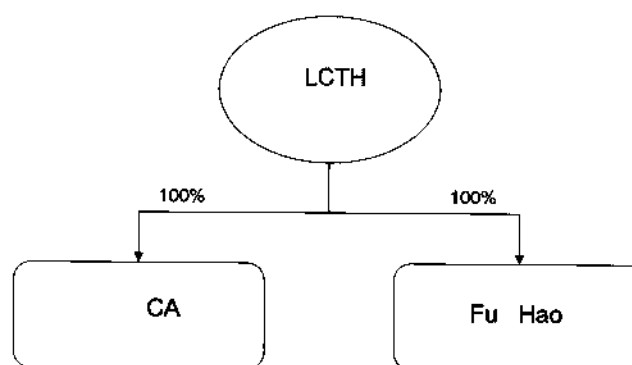


## 5. INFORMATION ON THE LCTH GROUP

### 5.1 Incorporation And Principal Activities

LCTH was incorporated in Malaysia on 10 November 2003 under the Act as a private limited company under the name of Axis Famous Sdn Bhd. On 11 December 2003, the Company was converted into a public company. On 16 January 2004, the Company changed its name from Axis Famous Berhad to LCTH Corporation Berhad, which is its present name. The Company is principally an investment holding company, with two wholly owned subsidiaries, namely CA and Fu Hao. The two subsidiaries are engaged in manufacturing and sub-assembly of precision plastic parts and components.

The corporate structure of the LCTH Group is depicted in the figure below: -



### 5.2 History Of The LCTH Group

LCTH was incorporated in order to facilitate the listing of CA and Fu Hao on the Main Board of Bursa Securities. After the Acquisitions, LCTH is a 95% subsidiary of FYI, which is a wholly owned subsidiary of FYC. Upon completion of the Listing, FYI will hold 60% in LCTH. FYI's parent company, FYC, was incorporated in 1980 to produce small plastic injection moulds and manufacture plastic injection moulded parts. It is one of the largest suppliers of high precision injection moulds and plastic injection moulded parts in the Asia region. FYC is listed on the Main Board of the SGX since 1995. Today, FYC has a total of ten (10) manufacturing plants located in Malaysia, China and Singapore.

The history of the LCTH Group can be traced back to the establishment of CA, which was incorporated on 9 June 1993. In 1994, the company commenced operations with the Kluang manufacturing plant in Johor. This was followed by the incorporation of Fu Hao in 28 May 1993. Subsequently in 1994, Fu Hao commenced operations with its manufacturing plant in Penang.

The principal activities of both CA and Fu Hao are in the manufacturing and sub-assembly of precision plastic parts and components for the electrical and electronics industry. Mr Lui Choon Hay is one of the founders and the Executive Chairman of the LCTH Group. With approximately 37 years of experience in mould design and fabrication, and plastic injection moulding, he has been instrumental in the success, growth and development of the LCTH Group.

In line with the company's intentions to expand on its manufacturing operations, CA established its second manufacturing plant in Senai, Johor Darul Ta'zim in 1999. To date, the Group has successfully exported its products to United States, United Kingdom, Singapore, China, Spain, Germany, Mexico, Hungary and Thailand.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

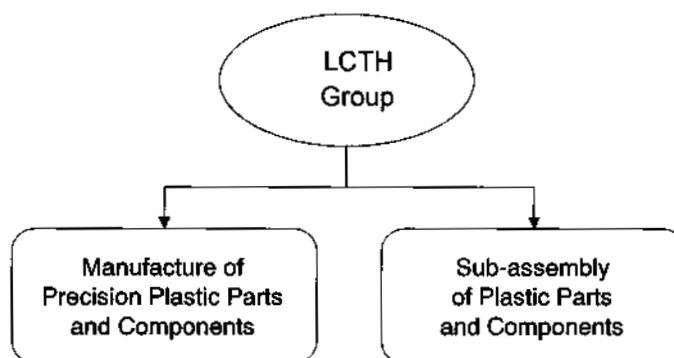
### 5.3 Changes In Share Capital

The authorised share capital of LCTH is RM500,000,000 divided into 2,500,000,000 ordinary shares of RM0.20 each. Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows: -

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value	Consideration	Cumulative Issued And Paid-Up Share Capital
		RM		RM
10 November 2003	2	1.00	Cash; Subscribers' shares	2.00
3 December 2003	10	0.20	Share split from one (1) ordinary share of RM1.00 each into five (5) ordinary shares of RM0.20 each	2.00
1 June 2004	455,255,000	0.20	Share exchange at RM0.205 and RM0.20 per share for CA and Fu Hao respectively in consideration for the Acquisitions	91,051,002
To be allotted (pursuant to the Public Issue)	144,744,990	0.20	Shares to be issued at an Issue/Offer price of RM1.08 per share pursuant to the Public Issue	120,000,000

### 5.4 Business Overview

The business activities of the LCTH Group are depicted in the figure below: -



The principal business activities of the LCTH Group are as follows: -

- (i) Manufacture of precision plastic parts and components; and
- (ii) Sub-assembly of plastic parts and components.

The LCTH Group uses the process of plastic injection moulding to manufacture its plastic parts and components. The Group has the capabilities to meet diverse requirements of its customers in precision plastic parts and components due to its wide clamping pressure range of injection moulding machinery and equipment.

**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

The Group's plastic parts and components are used in the following end-products including: -

- (i) consumer electronics such as televisions;
- (ii) office automation products such as printers;
- (iii) telecommunications products and peripherals including Internet Protocol (IP) phones, mobile trunk radios and switch connectors;
- (iv) home appliances such as vacuum cleaners; and
- (v) medical devices such as telesensory.

The Group's manufacturing operations are also supported by the following facilities: -

- (i) Mould and die modification and maintenance;
- (ii) Secondary finishing processes; and
- (iii) Sub-assembly of plastic parts and components.

The Group has a total of three (3) manufacturing plants in Malaysia to undertake its manufacturing and sub-assembly activities. The plants are located at Senai, Kluang and Penang. Apart from various quality accreditations obtained which are highlighted in Section 5.4.6 of this Prospectus, the Group's quality standards were also recognised by customers as demonstrated by the Best Partnership award by Inventec Electronics (M) Sdn Bhd to Fu Hao in year 2000. In addition, CA was awarded the "Golden Award for Technology & Quality-2004" by the Editorial Office, Geneva in December 2003.

The breakdown of the LCTH Group's turnover by principal activities for the FYE 2003 is as follows: -

Business Activity	Revenue Contribution To The Group For The FYE 2003*	
	RM'000	%
Manufacture of Precision Plastic Parts and Components	183,934	77.6
Sub-Assembly of Plastic Parts and Components	53,242	22.4
<b>Total</b>	<b>237,176</b>	<b>100.0</b>

Note: -

\* The above breakdown of revenue contribution by business activities is based on management estimates only.

For the FYE 2003, the manufacture of precision plastic parts and components accounted for approximately 77.6% of the LCTH Group's total revenue. The second largest revenue contributor is the sub-assembly of plastic parts and components, which contributed 22.4% of the LCTH Group's total revenue for FYE 2003.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

### 5.4.1 Principal Products

The LCTH Group manufactures and sub-assembles precision plastic parts and components for various end-products. A breakdown of its business activities by end-products for the FYE 2003 is as follows: -

End-Products	Revenue Contribution To The Group For The FYE 2003*	
	RM'000	%
Deskjet Printer/ Scanner	56,496	23.7
4-Function Office Equipment <sup>^</sup>	69,091	29.1
3-Function Office Equipment <sup>@</sup>	75,578	31.9
High-End Office Printers <sup>^^</sup>	13,435	5.7
Vacuum Cleaners	10,119	4.3
Telecommunications Products and Peripherals <sup>`</sup>	8,813	3.7
Printer Carriage Base	2,987	1.3
Medical Devices	657	0.3
<b>Total</b>	<b>237,176</b>	<b>100.0</b>

Notes: -

\* The above breakdown of revenue contribution is based on management estimates only.

<sup>^</sup> Incorporating printer, scanner, photocopier and facsimile.

<sup>@</sup> Incorporating printer, scanner and photocopier.

<sup>^^</sup> High-end office printers are high volume output printers that use solidified ink as opposed to ink-jet or laser printer.

<sup>`</sup> Telecommunications Products and Peripherals include Internet Protocol (IP) phones, mobile trunk radios and switch connectors.

The manufacturing of parts and components for the 3-function office equipment represent the highest contribution amounting to 31.9% of the LCTH Group's total revenue for the FYE 2003

Office equipment is primarily targeted at the consumer and small office home office ("SOHO") segment and is segmented as follows: -

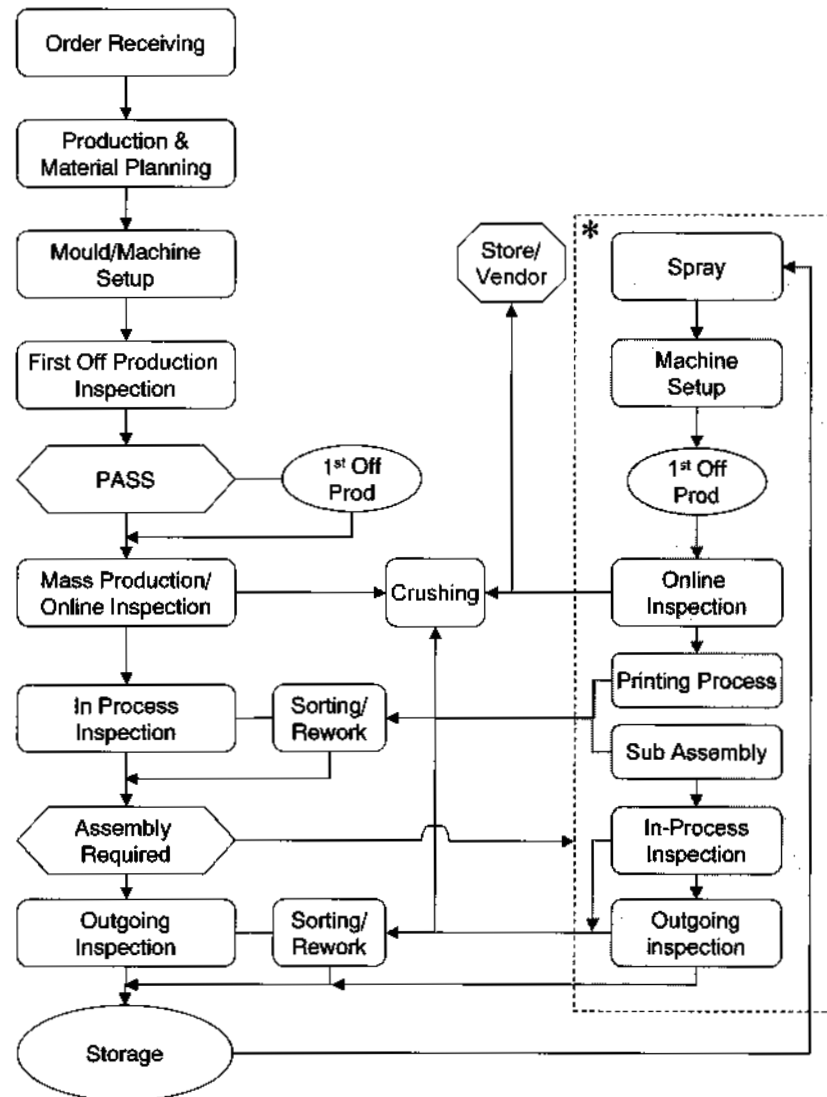
- (i) 3-function office equipment incorporating the functions of printer, scanner and photocopier; and
- (ii) 4-function office equipment incorporating the functions of printer, scanner, photocopier and facsimile.

For FYE 2003, the 4-function office equipment represents the second highest revenue contribution amounting to 29.1% of the LCTH Group's total revenue.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

### 5.4.2 Production Process

The process flow for injection moulding for the manufacture of plastic parts and components for the LCTH Group is depicted below: -



\* Only if secondary processes are required

The manufacturing process begins with receiving of orders for the required plastic parts & components. Raw materials are sourced and pre-production planning is undertaken before the initial production run. The correct mould required for production of the plastic part and components is prepared and received at this stage of the production. The mould is then set up and tested and is put through first off production.

All production processes are carried out under controlled conditions which include documented work instruction defining the manner of production, usage of suitable production equipment, suitable working environment, compliance with the reference standards and codes, quality plans and workmanship standards.

## 5. INFORMATION ON THE LCTH GROUP *(Cont'd)*

Upon completion of mould, machine and line set-up, the 1st off production inspection is carried out. If the samples are rejected, corrective action is undertaken and the new sample is re-submitted to quality control for approval. If the sample is accepted, the line proceeds into mass production.

The in-process inspection and test is then carried out on the mass produced sample. Any rework and sorting of the product is done at this stage before the approved product is transferred for painting and spraying as required. Further sub-assembly of other plastic parts is undertaken at this stage according to specifications and requirements.

An outgoing inspection and test is then carried out at the final stage. The test covers the correct quantity and product name, information displayed on the carton labels and packing standards as documented. The components are then transferred to the store to be stored at defined locations, identified by part name and part numbers. Products are then ready for delivery to customers.

### 5.4.3 Technologies

#### **Polymer Science**

The main raw materials for all injection moulded plastic parts and components are polymers.

Polymer science is one of the most important and pervasive applied technologies since its discovery. Using the basic raw materials of oil and gas, literally thousands of different types of polymers were created and new ones are constantly being created for use in most of everyday consumer and industrial products.

Polymers, commonly known as plastics, have replaced many materials, for example, paper, metal, glass, cotton, and wood. Its low cost, cost effectiveness in mass production, ease of availability, versatility and durability are some of the major advantages over other alternative materials that have made polymers such an important material in today's society.

The use of polymer science and technologies is fundamental to plastic injection moulding manufacturers including the LCTH Group.

#### **Injection Moulding**

For the LCTH Group, as a manufacturer of plastic moulded parts and components, the main technology in its manufacturing process is injection moulding. Injection moulding is the process whereby hot molten plastic is injected under high pressure into a mould. Once the plastic has solidified, the moulded object is ejected and thus completes the moulding process.

Depending on the intricacies, precision and size of the required product, different types and clamping pressure machines are employed to achieve the desired purpose and output.

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**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

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The technologies involved are in the following areas: -

- (i) use of raw materials, additives and formulation to obtain desired: -
  - (a) mechanical, thermoplastic and physical properties;
  - (b) value added characteristics for example, ultraviolet protection; and
  - (c) finishing to achieve desired aesthetics.
- (ii) injection moulding in the form of machinery and systems to obtained desired properties and results incorporating: -
  - (a) hydraulics to provide the appropriate clamping pressure;
  - (b) accurate temperature control to maintain molten resins at optimum melting temperature; and
  - (c) proper cooling process.
- (iii) finishing using paints and coatings providing the following value-added properties: -
- (iv) scratch resistance;
- (v) resistance to chemical corrosion;
- (vi) resistance to mould and fungus; and
- (vii) metallic look.

Note that the above technologies need not necessary be created by the LCTH Group. Like all manufacturers, they are normally the main users of technologies. For example, with special paints and coatings, the LCTH Group would work in conjunction with the paints and coatings manufacturer to help them formulate the paints and coatings with the desired properties.

**Robotics**

The LCTH Group utilises robotic technologies in the following areas: -

- (i) Robotic handling arms used in conjunction with the injection moulding machinery as part of a total manufacturing system. This replaces manual handling of parts during the manufacturing process. This improves productivity and minimise error, and at the same time removes workers from undertaking mundane and repetitive work.
- (ii) Robotic spraying arms for spray printing. This ensures a more consistent and smooth finish. In addition, it replaces workers that would otherwise be exposed to excessive volatile organic compound.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

### 5.4.4 Types, Sources And Availability Of Raw Materials

Following are the major types of raw materials and sub-contractor fees, and sources of supply utilised by the LCTH Group in its manufacturing process: -

Raw Materials	Value Of Purchases RM'000	Percentage Of Total Group Purchases (%)	Sources Of Supply	
			Local (%)	Import (%)
<b>Plastic Resin</b>	<b>72,528.4</b>	<b>59.7</b>	<b>2.9</b>	<b>97.1</b>
- HIPS Resin	32,989.9	27.2	0.3	99.7
- ABS Resin	10,748.9	8.8	7.3	92.7
- PC + ABS Resin	11,896.0	9.8	3.1	96.9
- PC Resin	9,391.6	7.7	0.1	99.9
- Nylon Resin	688.4	0.6	0.1	99.9
- AS Resin	2,666.1	2.2	0.3	99.7
- Masterbatch	2,441.4	2.0	-	100
- PP Resin	1,009.3	0.8	84.2	15.8
- PPO Resin	682.8	0.6	-	100
- TPE Resin	0.9	#	84.3	15.7
- PBT Resin	13.1	#	-	100
<b>Parts</b>	<b>39,354.3</b>	<b>32.4</b>	<b>15.6</b>	<b>84.4</b>
- Base	7,846.0	6.5	-	100
- Cover	8,657.0	7.1	-	100
- Sub-moulded Parts	5,758.8	4.7	16.2	83.8
- Springs	1,738.5	1.4	-	100
- Speakers	3,040.9	2.5	-	100
- Cables	3,357.8	2.8	-	100
- Roller Corrugator	560.5	0.5	-	100
- Others@	8,394.8	6.9	71.4	28.6
<b>Sub-contractor Fees^</b>	<b>7,196.2</b>	<b>5.9</b>	<b>100</b>	<b>-</b>
<b>Paints and Thinner</b>	<b>2,481.1</b>	<b>2.0</b>	<b>8.3</b>	<b>91.7</b>
<b>Total</b>	<b>121,560.0</b>	<b>100.0</b>	<b>12.9</b>	<b>87.1</b>

Notes: -

# Negligible.

^ Sub-contractor fees are mainly for moulded parts and spray painting.

@ Others include cork, tapes, pad poron, ferrite, logo and electrical, electronics and metal parts.

HIPS = High Impact Polystyrene; ABS = Acrylonitrile Butadiene Styrene; PC = Polycarbonate; AS = Acrylonitrile Styrene; PPO = Polyolefin; TPE = Thermoplastic Elastomer; PBT = Polybutylene Terephthalate; PP = Polypropylene.

Based on the FYE 2003, the Group's purchases amounted to RM121.56 million. Total Group purchases exclude fuel oil, electricity and other consumables.

As the LCTH Group is in the manufacturing of precision plastic parts and components, the usage of resin constitutes a significant proportion of raw materials used in its manufacturing operations. For the FYE 2003, plastic resins accounted for 59.7% of total purchases and sub-contractor fees of the LCTH Group.



## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

Apart from plastic resins, the next largest raw materials purchased are assembled parts and components. These are completed peripheral assembled parts, which are usually sourced from approved suppliers of customers and costs are charged back to the customer. Purchases of assembled parts accounted for 32.4% of total purchases of raw materials and sub-contractor fees of the LCTH Group.

For the FYE 2003, total sub-contractor fees amounted to RM7.20 million. This is mainly for the manufacture of moulded parts and spray painting. Other raw materials used also include paints and thinner for the finishing process.

For the FYE 2003, imports of raw materials accounted for 87.1% of the total raw material purchases and sub-contractor fees of the LCTH Group. The remaining 12.9% of raw materials were locally sourced.

### 5.4.4.1 Plastic resin

The LCTH Group primarily uses the following major types of plastic resins for its manufacturing process: -

- (i) High Impact Polystyrene (HIPS);
- (ii) Acrylonitrile Butadiene Styrene (ABS);
- (iii) Polycarbonate (PC);
- (iv) Polycarbonate/Acrylonitrile Butadiene Styrene (PC+ABS); and
- (v) Acrylonitrile Styrene (AS).

Of these, HIPS represented the most significant raw material, accounting for 27.1% of total purchases and sub-contractor fees of the LCTH Group for the FYE 2003.

Generally, the Group purchases approximately 97.1% of its plastic resins from imports whilst the remaining 2.9% is locally sourced. The LCTH Group primarily imports its plastic resin due to the following factors: -

- (i) certain grades of plastic resin are not available from local producers; and
- (ii) sources of supply are determined and approved by the customer.

Malaysia is currently both an importer and exporter of plastic resins such as polyethylene, polypropylene, polystyrene, polyvinyl chloride and acrylonitrile butadiene styrene. Imports of these resins are mainly plastic resin grades, which are not produced locally (*Source: Business Overview of the LCTH Group dated 17 September 2004, prepared by Vital Factor Consulting Sdn Bhd*).

Some of the major types of plastic resins that are produced locally include:-

- (i) Polystyrene (PS);
- (ii) Acrylonitrile Butadiene Styrene (ABS);
- (iii) Polypropylene (PP);
- (iv) Polyethylene (PE);
- (v) Polyvinyl chloride (PVC); and
- (vi) Polyethylene Terephthalate (PET).

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

In 2003, production capacity for some of the plastic resins in Malaysia were as follows: -

Plastic Resins	Production
Polypropylene (PP)	360,000 tonnes
Polyethylene (PE)	1,040,000 tonnes
Polystyrene (PS)	140,000 tonnes
Polyvinyl chloride (PVC)	160,000 tonnes
Acrylonitrile Butadiene Styrene (ABS) and Styrene-Acrylonitrile (SAN)	160,000 tonnes
Polyethylene Terephthalate (PET)	20,000 tonnes

*(Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-section 7 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd)*

In 2003, annual production for all types of plastic resin is approximately 1.9 million tonnes. Thus far, management has not experienced any shortages in the supply of plastic resins.

### 5.4.4.2 Parts and components

The LCTH Group needs to buy parts and components that are not manufactured by them. These parts and components are required for the sub-assembly process. Parts and components mainly comprise bases, sub-moulded parts and covers that are used in the assembly of semi-finished products.

Other parts and components include specialised and mass produced items, and electronic, electrical and metal parts. Parts and components are usually sourced from approved suppliers of customers and the cost is charged back to the customer. For the FYE 2003, parts and components accounted for 32.4% of the Group's total purchases of raw materials and sub-contractor fees.

The Group sourced approximately 15.6% of its parts and components directly from local producers whilst the remaining 84.4% is sourced from overseas suppliers. Thus far, management has not experienced any shortages in supply of these parts and components as these are usually supplied by the customers' approved suppliers.

### 5.4.4.3 Paints and thinner

Paints and thinner accounted for 2.0% of total Group purchases and sub-contractor fees for the FYE 2003. For the FYE 2003, the LCTH Group sources 91.7% of its paints and thinner from overseas. The sources of supply of paints are usually determined by customers. This is because customers would have worked very closely with paint manufacturers to obtain the desired colour and properties of paints to suit their products.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

Some of these properties could be specialised properties include, among others, chemical corrosion resistant, scratch resistant, protection against ultra violet rays and water based. As such, the LCTH Group's customers will nominate their paint supplier for used in their products. The LCTH Group also sources thinner from overseas for grades that are not easily available in Malaysia. Thus far, management has not experienced any shortages in the supply of paints and thinner.

### 5.4.4.4 Sub-contractor fees

For the FYE 2003, sub-contractor fees accounted for 5.9% of the Group's total raw material purchases and sub-contractor fees amounting to RM7.20 million. The sub-contractor fees are mainly for the manufacture of the following parts: -

- (i) covers;
- (ii) base;
- (iii) sub-moulded parts; and
- (iv) spray painting.

The Group uses sub-contractors in situations whereby the Group's production capacity is fully utilised particularly during peak periods.

### 5.4.5 Production/Operation Capacities And Output

The capacity, current production and machine utilisation rate of the LCTH Group are as follows: -

<b>Injection Moulding Machine (By Tonnage)</b>	<b>Capacity (Hours Per Year)</b>	<b>Current Production (Hours Per Year)</b>	<b>Utilisation (%)</b>
Clamping Force ≤ 200 tonnes	367,920	296,805	81
Clamping Force > 200 tonnes	586,920	490,395	84
<b>Total</b>	<b>954,840</b>	<b>787,200</b>	<b>82</b>

*Note: Based on a 24-hour per day production*

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## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

### 5.4.6 Quality Control Procedures

The LCTH Group places significant emphasis on product quality and adheres to stringent quality standards. This is reflected by the fact that the following subsidiaries of the LCTH Group are accredited as follows: -

	Accreditations	Date Of Accreditations	Accredited By
CA (Senai)	ISO 9001:2000	Since January 2002	SGS United Kingdom Ltd PSB Certification Pte Ltd
	QS 9000	30 December 2003	PSB Certification Pte Ltd
CA (Kluang)	ISO 9002:1994	Since September 1998	SIRIM QAS Sdn Bhd
	ISO 9001:2000	30 December 2003	PSB Certification Pte Ltd
	QS 9000	30 December 2003	PSB Certification Pte Ltd
Fu Hao	ISO 9002:1999	Since May 1999	SIRIM QAS Sdn Bhd
	ISO 9001:2000 and QS 9000	Since June 2003	PSB Certification Pte Ltd (ISO 9001 and QS 9000)

In line with the implementation of Total Quality Management, the Group has put in place stringent quality assurance programmes through the following processes and procedures: -

- (i) raw materials have to undergo inspection before being used;
- (ii) each step of the production process from mould testing, manufacturing, spray painting, printing and assembly have to undergo an additional process of quality checks before proceeding onto the next step;
- (iii) a sample of the part or component which is taken from the initial production run has to be verified by a quality assurance personnel to ensure that it is in accordance to the approved sample and customers' specifications before a full production run takes place;
- (iv) a sample is also taken from the production line to be inspected visually with dimensional checks and fitting tests undertaken; and
- (v) each batch of the final products have to be thoroughly inspected and tested randomly by the Quality Assurance Department before delivery to customer.

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## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

Some of the reliability testing equipment used as part of Total Quality Management includes: -

- (i) Coordinate Measuring Machine (CMM) is designed for 3-dimensional (3D) checking on the surface, height and depth of the plastic parts;
- (ii) profile projector is designed for 2-dimensional checking to ensure consistency in surface of the plastic parts;
- (iii) push pull gauge to check on the strength of the part or component;
- (iv) precision measurement tools including: -
  - (a) dial test indicator is an instrument used for set-up or comparative production part inspection and checking for hard to reach part features;
  - (b) dial gauge indicator measures the depth or cavities of a part or component;
  - (c) digimatic calliper, which is an electronic tool that uses a precise slide movement for inside, outside, depth or step measurements of a part or component;
  - (d) digimatic indicator, a precision measurement instrument that is capable of measuring inside diameter and radius curvatures;
  - (e) digital height gauge to measure the height of the plastic parts or components;
  - (f) external micrometer provides precise quantitative measurements of the attributes of a part or component in terms of its height, depth, roundness or bore, thickness and others;
  - (g) feeler gauge, an instrument to measure the width between narrow gaps; and
  - (h) pin gauge is used to measure the hole and slot of dimensions or locations;
- (v) block gauge is used for calibrating, checking and setting gauges;
- (vi) spectrophotometer to check on colour consistency;
- (vii) manual function testing to ensure that the part or component is fully operational; and
- (viii) extrusion plastometer for measurement of melt flow index of resins.

As at 17 September 2004, there are 108 people in the quality assurance team within the LCTH Group focusing on ensuring the standard of product quality meets the expectations of customers.

### 5.4.7 Research And Development ("R&D")

#### 5.4.7.1 Policies of R&D

The LCTH Group recognises the importance of R&D, particularly in creating and sustaining competitive advantages through the followings: -

- (i) Attaining and sustaining high product quality to ensure customer satisfaction;
- (ii) Increase production effectiveness, efficiency and productivity to minimise costs; and
- (iii) Continuously enhancing existing products to better meet the needs of customers.

## 5. INFORMATION ON THE LCTH GROUP *(Cont'd)*

### 5.4.7.2 Facilities and personnel

The Group has in-house R&D facility and Metrology (measurement) laboratory that allows them to undertake R&D and to test products.

Some of the testing that is undertaken by the Group includes: -

- (i) Coordinate Measuring Machine ("CMM") is designed for 3-dimensional (3D) checking on the surface, height and depth of the plastic parts;
- (ii) profile projector is designed for 2-dimensional checking to ensure consistency in surface of the plastic parts;
- (iii) push pull gauge to check on the strength of the part or component;
- (iv) precision measurement tools including: -
  - (a) dial test indicator is an instrument used for set-up or comparative production part inspection and checking for hard to reach part features;
  - (b) dial gauge indicator measures the depth or cavities of a part or component;
  - (c) digimatic calliper, which is an electronic tool that uses a precise slide movement for inside, outside, depth or step measurements of a part or component;
  - (d) digimatic indicator, a precision measurement instrument that is capable of measuring inside diameter and radius curvatures;
  - (e) digital height gauge to measure the height of the plastic parts or components;
  - (f) external micrometer provides precise quantitative measurements of the attributes of a part or component in terms of its height, depth, roundness or bore, thickness and others;
  - (g) feeler gauge, an instrument to measure the width between narrow gaps; and
  - (h) pin gauge is used to measure the hole and slot of dimensions or locations;
- (v) block gauge is used for calibrating, checking and setting gauges;
- (vi) spectrophotometer to check on colour consistency;
- (vii) manual function testing to ensure that the part or component is fully operational;
- (viii) extrusion plastometer for measurement of melt flow index of resins; and
- (ix) vacuum oven for drying of resins.

All these tests are undertaken by the Group's in-house R&D and Metrology laboratory. As at 17 September 2004, the LCTH Group has one hundred and eighteen (108) quality assurance personnel and twenty-nine (29) R&D personnel.

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**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

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**5.4.7.3 Achievements in R&D****Past and current models**

All past and current models of plastic parts and components have undergone R&D activities as follows before mass production: -

- (i) product design and specification to ensure robustness of products and ease of manufacturing and assembly flow;
- (ii) design optimisation of moulds and dies to increase cost effectiveness in the areas of minimising raw material wastage, maximising output per pass as well as minimising the number of moulds and dies to be used; and
- (iii) prototyping for refinement and in preparation for mass production incorporating metrology testing, fitting testing, functional testing, colour testing, material formulation testing as well as modification and refinement of moulds and dies.

Although product design and specification, and fabrication of moulds and dies are not the final responsibilities of the LCTH Group, its inputs are crucial in ensuring high quality and cost effectiveness. As such, R&D activities in these areas are undertaken jointly with customers.

**Modification of moulds and dies**

Part of the LCTH Group's R&D activities is in the modification of moulds and dies to meet the needs and specifications of customers. The development of any new products or models would require the fabrication of new moulds and dies. Once this is completed, there may be a need for small modification to further refine the moulds and dies before full production. In other situations, it is also common to modify an existing moulds and dies to re-launch an existing model with minor variations.

Thus, the Group undertakes R&D in modification of moulds and dies in the following manner: -

- (i) converting product design and specifications to desired design of moulds and dies;
- (ii) physically modifying the moulds and dies; and
- (iii) running prototypes after modification of moulds and dies, and where required, undertaking further refinement until desired results are achieved.

**Improvements in the manufacturing processes**

The LCTH Group has undertaken R&D resulting in improvements of several processes in the manufacturing of precision plastic parts and components. These process improvements include the following: -

- (i) development of the packing jig, which has resulted in cost savings for the Senai manufacturing plant in 2003; and
- (ii) development of the automated process of installing a scanner lock in printers in the Senai manufacturing plant in 2003.

## 5. INFORMATION ON THE LCTH GROUP *(Cont'd)*

As such, the Group undertakes R&D through: -

- (i) selection of process flow best practices;
- (ii) continuous evaluation and improvement of existing processes and procedures to optimise work flow;
- (iii) modification of existing machinery and equipment to increase efficiency in the production process; and
- (iv) creation of new peripherals and jigs to increase effectiveness and efficiency of production.

### 5.4.7.4 On-going R&D in process reengineering and improvements

The LCTH Group is continuously focused on process reengineering and improvement with the aim of increasing efficiency, effectiveness and production output. This is critical as it has a direct impact on the Group's productivity and product quality. Some of the benefits of process reengineering and improvement are as follows: -

- (i) minimised wastage;
- (ii) faster turnaround time;
- (iii) improved cost-effectiveness; and
- (iv) improved customer satisfaction.

As such, the Group undertakes R&D through: -

- (i) Selection of process flow best practices locally and abroad;
- (ii) Research in new technologies and machineries in improving the effectiveness, efficiencies, productivity and output quality in its production processes;
- (iii) Development of jigs to reduce labour and increase throughput and product quality ; and
- (iv) Continuous evaluation and improvement of existing processes and procedures to optimise workflow, maximise quality and minimise cost.

Currently the Group utilises advanced technology in its production process. Part of its production uses robotic arms to replace manual handling of parts during the injection moulding process, and also in spray painting. This increases the volume of production as well as improved product quality through reduced handling and better consistency in the finishing process.

Process improvement also includes the modification of the parts and components to be manufactured, which in many cases will determine the number of processes and handling within the entire manufacturing cycle. Thus, R&D in optimising its manufacturing process is important to the success of the Group's operation and sustaining its competitive advantages.

### 5.4.7.5 Future R&D

The LCTH Group proposes to undertake R&D in fabrication of moulds and dies to meet the specific needs and requirements of its customers.



## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

Currently, fabrication of moulds and dies supplied by FYC or other external parties. In order to provide total solution to customers meanwhile enjoy cost savings and have better control on quality of the moulds and dies, the Group intends to develop its in-house moulds and dies fabrication capabilities by 2005/2006. This will in turn facilitate the joint planning of design and development of new products and models with customers.

In addition, the Group can also increase the turnaround time from customer specification to production and reduce dependency on third parties on crucial part of the manufacturing process.

The LCTH Group already has some of the equipments and skills required to fabricate its own moulds and dies, such as the R&D and metrology laboratory for testing and measurement; and moulds and dies modifications and repairs.

As such, the Group can use its existing base as well as assistance from its parent company, FYC, to develop its in-house capabilities in fabrication of moulds and dies.

### 5.4.7.6 R&D expenditure

The amount spent on R&D for the last three (3) financial years are as follows: -

FYE	2001 RM	2002 RM	2003 RM
R&D Capital Expenses	166,635	-	1,036,025
R&D Operating Expenses	221,566	529,249	655,752
<b>Total R&amp;D Expenses</b>	<b>388,201</b>	<b>529,249</b>	<b>1,691,777</b>

Total R&D Expenses as a Proportion of the Group's Total Revenue (%)	0.48%	0.26%	0.71%
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### 5.4.8 Approvals, Major Licences And Permits

As a plastic injection moulding manufacturer, there are certain approvals that need to be obtained from the Government to commence operations. The following are some of the licenses that have been obtained by the Group for this purpose: -

No.	Company	Issue Date	Expiry Date	Type Of Licence	Issuing Authority	Equity Conditions
1.	CA	1 August 2002	-	"Permit Potongan Daripada Gaji Pekerja"	Jabatan Buruh Semenanjung Malaysia	Nil
				Series No. PP3/29/77/2002		
2.	CA	1 September 2003	31 August 2005	"Permit Wanita Bekerja Malam"	Jabatan Buruh Semenanjung Malaysia	Nil
				Series No. PP4/29/99/2002		

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

No.	Company	Issue Date	Expiry Date	Type Of Licence	Issuing Authority	Equity Conditions
3.	CA	1 August 2004	31 July 2006	Manufacturing Warehouse Licence for plastic injection moulded parts and sub assembly Licence No. 31760	Royal Malaysian Customs	Nil
4.	CA	1 August 2004	31 July 2006	Warehouse Licence Licence No.: 42729	Royal Malaysian Customs	Nil
5.	CA	1 April 2004	31 March 2005	Manufacturing Warehouse Licence for automatic data processing and computer parts, television and video parts, mould and mould sub-insert/mould accessories.  Licence No. 28826	Royal Malaysian Customs	Nil
6.	CA	1 April 2004	31 March 2005	Warehouse Licence Licence No. 39385	Royal Malaysian Customs	Nil
7.	CA	1 March 2000	-	"Sijil Pendaftaran Majikan"  Registration No. 012751613	Kumpulan Wang Simpanan Pekerja	Nil
8.	CA	1 January 2004	31 December 2004	Business Licence for plastic injection moulding business at No. Lot 2592, Jalan Perindustrian 3, Kawasan Industri 2, 81400 Senai.  Account No. 05141	Majlis Daerah Kulai	Nil
9.	CA	1 January 2004	31 December 2004	Advertisement Licence for business at Lot 2592 Jalan Perindustrian 3, Kawasan Perindustrian Senai 2, 81400 Senai.  Account No.: I0132125	Majlis Daerah Kulai	Nil
10.	CA	1 January 2004	31 December 2004	Business Licence for manufacturing goods at 51, Lot No. PTD 4479, Jalan Keranji, Kawasan Perindustrian Jalan Yap Tau Sah, 86000 Kluang.  Account No. L06 10 01Z L02416	Majlis Perbandaran Kluang	Nil

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

No.	Company	Issue Date	Expiry Date	Type Of Licence	Issuing Authority	Equity Conditions
11.	CA	1 January 2004	31 December 2004	Advertisement Licence for business at 51, Jalan Keranji, Yap Tau Sah, Kluang.  Bil No. L36546	Majlis Perbandaran Kluang	Nil
12.	CA	1 December 2003	30 November 2004	"Lesen Mesin Cetak" pursuant to "Akta Mesin Cetak dan Pemibtan 1984"  Licence No. 035177	Kementrian Dalam Negeri	Nil
13.	CA	1 March 2004	-	Letter of approval for affixing machines/ equipment dated 1 March 2004  Ref.No: - JKKP.J.127/PIM/02/04/197	Jabatan Keselamatan dan Kesihatan Pekerjaan Johor	Nil
14.	CA	29 June 1996	-	Manufacturing Licence for plastic injection moulded parts and components for the electrical and electronics industries including hot stamping silkscreen printing, spray printing and its assembly therefrom at No. 51, Lot PTB 4479, Jalan Keranji, Yap Tau Sah Industrial Area, 86000 Kluang, Johor Darul Ta'zim.  Licence No.: A 010709	MITI	At least 40% of CA's shares must be bought and held by Malaysian citizen whereby 10% must be allocated to a special group of investors <sup>#</sup> .
15.	CA	3 December 2003	-	Manufacturing Licence for plastic injection moulded parts and components for the electrical and electronics industries including hot stamping silkscreen printing, spray printing and its assembly therefrom at Lot 2592, Jalan Perindustrian III, Kawasan Perindustrian Senai Fasa II, 81400 Senai, Johor Darul Ta'zim.  Licence No.: A 014272	MITI	At least 40% of CA's shares must be bought and held by Malaysian citizen whereby 10% must be allocated to a special group of investors <sup>#</sup> .

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

No.	Company	Issue Date	Expiry Date	Type Of Licence	Issuing Authority	Equity Conditions
16.	Fu Hao	23 May 2003	-	Manufacturing Licence for factory of Printers and parts thereof; Internet phones and parts thereof; and walkie-talkies and parts thereof at Plot 562, Mukim 1, Jalan Perusahaan Baru 1, Prai III, Prai Industrial Estate, 13600 Prai, Pulau Pinang.  Licence No.:013501	MITI	Nil
17.	Fu Hao	30 July 2003	17 July 2005	Manufacturing Warehouse Licence at Plot 562, Mukim 1, Jalan Perusahaan Baru 1, Prai III, Prai Industrial Estate, 13600 Prai, Pulau Pinang.  Licence No. 28378	Royal Malaysian Customs	Nil
18.	Fu Hao	20 February 2004	31 December 2004	Business Licence  Certificate No. 014124	Majlis Perbandaran Seberang Jaya	Nil
19.	Fu Hao	30 July 2003	17 July 2005	Warehouse Licence at Plot 562, Mukim 1, Jalan Perusahaan Batu 1, Prai III, Prai Industrial Estate, 13600 Parai, Pulau Pinang.  Certificate No. 050092	Royal Malaysian Customs	Nil

Note: -

# The equity conditions for the Manufacturing Licence No. A010709 and A014272 as per item 14 and 15 above have not been complied with by CA and MITI has been informed of the same. MITI has vide its letter dated 6 February 2004 required CA to negotiate with MITI with regards to the equity conditions imposed on the manufacturing license, one year after the Listing of LCTH.

## 5.4.9 Market Share/Ranking

In 2003, the market size for the manufacturing of plastic injection moulded products in Malaysia was estimated at approximately RM3.8 billion, based on the turnover of the total plastics industry.

For the FYE 2003, the turnover of the LCTH Group was approximately RM237.2 million. Hence, the market share of the LCTH Group in year 2003 was approximately 6%, based on the total market size for the manufacturing of plastic injection moulded products in Malaysia.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

(Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-section 19 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd)

### 5.4.10 Principal Markets

The breakdown of revenue contribution by local and export markets for the FYE 2003 was as follows: -

Revenue Breakdown For FYE 2003		
Markets	RM'000	%
Local	222,282	93.7
Export	14,894	6.3
<b>Total</b>	<b>237,176</b>	<b>100.0</b>

For the FYE 2003, sales to the local market contributed the bulk of the LCTH Group's revenue, representing 93.7% of the total revenue. Exports represented the remaining 6.3%.

Local sales are primarily attributed to MNC and Licensed Manufacturing Warehouse ("LMW")/Free Investment Zone ("FIZ") companies based in Malaysia. A very small proportion of local sales are also attributed to other local companies. LMW/FIZ companies in Malaysia ultimately export a significant proportion of their final products overseas. In addition, most of the end-products from MNC are also ultimately exported, as Malaysia alone cannot consume all the end-products.

For the FYE 2003, the LCTH Group directly exports its plastic parts and components to the following countries: -

- |                   |                     |
|-------------------|---------------------|
| (i) United States | (vi) United Kingdom |
| (ii) Singapore    | (vii) China         |
| (iii) Spain       | (viii) Germany      |
| (iv) Mexico       | (ix) Thailand       |
| (v) Hungary       |                     |

Moving forward, the LCTH Group and FYC have agreed to carve out their respective market segment whereby FYC shall only set up new investments in Singapore, China and any other regions other than the Asean region (excluding Singapore) and India and FYC shall not compete with the LCTH Group in carrying out new investments in the Asean region (excluding Singapore) and India.

Exports comprise plastic parts and components for the following end-products: -

- (a) printers;
- (b) office equipment;
- (c) telecommunications products and peripherals;
- (d) vacuum cleaners;
- (e) televisions; and
- (f) medical devices.

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**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

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**5.4.11 Marketing Strategies And Distribution Network**

**5.4.11.1 Marketing strategies**

The major thrust of the LCTH Group's marketing strategy is to position itself as a manufacturer with capabilities to produce precision plastic parts and components supported by secondary finishing processes and sub-assembly of products.

As at 17 September 2004, the Group has twelve (12) personnel in its sales and marketing team to focus on business development with existing and potential customers.

One of the Group's marketing strategies is to work jointly with various Government authorities such as Malaysian Industrial Development Authority, the State Development Corporation of Johor, Selangor and Malacca and MITI to include the tour of the Group's manufacturing plant as part of the site visits of any international visitor of potential buyers from overseas to Malaysia.

In addition, the Group has also been working very closely with its parent company, FYC, by putting in joint-marketing efforts to attract new customers. This has enabled the Group to leverage from the strengths and synergies of being part of a larger group of companies.

**5.4.11.2 Distribution network**

The LCTH Group utilises mainly direct channels of distribution through its own sales and marketing team. This is due to the following factors: -

- (a) Precision plastic parts and components are customised to requirements and thus it would require significant technical knowledge to be able to market effectively; and
- (b) As these parts and components are technical in nature, it will be difficult for the LCTH Group to engage a third party to market its products and services.

Thus, the direct sales approach enables the Group to work closely with its customers to evaluate and attain a better understanding of their requirements. Thereafter, it is able to accurately provide solutions to meet customers' requirements.

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## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

### 5.4.12 Employees

As at 17 September 2004, the LCTH Group has a total workforce of 1,175 employees: -

Category	Bumiputera	Chinese	Indian	Other Malaysian	Foreigner	Total
Management and Professional	7	34	7	-	7	55
Technical and Supervision	108	66	15	4	8	201
Clerical	34	24	3	-	-	61
Factory Floor Workers: -						
Skilled Workers	152	36	39	2	512	741
General Workers	40	-	12	-	65	117
<b>TOTAL</b>	<b>341</b>	<b>160</b>	<b>76</b>	<b>6</b>	<b>592</b>	<b>1,175</b>

Management and professional personnel represented 4.7% of the Group's entire workforce. Technical and supervisory staff accounted for approximately 17.1% of total workforce, inclusive of one hundred and eight (108) quality assurance and twenty-nine (29) R&D personnel. The average number of years of service of its key employees is about one and a half years.

Clerical and administrative personnel accounted for approximately 5.2% of the Group's workforce. Factory floor workers representing the largest category of employees, accounted for approximately 73.0% of the Group's total workforce, of which 63.0% are skilled workers whilst the remaining 10.0% are general workers.

Foreign workers, who are also contract staff, represented around 50.4% of the Group's workforce. Most of them are engaged through agents. Shortage of labour has never been a major issue, neither has it impeded the Group's business growth or caused interruptions in its operations.

The Group is committed in providing training and development for its management and technical staff through courses and seminars organized by both professional and government bodies. For the year ending 2004, the Group is expected to allocate approximately 1% to 2% of its staff payroll for training its employees. The past training or development programs undertaken by the LCTH Group for its staff includes amongst others Power Point Applications, Work Place Hazardous Information, Defect Criteria, Internal QMS Auditor Course, ISO 9000 Course, SAP Training and Success By Supply Management Chain.

None of the employees of the LCTH Group is a member of any labour union. To date, no industrial disputes have transpired since the Group started operation.

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**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

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**5.4.13 Interruptions In Business For The Past Twelve (12) Months**

The LCTH Group has not experienced any significant interruption in its business activities which have had any significant effect on its operations during the past twelve (12) months.

**5.4.14 Principal Assets**

The list of landed properties of the LCTH Group is set out in Section 9.1 of this Prospectus.

**5.4.15 Key Achievement/Milestones/Awards**

As part of the Group's emphasis on quality, the LCTH Group has obtained various quality accreditations including ISO 9001:2000 and QS 9000. Further details are set out in Section 5.4.6 of this Prospectus.

The Group's quality standards were also recognised by customers as demonstrated by the Best Partnership award by Inventec Electronics (M) Sdn Bhd to Fu Hao in year 2000. In addition, CA was awarded the "Golden Award for Technology & Quality-2004" by the Editorial Office, Geneva in December 2003.

**5.5 The Flotation Scheme**

Pursuant to the Restructuring and Listing Scheme, which was approved by the MITI and the SC/FIC on 6 February 2004 and 11 May 2004 respectively, the Company had implemented the following exercises: -

**5.5.1 Acquisitions Of CA And Fu Hao**

LCTH had on 19 December 2003 entered into a conditional sale and purchase agreement for the Acquisitions as follows: -

- (i) 2,000,004 ordinary shares of RM0.50 each in CA representing the entire issue and paid-up capital for a total purchase consideration of RM93,207,000 to be satisfied by issuance of 455,254,995 new LCTH Shares at a price of approximately RM0.205 per share; and
- (ii) 500,000 ordinary shares of RM1.00 each in Fu Hao representing the entire issued and paid-up capital for a purchase consideration of RM1.00 to be satisfied by issuance of 5 new LCTH Shares at a price of RM0.20 per share.

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## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

The total purchase consideration for the Acquisitions of RM93,207,001 was arrived based on the following: -

Acquiree Companies	Estimated NTA/(NTL) @ 31 December 2003 RM	Consideration RM	No. Of LCTH Shares Issued Pursuant To The Acquisitions	Swap Price RM
CA	93,207,000	93,207,000	455,254,995	*0.205
Fu Hao	(2,156,000)	1	5	0.200
<b>Total</b>	<b>91,051,000</b>	<b>93,207,001</b>	<b>455,255,000</b>	

Note: -

\* Approximate.

Upon completion of the Acquisitions on 1 June 2004, the issued and paid-up share capital of LCTH has increased from RM2 consisting of 10 ordinary shares of RM0.20 each to RM91,051,002 comprising 455,255,010 ordinary shares of RM0.20 each.

The Vendors together with their respective shareholdings in LCTH after the Acquisitions are as follow: -

Vendors	← As At 30 November 2003 →			No. Of LCTH Shares Held After The Acquisitions	Percentage (%)
	No. Of Ordinary Shares Of RM0.50 Each Held In CA RM	No. Of Ordinary Shares Of RM1.00 Each Held In Fu Hao RM			
FYI	1,900,004	500,000		432,492,296	95
Hew Lien Lee	20,000	-		4,552,541	1
Chew Yoon Moi	80,000	-		18,210,163	4
<b>Total</b>	<b>2,000,004</b>	<b>500,000</b>		<b>455,255,000</b>	<b>100</b>

The 455,255,000 new LCTH Shares issued pursuant to the Acquisitions on 1 June 2004 rank pari passu in all respects with the existing issued and paid-up ordinary shares of LCTH.

### 5.5.2 Public Issue

In conjunction with the Listing and to comply with the Listing requirements of Bursa Securities and the SC with regards to shareholdings, the Company is undertaking a Public Issue of 144,744,990 new LCTH Shares, representing 24.12% of the enlarged issued and paid-up share capital of the Company upon listing, at the Issue/Offer Price to the eligible Directors, employees and suppliers of the LCTH Group and the eligible directors and employees of FYI and FYC, Malaysian public and Bumiputera investors.

### 5.5.3 Offer For Sale

In order to meet the 30% Bumiputera shareholding requirement, the Offerors are undertaking the Offer For Sale of 83,255,010 LCTH Shares, representing 13.88% of the enlarged issued and paid-up share capital of the Company, at the Issue/Offer Price to the Bumiputera investors approved by MITI.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

### 5.6 Subsidiaries And Associated Company

The subsidiaries of LCTH, all of which are incorporated in Malaysia are as follows: -

Name	Date Of Incorporation	Authorised Capital RM	Issued And Paid-Up Share Capital RM	Effective Equity Interest %	Principal Activities
CA	9 June 1993	2,000,000	1,000,002	100.00	Manufacturing and sub-assembly of precision plastic parts and components.
Fu Hao	28 May 1993	500,000	500,000	100.00	Manufacturing and sub-assembly of precision plastic parts and components.

LCTH does not have any associated company as at 17 September 2004.

Further details of the subsidiaries of LCTH are as follows: -

#### 5.6.1 CA

##### (i) History and business

CA was incorporated as a private limited company in Malaysia under the Act on 9 June 1993 under its present name. Its first plant was set up in Kluang. In 1999, with an optimistic business outlook in the plastic injection moulding manufacturing sector, CA established its second plant in Senai. Started with 200 employees, the business expanded to approximately 1,000 headcounts as at 17 September 2004.

The principal activities of CA are manufacturing and sub-assembly of precision plastic parts and components.

##### (ii) Share Capital as at 17 September 2004

The existing authorised share capital is RM2,000,000 comprising 4,000,000 ordinary shares of RM0.50 each, of which RM1,000,002 comprising 2,000,004 ordinary shares of RM0.50 each have been issued and fully paid-up.

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## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

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

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Cumulative Issued And Paid-Up Share Capital RM
9 June 1993	2	1.00	Cash; Subscribers' shares	2
8 December 1993	1,000,000	1.00	Cash	1,000,002
12 July 1994	1,000,002	0.50	Share split	1,000,002

### (iii) Subsidiary and associated company

As at 17 September 2004, CA does not have any subsidiary or associated company.

### (iv) Substantial shareholder

The substantial shareholder of CA and its shareholding is set out below: -

Name	Direct		Indirect	
	No. Of Shares	%	No. Of Shares	%
LCTH	2,000,004	100	-	-

### (v) Employees

As at 17 September 2004, CA has a total of 1,013 employees.

## 5.6.2 Fu Hao

### (i) History and business

Fu Hao was incorporated as a private limited company in Malaysia under the Act on 28 May 1993 under its present name.

The principal activities of Fu Hao are manufacturing and sub-assembly of precision plastic parts and components.

### (ii) Share Capital as at 17 September 2004

The existing authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, all of which have been issued and fully paid-up.

**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

The changes in the issued and paid-up share capital of Fu Hao since its incorporation are as follows: -

Date Of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Cumulative Issued And Paid-Up Share Capital RM
28 May 1993	2	1.00	Cash; Subscribers' shares	2.00
20 June 1994	49,998	1.00	Cash	50,000
7 April 1999	50,000	1.00	Cash	100,000
12 April 2000	400,000	1.00	Cash	500,000

**(iii) Subsidiary and associated company**

As at 17 September 2004, Fu Hao does not have any subsidiary or associated company.

**(iv) Substantial shareholder**

The substantial shareholder of Fu Hao and its shareholding is set out below: -

Name	← Direct →		← Indirect →	
	No. Of Shares	%	No. Of Shares	%
LCTH	500,000	100.00	-	-

**(v) Employees**

As at 17 September 2004, Fu Hao has a total of 162 employees.

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**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

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**5.7 Industry Overview****5.7.1 Overview Of The Malaysian Economy**

The GDP grew by 4.2% in 2002. The growth was mainly derived from domestic demand and reinforced by favourable export performance. The growth in domestic demand was contributed by strong consumer spending, continued recovery in investment activities and expansion in public sector expenditure.

Further to this, the Government proposed a budget amounting to RM109.8 billion for 2003, an increase of 9.2% over the previous budget. In view of a global recovery from economic uncertainties, the 2003 Budget focuses on further stimulating economic growth by encouraging domestic activities with an expectation that the services and manufacturing industries will continue to lead the nation's economic growth momentum.

On 21 May 2003, the Government announced a RM7.3 billion stimulus package aimed at mitigating some of the adverse impact brought about by external factors including the Iraq war and the outbreak of Severe Acute Respiratory Syndrome (SARS). The package, which focuses on four main strategies comprising 90 measures, aims at stimulating economic activities by mobilising domestic sources of growth and, at the same time, reducing dependency on the external sector. This will help to ensure Malaysia's economic fundamentals remain strong in the medium and long-term.

In 2003, real GDP grew by 5.2% over the previous year (*Note: 2003 figures are preliminary*). The economic growth was broad based and balanced across all sectors, driven by strong domestic demand and augmented by a stronger export performance.

*(Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004, prepared by Vital Factor Consulting Sdn Bhd)*

**Robust Economic Activity In The First Quarter Of 2004**

Economic expansion strengthened further, with growth in real GDP rising at the pace of 7.6% in the first quarter of 2004 from 6.6% in the fourth quarter of 2003. The robust economic activity, driven mainly by the private sector, reflected sustained strong growth in household consumption and an increase in momentum in private investment activity.

Growth was broad based across all sectors. The key contributor to the strong GDP performance was the strengthening in growth of the manufacturing and services sectors. Growth in the manufacturing sector strengthened to 12.5%, contributing 3.8 percentage points to GDP. The expansion was supported by stronger growth in export-oriented industries and sustained growth in domestic-oriented industries. The growth reflected stronger external demand, in particular for electronics, and the improving domestic demand and continued recovery in the investment cycle.

*(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2004, Published By Bank Negara Malaysia)*

Bank Negara Malaysia has projected the real GDP to grow between 6.0% and 6.5% in 2004. This economic growth forecast was higher than the earlier growth estimate of between 5.5% and 6.0% (*Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004, prepared by Vital Factor Consulting Sdn Bhd*)

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**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

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**5.7.2 Overview Of The Plastic Injection Moulding Industry In Malaysia**

Plastic injection moulded products play a major supporting role in the growth and development of the electrical and electronics industry, which is the largest export earner, in Malaysia. This is in line with the Malaysian Government's intention to nurture the development of industry linkages to serve the needs and requirements of MNC in the electrical and electronics industry. One of the supporting/ancillary industries is the plastic injection moulding sector.

Plastic injection moulded parts and components are critical as they form the internal and external parts of the finished product itself, without which the product would not be completed.

The performance of the industry will also directly contribute to the growth of the economy as a whole. This is reflected by the fact that sales value of the manufacturing of plastic products (including plastic injection moulded products) increased at an average annual rate of 11.3% between 1999 and 2003. In 2003, sales value of these types of Plastic Products reached RM8.8 billion.

*(Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-section 2 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd)*

**5.7.3 Areas Of Growth And Opportunities****(i) Exports**

Many local manufacturers focused their sales on MNC based in Malaysia.

Opportunities exist for local manufacturers to service overseas-based customers. This will open up a significantly larger market and reduce the dependencies on companies who are based in Malaysia.

With the implementation of Asia Free Trade Area (AFTA) and World Trade Organisation (WTO), competition has become global. As such, manufacturers that have access to export markets are in a significantly better position to sustain business growth and success.

**(ii) Original equipment manufacturers ("OEM")**

Most plastic injection moulding manufacturers are dealing and providing plastic parts and components to the OEM. Opportunities exist for these plastic injection moulding manufacturers to become OEM and deal directly with MNC. With this additional value adding, the manufacturers could reap higher profits meanwhile increase their customers' dependency on their services.

In addition, the convenience of dealing with only one manufacturer for mould design to the assembly of finished products would appeal significantly to customers.

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**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

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**(iii) Exotic materials**

There are opportunities for manufacturers to undertake R&D and produce exotic materials. One example is mixing of titanium with plastic to produce a hardy material that is used in personal computer notebooks to withstand impact and rough handling. Such developments would increase the applications of plastic injection moulded products to increase sales and profits.

More importantly, the new materials will enable the owner a period of monopoly until such time that some other manufacturers introduce competing alternatives.

*(Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-section 17 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd)*

**5.7.4 Competition**

Operators in the plastic injection moulded parts and components industry face normal competitive conditions. As with most free enterprise environments, competition is based on quality products and services, cost competitiveness, prompt delivery schedules, manufacturing capabilities and capacities as well as customer convenience.

There are many types of operators within the plastic injection moulded parts and components industry in Malaysia. Some of them focus mainly on the production of plastics parts and components for the electrical and electronics industry whilst others are producing for household products, medical instruments, automotive parts or a combination of these products.

Generally, competition in this industry is intense. However, there are different levels of competitive intensity depending on the market sectors served based on the following observations: -

- (i) In 2003, there were approximately 500 manufacturers of plastic injection moulded parts and components. Thus, the sheer number of players contributes to the competitive intensity in this industry. However, it is dependent on product categories as there is a wide proliferation of plastic injection moulded parts and components for a diverse range of industries including, among many others, electrical appliances, air-conditioners, toys, home electronics, telecommunications, office automation etc. Some operators may only specialise and focus on manufacturing parts for certain sectors.
- (ii) Competitive intensity is dependent on the complexity of the end products. For instance, basic plastic parts for toys would face more intense competition, as it is the least complex products in terms of manufacturing processes. Complex products such as electronics and electrical items would require more complex processes and a higher quality of finishing whereby only larger operators with the appropriate machineries and equipments are able to fulfil.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

- (iii) In addition, companies that focus on value-added or high precision plastic injection moulded parts and components that requires strict adherence to quality and specifications face less competition compared to the manufacturers of basic plastic injection moulded parts and components.
- (iv) Operators that are able to provide a total solution by having integrated manufacturing capabilities such as mould design and fabrication, manufacturing and assembly will have comparative advantage from other operators who are mainly manufacturing plastic injection moulded parts and components.

*(Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-section 10 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd)*

### 5.7.5 Government Legislation, Policies And Incentives

- (i) Government regulations

Apart from the normal manufacturing licences, there are no other Government regulations prohibiting the entry of operators into the plastic injection moulding industry.

Application of manufacturing licences is mandatory for companies with seventy-five (75) or more full time workers or having shareholders' funds RM2.5 million and above.

- (ii) Government incentives

The major incentives for companies investing in the manufacturing sector are the Pioneer Status, Investment Tax Allowance and Reinvestment Allowance.

Eligibility for either the Pioneer Status or Investment Tax Allowance is determined according to the priorities termed as "promoted activities" or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration. Plastic injection moulding is not a promoted activity in this regard. However, the manufacturing of moulds and dies as a supporting product/facility is regarded as a promoted activity.

On the other hand, all manufacturing companies that have been in operation for at least twelve (12) months and incur qualifying capital expenditure to expand production capacity, modernise and upgrade production facilities, diversify into related products, and automate its production facilities can obtain a Reinvestment Allowance.

CA is currently enjoying the benefits of Reinvestment Allowance. The benefits are set out as follows: -

- (a) the Reinvestment Allowance is 60% of qualifying capital expenditure incurred by CA. It can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.



## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

(b) the Reinvestment Allowance will be given for a period of fifteen (15) consecutive years beginning from the year the first reinvestment is made. Companies can only claim upon completion of the qualifying project, for example after the building is completed or when the plant/machinery is put to operational use. Assets acquired for the reinvestment cannot be disposed during two years from the time of reinvestment.

(iii) Licensed Manufacturing Warehouse ("LMW")

As part of the Malaysian Government's incentives to promote the manufacturing industry, LMW companies are entitled to the exemption of import tax on raw materials, component parts, machinery and equipment, which required directly in the manufacturing process.

Generally, manufacturers who are approved for LMW are those who import their raw materials/components and export the entire production or not less than 80% of the production. CA and Fu Hao is currently enjoying the LMW privileges including the exemption of import duty and sales tax of raw materials.

(iv) Other incentives

Other tariff related incentives that are available to the eligible manufacturers include: -

- (a) full exemption from import duty on raw materials/components for export products and to a certain extent, local products. This is provided the raw materials/components are not produced locally or where they are produced locally, they are not of acceptable quality and price;
- (b) exemption from import duty and sales tax on machinery and equipment;
- (c) exemption from import duty and sales tax on spares and consumables; and
- (d) drawback of import duty and sales tax for LMW or Free Zone companies.

(v) Environmental regulations

The disposal of wastes and sludge resulting from auto spraying process falls under the Environmental Quality (Scheduled Wastes) Regulations 1989 (*Source: Environmental Quality Act and Regulations*).

The main bulk of waste materials from manufacturing operations are generated during the process of plastic injection moulding which comes in the form of off-cuts (runner-gate) of solidified plastic resin. However, the LCTH Group recycles most of the plastic off-cuts by reusing it in the manufacturing process. Thus, there is minimal waste created from that perspective. Some of the off-cut that cannot be reused in the manufacturing process are sold off as scrap.

CA disposes its non-recyclable off-cuts as scrap, which is sold and collected by M&M Enterprise and Syarikat K.H Ong. Fu Hao disposes its non-recyclable off-cuts through Cleantech Maintenance Cleaning Services and Palmkos Plastic.

## 5. INFORMATION ON THE LCTH GROUP *(Cont'd)*

The other type of waste generated is mainly from industrial paints used in the auto spraying process. The paint residue created by subsidiary, CA, through the spraying process is collected and disposed through Positive Chemicals Sdn Bhd, an approved contractor of Kualiti Alam.

Fu Hao does not have paint spraying process facilities in the manufacturing plant. Therefore this type of waste is not applicable to the company.

*(Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-section 5 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd).*

### 5.7.6 Demand/Supply Conditions

#### (i) Demand dependencies

The usage and applications of plastic injection moulded parts and components are extensive and diverse. Some of its end-user industries include the following: -

- (a) consumer electrical products such as audio-visual and multimedia products;
- (b) household electrical appliances such as refrigerators, vacuum cleaners, toasters, microwave ovens and washing machines;
- (c) telecommunications equipment such as mobile phones, telephones, telecommunication devices and satellite receivers;
- (d) computers and peripherals such as personal computers, notebooks, laptops, keyboards, monitors and modems;
- (e) office equipment and machinery such as printers, scanners, photocopy machines, typewriters, accounting machines and stencil duplicating machines;
- (f) automotive products such as passenger and commercial vehicles, motorcycles and scooters;
- (g) medical instruments and equipments such as instruments and appliances used in the medical, surgical, dental or veterinary practice or science, for example ophthalmic instruments and needles; and
- (h) household products such as kitchenware, buckets and garbage bins.

The diversity in applications and user industries will continue to provide continuing demand and opportunities for operators within the plastic injection moulding industry. As such, the performance of the end-user industries will impact on the demand of plastic injection moulded parts and components.

#### (ii) Supply dependencies – raw materials

The main supply dependencies for the plastic injection moulding industry is resin. Depending on the requirements and grade of performance of the plastic injection moulded parts and components, different types of resins are used.

For the FYE 2003, the Group imported approximately 97.1% of its plastic resins as certain grades of plastic resin are not available from local producers and sources of supply are determined and approved by customers.

## 5. INFORMATION ON THE LCTH GROUP *(Cont'd)*

*(Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-sections 7 and 9 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd)*

### 5.7.7 Threat Of Substitute Products

The substitutes to plastic injection moulded products are steel, reinforced fiberglass and other composite materials.

The current world's excess capacity for steel production could push the price of steel to the point that it would increase its appeal to replace plastic parts, components and products. Steel parts, components and products, through metal stamping, could be mass-produced to make it a viable alternative to plastic injection moulded products.

However, the probability of other materials replacing plastic is low due to the low cost of plastic raw materials as well as the very low mass production cost.

In reality, plastic injection moulded products have replaced many other types of materials, especially steel-based products. For instance, plastic injection moulded products have replaced steel-based products include automotive bumper bars and casings for many consumer electrical and electronic appliances. Other materials such as reinforced fiberglass are either too expensive or cannot be easily mass produced.

The use of other polymers like synthetic rubber, polyurethane and silicon is not an issue as the production process and used of machinery are the same as that of plastic injection moulding, except the feed-stock is different. From that perspective, there is nothing preventing current plastic injection moulding manufacturers from using these raw materials to meet their customers' requirements and specifications.

*(Source: Assessment of the Plastic Injection Moulding Industry dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-section 16 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd)*

### 5.7.8 Industry's Reliance On And Vulnerability To Imports

Generally, plastic resins represented 59.7% of the total raw material purchases of the LCTH Group for the FYE 2003. Approximately 97.1% of total plastic resins purchased by the Group are imported. The Group currently sources its resin primarily from Singapore.

The LCTH Group primarily imports its plastic resin due to the following factors: -

- (i) certain grades of plastic resin are not available from local producers; and
- (ii) sources of supply are determined and approved by the customer.

In Malaysia, the import value of polystyrene resin including acrylonitrile butadiene styrene, high impact polystyrene and acrylonitrile styrene copolymer amounted to RM866.1 million in 2003 *(Source: Prospects and Future Plans of LCTH dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-section 7 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd)*.

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**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

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Between 1999 and 2003, import of polystyrene resin increased an average annual rate of 3.8% (Source: *Prospects and Future Plans of LCTH dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12, Sub-section 7 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd*).

As there are ample sources of supply of plastic resin overseas, the threat in supply is minimised. To date, the LCTH Group has not encountered any major problems in sourcing plastic resin as a raw material from its suppliers.

**5.7.9 Summary Of Outlook And Prospects Of The Industry**

The outlook for the Plastic Injection Moulding Industry is favourable. The Plastic Injection Moulding Industry is forecasted to grow at approximately 6% per annum for the next five (5) years. Please refer to Section 12, Sub-section 14 of the Independent Market Research Report for some of the substantiation of the abovementioned observations and analyses.

(Source: *Assessment of the Plastic Injection Moulding Industry dated 17 September 2004 and the Independent Market Research Report dated 17 September 2004 as set out in Section 12 of this Prospectus, prepared by Vital Factor Consulting Sdn Bhd*)

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## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

### 5.8 Major Customers

The top 10 customers of the LCTH Group for the FYE 2003 are listed in the table below: -

	Customer	Products Purchased	Amount RM'000	Percentage Of Total Group Revenue (%)	Length Of Relationship (No. Of Years)
1	Technocom System Sdn Bhd	Deskjet Printer/ Scanner, 3-Function and 4-Function Office Equipment, Printer Carriage Base	103,667	43.7	4
2	Flextronics Industries (M) Sdn Bhd	Deskjet Printer/ Scanner, 3-Function and 4-Function Office Equipment, Printer Carriage Base	74,505	31.4	10
3	Flextronics Technology (M) Sdn Bhd	Deskjet Printer/ Scanner, 3-Function and 4-Function Office Equipment, Printer Carriage Base	13,317	5.6	9
4	Celestica Electronics (M) Sdn Bhd (formerly known as OMNI Electronics (M) Sdn Bhd)	Deskjet Printer/ Scanner, 3-Function and 4-Function Office Equipment, Printer Carriage Base	11,292	4.8	10
5	Meiban Plastics Sdn Bhd	Vacuum Cleaner Parts	8,786	3.7	3
6	Inventec Electronics (M) Sdn Bhd	Telecommunication Tools	6,082	2.6	10
7	Avaplas Ltd, Singapore	Deskjet Printer/ Scanner, 3-Function and 4-Function Office Equipment	3,351	1.4	4
8	Kinpo International Ltd, Hong Kong	Deskjet Printer, Printer Carriage Base	2,616	1.1	3
9	Flextronics International KFT, Hungary	Deskjet Printer/Scanner, 3-Function and 4-Function Office Equipment, Printer Carriage Base	2,167	0.9	2
10	Motorola Technology Sdn Bhd	Telecommunication Tools	1,409	0.6	2
	<b>Total</b>		<b>227,192</b>	<b>95.8</b>	

Note: -

The above breakdown of revenue contribution is based on management estimates only.

Ultimately, approximately 86% of the LCTH Group's revenue is derived from customers that service HP. The major customers are Technocom System Sdn Bhd, Flextronics Industries (M) Sdn Bhd, Flextronics Technology (M) Sdn Bhd and Celestica Electronics (M) Sdn Bhd (formerly known as OMNI Electronics (M) Sdn Bhd). For the FYE 2003, the top 10 customers of the LCTH Group accounted for approximately RM227.192 million. This represented 95.8% of the Group's turnover. The remaining 4.2% of the revenue was spread across approximately 48 customers.

The top customer, Technocom System Sdn Bhd accounted for 43.7 % of the Group's total revenue for the FYE 2003. However, this customer has been with the LCTH Group for approximately 4 years and this indicates a long-term and stable customer relationship. The next largest customer, Flextronics Industries (M) Sdn Bhd which has been dealing with the LCTH Group for approximately 10 years, accounted for 31.4% of revenue for FYE 2003.

The combined total of the top 3 customers of the LCTH Group accounted for approximately 80.7% of the total turnover of the Group for the FYE 2003.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

### 5.9 Major Suppliers

Following are the LCTH Group's top 10 suppliers for the FYE 2003: -

Supplier	Products And Services	Amount RM'000	% Of Total Group Purchases For FYE 2003 (%)	Length Of Relationships (No. Of Years)
1 FYC	Resin, plastic parts and components, sub-contractor	28,828	24	9
2 Atofina South East Asia Pte Ltd, Singapore	Resin	22,078	18	7
3 BASF Singapore Pte Ltd, Singapore	Resin	14,258	12	7
4 Nagase Singapore (Pte) Ltd, Singapore	Resin	12,541	10	7
5 Nagase (M) Sdn Bhd	Resin	6,368	5	6
6 Fortune Mission	Sub-contractor	5,221	4	4
7 Acumen Engineering Pte Ltd, Singapore	Resin	3,050	3	1
8 Clariant (Singapore) Pte Ltd, Singapore	Resin	1,996	2	7
9 Ge-Shen Plastic (M) Sdn Bhd	Parts and components, sub-contractor	1,951	2	1
10 Cerplas Chemicals Pte Ltd, Singapore	Paint and thinner	1,761	1	1
<b>Total</b>		<b>98,052</b>	<b>81</b>	

Note: -

Total purchases of raw materials and services of the LCTH Group amounted to approximately RM121.56 million for FYE 2003.

The LCTH Group's top 10 suppliers represented 81% of total purchases for the FYE 2003. As plastic resin constitutes one of the main raw materials used by the Group, seven (7) out of the top 10 suppliers are primarily related to the supply of plastic resin materials. However, the LCTH Group is not heavily dependent on any of these suppliers and this is reflected by the fact that purchases of plastic resin are widely distributed among different suppliers.

The LCTH Group's top supplier, FYC represented 24% of the Group's total purchases of raw materials for the FYE 2003. The next largest supplier is a resin supplier, Atofina South East Asia Pte Ltd which accounted for 18% of the Group's total purchases of raw materials for the FYE 2003.

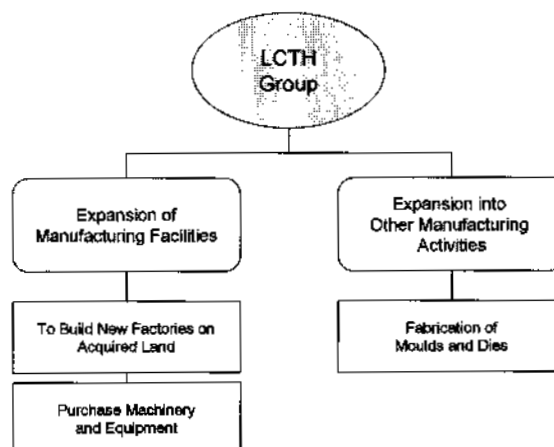
The LCTH Group's top three suppliers represented approximately 54% of total Group purchases of raw materials for the FYE 2003. As part of the LCTH Group's philosophy of cultivating long-term suppliers, approximately 60% of the top 10 suppliers have been dealing with the Group for 6 years or more.

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

### 5.10 Future Plans Of The Company

#### 5.10.1 Overview Of The Future Plans

The future plans of the LCTH Group are focused in two key areas as depicted in the figure below: -



#### 5.10.1.1 Expansion Of Manufacturing Facilities

##### (i) Build new factories on acquired land

In view of its overall expansion plan, the LCTH Group has acquired a piece of land to build a new production plant. The new property is located in Johor Technology Park with an approximate land area of 1.4 million square feet. CA has signed an S&P with Johor Corporation on 13 April 2004 in relation to the purchase of the said land for a total purchase consideration of approximately RM16 million.

The new production plant will consolidate the current production plants located in Senai and Kluang in Johor Darul Ta'zim, plus cater to expansion for the future. Once the new plant is completed, the Group will relocate and move out from the existing rented premises. Construction of the manufacturing premises has commenced since April 2004.

##### (ii) Purchase machinery and equipment

Manufacturing of precision plastic parts and components.

Part of the LCTH Group's plan involves the purchase of new machineries and equipment primarily for the manufacture of precision plastic parts and components. The Group's current machine utilisation rate is as follows: -

Injection Moulding Machine (By Tonnage)	Utilisation (%)
Clamping Force ≤ 200 tonnes	81
Clamping Force > 200 tonnes	84
<b>TOTAL</b>	<b>82</b>

## 5. INFORMATION ON THE LCTH GROUP (Cont'd)

*Note: Based on a 24-hour per day production.*

For the main segments of its production, the LCTH Group is close to full utilisation of its capacity. As such, it requires additional machine and equipment to cater for growth.

The Group proposes to invest in the following additional machinery and equipment for its manufacturing line by 2005: -

- (a) 10 units of 460-650 tonne Injection Moulding Machines;
- (b) 20 units of 350-450 tonne Injection Moulding Machines; and
- (c) 20 units of below 350 tonne Injection Moulding Machines.

### 5.10.1.2 Expansion Into Other Manufacturing Activities

#### Fabrication of moulds and dies

Part of the Group's future plans is to be a one-stop solution centre by providing design and fabrication of moulds and dies. Design and fabrication of moulds and dies are natural extensions of the LCTH Group's services to provide higher value-adding and convenience to its customers.

The Group intends to commence design and fabrication of moulds and dies in 2005. Such expansion involves the purchase of new machinery and equipment for the design and production of moulds and dies. This would enable it to reduce its dependency on external parties in the fabrication of moulds and dies. The LCTH Group is in a good position to undertake such activities as it is currently undertaking modifications and maintenance work.

In addition, it will be able to obtain transfer of knowledge and skills from its parent company, FYC.

The ability to undertake in-house fabrication of moulds and dies would enable the LCTH Group to be an integrated plastic injection moulding manufacturer. This would enable it to control quality, obtain faster turn-around and interact with customers directly in the design and specification of the products to enhance value-adding.

To venture into design and fabrication of moulds and dies, the Group intends to invest in the following machinery and equipment: -

- (i) 40 units of conventional milling machines;
- (ii) 30 units of grinding machines;
- (iii) 5 units of precision lathe machines;
- (iv) 35 units of electric discharge machines;
- (v) 20 units of CNC milling machines;
- (vi) 10 units of wire cut machines;
- (vii) 20 units of Computed Aided Design ("CAD"), Computer Aided Manufacturing ("CAM") and hardware; and
- (viii) miscellaneous checking equipment/machine accessory.



**5. INFORMATION ON THE LCTH GROUP (Cont'd)**

In line with the Group's plan, the LCTH Group will also set up the following divisions for its mould and dies fabrication: -

- (i) mould design;
- (ii) project management;
- (iii) machining;
  - (a) CAD/CAM;
  - (b) wire cut machining;
  - (c) Computerised Numerical Control ("CNC") machine;
  - (d) CNC-Electro Discharge Machine ("EDM"); and
  - (e) grinding machine;
- (iv) conventional milling machine;
- (v) mould finishing and assembly; and
- (vi) receiving and order.

**5.10.2 Milestones And Resources**

The following table indicates the timing for implementation of the future plans of the LCTH Group: -

<b>Business Activities</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Expansion of Manufacturing Facilities			
- <i>To build new factories on acquired land</i>	√	√	√
- <i>Purchase machinery and equipment</i>	√	√	
Expansion into Other Business Activities			
- <i>Design and Fabrication of Moulds and Dies</i>	√	√	√

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