
4.0 INFORMATION ON THE LNG GROUP

4.1 History

LNG was incorporated in Malaysia as a public limited company on 5 June 2002 under the Act. It was established as the investment holding company of the Group in conjunction with the listing of the Group on the MESDAQ Market.

The core manufacturing activities of the LNG Group are carried out by EPI, AMT and GCP, which together provide end-to-end precision engineering services, comprising design, modification, fabrication, repairs and assembly of precision moulds, tools, dies, jigs and fixtures to precision injection moulding and product assembly.

The history of the LNG Group can be traced back to 1994 when Low Chee Thean and Ng Boon Kcong, both of whom are the promoters of LNG, and a group of skilled engineering technicians incorporated EPI which is principally involved in precision engineering services. EPI commenced operations with ten (10) conventional tooling machines and ten (10) employees, manufacturing tools and machine parts. The EPI Group had since, over a span of more than eight (8) years from its humble beginnings, expanded and diversified to become an integrated precision engineering services provider. The EPI Group will effectively be listed on the MESDAQ Market through the listing of LNG.

In 1996, EPI diversified from its tooling business to focus on high precision engineering services. EPI successfully fabricated its first full set of precision IC mould for one of its MNC customers in 1996. Since then, the LNG Group has gradually built up its customer base and gained recognition amongst the MNCs in the semiconductor, electronics and electrical, computers and peripherals and telecommunication industry in Malaysia as a quality and reliable precision engineering services provider.

In 1997, EPI acquired VPI which is a property investment company that owns a factory building located at Kawasan Perindustrian Tanjung Agas, District of Muar, Johor. In line with EPI's aim to pursue design and technological competency, the R&D department was set up in 1997 with Low Chee Thean as the Head of R&D, to provide expertise in mould and die designing by using advanced CAD/CAM software. The Group makes a conscious effort to keep abreast with improvements in technology, engineering methods and equipment specifications in view of the increasing sophistication, intricacy and miniaturised design of high precision products. The LNG Group's R&D programmes have since become more structured, better equipped with CAD/CAM software and increased focus in their design and development. Digital simulation and 'virtual fit' replications, process integration and product simulation can now be conducted by the Group's R&D department with advance CAD/CAM software to facilitate 3-dimensional prototyping. Such a process serves to reduce development time while optimising resources.

In 1999, the LNG Group diversified its operations to precision plastic injection moulding with the acquisition of GCP. With the management team's strong technical knowledge in both the injection moulding and precision engineering industries, it was an instinctive business-assimilation move to venture into precision plastic injection moulding as plastics are fast replacing metal and glass in the electronics and electrical industry. The provision of injection moulding services also enabled the LNG Group to provide complementary services to its customers and derive synergistic benefits with the combination of such downstream operations.

4.0 INFORMATION ON THE LNG GROUP *(Cont'd)*

In 2000, AMT, a company involved in the precision engineering services industry, was acquired as part of the LNG Group's expansion plan. With the acquisition, the LNG Group's design and development effort was expanded to include the design and fabrication of complete precision mould sets for fine pitch connectors. The high precision engineering division's manufacturing operations in both AMT and EPI were accredited with ISO 9002 by SGS-Yarsley of the United Kingdom, an international ISO accreditation agency.

In 2000, EPI also acquired FFI, which is a property investment company that owns a factory building erected on a leasehold land located at Kawasan Perindustrian Tanjung Agas, District of Muar, Johor, the factory of which is located adjacent to the factory building and land held by VPI.

Today, backed with strong design proficiency, technical skills and equipped with advance CNC machinery, the LNG Group is able to offer itself as an 'end-to-end' precision engineering service provider and a 'one-stop' sourcing option with the synergistic inclusion of precision engineering plastic injection moulding capabilities.

Share Capital

The existing authorised share capital of LNG is RM25,000,000 comprising 250,000,000 ordinary shares of 10 sen each, of which RM7,650,002 have been issued and fully paid-up comprising 76,500,020 ordinary shares of 10 sen each. The changes in the issued and paid-up share capital of LNG since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par value sen	Consideration	Total issued and paid-up share capital RM
05.06.2002	20	10	Subscribers' shares	2
14.02.2003	76,500,000	10	Issuance of shares as consideration for Acquisition of Companies	7,650,002

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

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

Restructuring Scheme

As an integral part of the listing of and quotation for the entire issued and paid-up capital of the Company on the MESDAQ Market, the Company undertook a restructuring scheme which was approved by the following:

- (i) KLSE vide its letter dated 13 January 2003;
- (ii) SC vide its letter dated 8 January 2003;
- (iii) FIC vide its letter dated 18 November 2002; and
- (iv) MITI vide its letter dated 4 December 2002.

The restructuring scheme entails the following:

(i) Incorporation of Revaluation Deficit

A revaluation was carried out by a firm of independent professional valuers, Messrs Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd, to determine the fair value of the landed properties and improvement thereon of FFI and VPI. The net revaluation deficit of RM343,501 arising from the above revaluation is derived as follows and shall be incorporated into the financial statements of the respective companies:

Property	Owner	Net book value as at 31.12.2001 RM	Open market value RM	Revaluation surplus / (deficit) RM
Lot No. PTD 6491, HS(D) 17707, Mukim of Kesang, District of Muar, State of Johor	FFI	1,028,320	1,180,000	151,680
Lot No. PTD 6492, HS(D) 17708, Mukim of Kesang, District of Muar, State of Johor	VPI	1,560,181	1,065,000	(495,181)
		<u>2,588,501</u>	<u>2,245,000</u>	<u>(343,501)</u>

(ii) Acquisition of Companies

On 20 January 2003, the Company entered into several conditional sale and purchase agreements for the following:

- Acquisition of 594,878 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of EPI for a purchase consideration of RM8,472,089 to be satisfied by the issuance of 75,093,000 new LNG Shares at an issue price of approximately 11.28 sen per share; and
- Acquisition of 100,000 ordinary shares of RM1.00 each representing 10% equity interest in GCP for a purchase consideration of RM158,765 to be satisfied by the issuance of 1,407,000 new LNG Shares at an issue price of approximately 11.28 sen per share.

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

Thereafter, EPI transferred to LNG its wholly-owned subsidiaries, namely AMT, VPI and FFI, and its entire 90% equity interest in GCP at book value for cash.

The total purchase consideration of RM8,630,854 for the Acquisition of Companies was arrived at based on the aggregate adjusted audited consolidated NTA of the acquiree companies as at 31 December 2001.

The new LNG Shares to be issued pursuant to the Acquisition of Companies will be allotted to the vendors in the following manner as agreed:

	No. of shares held in acquiree companies	No. of new LNG Shares issued as consideration
Vendors of EPI		
Low Chee Thean	258,210	32,594,500
Ng Boon Keong	60,755	7,669,300
Liew Swee Song	35,430	4,472,400
Koh Soo Guan	54,116	6,831,200
Tee Yong Ngo	43,292	5,464,900
Ng En Kee	34,124	4,307,500
Ng Boon Hin	31,352	3,957,600
Kok Wee Siang	34,921	4,408,200
Wong Ii Le	16,787	2,119,100
Kek Swy @ Kek Eng Leong	12,519	1,580,300
Chia Kuo Wui	7,112	897,800
Lee Mui Cheng	6,260	790,200
	<u>594,878</u>	<u>75,093,000</u>
Vendor of GCP		
Shinichi Kanno	<u>100,000</u>	<u>1,407,000</u>
Total		<u>76,500,000</u>

The Acquisition of Companies was completed on 28 February 2003. Upon completion of the Acquisition of Companies as set out above, the issued and paid-up share capital of LNG increased from RM2 to RM7,650,002 comprising 76,500,020 Shares.

(iii) Public Issue

Following the completion of the Acquisition of Companies and in conjunction with the listing of LNG on the MESDAQ Market, the Company is implementing a public issue of 13,500,000 new Shares at an issue price of 35 sen each. Upon completion of the Public Issue, the issued and paid-up share capital of LNG will be increased from RM7,650,002 to RM9,000,002 comprising 90,000,020 Shares.

4.0 INFORMATION ON THE LNG GROUP *(Cont'd)*

The Public Issue of a total of 13,500,000 Shares representing 15% of the enlarged share capital are to be issued to the following parties:

- a maximum of 3,500,000 Shares representing 3.89% of the enlarged share capital have been reserved for eligible directors and employees of the LNG Group;
- 2,000,000 Shares representing approximately 2.22% of the enlarged share capital have been reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions; and
- 8,000,000 Shares representing approximately 8.89% of the enlarged share capital will be placed with Malaysian institutional investors and individual investors by the placement agent.

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.

4.2 Business Overview

4.2.1 Principal activities

The LNG Group is principally engaged in high precision engineering and precision injection moulding services. The LNG Group prides itself in being an integrated precision engineering services provider to its MNC customers. It is capable of providing a host of synergistic operations ranging from design, modification, fabrication, repairs and assembly of precision moulds, tools, dies, jigs and fixtures to precision injection moulding and product assembly.

To the best of the Directors' knowledge and belief, the LNG Group is one of the few locally-owned integrated precision engineering services providers serving the MNCs operating in Malaysia. The Directors also reasonably believe that the LNG Group is one of the few locally-owned companies providing manufacturing services for the design and fabrication of fine pitch connector moulds in Malaysia.

The addition of engineering plastic mass production facility provides the LNG Group with further opportunities in its product and service offerings to its MNC customers as a "one-stop" precision engineering manufacturer. The trend of outsourcing their sub-production work to the local manufacturers has increased over the years as the MNCs normally view such integrated manufacturing services as advantageous in reducing the linkages in their supply chains. In dealing with a "one-stop" precision engineering manufacturer, customers could reduce operational costs and time as they are able to deal with a single manufacturer rather than coordinating production with multiple suppliers.

High precision engineering services will remain the mainstay of the LNG Group's business focus and activities. The LNG Group focuses in high precision engineering due to its ability to fabricate moulds, tools, dies, jigs and fixtures with a tolerance limit of $\pm 0.003\text{mm}$.

The LNG Group's business can be categorised into three (3) business divisions as follows:

4.0 INFORMATION ON THE LNG GROUP *(Cont'd)*

(i) High Precision Engineering Division

The engineering services industry is essentially an upstream supporting industry servicing the manufacturing industry at large. This Division's main activities are in the design and production of precision moulds, tools, dies, jigs and fixtures essential to support the manufacturing industries such as semi-conductor, electronics and electrical, computers and peripherals and telecommunications.

The LNG Group through this High Precision Engineering Division operates in the niche market of micro-engineering where the level of precision in its design and fabrication are the key determinant factors of its competency.

The Division's products and services can be further segmented into the following broad categories:

- (i) Moulds
- (ii) Tools and Dies
- (iii) Jigs and Fixtures
- (iv) Repairs and Maintenance Services

Further description of these products and services is included in section 4.2.2.

(ii) Precision Injection Moulding Division

Precision injection moulding is a process of moulding materials such as thermoplastic and thermoset materials, rubber or metal, into certain minute shapes and sizes with high accuracy in the dimension. The LNG Group focuses mainly in precision engineering plastic injection moulding due to its expertise in precision engineering services. Precision injection moulding requires expertise in the manufacturing of miniaturised moulded parts and components.

Precision plastic injection moulding is a natural forward integration of the LNG Group's overall business plan, whereby moulds fabricated by the High Precision Engineering Divisions are used to manufacture parts, which require high levels of precision and accuracy for the LNG Group's customers.

(iii) Property Investment Division

The Property Investment Division currently owns two (2) leasehold factory land and buildings which is currently used by EPI and GCP. Further particulars of the landed properties are included in section 8 of the prospectus.

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

4.2.2 Principal Products and Services

The LNG Group's principal products and services are summarised as follows:

Division	Products & Services	Industry	Usage / End Product Application
High Precision Engineering Division	IC Mould	Semiconductor	<input type="checkbox"/> IC components for wireless communication systems and cellular phones <input type="checkbox"/> IC components for desktop and mobile personal computer and computer peripherals <input type="checkbox"/> IC components for audio and video devices
	Connectors Mould	Computers & Peripherals Electronics & Electrical Telecommunication	<input type="checkbox"/> High density connectors <input type="checkbox"/> PC Board connectors <input type="checkbox"/> Memory Module connectors <input type="checkbox"/> I/O connectors <input type="checkbox"/> High Speed connectors <input type="checkbox"/> Office equipment inter-connectors. <input type="checkbox"/> Miniature board-to-board connectors <input type="checkbox"/> I/O connectors <input type="checkbox"/> Flex circuit connectors <input type="checkbox"/> Interconnects for cellular phones and pagers
	Tools and Dies	Semiconductor Electronics & Electrical Telecommunication	<input type="checkbox"/> Punching, trimming, cutting and forming dies for the lead frames in IC and semiconductor production. <input type="checkbox"/> Dies for stamping of metal parts.
	Jigs and Fixtures	Semiconductor Electronics & Electrical Telecommunication	<input type="checkbox"/> Replacement of specialised parts, machine parts due to wear and tear
	Mechatronic Components Mould	Electronics & Electrical	<input type="checkbox"/> Component parts for Camera, Audio & Video Equipment

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

Division	Products & Services	Industry	Usage / End Product Application
Precision Injection Moulding Division	Semiconductor Components	Semiconductor	<input type="checkbox"/> Memory Module connectors
	Connector parts, Mechatronic parts, Electronics & Electrical Components	Electronics & Electrical	<input type="checkbox"/> Office equipment inter-connectors <input type="checkbox"/> Camera component parts <input type="checkbox"/> Audio & Video component parts and connectors
	Connectors Parts	Telecommunication	<input type="checkbox"/> Connectors for cellular phones, pagers, walkie-talkies and other hand-held wireless devices

The description of the abovementioned products and services are as follows:-

(i) Moulds

The LNG Group is capable of manufacturing the following types of precision moulds:-

(a) Injection moulds

An injection mould is essentially a closed mould i.e. the mould is closed before any raw material is injected into it. After the application of pressure to close the mould and hold it tightly clamped, molten plastics material is forced into a closed cavity i.e. the space between the 'male' and 'female' inserts within the precision mould, by a source of pressure. The plastics or rubber material eventually forms the desired shape and detail of the customer's end product upon solidifying. The injection mould then opens to eject out the moulded plastic end products.

The injection moulds are used on plastic injection machines to produce the plastic components (which are normally intricate in nature, mainly to intermediate consumer market segment) for the internal and external parts of optical, electrical, electronics, computers and telecommunication end products, particularly the micro mechanical parts of the end products.

Plastics have become the favoured medium for consumer end-products as processing time is shorter, production is very versatile, weight can be substantially reduced, lower costs, lesser wear and tear, and more importantly can meet product strength requirements.

(b) IC Moulds / Transfer Moulds

Transfer moulds make use of a mould cavity for receiving the raw material consisting of thermosetting compound when the mould is opened. The molten thermosetting raw material compound is separately pre-heated and then poured into a pot in the mould. A plunger is then slowly exerted onto the pot and the molten compound will therefore flow into the mould cavities. This is to prevent damage to the other minute and fragile components which are also placed in the mould.

4.0 INFORMATION ON THE LNG GROUP *(Cont'd)*

The IC mould uses this concept to encapsulate integrated circuits and other semiconductor components such as transistors, diodes, etc. The precision level of these moulds is much higher as the components are small.

In the fabrication of a precision mould, the following factors need to be considered:

- (a) Mould materials;
- (b) Design of the precision mould; and
- (c) Allowances for finished products shrinkages.

The degree of sophistication and the quality of mould, and ultimately its value, is not proportionate to weight or size, but are based on the following factors:

- (a) Level of precision;
- (b) Productive life; and
- (c) Complexity of mould design.

(ii) Tools and Dies

The two main types of tools and dies fabricated by the LNG Group are form tools and dies and cutting tools and dies. Form tools and dies and cutting tools and dies are used extensively in the electronics and electrical, and semiconductor industries.

- (a) Form tools and dies are non-piercing tools i.e. the work materials are not pierced but impressions of desired shapes are formed onto the work materials. For the electrical and electronics industry, form tools and dies are mainly used in making the outer metal body of some electrical and electronics consumer products such as video players, speakers, cassette players, etc.
- (b) Cutting tools and dies are piercing tools, which are used to cut, trim or pierce work materials into desired shapes and sizes. Cutting tools and dies are mainly used in making semi-conductor lead frames, i.e. the cutting, punching of lead frames of IC, transistors and other semi-conductor components. They are used extensively in the semi-conductor, micro electronics and electrical industry and the progressive metal stamping industries.

(iii) Jigs and Fixtures

The LNG Group also manufactures jigs and fixtures.

Jigs and fixtures refer to the working mechanism of machines. They generally consist of work piece clamping accessories, machine parts or working attachments to these working machines. These parts are subject to wear and tear due to continuous use and need to be replaced periodically. As they are specialised parts, these parts are not readily available and therefore need to be fabricated specifically.

(iv) Repairs and Maintenance Services

Another supplementary segment of the LNG Group's business is the reliance by existing customers for regular moulds, tools, dies, jigs and fixtures repair, maintenance support and mould modification services. As the LNG Group has proprietary rights over all of its in-house moulds, tools, dies, jigs and fixtures design drawings, the customers will normally obtain the LNG Group's support to fabricate replacement parts and rectify worn out parts.

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

(v) Plastic Injection Moulding and Insert Moulding

The LNG Group's plastic injection moulding services are catered mainly for the semiconductor, electrical and electronics and telecommunication industry. Its products can be broadly classified into different categories, namely semiconductor components, connector parts, mechatronic parts and electronics & electrical components. These parts are intermediary products, which are used as inputs in the final assembly of finished products.

The LNG Group also provides insert moulding services. Insert moulding is a manufacturing process whereby a plastic component is subjected to a further encapsulation process to combine different components together to form a single final product. In the case of connectors, the LNG Group uses this process to combine the metal terminal pins to the plastic connector component to produce the final single heterogeneous product.

4.2.3 Technology

For its product design and development process, 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 usage of CAD and CAM softwares enables the LNG Group to simulate assembly in the context of a full-scale digital mock-up. The use of 3-dimensional models enables the direct elimination of any mould parts interferences by providing digital simulation of a 'virtual fit' scenario as well as speeding up the whole design and engineering process.

The LNG Group utilises modern CNC machines, including CNC milling machines, CNC EDM, CNC WEDM and CNC Profile Grinding machines which are able to provide tolerance limit of up to $\pm 0.001\text{mm}$. The LNG Group also owns an 11-axis CNC Profile Grinding machine and a 5-axis CNC Profile Grinding machine to carry out precise complex contour profiling. The LNG Group is also equipped with conventional mould and die fabrication 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 the following benefits:

- (a) more accurate designs with fewer errors due to the elaborate simulation process using CAD software;
- (b) high precision in the fabrication process;
- (c) shorter lead time from design to delivery; and
- (d) higher levels of automation and accuracy as CNC machines operate automatically and can be operational 24 hours a day.

4.2.4 Patents

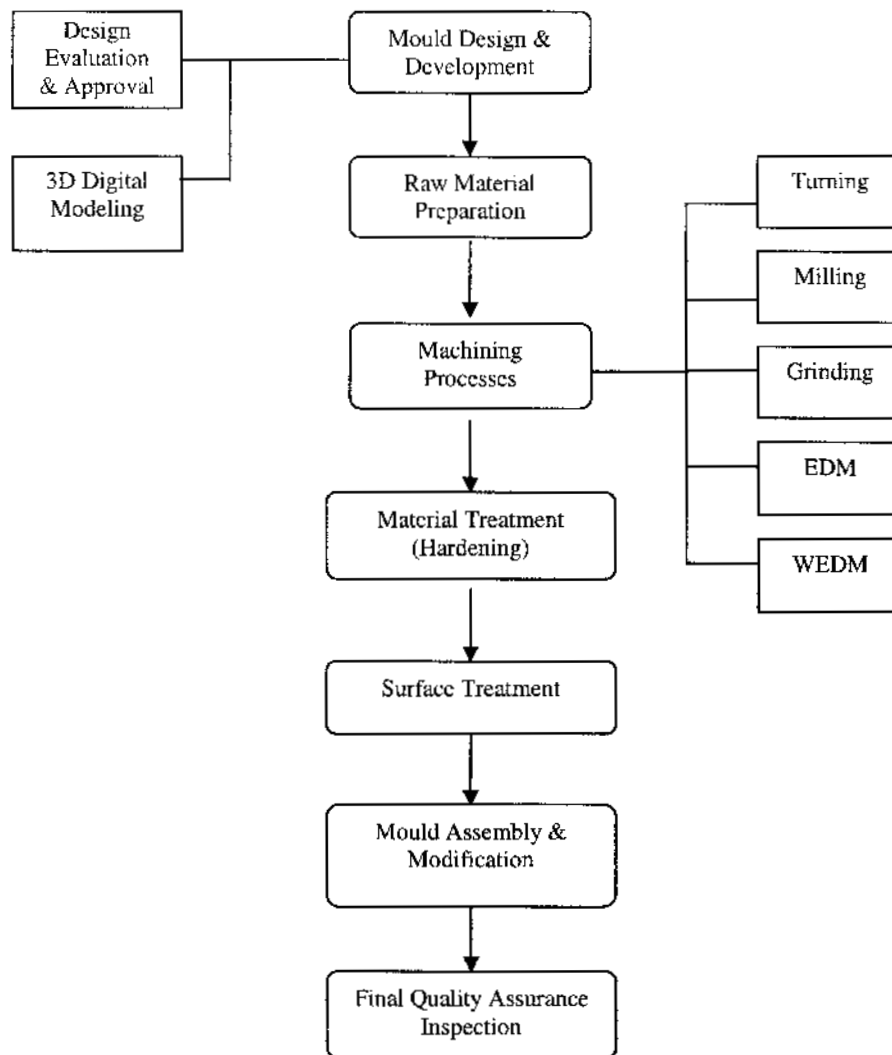
The LNG Group designs moulds, tools, dies, jigs and fixtures for its customers should the customers require such services. The LNG Group does not register any patent for its products as the moulds, tools, dies, jigs and fixtures manufactured could only be used for a specific purpose by the specific customer. 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 LNG Group is protected by the general copyright laws in Malaysia for its proprietary product designs.

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

4.2.5 Production Process

(i) Precision Engineering Division

A typical manufacturing process of a precision mould is illustrated as follows:



The descriptions of the major processes are as follows:-

Mould Design and Development

During the enquiry stage, the Group either receives the specification of a product or the physical object from the customer.

The mould designers and the R&D team would together analyse each product and design the mould to produce such product. The mould design would be reviewed to achieve the most efficient manner of production without compromising the functionality or aesthetics of the product.

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

This involves using 2-dimensional and 3-dimensional CAD and CAM software to design, draw and digitally simulate mould prototype for the required product taking into consideration the 'virtual fit' from a 3-dimensional solid model perspective and of the interchangeable parts of the mould. 3-dimensional geometries required in a mould assembly in this instance can be constructed, visualised, verified before the mould is actually manufactured. That is, the whole mould assembly such as A plate, B plate, mould inserts and moving parts and even the water-lines and pin-holes are ready for digital simulation to ensure high quality products.

Raw Material Preparation

Raw materials are sourced and cut into desired sizes using bandsaw or parting machine before machining process.

Machining Process

The following describes briefly the machining processes available in the fabrication facility.

Sub-Process	Description
<i>Turning</i>	Raw Materials in round bar form are turned at high speed and cut, drilled, tapped, threaded, pocketed and slotted into the desired shapes and dimension by cutting tools using lathe machine.
<i>Milling</i>	Raw materials in the form of flat or extruded sections are placed on machine table and cut, drilled, tapped, threaded, pocketed and slotted into the desired shapes dimension by cutting tools using milling machine.
<i>Grinding</i>	<p>Grinding is an abrasive machining process whereby metal, or other materials are removed in the form of fine chips through the use of small cutting edges. Due to these small cutting edges, the grinding process is capable of producing fine tolerance parts and good surface finishes on hard surfaces depending on the type of abrasive grinding stone use.</p> <p>Two type of grinding processes are used depending on the profile required. For 2 dimensional surfaces, the conventional grinding machine is used.</p> <p>For complex contour profiling parts, the 5-axis and 11-axis Profile Grinding machine is used to achieve the desired results.</p>
<i>EDM</i>	An Electrical Discharge Machine uses evenly distributed, controlled electric spark to make the required shape and profile on the workpiece. This process requires an electrode, a power source and a tank filled with dielectric fluid. The electrode is fabricated in accordance with the specified shape and profile for the intended final result. During the EDM process, the workpiece is connected to one side of the power supply, placed and submerged in the tank of dielectric fluid. The dielectric fluid is essentially a medium to act as a fast removal of unwanted particles with minimum electrode wear during the electric discharge. As the electrode is lowered, an identical shape and profile of the electrode is produced on the workpiece with the intended depth and impression.

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

Sub-Process	Description
WEDM	WEDM is a special form of electrical discharge machining wherein the electrode is a continuously moving conductive wire. Material removal is effected as a result of spark erosion as the wire electrode is fed (from a spool) through the workpiece. In most cases, horizontal movement of the worktable, controlled by computer numerical control (CNC) on modern machines, determines the path of the cut. WEDM allows intricate cutting and shaping of materials to any dimensional size and shape.

Material Treatment

This involves hardening the material through high temperature furnaces such as muffle furnace, fluidised furnace and vacuum furnace to the desired hardness.

Surface Treatment

This involves surface treatment on certain finished products for additional coating layer via electrolyte with sulphuric acid, anodising, hard coating, titanium nitriding, sulphur nitriding, chromium nitriding, washing and sealing processes. Subsequent lapping and polishing process is added to attain a shiny and smooth surface which prevents adhesion of foreign and unwanted material during mass production.

Mould Assembly and Modification

The mould is then assembled from all the components, parts and inserts to form the completed mould. This resulting mould is inspected with inspection machine to ensure the dimensions of the resulting mould is the same as that of the computerised drawings and that it is within the tolerance limit from the reference points.

Final Quality Assurance Inspection

As the products and / or their parts and components tend to be sophisticated in design, the Directors considers that the quality of the Group's products is essential in retaining existing customers and attracting new ones as well as for maintaining its status as a high quality precision engineering services provider. As a result, the Group applies control checks at various stages of the production process to facilitate corrective actions to eradicate causes of deviation at their sources.

Advance and high technology inspection instruments are used to ensure product quality and consistency, such as the use of 100x Profile Projector, High Performance Vision Machine and non-contact Coordinated Measuring Machine that has accuracy measure of 0.001mm.

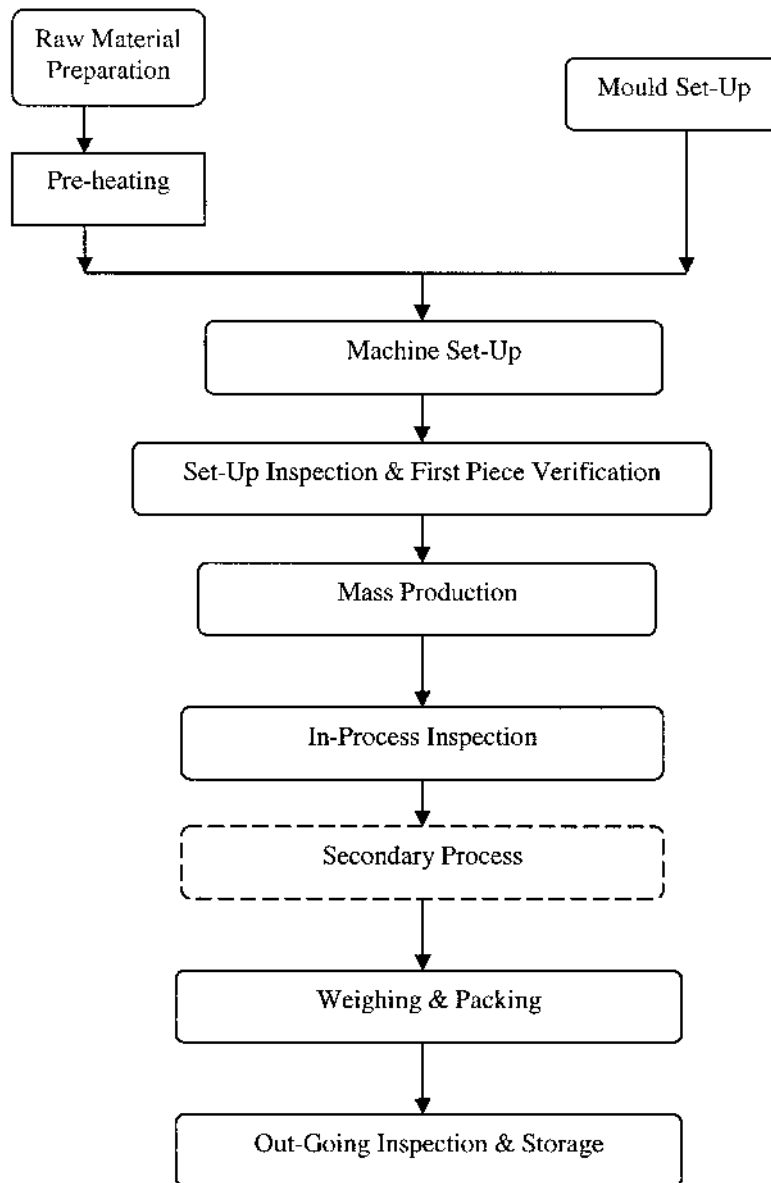
Besides conducting own internal quality audit regularly, the Group's quality management system is also subject to reviews by customers and bi-annual external audits carried out by SGS Yarsley in compliance with the criteria set under ISO 9002 certification.

The manufacturing process of tools, dies and fixtures is similar to moulds.

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

(ii) **Precision Injection Moulding and Insert Moulding**

The precision injection moulding and insert moulding process is illustrated in the diagram below:-



The precision injection moulding process begins by preheating plastic resin in a dehumidifying dryer. The pre-heated resin is then poured into the heated chamber / hopper of the moulding machine where the resin is melted at high temperature to arrive at its molten form. Subsequently, a ram moving at high speed will inject the molten resin, under high pressure, into a metal mould to fill up its cavities. For each plastic product produced, an appropriately customised mould is mounted on the plastic injection moulding machine according to their tonnage requirements.

4.0 INFORMATION ON THE LNG GROUP *(Cont'd)*

The high pressure is maintained against the molten resin to allow the resin to solidify within the mould at low temperature into predetermined shape and size of the plastic parts. The temperature is controlled by water flowing through channels in the mould. The hardened plastic parts are then ejected from the mould or removed for packing. Machine operators will conduct visual inspection on the plastic parts as a quality surveillance check before packing for delivery to customer or for secondary processing.

Secondary processes, if required, are carried out after the plastic components are manufactured. These normally involve work of assembling and fixing parts of plastic components together in accordance with customer's requirements.

Quality control for plastic injection process commences from the time the raw material is received from the suppliers, where the quality control department conduct checks at each critical stage to ensure that the final product conforms to the quality requirements

The same process is used for insert moulding where other components such as metal parts are moulded together with plastic parts. The process is similar to that of injection moulding except that the other components are loaded to the mould cavity each time before the secondary injection moulding process is undertaken.

4.2.6 Principal Markets, Marketing and Distribution

Currently, the LNG Group's products and services cover various industries such as semiconductor, electrical & electronics, computers and telecommunication products within the manufacturing sector.

The LNG Group's products are mainly sold to MNCs located in Malaysia, which export their final products worldwide. MNCs are increasingly outsourcing their manufacturing process from moulds, tools, dies, jigs and fixtures fabrication and production of intermediary component parts of their finished products. LNG Group is capitalising on this trend whereby it can offer its expertise, capabilities and services to support the MNCs' operations and markets.

The LNG Group markets its products and services via a direct marketing approach and referrals from existing customers. The sales and marketing team would normally approach customers directly to seek sales orders. Meanwhile, the existing customer base of LNG Group would normally provide referrals to the Group by referring its own customers or via introduction of the company's related companies. Other marketing methods used by the Group include participating in trade exhibitions such as EU-Partenariat organised by MITI and Internet website. Marketing efforts are being dispensed to secure direct export orders from existing MNCs and new customers.

4.2.7 Source and Availability of Raw Materials

The raw materials used by the LNG Group are sourced locally as well as imported. To ensure competitive pricing and reliability of supply, the LNG Group sources its raw materials from a pool of suppliers with established business relationships with the LNG Group. To minimise dependence on any one particular supplier, effort is made to ensure that each type of raw material is sourced from several suppliers.

The principal raw materials used in the precision engineering division are steel, aluminium, carbide and consumables tools. These are largely sourced locally with less than 13% of the total cost of such purchases being imported directly. The principal raw materials for the precision injection moulding division are polyphenylene sulfide resin, polyamide resin and polybutyrene terephthalate resin. Due to the availability of the raw materials from long established suppliers, the Group is confident that there will not be any disruption in the supply of raw materials.

4.0 INFORMATION ON THE LNG GROUP *(Cont'd)*

Notwithstanding the good relationship with the existing suppliers, the LNG Group can easily switch suppliers due to the generic nature of the raw materials which are readily available. The LNG Group did not experience any disruption in the supply of raw materials for the past 12 months from the date of this Prospectus.

4.2.8 Quality Control

The LNG Group adopts a stringent internal quality management assurance policy to ensure that products fabricated and supplied by the LNG Group are of high quality and meet the specifications and stringent requirements of its MNC customers. The Directors consider the consistent high quality of the LNG Group's products as an essential attribute in retaining existing customers and attracting new ones as well as maintaining its status as a high precision engineering services provider. The LNG Group is thus, committed to maintaining a high standard of quality control during the entire design and production process.

The LNG Group conducts control checks at various stages of the production process to facilitate corrective actions in order to eradicate any cause of deviation at their sources. Technological advanced inspection instruments, such as the 100x Profile Projector, High Performance Vision Machine and Non-Contact Co-ordinated Measuring Machine that has accuracy measure of 0.001mm, are used to ensure product quality and consistency.

Besides conducting its own internal quality audit regularly, the LNG Group's quality management system is also subject to reviews by customers and bi-annual external audits carried out by SGS Yarsley in compliance with the criteria set out under ISO 9002 certification.

4.2.9 R&D

The LNG Group 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 LNG Group's R&D activities are carried out by EPI and headed by Low Chee Thean since the establishment of the R&D Department in 1997. The R&D team personnel, mainly, comprising designer and machinery specialists who are able to harness their broad experience and wide exposure to different facets of the moulds, tools, dies, jigs and fixtures processes, are able to combine different designs, engineering and technological concepts to derive improved, more effective product designs and manufacturing processes.

No specific amount has been allocated for R&D annually as the focus is on-the-job continuous improvement and will be incurred as and when needed. The LNG Group provides in-house training programmes for new employees, external training through various courses on CNC machine programming and handling, and cross jobs functional training.

4.0 INFORMATION ON THE LNG GROUP *(Cont'd)*

The LNG Group has the following R&D objectives:

(i) **Production Process**

One of the objectives of R&D is to develop 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. The management is constantly looking into areas of improvements in the production process to increase its skills, productivity and shorter turnaround time for its products fabrication. The development of a production process methodology is crucial to operate at lower costs and efficiency, which inadvertently would provide the LNG Group competitive advantages.

(ii) **Design Process**

The LNG Group places great emphasis on design and development as it lays the foundation of well-designed quality moulds, tools, dies, jigs and fixtures. Unlike other products, the moulds, tools, dies, jigs and fixtures' product enhancement will give a direct benefit to the producer of the end-products, usually in terms of shorter cycle time, reduction in wastage, higher precision and reduced maintenance. This would be particularly important to LNG Group as it also supplies the engineering plastic injection moulded products where the entire design and maintenance of moulds to the finished plastic injection moulded products are sourced out by its customers. With an efficient design, the LNG Group would be able to reduce operating costs in the Precision Injection Moulding Division.

(iii) **Downstream Product Diversification**

The LNG Group is continuously studying into increasing their area of competency by growing out from a supporting engineering entity into a more comprehensive solutions provider to its customers.

(iv) **Machine Usage and Technological Upgrades**

Machines, especially the CNC machines, are essential tools for the precision engineering industry and to remain competitive, the LNG Group recognises that it is imperative to keep abreast with the technology advancements of these machines.

In order to meet its R&D objectives, the LNG Group has the following R&D strategies:

(a) **Increase R&D manpower, training and resources**

The LNG Group intends to employ additional experienced R&D staff. This would enable the LNG Group to further enhance its ability to develop moulds, tools, dies, jigs and fixtures and shorten the product development cycle. Continuous staff training and development would be emphasised to update the technical knowledge of employees.

4.0 INFORMATION ON THE LNG GROUP *(Cont'd)*

(b) Keeping abreast with new technologies

The LNG Group's R&D team constantly keeps abreast with new technologies in machinery and software capabilities as well as design innovations. The LNG Group believes that it has to continuously re-develop and update its engineering proficiency to incorporate any new developments in product design and production process innovation. Hence, the LNG Group believes in investing in new CAD / CAM software and CNC machinery and equipment to ensure its products and process innovation stays competitive.

The R&D team has the responsibility of identifying new developments in these areas and to procure the machinery and software which provides the necessary technology at acceptable costs and returns to the LNG Group.

(c) Emphasis on development of integrated processes

The LNG Group would capitalise on its management's experience and expertise in precision engineering to develop integrated processes such as research into high speed precision metal stamping and the connectors manufacturing process. The LNG Group would also focus on enhancing the designs of existing moulds for fine pitch connectors.

(d) Collaboration with MNCs

Through the years, the LNG Group has established close rapport and strong relationship with foreign MNCs and would regularly engage in technical discussions and collaborations in moulds, tools, dies, jigs and fixtures' designs. The LNG Group believes that such collaboration is necessary especially if the LNG Group's products need to stay at the cutting edge to meet the international standards as demanded by the MNCs.

The LNG Group is expected to incur an estimated RM222,000 in R&D expenditure and approximately RM1.4 million in machinery acquisitions for the financial year ending 31 December 2003. The Directors of LNG Group envisage that the investment in R&D will fuel the Group's development in design and product innovation in the coming years and that R&D will continue to be one of the fundamental focuses of the LNG Group in the future.

4.2.10 Interruptions in Operations

The LNG Group did not experience any disruption in business which has a significant effect on its operations for the twelve (12) month period prior to the date of this Prospectus.

4.2.11 Information on Employees

As at 16 June 2003, the LNG Group has a total of 156 employees. In terms of skilled labour, LNG Group has 100 skilled employees who are mainly machinists, technicians, designers and production leaders, which represent 64.1% of the total staff employed by the Group.

The total number of employees and length of service as at 16 June 2003 are as follows:

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

Categories of staff	<-----Length of service----->			
	More than 5 years	2 to 5 years	Less than 2 years	Total
Directors	2	-	-	2
Managers	3	1	2	6
Senior Machinists, Executives, Designers	11	22	21	54
Technicians, Junior Machinists, Production Leaders	1	18	36	55
Production Operators, General Workers and Clericals	-	6	33	39
	17	47	92	156

The Directors of LNG believe that the working relationship between its senior management with its employees is good. There are no labour or industrial disputes between the employees and the management. The employees do not belong to any labour union and enjoy a cordial relationship with the management.

The LNG Group is constantly grooming its employees with cross functional training and job rotations to produce multi-skilled machinists who will be adept in the functions and handling of the different machinery utilised by LNG Group's plant, ranging from conventional tooling machines to advanced CNC machines. This provides the employees the opportunity to have hands-on experience in various production processes of a precision mould and die manufacturing facility.

As at 16 June 2003, foreign workers represent less than 11% of the Group's workforce in Malaysia.

4.2.12 Key Achievements / Milestones / Awards

The fact that LNG Group is a long established supplier to many of the quality conscious MNCs is a testimony of the Group's track record in consistently producing high standard products and services which meet the MNCs' requirements. The high precision engineering division through EPI and AMT was accredited with ISO 9002 by SGS-Yarsley of the United Kingdom in 2000.

The ability to forge ahead in design, engineering and technological innovations brought about breakthroughs for the Group in the fabrication of precision IC mould set and fine pitch connectors mould set in 1996 and 2000 respectively. This was made possible through the technical collaborations with its MNC customers and R&D team's effort.

4.0 INFORMATION ON THE LNG GROUP (Cont'd)

4.2.13 Location

As at 16 June 2003, the Group operates from three production facilities, of which two of the properties are owned by the Group.

Location / Built-up Area	Beneficial / Registered Owner	Manufacturing Company	Annual Production Capacity
K95, Kawasan Perindustrian Tanjung Agas, 84000 Muar, Johor / 1,558.25 sq metres	FFI	EPI	124,000 machine hours
K84, Kawasan Perindustrian Tanjung Agas, 84000 Muar, Johor / 1,226.31 sq metres	VPI	GCP	155,000 machine hours (31.5 million shots)*
K42, Kawasan Perindustrian Tanjung Agas, 84000 Muar, Johor / 498.69 sq metres		AMT	35,000 machine hours

* Number of shots is derived from the basis of 4 cavities mould set with a 15-second cycle time at 85% efficiency.

4.2.14 Competitive strengths

LNG Group believes it has the following competitive strengths:

(a) Synergistic Integrated Operations

The LNG Group is able to provide a 'one-stop' sourcing centre for its customers. With the forward expansion into engineering plastic injection moulding, the LNG Group is able to offer solutions with in-house ability ranging from design and fabrication of mould sets to manufacturing of precision plastic components. This enables the customer to evaluate their mould on-site to ensure conformance of end-products, resulting in costs and time savings, and minimising the co-ordination efforts by reducing their supply linkages.

Having vertical integration of EPI, AMT and GCP's complementary operations, the LNG Group is also able to widen its sales orders by generating forward and backward sales opportunities. This arises due to the pulling factor in which either of the divisions may attract orders for its other complementary integrated services.

(b) Technological Edge

The LNG Group owns a comprehensive and technological advance range of CNC machinery such as Swiss made Doebeli 11-axis Profile Grinding machine, Doebeli 5-axis Profile Grinding machine, Makino High Efficiency Machining Center, CNC EDM machine etc. These machines have a precision tolerance limit of up to ± 0.001 mm. The Directors reasonably believe that few locally-owned companies in the mould and die industry are able to cater for MNC customers' stringent demands for IC mould set and fine pitch connector mould set. In addition, for its product design and development process, the LNG Group applies CAD and CAM software technologies to develop designs of moulds, tools, dies, jigs and fixtures. The usage of CAD and CAM softwares enables the LNG Group to simulate assembly in the context of a full-scale digital mock-up.