For export markets, Hong Kong represented our largest export market, having contributed 10.9% of our total revenue for the FYE 31 December 2007. The remaining 14.0% of total revenue from export markets is distributed among 12 other countries.

4.3.5 Seasonal / Cyclical Factors

Due to our wide customer base, with approximately 740 customers spread across 14 countries, including Malaysia, in a wide spectrum of end-user industries, demand for our Group's industrial chemicals and materials are not susceptible to significant seasonal or cyclical demand conditions.

4.3.6 Types, Sources and Availability of Raw Materials / Inputs

(i) Products for Marketing and Distribution Operations

Some of the major products we purchase for marketing and distribution operations, are as follows: -

- synthetic latex;
- latex chemicals;
- synthetic rubber;
- rubber chemicals;
- plastic additives; and
- polymer resins.

We source virtually all our synthetic latex and rubber from overseas manufacturers and suppliers. For the FYE 31 December 2007, most of our plastic additives, rubber chemicals and latex chemicals were sourced from overseas manufacturers and suppliers.

For the FYE 31 December 2007, our purchases of polymer resins included PVC, PU, phenolic and other specialised resins. Most of our purchases of polymer resins, which constitute mainly PVC resins, were sourced from local suppliers. The remainder were sourced from overseas suppliers, which comprised purchases of PU, phenolic and other specialised resins.

A discussion on our dependence on major suppliers, shortages in supply and the resulting impact on our operations have been set out in Section 3.1(iv), and Section 3.2(xv) of this Prospectus.

(ii) Raw Materials for Manufacturing Operations

Some of the major raw materials we use for manufacturing UPR are as follows: -

- styrene monomer;
- unsaturated dibasic acids;
- saturated dibasic acids; and
- glycol.

For the FYE 31 December 2007, all our purchases of styrene monomers were sourced from overseas suppliers and manufacturers, whilst a majority of our unsaturated dibasic acids and saturated dibasic acids were sourced from overseas suppliers and manufacturers.

For the FYE 31 December 2007, purchases of glycols were also mainly sourced from overseas manufacturers and suppliers.

A discussion on the impact of fluctuations in foreign exchange rates on the prices of our imported raw materials and supplies, fluctuations in prices of our principal raw materials and the resulting impact on our operations have been set out in Section 3.2(xii), Section 3.2(xiii) and Section 3.2(xiv) of this Prospectus.

4.3.7 Production / Operating Capacities and Output

The production output, capacity and utilisation of our manufacturing facilities for the FYE 31 December 2007 is as follows: -

Type of product	Production for FYE 31 December 2007 Tonnes	Annual designed capacity * Tonnes	Available capacity for FYE 31 December 2007 Tonnes	Utilisation rate for FYE 31 December 2007 %
UPR	13,600	20,000	20,000	68.0%

<u>Note: -</u>

* *Designed capacity is calculated based on installed machinery running at full capacity 24 hours per day and seven (7) days a week.*

For our manufacturing operations, we run three (3) 8-hour shifts per day six (6) days per week. For the FYE 31 December 2007, our production output was 13,600 tonnes, representing 68.0% utilisation of our available capacity.

4.3.8 Quality Control / Management Programmes

We place significant emphasis on quality management. Stringent quality controls are implemented in every aspect of our business operations. This is reflected by the fact that three (3) of our subsidiaries i.e. LPOLY, LT and LTSG are certified with ISO 9001:2000 Quality Management Systems. This provides customers with assurance of the quality of our products and services.

We essentially adopt the following approaches to ensure that quality standards are maintained internally: -

- where it is specified as part of the production process, quality inspections and checks are undertaken in each step of the production process including selection of input chemicals, reaction process, dilution and adjustment processes to ensure that specifications are met; and

- final quality checks in the form of inspections and testing are carried out on finished products before delivery to customers.

As at LPD, we have a team of experienced quality control and assurance personnel in LPOLY focusing on ensuring that our product quality meets the needs and specifications of the customers for our UPRs.

As part of our quality control activities for the manufacturing of UPRs, we also undertake various functional in-house tests on the viscosity and curing temperature during the in-process checking and final-product testing.

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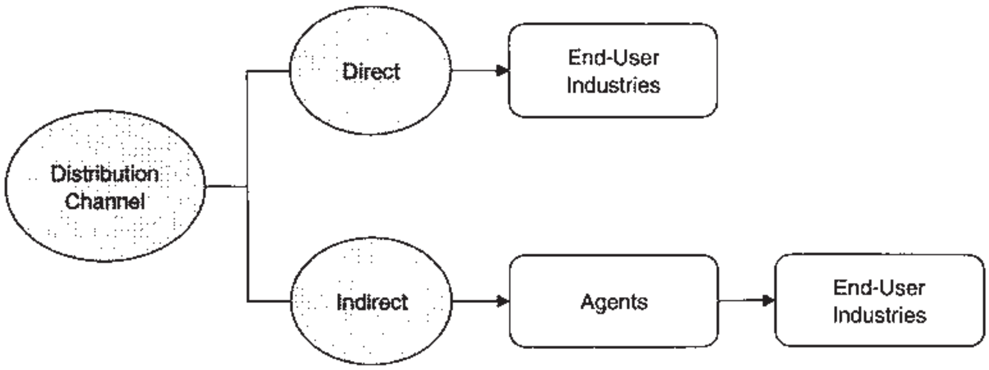
4.3.9 Marketing and Distribution Strategy

Our marketing and distribution strategy is based on direct and indirect distribution: -



We mainly utilise direct channels of distribution through our own sales and marketing team. This approach enables us to work closely with our customers to evaluate and attain a better understanding of their requirements, which also serves as a feedback mechanism for continuous product and service improvement.

We have an established marketing and distribution network, which is supported by seven (7) marketing and distribution centres. Of these marketing and distribution centres, six (6) of them are strategically located in various states of Peninsular Malaysia, in Selangor, Perak, Penang, Johor and Malacca, and one (1) is located in Singapore.

The strategy of having our own sales and marketing arm has enabled us to reduce our reliance on third parties and more importantly, optimise on our distribution costs.

In addition, we also adopt indirect distribution strategies to reach our customers in overseas markets. The strategy of adopting indirect distribution channels enables us to utilise the existing network of our agents in order to expand our market coverage without the need for significant investments in marketing and logistics.

As at LPD, we have agents in Vietnam, Philippines and China.

4.3.10 R&D

(i) Policies of R&D

R&D plays an important role for our growth, particularly to create and sustain competitive advantages through the following: -

- continuous improvements on existing products and services;
- development of new products; and
- continuous improvements in manufacturing processes.

The constant improvement and enhancement of our competitive advantages are critical for sustaining our business growth and success in the long term in a competitive market place.

Through R&D, we aim to realise the following benefits: -

- sustain and grow our business through the development of improved and new products;

- increase revenue and profitability by addressing new market segments; and

- create competitive advantages by leveraging on our key differentiation of being a key and extensive supplier of industrial chemicals for the rubber and plastic products industry, incorporating manufacturing, and marketing and distribution.

We strive for continuous improvements to our technical knowledge and expertise, and production skill base through continuous practical application of these skills. These improvements are internalised, and enables us to continuously upgrade our capabilities and to increase the efficiency of our business processes.

(ii) R&D Facilities and Personnel

R&D and Testing Facilities

We have in-house R&D facilities as follows: -

(a) product development centre; and
(b) testing facilities.

(a) Product Development Centre

Our in-house product development centre provides innovative solutions to meet customers' requirements. We are equipped with in-house facilities such as a small-scale reactor and auxiliary equipment to carry out polymerisation reactions in the laboratory prior to pilot runs and later full-scale manufacturing for commercialisation.

Once the R&D result meets desired specifications, we will carry out a pilot production run using a pilot reactor on a smaller industrial scale, to produce small amount of products as samples or trial resins.

We are also able to provide samples or trial products for testing by customers.

(b) Testing Facilities and Laboratories

All samples or trial resins from R&D will undergo tests to comply with customer specifications. In addition, we also undertake in-process testing and final product quality assurance inspection and testing.

We have in-house testing equipment to undertake the following critical testing: -

- **viscosity test**, to measure the viscosity or resistance to flow of materials under standard conditions of temperature. We currently use the Brookfield Viscosimeter, which consists of a scale that measures the drag on various size spindles that rotate at a set speed;

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- **curing properties**, to measure gel time, curing time and peak exothermic heat. Usually, a sample of UPR is used to undergo a curing test under standard conditions at 25 degrees centigrade. This is to analyse the gel time and peak exothermic heat, which is the length of time required for the liquid material to remain workable until it starts to solidify. This would also determine whether additives such as accelerators or inhibitors used are meeting the required parameters; and

- **acid titration test**, to measure the acid value of the UPR sample by titrating a known alkaline medium and measuring the amount needed to neutralise the acid.

In addition, we have the following equipments to undertake various tests: -

- **hydrometer**, to measure specific gravity;

- **viscometer**, to measure viscosity and thixothropic index;

- **microjet recorder**, to measure characteristics of hardening at room temperature / high temperatures;

- **titrator**, to measure moisture content;

- **water bath**, to maintain resins at specified testing temperatures; and

- **oven**, for heating up resins up to 110 degrees centigrade to check for volatile content.

As at LPD, we have a team of technical personnel directly involved in R&D activities.

(iii) Achievements in R&D

We have successfully undertaken R&D to commercialise the following in-house manufactured products for a wide range of applications, as reflected in our current product portfolio: -

(a) UPRs;
(b) gel coat; and
(c) putty resin.

(a) UPR

UPRs that we manufacture are successfully used in a variety of application processes highlighted in Section 4.3.3.2(i) of this Prospectus, such as hand lay-up / spray-up etc.

Our achievements are further reflected in our capability to produce various grades of UPRs based on parameters developed internally, to achieve desired properties. Some of the critical parameters include the following: -

- quantity of input components (acid and alcohol contents);

- heating temperature to achieve ester linkage;
- dilution process for the cross-linking purposes, with specific amounts of cross linking agent such as styrene monomer; and
- quantity of additives (such as accelerators and inhibitors).

With our in-house R&D expertise, we have successfully developed UPRs with the range of properties highlighted in Section 4.3.3.2(i), such as chemical / UV resistance etc. We have successfully manufactured a cumulative total of approximately 100 different grades of UPRs.

For the FYE 31 December 2007, the manufacture of UPR contributed 27.5% of our total revenue, which amounted to RM82.2 million. This is a reflection of the success of our R&D efforts to-date.

(b) Gel Coat

We currently manufacture gel coat, which is derived from an unsaturated polyester base. We have successfully manufactured six (6) different grades of gel coat for the hand lay-up and spray-up processes.

Gel coats developed by us are used to conceal fibreglass reinforcements so as to provide a smooth surface for aesthetic considerations and pigmentation for the desired colour.

Our in-house R&D efforts have enabled us to manufacture gel coat with UV resistance and water resistance properties.

For the FYE 31 December 2007, the manufacture of gel coat contributed 0.8% of our total revenue, which amounted to RM2.3 million.

(c) Putty Resin

In July 2006, we successfully developed and commercialised putty resin through our in-house R&D efforts. We currently manufacture putty resin, which is commonly used as body fillers for sealing holes and imperfections on metal surfaces, primarily automobiles.

(iv) On-going and Future R&D

Our R&D is focused on the following areas: -

(a) development of new products; and
(b) improvements in manufacturing processes.

(a) Development of New Products

Specialty Resins

We are undertaking research and development in developing specialty resins as follows: -

- **biphenol resin**, which provides resistance to heat and chemicals;

- **hexa-chloroxycyclopentadiene (HET acid) resin**, a type of flame retardant resin that exhibits low flame / low smoke characteristics; and

- **dicyclopentadiene (DCPD) resin**, which has low styrene emission characteristics, commonly providing good corrosion and impact resistance properties, used for surface finishing of various coating applications.

We commenced R&D activities to produce specialty resins in 2008.

(b) Improvements in Manufacturing Processes

We are committed to undertaking continuous process improvements, particularly in our manufacturing process, including: -

- improving the efficiency of existing processes;
- increasing the productivity of our resources; and
- maintaining consistency of output quality.

Improvements in manufacturing process efficiency are achieved by: -

- mechanisation of processes, where possible;
- reallocation of resources to optimise workflow; and
- innovative adaptation of proven technologies in process control.

Our R&D personnel works closely with our production staff and marketing team to obtain feedback on the quality, usage and specifications of our products. This enables improvements to be identified and effected where necessary in the production process and optimises our production capabilities to achieve desired quality products.

In addition, we also work closely with our customers for more in-depth understanding of the final applications of our products. This also serves as a feedback channel for our R&D team to further improve and enhance our products.

Through improvements in manufacturing processes, we aim to achieve the following key benefits: -

- increased cost competitiveness for our products;
- improved product quality;
- improved functionality and effective workability of products;
- increased production volume; and
- improved customer satisfaction.

As such, we undertake R&D through: -

- selection of best practices locally and abroad;
- continuous evaluation and improvement of existing processes and procedures to optimise workflow; and
- application of innovative and new technologies.

R&D in optimising our manufacturing processes is important to the success of our operations and sustaining our competitive advantages.

(v) **R&D Expenditure**

As our management does not have a separate R&D expense account, details on R&D expenditure for the past three (3) financial years are based on management estimates: -

FYE 31 December	**2005 RM**	**2006 RM**	**2007 RM**
R&D capital expenses	-	1,015	11,591
R&D operating expenses	705,492	485,228	352,572
Total R&D expenses	**705,492**	**486,243**	**364,163**
Total R&D expenses as a proportion of our total revenue	0.3%	0.2%	0.1%

4.3.11 Brand Names, Patents, Trade Marks, Licences, Technical Assistance Agreements, Franchises and Other Intellectual Property Rights

As at LPD, we currently use the brand name "Polymal" in our day-to-day business.

As at LPD, we do not have any patents, trade marks, licenses, franchises or intellectual property rights.

As at LPD, we have the following technical assistance agreement: -

- a licensing agreement dated 1 April 2005, and amended pursuant to an amendment agreement dated 1 April 2007, entered into between LT and Japan Composite, Co., Ltd., ("**JCCL**"), for the granting by JCCL of a non-exclusive, non-transferable licence to LT to manufacture UPRs and vinyl ester resins, and to use and sell the products in Malaysia, Singapore and other countries to be separately decided between both parties.

4.3.12 Dependency on Contracts or Arrangements

As at 31 March 2008, save as disclosed in Section 4.3.14 of this Prospectus, there are no patents or licenses, industrial, commercial or financial contracts (including informal arrangements or understandings) or new manufacturing processes, which have been entered into by us and / or our subsidiaries that we are highly dependent on.

4.3.13 Interruptions in Business for the Past Twelve (12) Months

There has not been any interruption in the form of trade disputes or major operational breakdown occurring within and outside our Group that significantly impaired our business performance during the past twelve (12) months.

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4.3.14 Approvals, Major Licences and Permits Obtained

Details of the approvals obtained by us for our Listing from the SC and MITI together with the conditions imposed by these authorities and the status of compliance are set out in Section 6 of this Prospectus. Other approvals, major licences and permits obtained by our Group for the operation of business are as follows: -

(a) LPOLY

Authority	Date of issue (Date of expiry)	Description	Major conditions imposed	Status of compliance
MITI	28 November 1996 (No expiry date stated in licence)	Licence manufacturer for 'unsaturated polyester resins and alkyd resins' (Licence No.: A016067)	(a) At least 70% of the shares of this Company is to be bought and held by Malaysian including at least 30% be reserved, and this Company should consult MITI before the division of the reserved shares.	To be met upon completion of the IPO.
			(b) The shares of this Company that are held by non-Malaysian citizens are not to be sold without the prior written consent from MITI.	Noted.
			(c) The composition of the Board of Directors of this Company, should generally, reflect the equity structure of the Company, and MITI must be informed of the appointment and any changes in its Board of Directors.	Noted.
			(d) This Company should appoint and train Malaysians so as to reflect the multinational composition of the country for all levels of position.	Complied.
			(e) If this company proposes to use used machinery, prior written approval from MITI must be obtained and a report to that effect must be done by an independent valuer duly approved by MITI. Approval of MITI is also to be obtained prior to any changes, additions or reductions proposed against the machinery whereby there will an obvious effect on employment and / or production.	Noted.
			(f) This company should obtain written approval from MITI before entering any agreement on transfer of technology with foreign parties, such as: - - Joint Venture Agreement - Technical Assistance and 'Know-How' Agreement - Licence Agreement - Patent and Trademark Agreement `Turnkey' Contract Agreement - Management Agreement The above conditions will not be imposed for purchases of machinery, which requires the services of a technical officer from the maker of the said machinery to supervise its installation and initial operation of the said machinery.	Noted.
			(g) This company should as much as possible appoint companies owned by Malaysian citizens to distribute their produce for the local market and should also appoint Bumiputera distributors to distribute at least 30% of its sales in the local market. The selection and appointment of Bumiputera distributors is to be done after consultation with MITI. Prior approval of MITI must be obtained for the appointment of foreign companies as distributors.	Noted.

4.4 MAJOR CUSTOMERS AND SUPPLIERS

4.4.1 Major Customers

From the FYE 31 December 2005 to FYE 31 December 2007, the major customers that individually contributed 10% or more of our revenue are as follows: -

Name of customer	FYE 31 December		
	2005	2006	2007
	% of total revenue		
Billionway Holdings HK (Ltd)	-	-	10.4%
Syarikat Nam Ah Sdn Bhd	10.3%	8.1%	8.9%
PT Smart Glove	13.5%	8.5%	1.2%

Our top customer, Billionway Holdings HK (Ltd) from Hong Kong accounted for 10.4% of our total revenue for FYE 31 December 2007 whilst our next largest customer, Syarikat Nam Ah Sdn Bhd accounted for 8.9% of our total revenue.

We are not highly dependent on any of our major customers. Our stable business relationships with our customers are reflected by the fact that 10 of our top 20 customers have been dealing with us for seven (7) or more years. Of these, 7 of our top 20 customers have been dealing with us for ten (10) or more years.

Our long-standing business relationship with customers serves as an endorsement for the quality of our products and services, and more importantly, a stable customer base to sustain our business and provide the platform for business growth.

For the FYE 31 December 2007, we have a large base of approximately 740 customers, spread across 14 countries, including Malaysia.

We service a diverse range of end-user industries, including, amongst many others, the following: -

- manufacturers of rubber products;
- manufacturers of latex products;
- manufacturers of plastic products;
- manufacturers of medical devices;
- manufacturers of paints and coatings;
- manufacturers of automotive parts;
- manufacturers of marine vessels;
- manufacturers of leisure and sports equipment;
- manufacturers of building and construction products; and
- manufacturers of household fittings, fixtures and furniture.

We mainly distribute directly to end-user manufacturers through our own marketing and distribution team for the local and overseas markets.

4.4.2 Major Suppliers

From the FYE 31 December 2005 to FYE 31 December 2007, the major suppliers that individually contributed 10% or more of our total purchases are as follows: -

Name of supplier	FYE 31 December		
	2005	2006	2007
	% of total purchases		
Shell Eastern Petroleum (Pte) Ltd	11.3%	11.7%	14.7%
Tokyo Zairyo (M) Sdn Bhd	18.3%	13.7%	12.9%
ZEON Asia Pte Ltd	6.9%	13.3%	10.1%

Our business is dependent on our top three (3) suppliers, Shell Eastern Petroleum (Pte) Ltd, Tokyo Zairyo (M) Sdn Bhd and ZEON Asia Pte Ltd, which represented 14.7%, 12.9% and 10.1%, respectively of our total purchases for the FYE 31 December 2007.

A discussion on our dependence on major suppliers has been set out in Section 3.1(iv) of this Prospectus.

4.5 INDUSTRY OVERVIEW

Unless otherwise stated, the following sections are extracted from the latest available government publications.

4.5.1 Overview and Outlook of the Global Economy

Global growth was strong in 2007, driven by above-trend growth in most industrial economies and buoyant growth in emerging market economies, despite moderation in the US economy, higher oil prices and the onset of financial market turbulence in the second half-year. The economies of the People's Republic of China ("**PR China**"), India and other large emerging economies such as Brazil and Russia increased their contribution to global growth, spurred by strong consumption and rising investment activity. Record high commodity prices also buoyed growth in many resource-producing economies. Benefiting from these trends, the strong growth momentum in the Asian region was further supported by rising domestic demand, which more than compensated for some moderation in electronics exports. In contrast, downside pressures on the US economy increased towards end-year, affected by the emergence of the subprime mortgage problem and further downturn in the US housing sector, with its spillover to the global financial markets.

While moderation is expected in the developed economies in 2008, the growth momentum is expected to be sustained in Asia and the other emerging economies. The growth outlook would be dependent on the length and depth of the US slowdown, and the extent of the impact from financial market turbulence. Inflation is expected to remain elevated following sustained high oil and food prices. While these developments will have an impact on the Asian regional economies, the growth in the region will continue to be supported by strong domestic demand and the high growth momentum in the large economies in the region. Overall, the expectation is for global growth to moderate, reflecting a less favourable environment in the major industrial economies and continued uncertainty in the global financial markets.

In 2008, global and regional inflation is expected to remain elevated based on pass through effects from higher commodity prices in the second half of 2007 and the expectation of continued high oil and food prices. Oil prices are expected to continue to be subject to pressures from sustained demand growth, supply constraints and potential supply-side shocks.

Notwithstanding these trends, several risks have increased the uncertainty on the global and regional outlook. In the event of a more protracted period of significantly below-trend growth of the US economy, accompanied by a sharper slowdown in other industrialised economies, there would be a larger impact on growth across the region as trade linkages to the developed economies remain strong. A further risk is the more severe impact from disruptions in the functioning of the financial markets and the financial intermediation process. Further adverse credit-constraining developments in the financial sector in several of the major economies could precipitate more widespread financial market volatility and damage business and consumer sentiment, while potentially prolonging the downturn in economic activity as more segments of financing activity are affected. However, in the event that there are larger than expected corrections in commodity prices, commodity producing economies would be affected.

(Source: Bank Negara Malaysia Annual Report 2007)

4.5.2 Overview and Outlook of the Malaysian Economy

The Malaysian economy continued its strong growth momentum, expanding by 6.3% in 2007. Growth was driven by robust domestic demand despite a weaker external environment which led to moderation in export growth. Private consumption and investment activities expanded strongly during the year. Private consumption recorded the highest growth rate since 2000, buoyed by rising disposable income following high commodity prices, salary increments in both the public and private sectors, as well as favourable labour market conditions. Strong investment in the manufacturing, services, construction, and oil and gas industries, combined with positive business sentiment, supported expansion in private investment. This was further reinforced by large inflows of foreign direct investment.

The stronger growth achieved reflected the benefits of a more diversified economic base, which has strengthened the economy's resilience to the external environment. While the contribution of the manufacturing sector remains substantial, of significance is the shift in the economic structure in the recent few years towards the services sector, which has become the main driver of growth. The services sector led growth in 2007 was supported by domestic demand activities and new growth areas in finance, business services and communications. The strong economic performance was achieved in an environment of relatively low inflation. Overall, the headline inflation rate increased at a slower pace of 2% in 2007.

The outlook for the Malaysian economy in 2008 remains favourable. As a small and highly open economy, the outlook will be influenced by the current high degree of uncertainties in the global economic and financial environment, including the problems associated with the international credit markets and financial institutions. These uncertainties will have some impact on Malaysia, mainly through the trade and financial markets linkages.

The resilience of the Malaysian economy to weather a slowdown in the global economy has, however, strengthened over the years, due to a number of factors. First is the emergence of domestic demand as a key driver of growth. The strong economic growth of 6.3% in 2007 was achieved due to the robust expansion in domestic activities despite a moderation in external demand. Second, Malaysia's export markets are increasingly diversified, with almost 54% of total exports to the Asian (exclude Japan) economies (2001: 46.2%). Meanwhile, the share of Malaysia's exports to US has declined to 15.6% in 2007 from 20.2% in 2001. Thus, while global growth is expected to moderate in 2008 due mainly to slower growth in the US, and to a lesser extent, in Europe and Japan, the outlook for strong economic growth in the Asian region and other emerging economies would support the export sector. Third, as a commodity producer, Malaysia will continue to benefit from high prices of crude oil, palm oil and rubber. In addition, the strong base in the commodity sector would further strengthen the linkages with downstream activities, including the resource-based industries which will continue to benefit from the robust domestic demand as well as demand from the regional economies.

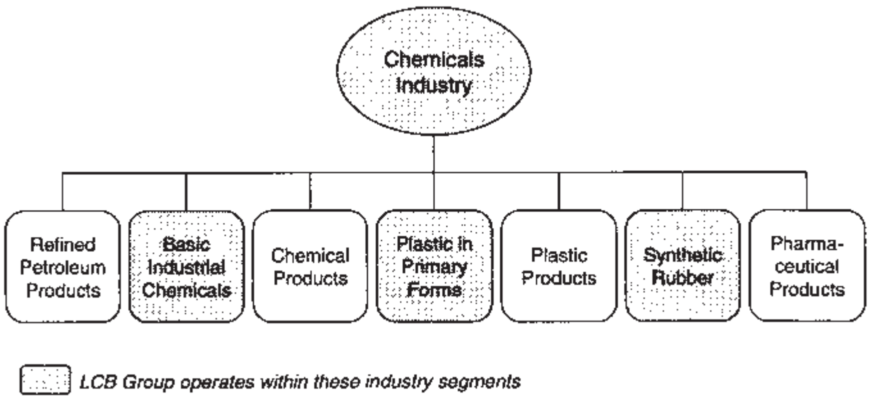
Against this backdrop, the Malaysian economy is projected to expand by 5 – 6% in 2008. Domestic demand is expected to remain resilient, providing strong support to the economy. While consumer and business sentiments could be affected by the prospects of a sharper than expected global economic slowdown and uncertainties in the international financial markets, the major underlying factors supporting domestic private sector activities are expected to remain generally intact in 2008.

(Source: Bank Negara Malaysia Annual Report 2007)

4.5.3 Overview of the Chemicals Industry

Structure of the Chemicals Industry

The structure of the chemicals industry is as depicted in the figure below: -



Our core business activities are in the following: -

- marketing and distribution of industrial chemicals and materials; and
- manufacture of UPRs.

We operate within the following sub-sectors of the chemicals industry: -

- basic industrial chemicals;
- plastic in primary forms*; and
- synthetic rubber.

Note: -

* *Plastic in primary forms include UPR.*

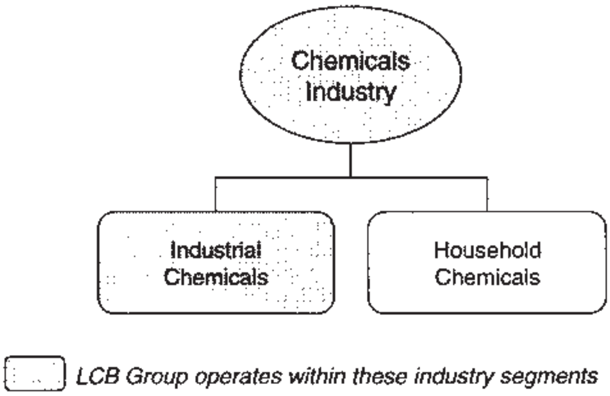
Basic industrial chemicals comprise petrochemicals, organic chemicals, inorganic chemicals and other basic chemicals. Some of the basic industrial chemicals produced in Malaysia, include acrylic acid, esters, fatty acids, fatty alcohol, crude glycerine, titanium dioxide and styrene monomer.

Plastic in primary forms, consist of resins in liquid or solid form. Some of the plastics in primary forms, produced in Malaysia, include low-density polyethylene, linear-low-density polyethylene, high-density polyethylene, polypropylene, polystyrene, acrylonitrile butadiene styrene, PVC, polyethylene terephthalate, and UPR.

Synthetic rubber, including synthetic latex is derived from petrochemicals.

Industrial Chemicals

In general, the chemicals industry can be further classified based on where they are used as follows: -



Industrial chemicals refer to chemicals used by manufacturers and other commercial organisations and are often purchased in relatively large quantities. In some cases industrial chemicals are concentrated for further dilution and processing.

Household chemicals refer to chemicals that are normally found in households or homes. Some examples of household chemicals include bleach, dishwashing detergent, disinfectants, cleaners, mildew removers and household pesticides.

We operate within the industrial chemicals industry as our products are used mainly by manufacturers and not directly used by households.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

4.5.4 Past Performance, Prospects and Outlook of the Chemicals Industry in Malaysia

(i) The Industrial Chemicals Industry

The outlook for the industrial chemicals industry is favourable. This prognosis is mainly substantiated as follows: -

- the large market size of the overall chemicals industry including industrial chemicals;
- the large market size of the user industries for industrial chemicals;
- the sustained growth of the overall chemicals industry including industrial chemicals; and
- the sustained growth of the user industries for industrial chemicals.

Some of the supporting factors for the favourable prognosis are as follows: -

Local Production

Between 2003 and 2007, the sales value of chemicals increased at an average annual rate of 20.5% and in 2007, it grew by 9.1% to RM157.9 billion.

Between 2003 and 2007, the sales value of the manufacture of other basic industrial chemicals except fertilizers and nitrogen (sub-sector of chemicals), registered an average annual growth rate of 22.5% and in 2007, it increased by 6.7% to reach RM22.9 billion.

Between 2003 and 2007, the sales value of the manufacture of other chemical products, not elsewhere classified, grew at an average annual rate of 5.3% and in 2007, it increased by 16.2% to RM3.5 billion.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

Exports

Between 2003 and 2007, the export value of chemicals increased at an average annual rate of 15.3%. In 2007, the export value of chemicals grew by 13.5% to approximately RM36.4 billion.

Between 2002 and 2006, the export value of synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip registered an average annual growth rate of 52.5%, while in 2006 it grew by 8.0% to approximately RM206.9 million. For the first 11 months of 2007, the export value of synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip grew by 12.5% to reach RM214.5 million compared to the same period in 2006.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

User Industries

The following is an assessment of the performance of the user industries for industrial chemicals: -

- between 2003 and 2007, the sales value of rubber products increased at an average annual rate of 11.2% and in 2007, it grew by 4.5% to reach RM11.9 billion;

- the sales value of the local production of sub-sectors of rubber-related products, are as follows: -

	Sales value in 2007 **RM million**	**Growth rate for 2007** **%**	**AAGR 2004 - 2007** **%**
Rubber remilling and latex processing	8,941.9	3.9%	21.8%
Rubber gloves	5,605.4	0.9%	13.6%
Other rubber products, n.e.c.	4,114.3	3.8%	13.7%
Tyres and tubes	2,057.1	16.1%	6.8%
Retreading and rebuilding of rubber tyres	104.1	10.2%	3.9%

<u>*Notes: -*</u>

AAGR *Average annual growth rate.*
n.e.c. *Not elsewhere classified.*

- between 2003 and 2007, the turnover of the plastics industry registered an average annual growth rate of 13.3% and in 2007, it increased by 3.3% to approximately RM15.5 billion;

- the sales values of the manufacture of plastic products using various processes are as follows: -

	Sales value in 2007 **RM million**	**Growth rate for 2007** **%**	**AAGR 2004 - 2007** **%**
Plastic injection moulded components	7,092.5	3.0%	13.8%
Plastic bags and films	5,094.1	0.1%	15.0%
Plastic extruded products	666.6	33.4%	17.7%
Plastic foam products	494.7	17.7%	4.1%
Plastic blow moulded products	401.7	(11.2%)	0.6%
Other plastic products	1,643.4	2.8%	1.5%

Notes: -

AAGR *Average annual growth rate.*
n.e.c. *Not elsewhere classified.*

- between 2003 and 2007, the export value of plastics in non-primary forms grew at an average annual rate of 18.0%. In 2007, the export value of plastics in non-primary forms increased by 5.6% to approximately RM3.2 billion; and

- between 2003 and 2007, the export value of rubber manufactures, not elsewhere classified increased at an average annual rate of 28.1% and in 2007, it registered a growth of 19.6% to approximately RM4.4 billion.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

Size of Markets

User Industries

The large size of the user industries for industrial chemicals provides significant growth opportunities for operators within the industry.

Based on the Department of Statistics, the indication of the size (based on local production) of some of the user industries of industrial chemicals in 2007 are as follows: -

- plastics industry = RM15.5 billion
- rubber products industry = RM11.9 billion

Chemicals Industry

The large size of the total chemicals industry in Malaysia also provides significant growth opportunities for operators within the industrial chemicals industry.

Based on the Department of Statistics, the indication of the size (based on local production) of the chemical industry in 2007 is as follows: -

-	total chemicals	= RM157.9 billion
-	other basic industrial chemicals	= RM22.9 billion
-	other chemical products, n.e.c.	= RM3.5 billion

Note: -

n.e.c. = not elsewhere classified

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

(ii) The UPR Manufacturing Industry

The outlook for the manufacture of UPRs is dependent on a wide range of user industries.

According to the Department of Statistics, there is no data available specifically on the local production of UPRs. Therefore import and export data will be used to provide a proxy for the performance of the industry.

Imports

Between 2002 and 2006, the import value of other unsaturated polyesters, in primary form increased at an average annual rate of 6.3%, and in 2006, it grew by 1.9% to approximately RM42.4 million. For the first 11 months of 2007, the import value of other unsaturated polyesters, in primary form grew by 12.7% to approximately RM45.1 million compared to the same period in 2006.

In 2006, the import quantity of other unsaturated polyesters, in primary form decreased by 0.6% to 4,316 tonnes. However, between 2002 and 2006, it increased at an average annual rate of 1.0%. For the first 11 months of 2007, the import quantity of other unsaturated polyesters, in primary form increased by 21.3% to reach 4,958 tonnes compared to the same period in 2006.

Between 2002 and 2006, the import value of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of other unsaturated polyesters, in primary form), declined at an average annual rate of 1.5%, and in 2006 it decreased by 3.1% to reach RM30.1 million. For the first 11 months of 2007, the import value of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of other unsaturated polyesters, in primary form) decreased marginally by 0.4% to RM28.4 million compared to the same period in 2006.

Between 2002 and 2006, the import quantity of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of other unsaturated polyesters, in primary form) decreased at an average annual rate of 5.2%, and in 2006, it declined by 2.7% to 3,265 tonnes. For the first 11 months of 2007, the import quantity of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of other unsaturated polyesters, in primary form) declined by 6.1% to 2,901 tonnes compared to the same period in 2006.

Note: -

Decrease in imports for certain types of unsaturated polyester is an indication of the growing sufficiency for local production to meet the needs of local demand. However, local manufacturers do not produce all the diverse types of unsaturated polyester and thus would still need to depend on imports.

Exports

In 2006, the export value of other unsaturated polyesters, in primary form decreased by 5.6% to approximately RM51.2 million. However, between 2002 and 2006, it registered an average annual growth rate of 43.8%. For the first 11 months of 2007, the export value of other unsaturated polyesters, in primary form registered a growth of 65.6% to reach approximately RM71.6 million compared to the same period in 2006.

Between 2002 and 2006, the export value of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of other unsaturated polyesters, in primary form), increased at an average annual rate of 8.7%, and in 2006, it grew by 3.5% to approximately RM15.2 million. For the first 11 months of 2007, the export value of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of other unsaturated polyesters, in primary form) increased by 35.5% to approximately RM19.0 million compared to the same period in 2006.

User Industries

The versatility of UPRs creates many applications and usage to provide growth. For example fibre-reinforced plastics may be used for water tanks, marine vessels, automotive parts, drain and manhole gratings and household items like bathtubs and swimming pools. UPRs can also be used to replace traditional materials like marble, granite and glass in kitchen tabletops, floor tiles and decorative panels.

In addition, the flexibility in processing UPRs also provides significant diversity in applications to spur growth. Some of these processes include hand lay-up, spray-up, cast moulding, press moulding, resin transfer moulding, resin concrete moulding and continuous moulding.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

(iii) Prospects of Our Group

The prospects of our Group are favourable in light of the following factors: -

- good business performance;
- future plans; and
- favourable outlook of the chemicals industry in Malaysia.

Good Business Performance

Our Group's business proposition and competitive strengths and advantages will provide the platform for sustainable growth and success. These include the following: -

- **one-stop supply centre** for industrial chemicals to provide convenience and to meet the diverse needs of existing and new customers;

- **established marketing and distribution network** strategically located in several states in Peninsular Malaysia to better serve local markets and customers;

- **wide customer base** as our platform for business sustainability and growth;

- **synergies for cross-selling** diverse products to our wide customer base reduces our costs of marketing and distribution, whilst increasing our sales potential; and

- **technical ability** to support existing products and introduce new products to further increase our revenue, product diversity and business growth.

Our strengths and business capabilities contribute significantly to the favourable prospects of our business.

Our Future Plans

We have in place sound future plans to sustain and grow our business. It is focused in three (3) main areas: -

- development of new products and to manufacture specialty resins including biphenol resin, hexa-chloroxyclopentadiene (HET acid) resin, and dicyclopentadiene (DCPD) resin. These new products will enable us to address new areas of opportunities, which we will leverage from our existing marketing and distribution network;

- expansion of existing facilities in additional machinery and equipment and construction of a new warehouse. The expansion of production and warehouse facilities will enable us to address areas of growth particularly the export markets and take on more orders to increase our business. The additional manufacturing facilities also enable us to manufacture the new specialty resins; and

- business expansion by setting up sales offices in Indonesia, Vietnam and China. This will enable us to be more effective in addressing opportunities in new markets.

Our future plans are leveraged on our current financial strength, established market reputation and extensive distribution reach, which allow us to pursue further business growth and diversification.

Favourable Outlook of the Chemicals Industry in Malaysia

The outlook for the industrial chemicals industry is favourable, which is mainly substantiated by the large market size of the overall chemicals industry including industrial chemicals, and the large user industries for industrial chemicals. This will provide opportunities for us to optimise from the large size of the chemicals industry and user industries for business growth and expansion.

The sustained growth of the overall chemicals industry, including industrial chemicals and user industries, are indicated as follows: -

Chemicals Industry

- Between 2003 and 2007, the sales value of chemicals increased at an average annual rate of 20.5%, and in 2007 it grew by 9.1% to reach RM157.9 billion; and

- between 2003 and 2007, the export value of chemicals increased at an average annual rate of 15.3%. In 2007, the export value of chemicals grew by 13.5% to reach approximately RM36.4 billion.

User Industries

The rubber and plastics industries, amongst others, are two user industries of industrial chemicals. Their performances are as follows:-

- between 2003 and 2007, the sales value of rubber products increased at an average annual rate of 11.2%, and in 2007, it grew by 4.5% to reach RM11.9 billion; and

- between 2003 and 2007, the turnover of the plastics industry registered an average annual growth rate of 13.3%, while in 2007 it increased by 3.3% to approximately RM15.5 billion.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

The favourable outlook for the industrial chemicals industry in Malaysia will contribute to the overall favourable prospects of our business.

4.5.5 Industry Players and Competition

(i) Manufacture of UPR

Operators in the manufacture of UPRs face moderate competitive conditions. Competition is based on a number of factors, including: -

- quality of products and services;
- cost competitiveness;
- prompt delivery schedules; and
- production capabilities and capacities.

Competition among operators in the manufacture of UPRs within Malaysia is moderate, based on the following observations: -

- there are only four (4) manufacturers of UPRs that are currently operating in Malaysia. The relatively low number of manufacturers somewhat reduces the competition in the local market; and

- barriers to entry for the manufacture of UPRs are high, primarily due to the high cost of capital investment and the high level of technology required.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

(ii) Marketing and Distribution of Industrial Chemicals

Operators in the marketing and distribution of industrial chemicals face moderate competitive conditions.

As with most free enterprise environments, competition is based on a number of factors, including: -

- wide range and availability of stock to ensure uninterrupted supply and prompt delivery;
- cost competitiveness;
- financial strength to provide credit facilities and keep a wide range of stock;
- warehousing and distribution network; and
- established track record.

Generally competition among operators in the marketing and distribution of industrial chemicals is based on the following observations: -

- there are many operators in the marketing and distribution of industrial chemicals in Malaysia. However the level of competition is dependent on the markets served. Operators that are focused on marketing and distributing industrial chemicals for use in larger industries for example the rubber industry will face less competition, as the market is sufficiently large to accommodate all the operators; and

- barriers to entry into the marketing and distribution of industrial chemicals are relatively low and this is substantiated by the large number of operators. Larger operators will have an advantage over smaller players due to their ability to carry an extensive range of products which will enable them to cross-sell products to an existing customer base, thereby reducing marketing costs. This provides economies of scale to improve profit margins.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

(iii) Players in the Industry

As at February 2008, manufacturers of UPRs in Malaysia are as follows: -

- Luxchem Polymer Industries Sdn Bhd;
- Cray Valley Resins (M) Sdn Bhd;
- Highpolymer Chemical Products (M) Sdn Bhd; and
- Revertex (Malaysia) Sdn Bhd.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

4.5.6 Estimated Market Coverage, Position and Market Share

(i) Market Ranking

Based on our total production of UPRs in 2007, we ranked first amongst the four (4) manufacturers of UPRs in Malaysia in 2007.

(ii) Market Size

In 2007, the market size based on local production of UPRs in Malaysia was estimated at 40,000 tonnes.

(iii) **Market Share**

In 2007, our market share of the production of UPRs in Malaysia was estimated at 34%.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

4.5.7 Laws and Regulations

(i) **Government Regulations**

Manufacturing Licence

Apart from the normal manufacturing licence, there are no material Government laws, regulations and policies that may impede on the performance and growth of operators such as our Group within a free enterprise environment in Malaysia.

Application of a manufacturing licence under the Industrial Co-Ordination Act, 1975 is required for companies with shareholders' funds of RM2.5 million or above, or engaging 75 or more full-time employees.

Company :	LPOLY
Issuing authority :	MITI
Issuance date :	28 November 1996 *(licence valid since 17 April 1996)*
Types of products :	UPRs and alkyd resins

Poison Licence

An organisation, which is involved in importation, possession, manufacture, compounding, storage, transport, sale and use of poisons, is subjected to the Poisons Regulations, 1952 under the Poisons Act, 1952. The licence is granted to a person and not a firm with a business address.

Wholesaler's Poison Licence

Currently, we have five (5) poison licences held by our key management personnel.

(ii) **Environmental Regulations**

Disposal of Scheduled Waste

The Government regulations for the disposal of scheduled waste and sludge resulting from manufacturing processes falls under the Environmental Quality (Scheduled Wastes) Regulations, 2005.

As part of the process of manufacturing of UPRs, we create wastes and sludge in the following forms: -

- waste oil;
- waste solvent; and
- used activated carbon.

All the wastes listed above are categorised under Scheduled Waste in the Environmental Quality (Scheduled Wastes) Regulation, 2005.

The scheduled wastes generated by us during the manufacturing process is collected and disposed by Resources Conservation Sdn Bhd, Centralised Waste Treatment Plant Sdn Bhd, and Transada Chemicals Sdn Bhd, all of whom are licensed contractors of the Department of Environment.

In addition, we have obtained the approval from the Department of Environment for the installation of a scrubber system, which is designed to trap and remove contaminants and particulates from emissions generated through the manufacturing process before releasing into the environment.

Environment Impact Assessment (EIA)

The environmental aspects of manufacturing of UPRs are regulated by the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987, which is a regulation passed pursuant to the Environmental Quality Act, 1974.

In 1996, LPOLY obtained approval for its Environment Impact Assessment report from the Department of Environment for its manufacturing plant for UPRs and Alkyd Resins, located in Malacca.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

4.5.8 Demand and Supply Conditions

(i) Demand Dependencies

We are in the business of marketing and distribution of industrial chemicals. Therefore demand will primarily come from local end-user industries and export.

Most of our industrial chemicals are widely used in the rubber and plastics industries in Malaysia. As such, we play an important supporting role to some of Malaysia's largest industries: -

- Malaysia continues to be the world's leading producer and exporter of rubber products. In 2007, the sales value of rubber products registered a growth of 4.5% to reach RM11.9 billion; and
- in 2007, the annual turnover of the plastic products industry in Malaysia is estimated at RM15.5 billion, an increase of 3.0% over the previous year.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

(ii) Supply

Supply – Imports of UPR

According to the Department of Statistics, there is no data available specifically on the local production of UPRs. Therefore import and export data will be used to provide a proxy for the performance of the industry.

Between 2002 and 2006, the import value of unsaturated polyesters, in primary forms increased at an average annual rate of 6.3%, and in 2006, it grew by 1.9% to RM42.4 million. For the first 11 months of 2007, the import value of other unsaturated polyesters, in primary form grew by 12.7% to approximately RM45.1 million compared to the same period in 2006.

In 2006, the import quantity of unsaturated polyester, in primary forms decreased by 0.6% to 4,316 tonnes. However, between 2002 and 2006, it increased at an average annual rate of 1.0%. For the first 11 months of 2007, the import quantity of other unsaturated polyester, in primary form increased by 21.3% to reach 4,958 tonnes compared to the same period in 2006.

Between 2002 and 2006, the import value of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of unsaturated polyesters, in primary forms), declined at an average annual rate of 1.5%, and in 2006, it decreased by 3.1% to reach RM30.1 million. For the first 11 months of 2007, the import value of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of other unsaturated polyesters, in primary form), decreased marginally by 0.4% to RM28.4 million compared to the same period in 2006.

Between 2002 and 2006, the import quantity of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of unsaturated polyesters, in primary forms) decreased at an average annual rate of 5.2% and in 2006, it declined by 2.7% to 3,265 tonnes. For the first 11 months of 2007, the import quantity of other unsaturated polyesters, other than in non-rigid cellular blocks (sub-sector of other unsaturated polyesters, in primary form) declined by 6.1% to 2,901 tonnes compared to the same period in 2006.

Supply – Industrial Chemicals Industry

Local Production

Between 2003 and 2007, the sales value of chemicals increased at an average annual rate of 20.5% and in 2007 it grew by 9.1% to RM157.9 billion.

Between 2003 and 2007, the sales value of the manufacture of other basic industrial chemicals except fertilizers and nitrogen, registered at average annual growth rate of 22.5% and in 2007, it increased by 6.7% to reach RM22.9 billion.

Between 2003 and 2007, the sales value of the manufacture of other chemical products, not elsewhere classified, grew at an average annual rate of 5.3% and in 2007, it increased by 16.2% to RM3.5 billion.

Imports

Between 2003 and 2007, the import value of chemicals grew at an average annual rate of 16.3% and in 2007, it increased by 10.5% to approximately RM41.4 billion.

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Between 2002 and 2006, the import value of synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip (including synthetic latex and rubber), grew at an average annual rate of 23.3% and in 2006, it increased by 33.0% to approximately RM1.1 billion. For the first 11 months of 2007, the import value of synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip (including synthetic latex and rubber), increased by 13.3% to reach RM1.1 billion compared to the same period in 2006.

Between 2002 and 2006, the import value of acrylonitrile-butadiene rubber ("**NBR**") latex (sub-sector of synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip) registered an average annual growth rate of 71.8% and in 2006, it increased by 69.5% to RM286.9 million. For the first 11 months of 2007, the import value of NBR latex increased by 16.3% to reach RM305.7 million compared to the same period in 2006.

Between 2002 and 2006, the import value of styrene-butadiene rubber ("**SBR**"), carboxylate styrene-butadiene rubber ("**XSBR**") (other than unvulcanise uncompound plate, sheet in primary forms) (sub-sector of synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip), increased at an average annual rate of 23.0% and in 2006, it increased by 8.5% to RM204.0 million. For the first 11 months of 2007, the import value of SBR, XSBR (other than unvulcanise uncompound plate, sheet in primary forms) grew by 25.2% to reach RM236.1 million compared to the same period in 2006.

Between 2003 and 2007, the import value of organic chemicals increased at an average annual rate of 17.7% and in 2007, it increased by 15.6% to approximately RM9.9 billion.

Between 2003 and 2007, the import value of inorganic chemicals increased at an average annual rate of 13.9% and in 2007, it grew by 3.3% to approximately RM3.2 billion.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

4.5.9 Substitute Products / Services

(i) UPR

UPR is a type of polymer based thermosetting resin that is commonly used in composite materials to serve two critical functions, transfer of load to the reinforcement fibre, and protect the fibre from environmental effects.

As a polymer raw material, there are substitutes for UPRs, as other type of thermosetting resins such as vinyl ester, epoxy resin, acrylic and PU can replace UPRs. Depending on the application, any one of these materials can substitute for UPRs.

However, UPRs has its benefits over other substitutes as follows: -

- **cost effectiveness:** UPRs are less expensive compared to other types of thermosetting resins such as vinyl ester, and it possesses certain desired properties. Vinyl ester is more for higher-end industrial applications; and

- **versatility:** UPRs have good flexibility and workability for use in various processes which include, among many others, including hand lay-up, spray lay-up (spray-up), continuous lamination, pultrusion, filament winding, cast moulding and press moulding.

  Due to its versatility, UPRs are also commonly used as raw materials to manufacture composite products, including, for example fibre-reinforced products to replace metal products that perform the same function, and synthetic marble to replace the use of natural marble for use in manufacturing kitchen tops and sanitary ware.

  (Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

(ii) Industrial Chemicals

Our industrial chemicals are mainly used in the rubber and plastic industries. Within industrial chemicals, we market and distribute the following major types of products: -

- synthetic latex and rubber;
- chemicals for rubber and latex;
- plastic additives; and
- polymer resins.

There is only one (1) substitute for synthetic latex and synthetic rubber, which is natural latex and natural rubber.

However, synthetic latex and synthetic rubber have their advantages over natural rubber and natural latex, as they do not contain any proteins unlike natural rubber and natural latex, which in some cases may cause allergic reactions.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

4.5.10 Reliance on / Vulnerability to Imports

(i) Marketing and Distribution of Industrial Chemicals

The marketing and distribution of industrial chemicals is reliant on imports particularly in situations whereby there are no local producers or the local producers do not manufacture the grades specified by customers.

However as most industrial chemicals are regarded as commodities, they can be sourced from a number of countries overseas. Malaysia is a net importer of petrochemical products, with imports of RM18.1 billion and exports of RM15.4 billion in 2006.

Chemicals also contribute to Malaysia's export earnings whereby in 2007, the export value of chemicals grew by 13.5% to approximately RM36.4 billion. This indicates that industrial chemicals is a widely traded material.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

(ii) Manufacturing of UPR

The manufacture of UPR is reliant on imports of certain materials and chemical components that are produced locally. Some of these include unsaturated and saturated acids, and specialised glycols.

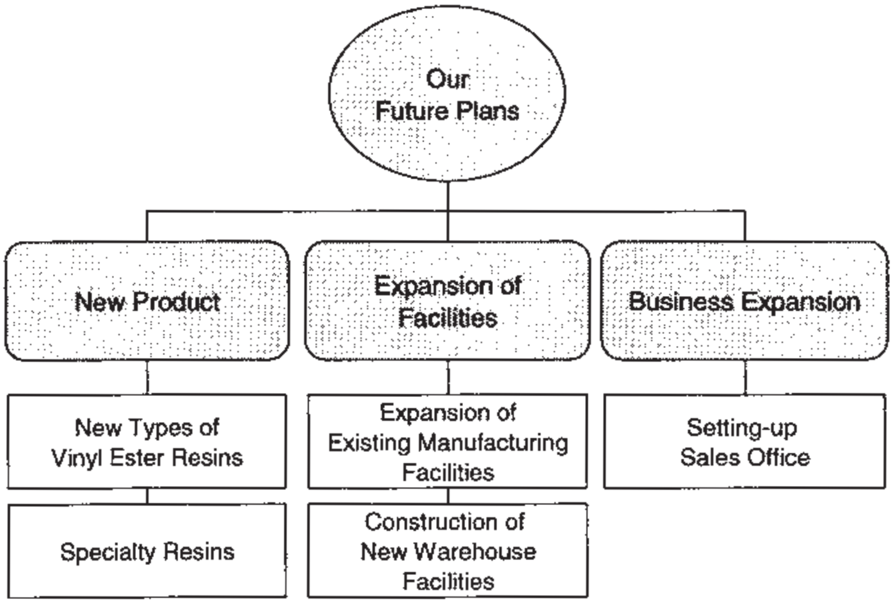
As for the other materials, Malaysia has one (1) producer of styrene monomer in Johor, one (1) producer of phthalic anhydride in Pahang, and one (1) producer of maleic anhydride in Terengganu. These producers are therefore able to meet some of the local industry requirements. However, the production of phthalic anhydride is mainly for the producer's own in-house use.

Nevertheless, these materials and chemical components are readily available from overseas sources. As such, although there is a certain reliance on imports, they can be sourced from a number of overseas countries.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

4.6 FUTURE PLANS AND STRATEGIES

Our future plans are focused in the following three (3) key areas as depicted in the figure below: -



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(i) **New Products**

New Types of Resins

We currently manufacture UPR through our subsidiary, LPOLY.

In the second quarter of 2007, we commenced pilot production of vinyl ester resin for chemical applications.

As part of our future plans, we intend to extend our existing range of products by manufacturing new specialty resins as follows: -

- **biphenol resin**, which provides resistance to heat and chemicals;

- **hexa-chloroxyclopentadiene (HET acid) resin**, a type of flame retardant resin that exhibits low flame / low smoke characteristics; and

- **dicyclopentadiene (DCPD) resin**, which has low styrene emission characteristics, commonly providing good corrosion and impact resistance properties, used for surface finishing of various coating applications.

This new product range will enable us to address new areas of opportunities. In addition, the manufacture of specialty resins will enable us to significantly increase our value adding and obtain higher margins.

We have commenced R&D activities on specialty resins and intend to commercialise the specialty resins in 2009.

(ii) **Expansion of Facilities**

Expansion of Existing Manufacturing Facilities

We intend to expand our existing manufacturing facilities to cater for market expansion and the manufacturing of new products, vinyl ester resins and specialty resins.

We propose to invest in the following additional machinery and equipment for our production line: -

- one (1) unit of reactor;
- one (1) unit of blending and dilution tankers; and
- other auxiliary equipments including piping.

We expect to purchase the above additional machinery and equipment by mid 2010.

Construction of New Warehouse Facility

Part of our plans also includes the construction of a new warehouse facility to cater for future business expansion in marketing and distribution of industrial chemicals.

We currently own a piece of land of approximately 2-acres in Bukit Minyak, Prai, Penang, and intend to construct an additional warehouse facility. Our current marketing and distribution office in Penang is presently operating from rented premises. The new warehouse facility will be focused on addressing areas of growth and opportunities particularly in expansion of export markets.

We intend to construct the new warehouse facility in 2009.

(iii) Business Expansion

Setting-up Sales Offices

We intend to leverage on our current market access in export markets such as Indonesia, Vietnam and China by setting-up sales offices in the respective countries.

We are currently selling industrial chemicals, including UPRs to customers in Indonesia, Vietnam and China. The establishment of sales office will provide a local market presence in the respective countries, which will help us address business opportunities with existing and potential customers.

We intend to establish new sales offices in the following overseas countries: -

- Indonesia by end 2009;
- Vietnam by mid 2010; and
- China by mid 2010.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

5.1 PROMOTERS

5.1.1 Particulars and Shareholdings

The details of our Promoters and their shareholdings in our Company before and after the IPO are as follows: -

Name	Designation	No. of LCB Shares held before the IPO				No. of LCB Shares held after the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
CRSB	-	58,970,000	53.61	-	-	58,970,000	45.36	-	-
Tang Ying See	Managing Director / Chief Executive Officer	24,823,100	22.57	65,900,000 (1)	59.91	300,000 (2)	0.23	59,270,000 (3)	45.59
Chin Song Mooi	Executive Director	6,930,000	6.30	83,793,100 (1)	76.18	300,000 (2)	0.23	59,270,000 (3)	45.59

Notes: -

(1) *Deemed interest by virtue of their substantial shareholdings in CRSB and the Shares held by their respective spouses (Tang Ying See or Chin Song Mooi, where applicable), pursuant to Section 6A of the Act.*

(2) *Assuming full subscription of their respective entitlements for the pink form Share allocation pursuant to the IPO.*

(3) *Deemed interest by virtue of their substantial shareholdings in CRSB and the Shares held by their respective spouses (Tang Ying See or Chin Song Mooi, where applicable), pursuant to Section 6A of the Act, and assuming full subscription of their respective entitlements for the pink form Share allocation pursuant to the IPO.*

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5.1.2 Profiles of Promoters

(i) CRSB

(a) Background Information

CRSB was incorporated in Malaysia under the Act on 17 April 1996 as a private limited company under the name of Luxchem Agrotech Sdn Bhd and assumed its present name on 28 February 2003. The company is principally a family investment holding company.

As at LPD, the authorised share capital of CRSB is RM100,000 comprising 100,000 shares of RM1.00 each. The issued and paid-up share capital of CRSB is RM1,000 comprising 1,000 ordinary shares of RM1.00 each.

(b) Directors and Substantial Shareholders

The particulars of CRSB's directors and substantial shareholders and their respective shareholdings in CRSB as at the date of this Prospectus are set out below: -

Name	No. of ordinary shares held			
	Direct	%	Indirect	%
Directors and substantial shareholders				
Tang Ying See	782	78.20	218 (1)	21.80
Chin Song Mooi	218	21.80	782 (2)	78.20

Notes: -

(1) *Deemed interest by virtue of the shares held by his spouse, Chin Song Mooi, pursuant to Section 6A of the Act.*

(2) *Deemed interest by virtue of the shares held by her spouse, Tang Ying See, pursuant to Section 6A of the Act.*

(ii) Tang Ying See

Tang Ying See, a Malaysian aged 56, is the founder and Managing Director / Chief Executive Officer of our Group.

As the founder of our Group, he has been instrumental in our development, growth and success. He brings with him approximately 32 years of experience in the industrial chemicals industry and is mainly responsible for the overall strategic business direction of our Group.

He obtained a Bachelor of Science Degree majoring in Physics from Nanyang University, Singapore in 1975 and has been a member of the Malaysian Institute of Management since 1990. Upon graduation, he joined a chemical trading company as a Sales Representative and was promoted to Senior Manager in 1983.

In 1984, he left and established Lux Trading, a sole proprietorship, which business was taken over by LT in 1987. He currently holds several directorships in a number of private limited companies.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

(iii) Chin Song Mooi

Chin Song Mooi, a Malaysian aged 56, is an Executive Director of our Group.

She graduated in 1976 with a Bachelor of Commerce Degree in Accountancy from Nanyang University, Singapore. She obtained her company secretary licence from the Registry of Companies in 1996 and has been a member of the Institute of Approved Company Secretaries since 1996. Her career began upon her graduation in 1976 when she joined Khoo, Junus & Co., an accounting firm located in Kuala Lumpur as an Auditor. In 1978, she left and joined Universal Cable (M) Bhd as an Accountant in the Johor Bahru branch. In 1979, she left and joined Syarikat Pembinaan Beng Teck Sdn Bhd, a building and construction company, as an Accountant.

In 1988, she left to take up the position as Director of Finance and Administration with LT. She is mainly responsible for overseeing all aspects of finance and administration functions of the LCB Group. She currently holds several directorships in a number of private limited companies.

5.1.3 Directorships and Substantial Shareholdings in All Other Public Corporations for the Past Two (2) Years

As at 31 March 2008, none of our Promoters have any directorships or substantial shareholdings in other public corporations for the past two (2) years.

5.1.4 Significant Changes in Shareholdings in Our Company for the Past Three (3) Years

Save as disclosed below, there are no other significant changes in our Promoters' shareholdings in our Company for the past three (3) years, as at the date of this Prospectus: -

Name	Before the Acquisitions				After the Acquisitions			
	Direct	%	Indirect	%	Direct	%	Indirect	%
CRSB	-	-	-	-	58,970,000	53.61	-	-
Tang Ying See	2	50.00	2 (1)	50.00	24,823,100	22.57	65,900,000 (2)	59.91
Chin Song Mooi	2	50.00	2 (1)	50.00	6,930,000	6.30	83,793,100 (2)	76.18

Notes: -

(1) Deemed interest by virtue of the shares held by their respective spouses (Tang Ying See or Chin Song Mooi, where applicable), pursuant to Section 6A of the Act.

(2) Deemed interest by virtue of their substantial shareholdings in CRSB and the Shares held by their respective spouses (Tang Ying See or Chin Song Mooi, where applicable), pursuant to Section 6A of the Act.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

5.2 SUBSTANTIAL SHAREHOLDERS

5.2.1 Particulars and Shareholdings

The details of our substantial shareholders and their shareholdings in our Company before and after the IPO are as follows: -

Name	Designation	No. of LCB Shares held before the IPO				No. of LCB Shares held after the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
CRSB	-	58,970,000	53.61	-	-	58,970,000	45.36	-	-
Tang Ying See	Managing Director / Chief Executive Officer	24,823,100	22.57	65,900,000 (1)	59.91	300,000 (2)	0.23	59,270,000 (3)	45.59
Chin Song Mooi	Executive Director	6,930,000	6.30	83,793,100 (1)	76.18	300,000 (2)	0.23	59,270,000 (3)	45.59
Chow Cheng Moey	-	17,674,900	16.07	-	-	11,488,700	* 8.84	-	-

Notes: -

(1) *Deemed interest by virtue of their substantial shareholdings in CRSB and the Shares held by their respective spouses (Tang Ying See or Chin Song Mooi, where applicable), pursuant to Section 6A of the Act.*
(2) *Assuming full subscription of their respective entitlements for the pink form Share allocation pursuant to the IPO.*
(3) *Deemed interest by virtue of their substantial shareholdings in CRSB and the Shares held by their respective spouses (Tang Ying See or Chin Song Mooi, where applicable), pursuant to Section 6A of the Act, and assuming full subscription of their respective entitlements for the pink form Share allocation pursuant to the IPO.*
* *Chow Cheng Moey's shareholding in LCB will fall to below 10% of the entire enlarged issued and paid-up share capital of LCB after the IPO. Pursuant to paragraph 1.01 of the Listing Requirements, Chow Cheng Moey will cease to be a major shareholder upon completion of the IPO.*

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5.2.2 Profiles of Substantial Shareholders

Save for the profiles of CRSB, Tang Ying See and Chin Song Mooi, which are set out in Section 5.1.2 of this Prospectus, the profile of our other substantial shareholder is as follows: -

(i) Chow Cheng Moey

Chow Cheng Moey, a Malaysian aged 56, was an initial subscriber in LT in 1984. In 1986, she transferred her share in LT to Chin Song Mooi. In 1987, she became a shareholder of LT. She has not held any executive position in LT nor participated in the management of our Group since 1984.

She graduated with a Bachelor Degree in Chemical Engineering from the National University of Taiwan, Taiwan in 1977. She is presently the Finance Manager in Kossan Rubber Industries Berhad, a company involved in the manufacture of rubber gloves and products, which she joined since 1980. She has never held any directorship in any company.

5.2.3 Directorships and Substantial Shareholdings in All Other Public Corporations for the Past Two (2) Years

As at 31 March 2008, none of our substantial shareholders have any directorships or substantial shareholdings in other public corporations for the past two (2) years.

5.2.4 Significant Changes in Shareholdings in Our Company for the Past Three (3) Years

Save as disclosed below and in Section 5.1.4 in this Prospectus, there are no other significant changes in our substantial shareholders' shareholdings in our Company for the past three (3) years, as at the date of this Prospectus: -

Name	Before the Acquisitions				After the Acquisitions			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Chow Cheng Moey	-	-	-	-	17,674,900	16.07	-	-

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

5.3 DIRECTORS

5.3.1 Particulars and Shareholdings

The details of our Directors and their shareholdings in our Company before and after the IPO are as follows: -

Name	Designation	No. of LCB Shares held before the IPO				No. of LCB Shares held after the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Tang Ying See	Managing Director / Chief Executive Officer	24,823,100	22.57	65,900,000 (1)	59.91	300,000 (2)	0.23	59,270,000 (3)	45.59
Chin Song Mooi	Executive Director	6,930,000	6.30	83,793,100 (1)	76.18	300,000 (2)	0.23	59,270,000 (3)	45.59
Chen Moi Kew	Executive Director / Chief Financial Officer	-	-	-	-	200,000 (2)	0.15	-	-
Dato' Haji Mokhtar Bin Haji Samad	Independent Non-Executive Director	-	-	-	-	200,000 (2)	0.15	-	-
Chan Wan Siew	Independent Non-Executive Director	-	-	-	-	200,000 (2)	0.15	-	-
Au Chun Choong	Independent Non-Executive Director	534,000	0.49	-	-	547,100 (2)	0.42	-	-

Notes: -

(1) *Deemed interest by virtue of their substantial shareholdings in CRSB and the Shares held by their respective spouses (Tang Ying See or Chin Song Mooi, where applicable), pursuant to Section 6A of the Act.*

(2) *Assuming full subscription of their respective entitlements for the pink form Share allocation pursuant to the IPO.*

(3) *Deemed interest by virtue of their substantial shareholdings in CRSB and the Shares held by their respective spouses (Tang Ying See or Chin Song Mooi, where applicable), pursuant to Section 6A of the Act, and assuming full subscription of their respective entitlements for the pink form Share allocation pursuant to the IPO.*

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5.3.2 Profiles of Directors

Save for the profiles of Tang Ying See and Chin Song Mooi, which are set out in Section 5.1.2 of this Prospectus, the profiles of our other Directors are as follows: -

(i) Chen Moi Kew

Chen Moi Kew, a Malaysian aged 45, was appointed an Executive Director / Chief Financial Officer of our Group on 2 January 2008.

She obtained her Bachelor of Accounting Degree with First-Class Honours from the University of Malaya, Kuala Lumpur in 1987. She has been a member of both the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants since 1990 and a Member of the Financial Planning Association of Malaysia since 2003.

She began her career in 1987 when she joined Arthur Andersen & Co as an Audit Staff Assistant. In 1991, she left and joined United Malayan Banking Corporation Berhad as an Assistant Manager. In 1993, she left and took up the position as Deputy Manager in Southern Bank Berhad. In 1996, she left and was appointed Financial Controller at the Weld Centre (M) Sdn Bhd.

She left in 1997 to join LT. She is currently mainly responsible for overseeing the accounting and finance functions as well as formulating financial strategies for our Group.

(ii) Dato' Haji Mokhtar Bin Haji Samad

Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 60, was appointed an Independent Non-Executive Director of our Group on 15 May 2008.

He is the Non-Executive Chairman of Kossan Rubber Industries Berhad, the Executive Chairman of the Malay Contractor Consortium Wilayah Persekutuan, a Director of the Malay Contractor Consortium Malaysia and the Executive Chairman of Minat Megah Sdn Bhd, a company principally involved in construction.

He is also the Deputy President of the Malay Contractor Organisation Malaysia, the Yang DiPertua of the Malay Contractor Organisation Wilayah Persekutuan, the Vice President of the Entrepreneur Development Agency Wilayah Persekutuan, a member of the Advisory Committee of Dewan Perniagaan Melayu Kuala Lumpur and a committee member of the Ministry of Domestic Trade and Consumer Affairs, Wilayah Persekutuan.

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(iii) Chan Wan Siew

Chan Wan Siew, a Malaysian aged 56, was appointed an Independent Non-Executive Director of our Group on 15 May 2008.

He obtained his professional qualifications in accountancy from the Association of Chartered Certified Accountants, UK, and Chartered Secretary from the Institute of Chartered Secretaries and Administrators, UK, in 1979. He began his career in auditing in 1975, with Lim Ali & Co., a local accounting firm. In 1981, he started his own practice as a Public Accountant, Chartered Secretary, and Corporate, Financial and Business Adviser, extending to offer financial planning and wealth management advisory services to business-owners and selected clients.

A Chartered Accountant, Certified Financial Planner®, Chartered Financial Consultant (US), a Fellow Member of the Chartered Certified Accountants (UK), Chartered Secretaries (UK) and Malaysian Institute of Taxation, he was the Past President of ACCA Malaysia, Past President of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and a Founding Board Member of FPAM (Financial Planning Association of Malaysia). With over 25 years of professional and business experience in accounting, corporate, financial and business advisory services, he has broad knowledge in assisting clients to manage their corporate and personal financial affairs.

Presently, he is the CEO of S&P NetWorth Advisors Sdn Bhd, an Independent Director of Mycron Steel Berhad, the Secretary General on the Board of Governors of MICG (Malaysian Institute of Corporate Governance), an EXCO Member of FPLC (Federation of Public List Companies), EXCO Member of MIA (Malaysian Institute of Accountants), Secretary of MMAA (Malaysian Mergers and Acquisitions Association) and International Council Member of ICSA (Institute of Chartered Secretaries and Administrators, UK).

(iv) Au Chun Choong

Au Chun Choong, a Malaysian aged 56, was appointed an Independent Non-Executive Director of our Group on 15 May 2008.

He obtained his Diploma in Commerce from Tunku Abdul Rahman College in 1976. He is a Fellow of the Association of Chartered Certified Accountants since 1985, an Associate Member of the Institute of Chartered Secretaries and Administrators, London, UK since 1979, and a member of the Malaysian Institute of Accountants since 1980.

He has vast experience in tax and finance in public accounting firms. He was attached to the Inland Revenue Department in Perak for several years. He left public service in 1980 and joined several public accounting firms as tax manager and financial consultant.

He is an Independent Non-Executive Director of PJ Development Holdings Berhad, a company principally involved in property investment and development, construction, manufacturing and trading, and hotels and leisure operations.

5.3.3 Directorships and Substantial Shareholdings in All Other Public Corporations for the Past Two (2) Years

Save as disclosed below, as at 31 March 2008, none of our Directors have any directorships or substantial shareholdings in other public corporations for the past two (2) years.

Name	Principal activity	Designation	No. of ordinary shares held			
			Direct	%	Indirect	%
Dato' Haji Mokhtar Bin Haji Samad						
Kossan Rubber Industries Berhad	Manufactures & sells rubber products	Non-Executive Chairman	-	-	-	-
Chan Wan Siew						
Mycron Steel Bhd	Cold rolled coil steel manufacturer	Independent Non-Executive Director	-	-	-	-
Au Chun Choong						
PJ Development Holdings Bhd	Property investment and development, construction, manufacturing and trading, and hotels and leisure operations	Independent Non-Executive Director	-	-	-	-

5.3.4 Directors' Remuneration and Benefits

The aggregate remuneration and material benefits in-kind paid or payable to our Directors on an individual basis for services rendered in all capacities to our Group for FYE 31 December 2007 and proposed for the current FYE 31 December 2008 are as follows: -

Name	FYE 31 December 2007	Proposed for FYE 31 December 2008
	Remuneration Band	
	RM'000	RM'000
Tang Ying See	850 – 900	850 – 900
Chin Song Mooi	350 – 400	350 – 400
Chen Moi Kew	250 – 300	300 – 350
Dato' Haji Mokhtar Bin Haji Samad	-	0 – 50
Chan Wan Siew	-	0 – 50
Au Chun Choong	-	0 – 50

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5.4 CORPORATE GOVERNANCE

5.4.1 Board Practices

Our Memorandum and Articles of Association provide that all of our Directors shall retire from office at the first annual general meeting of our Company, and in the annual general meeting in every subsequent year one-third (1/3) (or the number nearest to one-third (1/3)) of our Directors for the time being shall retire from office provided always that all Directors shall retire from office once at least in every three (3) years.

Our Directors to retire in every year shall be those who have been longest in office since their last election. However, Directors who retire are eligible to stand for re-election at the meeting at which he retires. Additionally, persons appointed as additional Directors in the course of a financial year shall hold office only until the next annual general meeting but shall be eligible for re-election. Such Directors retirement shall not be taken into account in determining the usual one-third (1/3) of Directors who are to retire by rotation at the meeting.

As at the date of this Prospectus, the current term of office for each of our Directors is as follows: -

Name of Director	Length of service in our Group	Length of service as Director of LCB	Date of expiration of current term of office
Tang Ying See	24 years	16 years and 9 months	Shall retire at our 2009 annual general meeting in accordance with Article 77 of our Articles of Association
Chin Song Mooi	20 years	16 years and 9 months	Shall retire at our 2010 annual general meeting in accordance with Article 77 of our Articles of Association
Chen Moi Kew	11 years and 2 months	6 months	Shall retire at our 2010 annual general meeting in accordance with Article 77 of our Articles of Association
Dato' Haji Mokhtar Bin Haji Samad	1 month	1 month	Shall retire at our 2009 annual general meeting in accordance with Article 83 of our Articles of Association
Chan Wan Siew	1 month	1 month	Shall retire at our 2009 annual general meeting in accordance with Article 83 of our Articles of Association
Au Chun Choong	1 month	1 month	Shall retire at our 2009 annual general meeting in accordance with Article 83 of our Articles of Association

Notes: -

The following Articles are applicable to our Directors' term in office provided that there are no changes in our Directors from the date of issue of this Prospectus to our future annual general meetings.

Retirement of Directors

Article 77

At the first annual general meeting of the Company all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. An election of Directors shall take place every year.

Article 78

A retiring Director shall be eligible for re-election.

Determination of Director to retire

Article 79

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between person who become Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Casual vacancy or additional appointment

Article 83

The Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with these Articles. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Office of Directors vacated in certain cases

Article 90

The office of Director shall become vacant if the Director: -

(a) ceases to be a Director by virtue of the Act;

(b) becomes bankrupt or makes any arrangement or composition with its creditors generally during his term of office;

(c) becomes prohibited from being a Director by reason of any order made under the Act;

(d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;

(e) resigns his office by notice in writing to the Company; or

(f) is removed by a resolution of the Company in general meeting of which special notice has been given and in the case of an alternate or substitute Director by a resolution of the Directors.

5.4.2 Audit Committee

The main functions of the Audit Committee of our Company fall within the ambit of the Listing Requirements, which include the review of audit plans and audit reports with our Group's auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of financial statements, nomination of the auditors and review of related party transactions. The Audit Committee comprises of the following individuals: -

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Name	Designation	Directorship
Au Chun Choong	Chairman	Independent Non-Executive Director
Chan Wan Siew	Member	Independent Non-Executive Director
Dato' Haji Mokhtar Bin Haji Samad	Member	Independent Non-Executive Director

5.4.3 Remuneration Committee

The Remuneration Committee of our Company is principally responsible for reviewing and recommending to our Board the remuneration package and the terms of employment of our Executive Directors. The Executive Director does not participate in any way in determining his individual remuneration.

The policy adopted by our Remuneration Committee is to provide the necessary package to attract, retain and motivate the Executive Directors of the quality required to manage our business and to align the interest of our Executive Directors with those of shareholders. The Remuneration Committee comprises the following members: -

Name	Designation	Directorship
Dato' Haji Mokhtar Bin Haji Samad	Chairman	Independent Non-Executive Director
Au Chun Choong	Member	Independent Non-Executive Director
Tang Ying See	Member	Managing Director / Chief Executive Officer

5.4.4 Nomination Committee

The Nomination Committee of our Company is principally responsible for recommending to our Board, the appointment of new Directors and committee members, with regard to the Director's contribution and performance, as well as reviewing on an annual basis the appropriate balance and size of non-executive participation.

This requires a review of the mix of skills and experience, including core competencies and qualities that Non-Executive Directors should bring to our Board in order for our Board to function effectively. Our Board as a whole makes all decisions on appointments after considering the recommendations of the Nomination Committee. The Nomination Committee comprises the following members: -

Name	Designation	Directorship
Chan Wan Siew	Chairman	Independent Non-Executive Director
Au Chun Choong	Member	Independent Non-Executive Director
Dato' Haji Mokhtar Bin Haji Samad	Member	Independent Non-Executive Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

5.5 KEY MANAGEMENT

5.5.1 Particulars and Shareholdings

The details of our key management personnel and their shareholdings in our Company before and after the IPO are as follows: -

Name	Designation	No. of LCB Shares held before the IPO				No. of LCB Shares held after the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Teoh Kar Wai	Senior Manager, Area Sales and PVC Division	-	-	-	-	200,000 [(1)]	0.15	-	-
Chung Yin Main	Senior Manager of Rubber Division	-	-	-	-	200,000 [(1)]	0.15	-	-
Pang Tee King	Division Manager of FRP Division	-	-	-	-	100,000 [(1)]	0.08	-	-
Ng Chai Teik	Division Manager of Latex Division	-	-	-	-	100,000 [(1)]	0.08	-	-
Fan Kock Keong	Plant Manager	-	-	-	-	100,000 [(1)]	0.08	-	-
Lau Sok Ching	Technical Manager and Chemist	-	-	-	-	50,000 [(1)]	0.04	-	-

<u>*Note: -*</u>

(1) Assuming full subscription of their respective entitlements for the pink form Share allocation pursuant to the IPO.

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5.5.2 Profiles of Key Management Personnel

(i) Teoh Kar Wai

Teoh Kar Wai, a Malaysian aged 47, is the Senior Manager of Area Sales and the PVC Division of LT. He began his career in 1981 as a Technician with a property valuation firm. He left as a Senior Valuation Assistant from the property valuation business in 1986 to join a financial institution as a Marketing Officer, responsible for the marketing of housing, mortgage and hire purchase loans. He joined our Group in 1991 as a Sales Executive and has since been promoted to Assistant Sales Manager in 1993, Branch Manager in 1994, Regional Manager – Northern Region in 1995 and his current position in 1999, as Senior Manager of Area Sales and the PVC Division of LT. He is currently responsible for the operations of the Ipoh and Penang branches of LT. He is also the Head of the PVC division for our Group and is responsible for the overall nationwide sales and marketing for the division.

(ii) Chung Yin Main

Chung Yin Main, a Malaysian aged 38, is the Senior Manager of the Rubber Division of LT. She obtained a Bachelor of Science Degree in Applied Science from Campbell University, US in 1994. She started her career upon her graduation in 1994 as a Sales Executive at LT. She was then promoted to Senior Sales Executive and subsequently Assistant Sales Manager at the company in 1997. In 1999, she was promoted to Product Manager and was responsible for sales and marketing. She was promoted to Division Manager in 2001 and Senior Manager in 2008. Since 2001, she is responsible for the overall nationwide sales and marketing of the rubber division of our Group.

(iii) Pang Tee King

Pang Tee King, a Malaysian aged 42, is the Division Manager of the FRP Division of LT. He graduated in 1989 with a Bachelor of Business Administration Degree from Eastern Michigan University, US, and later in 1992, obtained a Master of Arts Degree from the same University. Upon his return to Malaysia in 1992, he joined Southern Products Marketing Sdn Bhd, a fast moving consumer goods company, as a Marketing Executive and was mainly responsible for sales and marketing of products. He was later promoted to Marketing Manager in 1994. In 1996, he left to Equal Definite Sdn Bhd, another fast moving consumer goods company, as Business Development Manager. In 1999, he was appointed Managing Director of Jed Timur Import Export Sdn Bhd, a company in the business of importing commodities. He left and joined our Group in 2001 as Business Development Manager and has since been overseeing the sales and marketing division and overall planning of the FRP division of our Group. In 2003, he was promoted to Manager of the FRP division and was appointed to his current position as Division Manager of our Group in 2005.

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(iv) **Ng Chai Teik**

Ng Chai Teik, a Malaysian aged 36, is the Division Manager of the Latex Division of LT. He graduated in 1997 with a Bachelor of Science Degree with First-Class Honours, majoring in Polymer Technology, from University Sains Malaysia in Penang. In 2004, he obtained a Master of Business Administration Degree from University Utara Malaysia in Kedah. He began his career upon his graduation in 1997 when he joined Asia Pacific Latex Sdn Bhd in Perak, a medical glove dipping company, as Production Executive responsible for glove production and operations. In 1999, he left and joined Allegiance Healthcare Sdn Bhd in Penang and was responsible for process improvement and technical support. In 2002, he joined our Group as Technical Service Manager and was mainly responsible for sales, marketing and technical support. He was later promoted to Technical Sales Manager in 2006. As Division Manager of the Latex Division, he is mainly responsible for overseeing the sales and marketing of our Group's Latex Division.

(v) **Fan Kock Keong**

Fan Kock Keong, a Malaysian aged 41, is the Plant Manager of LPOLY. In 1991, he graduated from the University of Malaya, Kuala Lumpur, with a Bachelor of Engineering Honours Degree, majoring in Chemical Engineering. He became a Graduate Member of the Board of Engineers, Malaysia in 1994 and has been a Member of the Institution of Engineers, Malaysia, since 2001. His career started when he joined Toray Plastic (M) Sdn Bhd in 1991 as a Chemical Engineer and is mainly responsible for daily production activities of acrylonitrile butadiene styrene ("**ABS**") resins in the second production department. He was promoted to Senior Chemical Engineer in 1993 and was mainly responsible for coordinating plant expansion projects on piping, equipment and instrumentation, installation and commissioning. In 1996, he left and joined Hypak Sdn Bhd as Assistant Production Manager and was mainly responsible for daily production activities including production planning, quality, delivery and maintenance. He later joined Olympic Cable Co. Sdn Bhd, a power cable manufacturer in 1997 as Production Manager. He left to join LPOLY in 2001 as Plant Manager and has since been responsible for the overall operations, quality, safety and productivity of our UPR manufacturing plant. In addition, he has been developing and implementing programs to improve cost effectiveness and plant efficiency of the manufacturing operations of our Group.

(vi) **Lau Sok Ching**

Lau Sok Ching, a Malaysian aged 40, is the Technical Manager and Chemist of LPOLY. She obtained a Bachelor of Science Honours Degree from the University of Malaya, Kuala Lumpur in 1994. Her career began upon her graduation when she joined Cosmo Polyurethane (M) Sdn Bhd, a manufacturer of PU chemicals, in 1994 as a Quality Control / R&D Executive. She left in 1997 and joined Central Cables Berhad, a manufacturer of cables and conductors, as Production Planner and ISO Coordinator, mainly responsible for production planning. In 2000, she joined LPOLY in her current tenure as Technical Manager and Chemist, and has since been responsible for product development and heading the R&D section of our Group.

5.6 INVOLVEMENT OF EXECUTIVE DIRECTORS / KEY MANAGEMENT IN OTHER BUSINESSES / CORPORATIONS

As at 31 March 2008, save as disclosed below, none of our Executive Directors and / or key management personnel are involved in other businesses or corporations: -

Name of company	Principal activity
<u>Tang Ying See & Chin Song Mooi</u>	
CRSB	Investment holding company
SNKO Ceramics (M) Sdn Bhd	Manufacturing and trading in ceramic glove formers

Tang Ying See's and Chin Song Mooi's involvements in the above businesses do not require their involvement in the day-to-day activities and operations of these companies, as CRSB is an investment holding company while SNKO Ceramics (M) Sdn Bhd is managed by well-qualified and experienced managers. As such, their involvement in such other businesses and corporations neither affect their contribution to our Group nor negatively impact their ability to act as our Executive Directors.

5.7 DECLARATION BY PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at 31 March 2008, none of our Promoters, Directors, key management personnel or person nominated to become a Director or key management is or has been involved in any of the following events: -

(i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) charged and / or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) was the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

5.8 FAMILY RELATIONSHIPS

Save for Tang Ying See and Chin Song Mooi, who are both our Promoters, substantial shareholders and Directors, are husband and wife, there is no other family relationship (as defined in Section 122A of the Act) or association between our Promoters, substantial shareholders, Directors and key management personnel.

5.9 SERVICE AGREEMENTS

As at LPD, there are no existing or proposed service agreements between us and our Directors, or key management personnel.

5.10 EMPLOYEES

As at 31 March 2008, our total number of employees is as illustrated below: -

Category	No. of employees	Average years in service
Directors, management and professionals	6	11.6
Sales and marketing	20	8.6
Technical	6	3.7
Clerical and administrative	51	6.2
Skilled and semi-skilled workers	20	4.9
Total	**103**	**6.6**

Our management views human resource as one of the critical success factors and that a dedicated, well-trained and efficient workforce is essential for success. Our management enjoys good working relationships with our employees and none of our employees belong to any union. As of LPD, we have not been involved with any material industrial disputes with any of our employees.

Training and Development

We believe that employees are key assets that play a pivotal role in our continuous growth and recognise the importance of retaining quality employees. It is our policy to encourage the development and training of employees for the improvement of overall skill sets and professionalism for the enhancement of productivity. We emphasise on training and development as an essential continuing process and encourage our employees to increase their skills and knowledge through hands-on training.

Towards this respect, we have been consistently sending our personnel to various courses, both in-house and externally conducted, such as computer skills and trade finance courses, in tandem with their respective job functions and training needs, to equip them with the necessary skills and further develop their capabilities. We believe in motivating our employees by providing opportunities for progressive career growth, and as such, provide these training opportunities for employees to enhance their work performance in order to assume wider job responsibilities.

As part of our internal safety-training programme, all our relevant personnel are also trained in safety and emergency procedures, especially at our manufacturing plant. Some of the previously undertaken, on-going and proposed courses and programmes include fire fighting and safety training, forklift operator and safety training and product training.

We continuously strive to promote camaraderie, and a healthy and comfortable working environment among employees by organising recreational events such as annual dinners and company trips.

Management Succession Plan

We place high priority on ensuring that there is continuity in our management team so as to ensure continuity and to maintain our level of competitiveness in the industry. To achieve this, it is our policy to groom the lower and middle management staff to gradually assume the responsibilities of the senior management. Our top management drives the strategy for management continuity. Our Managing Director / Chief Executive Officer, together with the Executive Directors are involved in the process of identifying key competencies and requirements for managerial and more senior positions. Job and candidate profiles are developed for management positions in line with our business goals, strategies and culture.

6. APPROVALS AND CONDITIONS

6.1 APPROVALS AND CONDITIONS

The MITI had approved our Listing Scheme vide its letter dated 28 November 2007. The conditions imposed by the MITI and the status of compliance are as follows: -

Conditions imposed by MITI	Status of compliance
(i) To obtain the SC's approval and compliance with the Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests; and	Complied. The SC had approved the Listing Scheme vide SC's letter dated 12 December 2007 subject to certain conditions. Please refer to below for the conditions imposed by the SC.
(ii) Our Company to inform MITI on the equity holding structure of our Company six (6) months after our Listing.	Will be complied. We will inform MITI on our equity holding structure six (6) months after the completion of our Listing.

The SC had approved our Listing Scheme, under Section 212(5) of the CMSA and the Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests, vide its letter dated 12 December 2007. Subsequently, the SC had approved an extension of time of an additional six (6) months up to 11 December 2008 for the completion of our Listing Scheme, vide its letter dated 5 May 2008. The conditions imposed by the SC and the status of compliance are as follows: -

Conditions imposed by SC	Status of compliance
(i) Our Company should comply with the National Development Policy (**"NDP"**) requirement, whereby at least 30% of our enlarged issued and paid-up share capital should be allocated to Bumiputera investors to be approved by MITI;	To be complied. The MITI had vide its letter dated 18 April 2008 approved the allocation of 39,000,000 IPO Shares to identified Bumiputera investors. This condition will be met upon subscription by the Bumiputera investors for the said Shares.
(ii) AmInvestment Bank / our Company should provide the SC with our status of compliance with the NDP requirement upon completion of our Listing Scheme;	Will be complied. AmInvestment Bank / we will inform the SC on our status of compliance with the NDP requirement upon completion of our Listing.
(iii) Our Company should make full provision for all trade receivables that are in dispute, under legal action or exceeding 6 months in our accounts. Our Directors should confirm to the SC that this condition has been met prior to the issuance of this Prospectus;	Complied. We had confirmed to the SC vide our letter dated 14 April 2008 that full provision has been made for all trade receivables that are in dispute, under legal action or exceeding 6 months in our accounts.
(iv) Our Company should fully disclose our trade receivables position and ageing analysis as well as comments by our Directors on the recoverability of our trade receivables that have exceeded its credit period in this Prospectus;	Complied. Disclosed in Section 9.4.10 of this Prospectus.
(v) Our Directors should confirm to the SC that our Company's trade receivables, which have exceeded its credit period (other than those where full provision have been made in our accounts), are recoverable, otherwise full provision should be made in our accounts prior to the issuance of this Prospectus;	Complied. We had confirmed to the SC vide our letter dated 14 April 2008 that our Company's trade receivables, which have exceeded its credit period (other than those where full provision have been made in our accounts), are recoverable.

Conditions imposed by SC	Status of compliance
(vi) AmInvestment Bank / our Company should fully comply with the relevant requirements pertaining to the implementation of our Listing Scheme under the SC Guidelines; and	Will be complied, where applicable.
(vii) AmInvestment Bank / our Company should inform the SC upon completion of our Listing Scheme.	Will be complied.

The SC noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the implementation of our Listing Scheme, as follows: -

	Before implementation of Listing Scheme * %	After completion of Listing Scheme %
Bumiputera	-	^30.00
Non-Bumiputera	100.00	70.00
Foreigners	-	-
Total	100.00	100.00

Notes: -

* *As at incorporation.*
^ *Excluding public portion and subject to MITI's approval.*

The SC had approved certain exemptions from compliance with the SC's Prospectus Guidelines, vide its letter dated 2 May 2008. The details of the exemptions, approval and condition imposed by the SC and the status of compliance are as follows: -

Details of exemptions from the SC's Prospectus Guidelines	Details of approval and condition imposed by SC	Status of compliance
Paragraphs 8.09(m) and 20.01(c) of the Prospectus Guidelines – waiver from disclosure of certain sensitive and confidential information of the technical assistance agreement as set out in Section 4.3.11 of this Prospectus, and waiver from making available for public inspection the sensitive and confidential information contained in the said agreement.	Approved, subject to LCB submitting to the SC two (2) certified true copies of the said agreement, one (1) of which in its original form, and one (1) of which with the relevant terms blackened out.	Complied.

The SC had approved the payment of a special dividend of RM15.1 million to the shareholders of LT before the Acquisition of LT, vide its letter dated 5 May 2008. The condition imposed by the SC and the status of compliance are as follows: -

Conditions imposed by SC	Status of compliance
(i) AmInvestment Bank / our Company should fully disclose in this Prospectus, detailed information on the payment of the special dividend and its effects on the working capital position and cash flow requirements of our Group.	Complied. Disclosed in this section, Section 9.2, Section 9.4.1, Section 9.4.2, Section 9.7 and Section 10 of this Prospectus.

6. APPROVALS AND CONDITIONS *(Cont'd)*

Bursa Securities had approved-in-principle our Listing vide its letter dated 21 February 2008. The conditions imposed by Bursa Securities and the status of compliance are as follows: -

Conditions imposed by Bursa Securities	Status of compliance
(i) Listing and quotation of our enlarged issued and paid-up share capital of 130,000,000 Shares will commence immediately two (2) clear market days after receipt of the following: - (a) confirmation from the Adviser that the public share spread based on the entire enlarged issued and paid-up share capital of 130,000,000 Shares complies with Paragraph 3.05 of the Listing Requirements and a statement on the percentage of the total number of Shares for which listing is sought which are held by the public, the number of public shareholders and a certificate of distribution of the Shares in the format contained in Paragraph (c), Part C, Appendix 3A of the Listing Requirements; (b) a copy of the latest Return of Allotment duly filed with the Companies Commission of Malaysia; (c) an undertaking that all notices of allotment will be issued and despatched to all successful applicants prior to the date of listing and quotation of the Shares; (d) confirmation from Bursa Depository of the receipt of allotment information for the crediting of the Shares; (e) confirmation from the Adviser that all conditions, including conditions imposed by the relevant authorities, which are required to be met prior to the listing and quotation of the Shares have been met; (f) confirmation from the Adviser that there are no circumstances or facts which have the effect of preventing or prohibiting the issuance, listing and / or quotation of the Shares including any order, injunction or any other directive issued by any court of law; (g) confirmation from the Adviser that the Shares rank pari passu in all respects with each other; (h) the following information in respect of the moratorium on the sale of Shares as imposed by the SC: - (i) names of shareholders; (iii) number of Shares; and (iii) date of expiry of the moratorium for each block of Shares; (i) confirmation that the information in (h) above has been submitted to Bursa Depository; (j) a cheque drawn to the order of Bursa Securities for the initial and annual listing fee together with a copy of the details of the computation of the amount of initial and annual listing fees payable; (k) a letter in the form of Appendix 3C of the Listing Requirements duly executed by each of our Directors; (l) a letter in the form of Appendix 3D of the Listing Requirements duly executed by each of our Independent Directors; (m) one specimen copy (not a photocopy) of each denomination of certificates of the class to be listed; and (n) a letter of compliance (which shall be written by a person with legal qualifications) which confirms that the provisions of the Articles of Association of our Company comply with the Listing Requirements and the Rules.	Will be complied in due course. The application for the listing and quotation of our enlarged issued and paid-up share capital will be made two (2) clear market days before our Listing date.

6. APPROVALS AND CONDITIONS *(Cont'd)*

Conditions imposed by Bursa Securities	Status of compliance
(ii) Our Company is required to announce our latest quarterly results (if applicable) at least two (2) Market Days prior to our Listing date.	Will be complied in due course if applicable.

6.2 MORATORIUM ON OUR SHARES

In accordance with the SC Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in our Company for six (6) months from the date of Admission.

Upon Admission, our Promoters' shareholdings, which will be subjected to the moratorium, are as set out below: -

Name	No. of LCB Shares held upon Admission			
	Direct	% *	Indirect	% *
CRSB	58,970,000	45.36	-	-
Tang Ying See	300,000 (1)	0.23	59,270,000 (2)	45.59
Chin Song Mooi	300,000 (1)	0.23	59,270,000 (2)	45.59

Notes: -

* *Based on our enlarged issued and paid-up share capital of 130,000,000 Shares.*

(1) *Assuming full subscription of their respective entitlements for the pink form Share allocation pursuant to the IPO.*

(2) *Deemed interest by virtue of their substantial shareholdings in CRSB and the Shares held by their respective spouses (Tang Ying See or Chin Song Mooi, where applicable), pursuant to Section 6A of the Act, and assuming full subscription of their respective entitlements for the pink form Share allocation pursuant to the IPO.*

CRSB, Tang Ying See and Chin Song Mooi have provided undertaking letters to the SC that they will not sell, transfer or assign their respective shareholdings under moratorium for the moratorium period as stipulated above, including all Shares, if any, issued to our Promoters during the moratorium period, in accordance with the SC Guidelines. The shareholders of CRSB, namely Tang Ying See and Chin Song Mooi have also provided undertaking letters to the SC that they will not sell, transfer or assign their respective shareholdings in CRSB during the moratorium period.

The moratorium is specifically endorsed on the Share certificates representing the shareholdings of our Promoters to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our registrars' instructions in the prescribed forms, ensure that trading of these shares are not permitted in the moratorium period.

The endorsement affixed on the Share certificates is as follows: -

*"The Shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the SC (**"moratorium period"**). The Shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the moratorium period. No share certificates will be issued to replace this certificate during the moratorium period unless the same shall be endorsed with this restriction".*

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

7.1 EXISTING AND PROPOSED RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Save as disclosed below, for the past three (3) FYE up to 31 December 2007 and the subsequent financial period up to 31 March 2008, our Group does not have any other existing and / or proposed related-party transactions or other subsisting contracts of arrangement entered into by our Group that involved the interest, direct or indirect, of our Directors, substantial shareholders and / or key management and / or persons connected to them as defined under Section 122A of the Act.

7.1.1 Recurrent Related-Party Transactions

Save as disclosed below, for the past three (3) FYE up to 31 December 2007 and the subsequent financial period up to 31 March 2008, our Group does not have any other existing and / or proposed recurrent related-party transactions entered into by our Group that involved the interest, direct or indirect, of our Directors, substantial shareholders and / or key management and / or persons connected to them as defined under Section 122A of the Act: -

Transacting Parties	Potential / Actual Areas of Conflict of Interest and / or Related-Party Transaction	Nature of Transaction	Transaction value for			
			FYE 31 December			3-month period up to 31 March
			2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Our Group and Kossan Holdings (M) Sdn Bhd (**"KHMSB"**), its subsidiaries and associated company	Chow Cheng Moey, our substantial shareholder, is the spouse of Lim Kuang Sia, a Director and substantial shareholder of KHMSB	Sale of industrial chemicals and UPRs by our Group	5,135	9,777	12,883	2,631
		Purchase of industrial chemicals by our Group	266	35	34	-
		Total	**5,401**	**9,812**	**12,917**	**2,631**

The recurrent related-party transactions as above are in relation to the sales and purchases of industrial chemicals and UPRs by our Group to / from KHMSB's subsidiaries (namely Kossan Rubber Industries Bhd, Doshin Rubber Products (M) Sdn Bhd, Hibon Corporation Sdn Bhd, KJR Hi-Tech Sdn Bhd, Kossan Japan Rollers Sdn Bhd, Kossan Latex Industries (M) Sdn Bhd, Kossan Paint (M) Sdn Bhd, Perusahaan Getah Asas Sdn Bhd, Pleasure Latex Products Sdn Bhd and Wear Safe Malaysia Sdn Bhd) (**"KHMSB Group"**), KHMSB's associated company (namely Swan Coatings (M) Sdn Bhd), and its related party (namely Kossan FRP Industries (M) Sdn Bhd).

All transactions between our Group and KHMSB Group, its associated company and related party were based on commercial terms not more favourable to the related party than those generally available to our other customers and are entered into at arm's length basis. Moreover, the two groups operate independently from each other with no cross-management participation.

In addition, Chow Cheng Moey is only a shareholder of LCB and has not held any executive position within our Group and hence she was not / will not be involved in our operations and decision-making process.

Please refer to Section 7.7 of this Prospectus for further details.

7.1.2 Non-Recurrent Related-Party Transactions

Save for the Acquisitions and as disclosed below, for the past three (3) FYE up to 31 December 2007 and the subsequent financial period up to 31 March 2008, our Group does not have any other existing and / or proposed non-recurrent related-party transactions entered into by our Group that involved the interest, direct or indirect, of our Directors, substantial shareholders and / or key management and / or persons connected to them as defined under Section 122A of the Act: -

Transacting Parties	Potential / Actual Areas of Conflict of Interest and / or Related-Party Transaction	Nature of Transaction	Transaction value for			
			FYE 31 December			3-month period up to 31 March 2008 RM'000
			2005 RM'000	2006 RM'000	2007 RM'000	
LT and Chin Song Mooi	Chin Song Mooi is our Promoter, substantial shareholder and Director	Disposal of a 10-year old vehicle by LT	-	30	-	-

The non-recurrent related-party transaction above is in relation to the disposal of a 10-year old vehicle by LT to Chin Song Mooi, our Promoter, substantial shareholder and Director. This transaction was based on the then prevailing estimated market value of the said vehicle, and was entered into on an arm's length basis.

7.1.3 Shareholders' Advances

There have been no shareholders' advances by the shareholders of our Group to the companies within our Group.

Our Directors are of the opinion that all business transactions between our Group and our Directors and substantial shareholders and / or key management and / or persons connected to them as defined under Section 122A of the Act are on arm's length basis and on terms not more favourable to the related parties than those generally available to the public. The Audit Committee will supervise the terms of related-party transactions, and our Directors will report related-party transactions, if any, annually in our Company's annual report.

7.2 TRANSACTIONS OF UNUSUAL NATURE OR CONDITIONS

Our Directors have confirmed that to the best of their knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries was a party in respect of the past three (3) FYE 31 December 2005, 2006 and 2007 and the subsequent financial period up to LPD.

7.3 OUTSTANDING LOANS MADE TO / FOR THE BENEFIT OF RELATED PARTIES

Our Directors have confirmed that to the best of their knowledge and belief, there are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of our related parties in respect of the past three (3) FYE 31 December 2005, 2006 and 2007 and the subsequent financial period up to 31 March 2008.

7.4 INTERESTS IN SIMILAR BUSINESSES

As at LPD, to the best of knowledge and belief of our Directors, none of our Directors and / or substantial shareholders are interested, directly or indirectly in any other business and / or corporations carrying on a similar trade as our Group.

7.5 PROMOTIONS OF ANY MATERIAL ASSETS ACQUIRED / TO BE ACQUIRED WITHIN THREE (3) YEARS PRECEDING THE DATE OF THIS PROSPECTUS

Save for the Acquisitions and as set out in Section 7.1 of this Prospectus, none of our Directors and / or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to us or any of our subsidiaries within the past three (3) FYE 31 December 2005, 2006 and 2007 and the subsequent financial period up to LPD.

7.6 CONTRACTS OR ARRANGEMENTS IN WHICH OUR DIRECTORS OR SUBSTANTIAL SHAREHOLDERS ARE INTERESTED AND SIGNIFICANT IN RELATION TO OUR BUSINESS

As at LPD, none of our Directors and / or substantial shareholders has interest in any contracts or arrangements, which is significant in relation to the business of our Group.

7.7 RECURRENT RELATED-PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature, which are necessary for its day-to-day operations such as supplies of materials, subject to, inter-alia, the following: -

(a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

(b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under paragraph 2.1 of Practice Note No. 12/2001 of the Listing Requirements; and

(c) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Our Group would in the ordinary course of our business enter into transactions, including but not limited to the transactions described in related party transactions set out in Section 7.1 of this Prospectus, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to the time-sensitive nature of commercial transactions, the shareholders' mandate will enable us, in our normal course of business, to enter into the categories of related party transactions, provided such interested person transactions are made at arm's length and on normal commercial terms.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

Bursa Securities has approved an extension of time up to our next annual general meeting or extraordinary general meeting, whichever is held earlier, to obtain shareholders' ratification and mandate for recurrent related-party transactions. The said transactions shall be of a revenue or trading nature to be entered between us or any of our subsidiaries and our Directors or substantial shareholders or persons connected with such Directors or substantial shareholders, commencing from our Listing date up to the annual general meeting or extraordinary general meeting.

7.8 DECLARATION BY THE ADVISERS, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT

AmInvestment Bank hereby confirms that, as at the date of the Prospectus, there is no conflict of interest with respect to its capacity as Adviser to our Group for the IPO.

AmInvestment Bank is the Sole Underwriter and Sole Placement Agent for the IPO Shares. AmInvestment Bank hereby confirms that, as at the date of this Prospectus, there is no conflict of interest with respect to its capacity as the Sole Underwriter and Sole Placement Agent for the IPO Shares. The Underwriting Agreement, which certain details are as set out in Section 2.8, was entered into an arms-length basis and on market terms.

Messrs. Shook Lin & Bok hereby confirm that there is no conflict of interest in its capacity as Solicitors to our Group for the IPO.

Shook Lin & Bok LLP hereby confirm that there is no conflict of interest in its capacity as the due diligence Solicitors in relation to LTSG.

Messrs. Folks DFK & Co. hereby confirm that there is no conflict of interest in its capacity as Auditors and Reporting Accountants to our Group for the IPO.

Vital Factor Consulting Sdn Bhd has given its confirmation that there is no conflict of interest in its capacity as Independent Market Research Consultants for the IPO.

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8. OTHER INFORMATION CONCERNING OUR GROUP

8.1 INFORMATION ON LAND AND BUILDINGS

A summary of the land and buildings owned and leased by our Group is as follows: -

No.	Registered owner / lessor	Postal address / title identification	Approximate age of building / tenure / date of expiry of lease	Description and existing use	Land area / built up area (sq ft)	Restriction in interest / major encumbrances	Cost of investment / date of transaction	Audited net book value @ 31 December 2007
1.	LT	No. 6, Jalan SS21/58 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan / H.S. (D) 170789 No. P.T. 6012, Bandar Petaling Jaya, Petaling Jaya, Selangor	31 years / freehold	Shoplot (4 storey mid terraced shop-office) / office	1,650 / 5,446	Nil. / Nil.	RM611,865 / 8 April 1991	RM500,690
2.	LT	Lot 3385, Jalan Banting Pandamaran 42000 Port Klang Selangor Darul Ehsan / No. G.M 1708, Lot 3385 Mukim Klang, Klang, Selangor	13 years / freehold	Warehouse	80,150 / 32,400	Nil. / Nil.	RM2,976,359 / 30 August 1991	RM2,513,329
3.	LT	No. 54, Persiaran Rishah 9 Kawasan Perindustrian Miel Silibin 30100 Ipoh Perak Darul Ridzuan / PN 37744, Lot 128185 Mukim of Hulu Kinta, Kinta, Perak	23 years / leasehold / 22 March 2045	Office / store	10,000 / 6,500	This land cannot be transferred, sub-leased or charged without the consent from the Menteri Besar of Perak. This restriction is waived as long as this land is owned by the Perak State Development Corporation. / Nil.	RM519,816 / 6 February 1992	RM383,311

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8. OTHER INFORMATION CONCERNING OUR GROUP *(Cont'd)*

No.	Registered owner / lessor	Postal address / title identification	Approximate age of building / tenure / date of expiry of lease	Description and existing use	Land area / built up area (sq ft)	Restriction in interest / major encumbrances	Cost of investment / date of transaction	Audited net book value @ 31 December 2007
4.	LPOLY	No. 3, Jalan TTC 30 Taman Teknologi Cheng 75250 Fasa 4A Melaka / PN 20123, Lot 4819 Mukim Cheng, District of Melaka Tengah, Melaka	10 years / leasehold / 14 August 2096	Industrial land / factory / warehouse	190,112 / 86,595	This land cannot be transferred or leased unless with the consent from the State Authority. This restriction in interest does not apply to the first Purchaser. / Charged to Malayan Banking Berhad.	RM7,577,597 / 4 February 1997	RM6,647,204
5.	LT	Plot 129a, Bukit Minyak Industrial Park 14100 Seberang Perai Pulau Pinang / H.S. (D) 42609, P.T. 317, Mukim 13, Seberang Perai Tengah, Pulau Pinang	- / leasehold / 3 November 2058	Industrial land / vacant land	87,120 / -	i. This alienated land shall not be transferred, charged, leased or sub-leased, rented or any deals without prior written approval from the State Authority; ii. this alienated land shall not be sub-bordered or sub-divided; and iii. this alienated land and any building erected thereof shall not be used for any other purposes other than what has been approved by the Penang Development Authority and State Authority. / Nil.	RM1,062,870 / 28 March 1997	RM877,221

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8. OTHER INFORMATION CONCERNING OUR GROUP *(Cont'd)*

No.	Registered owner / lessor	Postal address / title identification	Approximate age of building / tenure / date of expiry of lease	Description and existing use	Land area / built up area (sq ft)	Restriction in interest / major encumbrances	Cost of investment / date of transaction	Audited net book value @ 31 December 2007
6.	LT	No. 4, Jalan Bistari 4 Taman Industri Jaya 81300 Skudai Johor Darul Takzim / PN 13419, Lot 56749, Mukim of Pulai, Johor Bahru, Johor	10 years / leasehold / 3 September 2911	1 ½ storey semi-detached factory	21,780 / 7,210	The land in this title in any way whatsoever is not allowed to be transferred unless a factory building set out in the salient conditions has been erected according to the plan approved by the said Local Authority. / Charged to CIMB Bank Berhad.	RM1,110,000 / 28 March 2005	RM1,081,725
7.	LT	No. 4, Jalan SS21/58 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan / H.S. (D) 170791, PT 6013, Bandar Petaling Jaya, Petaling Jaya, Selangor	30 years / freehold	Shoplot (4 storey mid terraced shop-office) / office	1,650 / 5,446	Nil. / Charged to CIMB Bank Berhad.	RM1,800,000 / 22 June 2005	RM1,781,333
8.	LT	2A-15-7 BBK Condo Bandar Baru Klang 41150 Klang Selangor Darul Ehsan	6 years / leasehold / 9 May 2093	Condominium unit / investment property	1,745 / 1,026	Nil. / Nil.	RM206,888 / 6 July 2001	RM206,543 (1)
9.	LT	No. 33, Jalan Rimba Riang 9/15 Seksyen 9 PJU 5 Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan / H.S. (D) 199896, PT 8586, Mukim Pekan Baru Sungai Buloh, Petaling Jaya, Selangor	1 year / leasehold / 27 April 2103	Semi-detached bungalow / Investment property	4,026 / 4,312	This alienated land shall not be transferred, leased or charged unless with the consent of the State Authority / Charged to Hong Leong Bank Berhad.	RM1,007,880 / 1 December 2004	RM1,007,880 (1)

Note: -

(1) Fair value, as these properties are investment properties.

In respect to our land and buildings as set out above, our Directors wish to confirm that, save as disclosed above, to the best of their knowledge and belief: -

(i) the above buildings have been issued with a Certificate of Fitness for Occupation;

(ii) there are no other restrictions in interest or major encumbrances;

(iii) there has not been any breach of land-use conditions / permissible land use; and

(iv) there has not been any material non-compliance with current statutory requirements, land rules or building regulations.

8.2 ACQUISITIONS OF PROPERTIES

No properties were acquired by our Group during the last two (2) years preceding the date of this Prospectus.

8.3 MATERIAL PLANT AND EQUIPMENT

Listed below is the detailed information on material plant and equipment utilised by us at our manufacturing plant in Malacca: -

	Description	**Net book value @ 31 December 2007 RM'000**
i.	Complete set of UPR manufacturing equipment	1,086
ii.	Complete set of gel coat manufacturing equipment	27
iii.	Utilities supply facilities	3
iv.	Environmental protection facilities	67
v.	Storage facilities	66
vi.	Other factory equipment	88
vii.	Lab equipment	56
	Total	1,393

The manufacturing capacity of our plant and equipment is as set out in Section 4.3.7 of this Prospectus.

Save for the above, all the other plant and equipment of our Group are individually immaterial to disclose separately.

Our Board is of the opinion that our Group has sufficient capacity to carry out our current operations and will be acquiring additional equipment for an anticipated increase in our manufacturing operations, details of which are set out in Section 4.6 of this Prospectus.

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9. FINANCIAL INFORMATION

9.1 HISTORICAL FINANCIAL INFORMATION

The following table sets out a summary of the proforma consolidated results of our Group for the past three (3) FYE 31 December 2005 to 31 December 2007. The proforma consolidated results were prepared on the assumption that our Group had been in existence throughout the periods under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 9.7 of this Prospectus.

	Audited FYE 31 December		
	2005 RM'000	**2006 RM'000**	**2007 RM'000**
Revenue	223,772	248,208	299,432
Cost of sales	(199,329)	(218,546)	(268,431)
Gross profit	24,443	29,662	31,001
Other operating income	1,970	1,552	3,885
Selling and distribution costs	(2,306)	(2,463)	(2,927)
Administrative expenses	(6,406)	(7,455)	(9,294)
Other operating expenses	(1,008)	(1,405)	(7)
Operating profits	16,693	19,891	22,658
Finance costs	(1,556)	(2,027)	(2,004)
PBT	15,137	17,864	20,654
Taxation	(3,712)	(4,637)	(5,373)
PAT	11,425	13,227	15,281
Attributable to:			
- Equity holders of LCB	11,425	13,227	15,281
- MI	-	-	-
	11,425	13,227	15,281
Number of Shares in LCB had our Group been in existence [(1)]	110,000	110,000	110,000
EPS (sen)			
- Basic [(2)]	10.39	12.02	13.89
- Diluted [(3)]	10.39	12.02	13.89
EBIDTA	17,753	21,055	23,383
Interest income	332	480	904
Depreciation and amortisation	1,392	1,644	1,629
Gross profit margin	10.92%	11.95%	10.35%
PAT margin	5.11%	5.33%	5.10%
Effective tax rate	24.52%	25.96%	26.02%

<u>Notes: -</u>

(1) Based on the issued and paid-up share capital of 110,000,000 Shares immediately prior to the Public Issue.

(2) Basic EPS calculated based on profit attributable to equity holders of the Company for the respective financial years under review divided by the number of Shares in issue had our Group been in existence.

(3) There were no potential Shares to be issued throughout the financial years under review.

(4) There were no exceptional or extraordinary items in all the financial years under review.

The proforma consolidated results of our Group are based on the audited financial statements of our Group for three (3) FYE 31 December 2005 to 31 December 2007, based on the accounting principles and bases consistent with those adopted by our Group in the preparation of the audited financial statements for the FYE 31 December 2007, which have been prepared in accordance with applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("**MASB**") and, commencing from FYE 31 December 2006, applicable Financial Reporting Standards ("**FRS**") issued by the MASB and after giving effect to the following adjustments and restatements: -

(a) reclassifying the income derived from the sales of packing materials and raw materials from revenue to other operating income to be in line with the presentation of the audited financial statements of our Group for the FYE 31 December 2006; and

(b) reclassifying the interest expense from cost of sales to finance costs to be in line with the presentation of the audited financial statements of our Group for the FYE 31 December 2006.

Further information on the proforma consolidated results is set out in Section 10 of this Prospectus.

9.2 CAPITALISATION AND INDEBTEDNESS

The following table summarises our cash and cash equivalents, capitalisation and indebtedness: -

(i) as at 31 December 2007 based on our audited proforma consolidated financial statements after the Acquisitions and adjusted for the payment of a special dividend of RM15,105,000 to the shareholders of LT before the Acquisition of LT; and

(ii) as adjusted for the net proceeds arising from the issue of the 20,000,000 IPO Shares pursuant to our IPO and the utilisation of proceeds as set out in Section 2.5 of this Prospectus.

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	Proforma audited as at 31 December 2007 after the Acquisitions and the payment of special dividends RM'000	After the IPO and utilisation of proceeds RM'000
Cash and cash equivalents	**17,555**	**23,689**
Indebtedness		
Short-term indebtedness:		
- Term loan and hire purchase (secured and guaranteed)	940	319
- Bankers' acceptance (unsecured and guaranteed)	42,393	37,393
Long-term indebtedness:		
- Term loan and hire purchase (secured and guaranteed)	2,545	1,166
Total indebtedness	**45,878**	**38,878**
Capitalisation		
Total shareholders' equity	55,142	74,642
Total capitalisation	**55,142**	**74,642**
Total capitalisation and indebtedness	**101,020**	**113,520**

The indirect and contingent liabilities of our Group is as set out in Section 9.4.8 of this Prospectus.

9.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of our Group's past financial performances and results of operations should be read in conjunction with the proforma consolidated financial information and the related notes thereon for the past three (3) FYE 31 December 2005, 2006 and 2007 included in Section 9.7 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 3 of this Prospectus.

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9.3.1 Overview of Operations

Revenue

Our Group's revenue in FYE 31 December 2006 increased by RM24.4 million, or 10.9% over FYE 31 December 2005. This was mainly due to an increase of RM33.5 million in revenue from local markets. The increase in demand from the local markets was a result of strong growth in the local manufacturing and user industries, especially small and medium enterprise manufacturers. Revenue sourced from overseas markets in FYE 31 December 2006, however, suffered a decrease of RM9.1 million, as compared to FYE 31 December 2005. The decrease in export sales was mainly attributable to a drop in sales of latex to one (1) of our customers in Indonesia.

In FYE 31 December 2007, our revenue increased by RM51.2 million, or 20.6% over FYE 31 December 2006, due to revenue increases from both the local and export markets. Local sales increased RM22.6 million whilst export sales increased RM28.6 million. The increase in export sales was mainly attributable to increased exports of UPRs to Thailand, United Arab Emirates and Vietnam, as well as increased exports of latex.

Gross Profit

Our gross profit in FYE 31 December 2006 increased by RM5.2 million, or 21.4% over FYE 31 December 2005. This was due in part to the increase in revenue, and also in part to improvements in our gross profit margin, from 10.9% in FYE 31 December 2005 to 12.0% in FYE 31 December 2006. The higher gross profit margin was mainly due to higher margins derived from sales of rubber, latex and PVC products. In FYE 31 December 2006, export sales suffered gross losses mainly due to competitive pricing in the export market.

In FYE 31 December 2007, our gross profit increased by RM1.3 million, or 4.5% over FYE 31 December 2006, despite a lower gross profit margin of 10.4% in FYE 31 December 2007. The drop in gross profit margin was mainly due to decreases in the gross profit margins of rubber, latex and PVC products.

Operating Profits

Our operating profit in FYE 31 December 2006 increased by RM3.2 million, or 19.2% over FYE 31 December 2005. The increase is in line with the increase in revenue during the same period which caused the corresponding increase in gross profit amounting to RM5.2 million.

The reduction of other operating income during the year amounting to RM0.4 million was primarily due to decrease in gain on foreign exchange realised compared to the previous financial year while the increase in other operating expenses of RM0.4 million was due to loss on foreign exchange for the same financial year as well as higher allowance for doubtful debts and property, plant and equipment written off. For information purposes, all gain on foreign exchange realised are classified as other operating income. Likewise, all loss on foreign exchange realised are deemed other operating expenses.

The increase in administrative expenses during the year of RM1.0 million was due to higher directors' and staff remuneration expenses.

In FYE 31 December 2007, our operating profit increased by RM2.8 million, or 13.9% over FYE 31 December 2006. Like the previous financial years, the increase is in line with our increase in revenue during the financial year that caused our gross profit to increase by RM1.3 million.

Our other operating income during the financial year increased by more than two-fold from RM1.6 million in FYE 31 December 2006 to RM3.9 million. This was primarily due to increase in gain on foreign exchange realised amounting to RM1.3 million as well as write back in the allowance for doubtful debts no longer required and higher interest income during the same period. Other operating expenses was reduced to a mere RM7,000 as the total loss on foreign exchange realised was only RM8,600 during FYE 31 December 2007 compared to RM0.3 million in the previous financial year, in addition to a net decrease in allowance for doubtful debts of RM1.0 million during the same period.

The administrative expenses and selling and distribution costs increased by RM1.8 million and RM0.5 million, respectively as a result of higher directors' and staff remuneration in FYE 31 December 2007.

PBT

Our PBT in FYE 31 December 2006 increased by RM2.7 million, or 18.0% over FYE 31 December 2005. There was a 30.3% increase in finance costs related to bankers' acceptances, which amounted to RM0.5 million.

In FYE 31 December 2007, our PBT increased by RM2.8 million, or 15.6% over FYE 31 December 2006. There was a slight decrease of 1.1% in finance costs resulting from reductions in interest payable on term loans.

PAT

Our PAT in FYE 31 December 2006 increased by RM1.8 million, or 15.8% over FYE 31 December 2005. The effective tax rate in FYE 31 December 2006 was slightly higher than FYE 31 December 2005 mainly due to utilisation of reinvestment allowances by LPOLY to set off its profit for the year and adjustments made for overprovision of prior years' taxes in FYE 31 December 2005.

In FYE 31 December 2007, our PAT increased by RM2.1 million, or 15.5% over FYE 31 December 2006. In FYE 31 December 2007, the statutory tax rate was reduced to 27% from 28% in FYE 31 December 2006. The effective tax rate remained lower than the statutory rate mainly due to adjustments made for overprovision of prior years' taxes.

The PAT margins of our Group from FYE 31 December 2005 to FYE 31 December 2007 has been fairly consistent, i.e. within the range of 5.10% to 5.33%, which is well within our expectations.

Factors and Trends Affecting Future Financial Condition and Results

After taking into consideration the risk factors relating to our business and industry, and our ability to mitigate such risk factors as set out in Section 3.1 and Section 3.2 of this Prospectus, we are of the opinion that our future financial condition and results will remain favourable.

This is due to the large market size of the overall chemicals industry including industrial chemicals and the user industries for industrial chemicals, and the sustained growth of the overall chemicals industry including industrial chemicals and the user industries for industrial chemicals, as set out in Section 4.5.4(i) of this Prospectus. Furthermore, the versatility of our UPRs for usage in various user industries provides plenty of prospects for growth in demand of our UPRs and other manufactured products.

Our competitive strengths and advantages as set out in Section 4.3.2 of this Prospectus provide the foundation for the sustainability of our business and financial growth. Our future plans as set out in Section 4.6 of this Prospectus, to increase our range of manufactured products, expand our manufacturing and warehousing capacity, and establish sales offices in Indonesia, Vietnam and China will further contribute to sustainable growth in our financial performance.

Sales to domestic small and medium enterprise manufacturers are the primary source of our revenue. We are of the opinion that the demand for our products will continue to enjoy sustainable growth, due to the healthy growth of small and medium enterprise manufacturers in Malaysia. Although these small and medium enterprise manufacturers are based domestically, a proportion of them are export oriented.

Despite the uncertain outlook for the global economy as set out in Section 4.5.1 of this Prospectus, the outlook for the Malaysian economy in 2008 remains favourable, due to the resilience of the Malaysian economy to weather a slowdown in the global economy, as set out in Section 4.5.2 of this Prospectus. This bodes well for our financial performance, as the domestic market is the primary contributor to our revenue and profits.

Nonetheless, our export sales and the export sales of our domestic customers mitigates the dependence of our future financial condition and results on the state of the Malaysian economy, while allowing us to capitalise on any growth in overseas economies.

Achievement of Forecasted Results for FYE 31 December 2007

We submitted a consolidated profit forecast to the SC for the FYE 31 December 2007 in our application for our Listing. Subsequently, we have met our consolidated profit forecast for the FYE 31 December 2007, based on our audited financial results for the period.

9.3.2 Segmental Analysis

Revenue

The breakdown of our Group's revenue by principal activities is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
<u>Principal Activities</u>						
Marketing and distribution	168,010	75.1%	186,982	75.3%	210,327	70.2%
Manufacturing	55,762	24.9%	61,226	24.7%	89,105	29.8%
Total revenue	**223,772**	**100.0%**	**248,208**	**100.0%**	**299,432**	**100.0%**

The breakdown of our Group's revenue by products is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
<u>Products</u>						
Rubber	38,530	17.2%	48,969	19.7%	52,428	17.5%
Latex	49,752	22.2%	61,044	24.6%	70,720	23.6%
PVC	61,193	27.4%	54,391	21.9%	59,397	19.8%
FRP (including UPR)	62,949	28.1%	70,037	28.2%	99,312	33.2%
Brakes & PU	7,764	3.5%	9,781	4.0%	14,253	4.8%
Paint & coating	3,584	1.6%	3,986	1.6%	3,322	1.1%
Total revenue	**223,772**	**100.0%**	**248,208**	**100.0%**	**299,432**	**100.0%**

The breakdown of our Group's revenue by markets is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Markets						
Local	168,679	75.4%	202,172	81.5%	224,770	75.1%
Overseas	55,093	24.6%	46,036	18.5%	74,662	24.9%
Total revenue	**223,772**	**100.0%**	**248,208**	**100.0%**	**299,432**	**100.0%**

The breakdown of our Group's revenue by subsidiaries is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Subsidiaries						
LT	200,148	77.5%	222,755	78.2%	261,054	73.9%
LPOLY	53,644	20.8%	57,299	20.1%	85,913	24.3%
LTSG	3,107	1.2%	3,768	1.3%	4,359	1.3%
CCIM	1,341	0.5%	1,081	0.4%	1,834	0.5%
	258,240	100.0%	284,903	100.0%	353,160	100.0%
Consolidation adjustments	(34,468)	-	(36,695)	-	(53,728)	-
Total revenue	**223,772**	**-**	**248,208**	**-**	**299,432**	**-**

Marketing and distribution activities are our main source of revenue, contributing between 70.2% and 75.3% to our revenue for the past three (3) financial years up to FYE 31 December 2007. Nonetheless, our manufacturing activities have been contributing to an increasing percentage of our revenue, rising from 24.9% of our revenue in FYE 31 December 2005 to 29.8% of our revenue in FYE 31 December 2007. This is due to continuous improvements in our UPRs, resulting in increasing demand for our UPRs, as well as the successful development of new grades of UPRs to meet our customers' demands.

Our key product categories are rubber, latex, PVC and FRP. Together, they contributed between 94.1% and 94.9% of our revenue for the past three (3) FYE 31 December 2005, 2006 and 2007. The percentage contribution of each of our product categories to our revenue has remained fairly consistent throughout the past three (3) financial years.

The local market is our primary source of revenue, contributing at least 75.1% of our revenue in each of our past three (3) financial years up to FYE 31 December 2007. Sales to domestic small and medium enterprise manufacturers form a significant portion of our domestic sales. Although these small and medium enterprise manufacturers are based domestically, a proportion of them are export oriented.

We have been endeavouring to develop overseas markets to increase our revenue. Nonetheless, there was a decrease in the contribution of overseas markets in FYE 31 December 2006 as compared to FYE 31 December 2005, mainly due to a decrease in latex exports in FYE 31 December 2006. However, the drop in overseas sales was offset by strong growth in local sales. For the FYE 31 December 2007, the overseas markets contributed 24.9% to our revenue, with Hong Kong being our primary overseas market, contributing 10.9% to our revenue, due to an increased demand for our latex products. The main items exported overseas are latex and UPRs.

LT is the main contributor to our revenue, as it is our principal subsidiary engaged in the marketing and distribution of industrial chemicals and materials. LPOLY, our other significant contributor of revenue, is the manufacturing arm of our Group. From contributing 20.8% of our total revenue in FYE 31 December 2005, LPOLY's contribution increased to 24.3% of our total revenue in FYE 31 December 2007. This is in line with our objective to strengthen our manufacturing operations.

Gross Profit

The breakdown of our Group's gross profit by principal activities is as follows: -

FYE 31 December	**2005**		**2006**		**2007**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Principal Activities						
Marketing and distribution	18,545	75.9%	23,196	78.2%	22,191	71.6%
Manufacturing	5,898	24.1%	6,466	21.8%	8,810	28.4%
Total gross profit	**24,443**	**100.0%**	**29,662**	**100.0%**	**31,001**	**100.0%**

FYE 31 December	**2005**	**2006**	**2007**
	Gross profit margin		
Principal Activities			
Marketing and distribution	11.0%	12.4%	10.6%
Manufacturing	10.6%	10.6%	9.9%
Total gross profit margin	**10.9%**	**12.0%**	**10.4%**

The breakdown of our Group's gross profit by products is as follows: -

FYE 31 December	**2005**		**2006**		**2007**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Products						
Rubber	6,278	25.7%	8,421	28.4%	7,795	25.2%
Latex	4,416	18.1%	6,306	21.3%	6,195	20.0%
PVC	5,281	21.6%	5,320	17.9%	4,843	15.6%
FRP (including UPR)	7,293	29.8%	8,218	27.7%	10,733	34.6%
Brakes & PU	722	3.0%	852	2.9%	1,068	3.4%
Paint & coating	453	1.8%	545	1.8%	367	1.2%
Total gross profit	**24,443**	**100.0%**	**29,662**	**100.0%**	**31,001**	**100.0%**

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9. FINANCIAL INFORMATION *(Cont'd)*

FYE 31 December	2005	2006	2007
	Gross profit margin		
Products			
Rubber	16.3%	17.2%	14.9%
Latex	8.9%	10.3%	8.8%
PVC	8.6%	9.8%	8.2%
FRP (including UPR)	11.6%	11.7%	10.8%
Brakes & PU	9.3%	8.7%	7.5%
Paint & coating	12.6%	13.7%	11.0%
Total gross profit margin	**10.9%**	**12.0%**	**10.4%**

The breakdown of our Group's gross profit by markets is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Markets						
Local	21,775	89.1%	29,684	100.1%	27,785	89.6%
Overseas	2,668	10.9%	(22)	(0.1%)	3,216	10.4%
Total gross profit	**24,443**	**100.0%**	**29,662**	**100.0%**	**31,001**	**100.0%**

FYE 31 December	2005	2006	2007
	Gross profit margin		
Markets			
Local	12.9%	14.7%	12.4%
Overseas	4.8%	- *	4.3%
Total gross profit margin	**10.9%**	**12.0%**	**10.4%**

Note: -

* *Negligible.*

The breakdown of our Group's gross profit by subsidiaries is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Subsidiaries						
LT	20,445	83.4%	25,918	88.3%	26,642	86.1%
LPOLY	3,600	14.7%	2,915	9.9%	3,745	12.1%
LTSG	455	1.9%	532	1.8%	568	1.8%
CCIM	1	- *	11	- *	-	-
	24,501	100.0%	29,376	100.0%	30,955	100.0%
Consolidation adjustments	(58)	-	286	-	46	-
Total gross profit	**24,443**	**-**	**29,662**	**-**	**31,001**	**-**

Note: -

* *Negligible.*

FYE 31 December	2005	2006	2007
	Gross profit margin		
Subsidiaries			
LT	10.2%	11.6%	10.2%
LPOLY	6.7%	5.1%	4.4%
LTSG	14.6%	14.1%	13.0%
CCIM	0.1%	1.0%	-
Total gross profit margin after consolidation adjustments	**10.9%**	**12.0%**	**10.4%**

For the past three (3) FYE 31 December 2005, 2006 and 2007, marketing and distribution activities contributed between 71.6% and 78.2% of our total gross profits. The gross profit margins for marketing and distribution activities have been higher than for manufacturing activities for the past three (3) financial years up to FYE 31 December 2007. The lower gross profit margins for manufacturing activities are due to lower gross profit margins for UPRs, which is the main product sold under manufacturing activities. UPR sales are normally in bulk, as UPR is the main raw material used by our UPR customers in their respective manufacturing processes. In addition, UPR prices are very competitive, both locally and overseas.

Amongst the four (4) main product categories, for the past three (3) FYE 31 December 2005, 2006 and 2007, rubber products had the highest gross profit margins, followed by FRP. Latex products had gross profit margins of 8.9%, 10.3% and 8.8% for the past three (3) financial years up to FYE 31 December 2007, as the major item sold under latex products was synthetic latex, a commodity-linked item used in high volumes by glove producers. In addition, gross profit margins for synthetic latex are low as the market for it is competitively priced. Although gross profit margins for latex products were low, the sales of latex products were generally in large quantities.

The domestic market, which commands higher gross profit margins as compared to the overseas market, had gross profit margins of 12.9%, 14.7% and 12.4% for the past three (3) financial years up to FYE 31 December 2007. Export sales mainly comprised latex and UPR items. Due to the low gross profit margins of latex and UPRs, competitive pricing coupled with additional logistics costs of exports, such as ocean freight, forwarding charges and commissions paid to our agents, export sales generated lower gross profit margins.

LT's gross profit margins of 10.2%, 11.6% and 10.2%, respectively, and LTSG's gross profit margins of 14.6%, 14.1% and 13.0%, respectively for the past three (3) financial years up to FYE 31 December 2007, were higher than LPOLY's gross profit margins of 6.7%, 5.1% and 4.4%, respectively for the corresponding period. LPOLY's gross profit margins are lower than LT's mainly because, for local sales, LPOLY's products are all sold to LT for onward sales to local customers. LT therefore earns a portion of the gross profit margins as it incurs inventory holding costs as well as selling / distribution costs. CCIM acts as our procurement arm for certain products, which are distributed through LT. As such, it does not incur any selling / distribution expenses.

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PBT

The breakdown of our Group's PBT by principal activities is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Principal Activities						
Marketing and distribution	11,558	76.4%	14,308	80.1%	14,923	72.3%
Manufacturing	3,579	23.6%	3,556	19.9%	5,731	27.7%
Total PBT	**15,137**	**100.0%**	**17,864**	**100.0%**	**20,654**	**100.0%**

FYE 31 December	2005	2006	2007
	PBT margin		
Principal Activities			
Marketing and distribution	6.9%	7.7%	7.1%
Manufacturing	6.4%	5.8%	6.4%
Total PBT margin	**6.8%**	**7.2%**	**6.9%**

The breakdown of our Group's PBT by markets is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Markets						
Local	14,760	97.5%	20,074	112.4%	20,018	96.9%
Overseas	377	2.5%	(2,210)	(12.4%)	636	3.1%
Total PBT	**15,137**	**100.0%**	**17,864**	**100.0%**	**20,654**	**100.0%**

FYE 31 December	2005	2006	2007
	PBT margin		
Markets			
Local	8.8%	9.9%	8.9%
Overseas	0.7%	(4.8%)	0.9%
Total PBT margin	**6.8%**	**7.2%**	**6.9%**

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The breakdown of our Group's PBT by subsidiaries is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Subsidiaries						
LT	12,236	79.4%	15,306	88.2%	19,827	85.9%
LPOLY	2,799	18.2%	1,690	9.7%	3,001	13.0%
LTSG	370	2.4%	350	2.0%	266	1.1%
CCIM	(3)	-*	10	0.1%	(6)	-*
LCB	(3)	-*	(3)	-*	(5)	-*
CRSB [(1)]	(2)	-*	(2)	-*	-	-
	15,397	100.0%	17,351	100.0%	23,083	100.0%
Consolidation adjustments	(260)	-	513	-	(2,429)	-
Total PBT	**15,137**	-	**17,864**	-	**20,654**	-

Notes: -

* *Negligible.*
(1) CRSB is no longer part of our Group.

FYE 31 December	2005	2006	2007
	PBT margin		
Subsidiaries			
LT	6.1%	6.9%	7.6%
LPOLY	5.2%	2.9%	3.5%
LTSG	11.9%	9.3%	6.1%
CCIM	(0.2%)	0.9%	(0.3%)
LCB	-^	-^	-^
CRSB [(1)]	-^	-^	-
Total PBT margin after consolidation adjustments	**6.8%**	**7.2%**	**6.9%**

Notes: -

^ *Not applicable.*
(1) CRSB is no longer part of our Group.

For past three (3) financial years up to FYE 31 December 2007, marketing and distribution activities contributed 76.4%, 80.1% and 72.3%, respectively to our Group's PBT.

Marketing and distribution PBT margins were 6.9%, 7.7% and 7.1%, respectively for the past three (3) financial years up to FYE 31 December 2007. Manufacturing activities for the past three (3) financial years up to FYE 31 December 2007 had PBT margins that were lower than that of marketing and distribution activities due to lower gross profit margins.

The domestic market, in view of higher gross profit margins, had higher PBT margins as compared with the export market.

LT and LPOLY collectively contributed between 97.6% to 98.9% of our total Group PBT for the past three (3) financial years up to FYE 31 December 2007.

PAT

The breakdown of our Group's PAT by principal activities is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Principal Activities						
Marketing and distribution	8,724	76.4%	10,594	80.1%	11,041	72.3%
Manufacturing	2,701	23.6%	2,633	19.9%	4,240	27.7%
Total PAT	**11,425**	**100.0%**	**13,227**	**100.0%**	**15,281**	**100.0%**

FYE 31 December	2005	2006	2007
	PAT margin		
Principal Activities			
Marketing and distribution	5.2%	5.7%	5.2%
Manufacturing	4.8%	4.3%	4.8%
Total PAT margin	**5.1%**	**5.3%**	**5.1%**

The breakdown of our Group's PAT by markets is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Markets						
Local	11,141	97.5%	15,437	116.7%	14,810	96.9%
Overseas	284	2.5%	(2,210)	(16.7%)	471	3.1%
Total PAT	**11,425**	**100.0%**	**13,227**	**100.0%**	**15,281**	**100.0%**

FYE 31 December	2005	2006	2007
	PAT margin		
Markets			
Local	6.6%	7.6%	6.6%
Overseas	0.5%	(4.8%)	0.6%
Total PAT margin	**5.1%**	**5.3%**	**5.1%**

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The breakdown of our Group's PAT by subsidiaries is as follows: -

FYE 31 December	2005		2006		2007	
	RM'000	%	RM'000	%	RM'000	%
Subsidiaries						
LT	8,664	74.2%	10,872	84.9%	15,105	85.2%
LPOLY	2,642	22.6%	1,570	12.3%	2,366	13.3%
LTSG	370	3.2%	350	2.7%	263	1.5%
CCIM	(3)	-*	10	0.1%	(6)	-*
LCB	(3)	-*	(3)	-*	(4)	-*
CRSB (1)	(2)	-*	(2)	-*	-	-
	11,668	100.0%	12,797	100.0%	17,724	100.0%
Consolidation adjustments	(243)	-	430	-	(2,443)	-
Total PAT	**11,425**	-	**13,227**	-	**15,281**	-

Notes: -

* *Negligible.*
(1) *CRSB is no longer part of our Group.*

FYE 31 December	2005	2006	2007
	PAT margin		
Subsidiaries			
LT	4.3%	4.9%	5.8%
LPOLY	4.9%	2.7%	2.8%
LTSG	11.9%	9.3%	6.0%
CCIM	(0.2%)	0.9%	(0.3%)
LCB	-^	-^	-^
CRSB (1)	-^	-^	-
Total PAT margin after consolidation adjustments	**5.1%**	**5.3%**	**5.1%**

Notes: -

^ *Not applicable.*
(1) *CRSB is no longer part of our Group.*

Our Group's effective tax rate was lower in FYE 31 December 2005 and FYE 31 December 2006, as compared to FYE 31 December 2007, mainly due to the utilisation of reinvestment allowances by LPOLY.

Our Group's PAT margins for the three (3) FYE 31 December 2005, 2006 and 2007 is fairly consistent and was well within our expectations.

9.3.3 Significant Factors Affecting Our Profits

The main factors that have affected and are expected to continue to affect our profits include but are not limited to the following: -

(i) Growth

Our profits are dependent on the growth of both the domestic and overseas market for industrial chemicals and UPRs.

For FYE 31 December 2007, domestic sales contributed RM224.8 million to our revenue and RM14.8 million to our PAT. As for export markets, Hong Kong represented our largest export market, having contributed RM32.6 million or 10.9% of our revenue for the FYE 31 December 2007.

Some of the drivers of growth for the industrial chemicals industry in Malaysia are as follows: -

- **growth in user industries** such as the plastics and rubber industries. In 2007, the plastics and selected rubber products industries amounted to RM27 billion based on production value;

- **increase in exports** of end-user products will drive growth in the manufacturing sector that uses industrial chemicals; and

- **growth in local and global economies** will drive consumption, which in turn will create demand for manufactured goods that use industrial chemicals.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

Some of the drivers of growth for the manufacture of UPR industry in Malaysia are as follows: -

- **socio-economic growth** such as GDP and population growth will increase demand for industrial and consumer products requiring UPR as raw materials;

- **increasing consumer affluence** in terms of an increase in Gross National Product per capita and disposable income will also contribute to the increasing usage of plastic products and hence generate demand for UPR;

- **growth in end-user industry sectors** including, among others, plastic products, building and construction, medical, electrical and electronics, and automotives will inadvertently generate demand for UPR;

- **growth in export markets**, which will continue to generate demand for UPR;

- **growth as a substitute product** for conventional materials will increase demand for UPR. Some examples where UPR have started to replace traditional materials like iron and steel in the production of fibre reinforced plastics for water tanks, marine vessels, automotive parts, drain and manhole gratings and household items such as bath tubs and swimming pools. Other replacement materials for marble, granite and glass include the use of UPR for kitchen tabletops, floor tiles and decorative panels; and

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- **innovation and new applications** will also spur growth as UPR is very versatile and may be used for a large range of applications, usage and products. Its versatile workability enables manufacturers to adopt various processes to manufacture end-products. Some of these processes include hand lay-up, spray-up, cast moulding, press moulding, resin transfer moulding, resin concrete moulding and continuous moulding.

(Source: Independent Assessment of the Industrial Chemicals and UPR Industries prepared by Vital Factor Consulting Sdn Bhd)

(ii) Demand and Supply Conditions

Our Group's revenue and profits is dependent on the demand and supply conditions for industrial chemicals and UPR as set out in Section 4.5.8 of this Prospectus.

(iii) Fluctuations in Prices of Raw Materials

The increase in cost of raw materials has an impact on the profitability of our Group. As such, we endeavour to source raw materials at the lowest cost possible, and establish long-term relationships with reliable suppliers that can provide a consistent supply of raw materials.

Nevertheless, raw materials are subject to fluctuations in prices, as determined by the open market. For example, the price of petroleum-based raw materials, such as styrene monomer and glycol for the manufacture of UPRs, synthetic rubber, synthetic latex and polymer resins, fluctuates in tandem with crude oil prices.

A significant portion of costs increases could be imputed in selling prices to avoid reductions in our profit margins. Nonetheless, we may absorb part of the price increases to remain competitive.

(iv) Tax Consideration

The effective tax rate for FYE 31 December 2005 was lower than the applicable tax rate, mainly due to the utilisation of reinvestment allowances by LPOLY to set off its profit for the year, and the adjustment for overprovision of taxes in prior years.

The effective tax rate for FYE 31 December 2006 was lower than the applicable tax rate mainly due to the utilisation of reinvestment allowance by LPOLY to set off against its profit for the year.

The effective tax rate for FYE 31 December 2007 was relatively consistent with the effective tax rate for FYE 31 December 2006.

(v) Exceptional and Extraordinary Items

There were no exceptional and extraordinary items for the past three (3) FYE 31 December 2005, 2006 and 2007.

9.3.4 Material Changes in Sales / Revenue

A discussion on the reasons on material changes in our revenue for the past three (3) FYE 31 December 2005, 2006 and 2007 is as set out in Section 9.3.1 of this Prospectus.

9.3.5 Impact of Foreign Exchange / Interest Rates / Commodity Prices

We have business transactions in foreign currencies in the normal course of our business, which include purchases of raw materials and supplies, and the export of our products.

We maintain foreign currency bank accounts to handle foreign currency transactions. Some of our foreign currency earnings are maintained in the respective foreign currency accounts, which are later used to make payments in the respective foreign currencies. This approach reduces the cost of currency conversions, and forms a natural hedge to protect us against being materially affected by unfavourable foreign currency movements.

In addition, we also undertake forward hedging for a period of two (2) to three (3) months for some of our imports of materials and export sales.

Fluctuations in the price of raw materials and supplies can be passed onto our customers, who pass on the price increases to end-users, thus ensuring that we are not materially affected by fluctuations in commodity prices.

There is no material impact of foreign exchange, interest rates and commodity prices on our historical profits for the past three (3) FYE 31 December 2005, 2006 and 2007.

9.3.6 Impact of Inflation

There is no material impact of inflation on our historical profits for the past three (3) FYE 31 December 2005, 2006 and 2007.

9.3.7 Government / Economic / Fiscal / Monetary Policies

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, is as set out in Section 3.1(i), Section 3.2(xi) and Section 3.2(xii) of this Prospectus.

There is no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the past three (3) FYE 31 December 2005, 2006 and 2007.

9.4 LIQUIDITY AND CAPITAL RESOURCES

9.4.1 Working Capital

We have been financing our operations through cash generated from our operations and external source of funds. Our external source of funds mainly comprise of bank borrowings. As at 31 March 2008, our Group has deposits, cash and bank balances of RM39.3 million and total borrowings of RM51.9 million.

As at 31 December 2007, our Group has total current assets of RM113.2 million and current liabilities of RM73.7 million. The current assets comprise mainly of inventories and trade receivables. Our average inventory holding period for the FYE 31 December 2005, 2006 and 2007 was 30 days, 38 days and 31 days, respectively. Trade receivables turnover for the FYE 31 December 2005, 2006 and 2007 was 95 days, 95 days and 87 days, respectively.

Therefore, our consistent inventories holding periods and trade receivables turnover for the past three (3) financial years up to FYE 31 December 2007 indicate that they are well-managed. Our current ratio of 1.5 times as at 31

December 2007 reflects well on our Group's ability to meet our short-term obligations.

Our Directors are of the opinion that after taking into account the banking facilities available, the gross proceeds from the Public Issue and the payment of a special dividend of RM15.1 million to the shareholders of LT before the Acquisition of LT, our Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus. The payment of the aforementioned special dividend does not adversely impact our working capital position.

9.4.2 Cash Flow

A summary of the our Group's proforma cash flow for the FYE 31 December 2007 based on the proforma consolidated cash flow statement as set out in Section 9.7 of this Prospectus, is as follows: -

	Audited FYE 31 December 2007 [1]
	RM'000
Net cash from operating activities	12,357
Net cash used in investing activities	(7,186)
Net cash used in financing activities [1]	(6,897)
Net decrease in cash and cash equivalents	(1,726)
Foreign exchange difference on opening balance	- *
Cash and cash equivalents at beginning of year	25,415
Cash and cash equivalents at end of the year	23,689

Notes: -

(1) *After adjustments for special dividend of RM15,105,000, proceeds from our IPO and the utilisation of proceeds as set out in Section 2.5 of this Prospectus.*

* *Negligible.*

There are no legal or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends. Some of our bankers, however, require us to seek their prior approval for dividend payments. We do not expect such approval to be unnecessary withheld by our bankers, therefore, we are confident that we can meet our cash obligations.

Net Cashflow from Operating Activities

During the FYE 31 December 2007, our Group generated a PBT of RM20.7 million. Out of this, approximately RM5.8 million was used to finance debtors. This was partly offset by financing provided by creditors of RM3.0 million, giving rise to cash generated from operations of approximately RM18.8 million. Our Group also received interest income of approximately RM0.9 million and paid tax and interest of approximately RM5.3 million and RM2.0 million, respectively which gave rise to net cash generated from operating activities of RM12.4 million.

Net Cashflow used in Investing Activities

Using the cash flow generated from operating activities, our Group acquired certain plant and equipment costing RM0.2 million during the FYE 31 December 2007. For proforma purposes, our Group's actual cashflow used in investing activities has been adjusted to take into account the additional

RM7.0 million that we are expected to incur for the construction of an office in Penang and the expansion of output capacity, as set out in Section 2.5(ii) of this Prospectus. Had our IPO been completed by 31 December 2007, our net cash used in investing activities would have been RM7.2 million.

Net Cashflow used in Financing Activities

In financing our operations, our Group obtained additional funding through bankers' acceptances facilities of approximately RM7.4 million. During the year, our Group had also repaid other bank borrowings totalling RM1.4 million and paid a dividend in respect of FYE 31 December 2006 of RM10.3 million. Our Group's actual cash outflow from the financing activities above was RM4.3 million. For proforma purposes, this cash outflow has been adjusted for the payment of a special dividend in respect of FYE 31 December 2007 of RM15.1 million to the shareholders of LT before the Acquisition of LT, a cash inflow from IPO proceeds of RM22.0 million, additional repayment of bank borrowings of RM7.0 million and payment of listing expenses amounting to RM2.5 million. Had our IPO been completed by 31 December 2007, our net cash used in financing activities would have been RM6.8 million. The payment of the aforementioned special dividend does not adversely impact our cash flow requirements.

9.4.3 Borrowings

As at 31 March 2008, our total outstanding bank borrowings in the form of term loans, bankers' acceptances and hire purchase financing amounted to approximately RM51.9 million. The borrowings can be analysed further as follows: -

Outstanding Borrowings	**Amount RM'000**
Short term (due within 12 months)	
Bankers' acceptances	48,732
Term loans	478
Hire purchase	316
Long term (due after 12 months)	
Term loans	1,907
Hire purchase	454
Total interest-bearing borrowings as at 31 March 2008	51,887
Gearing ratio as at 31 March 2008 (1)	0.94
Gearing ratio after IPO and utilisation of proceeds (2)	0.60
Gearing ratio as at 31 March 2008 (less bankers' acceptances) (1) (3)	0.06
Gearing ratio after IPO and utilisation of proceeds (less bankers' acceptances) (2) (3)	0.02

Notes: -

(1) Based on proforma shareholders' funds as at 31 December 2007 of RM55.14 million upon completion of the Acquisitions.

(2) Based on proforma shareholders' funds as at 31 December 2007 of RM74.64 million upon completion of the Public Issue and after the utilisation of proceeds as set out in Section 2.5 of this Prospectus.

(3) Bankers' acceptances are excluded from the total borrowings.

Bankers' acceptances constitute the bulk of our borrowings. As at 31 March 2008, bankers' acceptances constitute 93.9% of our borrowings. The bankers' acceptances are necessary for our day-to-day operations, which involve large import purchases of inventories for marketing and distribution activities and raw materials for manufacturing activities.

Our Group does not have any borrowings in foreign currency.

Our Group has not defaulted on payments of either interest and / or principal sums in respect of any borrowings throughout FYE 31 December 2007 and the subsequent financial period up to LPD.

9.4.4 Breach of Terms and Conditions / Covenants Associated with Credit Arrangement / Bank Loan

To the best of our Directors' knowledge, as at LPD, neither us nor any of our subsidiaries are in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

9.4.5 Type of Financial Instruments Used

As at LPD, we do not have nor are we using any financial instruments.

9.4.6 Treasury Policies and Objectives

We have been financing our operations through cash generated from our operations and external source of funds. Our external source of funds comprises of credit terms granted by suppliers as well as bank borrowings. The normal credit terms granted to us by our trade suppliers range from 15 to 90 days.

We have short-term and long-term bank borrowings facilities available to our Group. Our short-term bank borrowings are mainly bankers' acceptances, which are used for raw material purchases. The interest rates for bankers' acceptances are based on the market rates prevailing at the dates of the respective transactions.

Our long-term bank borrowings are mainly term loans obtained to finance purchases of properties. The interest rates for our term loans are based on the prevailing BLR plus a margin agreed upon by our bankers when the respective term loans were granted.

We trade in RM, as well as other foreign currencies, which mainly include USD, SGD and Japanese Yen. Therefore, we maintain cash accounts in RM, USD, SGD, as well as in Japanese Yen.

Our imports are mainly denominated in USD. For sales, domestic sales are mainly in RM, whilst export sales are mainly in USD. Where purchases are in USD and credit terms given by suppliers, we would either hedge the transaction forward with a bank, by booking a future fixed rate to pay our suppliers, or by natural hedging, by using export proceeds in USD to pay suppliers. By hedging forward or natural hedging, we minimise our foreign exchange exposure risk.

9.4.7 Material Commitments

Save as disclosed as follows, as at LPD, our Directors are not aware of any material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of our Group: -

Material commitments	Amount RM'000
Approved but not contracted for: -	
- Construction of office in Penang [1]	3,500
- Expansion of output capacity [1]	3,500
Total	**7,000**

Note: -

(1) As set out in Section 2.5(ii) of this Prospectus.

The above capital expenditure will be funded from the proceeds raised from our IPO.

9.4.8 Material Litigation / Arbitration and Contingent Liabilities

(i) Material Litigation / Arbitration

As at 31 March 2008, our Group is not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of our Group, and our Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

(ii) Contingent Liabilities

Save as disclosed below, as at 31 March 2008, our Directors are not aware of any indirect and / or contingent liabilities, which upon becoming enforceable, may have a material effect on the NA, profits or financial position of our Group: -

Contingent Liabilities	Facility limit RM'000	Amount outstanding RM'000
Corporate guarantee given by: -		
- LT [1]	33,455	16,380
- LPOLY [2]	10,500	4,453
Total	**43,955**	**20,833**

Notes: -

(1) The corporate guarantee relates to five (5) corporate guarantees given by LT to financial institutions for credit facilities and a term loan granted to LPOLY.

(2) The corporate guarantee relates to a corporate guarantee given by LPOLY to a financial institution for credit facilities granted to LT.

9.4.9 Key Financial Ratios

The key financial ratios of our Group are as follows: -

	FYE 31 December		
	2005	**2006**	**2007**
Trade receivable turnover (days)	95	95	87
Trade payable turnover (days)	40	38	34
Inventory turnover (days)	30	38	31

9.4.10 Trade Receivables

Our Group's audited trade receivables balance (excluding inter-company trade receivables) as at 31 December 2007 and the ageing analysis thereon based on the records of our Group are as follows: -

As at 31 December 2007	0 – 30 days RM'000	31 – 60 days RM'000	61 – 90 days RM'000	91 - 120 days RM'000	121- 180 days RM'000	> 180 days RM'000	Total RM'000
Trade receivables	23,283	20,644	14,985	9,045	3,785	1,847	73,589
Bad and doubtful debts	-	-	-	(1)	(1)	(1,826)	(1,828)
Net Group trade debtors	23,283	20,644	14,985	9,044	3,784	^21	71,761
Percentage of total	32.4%	28.8%	20.9%	12.6%	5.3%	-*	100.0%

<u>*Note: -*</u>

^ *As at 31 March 2008, this amount had been fully recovered.*
* *Negligible.*

The normal credit period given to our trade debtors ranges from 30 days to 120 days.

Allowance for doubtful debts has been made in our consolidated financial statements for the trade receivables where collections are doubtful, amounting to RM1.8 million.

It is our Group policy to make full provision for all trade receivables that are in dispute, under legal action or where recoveries are considered to be doubtful.

Our Directors are of opinion that trade debts exceeding the normal credit period (net of doubtful debts provisions) are recoverable taking into consideration the long term relationship between these customers and us, and various credit control measures being implemented by our Group to minimise customer default.

9.5 TREND INFORMATION

As at LPD, to the best of our Directors' knowledge and belief, our operations have not been and are not expected to be affected by any of the following: -

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section, Section 3 and Section 4 of this Prospectus;

(ii) material commitments for capital expenditure, as set out in Section 9.4.7 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in this section and in Section 3 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our Group revenue and / or profits, save for those that had been disclosed in this section, Section 4.5 and Section 4.6 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section, Section 3 and Section 4 of this Prospectus; and

(vi) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 3 of this Prospectus.

Our Group's business and financial prospects, significant recent trends in production, sales and stocks, and costs and selling prices since the end of FYE 31 December 2007 up to LPD, is as set out in this section, Section 3, Section 4 and Section 11 of this Prospectus. Further discussion on the overview of the industrial chemicals and UPR manufacturing industry, its prospects and outlook are elaborated in Section 4.5.4 and Section 11 of this Prospectus.

Our Board of Directors is optimistic about the future prospects of our Group given the favourable outlook of the industrial chemicals industry as set out in Section 4.5.4 of this Prospectus, the drivers of growth for the industrial chemicals industry and the manufacture of UPR industry in Malaysia as set out in Section 9.3.3(i) of this Prospectus, our Group's competitive strengths and advantages as set out in Section 4.3.2 of this Prospectus, the factors and trends affecting our future financial condition and results as set out in Section 9.3.1 of this Prospectus, and our Group's dedication to implement the future plans and strategies as set out in Section 4.6 of this Prospectus.

9.6 DIVIDEND POLICY

The declaration of interim dividends and the recommendation of final dividend are subject to the discretion of our Board and any final dividend for the year is subject to our shareholders' approval. It is our intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, availability of tax credits, general financial conditions and any other factors considered relevant by our Board.

Actual dividends proposed and declared may vary depending on the financial performance and cash flow of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

9.7 PROFORMA CONSOLIDATED FINANCIAL INFORMATION TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

(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 SS21/58
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

Luxchem Corporation Berhad ("LCB" or "the Company")
(formerly known as Luxchem Corporation Sdn Bhd)
Proforma Consolidated Financial Information

We report on the accompanying proforma consolidated financial information of LCB and its subsidiaries ("LCB Group" or "the Group"), which has been prepared by the Directors of LCB, and which we have stamped for identification purposes.

The proforma consolidated financial information which consists of the proforma consolidated balance sheet as at 31 December 2007, the proforma consolidated income statements for the three (3) financial years ended 31 December 2005 to 2007, the proforma consolidated cash flow statement for the financial year ended 31 December 2007 and the proforma statement of assets and liabilities as at 31 December 2007 of LCB Group, have been prepared for illustrative purposes only, for the inclusion in the Prospectus of LCB ("the Prospectus") dated 10 JUN 2008 and are based on certain assumptions and after making certain adjustments to show what :-

(a) the financial results of LCB Group for the financial years ended 31 December 2005 to 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the years being reported on;

(b) the financial position of LCB Group as at 31 December 2007 would have been if the group structure as of the date of the Prospectus had been in place on that date, adjusted for the proceeds of the proposed public issue and proposed utilisation of funds; and

(c) the cash flows of LCB Group for the financial year ended 31 December 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial year ended 31 December 2007, adjusted for the proceeds of the proposed public issue and proposed utilisation of funds.

The proforma consolidated financial information, because of its nature, may not give a true picture of the Group's actual financial results, position and cash flows.

It is the responsibility of the Directors of LCB to prepare the proforma consolidated financial information in accordance with the requirements of the Securities Commission Prospectus Guidelines in respect of Public Offerings ("the Guidelines"). Our responsibility is to form an opinion on the proforma consolidated financial information as required by the Guidelines and to report our opinion to you based on our work.

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

DFK INTERNATIONAL

Our work, which involved no independent examination of any of the underlying financial statements, consisted primarily of comparing the proforma consolidated financial information to the audited financial statements of LCB and its subsidiaries for the financial years ended 31 December 2005 to 2007 and considering the evidence supporting the adjustments, and discussing the proforma consolidated financial information with the Directors of the Company.

In our opinion :-

(a) the proforma consolidated financial information has been properly prepared on the bases stated in the notes thereto and such bases are consistent with the accounting policies adopted by LCB and its subsidiaries;

(b) the financial statements used in the preparation of the proforma consolidated financial information have been properly prepared in accordance with applicable Malaysian Accounting Standards Board's ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities; and

(c) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing such financial information.

Yours faithfully,

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

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

Luxchem Corporation Berhad
Proforma Consolidated Financial Information

1. Introduction

The proforma consolidated financial information, for which the Directors of LCB are solely responsible, have been prepared for illustrative purposes only, for the purpose of inclusion in the Prospectus of LCB dated 10 JUN 2008 in connection with the Restructuring and Listing Scheme described in Note 2 below and may not, because of its nature, give a true picture of the Group's actual financial results, position and cash flows. Further, such financial information does not purport to predict the future financial position and results of the Group.

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 Malaysia Securities Berhad ("Bursa Securities") are as follows :-

(a) Acquisition of the Entire Issued and Paid-up Share Capital of Luxchem Trading Sdn Bhd ("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.

FOLKS DFK & CO. (AF 0502)
Chartered Accountants, Kuala Lumpur
For Identification Purposes Only

2. Restructuring and Listing Scheme (Cont'd)

(b) Acquisitions of the Entire Issued and Paid-up Share Capital of Luxchem Polymer Industries Sdn Bhd ("LPOLY"), Luxchem Trading (S) Pte Ltd ("LTSG") and Chemplex Composite Industries (M) Sdn Bhd ("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 based 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 are to 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").

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Chartered Accountants, Kuala Lumpur
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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.

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Proforma Consolidated Financial Information (Cont'd)

3. Proforma Consolidated Balance Sheets of LCB Group as at 31 December 2007

	Audited 31.12.2007	Proforma I	Proforma II	Proforma III
	RM	RM	RM	RM
Assets				
Non-Current Assets				
Property, plant and equipment	-	13,145,788	13,145,788	20,145,788
Investment property	-	1,214,423	1,214,423	1,214,423
Prepaid lease payments	-	4,083,282	4,083,282	4,083,282
Intangible assets	-	257,294	257,294	257,294
Other investments	-	170,102	170,102	170,102
	-	18,870,889	18,870,889	25,870,889
Current Assets				
Inventories	-	23,061,416	23,061,416	23,061,416
Trade receivables	-	71,761,969	71,761,969	71,761,969
Other receivables	633,886	778,550	778,550	144,964
Deposits, cash and bank balances	2	17,554,549	17,554,549	23,688,135
	633,888	113,156,484	113,156,484	118,656,484
Total Assets	633,888	132,027,373	132,027,373	144,527,373
Equity and Liabilities				
Equity				
Share capital	2	55,000,000	55,000,000	65,000,000
Share premium	-	-	-	9,500,000
Exchange translation reserve	-	108,824	108,824	108,824
Merger deficit	-	(49,999,998)	(49,999,998)	(49,999,998)
(Accumulated losses)/Retained profits	(41,341)	50,032,849	50,032,849	50,032,849
Total Equity	(41,339)	55,141,675	55,141,675	74,641,675
Non-Current Liabilities				
Term loans (Secured)	-	2,014,553	2,014,553	635,983
Hire purchase creditors	-	530,467	530,467	530,467
Deferred tax liabilities	-	634,820	634,820	634,820
	-	3,179,840	3,179,840	1,801,270
Current Liabilities				
Trade payables	-	23,478,734	23,478,734	23,478,734
Other payables	675,227	5,937,412	5,937,412	5,937,412
Hire purchase creditors	-	319,418	319,418	319,418
Bank borrowings	-	43,014,430	43,014,430	37,393,000
Taxation	-	955,864	955,864	955,864
	675,227	73,705,858	73,705,858	68,084,428
Total Liabilities	675,227	76,885,698	76,885,698	69,885,698
Total Equity and Liabilities	633,888	132,027,373	132,027,373	144,527,373

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3. Proforma Consolidated Balance Sheets of LCB Group as at 31 December 2007 (Cont'd)

	Audited 31.12.2007	Proforma I	Proforma II	Proforma III
Number of ordinary shares in issue (No.)	4	110,000,000	110,000,000	130,000,000
(Net liabilities)/Net assets value (RM) [1]	(41,339)	55,141,675	55,141,675	74,641,675
(Net tangible liabilities)/ Net tangible assets (RM)	(41,339)	54,884,381	54,884,381	74,384,381
(Net liabilities)/Net assets value per ordinary share (RM) [1]	(10,335)	0.501	0.501	0.574
(Net tangible liabilities)/ Net tangible assets per ordinary share (RM)	(10,335)	0.499	0.499	0.572

[1] For the purpose of calculating the (net liabilities)/net assets value, the net carrying amount of computer software classified under Intangible Assets has been included.

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4. Notes to the Proforma Consolidated Balance Sheets of LCB Group as at 31 December 2007

4.1 Basis of Preparation

The proforma consolidated balance sheets of LCB Group as at 31 December 2007 for which the Directors of LCB are solely responsible have been prepared for illustrative purposes to show the effects of the transactions, as described in Note 2, on the consolidated balance sheets of LCB had they been implemented and completed on that date, and are based on the audited financial statements of LCB and the LT Group's audited financial statements for the financial year ended 31 December 2007 adjusted for a payment of final dividend, single tier tax exempt, for the financial year ended 31 December 2007 amounting to RM15,105,000 as shown in Note 4.2 below. The final dividend was paid to the existing shareholders of LT prior to the acquisition of LT by LCB.

The proforma consolidated balance sheets have been prepared based on the accounting principles and bases consistent with those adopted by LCB and LT Group in the preparation of the audited financial statements for the financial year ended 31 December 2007 which have been prepared in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and after giving effect to the proforma adjustments stated in Note 4.3 below.

All subsidiaries are consolidated using the purchase method of accounting except for subsidiaries arising from common control transfers, which are consolidated using the principles of merger accounting. The common control transfers are acquisitions of entities whereby these entities have common ultimate controlling parties prior to and immediately after such transfers. The difference between the carrying value of the investment and the nominal value of ordinary shares acquired is treated as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that laws or statutes do not prohibit the use of such reserves. The results and financial position of the companies being merged are included as if the merger had been effected throughout the entire year. All inter-company transactions are eliminated on consolidation.

4.2 Adjustments Made to the Audited Balance Sheet of LT Group as at 31 December 2007

	As at 31.12.2007 RM
Retained profits	
As per audited financial statements of LT	65,179,190
Less : Final/special dividend, tax exempt, for the financial year ended 31 December 2007 paid on 6 May 2008	(15,105,000)
As adjusted	50,074,190
Deposits, cash and bank balances	
As per audited financial statements of LT	32,659,547
Less : Final/special dividend, tax exempt, for the financial year ended 31 December 2007 paid on 6 May 2008	(15,105,000)
As adjusted	17,554,547

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4. Notes to the Proforma Consolidated Balance Sheets of LCB Group as at 31 December 2007 (Cont'd)

4.3 Proforma Adjustments

4.3.1 Proforma I

Proforma I incorporates the effects of the following transactions :-

(a) The acquisition by LCB of the entire issued and paid-up share capital of LT comprising 5,000,000 ordinary shares of RM1.00 each from the respective vendors of LT for a total consideration of RM54,999,998 satisfied by the issuance of 109,999,996 new ordinary shares of RM0.50 each in LCB ("LCB Shares"), to be credited as fully paid-up, at an issue price of RM0.50 per LCB Share. The acquisition is accounted for using the principles of the merger method of accounting.

(b) The transfer of 58,970,000 LCB Shares held by certain vendors of LT to CRSB. The transfer does not have any impact on the proforma consolidated balance sheets of LCB.

4.3.2 Proforma II

Proforma II incorporates the effects of Proforma I and the acquisitions by LCB of the following subsidiary companies of LT :-

(a) Acquisition of the entire equity interest in LPOLY which comprises 3,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM8,581,141.

(b) Acquisition of the entire equity interest in LTSG which comprises 50,000 ordinary shares for a total cash consideration of RM2.

(c) Acquisition of the entire equity interest in CCIM which comprises 2 ordinary shares of RM1.00 each for a total cash consideration of RM2.

The acquisitions from LT which is wholly owned by LCB do not have any impact on the proforma consolidated balance sheets of LCB Group as the transactions are eliminated on consolidation.

4.3.3 Proforma III

Proforma III incorporates the effects of Proforma I and II and the following transactions :-

(a) Offer for sale of 38,500,000 ordinary shares of RM0.50 each in the Company ("OFS Shares") by the offerors of LCB, collectively, at an offer price of RM1.10 per OFS Share to the selective investors to be identified via private placement. The offer for sale has no financial impact on LCB Group.

(b) A public issue of 20,000,000 new ordinary shares of RM0.50 each ("IPO Shares") at an issue price of RM1.10 per IPO Share giving rise to a share premium of RM12,000,000.

Thereafter, the entire issued and paid-up share capital of LCB comprising 130,000,000 ordinary shares of RM0.50 each shall be listed on the Main Board of Bursa Securities ("the Listing").

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4. Notes to the Proforma Consolidated Balance Sheets of LCB Group as at 31 December 2007 (Cont'd)

4.3 Proforma Adjustments (Cont'd)

4.3.3 Proforma III (Cont'd)

The proceeds from the IPO of RM22,000,000 shall be utilised as follows :-

	RM
Expansion of existing operations	7,000,000
Repayment of bank borrowings	7,000,000
Expansion of business and markets	2,500,000
Existing operations	3,000,000
Listing expenses	2,500,000
	22,000,000

The Listing expenses, estimated to be RM2,500,000, are to be charged against the share premium of LCB.

The funds allocated for the repayment of bank borrowings are utilised towards the repayment of the following banking facilities of the Group :-

	Under current liabilities RM	Under non-current liabilities RM	Total RM
Bankers' acceptances	5,000,000	-	5,000,000
Term loans	621,430	1,378,570	2,000,000
	5,621,430	1,378,570	7,000,000

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4. Notes to the Proforma Consolidated Balance Sheets of LCB Group as at 31 December 2007 (Cont'd)

4.3 Proforma Adjustments (Cont'd)

4.3.4 Summary of Effects

(a) The effects of the transactions mentioned in Notes 4.3.1, 4.3.2 and 4.3.3 above on the share capital, share premium, exchange translation reserve and retained profits of LCB Group are as follows :-

	Share capital	Share premium	Exchange translation reserve	Merger deficit	(Accumulated losses)/ Retained profits	Total equity
	RM	RM	RM	RM	RM	RM
As at 31 December 2007	2	-	-	-	(41,341)	(41,339)
Acquisition of LT and transfer of LCB Shares by the vendors	54,999,998	-	108,824	-	50,074,190	105,183,012
Merger deficit	-	-	-	(49,999,998)	-	(49,999,998)
Proforma I	55,000,000	-	108,824	(49,999,998)	50,032,849	55,141,675
Acquisitions of LPOLY, LTSG and CCIM	-	-	-	-	-	-
Proforma II	55,000,000	-	108,824	(49,999,998)	50,032,849	55,141,675
Public Issue and Listing	10,000,000	12,000,000	-	-	-	22,000,000
Less : Listing expenses	-	(2,500,000)	-	-	-	(2,500,000)
Proforma III	65,000,000	9,500,000	108,824	(49,999,998)	50,032,849	74,641,675

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4. Notes to the Proforma Consolidated Balance Sheets of LCB Group as at 31 December 2007 (Cont'd)

4.3 Proforma Adjustments (Cont'd)

4.3.4 Summary of Effects (Cont'd)

(b) The effects of the transactions mentioned in Note 4.3.3 above on other affected balance sheet items of LCB Group as at 31 December 2007 are as follows :-

(i) Property, plant and equipment

	RM
Balance after Proforma I and II	13,145,788
Capital expenditure incurred for the purpose of expanding existing operations	7,000,000
Proforma III	20,145,788

(ii) Other receivables

	RM
Balance after Proforma I and II	778,550
Less : Share issue and listing expenses debited against share premium account	(633,586)
Proforma III	144,964

(iii) Deposits, cash and bank balances

	RM
Balance after Proforma I and II	17,554,549
Add : Proceeds from the IPO	22,000,000
Less :	
- Capital expenditure for expansion of existing operations	(7,000,000)
- Repayment of bank borrowings	(7,000,000)
- Payment of listing expenses [1]	(1,866,414)
Proforma III	23,688,135

(1)	Estimated listing expenses	2,500,000
	Less : Expenses paid in 2007 included under other receivables and prepayment	(633,586)
	Balance of listing expenses to be paid after the IPO	1,866,414

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4. Notes to the Proforma Consolidated Balance Sheets of LCB Group as at 31 December 2007 (Cont'd)

4.3 Proforma Adjustments (Cont'd)

4.3.4 Summary of Effects (Cont'd)

(b) (Cont'd)

(iv) Term loans and bank borrowings

	Under non-current liabilities RM	Under current liabilities RM	Total RM
Balance after Proforma I and II			
Term loans	2,014,553	621,430	2,635,983
Bankers' acceptances	-	42,393,000	42,393,000
	2,014,553	43,014,430	45,028,983
Repayment through utilisation of proceeds from the IPO :			
- Term loans	(1,378,570)	(621,430)	(2,000,000)
- Bankers' acceptances	-	(5,000,000)	(5,000,000)
	(1,378,570)	(5,621,430)	(7,000,000)
	635,983	37,393,000	38,028,983

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5. Proforma Consolidated Income Statements of LCB Group for the Financial Years Ended 31 December 2005 to 2007

	For the financial year ended 31 December		
	2005	2006	2007
	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	(6,406,381)	(7,455,094)	(9,293,756)
Other operating expenses	(1,007,596)	(1,405,483)	(6,882)
Operating profit	16,692,548	19,891,368	22,658,528
Finance costs	(1,555,840)	(2,027,314)	(2,004,405)
Profit before tax	15,136,708	17,864,054	20,654,123
Taxation	(3,712,124)	(4,636,631)	(5,373,314)
Profit for the year	11,424,584	13,227,423	15,280,809
Earnings before interest, depreciation, taxation and amortisation	17,753,009	21,055,647	23,383,503
Interest income	331,659	479,864	903,852
Depreciation and amortisation	1,392,120	1,644,143	1,628,827
Gross profit margin	10.92%	11.95%	10.35%
Profit after tax margin	5.11%	5.33%	5.10%
Effective tax rate	24.52%	25.96%	26.02%
Number of ordinary shares in LCB had LCB Group been in existence [(1)]	110,000,000	110,000,000	110,000,000
Earnings per share (sen) :			
- Basic	10.39	12.02	13.89
- Diluted [(2)]	N/A	N/A	N/A

[(1)] Based on the issued and paid-up share capital of 110,000,000 ordinary shares of RM0.50 each immediately prior to the Public Issue.

[(2)] Diluted earnings per share is not provided as there were no potential ordinary shares to be issued throughout the financial years under review.

[(3)] There were no exceptional or extraordinary items in all the financial years presented.

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6. Notes to the Proforma Consolidated Income Statements of LCB Group for the Financial Years Ended 31 December 2005 to 2007

6.1 Basis of Preparation

The proforma consolidated income statements of LCB Group for the financial years ended 31 December 2005 to 2007, for which the Directors of LCB are solely responsible, have been prepared for illustrative purposes to show the effects of the transactions, as described in Note 2, on the consolidated income statements of LCB had they been implemented and completed on that date, and are based on the audited financial statements of LCB and the adjusted LT Group's audited financial statements for the respective financial years.

The proforma consolidated income statements have been prepared based on the accounting principles and bases consistent with those adopted by LCB and LT Group in the preparation of the audited financial statements for the financial year ended 31 December 2007 which have been prepared in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and after giving effect to the proforma adjustments stated in Notes 6.2 to 6.4 below.

The proforma consolidated income statements of the LCB Group for the financial years ended 31 December 2005 to 2007 have been prepared based on the following assumptions :-

(a) The LCB Group had been in existence since 1 January 2005.

(b) All material intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the proforma consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment.

(c) The issued and paid-up share capital of LCB of 110,000,000 ordinary shares of RM0.50 each is before the Public Issue as referred to in Note 2 above.

(d) The earnings per share is computed based on profit for the year after taxation over the number of ordinary shares in issue immediately before the Public Issue.

(e) There were no minority interest for all the financial years presented.

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Proforma Consolidated Financial Information (Cont'd)

6. Notes to the Proforma Consolidated Income Statements of LCB Group for the Financial Years Ended 31 December 2005 to 2007 (Cont'd)

6.2 Proforma Consolidated Income Statement for the Financial Year Ended 31 December 2005

	Audited LCB	LT Group[1]	Total	Proforma adjustment[2]	Proforma 2005
	RM	RM	RM	RM	RM
Revenue	-	223,771,794	223,771,794	-	223,771,794
Cost of sales	-	(199,329,089)	(199,329,089)	-	(199,329,089)
Gross profit	-	24,442,705	24,442,705	-	24,442,705
Other operating income	-	1,970,084	1,970,084	-	1,970,084
Selling and distribution costs	-	(2,306,264)	(2,306,264)	-	(2,306,264)
Administrative expenses	(500)	(6,405,881)	(6,406,381)	-	(6,406,381)
Other operating expenses	(2,323)	(1,005,273)	(1,007,596)	-	(1,007,596)
Operating (loss)/ profit	(2,823)	16,695,371	16,692,548	-	16,692,548
Finance costs	-	(1,555,840)	(1,555,840)	-	(1,555,840)
(Loss)/Profit before tax	(2,823)	15,139,531	15,136,708	-	15,136,708
Taxation	-	(3,712,124)	(3,712,124)	-	(3,712,124)
(Loss)/Profit for the year	(2,823)	11,427,407	11,424,584	-	11,424,584
Number of ordinary shares had the LCB Group been in existence[3]					110,000,000
Earnings per share (sen)					10.39

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6. Notes to the Proforma Consolidated Income Statements of LCB Group for the Financial Years Ended 31 December 2005 to 2007 (Cont'd)

6.2 Proforma Consolidated Income Statement for the Financial Year Ended 31 December 2005 (Cont'd)

(1) The audited income statement of LT Group for the financial year ended 31 December 2005 has been adjusted for the following :-

	Audited	Adjustment 1	Adjustment 2	Revised audited
	RM	RM	RM	RM
Revenue	223,837,862	(66,068)	-	223,771,794
Cost of sales	(200,323,875)	48,300	946,486	(199,329,089)
Gross profit	23,513,987	(17,768)	946,486	24,442,705
Other operating income	1,952,316	17,768	-	1,970,084
Selling and distribution costs	(2,306,264)	-	-	(2,306,264)
Administrative expenses	(6,405,881)	-	-	(6,405,881)
Other operating expenses	(1,005,273)	-	-	(1,005,273)
Operating profit	15,748,885	-	946,486	16,695,371
Finance costs	(609,354)	-	(946,486)	(1,555,840)
Profit before tax	15,139,531	-	-	15,139,531
Taxation	(3,712,124)	-	-	(3,712,124)
Profit for the year	11,427,407	-	-	11,427,407

Adjustment 1

To reclassify the income derived from the sales of packing materials and raw materials from revenue to other operating income to be in line with the presentation of 2006's audited financial statements.

Adjustment 2

To reclassify interest expense from cost of sales to finance costs to be in line with the presentation of 2006's audited financial statements.

(2) There are no material intragroup transactions that require elimination on consolidation of LCB and LT Group.

(3) Based on the issued and paid-up share capital of 110,000,000 ordinary shares of RM0.50 each immediately prior to the Public Issue.

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6. Notes to the Proforma Consolidated Income Statements of LCB Group for the Financial Years Ended 31 December 2005 to 2007 (Cont'd)

6.3 Proforma Consolidated Income Statement for the Financial Year Ended 31 December 2006

	Audited LCB	Audited LT Group	Total	Proforma adjustment [1]	Proforma 2006
	RM	RM	RM	RM	RM
Revenue	-	248,208,462	248,208,462	-	248,208,462
Cost of sales	-	(218,545,807)	(218,545,807)	-	(218,545,807)
Gross profit	-	29,662,655	29,662,655	-	29,662,655
Other operating income	-	1,552,356	1,552,356	-	1,552,356
Selling and distribution costs	-	(2,463,066)	(2,463,066)	-	(2,463,066)
Administrative expenses	(500)	(7,454,594)	(7,455,094)	-	(7,455,094)
Other operating expenses	(2,266)	(1,403,217)	(1,405,483)	-	(1,405,483)
Operating (loss)/ profit	(2,766)	19,894,134	19,891,368	-	19,891,368
Finance costs	-	(2,027,314)	(2,027,314)	-	(2,027,314)
(Loss)/Profit before tax	(2,766)	17,866,820	17,864,054	-	17,864,054
Taxation	-	(4,636,631)	(4,636,631)	-	(4,636,631)
(Loss)/Profit for the year	(2,766)	13,230,189	13,227,423	-	13,227,423
Number of ordinary shares had the LCB Group been in existence [2]					110,000,000
Earnings per share (sen)					12.02

[1] There are no material intragroup transactions that require elimination on consolidation of LCB and LT Group.

[2] Based on the issued and paid-up share capital of 110,000,000 ordinary shares of RM0.50 each immediately prior to the Public Issue.

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6. Notes to the Proforma Consolidated Income Statements of LCB Group for the Financial Years Ended 31 December 2005 to 2007 (Cont'd)

6.4 Proforma Consolidated Income Statement for the Financial Year Ended 31 December 2007

	Audited LCB	Audited LT Group	Total	Proforma adjustment [1]	Proforma 2007
	RM	RM	RM	RM	RM
Revenue	-	299,431,777	299,431,777	-	299,431,777
Cost of sales	-	(268,430,995)	(268,430,995)	-	(268,430,995)
Gross profit	-	31,000,782	31,000,782	-	31,000,782
Other operating income	-	3,885,067	3,885,067	-	3,885,067
Selling and distribution costs	-	(2,926,683)	(2,926,683)	-	(2,926,683)
Administrative expenses	(2,100)	(9,291,656)	(9,293,756)	-	(9,293,756)
Other operating expenses	(2,641)	(4,241)	(6,882)	-	(6,882)
Operating (loss)/ profit	(4,741)	22,663,269	22,658,528	-	22,658,528
Finance costs	-	(2,004,405)	(2,004,405)	-	(2,004,405)
(Loss)/Profit before tax	(4,741)	20,658,864	20,654,123	-	20,654,123
Taxation	-	(5,373,314)	(5,373,314)	-	(5,373,314)
(Loss)/Profit for the year	(4,741)	15,285,550	15,280,809	-	15,280,809
Number of ordinary shares had the LCB Group been in existence [2]					110,000,000
Earnings per share (sen)					13.89

[1] There are no material intragroup transactions that require elimination on consolidation of LCB and LT Group.

[2] Based on the issued and paid-up share capital of 110,000,000 ordinary shares of RM0.50 each immediately prior to the Public Issue.

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7. Proforma Consolidated Cash Flow Statement of LCB Group for the Financial Year Ended 31 December 2007

	LCB Group RM
Cash flows from operating activities	
Profit before taxation	20,654,123
Adjustments for :-	
Depreciation of property, plant and equipment	1,491,004
Amortisation of :	
- prepaid lease payments	52,376
- intangible assets	85,447
Bad debts written off	2,786
Write back of allowance for doubtful debts no longer required	(799,162)
Dividend income	(78,050)
Gain on disposal of property, plant and equipment	(37,998)
Unrealised gain on foreign exchange	(335,298)
Property, plant and equipment written off	9,802
Interest income	(903,852)
Interest expense	2,004,405
Operating profit before working capital changes	22,145,583
Increase in inventories	(307,166)
Increase in trade and other receivables	(5,760,305)
Increase in trade and other payables	3,011,652
Decrease in amount owing to directors	(304,816)
Cash generated from operations	18,784,948
Tax paid	(5,327,690)
Interest received	903,852
Interest paid	(2,004,405)
Net cash from operating activities	12,356,705
Cash flows from investing activities	
Purchase of investments	(7,200)
Purchase of property, plant and equipment	(7,303,152)
Proceeds from disposal of property, plant and equipment	45,211
Dividend received	78,050
Net cash used in investing activities	(7,187,091)
Cash flows from financing activities	
Proceeds from issuance of new shares	22,000,000
Listing expenses paid	(2,500,000)
Bankers' acceptances net of repayment	2,358,000
Hire purchase instalments paid	(367,338)
Dividend paid	(25,407,989)
Repayment of term loans	(2,980,083)
Net cash used in financing activities	(6,897,410)
Net decrease in cash and cash equivalents	(1,727,796)
Cash and cash equivalents at beginning of year	25,415,331
Foreign exchange difference on opening balance	600
Cash and cash equivalents at end of year (Note 7.1)	23,688,135

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7. Proforma Consolidated Cash Flow Statement of LCB Group for the Financial Year Ended 31 December 2007 (Cont'd)

7.1 Components of Cash and Cash Equivalents at End of Year

	RM
Deposits with licensed financial institutions	9,285,599
Cash and bank balances	14,402,536
	23,688,135

8. Notes to the Proforma Consolidated Cash Flow Statement of LCB Group for the Financial Year Ended 31 December 2007

Basis of Preparation

The proforma consolidated cash flow statement of LCB Group for the financial year ended 31 December 2007, for which the Directors of LCB are solely responsible, has been prepared for illustrative purposes to show the effects of the transactions, as described in Note 2, on the consolidated cash flow statement of LCB Group had they been implemented and completed on that date, and is based on the audited financial statements of LCB and the adjusted LT Group's audited financial statements for the financial year ended 31 December 2007, on the basis that the LCB Group had been in existence throughout the financial year under review.

The proforma consolidated cash flow statement has been prepared based on the accounting principles and bases consistent with those adopted by LCB and LT Group in the preparation of the audited financial statements for the financial year ended 31 December 2007 which have been prepared in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. The proforma consolidated cash flow statement should be read in conjunction with the basis of preparation of the proforma consolidated balance sheets, proforma consolidated income statements and their respective notes thereon as set out in Notes 4 and 6.

The proforma consolidated cash flow statement has been prepared after incorporating the effects of transactions referred to in Notes 4 and 6 above.

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9. Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007

	Note	LCB Group RM
Assets		
Non-Current Assets		
Property, plant and equipment	10.2	20,145,788
Investment property	10.3	1,214,423
Prepaid lease payments	10.4	4,083,282
Intangible assets	10.5	257,294
Other investments	10.6	170,102
		25,870,889
Current Assets		
Inventories	10.7	23,061,416
Trade receivables	10.8	71,761,969
Other receivables	10.9	144,964
Deposits, cash and bank balances	10.10	23,688,135
		118,656,484
Total Assets		144,527,373
Equity and Liabilities		
Equity		
Share capital	10.11	65,000,000
Share premium	10.12	9,500,000
Exchange translation reserve		108,824
Merger deficit		(49,999,998)
Retained profits		50,032,849
Total Equity		74,641,675
Non-Current Liabilities		
Term loans (Secured)	10.13	635,983
Hire purchase creditors	10.14	530,467
Deferred tax liabilities	10.15	634,820
		1,801,270
Current Liabilities		
Trade payables	10.16	23,478,734
Other payables	10.17	5,937,412
Hire purchase creditors	10.14	319,418
Bank borrowings	10.18	37,393,000
Taxation		955,864
		68,084,428
Total Liabilities		69,885,698
Total Equity and Liabilities		144,527,373

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9. Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007 (Cont'd)

	LCB Group
Number of ordinary shares in issue (No.)	130,000,000
Net assets value ("NAV") (RM) [1]	74,641,675
Net tangible assets ("NTA") (RM)	74,384,381
NAV per ordinary share (RM) [1]	0.574
NTA per ordinary share (RM)	0.572

[1] For the purpose of calculating the NAV, the net carrying amount of computer software classified under Intangible Assets has been included.

10. Notes to the Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007

10.1 Basis of Preparation

The proforma statement of assets and liabilities of LCB Group as at 31 December 2007, for which the Directors of LCB are solely responsible, has been prepared for illustrative purposes to show the effects of the transactions, as described in Note 2, had they been implemented and completed as at that date, and is based on the audited financial statements of LCB and the adjusted LT Group's audited financial statements for the financial year ended 31 December 2007, on the basis that the LCB Group had been in existence throughout the financial year under review.

The proforma statement of assets and liabilities has been prepared based on the accounting principles and bases consistent with those adopted by LCB and LT Group in the preparation of the audited financial statements for the financial year ended 31 December 2007 which have been prepared in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. The proforma statement of assets and liabilities should be read in conjunction with the basis of preparation of the proforma consolidated balance sheets and the notes thereon as set out in Note 4.

The proforma statement of assets and liabilities has been prepared after incorporating the effects of transactions referred to in Notes 4 and 6 above.

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10. Notes to the Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007 (Cont'd)

10.2 Property, Plant and Equipment

(a) The property, plant and equipment consist of :-

	Cost RM	Accumulated depreciation RM	Net book value RM
Freehold land	2,411,942	-	2,411,942
Buildings	12,116,011	1,326,420	10,789,591
Office renovation	571,764	28,816	542,948
Furniture and fittings	704,420	639,156	65,264
Plant, equipment and motor vehicles	14,472,184	8,136,141	6,336,043
	30,276,321	10,130,533	20,145,788

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

	Cost RM	Accumulated depreciation RM	Net book value RM
Motor vehicles	1,736,186	826,411	909,775

(c) The net book value of property, plant and equipment pledged as securities for banking facilities granted to the Group are as follows :-

	RM
Freehold land	1,400,000
Buildings	5,121,595
	6,521,595

10.3 Investment Property

	RM
Carrying amount	
Balance at 1 January / 31 December 2007	1,214,423

(a) 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 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) Investment properties with an aggregate carrying amount of RM1,007,880 are pledged as securities for banking facilities granted to the Group.

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For Identification Purposes Only

10. Notes to the Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007 (Cont'd)

10.4 Prepaid Lease Payments

	Long term leasehold land RM
Cost	4,630,554
Accumulated amortisation	(547,272)
Net carrying amount	4,083,282

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

10.5 Intangible Assets

This consists of costs of software acquired and is stated at cost less accumulated amortisation as summarised below :-

	RM
Cost	428,426
Accumulated amortisation	(171,132)
Net carrying amount	257,294

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 over the estimated useful life of 5 years.

10.6 Other Investments

	RM
Shares in Malaysia :	
- Quoted	49,300
- Unquoted	110,000
Quoted redeemable convertible unsecured loan stocks	12,901
	172,201
Less : Allowance for diminution in value of quoted shares	(2,099)
Net carrying amount	170,102
Market value of :	
- Quoted shares	46,600
- Quoted redeemable convertible unsecured loan stocks	17,158
	63,758

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For Identification Purposes Only

10. Notes to the Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007 (Cont'd)

10.7 Inventories

	RM
At cost :-	
Raw materials	6,278,439
Consumables	18,016
Finished goods	16,764,961
	23,061,416

10.8 Trade Receivables

	RM
Trade receivables	73,589,527
Less : Allowance for doubtful debts	(1,827,558)
	71,761,969

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

	RM
Ringgit Malaysia	57,372,762
United States Dollar	13,938,186
Japanese Yen	5,881
Singapore Dollar	439,363
Canadian Dollar	5,777
	71,761,969

The Group's normal trade credit periods granted range from 30 to 120 days.

As at 31 December 2007, the Group has significant concentration of credit risk arising from the exposure to the amounts owing by seven (7) major customers representing approximately 41% of the total trade receivables. The amounts due and repayments from these customers are closely monitored by the management to ensure that the credit limits and terms agreed with the customers are complied with.

10.9 Other Receivables

	RM
Deposits	85,365
Prepayments	29,489
Other receivables	30,110
	144,964

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For Identification Purposes Only

10. Notes to the Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007 (Cont'd)

10.10 Deposits, Cash and Bank Balances

	RM
Deposits with licensed financial institutions	9,285,599
Cash and bank balances	14,402,536
	23,688,135

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

	RM
Ringgit Malaysia	15,564,509
United States Dollar	7,632,510
Singapore Dollar	491,116
	23,688,135

10.11 Share Capital

	Number of shares of RM0.50 each No.	Amount RM
Authorised		
Balance as at 1 January 2007	50,000	25,000
Created	199,950,000	99,975,000
Balance as at 31 December 2007	200,000,000	100,000,000
Issued and fully paid-up ordinary shares		
Balance as at 1 January 2007	4	2
Issued as consideration for acquisition of LT	109,999,996	54,999,998
Public issue of new IPO Shares	20,000,000	10,000,000
Balance as at 31 December 2007	130,000,000	65,000,000

10.12 Share Premium

The proforma share premium of LCB is arrived at as follows :-

	RM
Public issue of 20,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.10 per IPO Share	12,000,000
Less : Listing expenses	(2,500,000)
	9,500,000

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For Identification Purposes Only

10. Notes to the Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007 (Cont'd)

10.13 Term Loans (Secured)

	RM
Repayment :-	
Within 1 year	621,430
Between 2 to 5 years	1,363,861
After 5 years	650,692
	2,635,983
Less : Amount repayable within 1 year included under bank borrowings (Current liabilities - Note 10.18)	(621,430)
Term loans - Non-current liabilities	2,014,553
Less : Utilisation of proceeds from the IPO	(1,378,570)
	635,983

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.

The term loans are subject to interest rates ranging from 3.50% to 7.35% per annum.

10.14 Hire Purchase Creditors

	RM
Future minimum payments :-	
Within 1 year	356,952
Between 2 to 5 years	601,184
	958,136
Future finance charges on hire purchase	(108,251)
Present value	849,885
Payable within 1 year (included under current liabilities)	(319,418)
Payable between 2 to 5 years (included under non-current liabilities)	530,467

The interest rates implicit in the hire purchase obligation range between 5.01% to 9.94% per annum and the interest rates are fixed at the inception of the hire purchase arrangement.

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Chartered Accountants, Kuala Lumpur
For Identification Purposes Only

10. Notes to the Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007 (Cont'd)

10.15 Deferred Tax Liabilities

	RM
Balance as at 1 January 2007	567,882
Recognised in income statement	87,768
Effects of change in tax rate	(20,830)
Balance as at 31 December 2007	634,820

The components and movements of deferred tax assets and liabilities during the financial year are as follows :-

	As at 1.1.2007 RM	Recognised in income statement RM	Effects of change in tax rate RM	As at 31.12.2007 RM
Deferred tax assets				
Other deductible temporary differences	(64,040)	12,055	2,372	(49,613)
Deferred tax liabilities				
Excess of capital allowances over depreciation	631,922	75,713	(23,202)	684,433
	567,882	87,768	(20,830)	634,820

10.16 Trade Payables

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

	RM
Ringgit Malaysia	2,908,651
United States Dollar	20,552,901
Singapore Dollar	17,182
	23,478,734

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

10.17 Other Payables

	RM
Accruals	853,526
Provisions	3,861,044
Other payables	1,222,842
	5,937,412

Included in provisions is an amount of RM1,542,800 due to key management personnel of the Group.

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For Identification Purposes Only

10. Notes to the Proforma Statement of Assets and Liabilities of LCB Group as at 31 December 2007 (Cont'd)

10.18 Bank Borrowings

	RM
Bankers' acceptances (unsecured)	42,393,000
Term loans - short term portion (Note 10.13)	621,430
	43,014,430
Less : Utilisation of proceeds from the IPO [1]	(5,621,430)
	37,393,000

[1] The short term portion of the term loans of RM621,430 is expected to be settled in full from the proceeds of the IPO. The level of bankers' acceptances are also expected to be reduced by RM5,000,000 from the proceeds of the IPO.

The contractual terms and security arrangements of the term loans are detailed in Note 10.13 above.

Interests on bankers' acceptances are payable at rates ranging from 3.60% to 3.70% per annum.

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