(Prepared for inclusion in this Prospectus)

Folks DFK & Co (No. AF 0502)
Chartered Accountants

An Independent Member Firm of DFK INTERNATIONAL

Date : 15 MAY 2008

The Board of Directors
Luxchem Corporation Berhad
No. 6, Jalan SS 21/58
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

Luxchem Corporation Berhad ("LCB" or "the Company")
(formerly known as Luxchem Corporation Sdn Bhd)
Accountants' Report

1. Introduction

This report has been prepared by Folks DFK & Co., an approved company auditor, for the purpose of inclusion in the Prospectus of LCB dated 10 JUN 2008 in connection with the listing and quotation of the entire issued and paid-up share capital of LCB on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

2. Abbreviations

Unless the context otherwise requires, the following definitions shall apply throughout this report :-

FY	Financial year
FYE	Financial year ended
Guidelines	The Securities Commission's Prospectus Guidelines in respect of Public Offerings
LCB	Luxchem Corporation Berhad
LCB Group	Luxchem Corporation Berhad and its subsidiaries
LT	Luxchem Trading Sdn. Bhd.
LT Group	Luxchem Trading Sdn. Bhd. and its subsidiaries (namely LPOLY, LTSG and CCIM)
LPOLY	Luxchem Polymer Industries Sdn. Bhd.
LTSG	Luxchem Trading (S) Pte. Ltd.
CCIM	Chemplex Composite Industries (M) Sdn. Bhd.
MASB	Malaysian Accounting Standards Board

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3. General Information

3.1 Background

LCB was incorporated in Malaysia under the Companies Act, 1965 as a private limited liability company on 4 September 1991, under the name of Luxchem Corporation Sdn. Bhd.. On 3 August 2007, the Company was converted into a public limited company thereby assuming its present name.

LCB commenced business operations in 2007 as an investment holding company.

3.2 Restructuring and Listing Scheme

The transactions in conjunction with and as an integral part of the listing and quotation of the entire issued and paid-up share capital of LCB on the Main Board of Bursa Securities are as follows :-

(a) Acquisition of the Entire Issued and Paid-Up Share Capital of LT

On 3 August 2007, LCB and the vendors of LT entered into a Conditional Sale and Purchase Agreement ("CSPA") to acquire the entire issued and paid-up share capital of LT comprising 5,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM54,999,998 and which is to be satisfied by the issuance of 109,999,996 new ordinary shares of RM0.50 each in LCB ("LCB Shares") at par to the vendors of LT ("Acquisition of LT").

The purchase consideration of RM54,999,998 for the Acquisition of LT was agreed upon on a willing buyer-willing seller basis after taking into consideration the audited consolidated net assets value ("NAV") of LT Group of RM54,999,998 as at 31 December 2006.

The Acquisition of LT was completed on 9 May 2008. The completion of the Acquisition of LT resulted in the issued and paid-up share capital of LCB being increased from RM2 comprising 4 LCB Shares to RM55,000,000 comprising 110,000,000 LCB Shares.

The 109,999,996 new LCB Shares issued pursuant to the Acquisition of LT rank pari passu in all respects with the existing ordinary shares of LCB and carry all rights to receive, in full, all dividends and other distributions declared and paid subsequent to the allotment thereof.

Upon completion of the Acquisition of LT, Tang Ying See and Chin Song Mooi, vendors of LT who were entitled to receive 70,923,070 and 19,800,026 LCB Shares respectively, had respectively transferred 46,099,972 and 12,870,028 LCB Shares to Chemplex Resources Sdn Bhd ("CRSB"), a company jointly controlled by Tang Ying See and Chin Song Mooi to consolidate their shareholdings in LCB.

3.2 Restructuring and Listing Scheme (Cont'd)

(b) Acquisitions of the Entire Issued and Paid-Up Share Capital of LPOLY, LTSG and CCIM

On 17 August 2007, LCB and LT entered into Conditional Sale and Purchase Agreements to acquire the following companies from LT ("Acquisitions of Other Subsidiaries") :-

(i) The entire issued and paid-up share capital of LPOLY amounting to RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each, for a purchase consideration of RM8,581,141. The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NAV of LPOLY of RM8,581,141 as at 31 December 2006;

(ii) The entire issued and paid-up share capital of LTSG amounting to SGD50,000 comprising 50,000 ordinary shares for a purchase consideration of RM2. The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the audited net liability position of LTSG of SGD14,958 as at 31 December 2006; and

(iii) The entire issued and paid-up share capital of CCIM amounting to RM2 comprising 2 ordinary shares of RM1.00 each, for a purchase consideration of RM2. The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the audited net liability position of CCIM of RM8,878 as at 31 December 2006.

The Acquisitions of Other Subsidiaries are to be undertaken after the completion of the Acquisition of LT and the purchase consideration in relation to the acquisitions are to be satisfied entirely in cash.

The acquisitions were completed on 12 May 2008.

(c) Initial Public Offering ("IPO")

Public Issue

Upon completion of the Acquisitions of LT and Other Subsidiaries, LCB shall undertake the Public Issue of 20,000,000 new LCB Shares ("Public Issue Shares"), representing approximately 15.38% of its enlarged issued and paid-up share capital at an issue price of RM1.10 per LCB Share. The Public Issue Shares will be allocated in the following manner :-

(i) Malaysian Public via Ballotting

6,500,000 Public Issue Shares will be made available for application by the Malaysian Public of which 1,950,000 Public Issue Shares are to be set aside strictly for Bumiputera investors.

(ii) Selected Investors via Private Placement

7,000,000 Public Issue Shares will be made available for application by selected investors via private placement of which 500,000 Public Issue Shares are to be set aside strictly for Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").

3.2 Restructuring and Listing Scheme (Cont'd)

(c) Initial Public Offering ("IPO") (Cont'd)

(iii) Eligible Employees, Directors and Business Associates of the Group

6,500,000 Public Issue Shares will be made available for application by eligible employees, Directors and business associates of the Group.

The Public Issue shall increase the issued and paid-up share capital of LCB from 110,000,000 LCB Shares to 130,000,000 LCB Shares.

All new LCB Shares to be issued pursuant to the Public Issue shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of LCB, except that they will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment of the said LCB Shares.

Offer for Sale

Tang Ying See, Chin Song Mooi, Chow Cheng Moey, Lee Choong Onn, Au Chun Choong and Yee Poh Leng (collectively "the Offerors") will offer for sale 38,500,000 LCB Shares ("Offer Shares"), representing approximately 29.62% of LCB's enlarged issued and paid-up share capital at an offer price of RM1.10 per LCB Share to selected Bumiputera investors approved by MITI, via private placement ("Offer for Sale").

(The Public Issue and Offer for Sale shall hereinafter collectively be referred to as "the IPO").

(d) Listing and Quotation On The Main Board Of Bursa Securities

Upon completion of the Acquisitions of LT and Other Subsidiaries, Public Issue and Offer for Sale, LCB will seek a listing and quotation of its entire enlarged issued and paid-up share capital comprising 130,000,000 ordinary shares of RM0.50 each on the Main Board of Bursa Securities.

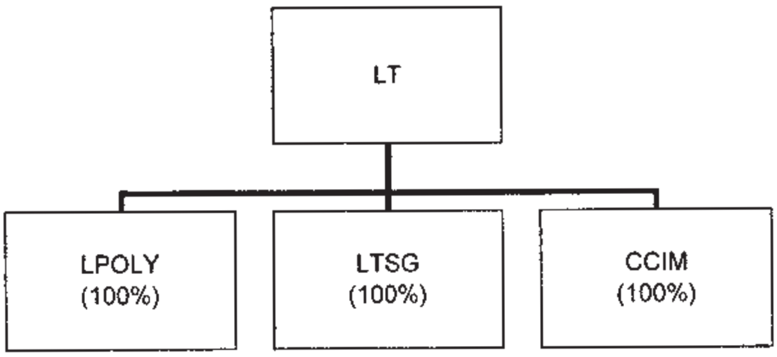
The above restructuring and listing scheme has been approved by the Securities Commission on 12 December 2007. On 21 February 2008, LCB has obtained an approval in-principle from the Bursa Securities for the admission to the Official List of Bursa Securities and the listing and quotation of LCB's shares.

3.3 Subsidiaries

On completion of the restructuring scheme, the subsidiaries of LCB are as follows :-

Company	Date of Incorporation	Issued and Paid-Up Ordinary Share Capital	Effective Equity Interest %	Principal Activities
LT(1)	17 July 1984	RM5,000,000	100	Import and distribution of chemical and petrochemical products
LPOLY	20 June 1995	RM3,000,000	100	Manufacturing and trading of unsaturated polyester resin and related products
LTSG	30 December 1992	SGD50,000	100	Importers, exporters and distributors of chemical, industrial and other preparations
CCIM	28 December 1996	RM2	100	Trading of chemical, petrochemical, composite and related products

(1) The structure of LT Group as at 31 December 2007, before completion of the restructuring and listing scheme, was as follows :-



3.4 Share Capital

I LCB

The share capital of LCB prior to the IPO are as follows :-

	Number of shares	RM
Authorised	200,000,000	100,000,000
Issued and paid-up	110,000,000	55,000,000

Authorised capital

LCB was incorporated with an authorised capital of 25,000 ordinary shares of RM1.00 each. On 23 July 2007, the authorised capital was subdivided into 50,000 ordinary shares of RM0.50 each.

On 15 January 2008, the authorised capital of the Company was increased from RM25,000 comprising 50,000 ordinary shares of RM0.50 each to RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each by the creation of 199,950,000 ordinary shares of RM0.50 each.

Issued and paid-up share capital

Details of the changes in the issued and paid-up share capital of LCB since its date of incorporation to the date of this report are as follows :-

Date of allotment	Number of ordinary shares	Nominal value RM	Consideration	Cumulative issued and paid-up share capital RM
4 September 1991	2	1.00	Cash (Subscribers' shares)	2
23 July 2007	4	0.50	Subdivision of every existing ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each	2
9 May 2008	109,999,996	0.50	Acquisition of LT	55,000,000

3.4 Share Capital (Cont'd)

II LT

As at the date of this report, the share capital of LT are as follows :-

	Number of shares	RM
Authorised	5,000,000	5,000,000
Issued and paid-up	5,000,000	5,000,000

Details of the changes in the issued and paid-up share capital of LT since its date of incorporation to the date of this report are as follows :-

Date of allotment	Number of ordinary shares	Nominal value RM	Consideration	Cumulative issued and paid-up share capital RM
17 July 1984	2	1.00	Cash (Subscribers' shares)	2
18 May 1987	299,998	1.00	Capitalisation of RM299,998 from amount due to a director to share capital account	300,000
8 October 1987	30,000	1.00	Capitalisation of RM30,000 from amount due to a director to share capital account	330,000
30 September 1989	82,000	1.00	Capitalisation of RM81,665 from amount due to a director to share capital account and cash of RM335	412,000
16 October 1989	70,000	1.00	Cash	482,000
30 June 1990	241,000	1.00	Bonus issue (1 for 2)	723,000
24 July 1991	677,000	1.00	Cash	1,400,000
5 February 1994	600,000	1.00	Cash	2,000,000
24 March 1997	3,000,000	1.00	Bonus issue (3 for 2)	5,000,000

3.4 Share Capital (Cont'd)

III LPOLY

As at the date of this report, the share capital of LPOLY are as follows :-

	Number of shares	RM
Authorised	5,000,000	5,000,000
Issued and paid-up	3,000,000	3,000,000

Details of the changes in the issued and paid-up share capital of LPOLY since its date of incorporation to the date of this report are as follows :-

Date of allotment	Number of ordinary shares	Nominal value RM	Consideration	Cumulative issued and paid-up share capital RM
20 June 1995	2	1.00	Cash (Subscribers' shares)	2
11 June 1996	999,998	1.00	Cash	1,000,000
18 July 1997	2,000,000	1.00	Capitalisation of RM1,495,984 from amount due to LT to share capital account and cash of RM504,016	3,000,000

IV LTSG

As at the date of this report, the share capital of LTSG are as follows :-

	Number of shares	SGD
Authorised	100,000	100,000
Issued and paid-up	50,000	50,000

Details of the changes in the issued and paid-up share capital of LTSG since its date of incorporation to the date of this report are as follows :-

Date of allotment	Number of ordinary shares	Consideration	Cumulative issued and paid-up share capital SGD
30 December 1992	2	Cash	2
1 January 1995	49,998	Cash	50,000

3.4 Share Capital (Cont'd)

V CCIM

As at the date of this report, the share capital of CCIM are as follows :-

	Number of shares	RM
Authorised	1,000,000	1,000,000
Issued and paid-up	2	2

Details of the changes in the issued and paid-up share capital of CCIM since its date of incorporation to the date of this report are as follows :-

Date of allotment	Number of ordinary shares	Nominal value RM	Consideration	Cumulative issued and paid-up share capital RM
28 December 1996	2	1.00	Cash (Subscribers' shares)	2

4. Dividends

No dividend has been paid by LCB and CCIM since their respective dates of incorporation.

Dividends paid by LT, LPOLY and LTSG since their incorporation are as follows :-

Date of payment	Type of dividend	Dividend rate	Net amount RM
(a) LT			
16 October 1989	Interim FYE 31 December 1989	Approximately 26.14% less 35% taxation	70,000
18 December 1990	Final FYE 31 December 1989	10% less 35% taxation	31,330
10 September 1991	Final FYE 31 December 1990	10% less 35% taxation	46,995
16 August 1991	Interim FYE 31 December 1991	145% less 35% taxation	681,428
25 June 1992	FYE 31 December 1991 (a) Final (b) Bonus	 10% less 35% taxation 12% less 35% taxation	200,200

4. Dividends (Cont'd)

Date of payment	Type of dividend	Dividend rate	Net amount RM
(a) LT (Cont'd)			
28 December 1992	Interim FYE 31 December 1992	22% less 34% taxation	203,280
7 February 1994	Interim FYE 31 December 1994	62% before increase in share capital less 30% taxation	607,600
30 October 1995	Interim FYE 31 December 1995	10% less 30% taxation	140,000
16 August 1999	Interim FYE 31 December 1999	10% less 28% taxation	360,000
25 August 2000	Interim FYE 31 December 2000	10% less 28% taxation	360,000
15 August 2001	Interim FYE 31 December 2001	10% less 28% taxation	360,000
27 August 2002	Interim FYE 31 December 2002	10% less 28% taxation	360,000
19 August 2003	Interim FYE 31 December 2003	10% less 28% taxation	360,000
30 August 2004	Interim FYE 31 December 2004	10% less 28% taxation	360,000
23 August 2005	Interim FYE 31 December 2005	10% less 28% taxation	360,000
23 August 2006	First interim FYE 31 December 2006	10% less 28% taxation	360,000
15 January 2007	Second interim FYE 31 December 2006	Approximately 282.27% less 27% taxation	10,302,989
6 May 2008	Final FYE 31 December 2007	302.1%, single tier tax exempt	15,105,000
(b) LPOLY			
31 December 2007	Interim FYE 31 December 2007	78.67%, tax exempt	2,360,000
(c) LTSG			
31 December 2007	Interim FYE 31 December 2007	100%, single tier tax exempt	115,165

5. Financial Statements and Auditors

We were the auditors of LCB, LT, LPOLY and CCIM for all the years under review. Our audit reports on the financial statements of these companies were not subject to any qualification.

The financial statements of LTSG for the years under review were audited by a firm of certified public accountants in Singapore, namely Ng, Lee & Associates - DFK.

The auditors' reports on the financial statements of LTSG for the financial years ended 31 December 2005 and 2006 were modified with an emphasis of matter which highlighted that the preparation of the financial statements of LTSG on the going concern basis were dependent on the continuing financial support from its holding company, LT.

The auditors' reports on the financial statements of LCB and LT Group for the financial years ended 31 December 2005 to 2007 are set out in the following appendices :-

Appendix I	- Auditors' report on the financial statements of LCB for the financial year ended 31 December 2005
Appendix II	- Auditors' report on the financial statements of LCB for the financial year ended 31 December 2006
Appendix III	- Auditors' report on the financial statements of LCB for the financial year ended 31 December 2007
Appendix IV	- Auditors' report on the financial statements of LT Group for the financial year ended 31 December 2005
Appendix V	- Auditors' report on the financial statements of LT Group for the financial year ended 31 December 2006
Appendix VI	- Auditors' report on the financial statements of LT Group for the financial year ended 31 December 2007

6. Basis of Preparation

The financial information of LCB and the LT Group as set out in the following sections are based on their audited financial statements for the relevant financial years covered in this report.

The financial statements comply with the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965. The financial statements of LCB and LT Group are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies under Note 9.1.

The scope of work conducted in the preparation of this report does not, in itself, constitute an audit in accordance with the approved standards on auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report was not independently verified by us. In preparing this report, we have relied upon information and representations given to us by directors, officers, and employees of the respective companies and sought explanations for apparent discrepancies, if any.

7. Summarised Financial Statements of LCB

7.1 Summarised Balance Sheets of LCB

The following balance sheets are based on the audited financial statements of LCB for the financial years ended 31 December 2005 to 2007 :-

	Note	As at 31 December 2005 RM	2006 RM	2007 RM
ASSETS				
Current Assets				
Other receivables and prepayment	7.5.2	90	90	633,886
Cash in hand		2	2	2
Total Assets		92	92	633,888
EQUITY AND LIABILITIES				
Equity				
Share Capital		2	2	2
Accumulated losses		(33,834)	(36,600)	(41,341)
Total Equity		(33,832)	(36,598)	(41,339)
Current Liabilities				
Other payables	7.5.3	33,924	36,690	675,227
Total Equity and Liabilities		92	92	633,888

7.2 Summarised Income Statements of LCB

The following income statements are based on the audited financial statements of LCB for the financial years ended 31 December 2005 to 2007 :-

	FYE 31 December 2005 RM	2006 RM	2007 RM
Revenue	-	-	-
Auditors' remuneration	(500)	(500)	(2,100)
Other operating expenses	(2,323)	(2,266)	(2,641)
Loss for the year	(2,823)	(2,766)	(4,741)

7.3 Summarised Statements of Changes in Equity of LCB

The following statements of changes in equity are based on the audited financial statements of LCB for the financial years ended 31 December 2005 to 2007 :-

	Share capital RM	Accumulated losses RM	Total RM
Balance at 1 January 2005	2	(31,011)	(31,009)
Loss for the year	-	(2,823)	(2,823)
Balance at 31 December 2005	2	(33,834)	(33,832)
Loss for the year	-	(2,766)	(2,766)
Balance at 31 December 2006	2	(36,600)	(36,598)
Loss for the year	-	(4,741)	(4,741)
Balance at 31 December 2007	2	(41,341)	(41,339)

7.4 Summarised Cash Flow Statements of LCB

The following cash flow statements are based on the audited financial statements of LCB for the financial years ended 31 December 2005 to 2007 :-

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Cash flows from operating activities			
Loss for the year	(2,823)	(2,766)	(4,741)
Adjustments for changes in working capital :-			
Increase in other receivables	-	-	(633,796)
Increase in other payables	2,823	2,766	638,537
Net movements in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	2	2	2
Cash and cash equivalents at the end of year	2	2	2

7.5 Notes to the Financial Statements of LCB

7.5.1 Significant Accounting Policies

The accounting policies adopted by LCB are consistent with the accounting policies disclosed in Note 9.1.

7.5.2 Other Receivables and Prepayment

Other receivables and prepayment in 2007 include cumulative payments amounting to RM633,586 made in respect of the Public Issue and listing exercise. These payments represent costs which are directly attributable to equity transactions and which will be accounted for in equity as a deduction against share premium account arising from the Public Issue.

7.5.3 Other Payables

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Amount owing to LT included under other payables	32,934	35,690	672,463

8. Summarised Financial Statements of LT Group

8.1 Summarised Consolidated Balance Sheets of LT Group

The following consolidated balance sheets are based on the audited financial statements of LT Group for the financial years ended 31 December 2005 to 2007 :-

		As at 31 December		
	Note	2005 RM	2006 RM	2007 RM
ASSETS				
Non-Current Assets				
Property, plant and equipment	9.2.1	17,457,338	14,101,603	13,145,788
Investment property	9.2.2	206,543	1,214,423	1,214,423
Prepaid lease payments	9.2.3	4,188,780	4,135,658	4,083,282
Intangible assets	9.2.4	-	342,741	257,294
Other investments	9.2.5	157,902	162,902	170,102
		22,010,563	19,957,327	18,870,889
Current Assets				
Inventories	9.2.6	16,306,218	22,753,577	23,061,416
Trade and other receivables	9.2.7	59,111,400	65,640,721	72,579,096
Tax recoverable		-	138,044	-
Deposits, cash and bank balances	9.2.8	21,061,924	25,415,329	32,659,547
		96,479,542	113,947,671	128,300,059
Total Assets		118,490,105	133,904,998	147,170,948

8.1 Summarised Consolidated Balance Sheets of LT Group (Cont'd)

	Note	As at 31 December 2005 RM	2006 RM	2007 RM
EQUITY AND LIABILITIES				
Equity				
Share capital	9.2.9	5,000,000	5,000,000	5,000,000
Reserves	9.2.10	47,441,655	49,999,998	65,288,014
Total Equity		52,441,655	54,999,998	70,288,014
Non-Current Liabilities				
Term loans (secured)	9.2.11	3,884,255	2,644,410	2,014,553
Hire purchase creditors	9.2.12	968,223	623,244	530,467
Deferred tax liabilities	9.2.13	542,227	567,882	634,820
		5,394,705	3,835,536	3,179,840
Current Liabilities				
Trade and other payables	9.2.14	23,442,593	26,995,503	29,413,382
Hire purchase creditors	9.2.12	355,263	344,979	319,418
Amount owing to directors	9.2.15	298,292	304,115	-
Bank borrowings	9.2.16	35,463,020	36,006,656	43,014,430
Taxation		1,094,577	1,115,222	955,864
Dividend payable		-	10,302,989	-
		60,653,745	75,069,464	73,703,094
Total Liabilities		66,048,450	78,905,000	76,882,934
Total Equity and Liabilities		118,490,105	133,904,998	147,170,948

8.2 Summarised Consolidated Income Statements of LT Group

The following consolidated income statements are based on the audited financial statements of LT Group for the financial years ended 31 December 2005 to 2007 :-

		FYE 31 December		
		2005	2006	2007
	Note	RM	RM	RM
Revenue		223,771,794	248,208,462	299,431,777
Cost of sales		(199,329,089)	(218,545,807)	(268,430,995)
Gross profit		24,442,705	29,662,655	31,000,782
Other operating income		1,970,084	1,552,356	3,885,067
Selling and distribution costs		(2,306,264)	(2,463,066)	(2,926,683)
Administrative expenses		(6,405,881)	(7,454,594)	(9,291,656)
Other operating expenses		(1,005,273)	(1,403,217)	(4,241)
Operating profit		16,695,371	19,894,134	22,663,269
Finance costs	9.3.1	(1,555,840)	(2,027,314)	(2,004,405)
Profit before taxation	9.3.2	15,139,531	17,866,820	20,658,864
Taxation	9.3.3	(3,712,124)	(4,636,631)	(5,373,314)
Profit for the year attributable to equity holders of LT Group		11,427,407	13,230,189	15,285,550
Earnings per share attributable to equity holders of LT Group :				
- **Basic**	9.3.4(a)	2.29	2.65	3.06
- **Diluted**	9.3.4(b)	N/A	N/A	N/A
Dividends per ordinary share (sen)				
- **Gross**	9.3.5	10.00	292.27	-
- **Net**	9.3.5	7.20	213.26	-

8.3 Summarised Consolidated Statements of Changes in Equity of LT Group

The following consolidated statements of changes in equity are based on the audited financial statements of LT Group for the financial years ended 31 December 2005 to 2007 :-

	Share capital RM	Exchange translation reserve RM	Retained profits RM	Total RM
Balance at 1 January 2005	5,000,000	45,110	36,259,033	41,304,143
Currency translation gain recognised directly in equity	-	70,105	-	70,105
Profit for the year	-	-	11,427,407	11,427,407
Total recognised income and expense for the year	-	70,105	11,427,407	11,497,512
Dividend to equity holders of the Company	-	-	(360,000)	(360,000)
Balance at 31 December 2005	5,000,000	115,215	47,326,440	52,441,655
Currency translation loss recognised directly in equity	-	(8,857)	-	(8,857)
Profit for the year	-	-	13,230,189	13,230,189
Total recognised income and expense for the year	-	(8,857)	13,230,189	13,221,332
Dividend to equity holders of the Company	-	-	(10,662,989)	(10,662,989)
Balance at 31 December 2006	5,000,000	106,358	49,893,640	54,999,998
Currency translation gain recognised directly in equity	-	2,466	-	2,466
Profit for the year	-	-	15,285,550	15,285,550
Total recognised income and expense for the year	-	2,466	15,285,550	15,288,016
Dividend to equity holders of the Company	-	-	-	-
Balance at 31 December 2007	5,000,000	108,824	65,179,190	70,288,014

8.4 Summarised Consolidated Cash Flow Statements of LT Group

The following consolidated cash flow statements are based on the audited financial statements of LT Group for the financial years ended 31 December 2005 to 2007 :-

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Cash flows from operating activities			
Profit before taxation	15,139,531	17,866,820	20,658,864
Adjustments for :-			
Depreciation of :			
- property, plant and equipment	1,339,025	1,505,336	1,491,004
- investment property	345	-	-
Amortisation of :			
- prepaid lease payments	52,750	53,122	52,376
- intangible assets	-	85,685	85,447
Allowance for doubtful debts	749,614	749,935	-
Write back of allowance for doubtful debts no longer required	-	-	(799,162)
Bad debts written off	-	-	2,786
Write down in value of inventories	-	249,554	-
Inventories written off	-	14,974	-
Dividend income	(56,150)	(71,983)	(78,050)
Gain on disposal of property, plant and equipment	(161,015)	(226,945)	(37,998)
Gain on disposal of a subsidiary company	-	(24,834)	-
Unrealised loss/(gain) on foreign exchange	201,758	(73,436)	(335,298)
Property, plant and equipment written off	21,171	185,119	9,802
Interest income	(331,659)	(479,864)	(903,852)
Interest expense	1,555,840	2,027,314	2,004,405
Operating profit before working capital changes	18,511,210	21,860,797	22,150,324
Decrease/(Increase) in inventories	4,328,787	(6,710,831)	(307,166)
Increase in trade and other receivables	(4,350,977)	(7,562,500)	(6,396,868)
Increase in trade and other payables	469,160	3,908,637	3,009,888
Decrease in amount owing to directors	(7,940)	-	(304,816)
Cash generated from operations	18,950,240	11,496,103	18,151,362
Tax paid	(3,705,213)	(4,728,375)	(5,327,690)
Interest received	331,659	479,864	903,852
Interest paid	(1,555,840)	(2,027,314)	(2,004,405)
Net cash from operating activities	14,020,846	5,220,278	11,723,119

8.4 Summarised Consolidated Cash Flow Statements of LT Group (Cont'd)

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Cash flows from investing activities			
Purchase of investments	-	(5,000)	(7,200)
Purchase of property, plant and equipment	(5,721,293)	(1,092,695)	(303,152)
Investment property acquired	(206,888)	-	-
Intangible assets acquired	-	(428,426)	-
Proceeds from disposal of property, plant and equipment	213,855	1,977,535	45,211
Dividends received	56,150	71,983	78,050
Net cash (used in)/from investing activities	(5,658,176)	523,397	(187,091)
Cash flows from financing activities			
Bankers' acceptances - Net (repaid)/obtained	(2,687,000)	1,609,000	7,358,000
Hire purchase instalments paid	(264,667)	(355,263)	(367,338)
Dividend paid	(360,000)	(360,000)	(10,302,989)
Drawdown/(Repayment) of term loans	2,844,781	(2,305,209)	(980,083)
Net cash used in financing activities	(466,886)	(1,411,472)	(4,292,410)
Net increase in cash and cash equivalents	7,895,784	4,332,203	7,243,618
Cash and cash equivalents at beginning of year	13,166,140	21,061,924	25,415,329
Foreign exchange difference on opening balance	-	21,202	600
Cash and cash equivalents at end of year	21,061,924	25,415,329	32,659,547

9. Notes to the Financial Statements of LT Group

9.1 Significant Accounting Policies

9.1.1 Basis of Preparation

The financial statements of the LT Group are prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies. The financial statements comply with the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards for Entities Other Than Private Entities requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgement and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

(a) Significant judgement in applying the Group's accounting policies with significant effects on amounts recognised in the financial statements

In the process of applying the Group's accounting policies, the management are of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of assets

The Group assesses impairment of property, plant and equipment when the events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value after taking into account the costs to sell or expected value in use of the relevant assets.

9.1 Significant Accounting Policies (Cont'd)

9.1.1 Basis of Preparation (Cont'd)

(b) Key sources of estimation uncertainty (Cont'd)

(ii) Allowance for doubtful debts

The Group makes an allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. In assessing the extent of irrecoverable debts, the management has given due consideration to all pertinent information relating to the ability of the debtors to settle debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables. The carrying amounts of receivables and the cumulative allowances for doubtful debts are disclosed in Note 9.2.7.

9.1.2 Adoption of New and Revised FRSs

(a) FRSs That Are Effective

The Group has adopted the following revised FRSs that are relevant to its operations and which are mandatory for the financial period beginning on or after 1 October 2006 :-

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of FRS 124 only affects the identification of related parties and some other related party disclosures and did not have any significant financial impact on the financial statements of the Group. The effects of adopting FRS 117 are disclosed below.

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of FRS 117 has resulted in a change in accounting policy in relation to the treatment of leasehold land. Under FRS 117, leasehold land held for own use is now treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments and which are amortised on a straight line basis over the remaining lease term.

The Group has adopted FRS 117 in accordance with the transitional provisions of the Standard and has classified the unamortised carrying amount of leasehold land as prepaid lease payments. The reclassification has been accounted for retrospectively and the effects on the relevant balance sheets are disclosed under Note 9.2.1. Other than the reclassification, the adoption of FRS 117 did not have any impact on the results reported by the Group for all the financial years under review.

9.1 Significant Accounting Policies (Cont'd)

9.1.2 Adoption of New and Revised FRSs (Cont'd)

(b) FRSs That Are Not Yet Effective and Have Not Been Early Adopted

The Group has not early adopted the following new and revised FRSs and the Issues Committee ("IC") Interpretations which have been issued by the MASB but are not yet effective :-

		Effective for financial period beginning on or after
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 121	Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139	Financial Instruments : Recognition and Measurement	Deferred
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Share in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under the FRS 129_{2004} Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The FRS 107, 111, 112, 118, 120, 134 and 137 were revised to remove local guidance and editorial matters to be identical to the International Financial Reporting Standards. The adoption of these standards will not result in any significant changes to the Group's accounting policies and will not have any significant impact on the amounts reported in the financial statements.

9.1 Significant Accounting Policies (Cont'd)

9.1.2 Adoption of New and Revised FRSs (Cont'd)

(b) FRSs That Are Not Yet Effective and Have Not Been Early Adopted (Cont'd)

The amendment to FRS 121 requires that all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised as a separate component of the equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. The adoption of this amendment will not have any financial impact on the financial statements of the Group.

In 2006, MASB had also issued FRS 139 for which the effective date for adoption has yet to be determined by the MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective. The impact of applying FRS 139 on these financial statements upon first adoption of this standard is not disclosed by virtue of the exemption provided under paragraph 103AB of FRS 139.

9.1.3 Basis of Consolidation

The consolidated financial statements include the financial statements of LT and all its subsidiaries made up to the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as LT.

Subsidiaries are those entities in which LT Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Acquisition of subsidiaries are accounted for using the purchase method of accounting. Under the purchase method, the cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except for non-current assets that are classified as held for sale which shall be recognised at fair value less costs to sell. The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interest represents that portion of profit or loss and net assets of a subsidiary attributable to equity interest that are not held by the Group. Minority interest is measured at the minority's share of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minority's share of changes in the subsidiary's equity since then.

9.1 Significant Accounting Policies (Cont'd)

9.1.3 Basis of Consolidation (Cont'd)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess and any further losses applicable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profit until the minority's share of losses previously absorbed by the Group has been recovered.

Intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect external transactions and balances only.

9.1.4 Goodwill on Consolidation

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is recognised as an asset and is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of assets.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

9.1.5 Intangible Assets - Computer Software

The costs of computer software licences acquired are capitalised as an intangible asset. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on the straight line basis over period the assets are expected to generate economic benefits.

Costs associated with developing computer software programs that will generate probable future economic benefits from the use thereof are recognised as intangible assets. Costs comprised all directly attributable development costs including an appropriate portion of relevant overheads. Computer software development cost is amortised when the asset is available for use over the period the asset is expected to generate economic benefits.

9.1 Significant Accounting Policies (Cont'd)

9.1.6 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the balance sheet date are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

9.1.7 Property, Plant and Equipment and Depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not amortised. All other property, plant and equipment are depreciated on the straight line basis so as to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The principal annual rates used are :-

Buildings	2%
Office renovation	2%
Motor vehicles	20%
Furniture and fittings	10% - 20%
Office equipment	10% - 20%
Plant and machinery	10% - 20%
Electrical fittings	20%

The residual values and useful lives of assets are reviewed at each financial year end and adjusted if appropriate where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

9.1 Significant Accounting Policies (Cont'd)

9.1.8 Investment Property

Investment properties are land and buildings which are held for rental yields or for capital appreciation or for both or land held for a currently undetermined future use. Such properties are initially measured at cost including transaction cost. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is estimated by Directors by reference to market evidence of transaction prices for similar properties or based on valuation performed by registered independent valuers having an appropriate recognised qualification and recent experience in the location and category of properties being valued.

Gains and losses arising from changes in fair values of an investment property are recognised in the income statement in the year in which they arise.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period of the retirement or disposal.

9.1.9 Impairment of Assets

The carrying amounts of non-financial assets (other than inventories and deferred tax assets) are reviewed for impairment at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

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

An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised directly against the revaluation surplus account for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

9.1 Significant Accounting Policies (Cont'd)

9.1.9 Impairment of Assets (Cont'd)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised to the income statement unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

9.1.10 Hire Purchase and Finance Lease Arrangements and Operating Leases

A lease is recognised as a finance lease if it transfers substantially to the group all the risks and rewards incident to ownership of the leased assets. All other leases are classified as operating leases.

Assets acquired under hire purchase arrangements are recognised and measured in a similar manner as finance leases.

(a) Assets Acquired under Hire Purchase and Finance Lease Arrangement

Assets acquired under hire purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of the fair values and the present values of the minimum hire purchase or lease payments.

The corresponding obligations are taken up as hire purchase or finance lease liabilities. Hire purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are charged to income statement over the period of the hire purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

The depreciation policy of property, plant and equipment acquired under hire purchase and finance lease arrangements are consistent with the Group's depreciation policy as set out in Note 9.1.7 above.

(b) Operating Lease

Operating lease payments are recognised as expenses in the income statement on a straight line basis over the period of the relevant leases.

Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

9.1 Significant Accounting Policies (Cont'd)

9.1.11 Investments

(a) Investments in Subsidiaries

Investments in subsidiaries are stated at cost less impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

(b) Other Non-Current Investments

Other investments held for long term are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

9.1.12 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost for raw materials is determined on the first-in, first-out basis whereas cost for finished goods is determined on the weighted average cost method. For finished goods, cost consists of materials, direct labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

9.1.13 Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off as and when ascertained and allowance is made for any debts considered to be doubtful of collection.

9.1.14 Trade and Other Payables

Trade and other payables are stated at cost.

9.1.15 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

9.1 Significant Accounting Policies (Cont'd)

9.1.16 Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

9.1.17 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses in the period in which they are incurred.

9.1.18 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statements of cash flows are prepared using the indirect method.

9.1.19 Employee Benefits

(a) Short-Term Employee Benefits

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in the period in which they relate.

(c) Termination Benefits

Termination benefits are recognised as a liability and an expense when the Group is committed to terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal. Termination benefits falling over more than twelve months after the balance sheet date are discounted to present value.

9.1 Significant Accounting Policies (Cont'd)

9.1.20 Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also LT's functional currency.

(b) Foreign Currency Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in equity. Exchange differences arising from such non-monetary items are recognised directly to equity.

(c) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows :-

(i) Assets and liabilities for each balance sheet date presented are translated at the closing rate prevailing at the balance sheet date;

(ii) Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

9.1 Significant Accounting Policies (Cont'd)

9.1.20 Foreign Currencies (Cont'd)

(c) Foreign Operations (Cont'd)

Exchange differences arising from monetary items that form part of LT's net investment in a foreign operation and that are denominated in the functional currency of LT or the foreign operation are recognised in the income statement of LT or of the foreign operation, as appropriate. In the Group financial statements, such exchange differences are recognised initially in equity and will be recognised in the income statement only upon disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

9.1.21 Non-current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

On initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured at the lower of the carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

9.1.22 Income Taxes

Tax expense/(income) is the aggregate amount of current and deferred tax included in the determination of profit or loss for the year.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method on temporary differrences at balance sheet date between the carrying amounts of assets and liabilities and the amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

9.1 Significant Accounting Policies (Cont'd)

9.1.23 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services in the ordinary course of the Group's activities. Revenue is recognised when it can be measured reliably and to the extent that it is probable that the economic benefits associated to the transactions will flow to the Group. The following specific recognition criteria must also be met before revenue is recognised :-

(a) Sales of Goods

Revenue from sales of goods is recognised upon the transfer of significant risks and rewards of ownership to the buyer of the goods, net of discounts and returns. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Revenue from Services

Revenue from services is recognised upon rendering of services.

(c) Rental Income

Rental income is recognised on an accrual basis over the period of tenancy.

(d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(e) Dividend Income

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

Group revenue is stated net of all intra-group transactions.

9.1.24 Foreign Curreny Forward Contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Foreign currency forward contracts are not recognised in the financial statements on inception. Exchange gains or losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

9.1 Significant Accounting Policies (Cont'd)

9.1.25 Financial Instruments

Financial instruments are recognised when a contractual relationship has been established.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income and distributions in respect of financial instrument classified as equity are charged to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Group's accounting policies and methods adopted in respect of each class of financial instruments and further information thereof are disclosed in the individual accounting policy statements or notes to the financial statements associated with those financial instruments.

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group

9.2.1 Property, Plant and Equipment

	Cost RM	Accumulated Depreciation RM	Net Book Value RM
2005			
Freehold land	3,111,942	-	3,111,942
Buildings	9,486,482	1,018,671	8,467,811
Office renovation	617,521	50,808	566,713
Furniture and fittings	706,680	530,832	175,848
Plant, equipment and motor vehicles	10,730,494	6,138,554	4,591,940
Capital work-in-progress	543,084	-	543,084
	25,196,203	7,738,865	17,457,338
2006			
Freehold land	2,411,942	-	2,411,942
Buildings	8,555,361	1,160,901	7,394,460
Office renovation	596,518	16,798	579,720
Furniture and fittings	705,755	585,235	120,520
Plant, equipment and motor vehicles	10,739,165	7,144,204	3,594,961
	23,008,741	8,907,138	14,101,603
2007			
Freehold land	2,411,942	-	2,411,942
Buildings	8,616,011	1,326,420	7,289,591
Office renovation	571,764	28,816	542,948
Furniture and fittings	704,420	639,156	65,264
Plant, equipment and motor vehicles	10,972,184	8,136,141	2,836,043
	23,276,321	10,130,533	13,145,788

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.1 Property, Plant and Equipment (Cont'd)

(a) Property, plant and equipment include the following assets acquired under hire purchase arrangements :-

	Cost RM	Accumulated depreciation RM	Net book value RM
2005			
Motor vehicles	2,033,600	577,550	1,456,050
2006			
Motor vehicles	2,033,600	984,270	1,049,330
2007			
Motor vehicles	1,736,186	826,411	909,775

(b) The net book value of property, plant and equipment pledged as security in favour of licensed banks for banking facilities granted are as follows :-

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Freehold land	2,100,000	1,400,000	1,400,000
Buildings	6,370,189	5,241,894	5,121,595
Capital work-in-progress	543,084	-	-
	9,013,273	6,641,894	6,521,595

(c) The carrying amounts of property, plant and equipment as at 31 December 2005 and 2006 have been restated upon adoption of FRS 140, Investment Property and FRS 117, Leases.

The adoption of FRS 140 in 2006 resulted in the identification of the Group's existing assets which were classified under property, plant and equipment that meet the definition of an investment property as described under Note 9.1.8. Such assets are reclassified into a separate asset category on the face of balance sheet and are measured using the fair value model. The Group applied FRS 140 in accordance with the transitional provisions. The change in accounting policy had no impact on the opening retained profits and on the results for the respective financial years presented as the carrying amounts of such assets approximate their fair values on first application of FRS 140.

The adoption of FRS 117 in 2007 resulted in a change in accounting policy in relation to the treatment of leasehold land. Under FRS 117, leasehold land held for own use is now treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments and which are amortised on a straight line basis over the remaining lease term. The Group applied FRS 117 in accordance with the transitional provisions of the Standard. The change in accounting policy had no impact on the opening retained profits and on the results for the respective financial years presented as there is no change in the rate of amortisation of the leasehold land.

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.1 Property, Plant and Equipment (Cont'd)

(c) (Cont'd)

The effects of adopting FRS 117 and FRS 140 on the relevant balance sheets as at 31 December 2005 and 2006 are summarised as follows :-

	As previously reported RM	Effects on adoption of FRS 117 RM	FRS 140 RM	As restated RM
As at 31 December 2005				
Net carrying amounts of :				
- Property, plant and equipment	21,852,661	(4,188,780)	(206,543)	17,457,338
- Investment property	-	-	206,543	206,543
- Prepaid lease payments	-	4,188,780	-	4,188,780
As at 31 December 2006				
Net carrying amounts of :				
- Property, plant and equipment	18,237,261	(4,135,658)	-	14,101,603
- Prepaid lease payments	-	4,135,658	-	4,135,658

9.2.2 Investment Property

	As at 31 December 2005 RM	2006 RM	2007 RM
At cost less accumulated depreciation (Note 9.2.1)	206,543	-	-
At fair value	-	1,214,423	1,214,423
	206,543	1,214,423	1,214,423

(a) The Group adopted FRS 140 in 2006 resulting in the identification of the Group's existing assets which were classified under property, plant and equipment that meet the definition of an investment property as described under Note 9.1.8. Investment properties comprised freehold and leasehold land and buildings that are held for the purpose of earning rental income and are measured using the fair value model.

(b) The carrying amount of the investment properties as at 31 December 2006 and 2007 is estimated by the Directors and approximates the fair values by reference to the market evidence of transaction prices for similar properties. No valuation by an independent valuer has been performed on the above properties.

(c) The aggregate carrying amount of investment properties which are pledged as securities for banking facilities granted to the Group are as follows :-

	2005 RM	2006 RM	2007 RM
Leasehold land and building	-	1,007,880	1,007,880

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.3 Prepaid Lease Payments

	Long term leasehold land as at 31 December		
	2005	**2006**	**2007**
	RM	**RM**	**RM**
Cost	4,630,554	4,630,554	4,630,554
Accumulated amortisation	(441,774)	(494,896)	(547,272)
Net carrying amount	4,188,780	4,135,658	4,083,282

(a) The Group adopted FRS 117 in 2007 resulting in a change in accounting policy in relation to the treatment of leasehold land. Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Group applied FRS 117 in accordance with the transitional provisions and has classified the unamortised carrying amount of leasehold land as prepaid lease payments. The reclassification has been accounted for retrospectively and the effects on the financial statements for financial years ended 31 December 2005 and 2006 are disclosed in Note 9.2.1(c).

(b) The leasehold land are amortised on a straight line basis over the period of the respective lease terms ranging from 60 to 906 years.

(c) The net carrying amounts of leasehold land that are pledged as security in favour of licensed banks for banking facilities granted to the Group are as follows :-

	As at 31 December		
	2005	**2006**	**2007**
	RM	**RM**	**RM**
Net carrying amount	3,959,705	3,906,795	3,865,885

9.2.4 Intangible Assets

	Cost	Accumulated Depreciation	Net Book Value
	RM	**RM**	**RM**
2005			
Computer software	-	-	-
2006			
Computer software	428,426	85,685	342,741
2007			
Computer software	428,426	171,132	257,294

The computer software represents the costs of software acquired. The costs of software acquired, including all directly attributable costs of preparing the assets for their intended use, are amortised on the straight line basis to administrative expenses over the estimated useful life of 5 years.

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.5 Other Investments

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Shares in Malaysia :			
- Quoted	37,100	42,100	49,300
- Unquoted	110,000	110,000	110,000
Quoted redeemable convertible unsecured loan stocks	12,901	12,901	12,901
	160,001	165,001	172,201
Less : Allowance for diminution in value of quoted shares	(2,099)	(2,099)	(2,099)
	157,902	162,902	170,102

Market values of quoted investments as at balance sheet date are as follows :-

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Quoted shares	25,200	36,700	46,600
Quoted redeemable convertible unsecured loan stocks	9,031	11,998	17,158
	34,231	48,698	63,758

9.2.6 Inventories

	As at 31 December		
	2005 RM	2006 RM	2007 RM
At cost :-			
Raw materials	3,107,625	3,530,532	6,278,439
Consumables	73,506	51,534	18,016
Finished goods	13,125,087	19,171,511	16,764,961
	16,306,218	22,753,577	23,061,416
Stock turnover period (days)	30	38	31

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.7 Trade and Other Receivables

	As at 31 December		
	2005	2006	2007
	RM	RM	RM
Trade receivables	62,966,270	67,674,288	73,589,527
Less : Allowance for doubtful debts	(4,493,884)	(2,784,403)	(1,827,558)
	58,472,386	64,889,885	71,761,969
Other receivables	639,014	750,836	817,127
	59,111,400	65,640,721	72,579,096

Included under other receivables are the following balances due from LCB, a company in which the directors of LT Group have substantial financial interests :-

	As at 31 December		
	2005	2006	2007
	RM	RM	RM
Amount due from LCB	32,934	35,690	672,463

(a) The currency exposure profile of trade receivables is as follows :-

	As at 31 December		
	2005	2006	2007
	RM	RM	RM
Ringgit Malaysia	50,749,817	57,371,310	57,372,762
United States Dollar	7,057,700	6,761,006	13,938,186
Japanese Yen	138,977	147,162	5,881
Singapore Dollar	521,125	606,879	439,363
Canadian Dollar	3,614	2,330	5,777
Euro	1,153	1,198	-
	58,472,386	64,889,885	71,761,969
Trade receivables turnover period (days)	95	95	87

(b) The normal trade credit periods granted range from 30 to 120 days.

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.7 Trade and Other Receivables (Cont'd)

(c) Details of the ageing of trade receivables as at 31 December based on LT Group's accounting records are as follows :-

2005

Credit period (days)	0 to 30 RM	31 to 60 RM	61 to 90 RM	91 to 120 RM	121 to 150 * RM	Over 150 RM	Total RM
Gross	17,826,370	12,352,444	15,786,769	6,835,914	3,674,341	6,490,432	62,966,270
Less : Allowance for doubtful debts	-	-	(10,318)	(26,060)	(4,550)	(4,452,956)	(4,493,884)
Total	17,826,370	12,352,444	15,776,451	6,809,854	3,669,791	2,037,476	58,472,386
% of total trade receivables	30.49	21.13	26.98	11.65	6.28	3.48	100.00

* categorisation of 150 to 180 days due to change in accounting system in 2006

2006

Credit period (days)	0 to 30 RM	31 to 60 RM	61 to 90 RM	91 to 120 RM	121 to 180 * RM	Over 180 RM	Total RM
Gross	20,963,348	15,575,707	12,740,257	11,065,598	3,930,020	3,399,358	67,674,288
Less : Allowance for doubtful debts	(167,693)	(119,244)	(47,396)	(61,203)	(320,295)	(2,068,572)	(2,784,403)
Total	20,795,655	15,456,463	12,692,861	11,004,395	3,609,725	1,330,786	64,889,885
% of total trade receivables	32.05	23.82	19.56	16.96	5.56	2.05	100.00

* categorisation of 150 to 180 days due to change in accounting system in 2006

2007

Credit period (days)	0 to 30 RM	31 to 60 RM	61 to 90 RM	91 to 120 RM	121 to 180 RM	Over 180 RM	Total RM
Gross	23,283,354	20,644,381	14,985,012	9,044,956	3,784,725	1,847,099	73,589,527
Less : Allowance for doubtful debts	-	-	-	(1,200)	(300)	(1,826,058)	(1,827,558)
Total	23,283,354	20,644,381	14,985,012	9,043,756	3,784,425	21,041	71,761,969
% of total trade receivables	32.45	28.77	20.88	12.60	5.27	0.03	100.00

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.8 Deposits, Cash and Bank Balances

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Deposits with licensed financial institutions	12,774,066	19,141,060	24,390,599
Cash and bank balances	8,287,858	6,274,269	8,268,948
	21,061,924	25,415,329	32,659,547

The currency exposure profile of deposits, cash and bank balances is as follows :-

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Ringgit Malaysia	16,645,938	19,188,783	24,535,921
United States Dollar	4,145,144	4,688,664	7,632,510
Singapore Dollar	168,602	106,857	491,116
Japanese Yen	102,240	1,431,025	-
	21,061,924	25,415,329	32,659,547

9.2.9 Share Capital

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Authorised :-			
5,000,000 ordinary shares of RM1.00 each	5,000,000	5,000,000	5,000,000
Issued and fully paid :-			
5,000,000 ordinary shares of RM1.00 each	5,000,000	5,000,000	5,000,000

9.2.10 Reserves

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Retained profits (Note 9.2.10(a))	47,326,440	49,893,640	65,179,190
Exchange translation reserve (Note 9.2.10(b))	115,215	106,358	108,824
	47,441,655	49,999,998	65,288,014

(a) Retained profits

Pursuant to Section 50 of the Finance Act 2007, LT has exercised an irrevocable option to disregard its Section 108 tax credit balance as at 31 December 2007 and as a result the retained profits may be distributed as single tier tax exempt dividends with effect from the year of assessment 2008.

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.10 Reserves (Cont'd)

(b) Exchange translation reserve

	As at 31 December		
	2005 RM	2006 RM	2007 RM
At beginning of year	45,110	115,215	106,358
Foreign currency translation gain/(loss)	70,105	(8,857)	2,466
At end of year	115,215	106,358	108,824

Exchange translation reserve is not distributable by way of cash dividends.

9.2.11 Term Loans (Secured)

	As at 31 December		
	2005 RM	2006 RM	2007 RM
RM850,000 term loan repayable by 120 monthly instalments commencing November 1997	116,049	-	-
RM2,884,197 term loan repayable by 48 monthly instalments commencing January 2003	748,598	-	-
RM1,400,000 term loan repayable by 60 monthly instalments commencing June 2004	996,726	-	-
RM1,530,000 term loan repayable by 120 monthly instalments commencing November 2005	1,504,466	1,365,693	1,240,772
RM943,500 term loan repayable by 60 monthly instalments commencing August 2005	865,124	684,179	501,279
RM806,000 term loan repayable by 84 monthly instalments commencing September 2006	341,204	778,391	687,399
RM1,618,578 term loan repayable by 36 monthly instalments commencing June 2005	1,349,108	787,803	206,533
	5,921,275	3,616,066	2,635,983
Less : Repayment due within twelve months (included under bank borrowings - Note 9.2.16)	(2,037,020)	(971,656)	(621,430)
	3,884,255	2,644,410	2,014,553

The term loans of the Group are secured by way of legal charges over certain land and buildings of the Group and are guaranteed jointly and severally, by the Directors of the Group.

The term loans are subject to interests being charged at the following rates :-

	Ranging from
2005	1.68% to 7.75% p.a.
2006	3.50% to 7.35% p.a.
2007	3.50% to 7.35% p.a.

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.12 Hire Purchase Creditors

	As at 31 December		
	2005	2006	2007
	RM	RM	RM
Future minimum payments :-			
Within 1 year	406,693	394,420	356,952
Between 2 to 5 years	1,099,367	704,945	601,184
	1,506,060	1,099,365	958,136
Future finance charge on hire purchase	(182,574)	(131,142)	(108,251)
Present value	1,323,486	968,223	849,885
Payable within 1 year (included under current liabilities)	(355,263)	(344,979)	(319,418)
Payable between 2 to 5 years (included under non-current liabilities)	968,223	623,244	530,467

9.2.13 Deferred Tax Liabilities

	As at 31 December		
	2005	2006	2007
	RM	RM	RM
At beginning of year	364,065	542,227	567,882
Recognised in income statement	178,162	43,699	87,768
Effects of change in tax rate	-	(18,044)	(20,830)
At end of year	542,227	567,882	634,820

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.14 Trade and Other Payables

	As at 31 December		
	2005	2006	2007
	RM	RM	RM
Trade payables	20,844,512	23,123,451	23,478,734
Other payables	2,598,081	3,872,052	5,934,648
	23,442,593	26,995,503	29,413,382

	As at 31 December		
	2005	2006	2007
	RM	RM	RM
Amount owing to key management personnel included under other payables	278,700	636,562	1,542,800

(a) The currency exposure profile of trade payables is as follows :-

	As at 31 December		
	2005	2006	2007
	RM	RM	RM
Ringgit Malaysia	2,373,678	3,048,980	2,908,651
United States Dollar	18,469,713	20,062,223	20,552,901
Singapore Dollar	1,121	12,190	17,182
Euro	-	58	-
	20,844,512	23,123,451	23,478,734
Trade payables turnover period (days)	40	38	34

(b) The normal trade credit periods of trade payables range from 15 to 90 days.

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.14 Trade and Other Payables (Cont'd)

(c) Details of the ageing of trade payables as at 31 December based on LT Group's accounting records are as follows :-

Credit period (days)	0 to 30 RM	31 to 60 RM	61 to 90 RM	91 to 120 RM	over 120 RM	Total RM
2005	9,202,026	5,951,996	4,154,790	1,509,560	26,140	20,844,512
% of total trade payables	44.15	28.55	19.93	7.24	0.13	100.00

Credit period (days)	0 to 30 RM	31 to 60 RM	61 to 90 RM	91 to 120 RM	over 120 RM	Total RM
2006	11,242,401	5,658,163	2,976,715	3,187,552	58,620	23,123,451
% of total trade payables	48.62	24.48	12.87	13.78	0.25	100.00

Credit period (days)	0 to 30 RM	31 to 60 RM	61 to 90 RM	91 to 120 RM	over 120 RM	Total RM
2007	11,493,688	7,462,477	3,884,906	635,003	2,660	23,478,734
% of total trade payables	48.95	31.78	16.55	2.71	0.01	100.00

9.2 Notes to the Summarised Consolidated Balance Sheets of LT Group (Cont'd)

9.2.15 Amount Owing to Directors

The amount owing to directors is unsecured, interest free and has no fixed terms of repayments.

9.2.16 Bank Borrowings

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Bankers' acceptances :-			
- secured	3,487,000	-	-
- unsecured	29,939,000	35,035,000	42,393,000
	33,426,000	35,035,000	42,393,000
Term loans - short term portion (Note 9.2.11)	2,037,020	971,656	621,430
	35,463,020	36,006,656	43,014,430

The contractual terms and security arrangements of the term loans are detailed in Note 9.2.11 above.

The secured portion of bankers' acceptances is secured by way of a legal charge over a parcel of the Group's land and building erected thereon and is jointly and severally guaranteed by the Group's Directors. The remaining bankers' acceptances are jointly and severally guaranteed by the Directors of the Group.

The bankers' acceptances are subject to interests being charged at the following rates :-

	Ranging from
2005	2.98% to 3.66% p.a.
2006	3.65% to 4.85% p.a.
2007	3.60% to 3.70% p.a.

9.3 Notes to the Summarised Consolidated Income Statements of LT Group

9.3.1 Finance Costs

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Bank overdraft interest	236	206	35
Hire purchase interest	39,399	51,431	52,142
Term loan interest	250,207	252,026	190,434
Bankers' acceptances interest	1,265,998	1,723,651	1,761,794
	1,555,840	2,027,314	2,004,405

9.3.2 Profit Before Taxation

Profit before taxation is stated after charging :-

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Auditors' remuneration			
- current year	44,016	62,192	62,537
- under provision in prior years	1,000	2,000	-
Amortisation of :			
- prepaid lease payments	52,750	53,122	52,376
- intangible assets	-	85,685	85,447
Depreciation of :			
- property, plant and equipment	1,339,025	1,505,336	1,491,004
- investment property	345	-	-
Directors' remuneration	937,054	1,429,812	2,128,060
Property, plant and equipment written off	21,171	185,119	9,802
Loss on foreign exchange :-			
- realised	-	314,153	8,600
- unrealised	201,758	-	-
Allowance for doubtful debts	933,014	957,620	-
Bad debts written off	12,944	-	2,786
Rental of premises	129,156	94,025	97,252
Royalty expenses	-	-	12,053
Write down in value of inventories	-	249,554	-
Inventories written off	-	14,974	-
Direct operating expenses of investment properties :			
- revenue generating	2,899	1,941	36,406
- non-revenue generating	-	374	-
Estimated value of benefits-in-kind of Directors	41,659	45,400	37,900

9.3 Notes to the Summarised Consolidated Income Statements of LT Group (Cont'd)

9.3.2 Profit Before Taxation (Cont'd)

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
and crediting :-			
Write back of allowance for doubtful debts no longer required	183,400	207,685	799,162
Gain on foreign exchange :			
- realised	564,796	6,280	1,265,100
- unrealised	-	73,436	335,298
Gain on disposal of :			
- property, plant and equipment	161,015	226,945	37,998
- a subsidiary company (Note 9.3.2(a))	-	24,834	-
Interest income :			
- quoted loan stock	873	645	645
- others	330,786	479,219	903,207
Dividend received	56,150	71,983	78,050
Rental income from :-			
- investment property	9,600	9,600	29,000
- others	81,000	66,500	54,000

(a) Disposal of a subsidiary company

On 31 December 2006, the Group disposed its entire shareholdings in Chemplex Resources Sdn Bhd ("CRSB") comprising 2 ordinary shares of RM1.00 each to the Directors of LT for a total cash consideration of RM2. The disposal gave rise to a gain of RM24,834 to the Group.

CRSB has been a dormant company since its incorporation. The effects of the disposal on the financial position of the Group as at the date of the disposal were as follows :-

Net liabilities disposed

	As at 31.12.2006 RM
Receivables	90
Cash in hand	2
Payables	(24,924)
Net liabilities disposed	(24,832)
Disposal consideration	(2)
Gain on disposal	(24,834)

9.3 Notes to the Summarised Consolidated Income Statements of LT Group (Cont'd)

9.3.3 Taxation

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Tax expense for the year :-			
Current year Malaysian income tax	3,598,200	4,570,000	5,563,422
Deferred tax expense resulting from the origination and reversal of temporary differences	322,397	80,682	93,213
Effects of change in tax rate	-	(18,044)	(20,830)
	3,920,597	4,632,638	5,635,805
(Over)/Under provided in prior years :-			
- income tax	(64,238)	10,976	(257,046)
- deferred taxation	(144,235)	(36,983)	(5,445)
Real property gains tax	-	30,000	-
	3,712,124	4,636,631	5,373,314

The reconciliation of tax expense applicable to the profit before taxation at the applicable statutory tax rate to the tax expense at the effective tax rate of the Group is as follows :-

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Profit before taxation	15,139,531	17,866,820	20,658,864
Statutory tax rate	28%	28%	27%
Tax expense at the statutory tax rate	4,239,069	5,002,710	5,577,893
Tax effect in respect of :-			
Differences in tax rate of a foreign subsidiary	(29,620)	(28,031)	(23,953)
Expenses not deductible for taxation purposes	301,577	226,751	357,595
Income not subject to tax	(120,207)	(122,190)	(32,473)
Double deduction of expenses	(19,072)	(20,606)	(26,308)
Deferred tax assets not recognised	1,309	-	1,042
Utilisation of reinvestment and export allowances	(375,997)	(331,359)	(152,772)
Utilisation of previously unrecognised tax losses	(76,462)	(76,593)	(44,389)
Taxation (over)/under provided in prior years :			
- current taxation	(64,238)	10,976	(257,046)
- deferred taxation	(144,235)	(36,983)	(5,445)
Effects of change in tax rate	-	(18,044)	(20,830)
Real property gains tax	-	30,000	-
Total tax expense	3,712,124	4,636,631	5,373,314

9.3 Notes to the Summarised Consolidated Income Statements of LT Group (Cont'd)

9.3.4 Earnings Per Share

The basic earnings per share is calculated on the profit for the year attributable to equity holders of LT Group and is based on the weighted average number of ordinary shares in issue during each year under review.

(a) Basic

	FYE 31 December		
	2005	**2006**	**2007**
Profit for the year attributable to equity holders of LT Group (RM)	11,427,407	13,230,189	15,285,550
Weighted average number of ordinary shares in issue (No.)	5,000,000	5,000,000	5,000,000
Basic earnings per share (RM)	2.29	2.65	3.06

(b) Diluted

The diluted earnings per share are not been presented as there were no potential ordinary shares outstanding as at the end of the respective financial years presented.

9.3 Notes to the Summarised Consolidated Income Statements of LT Group (Cont'd)

9.3.5 Dividends

Dividends declared during the financial years under review were as follows :-

	Net dividend amount RM	Dividend per ordinary share Gross (sen)	Dividend per ordinary share Net (sen)
2005			
Interim dividend on ordinary shares of RM1.00 each :			
- 10% less tax at 28%	360,000	10.00	7.20
2006			
Interim dividends on ordinary shares of RM1.00 each :			
- 10% less tax at 28%	360,000	10.00	7.20
- approximately 282.27% less tax at 27%	10,302,989	282.27	206.06
	10,662,989	292.27	213.26
2007	Nil	Nil	Nil

The directors of LT proposed a first and final dividend, single tier tax exempt, in respect of the financial year ended 31 December 2007 of 302.1% on ordinary shares of RM1.00 each amounting to RM15,105,000. The financial statements for the financial year ended 31 December 2007 did not reflect the payment of the final dividend pending approval by the shareholders of LT. The dividend will be accounted for in the shareholders' equity in the financial statements for the financial year ending 31 December 2008.

9.3.6 Staff Costs and Employees Information

	FYE 31 December 2005 RM	2006 RM	2007 RM
(a) Staff costs comprised :-			
Salaries, wages and bonuses	5,069,546	6,075,612	8,255,929
Amount contributed under defined contribution plan :			
- Employees Provident Fund (EPF)	500,431	649,753	1,001,403
Others	276,084	365,982	374,808
	5,846,061	7,091,347	9,632,140
(b) Number of employess	92	94	101

Staff costs include remuneration paid to Directors of LT Group.

9.4 Segment Reporting

The Group's operations comprise the following business segments :-

(i) Trading : Importers, exporters and distributors of petrochemical and other related products.

(ii) Manufacturing : Manufacturing and trading of unsaturated polyester resin and related products.

All inter-segment transactions have been entered into in the ordinary course of business and have been established under negotiated terms and conditions.

9.4.1 Primary Reporting Format - Business Segments

2005

	Trading RM	Manufacturing RM	Total RM
Revenue			
Total revenue	202,150,904	53,644,278	255,795,182
Inter-segment revenue	(291,124)	(31,732,264)	(32,023,388)
External sales	201,859,780	21,912,014	223,771,794
Results			
Segment results	13,382,526	3,248,393	16,630,919
Dividend and rental income			66,623
Unallocated expenses			(2,171)
Operating profits			16,695,371
Finance costs			(1,555,840)
Profit before taxation			15,139,531
Taxation			(3,712,124)
Profit for the year			11,427,407
Other Information			
Segment assets			
Segment assets	95,087,233	23,038,425	118,125,658
Unallocated assets			364,447
Total assets	95,087,233	23,038,425	118,490,105
Segment liabilities			
Segment liabilities	19,999,506	3,740,879	23,740,385
Unallocated liabilities			42,308,065
Total liabilities	19,999,506	3,740,879	66,048,450
Capital expenditure	5,327,886	1,932,295	7,260,181
Depreciation and amortisation	573,196	818,924	1,392,120
Non cash expenses other than depreciation and amortisation	1,156,786	12,101	1,168,887

9.4 Segment Reporting (Cont'd)

9.4.1 Primary Reporting Format - Business Segments (Cont'd)

2006

	Trading RM	Manufacturing RM	Total RM
Revenue			
Total revenue	224,550,294	57,299,579	281,849,873
Inter-segment revenue	(140,458)	(33,500,953)	(33,641,411)
External sales	224,409,836	23,798,626	248,208,462
Results			
Segment results	17,535,442	2,253,678	19,789,120
Dividend and rental income			82,228
Gain on disposal of a subsidiary company			24,834
Unallocated expenses			(2,048)
Operating profits			19,894,134
Finance costs			(2,027,314)
Profit before taxation			17,866,820
Taxation			(4,636,631)
Profit for the year			13,230,189
Segment assets			
Segment assets	104,556,529	27,833,100	132,389,629
Unallocated assets			1,515,369
Total assets	104,556,529	27,833,100	133,904,998
Segment liabilities			
Segment liabilities	32,864,411	4,738,196	37,602,607
Unallocated liabilities			41,302,393
Total liabilities	32,864,411	4,738,196	78,905,000
Capital expenditure	1,431,173	89,948	1,521,121
Depreciation and amortisation	750,678	893,465	1,644,143
Non cash expenses other than depreciation and amortisation	1,404,503	2,764	1,407,267

9.4 Segment Reporting (Cont'd)

9.4.1 Primary Reporting Format - Business Segments (Cont'd)

2007

	Trading RM	Manufacturing RM	Total RM
Revenue			
Total revenue	263,200,575	85,912,605	349,113,180
Inter-segment revenue	(604,890)	(49,076,513)	(49,681,403)
External sales	262,595,685	36,836,092	299,431,777
Results			
Segment results	18,845,170	3,710,404	22,555,574
Dividend and rental income			107,695
Operating profits			22,663,269
Finance costs			(2,004,405)
Profit before taxation			20,658,864
Taxation			(5,373,314)
Profit for the year			15,285,550
Segment assets			
Segment assets	112,008,445	33,777,978	145,786,423
Unallocated assets			1,384,525
Total assets	112,008,445	33,777,978	147,170,948
Segment liabilities			
Segment liabilities	24,981,072	4,432,310	29,413,382
Unallocated liabilities			47,469,552
Total liabilities	24,981,072	4,432,310	76,882,934
Capital expenditure	441,449	110,703	552,152
Depreciation and amortisation	726,158	902,669	1,628,827
Non cash expenses other than depreciation and amortisation	11,883	705	12,588

9.4 Segment Reporting (Cont'd)

9.4.2 Secondary Reporting Format - Geographical Segments

In determining the geographical segments of the Group, sales are based on the geographical location of customers and total assets are based on the geographical location of assets.

(a) Revenue by geographical market

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Malaysia	166,748,620	200,183,923	224,769,649
Hong Kong	-	197,532	32,569,130
Vietnam	5,035,971	9,453,920	12,658,897
Thailand	10,406,642	5,582,317	9,348,773
Indonesia	32,115,551	22,353,292	6,023,491
Singapore	3,225,110	4,211,035	4,809,869
United Arab Emirates	1,032,479	1,091,308	4,188,616
China	2,364,905	2,392,165	2,196,265
Iran	514,845	1,370,156	1,636,610
Others	2,327,671	1,372,814	1,230,477
	223,771,794	248,208,462	299,431,777

(b) Segment assets by geographical location of assets

(i) The carrying amounts of assets by geographical location of assets as at balance sheet dates for all the financial years under review are as follows :-

	Malaysia RM	Singapore RM	Total RM
2005			
Segment assets	116,363,810	1,761,848	118,125,658
Unallocated assets	364,447	-	364,447
	116,728,257	1,761,848	118,490,105

	Malaysia RM	Singapore RM	Total RM
2006			
Segment assets	130,708,329	1,681,300	132,389,629
Unallocated assets	1,515,369	-	1,515,369
	132,223,698	1,681,300	133,904,998

	Malaysia RM	Singapore RM	Total RM
2007			
Segment assets	144,437,069	1,349,354	145,786,423
Unallocated assets	1,384,525	-	1,384,525
	145,821,594	1,349,354	147,170,948

9.4 Segment Reporting (Cont'd)

9.4.2 Secondary Reporting Format - Geographical Segments (Cont'd)

(b) Segment assets by geographical location of assets (Cont'd)

(ii) Capital expenditure incurred for all the financial years under review are as follows :-

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Malaysia	7,249,231	1,521,121	551,376
Singapore	10,950	-	776
	7,260,181	1,521,121	552,152

9.5 Capital Commitments

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Approved and contracted for :-			
Acquisition of property, plant and equipment	527,000	-	-
Approved but not contracted for :-			
Acquisition of property, plant and equipment	-	-	7,000,000

9.6 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party or one party controls both.

9.6.1 Holding and Subsidiary Companies

The composition of LT Group is highlighted in Note 3.3, where LT was the holding company for all the financial years under review.

The transactions for the relevant years between LT and its subsidiary companies which have been eliminated on consolidation were as follows :-

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Sales of goods to subsidiary companies	2,159,252	2,128,936	2,746,907
Purchases of goods from subsidiary companies	32,308,957	34,565,663	50,873,060

9.6 Related Party Transactions (Cont'd)

9.6.2 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel of the Group are the Directors of the LT and their remuneration for all the financial years presented are as follows :-

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Short-term employee benefits	836,650	1,276,620	1,900,120
Post-employment benefits - contribution to Employees Provident Fund	100,404	153,192	227,940
	937,054	1,429,812	2,128,060
Benefits-in-kind	41,659	45,400	37,900
	978,713	1,475,212	2,165,960

The year-end outstanding balances in relation to compensation payable to key management personnel are as follows :-

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Included under other payables	278,700	636,562	1,542,800

9.6.3 Transactions and outstanding balances with other related parties

(a) Transactions with other related parties

	FYE 31 December		
	2005 RM	2006 RM	2007 RM
Salaries and other remuneration paid to an individual related to the directors of LT	-	12,779	35,234
Advances to LCB, a company in which the directors of LT have substantial financial interests :			
- for the purpose of payments in connection with share issue and listing exercise	-	-	633,586
- for settlement of other liabilities	3,261	2,756	3,187
Disposal of a subsidiary company, namely Chemplex Resources Sdn. Bhd. to the directors of LT	-	2	-

(b) Year-end outstanding balances with other related parties

	As at 31 December		
	2005 RM	2006 RM	2007 RM
Included under other receivables :-			
Amount due from LCB	32,934	35,690	672,463

9.7 Financial Instruments

9.7.1 Financial Risk Management Objectives and Policies

The Group's financial instruments are subject to a variety of financial risks including foreign currency risk, interest rate risk, credit risk, market risk, liquidity and cash flow risks.

The Group's overall financial risk management objective is to seek to address and control the risks to which the Group is exposed and to minimise or avoid the incidence of loss that may result from its exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

(a) Foreign Currency Risk

The Group is exposed to currency risk mainly due to its export sales and imported purchases that are denominated in a currency other than Ringgit Malaysia.

The movements in the rates of foreign currencies are monitored by the management and where considered necessary, the Group will enter into foreign currency forward contracts as a means of hedging against such risk.

The Group does not speculate in foreign currency derivatives.

(b) Interest Rate Risk

The Group has interest rate risk in respect of its borrowings and deposits.

The Group's bank borrowings are subject to interest based on floating rates while hire purchase financing and interest bearing deposits are based on fixed rates.

Market interest rates movements are monitored with a view to ensuring that the most competitive rates are secured and where appropriate borrowing arrangements and interest bearing deposits are restructured or reduced.

(c) Credit Risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade receivables.

Credit risk is addressed by the application of credit evaluation and close monitoring procedures by the Directors.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

9.7 Financial Instruments (Cont'd)

9.7.1 Financial Risk Management Objectives and Policies (Cont'd)

(d) Market Risk

Market risk is the risk that the value of the financial instrument will fluctuate due to changes in market prices.

The Group's main market risk exposure are currency and interest rate fluctuations and which are discussed under the respective risk headings.

The Group holds a small amount of quoted debts and equity investments and therefore the exposure to changes in market prices is considered as insignificant.

(e) Liquidity and Cash Flow Risks

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

Liquidity and cash flow risks are addressed by annual and continuous review and forward planning of cash flow in relation to business plans to ensure a balanced and prudent portfolio of cash and other liquid assets and credit facilities is maintained. The proper management of currency, interest rate and credit risks have the effect of further minimising the incidence and effects of liquidity and cash flow risks.

9.7.2 Maturity Profile and Effective Interest Rates

	Maturity Profile				
	Less than 1 year RM	More than 1 year and less than 5 years RM	More than 5 years RM	Total RM	Effective interest rate %
2005					
Financial Assets					
Deposits with financial institutions	12,774,066	-	-	12,774,066	3.00 to 3.70
Financial Liabilities					
Hire purchase creditors	355,263	968,223	-	1,323,486	4.64 to 7.24
Bankers' acceptances	33,426,000	-	-	33,426,000	2.93 to 3.66
Term loans	2,037,020	3,095,545	788,710	5,921,275	1.68 to 7.75

9.7 Financial Instruments (Cont'd)

9.7.2 Maturity Profile and Effective Interest Rates (Cont'd)

	Maturity Profile				
	Less than 1 year RM	More than 1 year and less than 5 years RM	More than 5 years RM	Total RM	Effective interest rate %
2006					
Financial Assets					
Deposits with financial institutions	19,141,060	-	-	19,141,060	3.00 to 3.70
Financial Liabilities					
Hire purchase creditors	344,979	623,244	-	968,223	4.64 to 7.24
Bankers' acceptances	35,035,000	-	-	35,035,000	3.65 to 4.85
Term loans	971,656	2,002,538	641,872	3,616,066	3.50 to 7.35
2007					
Financial Assets					
Deposits with financial institutions	24,390,599	-	-	24,390,599	3.00 to 3.70
Financial Liabilities					
Hire purchase creditors	319,418	530,467	-	849,885	5.01 to 9.94
Bankers' acceptances	42,393,000	-	-	42,393,000	3.60 to 3.70
Term loans	621,430	1,363,861	650,692	2,635,983	3.50 to 7.35

9.7.3 Foreign Currency Forward Contracts

Foreign currency forward contracts outstanding as at 31 December were as follows :-

Hedged items	Amount to be received or paid		Average contractual rate	Settlement period	
		RM	RM	Within 1 year RM	2 to 5 years RM
2005					
Trade payables - USD	108,606	409,032	3.766	409,032	-
2006					
Trade payables - USD	2,401,594	8,632,706	3.595	8,632,706	-
2007					
Trade receivables - USD	1,395,519	4,658,754	3.338	4,658,754	-
Trade payables - USD	1,748,244	5,827,980	3.334	5,827,980	-

9.7 Financial Instruments (Cont'd)

9.7.4 Fair Values

The carrying amounts of the hire purchase creditors and term loans approximated their fair values.

The fair value of quoted investments approximated their market values which are disclosed in Note 9.2.5. The fair value of non-current unquoted shares is not provided as it is not practicable to estimate the fair value reliably.

The carrying amounts of other current financial assets and liabilities of LT Group as at the balance sheet dates approximated their fair values due to the relatively short term nature of these financial instruments.

9.8 Restatement of Audited Financial Statements

9.8.1 The following figures have been reclassified to conform with the presentation for the financial years ended 31 December 2006 and 2007 :-

	As previously reported RM	Reclassification RM	As restated RM
2005			
Revenue	223,837,862	(66,068)	223,771,794
Cost of sales	(200,323,875)	994,786	(199,329,089)
Other operating income	1,952,316	17,768	1,970,084
Finance costs	(609,354)	(946,486)	(1,555,840)

9.8.2 The following figures have been restated upon the adoption of FRS 117 in 2007 as disclosed in Note 9.2.1(a) :-

	As previously reported RM	Reclassification RM	As restated RM
2005			
Depreciation of property, plant and equipment	1,391,775	(52,750)	1,339,025
Amortisation of prepaid lease payments	-	52,750	52,750
2006			
Depreciation of property, plant and equipment	1,558,458	(53,122)	1,505,336
Amortisation of prepaid lease payments	-	53,122	53,122

9.9 Subsequent Events

9.9.1 The proposed first and final dividend, single tier tax exempt, in respect of the financial year ended 31 December 2007 of 302.1% on ordinary shares of RM1.00 each amounting to RM15,105,000 was approved by the shareholders of LT and paid on 6 May 2008.

9.9.2 The restructuring scheme as set out in Notes 3.2(a) and 3.2(b) has been completed on 9 May 2008 and 12 May 2008 respectively. Upon completion, LT regards LCB as its immediate and ultimate holding company.

9.9.3 Save for the listing scheme as set out in Notes 3.2(c) and 3.2(d) of this report and the subsequent events disclosed above, there were no other significant events which have occurred subsequent to the last balance sheet date of LCB and LT Group until the date of this report which require adjustments to or disclosure in this report.

10.0 Historical Financial Performance

The following financial information are based on the audited financial statements of LT Group for the financial years ended 31 December 2005 to 31 December 2007.

		2005	2006	2007
Financial Position				
Paid-up capital	(RM)	5,000,000	5,000,000	5,000,000
Shareholders' funds	(RM)	52,441,655	54,999,998	70,288,014
Total borrowings	(RM)	40,670,761	39,619,289	45,878,868
Net Assets Value ("NAV")	(RM)	52,441,655	54,999,998	70,288,014
Net Tangible Assets ("NTA")	(RM)	52,441,655	54,657,257	70,030,720
NAV per share	(RM)	10.49	11.00	14.06
NTA per share	(RM)	10.49	10.93	14.01
Current ratio	(Times)	1.59	1.52	1.74
Gearing	(Times)	0.78	0.72	0.65
Financial Results				
Turnover	(RM)	223,771,794	248,208,462	299,431,777
Gross profit	(RM)	24,442,705	29,662,655	31,000,782
Interest expense	(RM)	1,555,840	2,027,314	2,004,405
Profit before taxation ("PBT")	(RM)	15,139,531	17,866,820	20,658,864
Profit for the financial year	(RM)	11,427,407	13,230,189	15,285,550
Earnings per share - basic	(RM)	2.29	2.65	3.06
Gross dividend rate	(%)	10.00	292.27	-
Effective tax rate	(%)	24.52	25.95	26.01
Gross profit margin	(%)	10.92	11.95	10.35
PBT profit margin	(%)	6.77	7.20	6.90
Interest coverage ratio	(Times)	10.73	9.81	11.31
After tax return on shareholders' funds	(%)	21.79	24.05	21.75

11.0 Audited Financial Statements

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2007.

Yours faithfully,

FOLKS DFK & CO.
No. : AF 0502
Chartered Accountants

OOI CHEE KUN
No. : 996/03/10 (J/PH)
Partner

Folks DFK & Co
(No. AF 0502)

Chartered Accountants

A member firm of DFK International

APPENDIX I

NO. SYARIKAT : 224414-D

REPORT OF THE AUDITORS TO THE MEMBERS OF
LUXCHEM CORPORATION SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 7 to 14 of LUXCHEM CORPORATION SDN BHD. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purposes. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :-

(i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

(ii) the state of affairs of the Company as at 31 December 2005 and of the results of the operations and the cash flows of the Company for the year ended on that date; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

FOLKS DFK & CO.	**OOI CHEE KUN**
FIRM NO. : AF 0502	NO. : 996/03/08 (J/PH)
CHARTERED ACCOUNTANTS	PARTNER

Kuala Lumpur

Dated : 31 MAY 2006

Folks Suite 4024, 4th Floor, President House, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.
Tel: 03-21412555 Fax: 03-21426355 e-mail: folksdfk@tm.net.my

Folks DFK & Co (No. AF 0502)
Chartered Accountants

An Independent Member Firm of DFK INTERNATIONAL

NO. SYARIKAT : 224414-D

APPENDIX II

REPORT OF THE AUDITORS TO THE MEMBERS OF LUXCHEM CORPORATION SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 7 to 16 of LUXCHEM CORPORATION SDN. BHD.. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purposes. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of :-

(i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

(ii) the state of affairs of the Company as at 31 December 2006 and of the results of the operations and the cash flows of the Company for the year ended on that date; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

FOLKS DFK & CO.	**OOI CHEE KUN**
FIRM NO. : AF 0502	NO. : 996/03/08 (J/PH)
CHARTERED ACCOUNTANTS	PARTNER

Kuala Lumpur

Dated : 6 JUN 2007

Folks 12th Floor, Wisma Tun Sambanthan, No.2, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, Malaysia.
Tel: 603-2273 2688 Fax: 603-2274 2688 e-mail: folksdfk@tm.net.my

Folks DFK & Co (No. AF 0502)
Chartered Accountants

NO. SYARIKAT : 224414-D

APPENDIX III

REPORT OF THE AUDITORS TO THE MEMBERS OF LUXCHEM CORPORATION BERHAD
(formerly known as Luxchem Corporation Sdn. Bhd.)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 7 to 21 of LUXCHEM CORPORATION BERHAD (formerly known as Luxchem Corporation Sdn. Bhd.). The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purposes. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of :-

 (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

 (ii) the state of affairs of the Company as at 31 December 2007 and of the results of the operations and the cash flows of the Company for the year ended on that date; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

FOLKS DFK & CO.	**OOI CHEE KUN**
FIRM NO. : AF 0502	NO. : 996/03/08 (J/PH)
CHARTERED ACCOUNTANTS	PARTNER

Kuala Lumpur

Date : 19 March 2008

Folks 12th Floor, Wisma Tun Sambanthan, No.2, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, Malaysia.
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A member firm of DFK INTERNATIONAL

Folks DFK & Co
(No. AF 0502)

Chartered Accountants

TEMPATAN NO : 123409-M

APPENDIX IV
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REPORT OF THE AUDITORS TO THE MEMBERS OF LUXCHEM TRADING SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 7 to 44 of LUXCHEM TRADING SDN. BHD. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :-

   (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

   (ii) the state of affairs of the Group and of the Company as at 31 December 2005 and of the results of the operations and the cash flows of the Group and of the Company for the year ended on that date; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Folks Suite 4024, 4th Floor, President House, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.
Tel: 03-21412555 Fax: 03-21426355 e-mail: folksdfk@tm.net.my

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We have considered the financial statements and the Auditors' report thereon of the subsidiary company of which we have not acted as auditors, as indicated in Note 5 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Subsection (3) of Section 174 of the Companies Act 1965.

FOLKS DFK & CO.
NO. : AF 0502
CHARTERED ACCOUNTANTS

OOI CHEE KUN
NO. : 996/03/08 (J/PH)
PARTNER

Kuala Lumpur

Dated : 31 MAY 2006

Folks DFK & Co (No. AF 0502)
Chartered Accountants

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REPORT OF THE AUDITORS TO THE MEMBERS OF
LUXCHEM TRADING SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 7 to 68 of LUXCHEM TRADING SDN. BHD. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of :-

   (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

   (ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results of the operations and the cash flows of the Group and of the Company for the year ended on that date; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Folks 12th Floor, Wisma Tun Sambanthan, No.2, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, Malaysia.
Tel: 603-2273 2688 Fax: 603-2274 2688 e-mail: folksdfk@tm.net.my

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We have considered the financial statements and the Auditors' report thereon of the subsidiary company of which we have not acted as auditors, as indicated in Note 8 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Subsection (3) of Section 174 of the Companies Act 1965.

FOLKS DFK & CO.
NO. : AF 0502
CHARTERED ACCOUNTANTS

OOI CHEE KUN
NO. : 996/03/08 (J/PH)
PARTNER

Kuala Lumpur

Dated : 6 JUN 2007

Folks DFK & Co (No. AF 0502)
Chartered Accountants

An Independent Member Firm of DFK INTERNATIONAL

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TEMPATAN NO : 123409-M

REPORT OF THE AUDITORS TO THE MEMBERS OF
LUXCHEM TRADING SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 6 to 73 of LUXCHEM TRADING SDN. BHD. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of :-

  (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

  (ii) the state of affairs of the Group and of the Company as at 31 December 2007 and of the results of the operations and the cash flows of the Group and of the Company for the year ended on that date; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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We have considered the financial statements and the Auditors' report thereon of the subsidiary company of which we have not acted as auditors, as indicated in Note 9 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Subsection (3) of Section 174 of the Companies Act 1965.

FOLKS DFK & CO.
NO. : AF 0502
CHARTERED ACCOUNTANTS

OOI CHEE KUN
NO. : 996/03/08 (J/PH)
PARTNER

Kuala Lumpur

Date : 26 March 2008