used alone or in combination with other materials, such as aluminium or cardboard to produce packaging materials such as the following:

a) mono-material - shopping bags, sacks, confectionery wrappers/twist wrappers;
b) polymer multi-layers - detergent refill packs, large polypropylene ("PP") bags with polyethylene ("PE") liners, blood/fluids bags; and
c) combined with other materials - metallised films, PE liners in steel drums, bag-in-box packages.

Within the FPP products industry, the packaging that comes into direct contact with food and beverages and those that are needed to preserve the integrity of the contents are mainly classified as primary packaging while carrier bags, household bags and garbage bags are considered to be secondary or service packaging. Plastic films can also be classified into primary and secondary packaging as there are some films used for packaging during transportation of goods and do not come into direct contact with food or sensitive electronics or medical products.

1.2 INDUSTRY CHARACTERISTICS

1.2.1 MARKET PERFORMANCE

In 2006, the plastic products 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 which was 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.

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In 2006, there were approximately 900 small and medium enterprises 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 industry, consolidation within the industry through mergers and acquisitions, joint-ventures and other forms of collaboration with multinational companies ("MNCs") are widely encouraged to benefit from technology transfer, cost efficiencies and enlarged markets.

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 plastics industry, with an estimated 38% market share. Total production of films (plain, printed and laminated), 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 and 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 captured 7% each of the production of plastic products.

In terms of plastic packaging products, PP and PE bags and sacks have shown a consistently healthy growth, averaging an annual growth of 18.9% over the five (5)-year period from 2002 to 2006.

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1.2.2 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 packaging materials, both flexible and rigid, amounted to RM4.8 billion compared with RM4.1 billion in 2005, which is an increase of 17.1%. 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[1] ("CAGR") for import value is 17.1%.

1.2.3 INVESTMENT PERFORMANCE IN 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)[2]. 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 polyvinyl chloride, 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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[1] The year-on-year ("yoy") growth rate applied to an investment over a multiple-year period.

[2] Source: Performance of the Manufacturing and Related Services Sector 2006 - Malaysian Industrial Development Authority

Plastic packaging products remained 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 industry in 2006. The majority of these projects involve the production of flexible films, sheets and bags, and blow moulding 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, 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.

1.2.4 DEMAND AND SUPPLY CONDITIONS

In Malaysia, FPP manufacturing is a major supporting sector to various industries such as food and beverages, pharmaceuticals, agricultural and plantation, textiles and apparel, E&E, industrial, chemical manufacturing and retailing of consumer (and household) products. There are about 900 companies comprising small to medium establishments supplying FPP products to the various players in the major application markets. However, the country only has several large integrated FPP manufacturing set-ups, comprising mainly the public listed companies who are capable of manufacturing high-end FPP products for large customers (such as MNCs in the food and beverages, pharmaceuticals and medical devices sectors) that require consistently high quality standards that meet international requirements and stringent product specifications with a commitment to timely delivery/shipment to customers. These players can utilise their facilities and large order volumes to achieve economies of scale where demand for high-end FPP products are required for continuous, year round mass packaging processes.

Demand for FPP products is expected to show promising potentials, buoyed by strong export-oriented industries, recovery in the global economic landscape, emerging markets and Malaysia's ability to produce high quality products. The local plastic products manufacturing industry, being a major export contributor to the country, consumed 1.9 million tonnes of resins in 2004. The trend of resin consumption is also a good indicator for the production of plastic products as a whole, since resins are the main raw materials.

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1.3 GOVERNMENT LEGISLATIONS, INITIATIVES AND POLICIES

1.3.1 GOVERNMENT LEGISLATIONS

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 ("OSHA")

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.

IV. OTHER ENVIRONMENTAL REGULATIONS IN FOREIGN MARKETS

New environmental regulations, particularly in the European Union ("EU") region, continue to be introduced. The Restriction on Hazardous Substances ("RoHS") Directive has a direct impact on the plastic parts and components industry in Malaysia. Besides the EU, China and Australia are also expected to introduce their own versions of the RoHS regulations in the near future. Other regulations, such as the Waste in Electrical and Electronic Equipment ("WEEE") Directive, the EU REACH Regulations and the Directive 2005/32/EC on the eco-design of Energy-using Products (EuP), will have indirect impact on the local plastic products industry.

In the EU, anti-dumping and anti-subsidy investigations on plastic carrier bags imported from Malaysia in 2006 have been concluded. It was found that no countervailing or anti-dumping duties were imposed on imports of plastic carrier bags from Malaysia. This proves that Malaysian made plastic bag producers are able to compete fairly in the highly competitive EU market.

1.3.2 GOVERNMENT INITIATIVES

The establishment of the Malaysian Plastics Design Centre ("MPDC") in 1998 has enhanced the design capability of its members. Plastics manufacturers have been traditionally operating as original equipment manufacturers ("OEM") suppliers to the MNCs and they place little emphasis on product design. It is timely for plastics manufacturers to play a bigger role in product design and research and development (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.

1.3.3 GOVERNMENT 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.

The manufacture of plastic products is one of the activities in the list of promoted activities that is eligible for consideration of pioneer status and Investment Tax Allowance (ITA).

In addition, plastic products manufacturers involved in the above-mentioned promoted products can also participate in the Industrial Linkages Programme, whereby expenditure incurred in the training of employees, product development and testing and factory auditing to ensure the quality of vendors' products, can be eligible for the following incentives:

- Pioneer Status with tax exemption of 100% of its statutory income for a period of five (5) years; or
- Investment Tax Allowance of 100% on qualifying capital expenditure incurred within five (5) years from the date on which the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of statutory income for each year of assessment.

Additional Incentives for Environmental Management

This incentive provides for a special allowance at an initial rate of 40% and an annual rate of 20% (to be written off within a period of three (3) years) for capital expenditure on related machinery and equipment incurred by:

- companies that are waste generators and wish to establish facilities to store, treat and dispose of their wastes, either on-site or off-site; and
- companies undertaking waste recycling activities.

Tariff-Related Incentives

- Exemption from Import Duty on Raw Materials / Components
- Exemption from Import Duty and Sales Tax on Machinery and Equipment
- Common Effective Preferential Tariff ("CEPT") Scheme

1.4 CAPITAL / LABOUR INTENSIVENESS

With rapid changes in technology, FPP manufacturing activities are becoming far more capital-intensive. New capital-intensive technology has reduced overall labour costs and has enhanced the role for skilled labour. Average capital investments for a reasonably sizeable establishment range between RM50 million and RM120 million. The high investment amount based on statistics collected from the Department of Statistics Malaysia further shows that the industry is highly capital intensive and has encouraging growth prospects. In 2006, the Malaysian Industrial Development Authority approved 21 projects worth RM325.2 million (2005: 21 projects, RM591.0 million) in the plastic packaging products sub-sector.

Technology innovation in extrusion machinery and equipment, in particular, has put the industry in the forefront of technological progress. Equipment has, therefore, a major impact on the type, quantity and flexibility of the work carried out, as well as on the professional skills and the organisation of the work in general. Many aspects of the production process are now commonly automated, measured and controlled by computers.

It appears that technological change has had some effect on total employment. However, without precise information from manufacturers, it is difficult to separate the effect of increased production (which could increase employment) from technological change (which should decrease employment). In future, ongoing technical change could be expected to reduce overall numbers in the extrusion, printing and finishing operations. In summary, it is likely that adoption of new technology will continue to reduce total employment but increase overall skills levels.

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1.5 PRODUCT SUBSTITUTES

Metal, glass and wood are generally substitutes to plastic. However, plastics are still widely used and are replacing many applications such as packaging, automotive, consumer electronics, computer components and medical components industries due to its lightweight, non-corrosive and low-cost effect. For example, plastics have replaced metal parts in some automotive applications ranging from body panels to under-hood manifolds and cushioned instrument panels. Plastics are increasingly being used in cutting-edge technologies such as 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.

1.6 BARRIERS TO ENTRY

Traditionally, the FPP industry has low barriers of entry as competition is stiff with an estimated 455 manufacturers/converters of plastic bags, sheets and films. The high level of competition also results in the existence of 'price-squeezes', whereby prices lack the flexibility needed to increase easily.

However, in the higher end of the market, competition is less intense. Companies which have been able to capture a significant share of the market are those which have invested in high technology production equipment producing quality products that comply with international standards, concentrate on local distribution within regional centres and developed an export market for their own products.

Entry into the advanced level of the FPP market in Malaysia is difficult due to the high capital investment costs, experience in terms of formulations and technology, and well developed distribution networks. Newcomers to the market are also experiencing problems due to the saturation of the new players market and 'price-squeezes'.

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The advanced level of operators are focused on customisation and creation of unique designs, characteristics and properties of shrink and stretch bags, and often with fully automated machines. In some specific industries such as food and beverages, electronics and medical/healthcare – it is a requirement for these packaging converters to invest in R&D to improve on the required properties and characteristics of specified packaging products. This level of investments is usually beyond the reach of smaller backyard packaging players.

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2 INDUSTRY CHALLENGES

Changing technologies, competition, rising raw material prices, trade obligations and labour problems are among some of the few major issues which the industry currently faces and endeavours to overcome.

The following highlights the various key challenges that are faced by the FPP industry:

2.1 FLUCTUATING / INCREASING RAW MATERIAL PRICES

Plastic resins are one (1) of the main types of raw materials in the manufacturing of FPP products. 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. According to Malaysian Plastics Manufacturers Association ("MPMA"), 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 has 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 FPP 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 in the FPP industry, competitive prices offered by local FPP 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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2.2 ENVIRONMENTAL CONCERNS ON THE USAGE OF PLASTICS

There are pressure groups such as environmental activists and health-care providers that call for plastic materials recycling and reduced toxic emissions of production process. Globally, new environmental regulations, societal concerns and a growing environmental awareness throughout the world has triggered a paradigm shift for manufacturers to develop products and processes that help preserve world resources and are environmental-friendly. In this aspect, the products of Sinliplas Resources Berhad and its subsidiaries, namely Sinliplas Holding Sdn Bhd and Sinliplas Sdn Bhd, herein collectively referred to as "SLP Group", are known to be environmentally friendly. Raw materials used are mostly recyclable. Clear scraps from production are reused in the production of plastic packaging products.

Recycling further creates an environmentally friendly corporate image which benefits the Group as a whole in portraying its green corporate image to existing and potential global customers, many of which uphold the importance of selecting vendors with environmental management systems of international standards.

Moving forward, the trend towards downgauging will be increasingly evident in advanced economies such as Japan and Europe. Improvements in resin design and polymer processing have allowed downgauging of plastic packaging material. In addressing recent global warming concerns, the SLP Group is also moving towards using recycleable materials to reduce the impact on global warming. In summary, the SLP Group aims to produce plastic bags that serve multi-uses and support the environment-friendly initiatives to reduce, reuse and recycle.

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2.3 EMERGENCE OF NEW TECHNOLOGY / RAPID TECHNOLOGICAL CHANGES

The industry operates within an ever-changing technological environment, where related problems and costs are increasing too 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. Large and established companies like the SLP Group are well-equipped to handle large customer orders that require customised and high-quality products. The management of the Group envisions being the preferred supplier for products that meet international quality standards. It has plans to continue investing in the latest production technology.

2.4 ABSENCE OF LONG TERM WRITTEN CONTRACTS

The nature of the FPP 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.

Despite the absence of long-term agreements with its customers, the SLP Group does not foresee termination of service from any of its major customers, as the Group collaborates with its customers on many aspects including technology and quality issues. The Group has earned the confidence and recognition of its customers due to its track record of delivering products that are of high quality in a consistently prompt manner. The Group has satisfied the stringent demands imposed by its customers, thus enabling long-standing business relationships to be maintained. 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.

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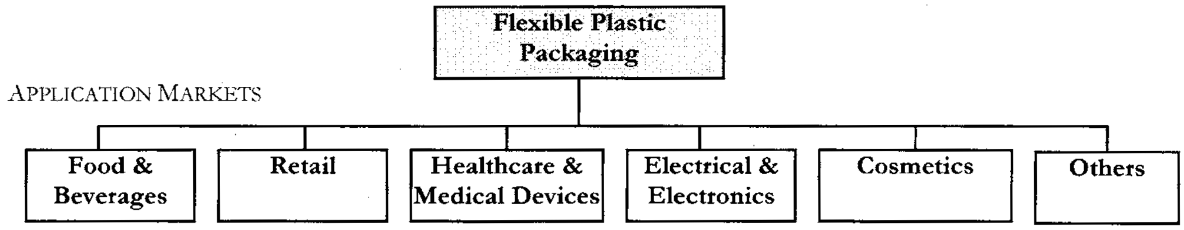
2.5 TIME-TO-MARKET

In a market place where delivery and quality are the key contributors in achieving process efficiency, many manufacturers struggle to meet customers' quick time-to-market requirements. What sets a manufacturer from other manufacturers largely depends on their rapid time-to-market capabilities, which is a requirement for most customers. This industry must continuously accelerate time-to-market at cost-effective rates. Manufacturers need to combine their technology such as design and manufacturing process software, coupled with skills and automation to manufacture high quality FPP products at a quicker speed and are competitively priced.

3 PROSPECTS AND OUTLOOK OF THE INDUSTRY

The FPP industry is currently being used in a number of application markets such as the food and beverages market, agriculture, healthcare and medical devices markets, E&E and others as depicted in the diagram below:

Figure 3.1: Application Markets of the Flexible Plastic Packaging Industry



Source; D&B Malaysia

3.1 END-USER MARKET PROSPECTS

A. FOOD AND BEVERAGES SECTOR

In the food and beverage sector, flexible plastic packaging is showing a sharp increase in demand as the move towards convenience foods in Malaysia continues apace. A new range of plastic films is being developed that is helping to encourage the growth of the FPP market in the food sector.

Flexible packages, particularly stand-up pouches and side-seal pouches, which can be found in a diverse range of manufacturing processes, from the manufacture of food and beverages to paints and coatings, are aesthetically pleasing as well functional and convenient. The trend is moving towards source reduction, thus the increasing usage of stand-up pouches, which meet consumer demands for less packaging waste in comparison to plastic bottles and other rigid containers, lower warehousing and shipping costs. This makes FPP more attractive to manufacturers, retailers and consumers. Stand-up pouches, in particular, catch the consumer's eye and make people notice the packaging.

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With increased competition in the food and beverage market, the demand for improved graphics on FPP is becoming popular as it functions as a marketing placement and provides consumer appeal. Digitally printed packaging is also well received as it is more precise with little or no true colour change. It has been estimated that digitally printed flexible packaging is growing at an estimated CAGR of 12% between 2002 and 2007[3].

B. RETAIL

Within the retail sector, secondary packaging is very important as it provides brand recognition and acts as a marketing vehicle for many retailers. In order to ensure that the plastic bags attracted prospective customers, they must be creative, convenient and attractive. Quality printing is important in ensuring the plastic bags' ability to attract. A good plastic bag printing system can produce readable codes at a throw distance of up to 3 inches from the surface of the bag. Print speeds might be in the range of 20 feet-per-minute, or slower, if desired.

The area of the secondary packaging is largely dominated by many Asian countries such as Thailand, Malaysia and China due to the low cost of labour and raw materials. In many European countries, retailers are finding it more cost effective to import from these countries rather than to purchase them from local suppliers. This has forced many European suppliers to concentrate of other areas such as specialty bags or carriers to create niche areas where it can gain better profits and where competition is not this high. Some examples of these specialty bags are re-closable freezer bags and the thermo-protective, clip-reclosable carry-out bags for deep-frozen food. Consumers are prepared to pay good money for such bags as they get added value by function and/or convenience, compared with a simple standard product of that kind. Not only in Europe but some manufacturers in Malaysia are also tapping into this area and targeting markets in Japan to provide a niche and stay ahead of competition from many low cost countries such as Thailand and China.

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[3] Source: Packaging Strategies: Digital printing for packaging graphics

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C. HEALTHCARE AND MEDICAL DEVICES

The FPP market is a very large, multibillion-dollar business within the US$100 billion-plus total US packaging market (the total global packaging market is estimated to be more than US$400 billion). A large percentage of the total volume of thermoplastic resins produced and consumed in the US goes into packaging, estimated by the American Plastics Council to be about 30.2% of the total in 2005 (2004: 30.1%).

Major changes have taken place in the past few years and continue to take place today (and probably for the foreseeable future) as both newer and older materials compete for places in the FPP market. The major competitive factors in the market are those between materials and different packaging methods and technologies. Inter-material competition is a way of life in a technologically advancing society, and plastic packaging is no exception. For example, metallocene and other single-site catalysts are producing new polyolefins with enhanced properties such as better strength and clarity; incorporating these new resins in flexible plastic packaging films allows significant down-gauging with no loss of its inherent properties.

With increasing pressure to lower cost, the move towards outsourcing of non-critical manufacturing processes is becoming an increasingly viable option. In US and Europe, outsourcing is an acceptable alternative and many manufacturers are turning towards Asia as the solution to lower manufacturing cost. Coupled with skilled labour in countries like Malaysia, Thailand and Singapore, Asia is becoming a popular destination. This is largely due to the low labour and production cost. As a result, the price of the end-products becomes more competitive compared to those that are manufactured in US or Europe. With increased cost in R&D and intensive competition in the medical sector, many large medical and pharmaceuticals companies are exploring possibilities to reduce cost by outsourcing their non-critical activities especially those relating to medical packaging. This will create a large potential for companies like SLP Group to explore and expand into.

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3.2 MARKET PERFORMANCE AND GROWTH TRENDS

FPP is experiencing growth as in the international plastic industry. The worldwide FPP industry has gained popularity due to technological advancement in lamination, durability, adhesives and materials used. The industry was estimated to be worth about US$45 billion in 2005 and is expected to be growing at an annual average of 4.6% to reach approximately US$56 billion by 2010[4]. The Asia Pacific region is forecasted to overtake North America and Europe as the world's largest regional flexible packaging market, backed by the rapid economic development in many emerging Asian markets, notably China and India. Over the past few years, the industry has seen a migration from rigid packaging to flexible packaging due to the versatility in flexible packaging.

One of the most innovative developments in the FPP industry is the introduction of stand-up pouches as mentioned previously. It has been estimated that in US, one of the largest consumers of FPP, the demand for stand-up pouches is at US$450 million in 2001 and expected to grow to US$1.6 billion in 2010 at an annual growth of 11.6%[5].

Total sales value of plastic bags and films in Malaysia is estimated at RM5.1 billion in 2006 (2005: RM4.7 billion). The export of packaging materials, both flexible and rigid, is valued at RM5.8 billion in 2006 and accounts for approximately 73.9% of the total export of plastic finished goods. MPMA expects exports to increase due to strong international demand and Malaysia's ability to produce quality products at competitive prices. Locally, demand for industrial packaging would continue to be strong in view of the rapid industrialisation of the Malaysian economy. MPMA estimates that about 60% to 70% of the plastic manufacturers are involved in the packaging industry thus any growth in packaging industry would mean that there would be corresponding growth for the plastic industry.

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[4] Source: PCI Films Consulting Ltd
[5] Source: Freedonia Group Inc: Pouches

4 COMPANY POSITIONING AND COMPARATIVE ANALYSIS

4.1 COMPETITIVE LANDSCAPE

Players in the FPP industry are fragmented with each player servicing different end-users, which include industries such as food and beverage, textiles and apparels, electrical and electronics, industrial and chemical, cosmetic and toiletries, agriculture and plantation, construction (e.g. bricks and tiles), transportation, wires and cables and to other manufacturing industries in general. Another new and growing special market is the packaging of healthcare and medical devices products. Again, there is a strong and increasing demand for these products in industrialised countries, where considerable consumer expenditure is available for healthcare.

Most of the FPP players, especially smaller players, are focused on producing normal 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 customers' requirements. Over the years, the demand for plastic packaging products has been on a rising trend and standards required by customers, have also been increasingly more stringent.

Some larger players have moved up the value-chain towards higher-end plastic packaging services in terms of materials used and processes which are commonly integrated with complementing services such as logistics and other form of value-added services. Examples of key local FPP players include Thong Guan Industries Berhad, Great Wall Plastic Industries Berhad, Poly Tower Ventures Berhad, Klang Hock Plastic Industries Sdn Bhd, SLP Resources Berhad and BP Plastics Holding Bhd. These selected players make up the majority of the high-end FPP market in Malaysia, particularly in relation to the manufacturing and trading of industrial plastic bags and packaging films, and are equipped with some of the latest industry technical know-how, production technology knowledge and resources procurement and inventory management experience. These larger players have already gained a strong foothold in their respective niche markets with their ability to produce high-quality, customised end-products to meet specific customer requirements, and as such, make it difficult for new entrants to penetrate.

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4.2 MARKET SHARE ANALYSIS

Based on the latest publicly available companies' audited annual reports and financial statements available from the Companies Commission of Malaysia ("CCM"), the selected key local players within the FPP industry, particularly for plastic bags and films, collectively recorded an estimated RM1.7 billion in revenue. SLP Group is ranked 6th with a market share of approximately 8.4%. The market share ranking is based on the respective players' latest publicly available audited turnover/operating revenue figures.

4.3 EXPORT MARKET SHARE ANALYSIS

The SLP Group, with Japan being its major export market, has charted an average 25.9% market share of Malaysia's total exports to Japan for polyethylene sacks, bags and other FPP products in the form of sheets and plates over the five (5)-year period from 2002 to 2006. This proves to be a notable achievement for a single company to be able to consistently uphold its position as one of the country's more substantial contributors to the plastic products export growth.

4.4 CONCLUSION

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 industrial 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.

Decide with Confidence

Players that constantly improve themselves in terms of innovation, sophistication, constant reinvention and redefining of designs are likely to stay ahead of competition and contribute to making the local plastic packaging industry more dynamic and visionary. These players stand better chances in securing contracts 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 SLP Group has successfully developed and commercialised a wide range of FPP 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 R&D efforts to enhance and widen the range of products lines, offering special features such as reduced thickness, impact resistance, oil barrier properties and micro perforation.

However, as with the current export markets of Japan, Europe and Australia, 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 SLP Group has successfully penetrated these major export countries, particularly catering to the niche market segments through the development and production of high-end design and quality shopping bags, garbage bags, kitchen bags and printed polybags. The Group plans to continue capitalising on its strong market presence it created in this niche market, and further expand its global reach to other regions that include the Middle East and South East Asia.