

## 5.0 INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 5.1 Substantial Shareholders and Promoters

The promoters and substantial shareholders (holding 5% or more in the share capital) of the Company are as follows:

Designations	After Public Issue				
	^Direct		Indirect		
	No. of shares	%	No. of shares	%	
Low Chee Thean	Chairman / Managing Director	*32,751,610	36.39	-	-
Ng Boon Keong	Executive Director	*7,826,410	8.70	-	-
Liew Swee Song <sup>@</sup>	-	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 <sup>@</sup>	Production Supervisor	4,457,500	4.95	-	-
Ng Boon Hin <sup>@</sup>	Production Supervisor	4,177,600	4.64	-	-

Notes:

\* Low Chee Thean and Ng Boon Keong, who are also Directors of the Company 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 Low Chee Thean and Ng Boon Keong 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	%
Low Chee Thean	37,751,610	32.27	-	-
Ng Boon Keong	12,826,410	10.96	-	-

<sup>^</sup> Assuming full subscription of the shares offered to eligible directors and employees of the LNG Group under the Public Issue.

<sup>@</sup> A promoter of the Company but not a substantial shareholder.

None of the promoters or substantial shareholders of the Company have any directorships and/or substantial shareholdings in any public companies over the past two (2) years up to 16 June 2003.

### 5.2 Changes in Substantial Shareholdings

The changes in the substantial shareholdings of LNG since its incorporation are as follows:

	As at incorporation				After Acquisition of Companies but before Public Issue			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Majelis bin Majid	10	50	-	-	-	-	-	-
Shafie @ Mukhriz bin Mohamad	10	50	-	-	-	-	-	-
Low Chee Thean *	-	-	-	-	32,594,510	42.61	-	-
Ng Boon Keong *	-	-	-	-	7,669,310	10.03	-	-
Liew Swee Song *	-	-	-	-	4,472,400	5.85	-	-
Koh Soo Guan *	-	-	-	-	6,831,200	8.93	-	-

## 5.0 INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

	As at incorporation				After Acquisition of Companies but before Public Issue			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Tee Yong Ngo *	-	-	-	-	5,464,900	7.14	-	-
Ng En Kee *	-	-	-	-	4,307,500	5.63	-	-
Ng Boon Hin *	-	-	-	-	3,957,600	5.17	-	-
Kok Wee Siang	-	-	-	-	4,408,200	5.76	-	-

\* Promoter of the Company

### 5.3 Directors

#### 5.3.1 Profile

##### *Board of Directors of LNG*

**Low Chee Thean**, aged 44, is the Chairman and Managing Director of LNG. He is one of the co-founders of the LNG Group, building the Group from a start-up in 1994 to a reputable integrated precision engineering manufacturing group of companies. He has more than 20 years of precision engineering experience in the mould and die industry. He started as an apprentice with Sandpipers Precision Sdn Bhd, a precision tooling workshop, in 1979 and progressed to Seong Hin Precision Engineering Works Sdn Bhd, an engineering services company, in 1980 whilst taking self studies on Mechanical Engineering with emphasis on workshop engineering.

Throughout his career, he was actively involved in the fabrication of precision parts having garnered extensive hands-on experience in his previous employment. Thereafter, he was actively involved in planning, quality assurance and design work. He continued to expand his technical knowledge by attending trainings on CNC grinding machines in the United Kingdom and injection moulding machines by German manufacturers.

As the Managing Director of the Group, Mr Low has been the main driving force of the LNG Group, which had recorded steady growth during the last 8 years. His sound technical background and management has taken the Group to the forefront of the precision engineering industry in terms of technical development of precision integrated circuit and connector parts moulds. Together with a dedicated and experience team who is actively involved in R&D, he has also established a sound working relationship with the Group's major customers and as a result he is able to keep abreast with the latest technological trend and technical developments in line with its customer requirements.

**Ng Boon Keong**, aged 34, is an Executive Director and a co-founder of the LNG Group. He is in charge of the operations, sales and marketing functions of the Group. Together with Low Chee Thean, they built the Group into an established "one-stop" precision engineering and precision injection moulding manufacturer that caters to the stringent requirements of major MNCs located in Malaysia.

In 1994, having garnered more than 7 years of experience in the precision engineering industry prior to joining EPI, he was instrumental in setting up and organising the production process of EPI. During the first 2 years in EPI, he was responsible for training and organising a dedicated team of technical staff to fabricate precision moulds, tools and dies according to customers' requirements. His expertise is in the area of precision engineering design, customer technical support and sales and marketing. He is also part of the R&D team and provides valuable input gathered from customers' requirements for new designs of moulds, tools, dies, jigs and fixtures.

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## 5.0 INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

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Mr Ng is one of the core team members that have contributed towards the steady expansion of the Group over the past eight (8) years. He has made significant contributions to the Group in terms of plant operations and development of product designs, in which the Group has more than a hundred in-house mould designs as at today. He is actively involved in the set-up of GCP production facilities and its day-to-day running operations. Presently, he is also responsible for the overall precision injection moulding operations in GCP.

He is also involved in technical discussions and collaborations with MNCs in relation to the final products manufactured, which involved mould design and fabrication of high speed stamping die, the specifications of the final products and the assembly mechanics of metal insertions.

**Aaron Sim Kwee Lein**, aged 37, is an Independent Non-Executive Director of LNG. He was admitted as a member of the Chartered Association of Certified Accountants (“ACCA”), United Kingdom in 1995. In addition to being a Fellow Member of the ACCA, he is a Chartered Accountant of the Malaysian Institute of Accountants and a Chartered Member of the Institute of Internal Auditors Malaysia.

He commenced his career in 1992 with BDO, an international accounting firm and gained professional exposure in stock-broking, trading, manufacturing and construction concerns. Thereafter in 1994, he joined Pengkalen Holdings Berhad (now known as Pan Malaysia Berhad), a listed company on the Main Board of the KLSE, as an Internal Auditor where he was engaged in audit work of stock-broking, manufacturing, retail and distribution concerns. In addition, he was also involved in due diligence, operational rationalization and strategic planning work of corporate acquisitions. In 1996, he joined TCBY (Malaysia) Sdn Bhd, a food retail franchise chain company as the Finance & Administrative Manager. Subsequently, in 1998, he joined a company which has interest in food retailing chain stores, trading and amusements. In 1999, he joined a glove manufacturing company as the Senior Manager of Internal Audit and left as the Deputy General Manager in 2001. He is currently a consultant with Omni Biz Consulting, offering business and financial advisory services.

**Lok Choon Hong**, aged 32, is an Independent Non-Executive Director of LNG. He graduated with a LLB (Honours) from Universiti Malaya in 1995 and was awarded the Book Prize Winner for 1992 and 1993 in University Malaya. He furthered his studies at Cambridge University and graduated with a LLM (Commercial Law) in 1997.

Mr Lok commenced his career as a Legal Advisor with the Consumers Association of Penang. He then joined Messrs Soo Thien Ming and Nashrah, a legal firm in Malaysia, in 1997 as a Legal Assistant. Subsequently, he progressed to Messrs Derek Chew & Co, a legal firm, as a partner in 1998 before setting up Pintas Consulting Group Sdn Bhd, a consulting firm specialising in intellectual properties law, in 1999. He is currently a Director of Pintas Consulting Group Sdn Bhd, Pintas IP Group Sdn Bhd and Pintas Pte Ltd, Singapore. He was also made a partner of Messrs Amimi & Associates, a legal firm, in 2000. He is currently a registered patent, trademark and industrial design agent in Malaysia.

Mr Lok is a member of the Legal Committee and Human Resources Development Committee of the Malaysia Associated Chinese Chambers of Commerce and Kuala Lumpur and Selangor Chinese Chamber of Commerce.

## 5.0 INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

### 5.3.2 Directors' Shareholdings in LNG

The shareholdings of the Directors in LNG prior to the Public Issue are as follows:

Directors	Direct		Indirect	
	No. of shares	%	No. of shares	%
Low Chee Thean	32,594,510	42.61	-	-
Ng Boon Keong	7,669,310	10.03	-	-
Aaron Sim Kwee Lein	-	-	-	-
Lok Choon Hong	-	-	-	-

### 5.3.3 Directors' Directorships and Substantial Shareholdings in Other Public Companies for the Past Two (2) Years

Other than Lok Choon Hong who is an Independent Non-Executive Director of PUC Founder (MSC) Berhad, none of the other Directors of LNG have any other directorships and/or substantial shareholdings (5% or more of the issued and paid-up share capital) in other public companies for the past two (2) years.

### 5.3.4 Directors' Remuneration and Benefits

The remuneration and benefits paid to the Directors of the Group for services rendered in all capacities to the Company and its subsidiaries for the financial year ended 31 December 2002 amounted to RM210,035. For the financial year ending 31 December 2003, the amount payable to the Directors of the Group is estimated at RM492,000.

## 5.4 Audit Committee

LNG has set up an Audit Committee on 30 May 2003. The Committee comprises the following Board Members:

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

The Audit Committee is responsible for the recommendations to the Board regarding the selection of the external auditors, reviewing the results and scope of the audit and other services provided by the Group's external auditors and reviews and evaluates the Group's internal audit and control functions. The Audit Committee is also responsible for the assessment of financial risk and matters relating to related party transactions and conflict of interests. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

## 5.5 Key Management

The management team is headed by Low Chee Thean. Assisting him is the Executive Director of the Company and a team of experienced management and technically qualified personnel. The particulars of the key personnel are as follows:

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## 5.0 INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

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### 5.5.1 Profile

**Tee Yong Ngo**, aged 33, is the Production Manager and one of the co-founders of the Group. He has accumulated over 15 years of experience in the precision engineering industry. He started his career in 1987 as a grinding machinist and had since specialised in the grinding process. In 1994, he joined EPI as Production Executive and was instrumental in the training of staff as grinding machinist. During his tenure with EPI, he had training exposure in CNC WEDM and CNC EDM programming and operation of machines. In 1997, due to his technical knowledge and production management, he was promoted to Production Manager. As the Production Manager, he is involved in the training of his production staff by equipping them with technical knowledge and hands-on guidance. Presently, he is also involved in the provision of customer technical support services to support the Group's Sales & Marketing department.

**Chithra Devi a/p Karuppiah**, aged 38, is the Quality Assurance ("QA") Manager for the precision mould and die division and is also a pioneer member of the team at EPI in 1994. She has more than 12 years experience in quality assurances in the precision engineering industry. She gained her experience in QA through hands-on knowledge in the industry's products and employing QA techniques learned through QA courses. In her career, she has worked her way up from a Quality Control ("QC") clerk in 1990 to QA/QC Inspector prior to joining EPI. At EPI, she is one of the pioneering staff, and is responsible for store, administrative and QC functions. She has been instrumental in setting up the QA department and its functions for EPI and is constantly upgrading the standard of quality in the Group by employing proven QA techniques and advanced equipment. She was also instrumental in obtaining the ISO 9002 certification for EPI.

**Mohd Zamri B. Selamat**, aged 35, is the Group's Administration Manager and the Quality Management Representative. He obtained his diploma in Accounting from Politeknik Ungku Omar, Ipoh in 1989 and has more than 10 years of working experience in various areas of administrative work. He started his career with Raki Thomas & Ramaan (Public Accountants) as Audit Junior in 1990. Thereafter, he joined Pacific Bank Berhad as an Accounts Clerk until he left to join S.C. Lim & Co (Public Accountants) in 1995 as a Liaison Officer, responsible for dealings with matters pertaining to governmental and regulatory bodies. In 2000, he joined EPI as an executive in the Human Resources Department and was promoted to his present position a year later. During his tenure with EPI, he was instrumental in assisting EPI achieve the ISO 9002 quality management system certification from SGS Yarsley International, United Kingdom and the subsequent implementation of the standards thereof. His main responsibilities currently are in human resource development, general administration, public relations, liaison with governmental agencies and maintaining the quality management system under ISO 9002.

**Ramamurthy Mookanahalli Patna Ramasesha**, aged 31, is an Indian national who is the principal R&D and Design Engineer of the Group. He graduated with first class honours from the University of Bangalore in Mechanical Engineering in 1995. Prior to joining EPI in 2001, he was employed by Paramount Connectors Systems Pte. Ltd and Indian Refrigeration Co. Ltd. as Senior Design Engineer. He has extensive experience in designing and developing press tools and injection moulding dies. As a designer, he is also responsible for coordinating the product design and manufacturing of the Group's products. He is currently responsible for the development of designs for moulds, dies and tools for the Group and reports directly to the Directors.

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## 5.0 INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

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**Tan Pck Hoon**, aged 32, is the Finance Manager of the Group. She graduated from Heriot-Watt University with a Bachelors degree in Accountancy & Finance. She is a member of the Association of Chartered Certified Accountants, UK and a Chartered Accountant with the Malaysian Institute of Accountants. She commenced her career with Guolenc Woven Products Sdn Bhd, a company manufacturing woven bags for industrial use as a Production Executive, where she was responsible for production planning and coordination. In 1996, she joined B.K. On & Co, a public accounting firm, as an Audit Assistant. In 2000, after more than 3 years in the audit field, she joined Hong Leong Industries Berhad as an Assistant Accountant in the company's ceramic tiles division. She is well versed in the areas of financial management, secretarial matters, taxation and accounting. She joined EPI in 2002.

**Koh Soo Guan**, aged 35, is the Production Supervisor, primarily responsible for job order planning and facilities maintenance. He has more than 16 years of experience in the precision engineering industry and is also a co-founder of EPI. Prior to joining EPI, he had gained working experience in the area of milling as well as in the operations of EDM and Grinding machines. He is an integral part of the production team where his overall expertise and technical ability enables him to plan and schedule job orders effectively. He is also assigned the responsibility of overseeing the mould assembling process.

**Ng En Kee**, aged 34, is the Production Supervisor responsible for the handling of EDM machines. He has more than 15 years of experience in the precision engineering industry and has more than 10 years of experience in handling EDM machines. He is also one of the co-founders and Directors of AMT. He is currently responsible for the operations of EDM machines in EPI. With his all round technical knowledge in precision mould and tooling, he also leads a team of machinist and is an integral part of the core production team. He was also instrumental in setting up the EDM section for AMT.

**Ng Boon Hin**, aged 29, is the Production Supervisor, primarily responsible for the wire cutting section of the manufacturing process. He has more than 10 years experience in the precision mould and die industry. He is also one of the co-founders and Directors of AMT. He is well versed in the milling, grinding and EDM processes for the precision engineering industry. He is now leading a team of machinist who is responsible for the Group's wire cutting section of the manufacturing process. Presently, he is also involved in the provision of customer technical support services to support the Sales & Marketing department.

**Richi Maraparampil Redimdos**, aged 34, is an Indian national who is the R&D Manager of the Group. He obtained his diploma in Tool and Die Making from Nettur Technical Training Foundation, Kerala, India in 1990. He has more than 12 years of experience in various engineering fields related to design and fabrication of precision moulds, tools, dies, jigs and fixtures.

He commenced his career with VIP Industries as the Tool Room Officer in 1991. Thereafter, in 1993, he joined OEN Connectors Ltd., India as Tool Room Supervisor. In 1996, he joined Terengganu Advanced Technical Institute in 1996 as Instructor, where he developed and designed solutions for the local state industries and played a pivotal role in setting the engineering design syllabus for the Institute. In 1998, he joined Framatome Connectors Malaysia Sdn Bhd as Design Engineer and was subsequently promoted to Senior Design Engineer, heading the engineering department in 2000. During his tenure with Framatome Connectors Malaysia Sdn Bhd, he was responsible for the study and transfer of technology from Japan and other countries to the Malaysian plant. He was also responsible for the process engineering, upkeep, productivity and efficiency of the automatic connector assembly machines. As an integral member of the quality team, he assisted in implementing Total Quality Management, ISO 9002 and ISO 14000. He also assisted in the implementation of the Manufacturing Pro system for the Malaysian plant in year 2000. He joined EPI in 2002.

## 5.0 INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

### 5.5.2 Key Management's Shareholdings in LNG

The shareholdings of the key management after the Public Issue are as follows:

	<b>^Direct</b>		<b>Indirect</b>	
	<b>No. of shares</b>	<b>%</b>	<b>No. of shares</b>	<b>%</b>
Koh Soo Guan	7,051,200	7.83	-	-
Tee Yong Ngo	5,684,900	6.32	-	-
Ng En Kee	4,457,500	4.95	-	-
Ng Boon Hin	4,177,600	4.64	-	-
Chithra Devi a/p Karupiah	140,000	0.16	-	-
Mohd Zamri B. Selamat	80,000	0.09	-	-
Ramamurthy Mookanahalli Patna Ramasesha	15,000	0.02	-	-
Tan Pek Hoon	40,000	0.04	-	-
Richi Maraparampil Redimdos	50,000	0.06	-	-

*Notes:*

<sup>^</sup> Assuming full subscription of the shares offered to eligible directors and employees of the LNG Group under the Public Issue.

### 5.6 Declarations of Directors and Key Management

None of the Director or key management personnel is or was involved in the following events (whether inside or outside Malaysia):

- (i) A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel; or
- (ii) Conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (iii) The subject of any order, judgement or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

### 5.7 Relationship

Save for Ng Boon Keong and Ng Boon Hin who are siblings, there is no other family relationship or associations amongst the substantial shareholders, promoters, Directors and the key management personnel.

### 5.8 Service Agreements

As at the date of this Prospectus, none of the Directors or key management personnel has entered into any service agreements with the Group.

## 6.0 APPROVALS AND CONDITIONS

### 6.1 Conditions of Approvals

The Public Issue under the terms of this Prospectus was approved by the FIC, MITI, SC and KLSE on 18 November 2002, 4 December 2002, 8 January 2003 and 13 January 2003 respectively, subject to the following conditions:

Authority	Details of conditions imposed	Status of compliance
FIC	None	Not applicable
MITI	LNG is required to increase its Bumiputera equity shareholding to at least 30% five (5) years after its listing on the MESDAQ Market of the KLSE or one (1) year after achieving the profit track record equivalent to that required for a listing on the Second Board of the KLSE.	The undertaking letter by LNG to comply with this condition had been furnished to the KLSE on 17 June 2003.
SC	<p>(i) LNG is required to disclose the status of utilisation of proceeds from the Public Issue in its quarterly and annual reports until the said proceeds are fully utilised.</p> <p>(ii) LNG is required to furnish an undertaking to the SC that it will obtain written approval from the relevant authority(ies) for the extensions, which are currently used as temporary storage area and meeting room, to the building erected on PTD 6492, HS (D) 17708, Mukim of Kesang, District of Muar, State of Johor within a period of six (6) months from the date of the SC's approval.</p>	<p>LNG will disclose the status of utilisation of proceeds from the Public Issue in accordance with this condition.</p> <p>LNG had on 7 January 2003 furnished a letter of undertaking to the SC in compliance with this condition.</p>
KLSE	<p>(i) LNG is required to secure the approval of other relevant authorities on its listing proposal.</p> <p>(ii) LNG is required to obtain the written approval from the Land Registry of Johor to waive the expressed conditions on the use of the Group's land prior to the issuance of prospectus and furnish a copy of the approval letter to the Exchange.</p>	<p>The listing proposal of LNG was approved by the FIC, MITI, SC and KLSE on 18 November 2002, 4 December 2002, 8 January 2003 and 13 January 2003 respectively.</p> <p>FFI and VPI had on 11 December 2002 received an approval from the Land Office of Muar for the land to be utilised for the purpose of "precision moulds, tools, dies and parts" and "plastic injection moulded parts and components" respectively. Pursuant thereto, this condition had been met.</p>



## 6.0 APPROVALS AND CONDITIONS (Contd')

Authority	Details of conditions imposed	Status of compliance
KLSE (cont'd)	(iii) Upon the appointment of the proposed directors to the Board of Directors of LNG, LNG is required to furnish to the Exchange a letter of undertaking to fully comply with the NDP requirement, a letter from the Company and the directors and promoters on compliance with the Listing Requirements and confirmations from the independent directors that they qualify as independent directors pursuant to the Listing Requirements.	The relevant notice and confirmation had been furnished to the KLSE on 17 June 2003.
	(iv) LNG is required to seek shareholders' approval on the proposed ESOS and to furnish the final copy of the Bye-Laws and confirmation letter from its Adviser pursuant to the Listing Requirements.	Shareholders' approval for the proposed ESOS was obtained on 14 February 2003.
	(v) LNG is required to include a negative statement in its prospectus on the exclusion of profit forecast and projections from the prospectus and the reasons thereof.	LNG has disclosed its consolidated profit forecast in Section 9.5 of this Prospectus. The consolidated profit forecast is further supported by the Reporting Accountants' letter set out in Section 9.6 of this Prospectus. LNG Directors' analysis of the consolidated profit forecast, the sensitivity analysis and its dividend forecast are also set out in Sections 9.7 to 9.9 of this Prospectus respectively.

## 6.2 Moratorium on the Sale of Shares

Pursuant to the Listing Requirements, Shares held by the promoters of LNG amounting to 45% of the issued and paid-up capital of the Company at the date of admission of the Company to the Official List of the MESDAQ Market are to be placed under moratorium.

The promoters, save for Ng Boon Hin and Ng En Kee, whose Shares are subject to moratorium are set out below:

Promoters	Shares under moratorium upon listing		Shares under moratorium assuming full exercise of ESOS options	
	No. of shares	%	No. of shares	%
Low Chee Thean	31,220,852	34.69	31,220,852	26.69
Ng Boon Keong	7,669,300	8.52	7,669,300	6.55
Liew Swee Song	4,472,400	4.97	4,472,400	3.82
Koh Soo Guan	5,159,700	5.73	5,159,700	4.41
Tee Yong Ngo	4,127,760	4.59	4,127,760	3.53
	52,650,012	58.50	52,650,012	45.00

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**6.0 APPROVALS AND CONDITIONS (Contd<sup>1</sup>)**

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The moratorium has been fully accepted by the aforementioned promoters. They will not be allowed to sell, transfer or otherwise dispose of any part of their interest in the Shares under the moratorium within one (1) year from the date of admission of the Company to the Official List of MESDAQ Market, and thereafter, they are permitted to sell, transfer or otherwise dispose of up to a maximum of one third per annum of their respective shareholdings under moratorium on a straight line basis.

The restriction is specifically endorsed on the notices of allotment representing the respective shareholdings of the substantial shareholders/ promoters which are under moratorium to ensure that the Company's Registrars shall not register any transfer not in compliance with the aforesaid restriction.

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## 7.0 CONFLICT OF INTERESTS

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### 7.1 Interest in Similar Business

None of the Directors or substantial shareholders of LNG and its subsidiaries has any interest, direct or indirect, in any business carrying on a similar trade as the Company or its subsidiaries.

### 7.2 Related Party Transactions

There are no existing or potential related party transactions and between the LNG Group and its Directors, substantial shareholders and/or persons connected with such a director, substantial shareholder as defined under Section 122A of the Companies Act, 1965.

There are no existing or potential related party transactions and between the LNG Group and its key management / personnel.

None of the Directors or substantial shareholders has any interest, direct or indirect, in the promotion of any material assets acquired or proposed to be acquired or material assets disposed of or proposed to be disposed of by the Company or its subsidiaries within the two (2) years preceding the date of this Prospectus.

### 7.3 Declaration by Experts

Alliance hereby confirms that there is no existing or potential conflict of interest in its capacity as the Adviser for the Public Issue.

Messrs S C Lim & Co. confirms that there is no conflict of interest in their capacity as the Reporting Accountants in relation to the Public Issue.

Messrs W Y Chan & Roy confirms that there is no conflict of interest in their capacity as the due diligence solicitors in relation to the Public Issue.

Messrs Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd confirms that there is no conflict of interest in their capacity as the Valuers in relation to the Public Issue.

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## 8.0 OTHER INFORMATION CONCERNING THE GROUP

### 8.1 Licences and Permits

The licences and permits held by the Group required for the purposes of conducting its business are listed below:

Licences	Authority	Approval Period	Salient Conditions	Company	Status of Compliance
Manufacturing licence issued under Section 3 of the Industrial Co-ordination Act, 1975, for the manufacture of Moulds, Tools, Dies & parts, Machined Parts, Jigs & Fixtures	MITI	24 October 2001 The licence does not specify the date of expiry of the licence.	<ol style="list-style-type: none"> <li>All ordinary shares of the company that are held by foreigners cannot be disposed of without the prior written approval from MITI.</li> <li>The company, if possible, should appoint Malaysians to its Board of Directors. MITI should be informed of the details of the directors upon their appointment by the company as well as any changes to the Board of Directors.</li> </ol>	EPI	Not applicable Complied
Manufacturing licence issued under the Industrial Co-ordination Act, 1975, for the manufacture of plastic injection moulded products and components for camera, electrical and electronic industries	MITI	6 September 2002 The licence does not specify the date of expiry of the licence.	<ol style="list-style-type: none"> <li>At least 90% of the company's shares must be acquired and paid by Malaysians. In the event GCP were to issue additional shares, at least 70% of the additional shares have to be purchased and held by Malaysians, of which 30% of the said number of shares must be reserved. GCP has to consult with MITI prior to the distribution of the reserved shares.</li> <li>All ordinary shares of the company that are held by foreigners cannot be disposed of without the prior written approval from MITI.</li> </ol>	GCP	Complied
Manufacturing licence issued under the Industrial Co-ordination Act, 1975, for the manufacture of Moulds, Tools & Dies and Machined Parts including Jigs & Fixtures	MITI	31 March 2003 The licence does not specify the date of expiry of the licence.	<ol style="list-style-type: none"> <li>In general, the composition of the Board of Directors should reflect the equity structure of the company. MITI has to be informed of subsequent new appointments and any other changes to the Board of Directors.</li> </ol>	AMT	Complied

## 8.0 OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

### 8.2 Properties

Details of the properties of the LNG Group as at the date of this Prospectus are set out below:

Name of Registered owner/ Location	Description/ Existing use	Land area (sq. m.)	Built-up area (sq. m.)	Approximate age of buildings	Tenure	Audited net book value as at 31.12.2001 RM'000	Open market value RM'000	Revaluation surplus/ (deficit) <sup>#</sup> RM'000
<b>FFI *</b> Lot No. PTD 6491, HS (D) 17707, Mukim of Kesang, District of Muar, State of Johor	Industrial land erected with a block of single-storey factory together with a double-storey office block and a guardhouse annexed.	1,985.80	1,558.25	6 years	Leasehold for 60 years expiring on 12.05.2052	1,028	1,180	152
Bearing postal address: No. K-95, Kawasan Perindustrian Tanjung Agas, 84000 Muar, Johor Darul Takzim	Currently used as a production facility for EPI's operations and LNG's office head-quarters.							
<b>VPI **</b> Lot No. PTD 6492, HS (D) 17708, Mukim of Kesang, District of Muar, State of Johor	Industrial land erected with a block of single-storey factory together with a double-storey office block and a guardhouse annexed.	1,985.80	1,226.31	7 years	Leasehold for 60 years expiring on 12.05.2052	1,560	1,065	(495)
Bearing postal address: No. K-84, Kawasan Perindustrian Tanjung Agas, 84000 Muar, Johor Darul Takzim	Currently used as a production facility and administrative office for GCP's operations.							

#### Notes:

- \* The land title of FFI's property has an expressed condition that specifically states that the building erected on the said land must be utilised for the manufacturing of "Furniture" and other auxiliary buildings erected on the said land are allowed provided that they are utilised for businesses related to the manufacturing of "Furniture".
- \*\* The land title of VPI's property also has, amongst others, an expressed condition that specifically states that the building erected on the subject land must be utilised for the manufacturing of "Plywood Products" and other auxiliary buildings erected on the said land are allowed provided they are utilised for businesses related to the manufacturing of "Plywood Products".
- # Based on the audited net book value of the respective properties as at 31 December 2001.

EPI and GCP had, on 18 June 2001 and 4 July 2002 respectively, obtained the written approval from the Land Office of Muar stating categorically that it has no objection that these parcels of land be utilised for light industry purposes. Further to the approval from the Land Office of Muar, FFI and VPI had on 11 December 2002 received an approval respectively from the Land Office of Muar for the land to be utilised for the purpose of "precision moulds, tools, dies and parts" and "plastic injection moulded parts and components" respectively.

The net revaluation deficit of RM343,501 arising from the revaluation has been incorporated into the financial statements of the respective companies for the financial year ended 31 December 2002.

## 9.0 FINANCIAL INFORMATION

### 9.1 Historical Financial Information

The following is a summary of the proforma consolidated results of the LNG for the past five (5) financial years ended 31 December 1998 to 2002, 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* ('000)	76,500	76,500	76,500	76,500	76,500
Gross EPS (sen)	3.19	3.92	4.95	3.97	4.97
Net EPS (sen)	2.88	3.90	4.23	3.58	3.87

Notes:

Please refer to footnotes in Section 1.3.1 of this Prospectus

\* Based on the number of ordinary shares assumed in issue before the Public Issue.

### 9.2 Segmental Analysis of Financial Information

#### (a) Analysis by revenue

	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Products and services					
Moulds, tools and dies	5,579	6,984	7,324	7,194	7,467
Plastic components	-	78	3,598	3,283	5,809
	5,579	7,062	10,922	10,477	13,276

Revenue growth over the financial years under review was generally attributable to the continuous business expansion efforts and higher demand for the Group's precision engineering services in tandem with the electrical and electronics industry.

## 9.0 FINANCIAL INFORMATION (Cont'd)

During the financial year ended 31 December 2000, the Group recorded a decline in revenue growth from its precision engineering service division. This is due mainly to competitive pricing strategy adopted by the management to capture a higher sales volume. The decline in revenue growth from the precision engineering service division is however compensated by a substantial increase in revenue from the plastic injection moulding division which the Group operated for the full financial year. Consequently, total revenue registered a 55% growth.

In 2002, the plastic injection moulding division registered an increase in sales volume of approximately 186%. However, due to the competitiveness of this industry and the Group's promotion of its end-to-end precision engineering services to its existing customers, this growth was negated with the lower selling prices for its precision injection moulding products. Consequently, a 77% growth in revenue was registered for the plastic injection moulding division.

### (b) Analysis by gross margin

	1998	1999	2000	2001	2002
Products and services	%	%	%	%	%
Moulds, tools and dies	55	53	42	52	61
Plastic components	-	(197)	41	22	15
Overall	55	50	42	42	41

Over the financial years under review, gross margin of the Group fluctuated mainly as a result of the following factors:

- Capital expenditure

Capital investment in machinery may not generate revenue immediately. Such investment normally requires a gestation period for skilled workers to acquire the technical know-how and for the Group to establish credibility and customer's confidence in its new processes. As a result of the learning experience involving skilled labour and machinery, the Group may have to absorb higher indirect costs leading to lower gross profit margin.

- Product mix

Moulds, tools and dies are made-to-order products which vary according to the level of precision, complexity of design and productive life. As such, the gross profit margin normally differs from order to order. The fabrication of a mould set requires the whole range of precision engineering services from design modeling, mould parts fabrication and final assembly and consequently commands higher margin than tools and dies.

High precision plastic components are mass produced according to customers' specification and are invariably subject to keener competition in comparison with precision engineering services. As a result, gross profit margin of plastic components is sensitive to production output quality, wastage control and pricing pressure.

For the financial year ended 31 December 2000, the Group's gross profit margin for moulds, tools and dies declined to 42% mainly as a result of an increase in depreciation charge arising from the acquisition of new machinery in anticipation of higher sales, as well as competitive pricing to gain higher sales volume.

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## 9.0 FINANCIAL INFORMATION (Cont'd)

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In 2001, gross profit margin from the Group's precision injection moulding division declined to 22% due mainly to the lower utilisation rate of machinery as a result of reduced orders. The said margin further declined to 16% in 2002 mainly due to an overall decrease in selling price of approximately 7%. Meanwhile, gross profit margin from precision engineering division increased from 52% in 2001 to 61% in 2002 due mainly to concentration of higher margin and higher value added products.

The overall Group margin, however, was maintained at approximately 41%.

### 9.3 Factors Affecting Financial Performance, Position and Operations of the Group

Save as disclosed in Sections 3 and 9.4 of this Prospectus, as at 16 June 2003, being the latest practicable date prior to the printing of this Prospectus, the financial performance, position and operations of the Group are not materially affected by any of the following:

- (i) Known trends, demands, commitments, events or uncertainties that will result in or are reasonably likely to have a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (ii) Material commitments for capital expenditure;
- (iii) Unusual or infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group; and
- (iv) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical statements not indicative of future financial performance and position.

During the financial year ended 31 December 2000, revenue of the Group increased by 55% mainly due to a substantial increase in sales volume from the plastic injection moulding division which the Group had operated for the full financial year. In 2002, the plastic injection moulding division registered a further increase in sales volume of approximately 186%.

### 9.4 Working Capital, Borrowings, Litigation, Contingent Liabilities and Capital Commitments

#### (i) Working Capital

The Directors of the Company are of the opinion that barring any unforeseen circumstances and after taking into account the cashflow forecast including the proceeds from the Public Issue and the banking facilities available, the LNG Group has adequate working capital for its present and foreseeable requirements.

#### (ii) Borrowings

As at 16 June 2003 (being the last practicable date prior to the printing of this Prospectus) the total borrowings of the Group amounted to approximately RM3.42 million comprising term loans, bank overdraft, trade bills and hire-purchase financing. Save as disclosed above, the Group does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding, convertible debt outstanding, guarantees or other borrowings on that date.



## 9.0 FINANCIAL INFORMATION (Cont'd)

### (iii) *Material Litigations*

Save as disclosed in Section 15.4 of this Prospectus, as at 16 June 2003, neither LNG nor its subsidiaries are engaged in any litigation, either as plaintiff or defendant, which have 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.

### (iv) *Contingent Liabilities*

Save for the corporate guarantee granted by EPI in favour of the financial institutions amounting to RM3.3 million for banking facilities granted to GCP, neither LNG nor its subsidiaries have any contingent liabilities as at 16 June 2003 (being the latest practicable date prior to the printing of this Prospectus) which, upon becoming enforceable, may have a material effect on the financial position of LNG or its subsidiaries.

### (v) *Capital Commitments*

Save as disclosed below, the Group does not have any capital commitment as at 16 June 2003 (being the latest practicable date prior to the printing of this Prospectus):

	<b>RM'000</b>
Purchase of new machinery	1,545
Cost and other ancillary costs resulting from the implementation of the Enterprise Resource Planning system	255
	<u>1,800</u>

## 9.5 Consolidated Profit Forecast

The Directors of LNG forecast that, barring unforeseen circumstances, the consolidated profit forecast of the LNG Group for the financial year ending 31 December 2003 will be as follows:

<b>Financial year ending 31 December 2003</b>	<b>Forecast RM'000</b>
Consolidated PBT and pre-acquisition profit	4,745
Less: Taxation	(656)
Consolidated PAT but before pre-acquisition profit	<u>4,089</u>
Less: Pre-acquisition profit <sup>1</sup>	(667)
Consolidated PAT and after pre-acquisition profit	<u>3,422</u>
Based on enlarged issued and paid-up share capital:	
Net EPS <sup>2</sup> (sen)	4.54
Net PE Multiple (based on issue price of 35 sen per Share) (times)	7.71
Based on weighted average number of Shares <sup>3</sup> in issue:	
Net EPS <sup>4</sup> (sen)	5.85
Net PE Multiple (based on issue price of 35 sen per Share) (times)	5.98

## 9.0 FINANCIAL INFORMATION (Cont'd)

*Notes:*

1. *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.*
2. *Based on the consolidated PAT but before pre-acquisition profit and the enlarged issued and paid-up share capital of 90,000,020 Shares.*
3. *On the assumption that the Public Issue is completed in mid July 2003.*
4. *Based on the consolidated PAT but before pre-acquisition profit and the weighted average number of shares in issue of 69,937,520 Shares.*

The consolidated profit forecast after taxation and pre-acquisition profit of LNG for the year ending 31 December 2003 has been prepared based on the Directors' assessment of the present economic and operating conditions, and a number of best estimate assumptions regarding future events and actions which, at the date the consolidated profit forecast was prepared, the Directors expect to take place. These future events may or may not take place. A forecast, by its very nature, is subject to uncertainties and unexpected events, many of which may be outside the control of the Group and its Directors. Also, events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the forecast, and the differences may be material. Accordingly, the Directors cannot and do not guarantee the achievement of the forecast.

The principal bases and assumptions upon which the consolidated profit forecast have been made are as follows :

- (a) There will be no material changes in the structure and principal activities of the Group.
- (b) There will be no material changes in salary, cost of supplies and other operating costs that would adversely affect the activities and operations of the Group, save as those forecasted by the Group.
- (c) There will be no material changes in the existing key management personnel of the Group, which will affect the marketing capabilities of the Group.
- (d) The Group will not be engaged in any material litigation and there will be no legal proceedings which will adversely affect its activities or performance or give rise to any additional contingent liabilities which will materially affect its position or results.
- (e) There will be no significant changes in the customer demand, product selling prices, product sales mix and market growth forecasted by the Group.
- (f) There will not be any loss of major customer(s) to the Group, which may adversely affect the activities or performance of the Group.
- (g) The product development plan will take place as planned and there will be no delays in the roll-out of new products.
- (h) There will be no significant changes to the prevailing economic and political conditions in Malaysia and other parts of the world which will adversely affect the activities and performance of the Group.
- (i) There will be no major disruption in the supply of raw materials and manpower, industrial disputes or any abnormal circumstances which will adversely affect the operations of the Group or the markets in which it operates.
- (j) There will be no significant changes in the present legislation or government regulations, bases and rates of duties, levies and taxes affecting the Group's activities including the tax incentives such as Pioneer Status and Reinvestment Allowances enjoyed by the Group.

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**9.0 FINANCIAL INFORMATION (Cont'd)**

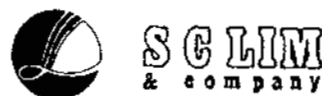
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- (k) Inflation rates and interest rates will not change significantly from their present levels.
- (l) There will be no material changes in the accounting and management policies adopted by the Group.
- (m) Existing financing facilities will remain available to the Group and the Group will be able to obtain additional financing facility at the present prevailing interest rates.
- (n) Foreign currency exchange rates will not change materially from their present levels.
- (o) The Group's capital expenditure programme will be implemented as planned and there will be no material changes to the costs of capital expenditure from the present level. There will be no material acquisition or disposal of property, plant and equipment other than those planned.
- (p) Under the restructuring exercise and flotation scheme, the acquisition of companies by LNG via exchange of shares was completed in February 2003 whilst the proceeds of RM4.7 million from the public issue are expected to be received by August 2003.
- (q) The estimated listing expenses of RM1.2 million will be set off against the share premium account.
- (r) None of the options granted under ESOS will be exercised during the forecast year.

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## 9.0 FINANCIAL INFORMATION (Cont'd)

### 9.6 Reporting Accountants' Letter on the Consolidated Profit Forecast (Prepared for inclusion in this Prospectus)



Date : 20 June 2003

THE BOARD OF DIRECTORS  
LNG Resources Berhad  
K-95, Kawasan Perindustrian Tanjung Agas  
84000 Muar, Johor

Dear Sirs

#### **RE : CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2003**

We have reviewed the accounting policies and calculations for the consolidated profit forecast of LNG RESOURCES BERHAD and its subsidiary companies ("the Group"), for which the Directors are solely responsible, for the financial year ending 31 December 2003 as set out in the Prospectus to be dated 30 June 2003 in connection with the Public Issue of 13,500,000 new ordinary shares of 10 sen each in LNG RESOURCES BERHAD at an issue price of 35 sen per share and the listing of and quotation for the entire enlarged issued and paid-up share capital of LNG RESOURCES BERHAD comprising 90,000,020 ordinary shares of 10 sen each on the MESDAQ Market of Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of assumptions made by the Directors set out in the abovementioned Prospectus and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

S. C. LIM & CO.  
AF 0681  
Chartered Accountants

NG KIM KIAT  
No. 2074/10/04 (J)  
Partner

Member of  
B.R. International  
Accounting Firms

#### **S C LIM & CO., CHARTERED ACCOUNTANTS (AF 0681)**

- 1-9 (1<sup>st</sup> Floor), Jalan Arab, 84000 Muar, Johor, Malaysia  
Tel: 606-952 4328 & 954 1705 Fax: 606-952 7328  
E-mail: email@scilm.com.my
- 13-7, The Boulevard, Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur, Malaysia.  
Tel: 603-22841788, 22846788 Fax: 603-22842888  
E-mail: mail@scilm.com.my

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## 9.0 FINANCIAL INFORMATION *(Cont'd)*

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### 9.7 Directors' Analysis of the Consolidated Profit Forecast

The Directors of LNG have reviewed and analysed the reasonableness of the bases and assumptions stated therein after due and careful inquiry in arriving at the consolidated profit forecast for the financial year ending 31 December 2003. The Directors of LNG are of the opinion that the consolidated profit forecast are fair and reasonable in light of the future prospects of the LNG Group, the future plans and strategies to be adopted by the LNG Group and after taking into consideration the forecast level of gearing, liquidity and working capital requirements of the Group, barring unforeseen circumstances.

The LNG Group is expected to register profit after tax but before pre-acquisition profit of approximately RM4.1 million, an increase of approximately RM1.1 million or 37% over the proforma profit after tax of RM2.9 million recorded in 2002.

The high precision engineering division is expected to register a revenue growth of approximately RM1.4 million or 19% mainly attributable to the anticipated increase in outsourcing by MNCs of its essential moulds, tools, dies, jigs and fixtures to local precision engineering service providers. The Directors believe that with competitive pricing, quality and prompt service of the LNG Group and the relatively higher cost of manufacturing of developed nations such as Japan and the United States of America, EPI and AMT are able to secure more orders, barring any unforeseen circumstances. The Directors are currently pursuing new customers and new markets for the year under review with enquiries made for Indonesian market and orders made by Tyco Electronics of the United States of America.

With the additional investments in CNC machinery such as the EDM and WEDM, the high precision engineering division is expected to alleviate its work and process limitations in support of the higher demand on its production resources.

Meanwhile, the precision injection moulding division is forecasting an increase of RM1.4 million or 24% growth in revenue. This is expected to be contributed mainly by the additional insert moulding services, securing of new customers and additional orders from existing customers by offering cheaper manufacturing alternatives in Malaysia. The growth of high precision engineering and precision injection moulding is expected to be relatively correlated with their synergistic operations.

The overall gross profit margin for the Group is expected to remain at approximately 41% for FYE 2003. The high precision engineering division is anticipated to achieve a gross profit margin of approximately 60%, while, the precision injection moulding division is forecast to register a gross profit margin of 17%.

### 9.8 Sensitivity Analysis

The following sensitivity analysis is prepared by the management of the Group and has been independently verified by the Reporting Accountants. The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 9.5 herein and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in the selling price and cost of raw materials. Notwithstanding the impact of the variations in revenue and cost of raw materials, there may exist other factors which have not been taken into account, which variations may have a significant impact, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:

## 9.0 FINANCIAL INFORMATION (Cont'd)

### (a) Variation in selling price

Financial year ending 31 December 2003	PBT RM'000	PAT RM'000
As forecasted	4,745	4,089
Increase by 5%	5,566	4,854
Increase by 10%	6,384	5,562
Decrease by 5%	3,924	3,308
Decrease by 10%	3,098	2,522

### (b) Variation in raw material price

Financial year ending 31 December 2003	PBT RM'000	PAT RM'000
As forecasted	4,745	4,089
Increase by 5%	4,630	3,988
Increase by 10%	4,519	3,890
Decrease by 5%	4,852	4,182
Decrease by 10%	4,986	4,300

The Directors have assessed the sensitivity of the profit forecast of the LNG Group taking into consideration of the fluctuation in major variables as mentioned above. The Directors are of the view that the LNG Group insofar as the achievement of the profit forecast is concerned, is sensitive to fluctuation in selling price and cost of raw materials.

## 9.9 Dividend Forecast

It is the policy of the Directors of LNG to recommend dividends to allow shareholders to participate in the profits of the Group. Based on the forecast profit after tax of approximately RM4.1 million for the financial year ending 31 December 2003, the Directors of LNG anticipate that, in the absence of unforeseen circumstances, the Company will be in a position to propose a final tax-exempt dividend of 1.1 sen per Share based on its enlarged issued and paid-up share capital of 90,000,020 Shares.

The intended appropriation of the forecast profit after taxation for the financial year ending 31 December 2003 will be as follows:

Financial year ending 31 December 2003	Forecast RM'000
Consolidated PAT	4,089
Less: Proposed final tax exempt dividend	(1,000)
Profit retained for the financial year	<u>3,089</u>
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

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**9.0 FINANCIAL INFORMATION (Cont'd)**

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Future dividend may not be paid if:

- (i) the Group is in a loss position for the relevant financial period; or
- (ii) the Group has insufficient cash flows to meet any dividend payments.

Notwithstanding the above, the Directors of LNG have full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interest of the Company.

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## 9.0 FINANCIAL INFORMATION (Cont'd)

### 9.10 Proforma Consolidated Balance Sheets (Prepared for inclusion in this Prospectus)

The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only to show the effects of the Acquisition of Companies and Public Issue as set out in the note hereto based on the assumption that these transactions had been effected as at 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
<b><u>Current Assets</u></b>				
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
<b><u>Current Liabilities</u></b>				
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
<b>Net Current (Liabilities)/Assets</b>	(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
<b>Shareholder's funds</b>	(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
<b>Net (liabilities)/tangible assets per share (sen)</b>	(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



## 9.0 FINANCIAL INFORMATION (Cont'd)

### Notes to the Proforma Consolidated Balance Sheets

The proforma Consolidated Balance Sheets have been prepared for illustrative purposes only based on the audited balance sheets of the LNG Group as at 31 December 2002 and based on accounting principles and bases consistent with those previously adopted in the preparation of their financial statements.

#### 1. Proforma I

Proforma I incorporates the followings :

- (a) The acquisition of the entire issued and paid-up share capital of EPI based on its audited consolidated NTA as at 31 December 2001. The acquisition is satisfied by the issuance of 75,093,000 new ordinary shares of 10 sen each at approximately 11.28 sen per share.
- (b) The acquisition of 100% equity interest in AMT, VPI and FFI, and 90% equity interest in GCP from EPI for a total cash consideration of RM 3,424,609 equivalent to the book value of the respective companies. The purchase consideration for the said subsidiary companies will remain as an intercompany balance between LNG and EPI.
- (c) The acquisition of remaining 10% of GCP from a minority shareholder by the issuance of 1,407,000 new ordinary shares of 10 sen each at approximately 11.28 sen per share.

#### 2. Proforma II

Proforma II incorporates the effects of Proforma I and the followings :

- (a) The Public Issue of 13,500,000 new ordinary shares of 10 sen each at 35 sen per Share.
- (b) The estimated listing expenses of RM1,200,000 are written off against share premium account.

#### 3. Proforma III

Proforma III incorporates the effects of Proforma II and full exercise of ESOS options. A maximum 30% of the issued and paid-up share capital is made available under the ESOS and options granted are assumed to be fully exercised at a subscription price of 35 sen per Share.

#### 4. Share Capital and Share Premium

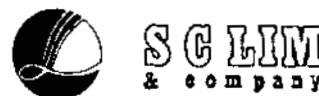
The movements in the share capital and share premium are as follows :

	Share Capital RM'000	Share Premium RM'000
As at 31 December 2002	*	-
Proforma I - Acquisition	7,650	981
Proforma I - Public Issue	1,350	2,175
Proforma I - Full exercise of ESOS options	2,700	6,750
	11,700	9,906

Note : \* This represents issued and paid-up share capital of RM2

## 9.0 FINANCIAL INFORMATION (Cont'd)

### 9.11 Auditors' Letter on the Proforma Consolidated Balance Sheets (Prepared for inclusion in this Prospectus)



Date : 20 June 2003

THE BOARD OF DIRECTORS  
LNG Resources Berhad  
K-95, Kawasan Perindustrian Tanjung Agas  
84000 Muar, Johor

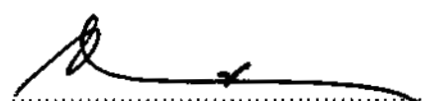
Dear Sirs,


#### **PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002**

We have reviewed the Proforma Consolidated Balance Sheets of LNG RESOURCES BERHAD and its subsidiary companies ("the Group") together with the notes thereto as at 31 December 2002, for which the Directors are solely responsible, as set out in the Prospectus to be dated 30 June 2003 in connection with the Public Issue of 13,500,000 new ordinary shares of 10 sen each in LNG RESOURCES BERHAD at an issue price of 35 sen per share and the listing of and quotation for the entire enlarged issued and paid-up share capital of LNG RESOURCES BERHAD comprising 90,000,020 ordinary shares of 10 sen each on the MESDAQ Market of Kuala Lumpur Stock Exchange.

In our opinion, the abovementioned Proforma Consolidated Balance Sheets together with the notes thereto, which are provided for illustrative purposes only, have been properly compiled on a basis consistent with the accounting policies normally adopted by the Group and are presented in a form suitable for inclusion in the said Prospectus.

Yours faithfully

  
.....  
S. C. LIM & CO.  
No. AF 0681  
Chartered Accountants

  
.....  
NG KIM KIAT  
No. 2074/10/04 (J)  
Partner

Member of  
B.R. International  
Accounting Firms

#### S C LIM & CO., CHARTERED ACCOUNTANTS (AF 0681)

- 1-9 (1<sup>st</sup> Floor), Jalan Arab, 84000 Muar, Johor, Malaysia.  
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## 10.0 SUMMARY OF FIVE-YEAR BUSINESS PLAN

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The following is a summary of the Five (5)-Year Business Development Plan prepared by the Board for the purpose of inclusion in this Prospectus.

**Business Focus and Direction of the LNG Group** LNG Group is principally involved in end-to-end precision engineering services from design, modification, fabrication, repairs and assembly of precision mould, die and tooling to precision injection moulding and product assembly.

LNG Group would continue to concentrate and expand on its core competencies in the development of precision moulds, tools and dies for the semiconductor, electronics & electrical, computer & peripherals and telecommunication industries.

The LNG Group's aim is to consolidate its position as a supplier of high precision moulds, tools, dies, jigs and fixtures to the MNC customers operating locally and overseas. The LNG Group would focus in improving its fabrication know-how in order to lower operating costs and create product differentiation. In addition, the LNG Group intends to focus its R&D development plan towards acquiring the technical capabilities and skills to venture into synergistic downstream activities, in particular into high speed precision metal stamping and complete manufacturing services for connectors. With the completion of such R&D plans, the LNG Group would be able to provide upstream and downstream precision engineering services, enabling the LNG Group to function as a turnkey contract precision engineering services provider.

**R&D Plans** The technology paths towards the LNG Group's goal of venturing into high speed precision metal stamping and complete manufacturing services for connectors would involve products and processes developments as follows:-

Short Term

- To design and fabricate 0.5mm fine pitch connector moulds.
- To fabricate complete precision high-speed stamping die set.
- Minimisation of mould runners to derive cost savings for the plastic injection moulding division.
- Extension of core pin lifespan to achieve higher durability of interchangeable parts.

Medium Term

- To produce metal connector terminals through development of high-speed precision metal stamping.
- To include precision assembly of complete connector using automated insert moulding process.

**Competition Dynamics** Save as disclosed in Section 4.4.5 of this Prospectus, to the best of the Directors' knowledge and belief, there is no sizeable locally-owned company with integrated operations, which is in direct competition with LNG Group in the high precision engineering industry in Malaysia.

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## 10.0 SUMMARY OF FIVE-YEAR BUSINESS PLAN (Cont'd)

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**Marketing Strategies**      The LNG Group would implement the following marketing strategies:

1. Through growth with existing customers

As the LNG Group has already established a good business relationship with its MNC customers, the LNG Group intends to move up the value chain of its MNC customers supply chain network. The LNG Group intends to market more value added services with its R&D plans focusing on the improvement of its technology and skills and the venturing into further downstream activities as explained in its R&D plans.

2. Through securing new customers

The LNG Group's management would continue to make direct approaches to other MNCs who require high precision engineering services. This may include both local and overseas manufacturing facilities of the MNCs.

3. Through downstream integration

The LNG Group plans to leverage on its synergistic integration of precision engineering services with precision plastic injection moulding. The upstream and downstream integration of the LNG Group provides marketing opportunity to capture new divisional sales. Moreover, the impending plan of further downstream integration processes of high precision stamping die fabrication, precision product assembly, insert moulding services and high-speed precision metal stamping would augment its sales and consolidate its position as a 'one stop' sourcing option.

**Human Resource Strategies**

The LNG Group intends to employ additional experienced staff in production, sales and marketing and R&D. This would enable the LNG Group to increase its earnings base and further enhance its ability to achieve its R&D objectives. Continuous staff training and development is emphasized to enable them to keep abreast with new technology. Recognising the importance of its human resource, efforts have been taken to groom younger members of the senior management team to ensure smooth transition in the management team.