

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTERS OF LNG RESOURCES BERHAD ("LNG" OR "COMPANY") AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL INFORMATION GIVEN AND CONFIRM THAT, AFTER HAVING MADE ALL ENQUIRIES WHICH ARE REASONABLE IN THE CIRCUMSTANCES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.

THE ADVISER AND UNDERWRITER ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC ISSUE AND ARE SATISFIED THAT ANY PROFIT AND/OR CASHFLOW ESTIMATE/FORECAST AND/OR PROJECTION (FOR WHICH THE DIRECTORS OF THE COMPANY ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THIS PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

THE KUALA LUMPUR STOCK EXCHANGE ("KLSE") AND SECURITIES COMMISSION ("SC") HAVE APPROVED THE ISSUE IN RESPECT OF THE PUBLIC ISSUE AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE KLSE AND SC RECOMMEND THE PUBLIC ISSUE. THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. THE KLSE ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE MESDAQ MARKET OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE COMPANY OR OF ITS SECURITIES. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.**

THE VALUATION APPROVED OR ACCEPTED BY THE SC SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE CORPORATE PROPOSALS SUBMITTED TO AND APPROVED BY THE SC, AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT ASSETS FOR ANY OTHER PURPOSE.

THE ISSUE PRICE OF 35 SEN PER SHARE WAS DETERMINED AND AGREED UPON BY LNG AND ALLIANCE MERCHANT BANK BERHAD AS THE ADVISER AND UNDERWRITER, BASED ON VARIOUS FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASES USED.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC AND LODGED WITH THE CHIEF EXECUTIVE OFFICER OF THE COMPANIES COMMISSION OF MALAYSIA WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

THE PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM KLSE'S WEBSITE AT www.klse.com.my.

INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market of the KLSE is set out below:

Event	Tentative Date
Opening and Closing date of the Application Lists	14 July 2003*
Target date for balloting of applications	17 July 2003
Target date of allotment of shares	25 July 2003
Target date for despatch of Notice of Allotment	25 July 2003
Target date for listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market of the KLSE	31 July 2003

* *The Directors of LNG and the Underwriter may in their absolute discretion mutually decide to extend the closing date of the application to a further date(s). Should the closing date of the application be extended, the date(s) for the allotment of shares and listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market of the KLSE would be extended accordingly.*

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following abbreviations shall have the following meanings:

Act	:	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
Acquisition of Companies	:	Acquisition by LNG of equity interests in EPI and GCP to be satisfied by the issuance of 76,500,000 new LNG Shares at an issue price of approximately 11.28 sen per share
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
Alliance	:	Alliance Merchant Bank Berhad (21605-D)
AMT	:	All Metro Technology Sdn Bhd (472527-W)
Board	:	Board of Directors
CAD	:	Computer Aided Design
CAM	:	Computer Aided Manufacturing
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CNC	:	Computer Numerical Controlled
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EDM	:	Electrical discharge machine
EGM	:	Extraordinary general meeting
EPI	:	Edaran Precision Industries Sdn Bhd (308284-M)
EPI Group	:	EPI and its subsidiaries collectively
EPS	:	Earnings per share
ESOS	:	Employees' Share Option Scheme
FFI	:	Falcon Furniture Industry Sdn Bhd (177114-P)
FIC	:	Foreign Investment Committee
GCP	:	Golden City Plastic Sdn Bhd (488182-V)
IC	:	Integrated Circuit, may be referred to as chip or microchip, is a semi-conductor wafer on which tiny resistors, capacitors and transistors are fabricated
IPO	:	Initial public offering

DEFINITIONS (*Cont'd*)

Issue Price	:	The issue price of 35 sen per Public Issue Share
KLSE	:	Kuala Lumpur Stock Exchange (30632-P)
Listing Requirements	:	Listing requirements of the KLSE for the MESDAQ Market
LNG or Company	:	LNG Resources Berhad (582043-K)
LNG Group or Group	:	LNG and its subsidiaries collectively
LNG Share(s) or Share(s)	:	Ordinary share(s) of 10 sen each in LNG
MCD	:	Malaysian Central Depository Sdn Bhd (165570-D)
MESDAQ Market	:	The MESDAQ Market of the KLSE
MI	:	Minority interest
MIDA	:	Malaysian Industrial Development Authority
MIDFCCS	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H)
MITI	:	Ministry of International Trade and Industry
MNC(s)	:	Multinational corporation(s)
MPMA	:	Malaysian Plastic Manufacturers Association
NTA	:	Net tangible assets
ODM	:	Original Design Manufacturing
OEM	:	Original Equipment Manufacturing
PAT	:	Profit after tax
PBT	:	Profit before tax
PE Multiple	:	Price earnings multiple
Public Issue	:	Public issue of 13,500,000 new LNG Shares at an issue price of 35 sen per share payable in full upon application
Public Issue Shares	:	The 13,500,000 new LNG Shares to be issued pursuant to the Public Issue, subject to the terms and conditions of this Prospectus
R&D	:	Research and development
RM	:	Ringgit Malaysia
SC	:	Securities Commission
VPI	:	Venture Plastic Industries Sdn Bhd (185653-H)
WEDM	:	Wire electrical discharge machine

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Low Chee Thean <i>(Chairman / Managing Director)</i>	122 Jalan Marin 6 Taman Marin Sungai Abong 84000 Muar Johor Darul Takzim	Director	Malaysian
Ng Boon Keong <i>(Executive Director)</i>	6 Jalan Resak Taman Beting Indah Jalan Bakariah 84000 Muar Johor Darul Takzim	Director	Malaysian
Aaron Sim Kwee Lein <i>(Independent Non-Executive Director)</i>	14 Jalan Ambar Satu 7/16A 40000 Shah Alam Selangor Darul Ehsan	Chartered Accountant	Malaysian
Lok Choon Hong <i>(Independent Non-Executive Director)</i>	641F, MK4 Jalan Chai 11000 Balik Pulau Pulau Pinang	Consultant	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Aaron Sim Kwee Lein	Chairman of Committee	Independent Non-Executive Director
Lok Choon Hong	Member of Committee	Independent Non-Executive Director
Ng Boon Keong	Member of Committee	Executive Director

COMPANY SECRETARY

Pang Kah Man (MIA 18831)
9, Lorong Ara 3, Tmn. Bakariah
84000 Muar
Johor Darul Takzim

REGISTERED OFFICE

1-10 (1st Floor) Jalan Arab
84000 Muar
Johor Darul Takzim
Tel: 06 – 954 1705

HEAD OFFICE

K-95 Kawasan Perindustrian Tanjung Agas
84000 Muar
Johor Darul Takzim
Tel: 06 – 953 6088
email: edaran @ tm.net.my
website: www.edaranprecision.com

CORPORATE DIRECTORY (Cont'd)

**AUDITORS AND REPORTING
ACCOUNTANTS**

S. C. Lim & Co.
Chartered Accountants
(A member of BR International)
1-9 Jalan Arab
84000 Muar
Johor Darul Takzim

SOLICITORS

W. Y. Chan & Roy
Suite 8-1, 8th Floor
Heritage House
No. 33, Jalan Yap Ah Shak
50300 Kuala Lumpur

VALUERS

Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd
No. 669 & 669A, Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka

REGISTRAR

Mega Corporate Services Sdn Bhd
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

ISSUING HOUSE

MIDF Consultancy and Corporate Services Sendirian Berhad
Ground Floor, Bangunan MIDF
195A, Jalan Tun Razak
50400 Kuala Lumpur

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
26 Jalan Maharani
84000 Muar
Johor Darul Takzim

HSBC Bank Malaysia Berhad
15 Jalan Petrie
84000 Muar
Johor Darul Takzim

**ADVISER, SPONSOR, PLACEMENT
AGENT AND UNDERWRITER**

Alliance Merchant Bank Berhad
Level 29, Menara Multi-Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur

LISTING SOUGHT

MESDAQ Market of the KLSE

1.0 INFORMATION SUMMARY

The Information Summary is only a summary of the salient information about the LNG Group. Investors should read and understand the Prospectus in its entirety prior to deciding whether to invest.

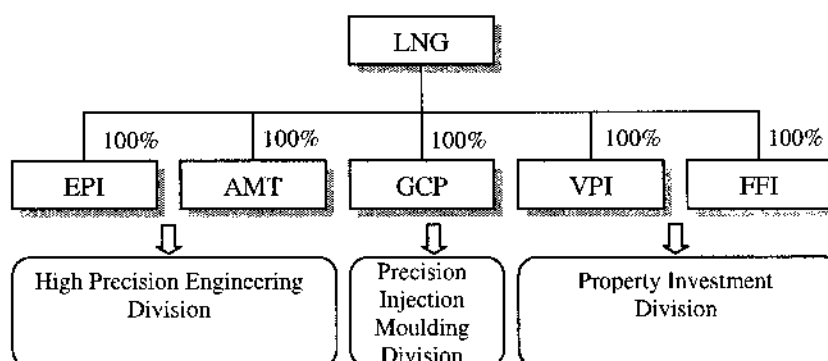
1.1 History and Business

LNG was incorporated in Malaysia as a public limited company on 5 June 2002 under the Act. It was established to be the investment holding company of the Group in conjunction with the listing of the Group on the MESDAQ Market. The principal activities of the Company's subsidiaries are as follows:

Subsidiaries	Date / Country Of Incorporation	% effective equity interest	Issued & paid-up capital RM	Principal Activities
EPI	18.07.1994 Malaysia	100	594,878	Design and manufacture of high precision moulds, tools and dies
AMT	21.11.1998 Malaysia	100	100,000	Manufacture of high precision moulds, tools and dies
GCP	10.07.1999 Malaysia	100	1,000,000	Precision engineering plastic injection moulding
VPI	17.08.1989 Malaysia	100	400,000	Property investment holding
FFI	20.12.1988 Malaysia	100	30,000	Property investment holding

Further information on the subsidiaries is set out in Section 4 of this Prospectus.

The Group's corporate structure is summarised as follows:



Further details on the business overview are provided in Section 4 of this Prospectus.

1.0 INFORMATION SUMMARY *(Cont'd)*

Technology

The LNG Group applies 2-dimensional and 3-dimensional CAD and CAM software technologies to develop designs of moulds, tools, dies, jigs and fixtures. The LNG Group also utilises modern CNC machines to conduct the processes of cutting, milling, drilling and grinding. The application of advanced software, machinery and equipment technologies enables the LNG Group to achieve more accurate designs with fewer errors due to the elaborate simulation process, high precision in fabrication process, shorter lead time from design to delivery and higher level of automation and accuracy. Further details on the technology used by the LNG Group are set out in Section 4.2.3 of this Prospectus.

Patents and trademarks

The LNG Group designs moulds, tools, dies, jigs and fixtures for its customers should the customers require such services. Due to the non-generic nature of the products, limitation of usage of the products by the public at large and the highly customised nature of the business, the Directors are of the opinion that the LNG Group's proprietary product designs need not be patented. There is currently no trademark used as the moulds, tools, dies, jigs and fixtures are of a customised nature and for industrial use. Nevertheless, the Group is protected by the general copyright laws in Malaysia for its proprietary product designs. Further details on patents are set out in Section 4.2.4 of this Prospectus.

R&D

LNG places strong emphasis on R&D to ensure that its products are of high quality and conform to the stringent standards set by its MNC customers. LNG Group's primary goal in R&D is to exceed customers' expectation through design innovation, engineering innovations, integrated processes and developing high precision products with optimal cost efficiency. The R&D team of LNG Group is responsible for developing innovative, effective and efficient production methodologies, sourcing for suitable raw material usage, design of accessory devices, jigs and tools in facilitating automation and reducing the dependence on human monitoring. Further details on the R&D activities of LNG Group are set out in Section 4.2.9 of this Prospectus.

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1.0 INFORMATION SUMMARY (Cont'd)

1.2 Promoters, Substantial Shareholders, Directors and Key Management

The beneficial interests, direct and indirect, of the promoters, substantial shareholders, directors and key management in the shares of the Company after the Public Issue are as follows:

	Designations	After Public Issue			
		^Direct		Indirect	
		No. of shares	%	No. of shares	%
Promoters					
Low Chee Thean	Chairman / Managing Director	*32,751,610	36.39	-	-
Ng Boon Keong	Executive Director	*7,826,410	8.70	-	-
Liew Swee Song	-	4,472,400	4.97	-	-
Koh Soo Guan	Production Supervisor	7,051,200	7.83	-	-
Tee Yong Ngo	Production Manager	5,684,900	6.32	-	-
Ng En Kee	Production Supervisor	4,457,500	4.95	-	-
Ng Boon Hin	Production Supervisor	4,177,600	4.64	-	-
Substantial Shareholders					
Low Chee Thean	Chairman / Managing Director	*32,751,610	36.39	-	-
Ng Boon Keong	Executive Director	*7,826,410	8.70	-	-
Koh Soo Guan	Production Supervisor	7,051,200	7.83	-	-
Tee Yong Ngo	Production Manager	5,684,900	6.32	-	-
Directors					
Low Chee Thean	Chairman / Managing Director	*32,751,610	36.39	-	-
Ng Boon Keong	Executive Director	*7,826,410	8.70	-	-
Aaron Sim Kwee Lein	Independent Non-Executive Director	-	-	-	-
Lok Choon Hong	Independent Non-Executive Director	-	-	-	-
Key Management					
Koh Soo Guan	Production Supervisor	7,051,200	7.83	-	-
Tee Yong Ngo	Production Manager	5,684,900	6.32	-	-
Ng En Kee	Production Supervisor	4,457,500	4.95	-	-
Ng Boon Hin	Production Supervisor	4,177,600	4.64	-	-
Chithra Devi a/p Karuppiah	Quality Assurance Manager	140,000	0.16	-	-
Mohd Zamri B. Selamat	Administration Manager	80,000	0.09	-	-
Ramamurthy Mookanahalli Patna Ramasesha	R&D and Design Engineer	15,000	0.02	-	-
Tan Pek Hoon	Finance Manager	40,000	0.04	-	-
Richi Maraparampil Redimdos	R&D Manager	50,000	0.06	-	-

1.0 INFORMATION SUMMARY (Cont'd)

Notes:

- * The Directors of LNG are eligible for participation in the ESOS. The ESOS options are proposed to be granted to eligible directors and employees on and/or after the date of listing of LNG on the MESDAQ Market. Based on the maximum allocation of ESOS options to eligible directors, the beneficial interests, direct and indirect, of the Directors in the shares of the Company upon full exercise of ESOS options are as follows:

	Assuming full exercise of ESOS options			
	^Direct		Indirect	
	No. of shares	%	No. of shares	%
Directors				
Low Chee Thean	37,751,610	32.27	-	-
Ng Boon Kcong	12,826,410	10.96	-	-
Aaron Sim Kwee Lein	-	-	-	-
Lok Choon Hong	-	-	-	-

- ^ Assuming full subscription of the shares offered to eligible directors and employees of the LNG Group under the Public Issue.

Further information on the promoters, substantial shareholders, directors and key management are provided in Section 5 of this Prospectus.

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1.0 INFORMATION SUMMARY (Cont'd)

1.3 Financial Highlights

1.3.1 Historical Financial Information

The following table is extracted from the Accountants' Report set out in Section 11 of this Prospectus and should be read in conjunction with the notes thereto.

The table below sets out a summary of the proforma consolidated results of the LNG for the past five (5) financial years ended 31 December 1998 to 2002, and are provided for illustration purposes based on the audited financial statements of the subsidiaries of LNG, prepared on the assumption that the acquisition of subsidiaries had been in effect throughout the relevant periods under review:

	< -----Years ended 31 December----- >				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	5,579	7,062	10,922	10,477	13,276
EBITDA	3,594	4,193	5,639	5,268	6,355
Interest expense	(237)	(175)	(288)	(240)	(233)
Interest income	-	25	29	44	13
Depreciation	(841)	(1,068)	(1,508)	(1,902)	(2,175)
Amortisation	(36)	(36)	(55)	(55)	(55)
Profit before exceptional items	2,480	2,939	3,817	3,115	3,905
Exceptional items	(40)	58	(28)	(79)	(101)
PBT	2,440	2,997	3,789	3,036	3,804
Taxation	(237)	(11)	(555)	(296)	(846)
PAT	2,203	2,986	3,234	2,740	2,958
No. of ordinary shares in issue ^(b) ('000)	76,500	76,500	76,500	76,500	76,500
Gross EPS ^(c) (sen)	3.19	3.92	4.95	3.97	4.97
Net EPS ^(c) (sen)	2.88	3.90	4.23	3.58	3.87

Notes:

- The analysis of the financial results of the Group is set out in the Accountants' Report in Section 11 of this Prospectus.*
- The number of ordinary shares in issue represents the number of shares in issue after the Acquisition of Companies but before the Public Issue.*
- The gross and net EPS have been calculated by dividing the PBT and PAT respectively for the financial years by the number of ordinary shares assumed in issue.*
- There were no share of profits and losses of associated companies and joint ventures, minority interest and extraordinary items in respect of all the financial years under review. Exceptional items during the financial years under review represent:*

	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
<i>Provision for diminution in value of investment</i>	-	-	-	(78)	-
<i>Gain/(Loss) on disposal of quoted investment</i>	(40)	58	(28)	(79)	(101)
	(40)	58	(28)	(79)	(101)

1.0 INFORMATION SUMMARY (Cont'd)

1.3.2 Proforma Consolidated Balance Sheets

The Proforma Consolidated Balance Sheets of the Company as at 31 December 2002, assuming that the Acquisition of Companies and Public Issue had been completed as at that date, together with the detailed assumptions underlying its preparation are set out in the Accountants' Report in Section 11. The following table shows a summary of the Proforma Consolidated Balance Sheets of LNG made up to 31 December 2002:

	Audited as at 31 December 2002 RM'000	Proforma I After incorporation of the Acquisition of Companies RM'000	Proforma II After Proforma I & Public Issue RM'000	Proforma III After Proforma II & full exercise of ESOS options RM'000
Property, Plant And Equipment	15	8,482	8,482	8,482
Deferred Expenditure**	453	453	-	-
Goodwill On Consolidation	-	1,107	1,107	1,107
	468	10,042	9,589	9,589
<u>Current Assets</u>				
Inventories	-	3,096	3,096	3,096
Trade and other receivables	-	3,168	3,168	3,168
Cash and bank balances	*	864	4,389	13,839
	-	7,128	10,653	20,103
<u>Current Liabilities</u>				
Trade and other payables	475	1,970	1,517	1,517
Borrowings	-	1,396	1,396	1,396
Provision for taxation	-	368	368	368
	475	3,734	3,281	3,281
Net Current (Liabilities)/Assets	(475)	3,394	7,372	16,822
	(7)	13,436	16,961	26,411
Share Capital	*	7,650	9,000	11,700
Share Premium	-	981	3,156	9,906
Reserves	(7)	2,900	2,900	2,900
Shareholder's funds	(7)	11,531	15,056	24,506
Deferred Taxation	-	227	227	227
Borrowings	-	1,678	1,678	1,678
	(7)	13,436	16,961	26,411
Net (liabilities)/tangible assets per share (sen)	(33,650)	13.03	15.50	20.00

Note : * This represents issued and paid-up share capital of RM 2.00

* *This represents part of the listing expenses

1.0 INFORMATION SUMMARY (Cont'd)

1.3.3 Auditors' Qualification

The audited financial statements of the Company and its subsidiaries for the past five (5) financial years have not been subjected to any auditor's qualifications.

1.4 Risk Factors

There are a number of risk factors (which may not be exhaustive), both specific to LNG Group and relating to the general business environment, which may impact the operating performance and financial position of the Group. To appreciate the risk factors associated with an investment in LNG, this Prospectus should be read in its entirety. Details of the key risk factors of which investors should be aware are set out in Section 3.

- (i) Limited customer base
- (ii) Business risks
- (iii) High capital investment
- (iv) Dependence on key personnel
- (v) Availability of skilled labour
- (vi) Competition
- (vii) Insurance coverage on assets
- (viii) Fluctuation in selling prices of products and services
- (ix) Control by substantial shareholders
- (x) No prior market for the shares
- (xi) Profit forecast
- (xii) Forward looking statements

1.5 Principal Statistics relating to the Public Issue

(i) Share Capital	RM
<i>Authorised:</i>	
250,000,000 ordinary shares of 10 sen each	25,000,000
<i>Issued and fully paid-up:</i>	
76,500,020 ordinary shares of 10 sen each	7,650,002
<i>To be issued pursuant to the Public Issue:</i>	
13,500,000 new ordinary shares of 10 sen each	1,350,000
	9,000,002
<i>To be issued pursuant to full exercise of ESOS options*:</i>	
27,000,006 new ordinary shares of 10 sen each	2,700,001
	11,700,003

* The ESOS options are proposed to be granted to eligible directors and employees on and/or after the date of listing of LNG on the MESDAQ Market

The Public Issue Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares in the Company including voting rights and dividends and all distributions that may be declared, paid or made subsequent to the date of allotment thereof.

1.0 INFORMATION SUMMARY (Cont'd)

The new Shares to be issued upon the exercise of the ESOS options will, upon allotment and issue, rank pari passu in all respects with the existing issued and paid-up ordinary shares in the Company, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the said Shares.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

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

(ii) **Issue Price per Public Issue Share (sen)** 35

(iii) **Proforma Consolidated NTA**

Proforma Consolidated NTA as at 31 December 2002 (after taking into account the Public Issue and estimated listing expenses of RM1.2 million) (RM '000) 13,949

Proforma Consolidated NTA per share (based on the enlarged share capital of 90,000,020 ordinary shares of 10 sen each) (sen) 15.50

The proforma consolidated balance sheets of LNG is set out in more detail in Section 9.10 of this Prospectus.

(iv) **Classes of shares and ranking**

There is only one class of shares in LNG namely ordinary shares of 10 sen each. The Public Issue Shares will rank pari passu in all respects with the existing issued and paid-up ordinary shares in the Company including voting rights and dividends and/or distribution that may be declared subsequent to the date of this Prospectus.

(v) **Consolidated profit forecast**

The consolidated profit forecast of LNG for the financial year ending 31 December 2003 is as follows:

Financial year ending 31 December 2003	Forecast RM'000
Consolidated PBT and pre-acquisition profit	4,745
Less: Taxation	(656)
Consolidated PAT but before pre-acquisition profit	4,089
Less: Pre-acquisition profit ¹	(667)
Consolidated PAT and after pre-acquisition profit	<u>3,422</u>
Based on enlarged issued and paid-up share capital:	
Net EPS ² (sen)	4.54
Net PE Multiple (based on issue price of 35 sen per Share) (times)	7.71

1.0 INFORMATION SUMMARY (Cont'd)

Based on weighted average number of Shares ³ in issue:	
Net EPS ⁴ (sen)	5.85
Net PE Multiple (based on issue price of 35 sen per Share) (times)	5.98

Notes:

- LNG was incorporated on 5 June 2002 and the Acquisition was completed on 28 February 2003. Therefore, the pre-acquisition profit relates to the period from 1 January 2002 to 27 February 2003.*
- Based on the consolidated PAT but before pre-acquisition profit and the enlarged issued and paid-up share capital of 90,000,020 Shares.*
- On the assumption that the Public Issue is completed in mid July 2003.*
- Based on the consolidated PAT but before pre-acquisition profit and the weighted average number of shares in issue of 69,937,520 Shares.*

Detailed information on the consolidated profit forecast of LNG is set out in Section 9.5 of this Prospectus.

(vi) Dividend forecast

The forecast dividend for the financial year ending 31 December 2003 is as follows:

Financial year ending 31 December 2003	Forecast RM'000
Gross dividend per Share (sen)	1.1
Net dividend per Share (sen)	1.1
Gross dividend yield based on the issue price of 35 sen per Share (%)	3.2
Net dividend yield based on the issue price of 35 sen per Share (%)	3.2
Net dividend cover (times)	4.1

Detailed information on the dividend forecast of LNG is set out in Section 9.9 of this Prospectus.

1.6 Utilisation of Proceeds

The gross proceeds of approximately RM4.7 million from the Public Issue accruing to the Company will be utilised in the following manner:-

	RM'000
Repayment of bank borrowings	1,800
Purchase of machinery and equipment	1,201
Working capital	524
Payment for the estimated listing expenses	1,200
	<u>4,725</u>

Further information on the utilisation of proceeds are provided in Section 2.6 of this Prospectus.

1.0 INFORMATION SUMMARY (Cont'd)

1.7 Contingent Liabilities

Save as disclosed in Section 9.4 of this Prospectus, the Group has no outstanding material contingent liabilities as at 16 June 2003.

1.8 Capital Commitments

Save as disclosed in Section 9.4 of this Prospectus, the Group has not contracted capital commitments not provided for in the accounts in respect of acquisition of land and building, plant and machinery and other fixed assets as at 16 June 2003.

1.9 Material Litigation

Save as disclosed in Section 15.4 of this Prospectus, as at 16 June 2003, neither LNG nor its subsidiaries is engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors of the Company have no knowledge of any proceedings pending or threatened against the Company and its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company and its subsidiaries.

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2.0 PARTICULARS OF THE PUBLIC ISSUE

2.1 Introduction

A copy of this Prospectus has been registered by the SC and lodged with the Chief Executive Officer of CCM and neither the SC nor the CCM takes any responsibility for its contents.

Approval has been obtained from the SC for the proposed listing of LNG on 8 January 2003. Approval has also been obtained from the KLSE on 13 January 2003 for the proposed listing of LNG and for admission to the Official List of the MESDAQ Market, and for permission to deal in and for quotation of the entire issued and paid-up share capital of LNG including the Public Issue Shares which are the subject of this Prospectus. These Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from MCD that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants. KLSE and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiaries or of its Shares.

No shares will be issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed LNG Shares as a prescribed security. In consequence thereof, the Public Issue Shares will be deposited directly with MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant who presently has a CDS Account should state his CDS account number in the Application Form. Where an applicant does not presently have a CDS account, he should state in the Application Form or Electronic Share Application his preferred ADA Code.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by LNG. Neither the delivery of this Prospectus nor any sale made in connection with this Prospectus shall, in any circumstance, and at any time constitute a representation or create any implication that there has been no change in the affairs of LNG since the date hereof.

The distribution of this Prospectus and the making of the Public Issue in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe all such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

The written consents of the Adviser/Underwriter/Placement Agent, Principal Bankers, Issuing House, Registrar, Solicitors and Company Secretary to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Valuers to the inclusion in this Prospectus of their name and Valuers' Letter on the landed properties in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The written consents of the Auditors and Reporting Accountants to the inclusion of their name, Accountants' Report and their letters relating to the consolidated profit forecast for the financial year ending 31 December 2003 and the proforma consolidated balance sheets as at 31 December 2002 in the manner and form in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The Prospectus can also be viewed or downloaded from the KLSE's website at www.klsc.com.my.

If you are in any doubt about any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

2.2 Indicative Timetable

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market is set out below:

Event	Tentative Date
Opening and Closing date of the Application Lists	14 July 2003*
Target date for balloting of applications	17 July 2003
Target date of allotment of shares	25 July 2003
Target date for despatch of Notice of Allotment	25 July 2003
Target date for listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market	31 July 2003

* *The Directors of LNG and the Underwriter may in their absolute discretion mutually decide to extend the closing date of the application to a further date(s). Should the closing date of the application be extended, the date(s) for the allotment of shares and listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market would be extended accordingly.*

2.3 Purpose of the Public Issue

The purposes of the Public Issue are as follows:-

- (a) To enable the Company to gain access to the capital market to raise funds for future expansion and continued growth of the LNG Group;
- (b) To provide an opportunity for the eligible directors and employees of the LNG Group and Malaysian public to participate in the continuing growth of the Group by way of equity participation; and
- (c) To obtain listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of LNG on the MESDAQ Market.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

2.4 Details of the Public Issue

The Public Issue of 13,500,000 new ordinary shares of 10 sen each is an invitation by the Company to eligible directors and employees of the LNG Group and the Malaysian public to apply for the Public Issue Shares at an issue price of 35 sen per ordinary share, payable in full on application upon the terms and conditions of this Prospectus.

The Public Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares in the Company including voting rights and dividends and all dividends that may be declared subsequent to the date of allotment of the Public Issue Shares.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

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

The Public Issue Shares totalling 13,500,000 ordinary shares of 10 sen each shall be allocated in the following manner:-

(a) Eligible Directors and Employees

3,500,000 new Shares to be reserved for eligible directors and employees of LNG Group;

(b) Private Placement

8,000,000 new Shares will be placed with Malaysian institutional investors and/or individual investors by the placement agent; and

(c) Malaysian Public

2,000,000 new Shares to be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

The ordinary shares under paragraph (a) above are not underwritten. However, in the event that any of the Public Issue Shares under paragraph (a) above are not taken up by the eligible directors and employees of LNG Group, such Public Issue Shares will be made available for application by members of the Malaysian investing public. All the Public Issue Shares under paragraph (c) above have been fully underwritten together with any ordinary shares not subscribed for by eligible employees of LNG Group under (a) above.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

2.5 Pricing of the Public Issue Shares

The issue price of 35 sen per Share was determined and agreed upon by the Company and Alliance as the Adviser and Underwriter, after taking into consideration the following factors:

- (i) the Group's financial and operating history and conditions as described in Section 4 of this Prospectus;
- (ii) the industry review, future plans and strategies and outlook of the Group as described in Section 4 of this Prospectus;
- (iii) the proforma Group NTA per Share of 15.50 sen (after Public Issue) as at 31 December 2002; and
- (iv) the forecast net PE Multiple of approximately 5.98 times based on the forecast net EPS of the LNG Group for the financial year ending 31 December 2003 and the weighted average share capital of 69,937,520 LNG Shares.

Investors should take note that the market prices of LNG Shares upon listing on MESDAQ Market are subject to vagaries of market forces and other uncertainties, which may affect the price of LNG Shares being traded. Investors should form their own views on the valuation of the Public Issue Shares before deciding to invest in the Public Issue Shares.

2.6 Proceeds of the Public Issue and Utilisation of Proceeds

The gross proceeds of approximately RM4.7 million from the Public Issue accruing to the Company will be utilised in the following manner:-

	RM'000
Repayment of bank borrowings	1,800
Purchase of machinery and equipment	1,201
Working capital	524
Payment for the estimated listing expenses	1,200
	4,725

Proceeds from the Public Issue are expected to be utilised within 12 months from the date of listing.

(a) Repayment of bank borrowings

The Group will utilise approximately RM1.8 million of the proceeds from the Public Issue to repay borrowings which totalled approximately RM3.42 million as at 16 June 2003. The repayment of borrowings is expected to contribute to a total interest savings of approximately RM173,768 based on interest rates ranging from 6.35% to 7.5% per annum.

(b) Purchase of machinery and equipment

In line with the Group's expansion plan, part of the proceeds of the Public Issue will be utilised for the purchase of machinery which comprise the following:

	Estimated purchase price RM'000
1 unit of Makino CNC Wire Electrical Discharge Machine	602
1 unit of Makino CNC Electrical Discharge Sinker Machine	599
	1,201

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

(c) Estimated listing expenses

The estimated listing expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of LNG on the MESDAQ Market, to be borne by the Company, are as follows:

	RM'000
Professional fees	720
KLSE processing and listing fee	32
Lodgment of Prospectus with CCM	1
Advertisement and printing	200
Underwriting commission and brokerage	113
Contingencies	134
Total estimated listing expenses	1,200

2.7 Brokerage and Underwriting Commission

Brokerage relating to the Public Issue Shares made available for application by the Malaysian public will be paid by the Company at the rate of 1.0% of the Issue Price of 35 sen per Public Issue Share in respect of successful applications bearing the stamp of either Alliance, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIDFCCS. No brokerage is payable by the Company on the Public Issue Shares made available for application by eligible directors and employees and the Public Issue Shares to be placed out by the Placement Agent.

Placement fee is payable by the Company to Alliance in respect of the Public Issue Shares to be placed out by Alliance as the Placement Agent, at the rate of 1.75% of the Issue Price of 35 sen per Public Issue Share.

The Underwriter, Alliance, had entered into an underwriting agreement with the Company on 18 June 2003 for the underwriting of the Public Issue Shares to be made available for subscription by the Malaysian public. Any Public Issue Shares not subscribed for by eligible directors and employees of the LNG Group shall be underwritten by the Underwriter. Underwriting commission is payable by the Company at the rate of 3.0% of the Issue Price of 35 sen per Public Issue Share for the Public Issue Shares which are being underwritten.

2.8 Salient terms of the Underwriting Agreement

The Underwriting Agreement dated 18 June 2003 between LNG and the Underwriter contains certain clauses as set out below which may allow the Underwriter to withdraw from its obligations under the Underwriting Agreement:

(i) Underwriter's Option to Terminate for Inaccuracy or Breach

In the event any material inaccuracy of the said warranties or representations or any material failure to perform any of the said agreements or undertakings shall come to the notice of the Underwriter prior to the Closing Date, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such inaccuracy, failure or change as releasing or discharging the Underwriter from its obligations hereunder and thereupon the Underwriter and the Company shall be so discharged PROVIDED THAT the Company shall remain liable for the payment of the costs and expenses referred to in Clause 16.1 of the Underwriting Agreement which are incurred prior to or in connection with such release and discharge AND PROVIDED FURTHER THAT failure by the Underwriter to make such election as aforesaid shall be without prejudice to the right of the Underwriter to treat any further or other material inaccuracy, failure or change as releasing and discharging the Underwriter from its obligations as aforesaid.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

(ii) **Underwriter's Option to Terminate Due to Change of Circumstances**

Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may at any time before the date of issue of the Prospectus elect to terminate its obligations under the Underwriting Agreement by notice in writing to the Company if :

- (a) there has been an adverse change or development reasonably likely to involve a prospective adverse change in the position, financial or otherwise of the Company from that expressly described in the Prospectus which is material in the context of the Public Issue or any occurrence of an event rendering untrue or incorrect, to an extent which is material as aforesaid, any representations or warranties contained in Clause 3.1 of the Underwriting Agreement though they had been given or made on such date;
- (b) there shall have been such a change in national or international monetary, financial, political or economic conditions or in exchange control or in currency exchange rates as would in the reasonable opinion of the Underwriter be likely to prejudice materially the success of the Public Issue; or
- (c) there shall have been any government requisition or other occurrence of any nature whatsoever which in its reasonable opinion seriously affects or will seriously affect the business of the Company; or
- (d) there shall have been any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of event beyond the reasonable control of the Underwriter (including without limitation acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of application and/or payments pursuant to the Public Issue or pursuant to the underwriting thereof.

Upon receipt of such notice, the Underwriting Agreement shall be terminated and the Underwriter and the Company shall be released and discharged from their respective obligations hereunder except for the liability of the Company in the payment of costs and expenses referred to in Clause 16.1 of the Underwriting Agreement incurred prior to or in connection with such termination and the liability for antecedent breach, if any.

(iii) **Conditions Precedent for Underwriting**

The Underwriting Agreement is conditional upon the fulfilment of the following conditions, that is to say:

- (a) the obtaining on or before the Closing Date of the approval of the KLSE of the Prospectus and the Application Forms and the approval in principle of the KLSE for the listing of and quotation for all the shares in the Company on the MESDAQ Market including the Public Issue Shares and if any of such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriter and the Underwriter being reasonably satisfied that such listing and quotation will be made three (3) clear Market Days after receipt by KLSE of all required documents and confirmation from the MCD that the securities accounts of the entitled holders have been duly credited;

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

- (b) that all consents, approvals, authorizations or other orders required by the Company under the laws of Malaysia for or in connection with the Public Issue, and/or the listing of and quotation for all the shares in the Company, including the Public Issue Shares on the MESDAQ Market, including the approval of the shareholders of the Company, have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be obtained and be in force on the Closing Date;
- (c) the Prospectus having been registered with the SC and lodged with CCM;
- (d) there having been as at any time hereafter up to and including the Closing Date, no material adverse change or any development involving a prospective material adverse change in the condition financial or otherwise of the Company (which in the reasonable opinion of the Underwriter is or will be material in the context of the Public Issue Shares) from that set forth in the Prospectus nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to any extent which is or will be material in any of the warranties contained in Clause 3 of the Underwriting Agreement if they were repeated on and as of the Closing Date; and
- (e) the Public Issue Shares in accordance with the provisions of the Prospectus and Application Forms not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including the KLSE).

If any of the foregoing conditions is not fulfilled on or before the Closing Date, the Underwriting Agreement shall be terminated except for the liability of the Company for the payment of costs and expenses as provided in Clause 16.1 of the Underwriting Agreement incurred prior to or in connection with such termination and the parties hereto shall be released and discharged from their respective obligations hereunder.

The Underwriter reserve the right to waive any of the foregoing conditions precedent and such waiver shall not prejudice the other rights of the Underwriter under the Underwriting Agreement.

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3.0 RISK FACTORS

There are a number of risk factors, both specific to the LNG Group and relating to the general business environment, which may impact on the operating performance and financial position of the LNG Group. Investors should carefully consider the following factors (which may not be exhaustive) which may have a significant impact on the future performance of the LNG Group before applying for the Public Issue Shares.

(i) **Limited Customer Base**

Due to the nature of the precision mould and die industry, the LNG Group has a limited customer base. The LNG Group is dependent on a few major customers, namely ST Microelectronics Sdn Bhd, FCI Connectors (M) Sdn Bhd, Taiko Electronics (M) Sdn Bhd and Hirose Electric (M) Sdn Bhd for a major portion of its turnover. These customers' contribution to the LNG Group's proforma turnover for the past three (3) years are set out as follows:-

Financial Year Ended 31 December	Contribution to revenue		
	2000	2001	2002
ST Microelectronics Sdn Bhd	55%	40%	29%
Taiko Electronics (M) Sdn Bhd	6%	16%	5%
FCI Connectors (M) Sdn Bhd	24%	19%	23%
Hirose Electric (M) Sdn Bhd	1%	5%	22%

Amongst the business risks that the LNG Group faces due to its reliance on a few major customers are the relocation of these MNCs to other countries, termination of business relationships, cessation of certain product lines by the customers, etc, which may result in the Group losing a substantial portion of its business. This may have an adverse effect on the operating and financial performance of the LNG Group should the business relationship with any of these MNCs be severed.

However, the LNG Group has developed a long business relationship with these key customers as evidenced below:

No. of years relationships	Years
ST Microelectronics Sdn Bhd	>8
Taiko Electronics (M) Sdn Bhd	>8
FCI Connectors (M) Sdn Bhd	>5
Hirose Electric (M) Sdn Bhd	>3

The continuous orders from these customers through the years are also a testimony of the strong working relationship committed for mutual business support.

In addition, the nature of the industry is such that it involves high vendor switching costs and requires a long gestation period of acceptance. This is because customers normally require a lengthy time to carry out operational and quality audit of a mould and die manufacturer's production capabilities and facilities, and the ensuing evaluation of the quality mould and die manufactured. Consequently, it is usual that customers would foster long term business relationships with their mould and die suppliers. Hence, the LNG Group believes that by fostering a long term business relationship with its customers, the risk of losing its customers is mitigated to a certain extent.

3.0 RISK FACTORS (Cont'd)

The LNG Group's risk is also mitigated to a certain extent by its ability to diversify into downstream activities to complement and satisfy the MNC customers' process and production requirements. Efforts are being made by the management team to enlarge the LNG Group's customer base and increase its product and service offerings through integrated operations.

(ii) Business Risks

The Group is not insulated from general business risk as well as certain risks inherent in the industry in which it operates. For example, the Group may be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian economy, entry of new players, constraints in labour supply, changes in law and tax legislation affecting the industry, increase in production and purchase costs, changes in business and credit conditions and fluctuations in foreign exchange rates.

Any adverse development in the political situations and economic uncertainties in Malaysia and/or other countries which LNG Group has business links, directly or indirectly could materially and adversely affect the financial performance of the Group. These include risks of war, global economic downturn, expropriation, nationalisation, unfavourable change in government policy and regulations such as foreign exchange rates and methods of taxation and currency exchange controls. There can be no assurance that any change to these factors will not have a material adverse effect on the Group's business.

Although the Group seeks to limit these business risks through, inter alia, prudent management policies and maintaining good business relationships with its customers and suppliers, no assurance can be given that any change in any of these factors will not have a material adverse effect on the Group's business.

(iii) High Capital Investment

The precision mould and die industry is a capital intensive industry. New machinery and equipment are required as the trend of the manufacturing industry moves towards product miniaturisation, and hence, higher precision levels in the fabrication of moulds, tools and dies are essential. The manufacturer must also keep abreast with new CAD and CAM technologies in order to develop its product design capabilities and compete effectively. In addition, the trend of the precision mould and die industry is moving towards greater automation with a high emphasis on CNC machinery. Should the precision mould and die manufacturer fail to continually invest in machinery and equipment with newer technology, the manufacturer may not be able to compete effectively by staying ahead.

The LNG Group would need to continuously invest in costly advance machinery and equipment to enhance its technological competitiveness. Should the LNG Group fail to consistently invest in capital expenditure, the Group's operations may be rendered less efficient, resulting in a compromise in quality or losing an edge in technological competitiveness. This may adversely affect the operating and financial performance of LNG Group.

The LNG Group has invested significantly in capital expenditures on plant, machinery and equipment for the last three (3) years as follows:

Financial years ended 31 December	2000 RM'million	2001 RM'million	2002 RM'million
Investment in additional plant, machinery and equipment	2.38	2.23	1.75

3.0 RISK FACTORS (Cont'd)

The Directors and senior management team of the LNG Group constantly update themselves with the technological changes and requirements through discussions with machinery and equipment vendors and its MNC customers to understand the manufacturing trends and requirements of their specific industries. This enables the Directors to plan the LNG Group's capital expenditures in line with the customers' requirements and the technical know-how of the Group.

(iv) Dependence on Key Personnel

As in any other business, the LNG Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Executive Directors and management team. The loss of any of the LNG Group's Executive Directors could adversely affect the LNG Group's continued ability to compete in the precision engineering industry.

The Directors of LNG recognise the importance of the Group's ability to attract and retain its key personnel and have in place a human resource strategy, which includes a suitable compensation package and a human resource training and grooming program. This is evident from the past service track record of the senior management team where the majority of whom have served the Group for more than five (5) years. Efforts are made to strategically develop a dynamic and strong management team and the establishment of a sound management structure to ensure smooth succession plan of its future performance.

(v) Availability of Skilled Labour

The precision mould and die industry is currently facing a shortage of skilled machinists and designers. The LNG Group's performance may be affected by the shortage of such skilled machinists and designers. Without the necessary skilled machinists and designers, the LNG Group may suffer from inferior product quality, production downtime, failure in meeting delivery schedules and loss of customers' confidence.

The management of the Group recognises the importance of human resource training and staying ahead of technological advancement. The LNG Group endeavours to increase the level of machine automation through commissioning of CNC machinery. These advanced machines are required for shortening manufacturing hours and increasing the accuracy of micron order as well as increasing the productivity rate per skilled technician. These machines run on the basis of input by the data downloaded from a CAD/CAM software. Each process will be executed automatically until completion and these machines could be programmed to perform tasks on a 24-hour basis. During the machining process, the machinists will be available to perform other jobs, resulting in better value added per machinist and higher productivity.

The Group emphasises on training its workforce. The machinists are subject to work orientation programmes, on-the-job training and cross training in the various fabricating processes.

Although the LNG Group seeks to limit the above business risk, no assurance can be given that any change to this factor will not have a material adverse effect on the Group's business.

3.0 RISK FACTORS (Cont'd)

(vi) Competition

The plastic injection moulding industry in general has relatively low barriers to entry. However, in a more niche product segment such as the precision plastic injection segment in which the LNG Group operates, potential entrants are faced with higher barriers to entry such as mould design, fabrication and repair capabilities and ability to meet stringent requirements set by customers for quality and processes control.

The LNG Group may also face competition from its competitors who may expand their business to emulate the same range of product and services range and from new players entering into the industry. Competition among manufacturers of precision mould and die is based on a number of factors, including technical capability, quality, competitive pricing, delivery and value-added services.

Unlike most of its competitors, the LNG Group has through vertical and horizontal integration developed itself as a 'one-stop' centre providing a range of services from design to fabrication of mould and die and precision plastic injection moulding services. The Group believes that its principal competitive advantages are its integrated synergistic operations, experienced management team, prompt completion and delivery of customers' orders, consistent quality, innovative designs and ability to offer competitive pricing.

Furthermore, the LNG Group has been in business for more than eight (8) years and has successfully built up a strong relationship with its customers. The LNG Group is continuously looking at ways to improve on its production processes in order to increase production efficiency. The LNG Group's commitment to quality is attested with the certification of ISO 9002 on quality management system by SGS Yarsley International Certification Services Limited.

Despite the aforementioned strategies, there can be no assurance that the Group will not be affected by the competitive strategy adopted by other manufacturers and engineering service providers within the same industry, both locally and overseas.

(vii) Insurance Coverage on Assets

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operations. In ensuring that such risks are minimised, the Group reviews and ensures adequate coverage for its assets on a continuous basis.

The major assets of the Group are its manufacturing facilities which include, amongst others, building, plant and machinery as well as stocks located within the factories. The LNG Group has taken insurance policies on all the Group's major assets. As at 16 June 2003, the net book value of building and plant and machinery of the LNG Group is approximately RM7.6 million and the estimated value of its stocks is RM3.4 million which have insurance coverage amounting to approximately RM8.6 million and RM3.15 million respectively. Although the Group has taken the necessary steps to insure its assets adequately, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential loss arising from the damage or loss of the assets.

3.0 RISK FACTORS (Cont'd)

(viii) Fluctuation in Selling Prices of Products and Services

Fluctuation in the selling prices of products or services is a normal occurrence in industries where supply and demand are the main determinants of price. The LNG Group services and manufactures a wide range of application products for customers who operate in various industries such as semiconductor, electronics and electrical, and telecommunication in the manufacturing sector. Consequently, the Group's risk is relatively mitigated should any particular market segment suffer from a decline in selling prices or demand. Although the LNG Group seeks to limit this risk through its marketing and business strategies, there can be no assurance that any change to these factors will not have a material adverse impact on the LNG Group's business.

(ix) Control by Substantial Shareholders

LNG is controlled by the promoters, namely Low Chee Thean, Ng Boon Keong, Ng Boon Hin, Ng En Kee, Liew Swec Song, Koh Soo Guan and Tee Yong Ngo, who together control approximately 73.8% of the Company's issued and paid up capital after the IPO. Consequently, the aforesaid shareholders, if acting in concert, may be able to influence the outcome of certain matters such as the election of directors and the approval of business ventures requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

The introduction of corporate governance that requires the formation of Audit Committee, which includes two (2) independent non-executive directors, may effectively help to promote transparency in all material transactions and the LNG Group's accountability, thereby representing the interest of the minority and general public at large. The promoters would also be required to abstain from voting if there is any related-party transaction, which may pose as a conflict to the interest of the Company.

(x) No Prior Market for the Shares

Prior to this IPO, there has been no public market for the LNG Shares. There can be no assurance that an active market for LNG Shares will develop upon its listing on the MESDAQ Market or, if developed, that such market will sustain. The Issue Price has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the prospects of the industry in which the Group operates, the management of the Group, the market prices of shares of companies involved in businesses similar to that of the Group and the prevailing market conditions. There can be no assurance that the Issue Price will correspond to the price at which LNG Share will trade on the MESDAQ Market upon or subsequent to its listing or that an active market for LNG Shares will develop and continue upon or subsequent to its listing. The price at which the LNG Shares will be traded may be higher or lower than the Issue Price.

3.0 RISK FACTORS *(Cont'd)*

(xi) **Profit Forecast**

This Prospectus contains the consolidated profit forecast of LNG that are based on assumptions which the Directors deem to be reasonable, but which nevertheless are subject to uncertainties and are contingent in nature. Due to the subjective judgements and inherent uncertainties of the consolidated profit forecast and as events and circumstances frequently do not occur as expected, there can be no assurance that the consolidated profit forecast contained herein will be realised and actual results may be materially different from the forecast. Investors will be deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit forecast that are contained herein.

Investors are advised to read carefully the assumptions made in this Prospectus of the consolidated profit forecast as set out in Section 9.5 of this Prospectus.

(xii) **Forward Looking Statements**

This prospectus includes forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The word "anticipates", "believes", "intends", "plans", "expects", "forecasts" and similar expressions as they relate to the LNG Group or its business are intended to identify such forward-looking statements. The LNG Group believes that, barring any unforeseen circumstances the expectations reflected in such forward-looking statements are reasonable at this point in time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effect on the LNG Group's financial and business performance.

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