
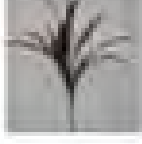
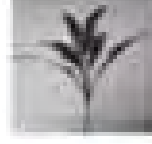
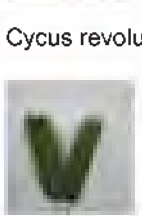






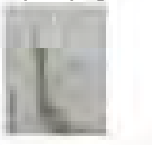





6. OUR BUSINESS (Cont'd)



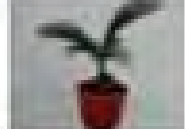

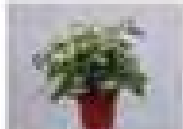
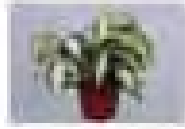


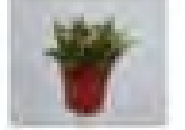
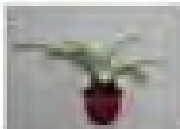


6.3.3 Horticulture

To complement our agrochemical products, we also produce and distribute foliage cuttings for floral arrangements and festive plants to Japan, USA, Singapore and the local market. We also produce some varieties of potted plants for the local market.

The table below shows the varieties of foliage cuttings, potted and festive plants mainly produced and distributed by us:

Product	Varieties		
Foliage cuttings	Braided rope (which are weaved using Sanderiana cuttings)	Cordyline "Bella"	Cordyline "Cappucino"
			
	Cordyline "Lipstick"	Cordyline "Red"	Cordyline "Rosea"
			
	Cordyline "Snow White"	Cycus revolute	Dracaena "Florida Beauty"
			
	Dracaena "Fragrans"	Dracaena "Godseffiana"	Dracaena sanderiana "White"
			
Monstera	Ophiopogan "Green"	Ophiopogan "White"	
			
Song of India	Yellow palm leaf		

6. OUR BUSINESS (Cont'd)

Product	Varieties		
Potted plants	<p>Caladium "Red"</p> 	<p>Caladium "Super"</p> 	<p>Cycas revolute</p> 
	<p>Dracaena "Florida Beauty"</p> 	<p>Dracaena "Javita"</p> 	<p>Dracaena "Milkyway"</p> 
	<p>Dracaena reflexa</p> 	<p>Dracaena "Tricolor"</p> 	<p>Sansevieria "Hahnii"</p> 
	<p>Zamia fisherii</p> 		
Festive plants	<p>Millennium Plants (which are weaved using Sanderiana cuttings)</p> 	<p>Peacock (which are weaved using Sanderiana cuttings)</p> 	

Note:

Zamia fisherii is also categorised as festive plant.

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6. OUR BUSINESS (Cont'd)

We also produce and distribute the following varieties of foliage cuttings and potted plants:

Product	Varieties
Foliage cuttings	<ul style="list-style-type: none"> ▪ Calathea insignis ▪ Candy sticks ▪ Chrysanthemum ▪ Cordyline "Espresso" ▪ Cordyline "Fuji" ▪ Cordyline "Glaucua" ▪ Cordyline "Hawaii" (leaf) ▪ Cordyline "Mini Red" ▪ Cordyline "Purpurata" ▪ Cordyline "Red Edge" ▪ Cordyline "Tricolour" ▪ Cordyline "Tropic White" ▪ Croton leaf ▪ Dracaena "Javita" ▪ Dracaena sanderiana "Yellow" ▪ Dracaena "Tricolor" ▪ Johore fern ▪ Nephrolepis auriculata ▪ Orchids ▪ Pandanus baptistii ▪ Podocarpus ▪ Polycias ▪ Rhaps ▪ Sansevieria "Laurentii" (leaf) ▪ Sansevieria "Laurentii" (sucker)
Potted plants	<ul style="list-style-type: none"> ▪ Begonia ▪ Cordyline "Fuji" ▪ Cordyline "Lipstick" ▪ Costus "Milkiway" ▪ Curcuma "Lotus Cup" ▪ Curcuma "Super Red" ▪ Dracaena sanderiana "White" ▪ Dracaena sanderiana "Yellow" ▪ Globba "Pink" ▪ Globba "White" ▪ Sansevieria "Laurentii" ▪ Zamia spp

Note:

Curcuma "Lotus Cup", Curcuma "Super Red" and Globba "White" are also categorised as festive plants.

6.3.4 Healthcare disposables

We also manufacture a wide range of healthcare disposable products, which include wet wipes, cotton-based products, sanitary napkins, tissue products, wiper sheets and distribute medical disposable products. Cotton-based products include facial cotton jumbo rolls, facial cotton pads, cotton buds, cotton balls, cotton wool rolls and zigzag of rayon-based cotton, as well as medical cotton using 100% cotton, whilst medical disposable products include gauze rolls, gauze swabs, swab sticks, disposable face masks, crepe bandages, wow gauze bandages and triangular bandages, under our brand name Protect.

We manufacture different features and various packaging sizes of healthcare disposable products to suit different needs and preferences of our customers. Our healthcare disposable products are marketed using various brand names. Our brand names are:

- (a) TenderSoft;
- (b) Evelyn®;
- (c) Every Woman®;
- (d) Protect;
- (e) Bunnies;
- (f) Tenders; and
- (g) Tensof®

Apart from developing and marketing our own brands, we are also a contract manufacturer for various local and foreign brands.

6. OUR BUSINESS (Cont'd)

We are one (1) of two (2) local manufacturers (including foreign companies with facilities in Malaysia) that have in-house cotton wool production facilities to produce cotton jumbo rolls from raw cotton. The cotton jumbo rolls are then used as the principal raw material in the manufacturing of cotton-based healthcare disposable product. We are also one of the leading producers of wet wipes in Malaysia and provide a wide range of wet wipes, which include baby wipes, antiseptic wipes, hygienic wipes, family wipes, kitchen and household wipes, facial cleansing wipes, feminine wipes and alcohol surface wipes (for hospital use).

(Source: Independent Market Research Report by D&B Malaysia)

6.4 Our New and Proposed Products

6.4.1 Agrochemicals

- **Dipel® ES**

Dipel® ES is a biological insecticide produced by Sumitomo Chemical Company Ltd., Japan. With respect to the application of this biological insecticide, we successfully innovated a motorised power sprayer, under the name of "Halex Power Sprayer", which enables the delivery of Dipel® ES to control bagworms and nettle caterpillars in tall oil palms, which have been conventionally controlled by trunk injection with restrictive chemicals. Dipel® ES is an environmentally-friendly biological insecticide, which is not harmful to humans, natural enemies, pollinators and predators. The new product brochure for Dipel® ES was approved by the Pesticides Board of Malaysia in October 2006 and the product was successfully launched to oil palm plantations in early 2007.

- **Pleo® 10.6EC**

We have received full registration approval from the Pesticides Board of Malaysia in January 2007 to distribute Pleo® 10.6EC, and successfully launched this product in April 2007. Pleo® 10.6EC is a novel insecticide used to control the "diamond back moth", the most damaging insect to leafy vegetables. It is manufactured by Sumitomo Chemical Company Ltd., Japan.

- **Ohsin® 20WP**

We have received full registration approval from the Pesticides Board of Malaysia in January 2008 to distribute Ohsin® 20WP, which is a new third generation insecticide used to control leafminers in legumes. It is manufactured by Mitsui Chemicals, Inc., arranged by Summit Agro International Ltd., Japan. Label expansion for the use of Ohsin® 20WP in various other crops has been submitted to the Pesticides Board of Malaysia, and the product was launched in the second half of 2008.

- **Danjiri® 10SC**

Danjiri® 10SC is a novel fungicide used to control downy mildew and late blight. The product registration is in the advanced stage and the registration approval is expected in 2009/2010. It is manufactured by LG Chemical Investment from Korea, arranged by Summit Agro International Ltd., Japan.

The rights to distribute these proprietary products will give us exclusive market rights to the proprietary brands as well as serve to diversify our product range.

Please refer to Section 6.17.4 of this Prospectus for further information on our proposed products.

6. OUR BUSINESS (Cont'd)

6.4.2 Agro-biotechnology

In order to keep abreast with a continuously-evolving biotechnology industry, we started our own tissue culture laboratory to cultivate seedlings of existing and new varieties of plants.

We have also been looking into pollution-free and ecologically-sustainable techniques of composting organic waste using worms since 2005. The end-products from the techniques or processes are:

- vermicast and vermicompost, which are high quality organic fertilisers and soil conditioner;
- leachate, which are liquid fertilisers that drain out of the worm bin, and contain nutrients and beneficial microorganisms; and
- worm tea, which is a microbial brew made by placing vermicast or vermicompost in dechlorinated water and feeding the organisms appropriately. Worm tea is highly beneficial in improving overall plant health.

We have successfully bred worms to produce vermicast and vermicompost. We have also embarked on R&D collaboration initiatives with CABI, a leading international non-profit organisation specialising in sustainable solutions for agricultural and environmental problems. On 13 November 2006, we entered into a Memorandum of Understanding and Memorandum of Agreement with CABI and CABI-SEA respectively, for the identification and extraction of beneficial microorganisms from worm tea, multiplication of microorganism population, as well as to process them into dormant form for mass production and commercialisation, and then revitalise them to combat pathogenic insects, nematodes, fungi and bacteria. We have extended our collaboration with CABI-SEA to October 2009.

In May 2008, we have also entered into collaboration with CEPP, UTM to commercialise a few vermiculture products, starting with the development of pelletised vermicast or vermicompost into organic fertilisers.

Please refer to Section 6.17.4 of this Prospectus for further information on our proposed products.

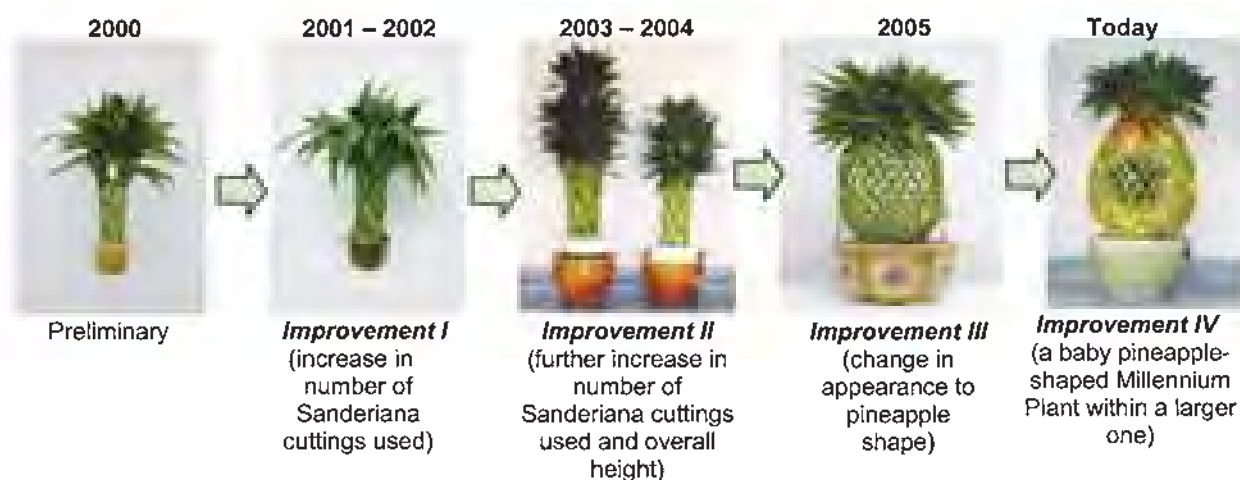
6.4.3 Horticulture

We have been undertaking development of the Millennium Plant since 2000. The Millennium Plant is a festive plant which is weaved from Sanderiana white, yellow or green cuttings. In 2005, we successfully weaved pineapple-shaped Millennium Plants from Sanderiana green cuttings. Our pineapple-shaped Millennium Plant is available in three (3) sizes, namely S-size (1.5 feet), M-size (2.5 feet) and L-size (4.0 feet). We have also been successful in weaving a baby pineapple-shaped Millennium Plant within another larger pineapple-shaped Millennium Plant. To the best knowledge of our Directors, we were the first local company to introduce and name the Millennium Plants in Malaysia in 2000.

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6. OUR BUSINESS (Cont'd)

The evolution of our production of Millennium Plant is depicted as follows:



6.4.4 Healthcare disposables

We have constantly expanded our healthcare disposable product range since our incorporation. We successfully developed and marketed our TenderSoft baby wipes, antiseptic wipes, hygienic wipes, facial cleansing wipes and feminine wipes since January 2005. Our wipes have also been tested for hypoallergenicity and irritancy by the Philippines Board of Dermatology, Department of Health and were certified as safe products in May 2007. In November 2008, we also managed to successfully market our 'pet' wipes under the TenderSoft brandname to two (2) overseas countries, namely Thailand and Brunei.

Please refer to Section 6.17.4 of this Prospectus for further information on our proposed products.

6.5 Seasonality/Cyclical

6.5.1 Agrochemicals

Our Agrochemicals Division does not experience distinctive peak or off-peak seasons. However, the following factors may affect our sales volume for certain products:

- there are two (2) major paddy seasons in a year, specifically the season between April and July, and the season between September and December. These two (2) paddy seasons generally result in a higher demand for our products like 2,4-D Amine, 2,4-D BE and cypermethrin;
- continuous rainy days would reduce the spraying frequency of glyphosate and other systemic agrochemicals as such systemic agrochemicals take a few hours to be absorbed into the plants' system; and
- demand for our products is generally lower during festive seasons due to manpower shortage and holidays.

Considering the limited shelf life of our agrochemical products, and also that the Pesticides Board of Malaysia discourages the agrochemical products to be kept for more than a year, we manage the surges in demand during the two (2) major paddy seasons by increasing our stock levels before the paddy seasons. In addition, we are also looking into expanding our production facility capacity for agrochemicals.

6. OUR BUSINESS (Cont'd)

6.5.2 Agro-biotechnology

We enjoy consistent demand for our tissue cultured plantlets throughout the year. In November 2007, we have invested approximately RM1.7 million to construct a new tissue culture facility, with a built-up area of approximately 1,765 square metre, and approximately RM400,000 to acquire additional tissue culture equipment. However, our tissue culture operations are presently running at full capacity at one (1) 12-hour shift. As such, we plan to increase our workforce and/or work hours to meet the future demand.

6.5.3 Horticulture

We enjoy fairly constant demand for our foliage cuttings and festive plants from our customers. However, demand for our foliage cuttings and festive plants is typically lower during the Christmas and New Year holiday period, as well as during the summer which falls between mid-May and late-July due to the ability of our customers in temperate weather countries to harvest from their own domestic nurseries.

We typically experience a surge in demand for our horticulture products during traditional festivals, especially Mothers' Day and All Souls' Day in which our foliage cuttings are required to form part of bouquets. We closely monitor our production levels based on our knowledge of historical trends as well as purchase orders received from our customers six (6) months before the delivery of our horticulture products. If necessary, we will also source from other growers to meet any shortage of our horticulture products.

6.5.4 Healthcare disposables

Save for the Malaysian Mega Sales seasons in March, August and December, we enjoy fairly consistent demand for our healthcare disposable products throughout the year.

Presently, our Healthcare Disposables Division is running at full capacity on our production of cotton buds. Further, we are facing space constraint, as we have newly acquired box tissue converting machines and cotton bud machines. As such, we are expanding our current premises through the acquisition of a piece of land with a partially-completed factory building in Ulu Tiram, Johor Darul Takzim, as well as looking into acquiring additional machinery to meet this demand.

6.6 Our Competitive Strengths

We believe that our competitive strengths lie in the following areas:

(a) Diversity of product range

We specialise in a wide range of agrochemical products, which are used exclusively in most agricultural sectors. We hold over 111 products registered with the Pesticides Board of Malaysia, of which 94 of them are our in-house generic products, while the other 17 are proprietary products that we hold under our sole distribution rights within Malaysia. We have another 20 products pending registration and re-registration with the Pesticides Board of Malaysia, of which 16 of them are our in-house generic products, while the other four (4) are proprietary products. We also have 30 products registered in eight (8) different developing countries.

6. OUR BUSINESS (Cont'd)

To complement our Agrochemicals Division, we also produce and distribute foliage cuttings for floral arrangements and festive plants to Japan, USA, Singapore and the local market, as well as some varieties of potted plants for the local market.

In addition, we have moved into the arena of biotechnology, with an operational tissue culture production as well as vermiculture facilities. Our tissue culture operations produce a large variety of orchid seed cultures and ornamental plants for orchid and ornamental plant growers in Malaysia and Singapore.

(b) Diversity of business

We are also involved in the manufacturing, processing and distribution of healthcare disposable products to both the local and overseas markets. Our products include wet wipes, cotton-based products, sanitary napkins, tissue products, wiper sheets and medical disposable products. Cotton-based products include facial cotton jumbo rolls, facial cotton pads, cotton buds, cotton balls, cotton wool rolls and zigzag of rayon-based cotton, as well as medical cotton using 100% cotton.

We are one (1) of two (2) local manufacturers (including foreign companies with facilities in Malaysia) that have in-house cotton wool production facilities to produce cotton jumbo rolls from raw cotton. The cotton jumbo rolls are then used as the principal raw material in the manufacturing of cotton-based healthcare disposable product. We are also one of the leading producers of wet wipes in Malaysia and provide a wide range of wet wipes, which include baby wipes, antiseptic wipes, hygienic wipes, family wipes, kitchen and household wipes, facial cleansing wipes, feminine wipes and alcohol surface wipes (for hospital use).

(Source: Independent Market Research Report by D&B Malaysia)

(c) One (1) of the market leaders in the local foliar fertilisers market

We are the sole distributor in Malaysia for the well-known Leffingwell range of foliar fertilisers manufactured by Yara Phosyn Ltd. (formerly known as Phosyn plc) from UK. Unlike most other foliar fertilisers, which are hygroscopic and therefore have limited shelf lives, the Leffingwell brand of foliar fertilisers are long-lasting, spray-dried, controlled-release wetttable powders. Following its introduction to the Malaysian market in the early 1980s, this range of foliar fertilisers is well-recognised and is widely-used by Malaysian cash crop growers due to its effectiveness. Our Directors are of the opinion that, together with our own range of foliar fertilisers, namely *Fruitti Organisol* for fruit-bearing plants and *Leaffie Organisol* for leafy vegetables, we are one (1) of the market leaders in the local foliar fertilisers market.

(d) Strong R&D capabilities

Our ability to produce a wide range of products is attributed to our strong R&D capabilities. We are committed to continuously engage in R&D to enhance product efficacy, cost effectiveness and environmental-friendliness through the development of new products while eyeing the potential to apply for Intellectual Property Rights, opening up new uses for existing products, enhancing and/or complementing efficacy of existing products and assessing alternative sources of raw materials.

Our Directors are of the opinion that, as a testament of our R&D capabilities, we are the first local company to have obtained a registration in Malaysia for the water-based cypermethrin (Cypermethrin 10EW) insecticide for agricultural crops. We have also successfully commercialised our agrochemicals, such as our bio-organo foliar fertilisers in 2004. We have also started our own tissue culture laboratory to cultivate seedlings of existing and new varieties of plants. We are currently undertaking R&D on water dispersible granules and other EW formulations. We are also looking into

6. OUR BUSINESS (Cont'd)

pollution-free and ecologically-sustainable techniques of composting organic waste using worms, as well as the identification and extraction of beneficial microorganisms from worm tea, multiplication of microorganism population, as well as to process them into dormant form for mass production and commercialisation, and then revitalise them to combat pathogenic insects, nematodes, fungi and bacteria.

Further details of the water-based cypermethrin and water dispersible granule are set out in Section 6.17.4 of this Prospectus.

(e) Good quality management system

We have implemented a stringent quality management system to ensure that our manufacturing processes are in line with our stipulated standards and procedures. Our commitment to quality is evidenced by the accreditation received by Halex Industries from SIRIM QAS International Sdn Bhd in 2005 certifying that our quality systems meet the requirements of the ISO 9001:2000 Quality Management System.

In August 2003 and August 2006 respectively, Halex Woolton was awarded the ISO 9001:2000 certification in Quality Management System for its cotton-based products and wet wipes by SIRIM QAS International Sdn Bhd. Its facial cotton and wet wipes have also been tested for hypoallergenicity and irritancy by the Philippines Board of Dermatology, Department of Health and were certified as safe products in May 2007.

Halex Woolton was also awarded the Good Manufacturing Practice (GMP) certification on its controlled manufacturing room for the manufacture of wet wipes by BPFK in 2004. Meanwhile, its tissue and cotton manufacturing facilities have been audited and approved by some of its well-known customers, which include local and foreign hypermarket and supermarket chains, as well as local pharmacies and pharmaceutical chains.

In view of our plans to expand the reach of our products to the European Union region, we are also working towards achieving the British Retail Consortium Global Standard. Further details of this standard are set out in Section 6.13.4 of this Prospectus.

(f) Inroads made into overseas markets

Our agrochemicals, foliage cuttings and festive plants, as well as healthcare disposable products have been exported to overseas countries since 2001, 1999 and 2003 respectively. We successfully export our agrochemicals to over 10 countries worldwide, such as Singapore, Taiwan, Hong Kong and developing countries like Vietnam, Myanmar, Indonesia, the Philippines, Pakistan, Bangladesh, Mauritius, Brunei, Thailand, Slovenia, Senegal and Lebanon. Whilst our tissue cultured plantlets are exported to orchid growers in Singapore, where a thriving orchid growing industry is centred, our fresh foliage cuttings and festive plants are mainly exported to Japan, USA and Singapore. We also sell our healthcare disposable products to Kenya, Australia, New Zealand, Brunei, Hong Kong, Pakistan, the Philippines, Singapore, Thailand, Vietnam, Taiwan, India, Mexico and Brazil.

For the FYE 30 September 2008 and six (6)-month FPE 31 March 2009, our export sales contributed approximately 24.47% and 23.78% of our revenue, respectively.

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6. OUR BUSINESS (Cont'd)

(g) Established track record and brand names

With over 29 years of involvement in agrochemical products and over 19 years of involvement in foliage and ornamental horticulture, we have established a solid presence in the agriculture sector, in particular the agrochemical industry. We have also developed a strong reputation as an established distributor of various pesticides and fertilisers, whereby we hold sole distributorship rights for various products produced by various MNCs.

With more than 15 years of experience in the healthcare disposables industry, we have also built up a good reputation by maintaining an effective quality system for our healthcare disposable products. Apart from developing and marketing our own brands within and outside Malaysia, we are also a contract manufacturer for various local and foreign brands.

In July 2006, TenderSoft was awarded with the Business Superbrands status. Subsequently, TenderSoft was elevated to the Consumer Superbrands status on 14 November 2006, which further promotes a high level of awareness for our healthcare disposable products. In March 2007, our facial cleansing wipes were also awarded the HALAL Certification by Jabatan Kemajuan Islam Malaysia (JAKIM).

As at LPD, we have a large customer base comprising 300 customers across the agricultural sectors and 280 hypermarket and supermarket chains, local pharmacies and pharmaceutical chains, as well as original equipment manufacturers (OEM).

(h) Experienced and professional management team

We have an experienced management team which is familiar with our businesses and the industries that we are involved in, and which we believe would be able to lead our Group to continued growth and profitability. Our success depends upon the abilities and continuing efforts of our Managing and Executive Directors, as well as our management team.

Our Managing Director, Mr. Yeoh Cheng Poh, as well as our Executive Directors, Mr. Low Ngak Tiow and Mr. Ong E Jo @ Wong Ah Chuan have been working within the agricultural sector for more than 30 years. Meanwhile, our Executive Director, Encik Husaini bin Md Sadli @ Md Sardili and our General Manger, Mr. Wong Woon Peng @ Ong Inn Peng who oversee our Healthcare Disposables Division, have more than 20 years of relevant experience in the healthcare disposables industry.

Believing that a strong management team is imperative to our continued success, our Managing Director, Mr. Yeoh Cheng Poh has also groomed a dedicated and dynamic management team to assist in our daily business management. Each of our key management personnel possesses more than 10 years of experience relevant to their field of work.

(i) Strategic alliances

As part of our continuous efforts to expand our business, we continuously cooperate with external consultants to determine the cause(s) and the most effective methods of preventing and treating some persistent leaf disease problems on a number of varieties of foliage plants, such as Sanderiana "White" and Song of India.

6. OUR BUSINESS (Cont'd)

On 13 November 2006, we also entered into a Memorandum of Understanding and Memorandum of Agreement with CABI and CABI-SEA respectively, a leading international non-profit organisation specialising in sustainable solutions for agricultural and environmental problems, for the identification and extraction of beneficial microorganisms from worm tea, multiplication of microorganism population, as well as to process them into dormant form for mass production and commercialisation, and then revitalise them to combat pathogenic insects, nematodes, fungi and bacteria. We have extended our collaboration with CABI-SEA to October 2009.

In May 2008, we have also entered into collaboration with CEPP, UTM to commercialise a few vermiculture products, starting with the development of pelletised vermicast or vermicompost into organic fertilisers.

(j) *Exclusive sole distributorship rights in Malaysia*

With our established and extensive distribution network in Malaysia, we are proud to be the sole distributor in Malaysia for several agrochemical products developed by various well established MNCs, which include Chemtura Corporation (formerly known as Uniroyal Chemical Co. Inc. and Crompton Corporation), AMVAC Chemical Corporation and Wilbur-Ellis Company from USA, Sumitomo Chemical Company Ltd. and Summit Agro International Ltd. from Japan, as well as Yara Phosyn Ltd. (formerly known as Phosyn Plc.) from UK.

Under the sole distributorship rights, the principal owners of these products are fully reliant on us to sell their products in Malaysia. As such, we are able to secure a substantial clientele base within the local agrochemical market.

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6. OUR BUSINESS (Cont'd)

6.7 Our Location of Operations

Our principal place of business and operation are located in the following premises:

Location	Beneficial/ Registered owner	Existing use	Tenure / Expiry date of lease	Approximate age of the building / Date of certificate of fitness	Land area (Square metre)	Build-up area (Square metre)
No. 9, Jalan Taruka Tampoi Industrial Estate 81200 Johor Bahru, Johor Darul Takzim	Halex Woolton	Head office and factory for Halex Woolton	60 years lease expiring on 26.12.2053	10 years / 18.11.1999	4,860	4,768
No. 11-1, Jalan Petaling Kawasan Perindustrian Dato' Onn 80350 Johor Bahru, Johor Darul Takzim	Halex Woolton	Factory for Halex Woolton	60 years lease expiring on 23.10.2041	22 years / 25.01.1987	4,046	2,137
Lot PTB 264, Jalan Tun Mutalib Satu Kawasan Industri Bandar Tenggara 81440 Bandar Tenggara Johor Darul Takzim	Halex Industries	Factory for Halex Industries	60 years lease expiring on 21.01.2050	11 year / 15.08.1998	12,237	3,562
Lot 1167, GM 227, EMR 870 Mukim Senai 81000 Kulai, Johor Darul Takzim	Halex Biotechnologies	Nursery (Seelong) for Halex Biotechnologies	Freehold	Not applicable	27,746	-
Lot 650 & 651, GM 547 & 361 Ban Foo Village Mukim Plentong 81800 Ulu Tiram, Johor Darul Takzim	Halex Biotechnologies	Nursery (Ban Foo) for Halex Biotechnologies (including tissue culture facility and microbiology laboratory)	Freehold	Not applicable	54,576	1,820
No. 7, Jalan Kapat Off Chain Ferry 12100 Butterworth, Penang	Aw Hong Sum (Rented)	Branch office for Halex (M) and Halex Woolton	01.04.2009 to 31.12.2009	Not applicable	-	509.4

6. OUR BUSINESS (Cont'd)

Location	Beneficial/ Registered owner	Existing use	Tenure / Expiry date of lease	Approximate age of the building / Date of certificate of fitness	Land area (Square metre)	Build-up area (Square metre)
No. 25G & 25A, Jalan PCR 3 Kawasan Perniagaan Cheras Raya Batu 11 Cheras 43200 Cheras, Selangor Darul Ehsan	Tang Kun Kek (Rented)	Branch office for Halex (M) and Halex Woolton	01.06.2008 to 31.05.2010	Not applicable	-	260
Lot 618, Ban Foo Village Mukim Plentong 81800 Ulu Tiram, Johor Darul Takzim	Poh Ah Ming (Rented)	Nursery (Ban Foo) for Halex Biotechnologies	16.05.2008 to 15.05.2013	Not applicable	27,286	-
Lot 1446, GM 1438 Mukim Plentong 81800 Ulu Tiram, Johor Darul Takzim	Ong Toh Huat and Hon Kwee Lan (Rented)	Nursery (Ban Foo) for Halex Biotechnologies	01.01.2008 to 31.12.2017	Not applicable	33,134	-

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6. OUR BUSINESS (Cont'd)

6.8 Our Production Process

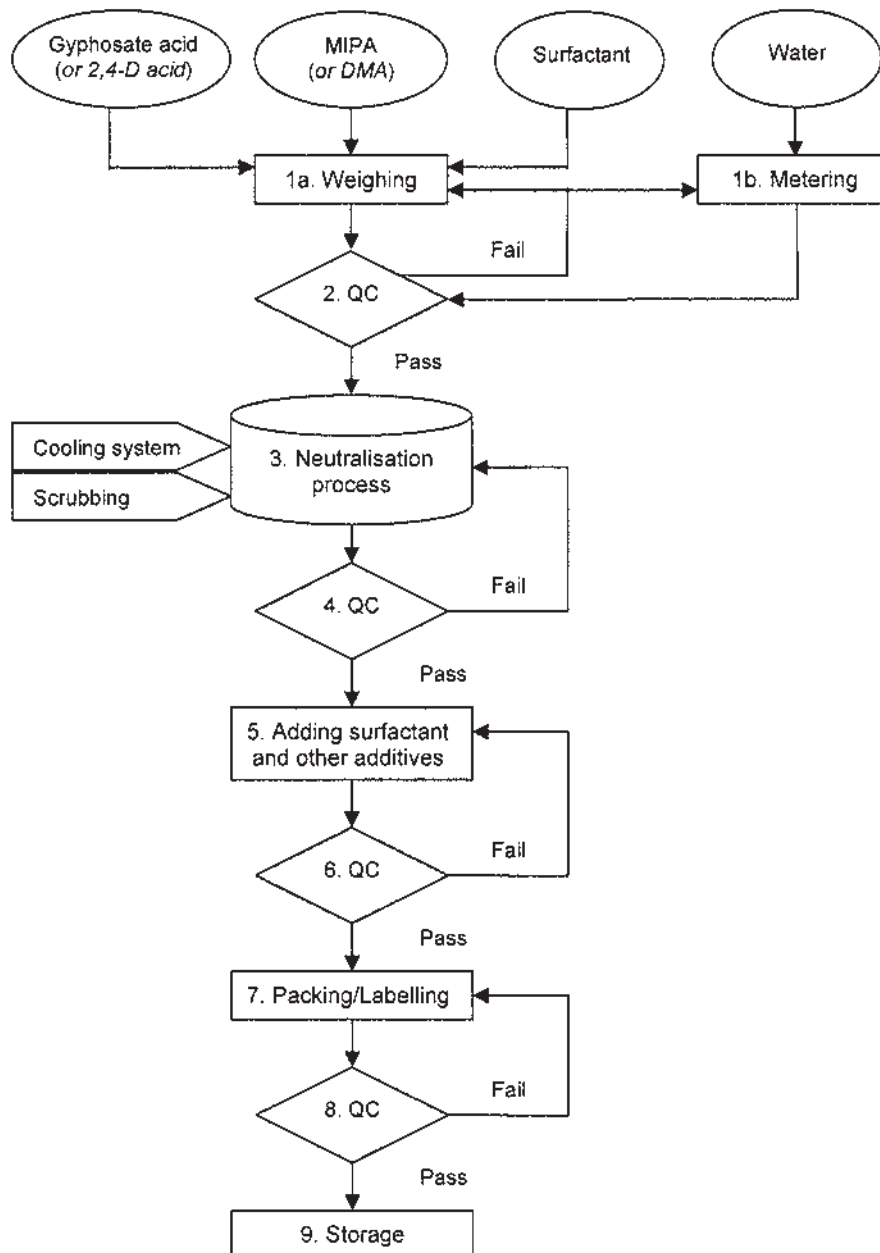
6.8.1 Agrochemicals production process

Our agrochemicals production facility is located within the premises of Halex Industries.

▪ **Pesticides production process**

Our pesticides, whether herbicides, insecticides or fungicides, are generally produced based on the following four (4) major characteristics of the pesticides.

▪ **Water-based (glyphosate and 2,4-D Amine) herbicides formulation process**



6. OUR BUSINESS (Cont'd)

1. The process for the manufacturing of glyphosate herbicides (*or 2,4-D Amine herbicides*) begins with weighing of the glyphosate acid (*or 2,4-D acid for 2,4-D Amine herbicides*), mono isopropylamine (MIPA) (*or dimethylamine (DMA) for 2,4-D Amine herbicides*) and surfactants in accordance with the required quantities specific for each type of herbicide product.

On the other side, filtered water is measured using the water meter during the production process.

2. Our Production Supervisor and QC personnel check to ensure that the required raw materials are accurately weighed and are of good quality, and the required amount of filtered water is accurately measured before being fed into the reactor. If they are not correctly weighed or measured, raw materials and/or filtered water is added or removed until the required amount is achieved.
3. The water cooling jacket reactor is filled with filtered water from the water storage tank, followed by the gradual introduction of glyphosate acid (*or 2,4-D acid*) into the reactor. The neutralisation process takes place when MIPA (*or DMA*) is gradually pumped into the reactor. MIPA and DMA are colourless transparent liquids that are corrosive and inflammable, and have strong ammonia-like smell. The reaction of adding acid with alkali would form the salt. Glyphosate (*or 2,4-D*) acid technical (as solid acid base) would react with MIPA (*or DMA*) (as liquid alkali base) to produce glyphosate (*or 2,4-D*) Isopropylamine Salt (as liquid salt or DMA salt). The contents in the reactor are continuously stirred to ensure a completely homogenised mixture. The neutralisation process takes approximately 30 minutes and produces heat, which in turn leads to temperature and pressure build-up within the reactor. These are constantly monitored and controlled through the cooling system and scrubber tower.

Cooling System and Scrubber Tower

The reaction of glyphosate acid (*or 2,4-D acid*) and MIPA (*or DMA*) results in an exothermic process whereby heat is released during the neutralisation process. Thus, a cooling system is needed to bring down the temperature below 50°C in order to minimise the evaporation of MIPA (*or DMA*). The cooling system consists of a cooling tower, from which water passes through the water jacket of the vessel continuously to cool the chemicals in the reactor vessel.

The scrubber tower contains water and concentrated sulphuric acid that is mixed to achieve pH levels of between 1 and 2. The mixture is then continuously sprayed in the chamber, and any excess MIPA (*or DMA*) from the reactor would be neutralised and deodorised. This "scrubbing" function also acts as a safety measure by trapping the release of gas resulting from the un-reacted MIPA (*or DMA*) in the neutralisation process, hence ensuring only clean, non-hazardous air is released into the atmosphere.

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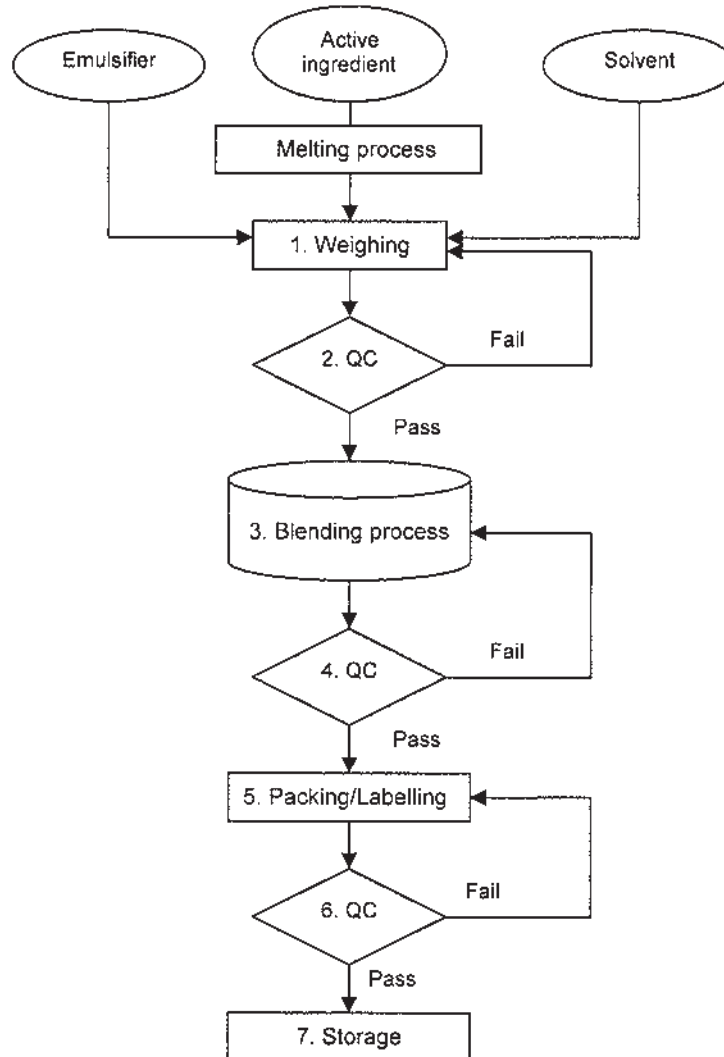
6. OUR BUSINESS (Cont'd)

4. Our QC personnel collect a sample from the mixed solutions to ensure that it meets specific requirements, including the appropriate pH and quality levels. Samples that fail this QC check will render further adjustments to the formulation, whereby MIPA (or DMA) and filtered water are further added until the required product quality is achieved, certified and approved by our QC Chemist. After more MIPA (or DMA) and filtered water are added, the contents in the reactor are again stirred to ensure a completely homogenised mixture. This process is repeated until a homogenised mixture is obtained.
5. Surfactants and other additives are pumped into the reactor to improve herbicidal activity and to enhance the product's overall application characteristics. The mixture is continuously stirred.
6. Our QC personnel collect a sample of mixed solutions from the reactor to ensure that it meets the required pH level. Samples that fail this QC check will render further adjustments to the formulation.
7. Finished products that have passed the final QC check are then filtered and pumped into a bulk storage tank to prepare for packing. Finished products are carefully measured according to the volumes specified, and filled into drums, HDPE bottles and other types of packaging, depending on customers' requirements and chemical compatibility. Finished products are then sealed, labelled and packed into cartons for warehousing. Labelling of finished products is mandatory under the Pesticides Board of Malaysia.
8. Our QC personnel ensure that the finished products are accurately measured and labelled appropriately. Finished products that do not meet the QC requirements are sent back to be re-packed and/or re-labelled.
9. Finished products are sent to our Store Officer, who ensures the products are in good physical condition, before warehousing or delivery to customers.

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6. OUR BUSINESS (Cont'd)

▪ Solvent-based herbicides/insecticides manufacturing process



1. The process for the manufacturing of solvent-based herbicides/insecticides begins with weighing of the emulsifiers, active ingredients and solvents.

Pesticides with Emulsifiable Concentrate (EC) formulation are mainly produced from oil-based active ingredients or from solid ingredients, such as chlorpyrifos technical. Solid ingredients have to be dissolved in a solvent such as xylene or other aromatic solvents. Active ingredients in solid form must be transformed into a liquid state through a melting process, using a hot bath tank.

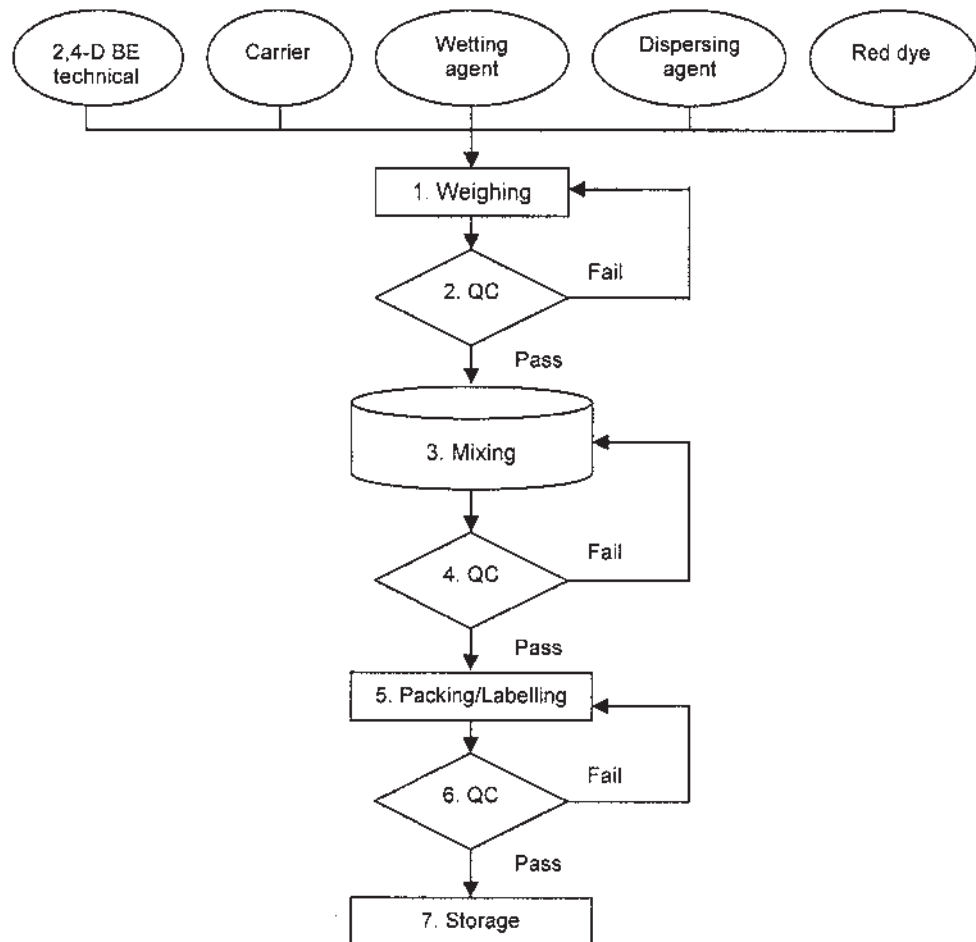
2. Our Production Supervisor and QC personnel check to ensure that the emulsifiers, active ingredients in liquid state and solvents are accurately weighed and are of good quality before being fed into the process tank. If they are not correctly weighed, raw materials are added or removed until the required amount is achieved.

6. OUR BUSINESS (Cont'd)

3. Unlike water-based herbicides, the manufacturing process for solvent-based herbicides/insecticides does not require a water cooling jacket reactor to mix the raw materials. Instead, a stainless steel process tank is used to stir and blend the raw materials. Active ingredients are fed into the process tank, followed by other raw materials (i.e. emulsifiers and solvents). Emulsifiers are surface active agents used to facilitate or increase the dispersion of a liquid in another, when two liquids are immiscible (not mixable). These are commonly used to help mix an oil-based pesticides formulation in water. The contents in the process tank are continuously stirred to ensure a completely blended mixture.
4. Our QC personnel collect a sample of mixed solutions from the process tank to ensure that it meets specific requirements. Samples that fail this QC check will render further adjustments to the formulation, whereby active ingredients, solvents and/or other materials are further added until the required product quality is achieved, certified and approved by our QC Chemists. After more active ingredients, solvents and/or other materials are added, the contents in the process tank are again stirred to ensure a completely blended mixture. This process is repeated until a blended mixture is obtained.
5. Finished products that have passed the final QC check are then filtered and pumped into a bulk storage tank to prepare for packing. Finished products are carefully measured according to the volumes specified, and filled into metal drums, PET bottles and other types of packaging, depending on customers' requirements and chemical compatibility. Finished products are then sealed, labelled and packed into cartons for warehousing. Labelling of finished products is mandatory under the Pesticides Board of Malaysia.
6. Our QC personnel ensure that the finished products are accurately measured and labelled appropriately. Finished products that do not meet the QC requirements are sent back to be re-packed and/or re-labelled.
7. Finished products are sent to our Store Officer, who ensures the products are in good physical condition, before warehousing or delivery to customers.

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6. OUR BUSINESS (Cont'd)

▪ *Wettable powder formulation process*

1. The process for the manufacturing of wettable powder form herbicides/insecticides begins with weighing of the active ingredient (i.e. 2,4-D BE technical), carrier (i.e. clay and silica), wetting agent, dispersing agent and red dye. The ratio of clay and silica has to be right in order to get a free flow and stable wettable powder formulation.
2. Our Production Supervisor and QC personnel check to ensure that the raw materials are accurately weighed and are of good quality before being fed into the process tank. If they are not correctly weighed, raw materials are added or removed until the required amount is achieved.
3. The raw materials are fed into the process tank. Clay and silica act as the carrier (inert). The carrier acts as an oil absorbent and is added to the technical pesticide to help dilute it to the final strength required for use. A wetting agent is added to stabilise the mixture of two immiscible substances, namely oil-based herbicides/insecticides and water, and facilitate the suspension of herbicides/insecticides in water. A dispersing agent is also added to enhance the dispersing or spreading ability of the product in water. Red dye is added to differentiate the appearance of the product. The red colour also helps farmers to differentiate the sprayed areas, which have red spots, from the un-sprayed areas. The contents in the process tank are continuously stirred and left to mix for approximately 15 to 20 minutes, to ensure a completely homogenous mixture.

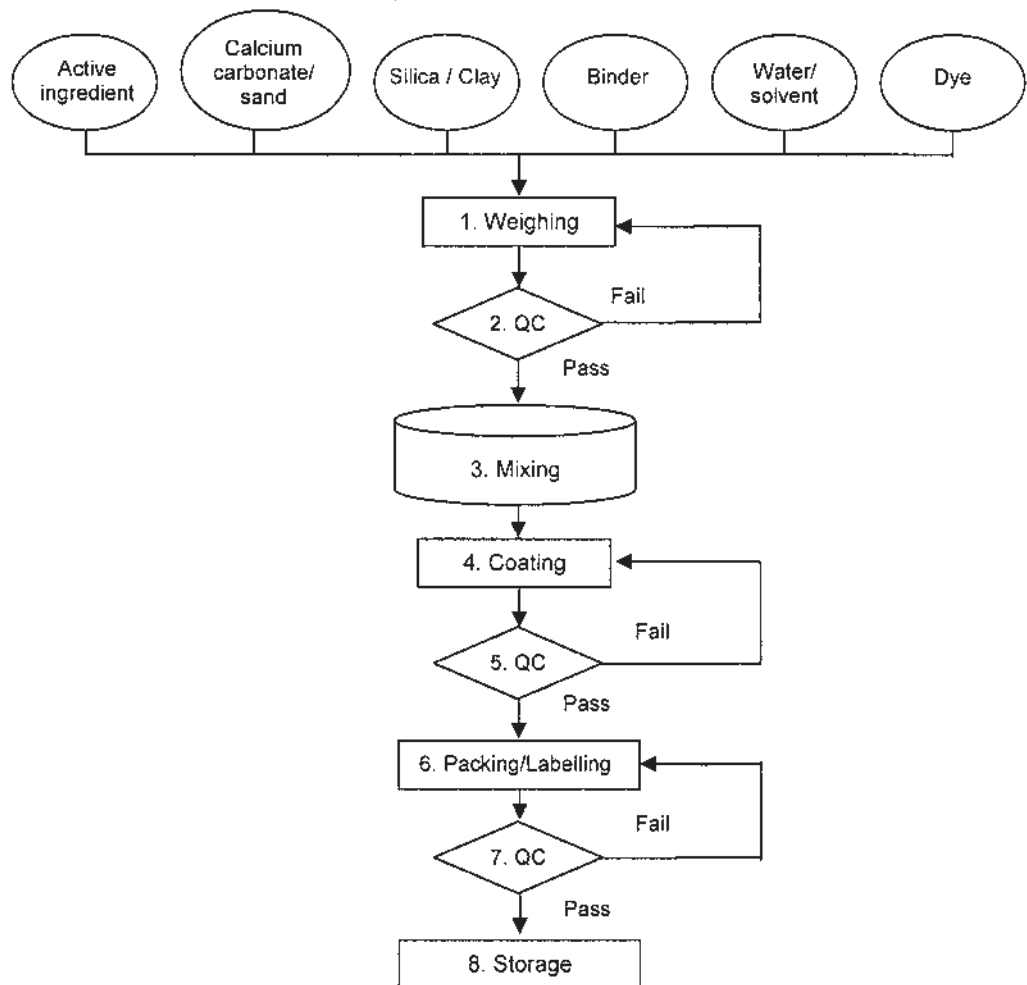
6. OUR BUSINESS (Cont'd)

4. Our QC personnel collect a sample of mixed solutions from the process tank to ensure that it meets specific requirements. Samples that fail this QC check will render further adjustments to the formulation, whereby 2,4-D BE technical, carrier, wetting agent, dispersing agent and/or red dye are further added until the required product quality is achieved, certified and approved by our QC Chemists. After more 2,4-D BE technical, carrier, wetting agent, dispersing agent and/or red dye are added, the contents in the process tank are again stirred to ensure a completely homogenous mixture. This process is repeated until a homogenous mixture is obtained.
5. Finished products that have passed the final QC check are carefully measured according to the volumes specified, and filled into plastic packs. Finished products are then sealed, labelled and packed into cartons for warehousing. Labelling of finished products is mandatory under the Pesticides Board of Malaysia.
6. Our QC personnel ensure that the finished products are accurately measured and labelled appropriately. Finished products that do not meet the QC requirements are sent back to be re-packed and/or re-labelled.
7. Finished products are sent to our Store Officer, who ensures the products are in good physical condition, before warehousing or delivery to customers.

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6. OUR BUSINESS (Cont'd)

▪ Sand granulation formulation process



1. The process for the manufacturing of sand granule form herbicides/ insecticides begins with weighing of the active ingredient, calcium carbonate or sand, silica or clay, binder, water or solvent, and dye.
2. Our Production Supervisor and QC personnel check to ensure that the raw materials are accurately weighed and are of good quality before being fed into the process tank. If they are not correctly weighed, raw materials are added or removed until the required amount is achieved.
3. The active ingredient, water or solvent, and binder are slowly discharged into the process tank, followed by calcium carbonate or sand, silica or clay, and dye. Calcium carbonate or sand is the granular core (inert) of the product. Calcium carbonate can also increase the soil pH, and this is important to reduce the acidity of soil. Furthermore, the size of this carrier will determine the product appearance. Meanwhile, silica or clay helps to even out distribution of active ingredient on the surface of the carrier, and binder is slow-released type glue that is used to bind the active ingredient with the inert. The contents in the process tank are continuously stirred to ensure a completely homogenous mixture.

6. OUR BUSINESS (Cont'd)

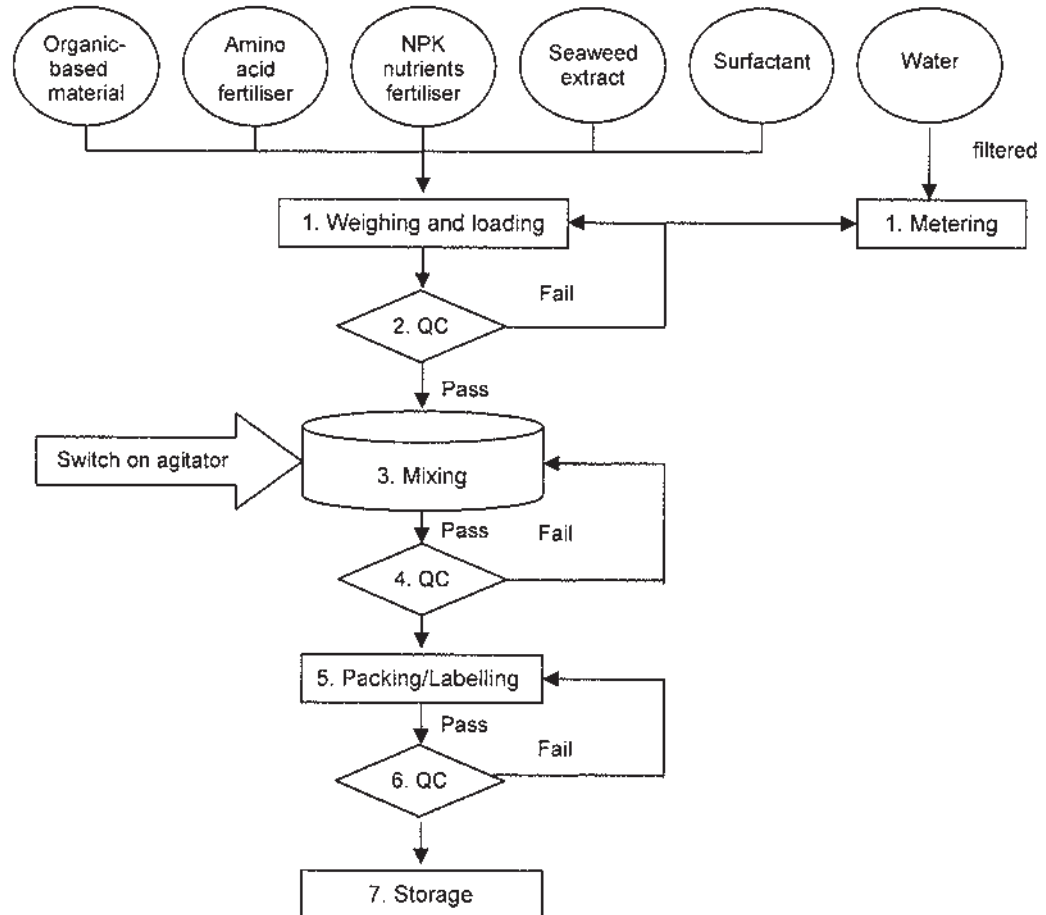
4. Granular formulations are similar to dust formulation (i.e. wettable powder) except that granular particles are larger and heavier. The active ingredient is incorporated into a carrier (i.e. silica or clay) over an inert granular core (i.e. calcium carbonate or sand). As the calcium carbonate or sand is mixed with the carrier, the binder helps to build up the chemical coating to the required percentage of the total weight (normally 3% ~ 10% according to product types). The dye used in the formulation is a good indicator of uniform distribution of chemical on the surface coating. The residual dust, which is separated from the granular product, can be reused in the following batch.
5. Our QC personnel collect a sample of the mixed solution from the process tank to ensure that it meets specific requirements. Samples that fail this QC check will render further adjustments to the formulation, whereby active ingredient, calcium carbonate or sand, silica or clay, binder, water or solvent and/or dye are further added until the required product quality is achieved, certified and approved by our QC Chemists. After more active ingredient, calcium carbonate or sand, silica or clay, binder, water or solvent and/or dye are added, the contents in the process tank are again stirred to ensure a completely homogenous mixture. This process is repeated until a homogenous mixture is obtained.
6. Finished products that have passed the final QC check are carefully measured according to the volumes specified, and filled into plastic packs. Finished products are then sealed, labelled and packed into cartons for warehousing. Labelling of finished products is mandatory under the Pesticides Board of Malaysia.
7. Our QC personnel ensure that the finished products are accurately measured and labelled appropriately. Finished products that do not meet the QC requirements are sent back to be re-packed and/or re-labelled.
8. Finished products are sent to our Store Officer, who ensures the products are in good physical condition, before warehousing or delivery to customers.

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6. OUR BUSINESS (Cont'd)

Organisol foliar fertilisers production process

The process for the manufacturing of our organisol foliar fertilisers is set out below.



1. The process for the manufacturing of organisol foliar fertilisers begins with weighing and loading of the organic-based material, amino acid fertiliser, nitrogen, phosphorus and potassium (NPK) nutrients fertiliser, seaweed extract and surfactant in accordance with the required quantities specific for each type of organisol foliar fertilisers. Meanwhile, surfactant is added to enhance the product's overall application characteristics, and it is loaded in two (2) to three (3) stages.

On the other side, tap water is filtered using a pre-filter to remove undesirable particles and other unwanted residue, and is measured using the water meter during the production process.

2. Our Production Supervisor and QC personnel check to ensure the raw materials are accurately weighed and loaded and are of good quality before being fed into the process tank, and the agitator is switched on. If they are not correctly weighed, raw materials are added or removed until the required amount is achieved.

6. OUR BUSINESS (Cont'd)

3. The organic-based material, amino acid fertiliser, NPK nutrients fertiliser, seaweed extract and surfactant are slowly discharged into the process tank, followed by filtered water. Organic-based material, amino acid fertiliser, NPK nutrients fertiliser and seaweed extract are nutrients that are beneficial to plants. The agitator mixes and blends the mixed solution for approximately an hour until all contents in the process tank have dissolved and turned into viscous liquid form.
4. Our QC personnel collect a sample of the mixed solution from the process tank to ensure that it meets specific requirements. Samples that fail this QC check will render further adjustments to the formulation, whereby organic-based material, amino acid fertiliser, NPK nutrients fertiliser, seaweed extract and/or surfactant are further added until the required product quality is achieved, certified and approved by our QC Chemists. After more of the said materials are added, the contents in the process tank are again mixed and blended to ensure completely homogenous mixture. This process is repeated until a homogenous mixture is obtained.
5. Finished products that have passed the final QC check are carefully measured according to the volumes specified, and filled into plastic packs. Finished products are then sealed, labelled and packed into cartons for warehousing.
6. Our QC personnel ensure that the finished products are accurately measured and labelled appropriately. Finished products that do not meet the QC requirements are sent back to be re-packed and/or re-labelled.
7. Finished products are sent to our Store Officer, who ensures the products are in good physical condition, before warehousing or delivery to customers.

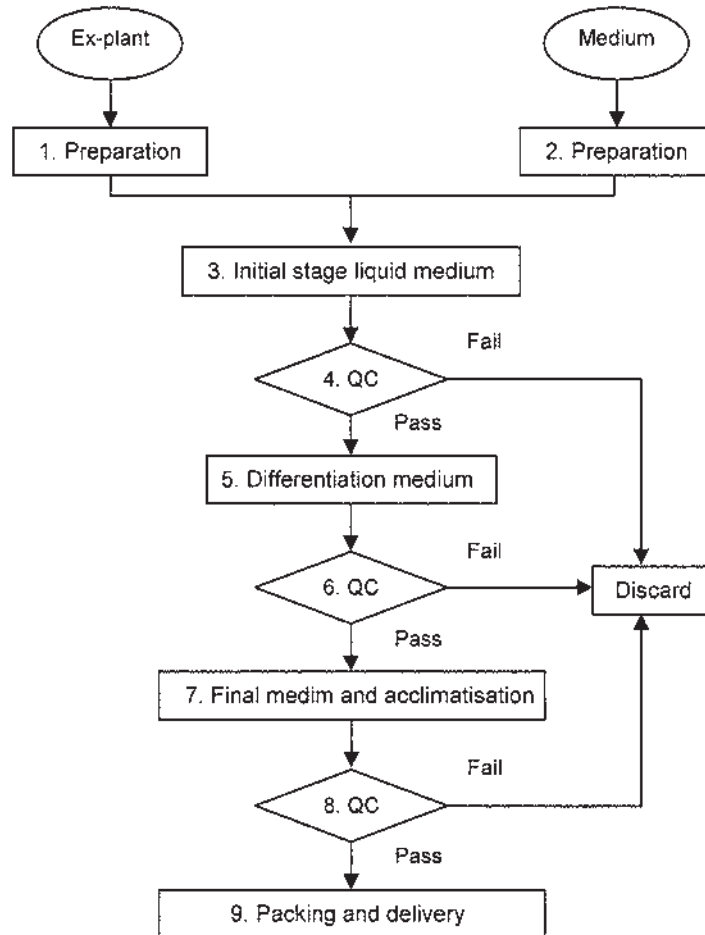
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6. OUR BUSINESS (Cont'd)

6.8.2 Agro-biotechnology process

Our tissue culture operations are located within the premises of Halex Biotechnologies. The process of propagating tissue culture orchid and ornamental plants is set out below.

- **Plant tissue culture process**



1. Ex-plants are removed from the mother plant, pruned, cleaned and sterilised, then cut into tiny pieces under a laminar flow cabinet.
2. Nutrients formulated by us are boiled and mixed with agar. Different nutrients are added depending on the medium produced (i.e. initial stage liquid medium, differentiation medium or final medium). The medium are then sterilised using autoclave after transferring into flasks.
3. The tiny pieces of ex-plants are placed into the initial stage liquid medium and the lid of the flask is properly secured. Information on the ex-plants is recorded and the flasks are labelled, before being placed on shaker devices for aeration and prevention of stems, roots, and leaves formation. The shaker devices are located within an isolated culture room, where the temperature is regulated to allow healthy development of plant calluses. Multiplied plant cells in clumps are known as plant calluses.

6. OUR BUSINESS (Cont'd)

4. QC check is conducted on the plant calluses. Plant calluses that are unhealthy or underdeveloped are discarded.
5. Plant calluses that are healthy are separated and placed into different flasks that contain differentiation medium. This medium encourages the development of stems, roots and leaves from the plant calluses. Once the plant calluses develop stems, roots and leaves, they are known as plantlets. This multiplication process is continued until the customers' quantity requirements are met.
6. QC check is conducted on the plantlets. Plantlets that are unhealthy or underdeveloped are discarded.
7. Plantlets that are healthy are removed from the culture room and placed into flasks containing the final medium. The final medium encourages good rooting systems. The flasks are placed in green house to acclimatise the plantlets to the temperature outside the culture room.
8. Final QC check is conducted on the plantlets before delivery to customers. Plantlets that are unhealthy or underdeveloped are discarded.
9. Plantlets that are healthy are packed to be delivered to customers.

In order to ensure quality plantlets, every individual piece of ex-plant is always limited to produce specific number of plantlets. Over-production of plantlets from a single piece of ex-plant will affect the quality of plants during field cultivation.

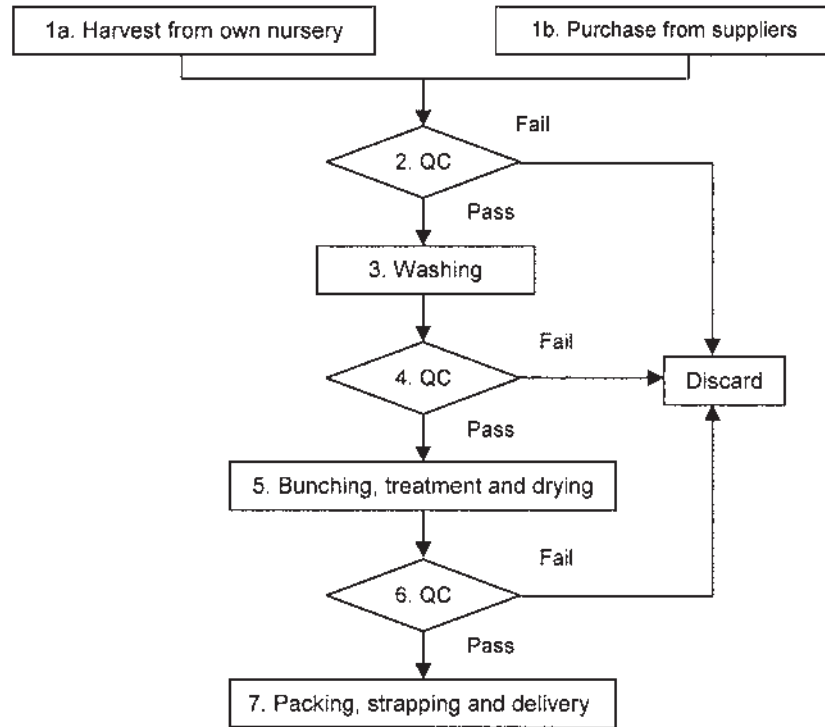
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6. OUR BUSINESS (Cont'd)

6.8.3 Horticulture processes

Our horticulture facility is located within the nurseries of Halex Biotechnologies and are categorised into two (2) main processes.

- **Foliage cuttings**

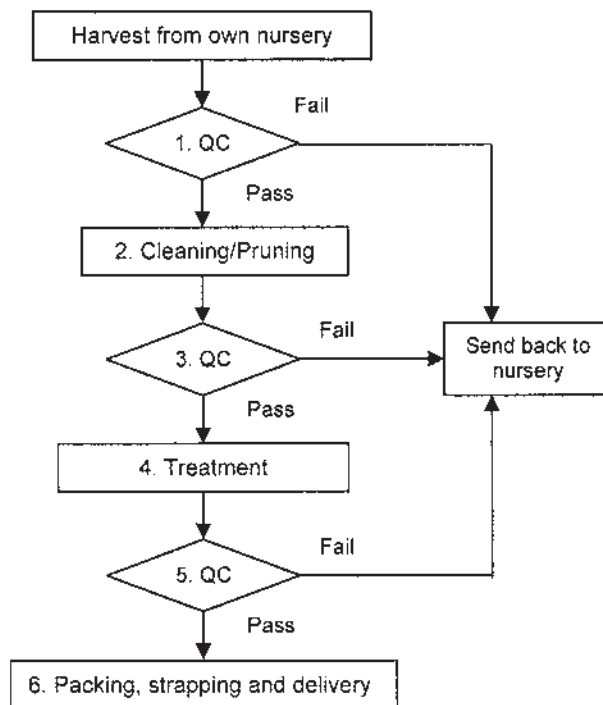


1. Harvesting is conducted twice a week, which is usually one (1) to two (2) days before the foliage cuttings are due to be shipped out. Harvesters are trained to select only cuttings that are of acceptable quality and length. Cuttings are immediately collected and placed into water bins located under a shade or netting to ensure they remain supple and fresh. If our nurseries are unable to meet the demand from our customers, additional foliage cuttings are purchased from other nurseries.
2. A day before the foliage is due to be shipped out, all cuttings, whether from our nurseries or from our suppliers, are sent to the packing house to check for insects and blemishes, and to inspect its size. Insects are removed, blemishes are trimmed off and cuttings that do not meet the customers' requirements are discarded.
3. Cuttings that meet customers' requirements are washed, using high-pressured water, to clean off any pesticide and dirt staining the cuttings.
4. The cuttings are checked again to ensure any insect still attached to the leaves are removed and minor blemishes are trimmed off. Cuttings that do not meet the customers' requirements are discarded.

6. OUR BUSINESS (Cont'd)

5. Cuttings that meet customers' requirements are bunched into standard numbers of 5, 10 or 20 cuttings, treated with fungicides and insecticides that are usually produced from our Agrochemicals Division, and stacked on racks to be dried under a blower. The drying process is conducted to remove excess water. This prevents the cuttings from "sweating" during the shipment, which in turn lowers the risk of bacteria and fungus infections.
6. The cuttings are checked and those that do not meet the customers' requirements are discarded.
7. Cuttings that meet customers' requirements are packed into custom-designed boxes. These boxes are made to hold perishable foliage as they have holes that allow air flow and are custom-made to specifications to hold just the right size and quantity of cuttings, thus ensuring space maximisation. The boxes are then securely strapped for ease of transportation and handling, and shipped to customers by air freight.

- **Potted or festive plants**



1. When customers place an order, the required potted or festive plants are transported from the nursery to the packing house. All potted or festive plants are sent to the packing house to check for insects and blemishes, and to inspect its size. Insects are removed, blemishes are trimmed off and plants that do not meet the customer's requirements are sent back to the nursery.
2. Potted or festive plants that meet customers' requirements are washed to clean off any pesticide and dirt staining the plants.
3. The potted or festive plants are checked again to ensure any insect still attached to the leaves are removed and minor blemishes are trimmed off. Plants that do not meet the customers' requirements are sent back to the nursery.

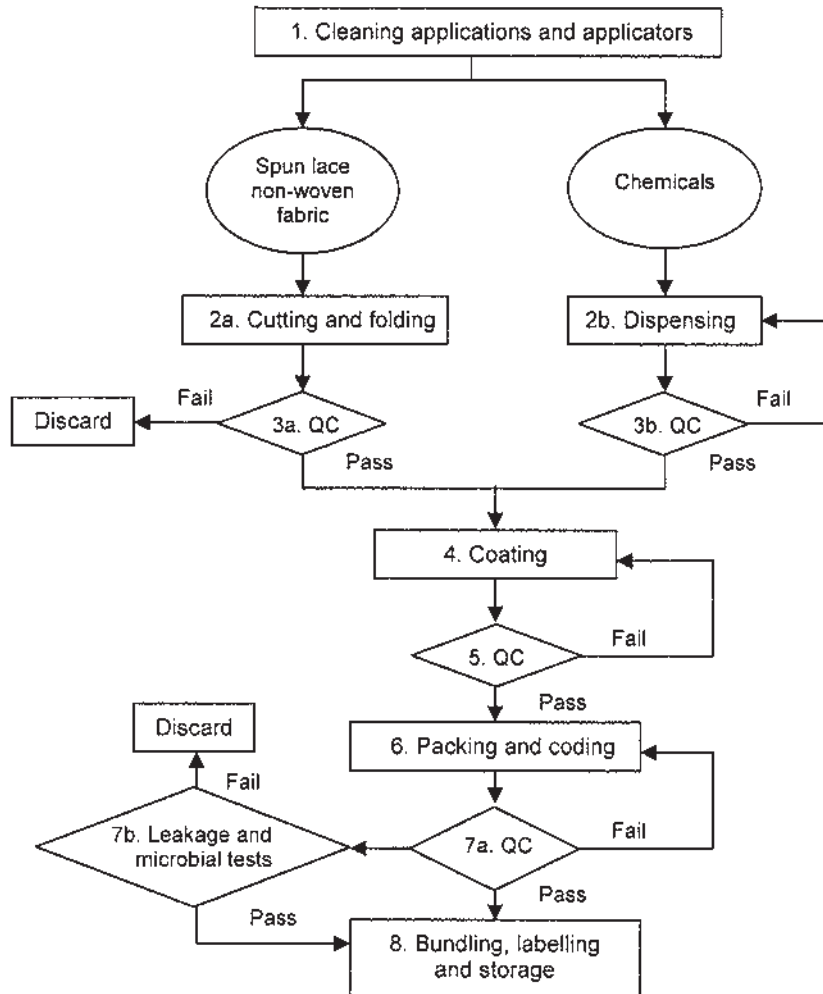
6. OUR BUSINESS (Cont'd)

4. Potted or festive plants that meet customers' requirements are treated with fungicides and insecticides that are usually produced from our Agrochemicals Division.
5. The potted or festive plants are checked and those that do not meet the customers' requirements are sent back to the nursery.
6. Potted or festive plants that meet customers' requirements are packed and securely strapped for ease of transportation and handling, and delivered to customers.

6.8.4 Healthcare disposables production process

Our healthcare disposables production facility is located within the premises of Halex Woolton. The manufacturing process of our healthcare disposable products is set out below.

▪ **Wipes production process**



6. OUR BUSINESS (Cont'd)

1. The wipes production process is conducted in a clean environment in our controlled manufacturing room. All applicators and work areas are checked by our Production Supervisor to ensure that all procedures comply with the Good Manufacturing Practice (GMP) standard.
2. Spun lace non-woven fabric is fed from storage rolls onto a machine that cuts and folds the spun lace non-woven fabric under ultraviolet light. Ultraviolet light acts as an agent for eradicating and minimising bacteria in the spun lace non-woven fabric.

On the other hand, the chemicals used in the wipe solution, including purified water and mild detergents combined with moisturising agents, fragrances and preservatives (which prevent bacterial growth), are measured in the dispensing room. The chemicals are mixed together in large batch/mixing tanks in the mixing room and are continuously stirred to ensure a completely homogenous mixture.

3. Our Operators check to ensure that the spun lace non-woven fabric is cut and folded properly. Those that meet required specifications are stacked or arranged in a bin before being sent to its controlled manufacturing room for solution impregnation, while those that are not in good condition are discarded.

On the other hand, our Chemist checks the wipe solution to ensure that the mixture meets specified pH requirements. The wipe solution is re-adjusted if it does not meet the specified pH requirements.

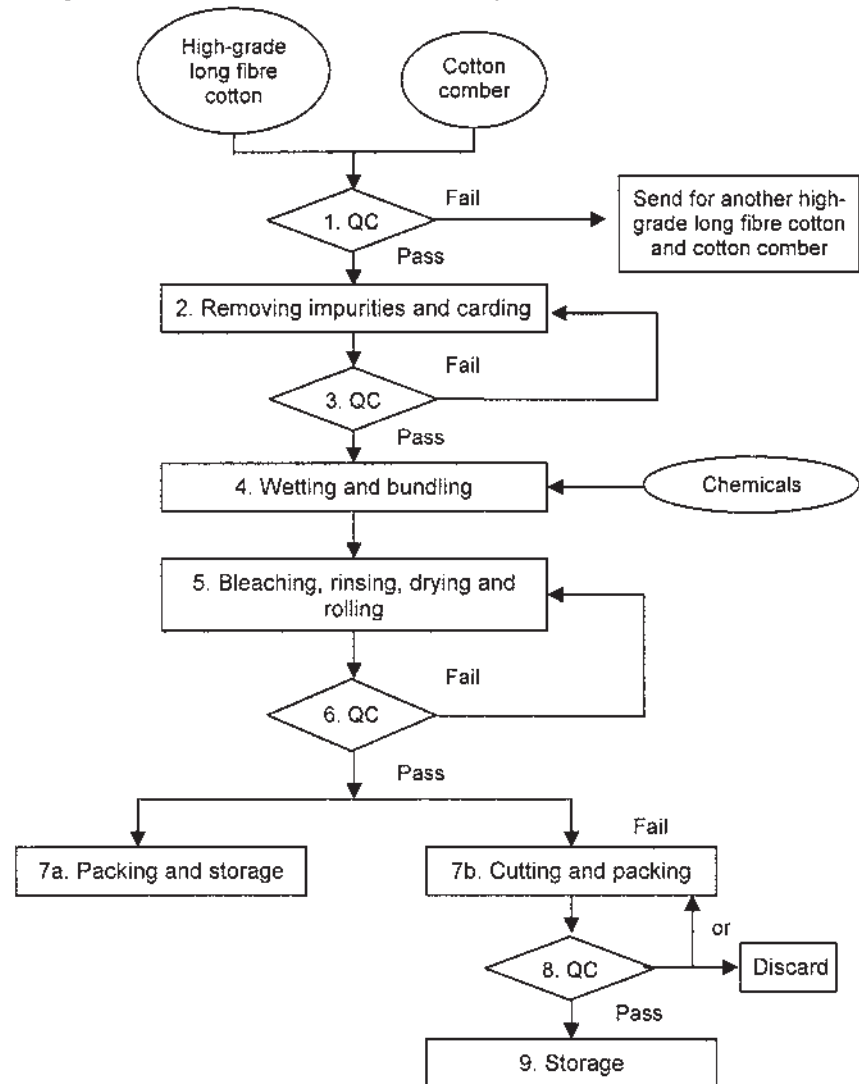
4. A set number of folded spun lace non-woven is fed into the coating machinery, where the wipe solution is applied.
5. Our Production Supervisor checks to ensure that the spun lace non-woven contains the correct amount of solution before packing. Where the liquid does not meet specified requirement, the machine is re-adjusted to set the correct liquid ration of wipe solution that will be in each folded spun lace non-woven.
6. The coated cloths are transferred to packing machines that package the wipes into sealed foil pouches with open/close stickers, as well as printed batch number, manufacturing date and/or expiry date, depending on the specified requirements.
7. Our Operators check to ensure the wipes are properly sealed in foil pouches and are correctly coded or marked. The wipes that do not meet the QC requirements are sent back to be re-packed or recoded.

Our QC personnel also conduct QC checks by way of a leakage test, on six (6) samples taken hourly from each batch of wipes in sealed foil pouches, and a microbial test, on one (1) sample taken at random from each batch of wipes. Such QC checks are elaborated in Section 6.13.4 of this Prospectus. Those that do not meet the QC requirement are discarded.

8. The wipes in sealed foil pouches are bundled (e.g. five (5) packets of wipes bundled together in a pack), tagged with barcodes and placed in cartons. These cartons are sent to the store, before being delivered to customers.

6. OUR BUSINESS (Cont'd)

- Facial cotton jumbo roll and facial cotton pads production process



Facial cotton jumbo roll

- High-grade long fibre cotton and cotton comber are fed into the facial cotton jumbo roll production machine. Cotton comber is derived from spinning mills. QC checks are conducted on the high-grade long fibre cotton and cotton comber to ensure that they meet specific requirements. High-grade long fibre cotton and cotton comber that do not meet the required specifications are sent back to suppliers and another high-grade long fibre cotton and cotton comber are sent to the machine.
- Impurities are removed using a clean machine and the cotton is carded. Carding is the process where cotton fibres are opened, cleaned and straightened to form layers.
- Our Operators check the thickness and width of the carded cotton. The carded cotton that does not meet the QC requirement is sent back to be re-carded.
- The resultant wet and thin sheet of fibre is run through a long water tank and mixed with chemicals. It is then made into bundles.

6. OUR BUSINESS (Cont'd)

5. The bundles are placed through a bleaching and rinsing process. This is then followed by a drying process, where the bundles are sprayed with polyvinyl alcohol, before it is rolled. Polyvinyl alcohol is a substance that allows the facial cotton to appear smooth and silky.
6. Our Operators check the weight (gm per square metre) and width of the dry facial cotton. The dry facial cotton that does not meet the QC requirement is sent back to be re-processed.
- 7a. The facial cotton jumbo roll is packed and sent to the store, before being delivered to customers.

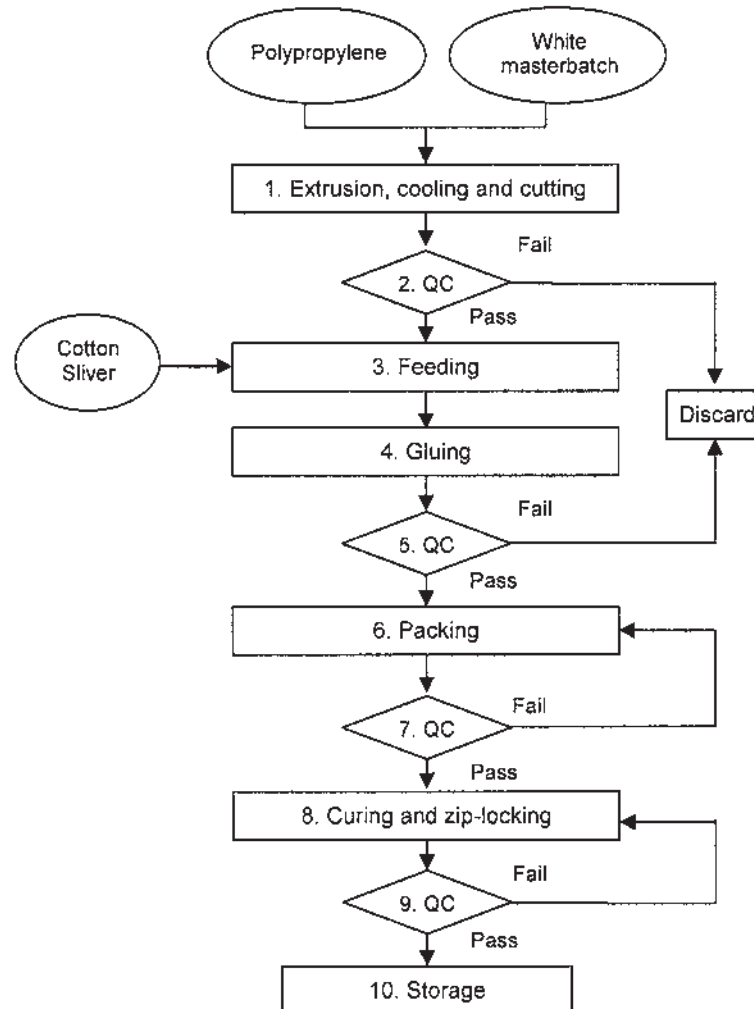
Facial cotton pads

- 7b. The facial cotton jumbo roll is sent to the facial cotton pads production machine. Facial cotton jumbo roll is cut into small squares and packed in plastic packaging.
8. Our Operators check to ensure that there are a set number of facial cotton pads in each plastic packaging as well as the weight, size and appearance (i.e. white and cut properly) of each piece of facial cotton. The number of facial cotton pads that does not meet the QC requirement is sent back to be re-packed. Facial cotton pads that do not meet the QC requirements with respect to weight, size and appearance are discarded.
9. The packed facial cotton pads are placed in cartons. The cartons are sent to the store, before being delivered to customers.

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6. OUR BUSINESS (Cont'd)

▪ Cotton buds production process

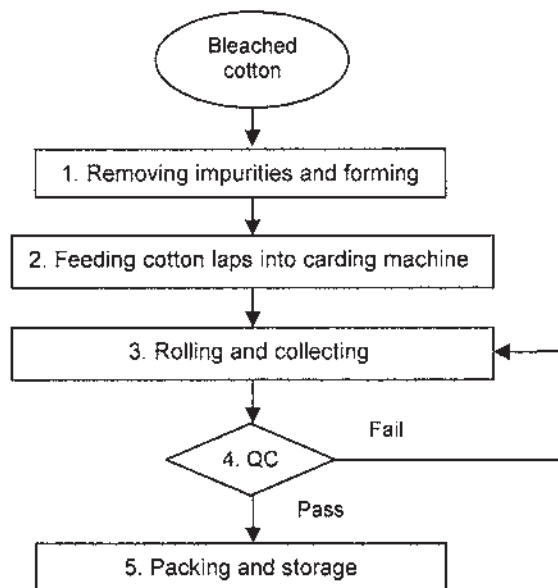


1. Polypropylene is added with white masterbatch and extruded to form a long and thin plastic tube. The plastic tube is dipped in water to cool and harden it, and subsequently it is cut to size to form plastic stems. The plastic stems are then arranged and packed in boxes to facilitate the feeding into the cotton buds production machine.
2. Our Operators check the size of the plastic stems to ensure that they are approximately 2.5 mm in diameter and 72.0 mm in length. The plastic stems that do not meet the QC requirement are discarded.
3. Plastic stems and cotton sliver are fed into the cotton buds production machine.
4. Adhesive is applied to both ends of each plastic stem and a portion of cotton sliver is attached to the adhesive bearing end. The cotton is forced to assume a teardrop profile.
5. Our Operators check the cotton buds to ensure that they are glued properly onto the stems. The cotton buds that do not meet the QC requirement are discarded.

6. OUR BUSINESS (Cont'd)

6. Rows of cotton buds are picked up by the machine and are packed into plastic packs. Cotton buds that meet requirements are between 4.5 and 5.5 mm in diameter, and are 76.0 to 78.0 mm in length as well as 0.19 to 0.23 gm in weight. Cotton buds that do not meet the QC requirements are either removed by our Operators or would not be picked up by the machine. These cotton buds would be sold off as lower grade cotton buds.
7. Our Operators check the packed cotton buds to ensure that the number of cotton buds in each pack meet the requirements. The packed cotton buds that do not meet the QC requirement are sent back to be re-packed.
8. Cotton buds in plastic packs are sent to the oven and cured for eight (8) hours to remove fungus before being manually zip-locked by our Operators.
9. Our Operators check the packed cotton buds to ensure that there is no moisture trapped in the plastic pack. Packed cotton buds that do not meet the QC requirement are sent back to be re-cured.
10. The packed cotton buds are placed in cartons. The cartons are sent to the store, before being delivered to customers.

▪ Cotton balls production process

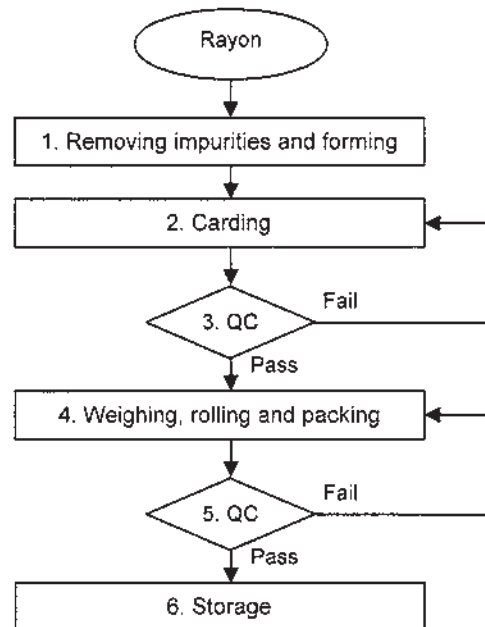


1. Bleached cotton is fed into a cotton lap production machine, where impurities are removed and the cotton is formed into a lap by rollers.
2. Bleached cotton is fed into a carding machine to form cotton sliver.
3. Cotton sliver is then fed into the cotton balls making machine and is automatically rolled to form cotton balls, which are collected at the end of the production line.
4. Our Operators would randomly pick ten (10) pieces of cotton balls every hour and check the weight of the cotton balls to ensure they meet the customers' requirements. The preferred weight ranges between 0.3 and 0.6 gm per ball. Cotton balls that do not meet the QC requirement are sent back into the cotton lap production machine to be re-processed.

6. OUR BUSINESS (Cont'd)

5. The cotton balls are manually packed into plastic packaging, and placed in cartons. The cartons are sent to the store, before being delivered to customers.

- **Cotton wool rolls and zigzag of rayon-based production process**

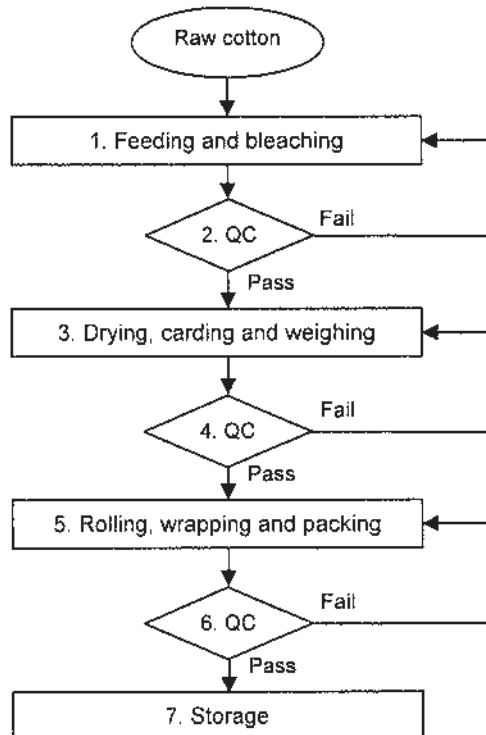


1. Rayon is fed into a cotton lap production machine where impurities are removed. Rayon fibres are then formed into a lap by rollers.
2. Cotton lap is fed into the carding machine.
3. Our Operators check to ensure that the carding process is conducted according to specifications. If the carding process does not meet specifications, the cotton lap is sent back to the carding process.
4. The resultant thin sheet of fibre is weighed, sent to a machine to be rolled and is packed into plastic packaging.
5. Our Operators check the weight, size and packaging of the cotton wool roll or zigzag of rayon-based cotton to ensure they meet requirements. The cotton wool roll or zigzag of rayon-based cotton that does not meet the QC requirement is sent back to be re-packed.
6. The packed cotton wool roll or zigzag of rayon-based cotton is placed in cartons. The cartons are sent to the store, before being delivered to customers.

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6. OUR BUSINESS (Cont'd)

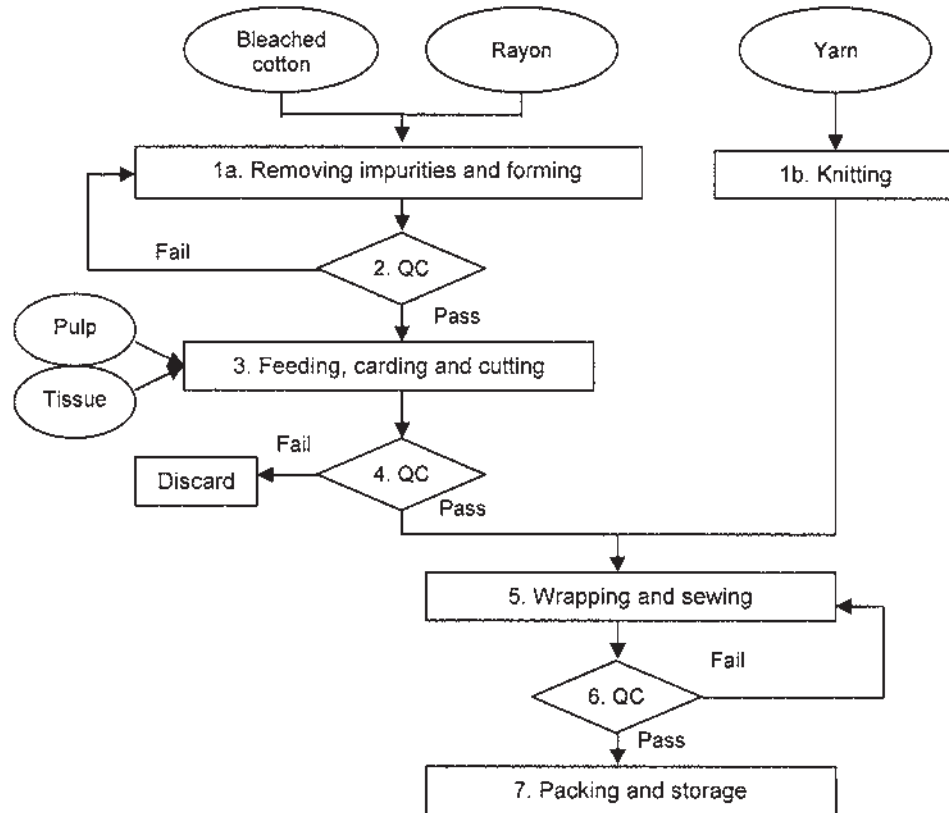
- **Medical cotton using 100% cotton**



1. Raw cotton is fed into a bleaching tank and put through a bleaching process where impurities are removed and its colour is changed from grey to white.
2. Our Operators check the cotton to ensure that all impurities are removed. Cotton that does not meet the QC requirement is sent back to the bleaching process.
3. The bleached cotton is dried and sent through a carding process. The resultant cotton lap is then weighed.
4. Our Operators check the weight of the cotton lap to ensure it meets the requirements. The cotton lap is added or removed until the weight required is obtained.
5. The cotton lap is then sent to a machine to be rolled, after which it is wrapped and packed in plastic packaging.
6. Our Operators check the weight, size and packaging of the medical cotton using 100% cotton to ensure it meets the requirements. The medical cotton using 100% cotton that does not meet the QC requirement is sent back to be re-packed.
7. The packed medical cotton using 100% cotton is placed in cartons. The cartons are sent to the store, before being delivered to customers.

6. OUR BUSINESS (Cont'd)

▪ Hospital and maternity sanitary napkin production process



1. Bleached cotton and rayon are fed into a cotton lap production machine, where impurities are removed. Then the cotton and rayon fibres are mixed together, and formed into a lap by rollers.

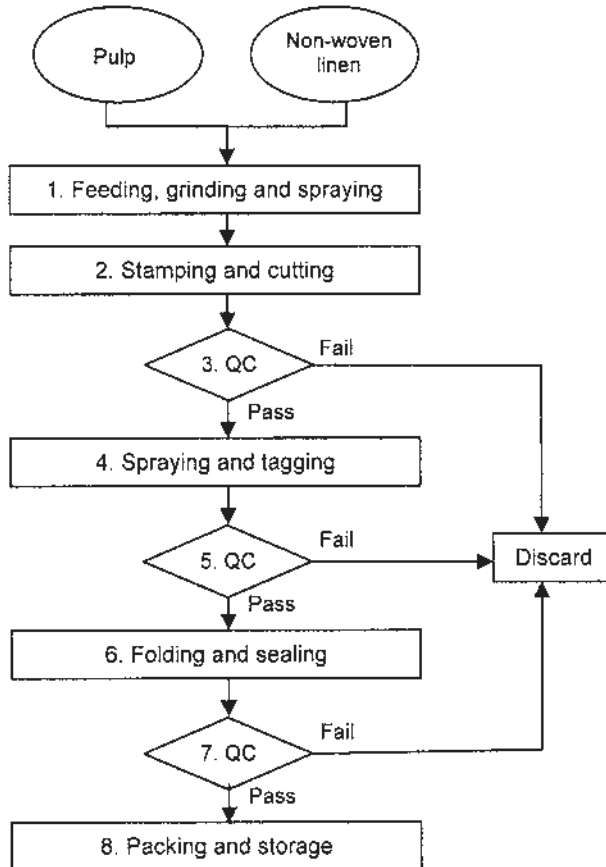
On the other hand, the yarn is knitted to form net covers and loops.

2. Our Operators check to ensure that the cotton and rayon are mixed according to specifications. If the mixing does not meet the specifications, the cotton and rayon are sent back to the cotton lap production machine.
3. Cotton lap, pulp and tissue are fed into the sanitary napkin production machine. Pulp sheet is unrolled and grinded into fluff form resulting in a pulp mat, while the cotton lap is sent through a carding process resulting in a thin sheet of fibre. The pulp mat is wrapped with 2-ply tissue paper, after which it is wrapped again with a layer of carded cotton. The resultant sanitary roll is then cut into individual pads. Hospital non-maternity sanitary napkins are approximately 210 mm in length, while hospital maternity sanitary napkins are approximately 265 mm in length.
4. Our Operators check the weight, size and appearance of the sanitary napkin to ensure they meet the requirements. Sanitary napkins that do not meet the QC requirements are discarded.
5. The sanitary napkins are wrapped with yarn net covers. Loops are then sewed on both sides of the sanitary napkin.

6. OUR BUSINESS (Cont'd)

6. Our Operators check to ensure that the loops of the sanitary napkin are sewed on properly and that the requirements on the weight and size of the sanitary napkin are met. Sewed sanitary napkins that do not meet the QC requirements are sent back to be re-sewed.
7. The sanitary pads are packed into plastic packaging, and placed in cartons. The cartons are sent to the store, before being delivered to customers.

▪ **Modern sanitary napkin production process**

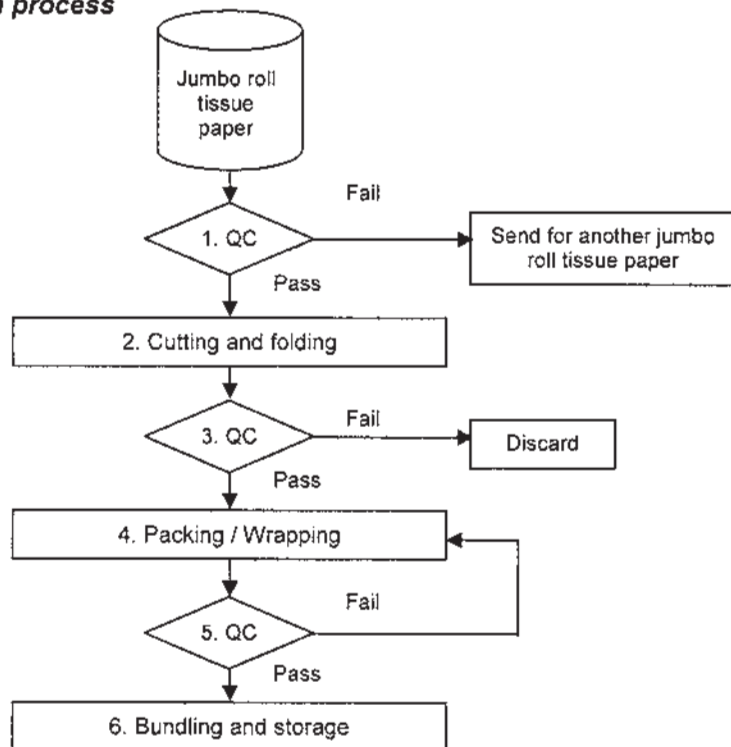


1. Pulp and non-woven linen are fed into the modern sanitary napkin production machine. Pulp sheet is unrolled and grinded into fluff form resulting in pulp mat. The pulp mat is sprayed with absorbent polymer, after which it is wrapped with non-woven cover.
2. Tissue is placed at the top and bottom of the wrapped pulp mat and it is stamped into the shape of a sanitary napkin. The sanitary napkin is then cut into shape (either wing or non-wing).
3. Our Operators check the appearance of the sanitary napkin to ensure that it is glued and cut properly. Sanitary napkins that do not meet the QC requirements are discarded.
4. Adhesive is sprayed on the back as well as on the wings (if applicable) of the sanitary napkin. "Peel off" papers are placed on the areas where the adhesives are sprayed.

6. OUR BUSINESS (Cont'd)

5. Our Operators check the "peel off" paper to ensure that it is glued properly. Our Operators also check the appearance of the sanitary napkin to ensure it meets requirements. Sanitary napkins that do not meet the QC requirements are discarded.
6. The sanitary napkins are placed on polyethylene film and the pads are automatically folded and sealed.
7. Our Operators check that the folded and sealed sanitary napkin is in order as well as the general appearance of the sealed sanitary napkin meets the QC requirements. The sanitary napkins that do not meet the QC requirements are discarded.
8. A set amount of sealed sanitary napkins are manually packed into printed packages and sealed. The packed sanitary napkin is placed in cartons. The cartons are sent to the store, before being delivered to customers.

▪ Tissue production process

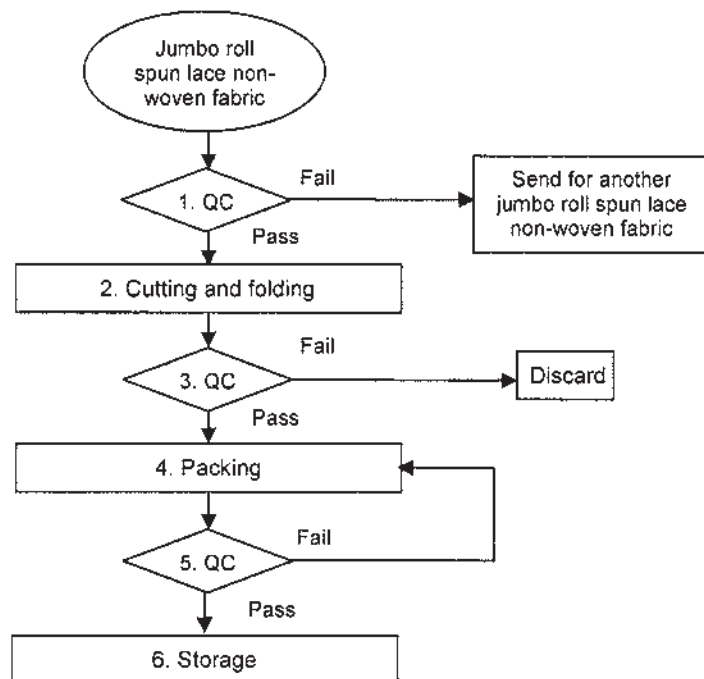


1. Jumbo roll tissue paper is sent to the cutting and folding machine. 2-ply jumbo roll tissue paper is used for production of facial box and pocket tissues, while 3-ply jumbo roll tissue paper is used for production of mini and regular handkerchief tissues. QC check is conducted on the jumbo roll tissue paper to ensure that it meets the required specifications, is clean and in good condition. Jumbo roll tissue paper that does not meet the required specification is sent back to suppliers and another jumbo roll tissue paper is sent to the machine.
2. The jumbo roll tissue paper is fed into the cutting and folding machine, which automatically cuts the tissues to size as well as folds the tissues.
3. Our Operators check the condition and quantity of the folded tissues. Tissues in good condition are sent to the tissue packing machine. Tissues that are not in good condition are discarded.

6. OUR BUSINESS (Cont'd)

4. A set number of folded tissues are fed into the packing machine, which wraps and/or seals the folded tissue paper with boxes (*for facial box tissues*), printed wrapping film (*for pocket tissues*) or printed wrapping film that has a re-sealable opening (*for mini and regular handkerchief tissues*).
5. Our Operators check to ensure that the facial box tissues are sealed properly and the pocket tissues, as well as mini and regular handkerchief tissues are wrapped properly. Those not packed or wrapped properly are sent back to be re-packed or re-wrapped.
6. The packed tissue papers are bundled, tagged with barcodes and placed in cartons. The cartons are sent to the store, before being delivered to customers.

▪ *Wiper sheets production process*



1. Jumbo roll spun lace non-woven fabric is sent to the cutting and folding machine. QC check is conducted on the jumbo roll spun lace non-woven fabric to ensure that it meets the required specifications, is clean and in good condition. Jumbo roll spun lace non-woven fabric that does not meet the required specifications is sent back to suppliers and another jumbo roll spun lace non-woven fabric is sent to the machine.
2. The jumbo roll spun lace non-woven fabric is fed into the cutting and folding machine, which automatically cuts and folds it to wiper sheet size.
3. Our Operators check the condition of the wiper sheets. Wiper sheets in good condition are sent to the packing machine. Wiper sheets that are not in good condition are discarded.
4. A set number of wiper sheets are fed into the packing machine, which wraps and seals the wiper sheets.
5. Our Operators check on the packed wiper sheets and those not packed properly are sent back to be re-packed.
6. The packed wiper sheets are tagged with barcodes and placed in cartons. The cartons are sent to the store, before being delivered to customers.

6. OUR BUSINESS (Cont'd)

6.9 Raw Materials

The principal raw materials used by our Group are set out as follows:

Product type	Type of raw materials	Source of raw materials
Agrochemicals		
Water-based pesticides	Glyphosate technical, 2,4-D acid technical, mono isopropylamine (MIPA) 70%, dimethylamine (DMA) 60%, surfactants and Paraquat	PRC, India and Malaysia
Solvent-based pesticides	Chlorpyrifos technical, cypermethrin technical, triclopyr technical, Terrazole® 25EC*, Dipel® ES* and Pleo® 10.6EC*	PRC, India, USA and Japan
Wettable powder form pesticides	2,4-D BE technical, Dipel® WP*, Rizolex® 20WP*, Mancozeb 80WP and Ohsin® 20WP*	PRC, USA and Japan
Sand granulation form pesticides	Carbofuran 3G	PRC
Others	B-Nine® WSG* and range of foliar fertilisers from Yara Phosyn Ltd. (formerly known as Phosyn plc)*	USA and UK
Agro-biotechnology		
Tissue culture	Banana, coconut, potatoes, sugar/ sucrose and agar	Malaysia
Horticulture		
Foliage cuttings	Foliages	Malaysia
Healthcare disposables⁽¹⁾		
Wet / baby wipes	Spun lace non-woven fabric and cleansing ingredients (mild detergent, moisturising agents, fragrances and preservatives)	Taiwan, PRC, Singapore, India, USA and Malaysia
Cotton-based products	Raw cotton, cotton comber, cotton sliver, propelinas (resin for cotton bud stems), rayon and chemical for facial cotton	Mexico, Korea, Indonesia, Thailand and Malaysia
Sanitary towels	Wood pulp and yarn SF18/38	USA and Malaysia
Tissue products	2-ply jumbo roll tissue paper (recycled paper and virgin pulp) and 3-ply jumbo roll tissue paper	Vietnam and Indonesia
Wiper sheets	Spun lace non-woven fabric	Taiwan
General	CPP/LDPE printed film, caps, sticker and glue	Malaysia

Notes:

* Proprietary products.

(1) Packaging materials are supplied by local suppliers.

6. OUR BUSINESS (Cont'd)

6.9.1 Agrochemicals

Our raw materials used are mostly active ingredients and inert ingredients, which are sourced from local and overseas, depending on the raw materials required. We have established an extensive network for sourcing quality raw materials at competitive prices. With our good working relationships with our suppliers and established track record for purchase and payment commitment, we have access to a regular supply of material supplies at competitive prices from our suppliers.

Meanwhile, proprietary products are sourced directly from MNCs, such as those from USA, UK and Japan. While the prices of proprietary products are generally stable, prices of raw material for the production of generic products are not stable. However, we are of the opinion that we are able to pass these higher costs to our customers.

6.9.2 Agro-biotechnology

Our raw materials for our tissue culture products are mainly sourced from local suppliers. The prices of these raw materials are generally stable and with our extensive network for sourcing raw materials at competitive prices, we have not encountered any supply disruption in our operation.

6.9.3 Horticulture

Approximately 60% to 65% of our foliage cuttings are sourced from our own nurseries, while the rest are purchased from other local nurseries and growers. The prices of the foliage cuttings from external suppliers are generally stable and with our cordial relationship with these suppliers, any change in price is negotiable. Meanwhile, all festive and potted plants are sourced from our own nurseries.

6.9.4 Healthcare disposables

Most of our raw materials used in the production of healthcare disposables are imported from Vietnam, Taiwan, Indonesia, Mexico, Thailand, USA, Korea, PRC, India and Singapore, as well as from the local market. Our cotton, wood pulp and tissues are subject to price fluctuation. As a result, we enter into forward contracts with our suppliers to hedge against fluctuations in the prices of these raw materials. However, we are also of the opinion that we are able to pass these higher costs to our customers.

6.10 Our Technology**6.10.1 Agrochemicals**

We have developed our agrochemicals using formulation technology. This technology involves the use of active and inert ingredients. When an active ingredient is manufactured, it is generally not in a usable form. The active ingredient is mixed with the inert ingredients to improve its effectiveness, application, safety, handling and storage.

Our active ingredients are specific compounds designed to adversely affect a pest. Examples of active ingredients are glyphosate and 2,4-D. Meanwhile, our inert ingredients are substances other than the active ingredient that are intentionally included in a product to make it easier to use or more efficient, such as adjuvants.

6. OUR BUSINESS (Cont'd)

With our extensive experience and expertise in agrochemicals manufacturing, we are able to identify the optimum combination of additives and effective formulation for our products. The additives or compounds can be as such:

- *spray adjuvants*, such as surfactants, wetting agents or crop oil;
- *formulation adjuvants*, such as emulsifiers, dispersants, stabilisers, compatibility agents, buffering agents or antifoaming agents;
- *carriers*, such as silica, clay, calcium carbonate or sand; and
- *solvents*, whether aromatic or non-aromatic.

The selection of additives, especially adjuvants, is important. Surfactants or wetting agents physically alter the surface tension of the spray droplets. As such, with the use of the right additives, the active ingredient can be spread out and absorbed by the plants through a greater surface area.

On the other hand, the optimum pH level for pesticides is slightly acidic, which ranges from pH 5 to pH 7, and this creates an environment that is more favourable for the uptake of the pesticides. The use of buffering agents or appropriate surfactants (whether non-ionic or anionic) can stabilise or reduce the acidity of a spray solution, thereby, improving the stability of the pesticides being used.

6.10.2 Agro-biotechnology

Agro-biotechnology is defined as any technique that uses living organisms to make or modify products, improve plant or to develop microorganisms for specific agricultural use.

We use agro-biotechnology to propagate our plantlets (through tissue culture). This results in amongst others, all-year-round propagation with the ability to produce many plantlets from a single mother plant, which grow up to be disease-free and robust.

Furthermore, our vermiculture project involves the techniques of composting organic waste using worms. The end-products produced are vermicast and vermicompost, leachate, as well as worm tea which are rich in nutrients. We are presently utilising special biotechnological developments to process and manufacture vermicast, leachate and worm tea into plant bio-enhancers.

In support of these efforts, on 13 November 2006, we entered into a Memorandum of Understanding and Memorandum of Agreement with CABI and CABI-SEA respectively, a leading international non-profit organisation specialising in sustainable solutions for agricultural and environmental problems, for the identification and extraction of beneficial microorganisms from worm tea, multiplication of microorganism population, as well as to process them into dormant form for mass production and commercialisation, and then revitalise them to combat pathogenic insects, nematodes, fungi and bacteria. We have extended our collaboration with CABI-SEA to October 2009.

In May 2008, we have also entered into collaboration with CEPP, UTM to commercialise a few vermiculture products, starting with the development of pelletised vermicast or vermicompost into organic fertilisers.

6. OUR BUSINESS (Cont'd)

6.10.3 Healthcare disposables

We place strong emphasis on the need to keep ourselves abreast with the latest technologies in order to keep ourselves competitive and efficient. Our machinery and equipment relating to the production of healthcare disposable products are imported from Japan, Korea and PRC. Our controlled manufacturing room is also in compliance with the Good Manufacturing Practice (GMP) standards by BPFK in 2004. Our controlled manufacturing rooms are equipped with modern technology, in which the air quality, temperature and humidity are highly regulated to protect sensitive equipment or products from contamination. The air in this manufacturing room is repeatedly filtered to remove dust particles and other impurities.

6.11 Our Production/Operating Capacities and Output

We have implemented a capital investment programme over the past few years to continuously increase our production capacity. As at LPD, our maximum production capacities and utilisation levels are set out below:

Types of products	Maximum production capacity (per month)	Average percentage utilised (approximate %)
Agrochemicals⁽¹⁾		
Glyphosate	200,000 litres	100%
Paraquat	150,000 litres	100%
2,4-D Amine	50,000 litres	50%
Triclopyr	50,000 litres	50%
2,4-D BE	10,000 kg	80%
Insecticides	100,000 litres/kg	100%
Fungicides	20,000 litres/kg	60%
Foliar fertilisers	20,000 litres/kg	60%
Agro-biotechnology⁽²⁾		
Orchid and ornamental plantlets	400,000 plantlets	100%
Horticulture⁽¹⁾		
Foliage cuttings	280,000 cuttings	80%
Potted and festive plants	20,000 pots	30%
Healthcare disposables		
Wet wipes ⁽²⁾	16,000 cartons	75%
Facial cotton jumbo rolls ⁽³⁾	25,000 kg	75%
Facial cotton pads ⁽³⁾	24,000 kg	75%
Cotton buds ⁽³⁾	1,300 cartons	100%
Cotton balls ⁽³⁾	15,000 kg	40%
Cotton wool rolls ⁽¹⁾	23,000 kg	50%
Zigzag of rayon-based cotton ⁽¹⁾	8,000 kg	50%
Hospital and maternity sanitary napkins ⁽¹⁾	800 cartons	50%
Modern sanitary napkins ⁽¹⁾	6,600 cartons	25%
Facial box tissues ⁽²⁾	45,000 cartons	60%
Pocket tissues ⁽³⁾	15,000 cartons	85%
Mini handkerchief tissues ⁽²⁾	7,500 cartons	60%
Regular handkerchief tissues ⁽¹⁾	7,500 cartons	10%
Wiper sheets ⁽¹⁾⁽⁴⁾	13,200 cartons	2%

6. OUR BUSINESS (Cont'd)

Notes:

- (1) Based on eight (8) hours a day, five (5) days a week and 25 working days per month.
 (2) Based on one (1) 12-hour shift per day.
 (3) Based on two (2) 12-hour shifts per day.
 (4) Only manufacture when receive order from customers.

Presently, some of our water-based herbicides and insecticides productions, our tissue culture operations, as well as our Healthcare Disposables Division with respect to the production of cotton buds are running at full capacity. As such, we are looking into expanding our current premises, acquiring additional machinery, as well as increasing workforce and/or work hour to meet the demand.

6.12 Our Employees

As at LPD, we have a total of 509 employees. Out of 509 employees, 241 are contractual employees. The breakdown of our employees by category and years of services are set out as follows:

	Number of years in service			Total	Contractual
	< 1 year	1 to 5 years	> 5 years		
Management and professional	3	2	24	29	2
Engineering/Executive	9	7	9	25	1
Technical and R&D	4	5	10	19	3
Supervisory	4	3	14	21	3
Administration and clerical	8	14	21	43	6
Factory worker	181	132	59	372	226
	209	163	137	509	241

Our employees are not members of any labour union and there has not been any industrial dispute in the past between our employees and the management. We maintain a close and cordial relationship with our employees, and regularly organise recreational events and get-togethers such as family day and annual dinners.

Training and development

We believe that the ability to retain a team of highly skilled and knowledgeable workforce is instrumental to our success. Hence, we emphasise the importance of providing training and development programmes for our employees. These programmes relate to in-house workshops and external training programmes to update our employees on the latest developments within our Group and the industries that we are involved in. Our employees also receive technical and production training, as well as safety training from our in-house experts.

Management succession plans

Our business is organised along functional lines where functional/department managers are responsible for the execution of their duties. Our Group practices management empowerment whereby functional/department managers are relatively autonomous and have significant decision-making authority within their span of control and within clearly defined boundaries. As such, there is no over reliance on our Managing Director and/or Executive Directors to be involved in all the details and aspects of the operational and functional areas. This allows our Managing Director and Executive Directors to focus on strategic matters and on further developing the business for growth and success.

6. OUR BUSINESS (Cont'd)

Nevertheless, to ensure business continuity, our Group has put in place a management succession plan which includes:

- (a) identifying key competencies and requirements for managers and higher positions. Job and candidate profiles are developed for management position in line with the business goals, strategies and culture of our Group; and
- (b) taking a proactive approach towards addressing talent management to ensure the organisation has talent readily available from a capability perspective to undertake leadership positions throughout the organisation.

In addition, our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision-making process and are equipped with the knowledge necessary for them to succeed to senior management positions.

6.13 QC

We place great emphasis in ensuring that our products are subjected to stringent QC to ensure our products are in line with:

- our customers' requirements; and
- legal standards and relevant regulatory requirements.

We believe that our stringent QC procedures have resulted in and will continue to result in high customers' satisfaction and confidence.

6.13.1 Agrochemicals

Our QC system is guided by our own set of QC procedures and work instructions, which are in accordance with the international accepted practices. Our QC systems are adopted at every stage of our operations, from monitoring and analysing the quality of incoming materials, work-in-progress goods and the delivery of our quality finished goods to customers.

We conduct analyses on our agrochemicals using advanced analytical equipments, such as:

- (a) High Performance Liquid Chromatography (HPLC), a form of column chromatography used frequently in biochemistry and analytical chemistry. It is used to separate components of mixtures based on a variety of chemical interactions (not reaction) between the substance being analysed and the chromatography column;
- (b) Gas Liquid Chromatography (GLC), a type of chromatography and chemical analysis instrument for separating chemicals in a complex sample and to determine the concentration of each component;
- (c) Spectrophotometer, a photometer that measures intensity as a function of the colour, or more specifically the wavelength of light; and
- (d) Viscosimeter, an instrument that measures the viscosity and thickness of a fluid.

Apart from active ingredient and concentration analysis, other testing parameters include pH, specific gravity, the stability of suspension, wettability and heat/cold stability.

6. OUR BUSINESS (Cont'd)

The effectiveness of our QC system is evidenced by the many registrations that we hold with the Pesticides Board of Malaysia as well as our products registered in overseas. As at LPD, we hold over 111 products registered with the Pesticides Board of Malaysia, and have over 30 products registered in eight (8) different developing countries.

Our commitment to quality is also evidenced by the accreditation received by Halex Industries from SIRIM QAS International Sdn Bhd in 2005 certifying that our quality system meets the requirement of ISO 9001:2000 Quality Management System.

6.13.2 Agro-biotechnology

We conduct QC checks at every stage of our operations, from the raw materials used till the delivery of our tissue cultured orchids and ornamental plants. All flasks, plant calluses and plantlets are checked. Flasks that are contaminated are rejected, while plant calluses and plantlets that are mutated are discarded. We conduct QC checks on the plant calluses and plantlets through a microscope and within a laminar flow cabinet. The laminar flow cabinet provides purification and sterilisation during our QC checks.

6.13.3 Horticulture

We conduct weekly and monthly fertilisation, as well as pest and disease control programmes in our nurseries, as they are vital in producing healthy plants and improving yield for the continuous supply of our horticulture products.

With our efforts to ensure that healthy plants are produced, we have set up our microbiology laboratory in Ban Foo nursery. With our well-equipped laboratory, we are able to identify the specific pathogens affecting any diseased plants and conduct trials to determine the most effective treatments. This has greatly enhanced our farm's pest and disease control, and ultimately reduced costs and improved the quality of our foliage cuttings.

Furthermore, we place great emphasis on the packing and delivery of our foliage cuttings to the export markets, especially Japan and USA as the Pest Quarantine Department of both countries adhere to stringent standards and should any foliage be fumigated or incinerated, this could adversely affect our reputation and financial results.

As such, we have implemented numerous precautions as follows:

- (a) to segregate our selection, washing and bunching section from the chemical treatment and drying section by netting to prevent live insects from crossing over between the sections;
- (b) to closely monitor all incoming raw materials, foliage and/or finished products from suppliers; and
- (c) to conduct regular workshops to be constantly updated on customers' requirements.

To the best of our knowledge, we are one of a few foliage exporters in Malaysia that have met the stringent quarantine standards of Japan and USA.

6. OUR BUSINESS (Cont'd)

6.13.4 Healthcare disposables

We are committed to continually improve the effectiveness of our Quality Management System. Our Quality Management System is reviewed yearly by our management review team. Our QC system is guided by a set of QC procedures and standards as set out below:

▪ **5S philosophy**

We strive to adhere to the Japanese "5S Philosophy", which simplifies a company's work environment, reduces waste and non-value-added activity while improving quality efficiency and safety. The 5S are as follows:

- (a) Sort (*Seiri*) – focuses on eliminating unnecessary items from the workplace;
- (b) Set in Order (*Seiton*) – focuses on efficient and effective storage methods;
- (c) Shine (*Seiso*) – emphasises on a thoroughly clean work area;
- (d) Standardise (*Seiketsu*) – standardises best practices in the work area; and
- (e) Sustain (*Shitsuke*) – focuses on defining a new status quo and standard of workplace organisation

▪ **Microbial test**

We regularly conduct QC on our wipes to check for contamination caused by yeast, mould, fungus and bacteria that can cause colour and/or smell change after a certain period of time.

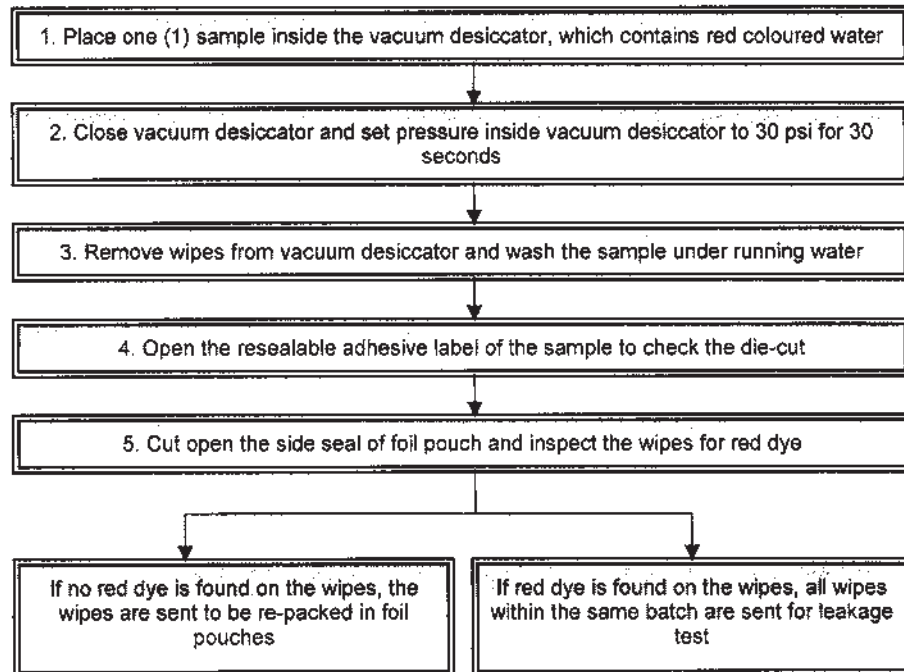
We check for yeast, mould and/or fungus growth by placing a piece of wipe from each batch produced in a Potato Dextrose Agar (PDA), which is incubated in a dark room at a temperature of 28°C for five (5) days. We check for bacterial growth by placing the wipe in an incubator at a temperature of 37°C for 24 to 48 hours.

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6. OUR BUSINESS (Cont'd)

▪ Leakage test

We also conduct a leakage test, also known as Vacuum Desiccator's Test on our wipes products by randomly selecting six (6) sealed wipes every hour and additional five (5) sealed wipes each day. The process is illustrated below:



Our commitment to quality is evidenced by the accreditation received by Halex Woolton from SIRIM QAS International Sdn Bhd in August 2003 and August 2006 respectively certifying that our quality systems for our cotton-based products and wet wipes meet the requirement of ISO 9001:2000 Quality Management System. In addition, we also received the Good Manufacturing Practice (GMP) certification from BPFK in 2004. Meanwhile, our tissue and cotton manufacturing facilities have been audited and approved by some of its well-known customers, which include local and foreign hypermarket and supermarket chains, as well as local pharmacies and pharmaceutical chains.

Going forward, we plan to expand into and market our healthcare disposable products in the European Union region. As such, we are working towards achieving the British Retail Consortium Global Standard – Consumer Products, which is a standard developed to ensure best practice standards are developed, implemented and maintained for manufacturers and assembly packers of consumer products. Companies that are certified against this standard will need to demonstrate their competence in maintaining product safety (compliance with the European Union General Product Safety Directive 2005), legality and integrity.

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6. OUR BUSINESS (Cont'd)

6.14 Marketing and Distribution

We market our products through an extensive network of dealers within Malaysia and through our branch offices set up in Selangor and Penang, as well as through our sales representatives and agents.

We have a dedicated registration, development and extension team to complement our sales team. Our registration, development and extension team regularly provides value-added services by conducting trials and demonstrations on-site in order to disseminate product knowledge as well as to educate end-users on the method of using our products. This team will also communicate with end-users to understand their problems, thereafter providing such information to our R&D team, who is tasked with developing formulations to meet the demands of end-users.

Our overseas customers are serviced by our export executives who are responsible for preparing product registration packages and other sales support, negotiate for orders and collection.

Our business carries the following logo:



Our logo together with the slogan which says “..... *for the little extra*” signifies that we are committed to deliver values beyond customers’ expectations. As such, we have built long and established relationships with our customers. Furthermore, we believe in the effectiveness of favourable word-of-mouth promotion. Therefore, we maintain constant contact with our customers to develop close rapport and to gain their trust and support.

We also participate in relevant tenders, local and international trade shows and exhibitions. Examples include Small and Medium Industries Exhibition (SMIDEX) organised by the Small and Medium Industries Development Corporation (SMIDEC) and the MITI, as well as the International Autumn Trade Fair in Dubai, United Arab Emirates. We have also displayed our healthcare disposable products at the Malaysia External Trade Development Corporation (MATRADE) office in Dubai since 2004, as well as at the new MATRADE building in Kuala Lumpur, Malaysia since 2008.

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6. OUR BUSINESS (Cont'd)**6.15 Approvals, Major Licences and Permits**

Details of the approvals that we have obtained for the Listing Scheme from the relevant authorities, together with conditions imposed by these authorities, and status of compliance with the conditions, are set out in Section 9.8 of this Prospectus.

We are currently operating under the following approvals, licences and permits:

Name of subsidiary	Authority	Date of commencement/ (Expiry date)	Type and licence no.	Equity conditions and other major conditions attached	Status of compliance
Halex (M)	Majlis Bandaraya Johor Bahru	01.01.2009/ (31.12.2009)	Business licence MPJB(L)/NO/47/13/2101	Licence is only granted for No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru, Johor Darul Takzim and is subject to the by-laws of Majlis Bandaraya Johor Bahru	In compliance
	DOA, Ministry of Agriculture	24.12.2008/ (23.12.2011)	Pesticide sale / storage licence JOH2008/978/157(J)	Licence is only granted for No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru, Johor Darul Takzim and is subject to the conditions for Pesticide Sale Licence for Premises where no pesticide is displayed or stored	In compliance
	DOA, Ministry of Agriculture	08.09.2006/ (07.09.2009)	Pesticide sale / storage licence JOH2006/894/185(S)	Licence is only granted for Lot PTB 264, Jalan Tun Mutalib Satu, Kawasan Industri Bandar Tenggara, 81440 Bandar Tenggara, Johor Darul Takzim and is subject to the conditions for Pesticide Storage Licence	In compliance
	DOA, Ministry of Agriculture	28.01.2009/ (27.01.2012)	Pesticide sale / storage licence PP/2008/039/097(SJ)	Licence is only granted to No. 7, Jalan Kapal, Off Chain Ferry, 12100 Butterworth, Penang and is subject to the conditions for Pesticide Sale Licence for Premises where pesticides are displayed and/or stored	In compliance

6. OUR BUSINESS (Cont'd)

Name of subsidiary	Authority	Date of commencement/ (Expiry date)	Type and licence no.	Equity conditions and other major conditions attached	Status of compliance
	DOA, Ministry of Agriculture	30.10.2008/ (29.10.2011)	Pesticide sale / storage licence SEL/2008/155/1919(J)	Licence is only granted for No. 25G & 25A, Jalan PCR 3, Kawasan Perniagaan Cheras Raya, Batu 11 Cheras, 43200 Cheras, Selangor Darul Ehsan and is subject to the conditions for Pesticide Sale Licence for Premises where no pesticide is displayed or stored	In compliance
	Majlis Perbandaran Kajang	Valid until 31.12.2009	Manufacturing licence MPKJ/CL/6/3980/2003	The licence is to be displayed at the business premise located at No. 25G & 25A, Jalan PCR 3, Kawasan Perniagaan Cheras Raya, Batu 11 Cheras, 43200 Cheras, Selangor Darul Ehsan and to be renewed upon expiration date	In compliance
	Ministry of Domestic Trade and Consumer Affairs	01.07.2007/ (30.06.2010)	Approval letter to supply petro-chemical fertilisers KPDN(DN)178/2/2003	Licence is only granted for No. 25G & 25A, Jalan PCR 3, Kawasan Perniagaan Cheras Raya, Batu 11 Cheras, 43200 Cheras, Selangor Darul Ehsan and is subject to the Petroleum Development Act, 1974	In compliance
	Majlis Perbandaran Seberang Perai	Valid until 31.12.2009	Pesticide sale / storage licence 34/13036C/0001	Licence is only granted for No. 7, Jalan Kapal, Off Chain Ferry, 12100 Butterworth, Penang and is subject to the conditions for Pesticide Sale Licence for Premises where no pesticide is displayed or stored	In compliance

6. OUR BUSINESS (Cont'd)

Name of subsidiary	Authority	Date of commencement/ (Expiry date)	Type and licence no.	Equity conditions and other major conditions attached	Status of compliance
Halex Woolton	Royal Customs and Excise Malaysia	05.01.1988/ (-)	Manufacturer's licence under the Sales Tax Act (C.J2) J31-A033597/88	Licence to manufacture sanitary towel, tissue paper product, facial cotton, cotton buds, cotton wool and cotton balls	In compliance
	MITI	05.07.2004/ (-)	Manufacturing licence A014639	Licence is only granted for No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru, Johor Darul Takzim to manufacture facial cotton, cotton wool, cotton balls, sanitary towel, baby/make- up/household wipes, tissue paper, wet tissue and wiper sheet	In compliance
	MITI	05.07.2004/ (-)	Manufacturing licence A014640	Disposal of shares in the company is required to be notified to the MITI	To be complied, if applicable
	Majlis Bandaraya Johor Bahru	01.01.2009/ (31.12.2009)	Business licence MPJB(L)/NO/48/37/123	Licence is only granted for No. 11-1, Jalan Petaling, Kawasan Perindustrian Dato' Onn, 80350 Johor Bahru, Johor Darul Takzim to manufacture facial cotton, cotton wool, cotton balls, sanitary towel, baby/make-up/household wipes, tissue paper, wet tissue and wiper sheet	In compliance
	Majlis Bandaraya Johor Bahru	01.01.2009/ (31.12.2009)	Business licence MPJB(L)/NO/48/37/123	Disposal of shares in the company is required to be notified to the MITI	To be complied, if applicable
	Majlis Bandaraya Johor Bahru	01.01.2009/ (31.12.2009)	Business licence MPJB(L)/NO/48/37/123	Licence is only granted for No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru, Johor Darul Takzim to manufacture cotton-based products, and is subject to the by-laws of Majlis Bandaraya Johor Bahru	In compliance

6. OUR BUSINESS (Cont'd)

Name of subsidiary	Authority	Date of commencement/ (Expiry date)	Type and licence no.	Equity conditions and other major conditions attached	Status of compliance
	Majlis Bandaraya Johor Bahru	01.01.2009/ (31.12.2009)	Business licence MPJB(L)/NO/48/37/140 (Tissue and sanitary products)	License is only granted for No. 11-1, Jalan Petaling, Kawasan Perindustrian Dato' Onn, 80350 Johor Bahru to manufacture tissue and sanitary tower products, and is subject to the by-laws of Majlis Bandaraya Johor Bahru	In compliance
	Ministry of Domestic Trade and Consumer Affairs	22.12.2008/ (21.12.2009)	Approval letter to purchase 10,920 litres of diesel oil 837(P/D)	Approval is only granted for No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru, Johor Darul Takzim and to be renewed upon expiration date. This approval is subject to the Control of Supplies Regulations, 1974	In compliance
	Ministry of Health	01.01.2009/ (31.12.2009)	Permit to purchase, store and use of sodium hydroxide JC299/2009	This permit is subject to the provisions of the Poisons Ordinance, 1952 and the Poison (Sodium Hydroxide) Regulations, 1962	In compliance
	Energy Commission	17.03.2009/ (16.03.2010)	Approval for supply of electricity at 62kW ST(SJB)161532H/JB/0001-P	This registration is subject to the Electricity Supply Act 1990	In compliance
	Fire and Rescue Department of Malaysia	16.04.2009/ (15.04.2010)	Fire certificate JBPM: JH/7/033/2007	Certificate is only granted for No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru, Johor Darul Takzim to comply with the life safety, fire prevention, fire protection and fire-fighting requirements of the Fire Services Act 1988 at all times	In compliance

6. OUR BUSINESS (Cont'd)

Name of subsidiary	Authority	Date of commencement/ (Expiry date)	Type and licence no.	Equity conditions and other major conditions attached	Status of compliance
Halex Industries	Lembaga Bandaran Johor Tenggara	Valid until December 2009	Industry business licence 898/3/31	Licence is only granted for Lot PTB 264, Jalan Tun Mutalib Satu, Kawasan Industri Bandar Tenggara, 81440 Bandar Tenggara, Johor Darul Takzim to manufacture agrochemicals	In compliance
	DOA, Ministry of Agriculture	30.12.2008/ (29.12.2011)	Pesticide sale / storage licence JOH2008/1108/128(J)	Licence is only granted for Lot PTB 264, Jalan Tun Mutalib Satu, Kawasan Industri Bandar Tenggara, 81440 Bandar Tenggara, Johor Darul Takzim and is subject to the conditions for Pesticide Sale Licence for Premises where pesticides are displayed and/or stored	In compliance
	DOA, Ministry of Agriculture	08.09.2006/ (07.09.2009)	Pesticide sale / storage licence JOH2006/893/184(S)	Licence is only granted for Lot PTB 264, Jalan Tun Mutalib Satu, Kawasan Industri Bandar Tenggara, 81440 Bandar Tenggara, Johor Darul Takzim and is subject to the conditions for Pesticide Storage Licence	In compliance
	MITI	08.12.2006/ (-)	Manufacturing licence A015988	Licence is only granted for Lot PTB 264, Jalan Tun Mutalib Satu, Kawasan Industri Bandar Tenggara, 81440 Bandar Tenggara, Johor Darul Takzim to manufacture herbicides, insecticides, fungicides and liquid fertilizer	In compliance
				Disposal of shares in the company is required to be notified to the MITI	To be complied, if applicable

6. OUR BUSINESS (Cont'd)

Name of subsidiary	Authority	Date of commencement/ (Expiry date)	Type and licence no.	Equity conditions and other major conditions attached	Status of compliance
	Fire and Rescue Department of Malaysia	30.04.2009/ (29.04.2010)	Fire certificate JBPM: JH/7/017/2003	Certificate is only granted for Lot PTB 264, Jalan Tun Mutalib Satu, Kawasan Industri Bandar Tenggara, 81440 Bandar Tenggara, Johor Darul Takzim to comply with the life safety, fire prevention, fire protection and fire-fighting requirements of the Fire Services Act 1988 at all times	In compliance
Halex Biotechnologies	Ministry of Domestic Trade and Consumer Affairs	21.04.2009/ (20.04.2010)	Approval letter to purchase 1,000 litres of diesel oil 870(P/D)	Approval is only granted for Lot 650 & 651, GM 547 & 361, Ban Foo Village, Mukim Plentong, 81800 Ulu Tiram, Johor Darul Takzim and Lot 1167, GM 227, EMR 870, Mukim Senai, 81000 Kulai, Johor Darul Takzim and to be renewed upon expiration date. This approval is subject to the Control of Supplies Regulations, 1974	In compliance
	Majlis Bandaraya Johor Bahru	01.01.2009/ (31.12.2009)	Premises business licence MPJB(L)/NO/47/36/444	Licence is only granted for No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru, Johor Darul Takzim and is subject to the by-laws of Majlis Bandaraya Johor Bahru	In compliance
Halex Trading	DOA, Ministry of Agriculture	30.10.2008/ (29.10.2011)	Pesticide sale / storage licence SEL2008/158/1903(J)	Licence is only granted for No. 25G & 25A, Jalan PCR 3, Kawasan Perniagaan Cheras Raya, Batu 11 Cheras, 43200 Cheras, Selangor Darul Ehsan and is subject to the conditions for Pesticide Sale Licence for Premises where no pesticide is displayed or stored	In compliance

6. OUR BUSINESS (Cont'd)

We have registered our agrochemicals with the Pesticides Board of Malaysia under our own trade names. We hold over 111 products registered with the Pesticides Board of Malaysia, of which 94 of them are our in-house generic products, while the other 17 are proprietary products that we hold under our sole distribution rights within Malaysia. We have another 20 products pending registration and re-registration with the Pesticides Board of Malaysia, of which 16 of them are our in-house generic products, while the other four (4) are proprietary products.

For overseas registrations, we have an understanding with our foreign dealers or distributors to register our products either under their own local brands or our trade names. We are registered as the source of supply. As at LPD, we have over 30 products registered in eight (8) different developing countries.

In 2005, the Pesticides Board of Malaysia increased the registration and re-registration fees for all pesticides to RM10,000 per registration from 1 April 2005 onwards, which represents a hike of 2,400% from its previous registration fees of RM400 per registration. The revision was met with strong protests by the MCPA and its members.

On 12 December 2008, however, the Pesticides Board of Malaysia agreed to lower the registration and re-registration fees. Based on the latest amendments to the Pesticides Act, 1974, all applications made to the Pesticides Board of Malaysia for the registration or re-registration of pesticides are subject to an application cost of RM1,500 per application. The pesticides that are registered or re-registered and approved by the Pesticides Board of Malaysia on 1 January 2009 onwards, shall be given a registration period of five (5) years with the relevant registration fees based on its respective classes:

	RM per registration
Pesticides Class 1(a) and Class 1(b)	3,000
Pesticides Class 2	2,000
Pesticides Class 3	1,000
Pesticides Class 4	500

The registration process for a pesticide with the Pesticides Board of Malaysia involves stringent assessment based on various information disclosures including:

- A statement of the common name of the pesticide, if available, its trade name, its chemical name and its structural formula, and of the name and concentration of every active ingredient of the pesticide;
- The name and concentration of every other ingredient of the pesticide;
- Detailed toxicological information on every ingredient of the pesticide and on the pesticide as a whole;
- All matters proposed to be included in the label of the pesticide, including instructions for, and the precautionary measures to be taken in connection with, its use, the claims made for it and the proposed class of pesticide;
- A statement as to, or a sample of, the proposed package of the pesticide;
- Reports on the efficacy and safety of the pesticide;
- A statement of the methods of analysing the pesticide and of the authorities or sources of information on which the statement is based;
- A statement of the methods of determining the residue of the pesticide on plants or crops on which it is intended to be used;
- The addresses of the place of business of the applicant and of the place where the applicant intends to store pesticides;

6. OUR BUSINESS (Cont'd)

- If it is a manufacturer, the name and address of the factory, building or premises at which the applicant intends to manufacture the pesticide and an outline of the process of manufacturing the pesticide; and
- A prescribed amount of a sample of the pesticide which the applicant intends to register.

The timing for obtaining the required approval for a registered pesticide varies significantly depending on the type of product, which usually takes between eight (8) months to four (4) years. Product registrations are only valid for five (5) years and have to be renewed thereafter.

A Phytosanitary Certificate is required for each shipment of plants exported overseas. This certificate issued by the DOA, Ministry of Agriculture is required for the export of agricultural commodities to countries that are signatories to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). This certificate is issued after the inspection of the products and is valid for that specific consignment for limited period. Furthermore, with the implementation of the Japan-Malaysia Economic Partnership Agreement (JMEPA), our products entering Japan on and after 13 July 2006 that are eligible for preferential tariffs, are accompanied with the Certificate of Origin (from JMEPA) endorsed by the MITI.

In January 2008, we have also submitted an application to the Crop Protection and Plant Quarantine Services Division of the DOA, Ministry of Agriculture to be registered under the Malaysian Phytosanitary Certification Assurance Scheme (MPCA), which the certificate of registration is pending. This is to certify that our nurseries and products are in compliance with the International Standards for Phytosanitary Measures (ISPM).

Our wet wipes are also approved and registered with BPFK.

6.16 Our Brand Names, Trademarks and Registrations

Our Company has registered "HALEX" under Class 1 of the International Classification of Goods and Services under the authority of Perbadanan Harta Intelek Malaysia.

Our agrochemical products are marketed under various brand names. As at LPD, we have registered our own brand names with the authority of Perbadanan Harta Intelek Malaysia as follows:

Brand name	Type of intellectual property right	Trademark registration no.	Registration date/ (Expiry date)
SUPERGRO	Class 1 registered trademark (organic fertiliser)	88/03398	08.07.1988/ (07.07.2009)*
GREENIES	Class 1 registered trademark (organic fertiliser)	94/09345	12.02.1996/ (13.10.2011)
TURFGRO	Class 1 registered trademark (organic fertiliser)	96008930	09.12.2004/ (03.08.2013)
HATCHET	Class 5 registered trademark (herbicide)	02011060	22.10.2005/ (09.09.2012)
HARASS	Class 5 registered trademark (herbicide)	02011061	22.10.2005/ (09.09.2012)
HERMI	Class 1 registered trademark (agrochemicals)	07010456	04.06.2007/ (04.06.2017)

6. OUR BUSINESS (Cont'd)

Note:

* We had on 22 June 2009 applied to Perbadanan Harta Intelek Malaysia for the renewal of this trademark.

Our healthcare disposable products are marketed under various brand names. As at LPD, we have also registered our own brand names with the authority of Perbadanan Harta Intelek Malaysia as follows:

Brand name	Type of intellectual property right	Trademark registration no.	Registration date/ (Expiry Date)
TENSOF	Class 3, 5, 16 registered trademark (paper and cotton-based products)	02013873/4/5	22.10.2005/ (08.11.2012)
EVELYN	Class 3, 5, 16 registered trademark (paper and cotton-based products)	02013876/7/8	08.11.2005/ (08.11.2012)
EVERY WOMAN	Class 5 registered trademark (sanitary napkins)	94003575	07.08.2007/ (05.05.2011)

We have also filed the registration of the following trademarks under the International Classification of Goods and Services under the authority of Perbadanan Harta Intelek Malaysia where the certificates of registration are pending:

Brand name	Type of intellectual property right
ORGANISOL	Class 1 registered trademark (agrochemicals)
TENDERSOFT	Class 3, 5, 16 registered trademark (paper and cotton-based products, wet tissues and sanitary napkins)

In July 2006, our TenderSoft brand was recognised and presented with the Superbrands Malaysia status from Asian Integrated Media Limited, Hong Kong. We have also obtained the following overseas trademark registrations for our TenderSoft brand:

Brand name	Type of intellectual property right	Trademark registration no.	Registration date/ (Expiry Date)
TENDERSOFT - Kenya	Class 24 registered trademark (tissue, cotton disposables, wet tissues, baby and hygienic wipes)	59804	14.09.2006/ (14.09.2016)
TENDERSOFT - Singapore	Class 3 registered trademark (cleaning preparations, perfumery, essential oils, cosmetics)	T06/14355Z	19.07.2006/ (19.07.2016)
TENDERSOFT - Singapore	Class 16 registered trademark (tissue products and paper products)	T06/14365G	19.07.2006/ (19.07.2016)
TENDERSOFT - Singapore	Class 5 registered trademark (sanitary pads, cotton wool for pharmaceutical and medical purposes, wet wipes)	T06/14360F	19.07.2006/ (19.07.2016)

6. OUR BUSINESS (Cont'd)

6.17 Our R&D**6.17.1 Our R&D objectives**

For our Agrochemicals Division, we are not engaged in primary R&D activities to develop new agrochemicals that can be patented as such activities are highly capital-intensive and require long conception periods. These primary R&D activities are mainly undertaken by the larger MNCs.

However, we strive to be at the forefront of the agro-based industry, horticulture industry as well as the healthcare disposables industry in which we operate. Through our R&D commitment and collaborations with other industry experts, we are committed to continuously engage in R&D and aim to:

- (a) develop new products while eyeing the potential to apply for Intellectual Property Rights;
- (b) open up new uses for existing products;
- (c) enhance and/or complement efficacy of existing products; and
- (d) assess alternative sources of raw materials.

6.17.2 Our policy on R&D

We strive to be at the forefront of the industries that we are involved in. We have always been and continue to be involved in continuous product and process R&D to meet our customers' requirements as well as to improve the efficiency of our production processes. Hence, we have established the following R&D policies:

- (a) continuously exploring and identifying new products that are in demand but are not readily available;
- (b) continuously enhancing and modifying our current products for specific niche markets;
- (c) continuously developing products which are user-friendly, environmentally-friendly and more efficacious; and
- (d) continuously exploring alternative raw materials to optimise production costs.

To achieve these, we have set out the following strategies:

- (a) allocate funds for the expansion and upgrading of our R&D facilities, including the purchase of additional microbiology laboratory equipment for our Agro-biotechnology Division in the near future;
- (b) embark on R&D collaboration with industry experts, such as MARDI, CABI and CEPP, UTM under our Agro-biotechnology and Horticulture Divisions; and
- (c) engage a team of R&D personnel, each holding at least a diploma or Bachelor's degree in relevant disciplines.

6. OUR BUSINESS (Cont'd)

6.17.3 Our R&D facilities and personnel

The vast majority of our R&D personnel hold at least a Bachelor's degree in relevant disciplines, and our R&D facilities and personnel are set out below:

Agrochemicals

Location : *For product formulation*

Lot PTB 264, Jalan Tun Mutalib Satu, Kawasan Industri Bandar Tenggara, 81440 Bandar Tenggara, Johor Darul Takzim

For product application

No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru, Johor Darul Takzim

Our agrochemical R&D directions are set by our Managing Director, Yeoh Cheng Poh and our agrochemical R&D department is headed by our General Manager, Chen Sen Loon. As at LPD, we have four (4) personnel involved in assisting Mr. Chen in R&D.

Agro-biotechnology and horticulture

▪ Agro-biotechnology (*tissue culture and vermiculture*)

Location : Lot 650 & 651, GM 547 & 361, Ban Foo Village, Mukim Pientong, 81800 Ulu Tiram, Johor Darul Takzim

▪ Horticulture

Location : (a) Lot 650 & 651, GM 547 & 361, Ban Foo Village, Mukim Pientong, 81800 Ulu Tiram, Johor Darul Takzim; and

(b) Lot 1167, GM 227, EMR 870, Mukim Senai, 81000 Kulai, Johor Darul Takzim

Our agro-biotechnology and horticulture R&D directions are set by our Managing Director, Yeoh Cheng Poh and our agro-biotechnology and horticulture R&D department is headed by our Executive Director, Ong E Jo @ Wong Ah Chuan. As at LPD, we have six (6) personnel involved in assisting Mr. Wong in R&D.

Healthcare disposables

Location : No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru, Johor Darul Takzim

Our healthcare disposables R&D directions are set by our Managing Director, Yeoh Cheng Poh, and our healthcare disposables R&D department is headed by our General Manager, Wong Woon Peng @ Ong Inn Peng. As at LPD, we have three (3) personnel involved in assisting Mr. Ong in R&D.

Please refer to Section 11.2.2 of this Prospectus for information on our R&D facilities.

6. OUR BUSINESS (Cont'd)

6.17.4 Our current R&D

- ***Agrochemicals***

- **Cypermethrin 10EW**

In May 2006, we launched the Cypermethrin 10EW. Cypermethrin is a synthetic compound primarily used as an insecticide that acts as a fast-acting neurotoxin (a toxin that acts specifically on nerve cells) in insects. EW is the designation for a stable emulsion of active ingredient(s) in an aqueous phase, intended for dilution with water before use. Unlike the conventional Emulsifiable Concentrate (EC), which uses aromatic solvents, the EW uses water as the carrier of the chemical.

Aromatic solvents, such as xylene, were put on the danger list by many developed countries. This comparatively toxic compound will be slowly phased out by governments. As such, water-based or less toxic solvent formulations will mark future trend for the industry.

The advantages of EW over EC formulation are as follows:

- lower toxicity;
- less odour and vapour;
- higher flash point, non-flammable (for safer handling and transportation);
- cost effective, cheaper material and less expensive packing containers, such as PET or plastic bottles (instead of aluminium cans or glass bottles) can be used for formulation and packing;
- improve biological efficacy;
- reduce phytotoxicity of plants; and
- minimise skin irritation to the operator.

In addition, the cost saving in solvent is significant in view of the current high price of aromatic solvents, which is determined by oil prices. To the best knowledge of our Directors, we are the first local company to have obtained a registration in Malaysia for the water-based cypermethrin (Cypermethrin 10EW) insecticide.

With the breakthrough of Cypermethrin 10EW as well as its strong recognition in the agriculture sector, we are also undertaking R&D on two (2) other EW-type products which are expected to be commercialised by 2009/2010.

- **Water Dispersible Granule (WDG)**

We are currently undertaking R&D on water dispersible granule (WDG). This is a relatively new formulation, in which the active ingredient is mixed with dispersing agent and other inert materials, and made into small pellets or granules through the granulation process. The WDG products when added to water will disintegrate back into its primary particle size and form a stable dispersion.

6. OUR BUSINESS (Cont'd)

The advantages of WDG over the conventional powder-type formulations are as follows:

- user-friendly as it is less dusty as well as easier to measure and mix with water or other chemicals;
- environmentally-friendly and safer as it reduces inhalation hazard and skin absorption to users, as well as the likelihood of contamination;
- easy storage as it is less hygroscopic (i.e. does not tend to absorb and retain moisture) and more stable; and
- cost effective.

We have successfully completed field trials and cleared toxicology tests for our two (2) WDG-type herbicide mixtures. We have also submitted these products for registration with the Pesticides Board of Malaysia in end-2007. These products are expected to be commercialised by 2009/2010.

- ***Agro-biotechnology***

In order to keep abreast with the continuously-evolving biotechnology industry, we started our own tissue culture laboratory to cultivate seedlings of existing and new varieties of plants. As at LPD, we have mainly cultivated 18 varieties of orchids, ten (10) varieties of ornamental plants and five (5) other plants.

We are currently identifying plants that have medicinal values or fragrances in order to extract and commercialise the active ingredients, as well as assess its commercial viability.

In addition, we have been looking into pollution-free and ecologically-sustainable techniques of composting organic waste using worms since 2005. The end-products from the techniques or processes are:

- vermicast and vermicompost, which are high quality organic fertilisers and soil conditioner;
- leachate, which are liquid fertilisers that drain out of the worm bin, and contain nutrients and beneficial microorganisms; and
- worm tea, which is a microbial brew made by placing vermicast or vermicompost in dechlorinated water and feeding the organisms appropriately. Worm tea is highly beneficial in improving overall plant health.

Presently, we have successfully bred worms to produce vermicast and vermicompost. We have also embarked on R&D collaboration initiatives with CABI, a leading international non-profit organisation specialising in sustainable solutions for agricultural and environmental problems. On 13 November 2006, we entered into a Memorandum of Understanding and Memorandum of Agreement with CABI and CABI-SEA respectively, for the identification and extraction of beneficial microorganisms from worm tea, multiplication of microorganism population, as well as to process them into dormant form for mass production and commercialisation, and then revitalise them to combat pathogenic insects, nematodes, fungi and bacteria. We have extended our collaboration with CABI-SEA to October 2009.

In May 2008, we have also entered into collaboration with CEPP, UTM to commercialise a few vermiculture products, starting with the development of pelletised vermicast or vermicompost into organic fertilisers.

6. OUR BUSINESS (Cont'd)

We have also in November 2007, completed the building of our new tissue culture facility and a microbiology laboratory at our Ban Foo nursery to support our tissue culture and vermiculture projects.

- ***Horticulture***

We continuously identify plants and foliage cuttings that are attractive, as well as study the life-cycle and vase life of new varieties of plants and foliage cuttings to determine the feasibility of exporting these plants and foliages. We also continuously conduct R&D to improve the quality of the foliage cuttings, including researching different ways of weaving Sanderiana cuttings.

We continuously cooperate with external consultants, such as CABI and MARDI to determine the cause(s) and the most effective methods of preventing and treating some persistent leaf disease problems on a number of varieties of foliage plants, such as Sanderiana "White" and Song of India.

We are also currently looking into the methods of controlling weeds by testing various herbicides in the market for evaluation on pre- and post-emergent stages of weed growth. In May 2009, we have completed the construction of a new glass house to further support our various agriculture R&D activities.

- ***Healthcare disposables***

We continuously strive to produce more value-added products, such as wet wipes and facial cotton products for specific niche markets.

We are developing biodegradable wipes as well as other original equipment manufacturer (OEM) wipes for specific niche markets. In November 2008, we successfully marketed our 'pet' wipes under the TenderSoft brandname.

Furthermore, we are in the process of improving our existing cotton-based products. We are enhancing our current facial cotton pads with an outer non-woven fabric for better usage. This product is currently undergoing the advanced stage of testing and is expected to be ready for commercialisation by end 2009 after the new facial cotton lines have been fully commissioned.

We are also developing a new baby-cleansing cotton product which is used to clean babies' delicate skin as well as for mothers' pre- and post-natal use. This product goes through an antibacterial process. This product is undergoing clinical and dermatological tests and is expected to be ready for commercialisation by end 2009.

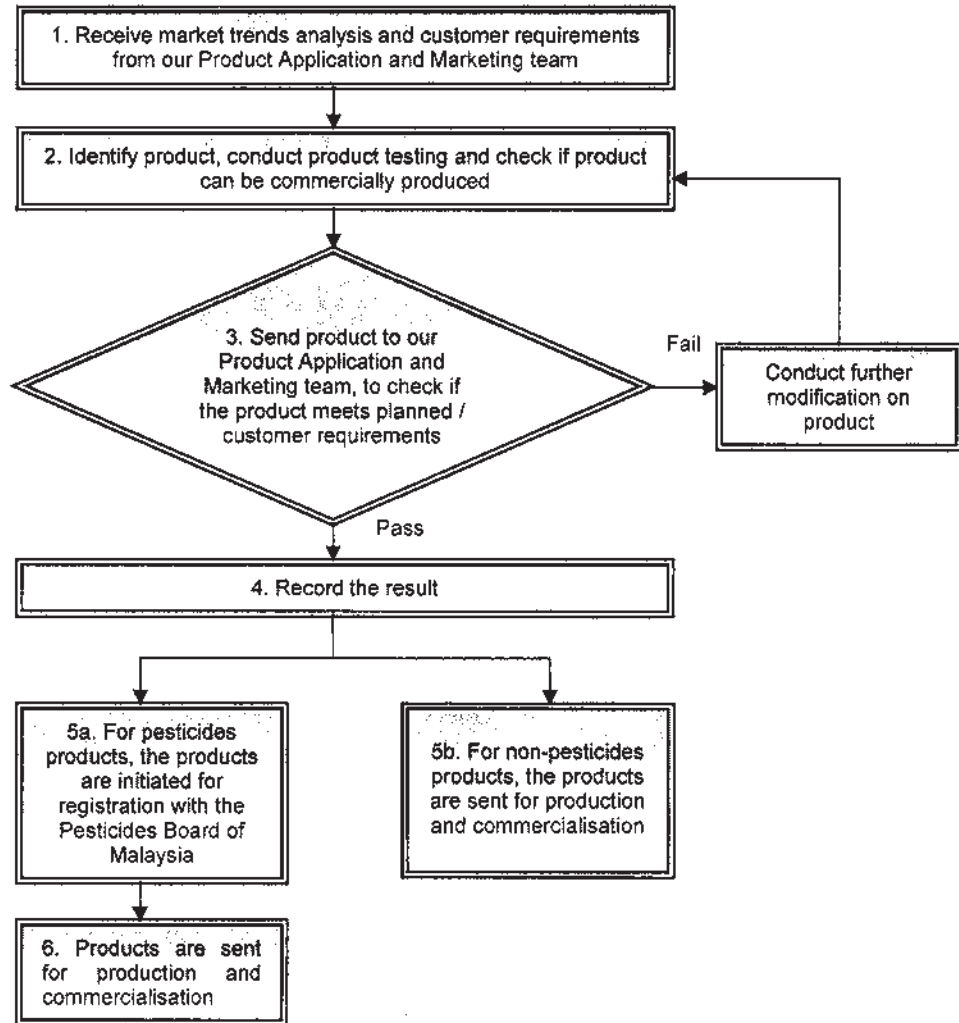
We are also looking into the feasibility of producing sterilised medical disposable products, including sterilised cotton balls, cotton swabs and maternity sanitary napkins, for distribution and sale to pharmacies and medical centres.

6. OUR BUSINESS (Cont'd)

6.17.5 Our R&D process flows

Our R&D team carries out two (2) major functions, namely new product development and product modification (also value-added development).

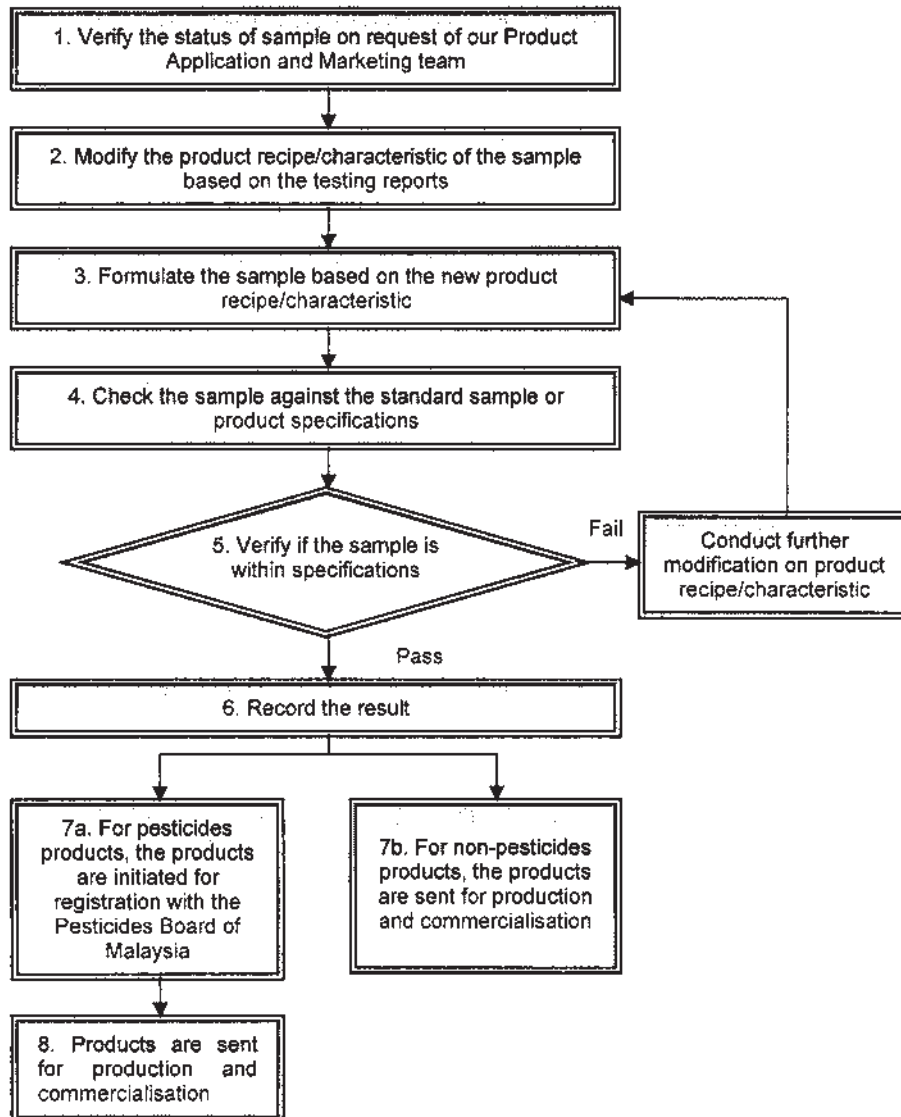
(a) new product development



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6. OUR BUSINESS (Cont'd)

(b) product modification



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6. OUR BUSINESS (Cont'd)

6.17.6 Our achievements in R&D

Our R&D achievements since our incorporation are set out below:

Year	Description
2000	Commercialisation of our Millennium Plant weaved from Sanderiana white, yellow or green cuttings
2004	Commercialisation of our bio-organo foliar fertilisers, namely <i>Fruitti Organisol</i> for fruit-bearing plants, and <i>Leaffie Organisol</i> for leafy vegetables
2005	Successfully weaved and launched our 4.0-foot pineapple-shaped Millennium Plants from Sanderiana green cuttings
2005	Commercialisation of our TenderSoft antiseptic wipes
2006	Commercialisation of our Cypermethrin 10EW
2006	Successfully bred composting worms and began production of vermicompost, vermicast, leachate and worm tea
2006	Initiated the tissue culture of medicinal and fragrant plants for derivative extraction in the near future
2006	Commercialisation of our TenderSoft baby wipes
2007	Innovated a motorised power sprayer to deliver biological insecticides, namely Dipel® ES to control bagworms and nettle caterpillars in tall oil palms, which have been conventionally controlled by trunk injection with restrictive chemicals
2007	Commercialisation of our TenderSoft facial cleansing wipes
2008	Commercialisation of our TenderSoft 'pet' wipes

6.17.7 Our future plans for R&D

Our future R&D activities will revolve around new product developments, product enhancements/modifications, as well as the assessment of new technologies, raw materials, and production processes to reduce our production cost without prejudicing our products' efficacy and quality. Amongst others, we plan to expand and upgrade our microbiology laboratory for our vermiculture project through our collaboration with CABI-SEA and CEPP, UTM, as well as to purchase tissue culture and vermiculture equipment for our R&D purposes.

Further details of our future plans for R&D are set out in Section 6.22 of this Prospectus.

6. OUR BUSINESS (Cont'd)

6.17.8 R&D expenditure

Our commitment to R&D is reflected in our increasing R&D expenditure as set out below:

Division	FYE 30 September						Six (6)-month FPE 31 March 2009	
	2006		2007		2008		Amount (RM'000)	% of turnover
	Amount (RM'000)	% of turnover	Amount (RM'000)	% of turnover	Amount (RM'000)	% of turnover		
Agrochemicals	245	0.35	317	0.40	367	0.36	169	0.43
Agro-biotechnology and horticulture	116	0.17	302	0.39	410	0.41	193	0.49
Healthcare disposables	50	0.07	47	0.06	51	0.05	32	0.08
	411	0.59	666	0.85	828	0.82	394	1.00

6.18 Business Interruption

Save for the disruption of our tissue culture operations during the shifting to our Ban Foo nursery, our business has not experienced any interruption which may have had a significant effect on our operations during the twelve (12) months preceding LPD.

6.19 Our Key Achievements/Milestones/Awards

Over the years, our key milestones are as follows:

Year	Key milestones
May 1979	Incorporation of Halex (M), our trading arm for agrochemicals
January 1980	Commencement of Halex (M)'s business
July 1980	Incorporation of Halex Industries, our manufacturing arm for agrochemicals
July 1984	Halex (M) became a member of the MCPA
September 1984	Secured the sole distributorship of BIVERT® in Malaysia from Wilbur-Ellis Company, USA
June 1985	Acquisition of property located at Kawasan Perindustrian Dato' Onn, Johor Bahru for the setting up of a manufacturing plant for our agrochemical products
September 1985	Secured the sole distributorship of the Leffingwell range of foliar fertilisers in Malaysia from Chemtura Corporation (formerly known as Uniroyal Chemical Co. Inc. and Crompton Corporation), USA. Yara Phosyn Ltd. (formerly known as Phosyn plc.), UK later acquired the range of Leffingwell products and Halex (M) remained as the sole distributor for Leffingwell products in Malaysia
October 1988	Acquisition of an eight-(8) acre plot of land in Kempas, Johor and commenced our nursery operations in 1989, a vertical integration to our agrochemical business

6. OUR BUSINESS (Cont'd)

Year	Key milestones
June 1991	Secured the sole distributorship of Terrazole® 25EC, Royal MH® 30, Terraclor® 75WP and B-Nine® WSG in Malaysia from Chemtura Corporation (formerly known as Uniroyal Chemical Co. Inc. and Crompton Corporation), USA. Terraclor® 75WP was later acquired by AMVAC Chemical Corporation, USA and Halex(M) remained as the sole distributor for these products in Malaysia
May 1992	<ul style="list-style-type: none"> ▪ Secured the sole distributorship of Dipel® WP, Dipel® ES, Xentari® WG, and ProGibb® 2% in Malaysia from Abbott Agricultural Products Division of Abbott Laboratories Ltd, USA as well as Rizolex® 50WP from Sumitomo Chemical Company Ltd., Japan. Sumitomo Chemical Company Ltd., Japan later acquired the Agriculture Products Division of Abbott Laboratories Ltd, USA and Halex (M) remained as the sole distributor for these products in Malaysia ▪ Acquisition of Halex Woolton, a manufacturer and distributor of healthcare disposable products
August 1992	Commenced manufacturing and commercialisation of our healthcare disposable products under the brand name Evelyn®, Every Woman®, Protect and Bunnies
May 1994	Secured the sole distributorship of VectoBac® G and VectoBac® 12AS in Malaysia from Abbott Agricultural Products Division of Abbott Laboratories Ltd, USA. Sumitomo Chemical Company Ltd., Japan later acquired the Agricultural Products Division of Abbott Laboratories Ltd, USA and Halex (M) remained as the sole distributor for these products in Malaysia
October 1995	Acquisition of a 6.9-acre plot of land in Seelong, Johor to expand our festive plants and foliage cuttings operations
November 1995	Acquisition of a 14.1-acre plot of land in Ban Foo, Ulu Tiram to expand our horticulture operations
May 1996	Secured the sole distributorship of Pantera® Technical and 12EC in Malaysia from Chemtura Corporation (formerly known as Uniroyal Chemical Co. Inc. and Crompton Corporation), USA
June 1996	Commercialisation of our healthcare disposable products, namely facial cotton pads, cotton balls, cotton buds and cotton wool rolls under the brand name TenderSoft
June 1998	<ul style="list-style-type: none"> ▪ Secured the sole distributorship of Danitol® 10SC in Malaysia from Sumitomo Chemical Company Ltd., Japan ▪ Became a basic manufacturer of treated and bleached facial cotton jumbo roll
September 1999	Successfully penetrated the Japanese market with our foliage cuttings
January 2000	Successfully weaved and marketed our Millennium Plants
January 2001	Successfully marketed our agrochemical products to new overseas markets, such as Brunei and Myanmar, apart from our existing markets in Mauritius and Singapore
January 2003	Secured the sole distributorship of Dimilin® 25WP in Malaysia from Chemtura Corporation (formerly known as Uniroyal Chemical Co. Inc. and Crompton Corporation), USA

6. OUR BUSINESS (Cont'd)

Year	Key milestones
April 2003	<ul style="list-style-type: none"> ▪ Secured the sole distributorship of Yara Phosyn F3292 (Pholex CaBZn) and F3285 (Pholex ManCuZin) formulations in Malaysia from Yara Phosyn Ltd. (formerly known as Phosyn plc.), UK ▪ Further expanded the healthcare disposable product range by producing modern sanitary napkins, paper disposable products, wet wipes as well as wiper sheets ▪ Successfully marketed our healthcare disposable products to Singapore and Brunei
August 2003	Successfully penetrated USA market with our Millennium Plants and festive plant seedlings
January 2004	Commercialisation of our bio-organo foliar fertilisers, namely <i>Fruitti Organisol</i> for fruit-bearing plants, and <i>Leaffie Organisol</i> for leafy vegetables
April 2004	Successfully marketed our healthcare disposable products to new overseas markets, such as Thailand and the Philippines
September 2004	Successfully marketed our healthcare disposable products to Hong Kong
January 2005	<ul style="list-style-type: none"> ▪ Being the first local company in Malaysia to commercialise pineapple-shaped Millennium Plants ▪ Commercialised and successfully marketed our antiseptic wipes under the brand name TenderSoft in Malaysia, Singapore and Kenya
March 2005	Celebrated our Silver Jubilee, signifying 25 years of our operations
July 2005	Commencement and establishment of R&D for our vermiculture operations
August 2005	Successfully marketed our agrochemical products to Taiwan
January 2006	Commercialisation of our baby wipes under the brand name TenderSoft
March 2006	<ul style="list-style-type: none"> ▪ Acquisition of an operational tissue culture facility ▪ Establishment of R&D for the tissue culture operations ▪ Successfully bred composting worms and began the production of vermicompost, vermicast, leachate and worm tea
May 2006	Being the first local company to have obtained a registration in Malaysia for our water-based cypermethrin (Cypermethrin 10EW) insecticide for agricultural crops
June 2006	Initiated the tissue culture of medicinal and fragrant plants for derivative extractions in the near future
November 2006	Entered into a Memorandum of Understanding and Memorandum of Agreement with CABI and CABI-SEA respectively for the identification and extraction of beneficial microorganisms from worm tea, multiplication of microorganism population, as well as to process them into dormant form for mass production and commercialisation, and then revitalise them to combat pathogenic insects, nematodes, fungi and bacteria
February 2007	Successfully innovated a motorised power sprayer to deliver biological insecticides, namely Dipel® ES to control bagworms and nettle caterpillars in tall oil palms, which have been conventionally controlled by trunk injection with restrictive chemicals

6. OUR BUSINESS (Cont'd)

Year	Key milestones
April 2007	<ul style="list-style-type: none"> ▪ Successfully launched Pleo® 10.6EC in Malaysia from Sumitomo Chemical Company Ltd., Japan. It is a novel insecticide used to control the "diamond back moth", the most damaging insect to leafy vegetables ▪ Commercialisation of our facial cleansing wipes under the brand name TenderSoft
May 2007	Our wipes have been tested for hypoallergenicity and irritancy by the Philippines Board of Dermatology, Department of Health and were certified as safe products
June 2007	Successfully marketed our healthcare disposable products under the brand name Tendersoft to India
September 2007	Successfully marketed our original equipment manufacturer (OEM) wet wipes to Brazil
November 2007	Completed the construction of our new tissue culture facility and microbiology laboratory at our Ban Foo nursery
April 2008	Successfully marketed our agrochemical products to Slovenia
May 2008	Entered into collaboration with CEPP, UTM for the production of pelletised vermicast or vermicompost into organic fertiliser
August 2008	Successfully marketed our agrochemical products to Senegal
September 2008	Successfully launched Ohsin® 20WP in Malaysia from Mitsui Chemicals, Inc., Japan. It is a new third generation insecticide used to control leafminers in legumes
November 2008	Commercialisation of our 'pet' wipes under the brand name TenderSoft to Thailand and Brunei
December 2008	Successfully marketed our agrochemical products to Lebanon
June 2009	Successfully marketed our alcohol wipes under the Tendersoft brand name to Kenya

Over the years, we have attained the following awards for our efforts and accomplishments within the industry:

Year	Key achievements / awards	Awarded by
2003	Halex Woolton was awarded ISO9001:2000 Certification for its cotton-based products	SIRIM QAS International Sdn Bhd
2004	Halex Woolton was awarded Good Manufacturing Practice Certification for its wet wipes	BPFK
2005	Halex Industries was awarded ISO9001:2000 Certification for its agrochemicals	SIRIM QAS International Sdn Bhd
2006	Halex Woolton was awarded the Business Superbrands Malaysia status, and subsequently with the Consumer Superbrands status for its TenderSoft brand	Asian Integrated Media Limited, Hong Kong
2006	Halex Woolton was awarded ISO9001:2000 Certification for its wet wipes	SIRIM QAS International Sdn Bhd

6. OUR BUSINESS (Cont'd)

Year	Key achievements / awards	Awarded by
2007	Halex Woolton was awarded the HALAL Certification for its facial cleansing wipes	Jabatan Kemajuan Islam Malaysia (JAKIM)

6.20 Major Suppliers

Our major suppliers from whom we have purchased 10% or more of our total purchases, for the past three (3) financial years up to the FYE 30 September 2008 and six (6)-month FPE 31 March 2009, are set out below:

Suppliers	Item supplied	% of total purchases			
		FYE 30 September			Six (6)-month FPE 31 March 2009
		2006	2007	2008	
New Toyo Pulppy (Vietnam) Co Ltd	Tissue jumbo roll	*	11.0	*	20.6

Note:

* Less than 10%.

We have established and maintained good rapport and reputation with our suppliers and have not experienced difficulties in obtaining their material supplies. Nevertheless, our Directors are of the opinion that our Group is not dependent on any particular supplier.

6.21 Principal Markets and Major Customers

With our extensive distribution network, we successfully export our agrochemicals to over 10 countries worldwide, including Singapore, Taiwan, Hong Kong and developing countries like Vietnam, Myanmar, Indonesia, the Philippines, Pakistan, Bangladesh, Mauritius, Brunei, Thailand, Slovenia, Senegal and Lebanon. These products are used in most agricultural sectors, including all the major crops in Malaysia. Examples of major crops are oil palm, rubber, paddy, tobacco, pepper, vegetables and flowers. We also have over 30 products registered in eight (8) different developing countries.

We are also the sole distributor in Malaysia for several agrochemical products developed by various MNCs, which include Chemtura Corporation (formerly known as Uniroyal Chemical Co. Inc. and Crompton Corporation), AMVAC Chemical Corporation and Wilbur-Ellis Company from USA, Sumitomo Chemical Company Ltd. and Summit Agro International Ltd. from Japan, as well as Yara Phosyn Ltd. (formerly known as Phosyn plc) from UK.

Whilst our tissue cultured plantlets are sold to major orchid growers in Malaysia and Singapore where a thriving orchid growing industry is centred, our fresh foliage cuttings, potted and festive plants are sold within Malaysia and exported to Japan, USA and Singapore.

Our healthcare disposable products are distributed both within and outside Malaysia. We sell our healthcare disposable products to Kenya, Australia, New Zealand, Brunei, Hong Kong, Pakistan, the Philippines, Singapore, Thailand, Vietnam, Taiwan, India, Mexico and Brazil. Our customers include local and foreign hypermarket and supermarket chains, as well as local pharmacies and pharmaceutical chains.

6. OUR BUSINESS (Cont'd)

Apart from developing and marketing our own brands, we are also a contract manufacturer for various local and foreign brands.

The following is a breakdown of our total revenue into local and export sales:

	For the FYE 30 September 2008		For the FPE 31 March 2009	
	Total revenue (RM'000)	%	Total revenue (RM'000)	%
Exports	24,687	24.47	9,300	23.78
Local	76,210	75.53	29,812	76.22
Total revenue	100,897	100.00	39,112	100.00

Save as disclosed below, there has been no major customer to whom we have sold 10% or more of our total sales, for the past three (3) financial years up to the FYE 30 September 2008 and six (6)-month FPE 31 March 2009:

Customers	Item sold	% of total purchases			
		FYE 30 September			Six (6)- month FPE 31 March 2009
		2006	2007	2008	
Tesco Stores (M) Sdn Bhd	Wide range of healthcare disposable products	*	*	*	11.4

Note:

* Less than 10%.

We have been continuously intensifying our efforts to secure new customers through our marketing strategies as set out in Section 6.14 of this Prospectus. We have also well-established business relationships with our existing customers, and are confident that we will be able to secure repeat orders from our customers.

Our Directors are of the opinion that we are not overly reliant on any single customer as our existing customer base is relatively broad. Our customer base currently consists of more than 580 active customers worldwide.

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6. OUR BUSINESS (Cont'd)

6.22 Future Plans, Strategies and Prospects

In view of our competitive strengths as detailed in Section 6.6 of this Prospectus as well as the outlook of the agro-based input industry and healthcare disposables industry as set out in Section 7.9 and the Executive Summary of the Independent Market Research Report under Section 14 of this Prospectus, we are optimistic about our business prospects in the long-term and shall continue to strive to be at the forefront of the industries that we are involved in. We aim to capitalise on market opportunities and trends through the roll-out of the following plans:

(a) *continue to strengthen our R&D capabilities*

We strive to be at the forefront of the industries that we are involved in. We believe that our R&D capability is one of the main engines for our future growth. With increased competition and the need for product differentiation, we will continue to strengthen our R&D capabilities by investing in advanced technology, where necessary, to facilitate the development of new products, to enhance our existing products, as well as to improve the efficiency of our production processes.

In November 2007, we constructed a microbiology laboratory for our vermiculture projects. As part of our ongoing efforts to maintain our competitive advantage in the agriculture sector, we plan to expand and upgrade our microbiology laboratory and purchase R&D equipment for our vermiculture products.

We also plan to increase the strength of our current R&D team by updating our employees on the latest developments in the industries that we are involved in, as well as working closely with other external consultants, such as MARDI, CABI and CEPP, UTM.

(b) *product development and enhancement*

In order to maintain and increase our competitiveness in the industries that we are involved in, we will continue to engage in R&D to enhance product efficacy, cost effectiveness and environmental-friendliness through the development of new products while eyeing the potential to apply for Intellectual Property Rights, opening up new uses for existing products, enhancing and/or complementing efficacy of existing products and assessing alternative sources of raw materials.

We have successfully introduced bio-organo foliar fertilisers, namely *Fruitti Organisol* for fruit-bearing plants, and *Leaffie Organisol* for leafy vegetables in 2004, and our Cypermethrin 10EW in 2006. With the breakthrough of our Cypermethrin 10EW as well as its strong recognition in the agriculture sector, we are undertaking R&D on two (2) other EW-type products which are expected to be commercialised by 2009/2010.

Furthermore, we have successfully completed field trials and cleared toxicology tests for our two (2) WDG-type herbicide mixtures. We have also submitted these products for registration with the Pesticides Board of Malaysia in end-2007. These products are expected to be commercialised by 2009/2010.

We have also started our own tissue culture laboratory to cultivate seedlings of existing and new varieties of plants. As at LPD, we have mainly cultivated 18 varieties of orchids, ten (10) varieties of ornamental plants and five (5) other plants. We plan to continue propagating new varieties of plants including medicinal and fragrant plants for the extraction of active ingredients.

6. OUR BUSINESS (Cont'd)

In addition, we have been looking into pollution-free and ecologically-sustainable techniques of composting organic waste using worms since 2005. The end-products from the techniques or processes are:

- vermicast and vermicompost, which are high quality organic fertilisers and soil conditioner;
- leachate, which are liquid fertilisers that drain out of the worm bin, and contain nutrients and beneficial microorganisms; and
- worm tea, which is a microbial brew made by placing vermicast or vermicompost in dechlorinated water and feeding the organisms appropriately. Worm tea is highly beneficial in improving overall plant health.

Pursuant thereto, we have embarked on R&D collaboration initiatives with CABI, for the identification and extraction of beneficial microorganisms from worm tea, multiplication of microorganism population, as well as to process them into dormant form for mass production and commercialisation, and then revitalise them to combat pathogenic insects, nematodes, fungi and bacteria. We have extended our collaboration with CABI-SEA to October 2009.

In May 2008, we have also entered into collaboration with CEPP, UTM to commercialise a few vermiculture products, starting with the development of pelletised vermicast or vermicompost into organic fertilisers.

Pertaining to our healthcare disposable products, we continuously strive to produce more value-added products, such as wet wipes, facial cotton products and baby-cleansing cotton. We are currently looking into the development of other wipes for specific niche markets. We are also looking into the feasibility of producing sterilised medical disposable products, including sterilised cotton balls, cotton swabs and maternity sanitary napkins, for distribution and sales to pharmacies and medical centres, which are presently our customers.

(c) expansion of production facilities

We plan to expand our current manufacturing facilities in Kawasan Industri Bandar Tenggara, Johor to accommodate new and additional product lines. The expansion is also to facilitate the separation of herbicides, insecticides, fungicides production and storage. This is in line with international standards and requirements and would ease our attainment of international certification on our products, and hence gain wider acceptance by larger MNCs to appoint us as contract manufacturer for their products. This expansion is also to cater for future production of products derived from the vermiculture projects.

In November 2007, we constructed a new tissue culture facility at our Ban Foo nursery, with a built-up area of approximately 1,765 square metre, and invested approximately RM400,000 to acquire additional tissue culture equipment, to accommodate the anticipated increasing demand of our tissue cultured plantlets.

In anticipation of the continued expansion of our operations, on 2 October 2006, we purchased a piece of land situated in Lot 142, GM 826, Mukim Plentong, 81800 Ulu Tiram, Johor Darul Takzim, and the factory building on this land was fully refurbished in mid-2009. We are still waiting for the certificate of fitness for occupation and intend to move and centralise our cotton- and paper-based processing operations at the new building, and our wet wipes and jumbo roll processing operations will be expanded at our existing Jalan Taruka factory.

Please also refer to Section 3.9 of this Prospectus for further information on the utilisation of our Public Issue proceeds to fund the aforesaid expansion.

6. OUR BUSINESS (Cont'd)

(d) market expansion

To broaden our customer base, we aim to strengthen and widen our distribution network locally and abroad. We will continue with our efforts to expand further into the domestic market through our extensive network of dealers and branch offices in Selangor and Penang.

We also expect to further penetrate into the existing markets of Slovenia, Senegal and Lebanon for our agrochemicals in the near future, through the provision of product registration packages, product advisory and promotion, as well as PRC, Europe, Australia and Middle-East for our horticulture products. We are currently working on product registrations for our agrochemicals in Indonesia, Australia and Sri Lanka. We also plan to further penetrate into the existing markets of Singapore and Brunei, as well as into new markets, such as USA, India and countries under the European Union for our healthcare disposable products, in particular our baby-cleansing cotton and sterilised medical disposable products.

(e) increase in the distribution of proprietary products

We continue to look for opportunities to distribute other proprietary products, as this will give us exclusive market rights to the proprietary brands as well as serve to diversify our product range. As at LPD, we have successfully registered 17 proprietary products with the Pesticides Board of Malaysia, with another four (4) proprietary products pending registration and re-registration.

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7. INDUSTRY OVERVIEW

7.1 Industry Overview

7.1.1 Agriculture sector in Malaysia

The agriculture sector is expected to register a decline of 2.0% in 2009, mainly due to lower production of both palm oil and rubber as the expected lower prices of both commodities will reduce the incentive for marginal producers to maintain the output growth trend seen in recent years. However, this decline will be partially mitigated by positive growth in the food crops sub-sector, particularly livestock, fisheries and vegetables.

During the Ninth Malaysia Plan 2006-2010 ("9MP"), the development of the agriculture sector will be intensified to serve as the third engine of growth. Both specific policies and strategies will be implemented to expedite the transformation of this sector into a modern, dynamic and competitive sector. The emphasis will be on large-scale commercial farming and participation in high quality and value adding activities. Measures will also be undertaken to expand the use of better clones, seedlings and breeds, adopt new technology and knowledge-based agriculture, gazette the necessary land for agricultural zoning, land consolidation as well as promote better coordination in project planning and implementation, extension services, quality control, financing and marketing.

Agricultural infrastructure, particularly drainage and irrigation facilities, farm roads and crossing will be further upgraded and expanded to support the greater use of modern technology and mechanisation. In addition, good water resource management practices will be adopted, including the use of decision support system and automation of control gates to ensure equal water distribution.

The main sources of growth for the agriculture sector are oil palm, rubber and food production. Emphasis will be given to the production of livestock, fish, particularly deep-sea fishing and aquaculture, as well as high value fruits and vegetables. Measures will also be undertaken to revive the cocoa industry through the rehabilitation of cocoa farms with better clones and farming techniques.

(Source: Independent Market Research Report by D&B Malaysia)

7.1.2 Agriculture supporting industry in Malaysia

In general, crop cultivation is supported by the agriculture supporting industry. A segmental illustration of the agriculture supporting industry is as follows:



The agro-based input industry refers to products and services which are used as input in crop cultivation activities – a sub segment of agriculture supporting industry that we are principally involved in.

7. INDUSTRY OVERVIEW (Cont'd)

Meanwhile, the machinery and equipment industry provides various types of cultivation equipment and farming machinery, amongst others, ploughs, tractors, cultivators and combined harvester threshers. There are also support services which offer warehouse facilities, transport services, financial services, forwarding and shipping services to the agriculture sector. Other agro-based supporting industries include providers of physical infrastructures (such as irrigation and drainage systems) and packaging materials.

(Source: Independent Market Research Report by D&B Malaysia)

7.2 Agro-based Input Industry

The agro-based input industry is one of the major sub-sectors within the agriculture supporting industry and plays a crucial role in the development of the agriculture sector. At present, the local agriculture sector remains highly dependent on the import of inputs. As such, both the Government and private sector are undertaking various measures and projects to promote and further develop this industry locally with the emphasis on improving yield, capacity, quality, efficiency and competitiveness. In short, competitive agricultural production is very much dependent on the efficient supply of external inputs such as agrochemicals, agro-biotechnology and planting materials. The availability of these inputs is vital in ensuring the success of the agriculture sector as a whole. Since the costs and prices of these inputs play a very important role in determining the cost of production, they will directly affect the competitiveness of Malaysian agricultural products.

The agro-based input industry can be classified as follows:



(Source: Independent Market Research Report by D&B Malaysia)

7.2.1 Agrochemicals

In Malaysia, the agrochemicals industry can be segregated into three (3) major categories, which are depicted as follows:



Between 2004 and 2008, the agrochemicals industry achieved a healthy compounded annual growth rate ("CAGR") of 21.6%. In 2008, the sales value for agrochemical products was approximately RM4.4 billion, reflecting an annual growth of 44.3% compared to approximately RM3.1 billion in the previous year. In terms of workforce, there were 3,359 people employed in the local agrochemicals industry in 2008. Pesticides and fertilisers are two (2) of the most widely used agrochemicals in improving the yield and quality of agriculture products. As such, manufacturers of agrochemicals play an important role in providing a wide range of products and services to meet the demand from local as well as overseas markets.

7. INDUSTRY OVERVIEW (Cont'd)

▪ **Pesticides**

Pesticides are substances used to control pests in agriculture, forestry, animal husbandry and the public health sectors, as well as in commercial and domestic premises.

There are four (4) major types of pesticides, each suitable for different functions and supporting different types of loads.

Types of Pesticides	Functions
(a) Herbicides	: Used to control unwanted plants, used in weed control management by destroying, suppressing or preventing the spread of weeds or other unwanted vegetation
▪ <i>Selective</i>	: Only kills a specific species of plants with minimal or no effect to other plants or vegetations
▪ <i>Non-selective</i>	: Destroys specific types of weeds as well as destroys or injures all other types of vegetation, and are basically toxic to most plants
(b) Insecticides	: Used to control the infestation of insects
▪ <i>Contact</i>	: Eliminate insects by penetrating the external skeleton of insects
▪ <i>Systemic</i>	: Absorbed by the leaves or roots of the plants and are directly ingested by insects
(c) Fungicides	: Used to control fungi which cause moulds, rots and plant diseases
▪ <i>Prophylactic</i>	: Prevents plants from getting infected with diseases caused by fungi attacks
▪ <i>Systemic</i>	: Kills disease after the appearance of the disease in the plants, either externally or internally
(d) Others	
▪ <i>Miticides or acaricides</i>	: Used to control mites and ticks
▪ <i>Rodenticides</i>	: Used to control rats, mice and other rodents
▪ <i>Nematicides</i>	: Used to control nematodes
▪ <i>Molluscicides</i>	: Used to control snails and slugs

In 2007, the Malaysian pesticides' market expanded by 52.7% to about RM504 million from RM330 million in the previous year. The increase in consumption in 2007 was mainly attributed to higher demand for both herbicides and insecticides. The growth of the industry is expected to be in tandem with the growth of the agriculture sector.

Herbicides remain the major type of pesticides and represented 71.6% of the total pesticides market value in 2007. The market value for herbicides in 2007 amounted to RM361 million with an estimated annual growth of 61.9% compared to the previous year. The market value for both insecticides and fungicides were valued at about RM100 million and RM27 million respectively in the same year. In recent years, there was a high demand for herbicides from the oil palm sector and it is expected to continue to be the main user of pesticides.

(Source: Independent Market Research Report by D&B Malaysia)

7. INDUSTRY OVERVIEW (Cont'd)

▪ **Fertilisers**

Fertilisers are inputs given to plants to help their growth, and typically supply one or more of the essential nutrients required by the plants. Essential nutrients for plants exist naturally in the soil, atmosphere and in animal manure. However, these naturally occurring nutrients are not always available in the forms that plants can use, or in the quantities needed. As such, fertilisers are used as nutrient supplements to make plants grow to their maximum potential.

Fertilisers can be classified into two (2) categories:

- (a) *Organic fertilisers* which are derived from organic matter; and
- (b) *Inorganic fertilisers* which are derived from non-living sources which can be naturally occurred or synthetically produced.

According to the MITI, the market size of fertilisers in Malaysia amounted to RM3.5 billion in 2008, in terms of sales. This represented an increase of 42.8% over the previous year. The soils in Malaysia are highly leached infertile acid tropical soils and as such, fertiliser application is essential in Malaysian agriculture. Large tracts of land are cultivated with perennial tree crops such as oil palm where large quantities of fertilisers are required annually to sustain high crop yields and ultimately, profitability. Besides oil palm, the other cultivations are rubber, cocoa and paddy. Almost all fertilisers are consumed by smallholders, government bodies and plantation companies.

(Source: Independent Market Research Report by D&B Malaysia)

▪ **Others**

Apart from pesticides and fertilisers, agrochemicals also consist of plant growth regulators. The main functions of plant growth regulators are to increase, decrease or change the normal growth or reproduction in a plant. They may be used to move forward or move back the normal harvest dates for certain crops. Some of the plant growth regulators are used to enhance the quality and yield of certain crops.

(Source: Independent Market Research Report by D&B Malaysia)

7.2.2 **Agro-biotechnology**

Agro-biotechnology can be defined as any technique which uses living organisms to make or modify products, improve plant or to develop microorganisms, for specific agricultural use(s). The definition encompasses new biological tools. With the advancement in agro-biotechnology, researchers are able to design agricultural materials with novel characteristics for plants. This will help to improve the yield and nutritional quality of agricultural products.

Currently, the agro-biotechnology industry is dominated by large MNCs such as:

- Bayer CropScience AG (Germany);
- Merck KGaA (Germany);
- Pioneer Hi-Bred International Inc. (USA) (a subsidiary of E.I. DU Pont Nemours and Co.);
- Syngenta Biotechnology Inc. (USA);
- Monsanto Co. (USA); and
- Mycogen Corp (USA) (a subsidiary of Dow Agrosiences LLC).

7. INDUSTRY OVERVIEW (Cont'd)

Agro-biotechnology is considered to be relatively new in Malaysia as compared to developed nations such as USA and Japan. The most prominent agro-biotechnology industry in Malaysia is the plant tissue culture industry which mainly focuses on the propagation of orchids and bananas through tissue culture. In recent years, R&D activities on tissue culture for oil palm and floriculture products have been carried out by a number of local companies.

As the agriculture sector becomes more competitive, the application of agro-biotechnology plays an increasingly important role in overcoming some of the issues and challenges in the sector as well as in enhancing the growth of crop and product industry groups. R&D efforts in agro-biotechnology promote the exploitation of agricultural resources and provide for the food needs of the growing population, both locally and globally, supply the raw materials to the agro-industries and creates new high-value industries while conserving the environment. Over time, the agro-biotechnology industry is expected to grow as there will be increasing demand for agricultural products to meet increasingly sophisticated consumer demands.

(Source: Independent Market Research Report by D&B Malaysia)

7.3 Legislations, Incentives and Policies

7.3.1 Legislations

The agro-based input industry, in particular the pesticides industry, is a highly regulated industry. The Government is committed to provide a comprehensive regulatory framework to prevent the illegal trading of pesticides and to safeguard the environment. The legislations applicable to the agro-based input industry include the following:

- Pesticides Act, 1974;
- Environment Quality Act, 1974; and
- International Code of Conduct on the Distribution and Use of Pesticides, 1985 (amended in 2005) issued by the Food and Agriculture Organisation.

(Source: Independent Market Research Report by D&B Malaysia)

7.3.2 Incentives

Whilst there are no specific incentives which are applicable to the agro-based input industry and agriculture sector, general incentives are available to manufacturing and R&D activities, such as Pioneer Status, Investment Tax Allowance and Reinvestment Allowance.

(Source: Independent Market Research Report by D&B Malaysia)

7.3.3 Policies

The Government's commitment in promoting both the agrochemicals and agro-biotechnology industries are inherent in the 9MP, Third National Agriculture Policy 1998-2010 and National Biotechnology Policy. Each of the policy roadmaps has given importance to the agriculture sector as well as its supporting industries such as agro-biotechnology. In addition, the Government has allocated RM5.6 billion to the agriculture entrepreneurs to reduce their production costs and generate higher agriculture output under the Budget 2009.

(Source: Independent Market Research Report by D&B Malaysia)

7. INDUSTRY OVERVIEW (Cont'd)

7.4 Demand and Supply Conditions

7.4.1 Demand conditions

The agro-based input industry plays an important role in providing the necessary support to the agriculture sector. These products and services are usually used by estate owners, smallholders as well as farmers for agriculture activities. Most of these products are directly sold or distributed to end-users by manufacturers or through a network of distributors or retailers.

The end-user application markets are as follows:

- *Field food crops* which refer to crops which are cultivated as a source of food including paddy, maize and wheat;
- *Industrial crops* which refer to crops which are cultivated for industrial applications and which are mostly non-food related crops. These include oil palm, rubber, cocoa and tobacco. It is estimated that 80% of the total sales of herbicides cater to the plantation segments including oil palm and rubber plantations;
- *Horticultural crops* which refer to floriculture crops, vegetables and fruits; and
- *Others*, such as public health programmes and household applications.

(Source: Independent Market Research Report by D&B Malaysia)

7.4.2 Supply conditions

The principal raw materials used in the manufacturing of agrochemical industry are as follows:

- *active ingredients* which are specific inputs designed to adversely affect a pest, such as glyphosate, which is a non-selective water-based herbicide that kills or controls weeds; and
- *inert ingredients* which are substances other than the active ingredient that are intentionally included in a product to make it more efficient or easier to use. It is also used to improve the storage, handling, application, effectiveness or safety of a product. Inert ingredients are not intended to prevent, destroy, mitigate or repel a target pest.

These raw materials are mainly imported, as they are not produced locally.

The principal raw materials used in the agro-biotechnology industry depend on the type of activity carried out. Tissue culture, for example, involves the growing of cells, tissues or tissue fragments (from complex or multi-cellular organisms) on a nutrient medium in a dish, test tube or flask. Hence the raw materials used in tissue culture include primarily plant cuttings (from which cells, stems, shoots, leaves, bulbs or even parts of flowers and roots are extracted to be propagated), and materials used to prepare the nutrient medium, such as sugar and agar. Local agro-biotechnology players generally source for these raw materials from local suppliers, such as nurseries and other plant wholesalers. Depending on the type of plants involved, some players may also obtain cuttings from their own nurseries or from overseas suppliers (for plant species that are not readily available locally).

(Source: Independent Market Research Report by D&B Malaysia)

7. INDUSTRY OVERVIEW (Cont'd)

7.5 Industry's Reliance on and Vulnerability to Imports**7.5.1 Industry's reliance**

As the agriculture sector is the main end-user market for the agrochemicals and agro-biotechnology industries, these industries may be affected by the market conditions of the agriculture sector. For example, weakening demand in any single agricultural product such as rubber may result in the fall of demand for certain types of herbicides. This is, however, usually compensated by the demand arising from other agricultural crops such as oil palm.

With the recent rise in demand for biofuels particularly from the airline industry, more and more land are being converted to grow sugar crops such as sugar cane and sugar beet, corn/maize and other plants that produce oils such as soya bean, algae or jatropha. The increasing demand in other food crops production is set to significantly reduce any risk of demand dependency on a single agriculture crop for the use of agrochemicals and agro-biotechnology products.

These agro-based input industries have also played an increasingly significant role in public health programmes. It is also used for household control of insects, control of vector-borne disease as well as extermination of pests that can cause illnesses.

(Source: Independent Market Research Report by D&B Malaysia)

7.5.2 Vulnerability to imports

The principal raw materials used in the manufacturing of agrochemicals are active ingredients and inert ingredients, which are raw materials that are not produced locally. Thus, local pesticide manufacturers depend heavily on the imports of these raw materials.

However, such raw materials used in the manufacturing of agrochemical industry are generally widely-traded commodities. As such, it is relatively easy to source such materials in the open market, mitigating the possibility of disruption in supply from any other supplier.

As discussed in Section 7.4.2 above, the raw materials required vary depending on the type of agro-biotechnology activity carried out. For example, local tissue culture players generally source for the raw materials from local suppliers, such as nurseries and other plant wholesalers. Depending on the type of plants involved, some players may also obtain cuttings from their own nurseries or from overseas suppliers (for plant species that are not readily available locally). However, as is the industry norm, any price increases in raw materials are passed on to customers.

(Source: Independent Market Research Report by D&B Malaysia)

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7. INDUSTRY OVERVIEW (Cont'd)

7.6 Product Substitute

There are no direct product substitutes for agrochemicals and agro-biotechnology. Substitutes for pesticides are mainly determined by methods of planting or farming used by the application markets such as genetically modified ("GM") crop farming and organic farming. For instance, GM crops farming may reduce the usage of pesticides as the crops are more tolerant to weeds, insects or diseases. Organic farming usually involves minimal or no usage of pesticides in the cultivation of crops or plants.

Although organic farming and natural prey for pests can be used to reduce the application of pesticides, they are only effective and feasible for small-scale farming operations. In cases of large-scale plantation such as oil palm plantation, pesticides will be more effective and efficient in controlling pests. As such, oil palm plantations, being the major application market for herbicides in Malaysia, still need to rely on the usage of pesticides.

(Source: Independent Market Research Report by D&B Malaysia)

7.7 Industry Players and Competition

The Malaysian pesticides industry operates under normal competitive conditions and is dominated by 18 multinationals and local players.

Most of the foreign players are MNCs which offer a wide variety of patented agrochemicals, for both pesticides and fertilisers. They are set out as follows:

- (a) BASF (Malaysia) Sdn Bhd;
- (b) Bayer CropScience (Malaysia) Sdn Bhd;
- (c) Dow Agrosciences (Malaysia) Sdn Bhd;
- (d) Du Pont Malaysia Sdn Bhd;
- (e) Monsanto (Malaysia) Sdn Bhd;
- (f) Nufarm Malaysia Sdn Bhd;
- (g) Sumitomo Chemical Enviro-Agro Asia Pacific Sdn Bhd; and
- (h) Syngenta Crop Protection Sdn Bhd

On the other hand, local players are mainly manufacturers of generic pesticides as the cost of developing proprietary pesticides is too high. These local players are:

- (a) Agricultural Chemicals (M) Sdn Bhd;
- (b) Ancom Crop Care Sdn Bhd;
- (c) Crop Protection (M) Sdn Bhd;
- (d) Farmcochem Sdn Bhd;
- (e) HALEX Group;
- (f) Hextar Chemicals Sdn Bhd;
- (g) Imaspro Corporation Berhad;
- (h) Kenso Corporation (M) Sdn Bhd;
- (i) Serba Kimia Sdn Bhd; and
- (j) Zagro Chemicals Sdn Bhd

(Source: Independent Market Research Report by D&B Malaysia)

7. INDUSTRY OVERVIEW (Cont'd)

7.8 Market Coverage, Position and Share

The market share of our Group in the Malaysian pesticide market is set out as follows:

	2005 RM'000	2006 RM'000	2007 RM'000
Total sales value for selected pesticides* in Malaysia [^]	328,000	330,000	504,000
Our sales of pesticides*	43,254	34,721	38,352
Our market share (%)	13.2	10.5	7.6

Notes:

* Includes herbicides, insecticides and fungicides.

[^] Represents the total sales value for selected pesticides for the respective calendar years, i.e. January to December.

(Source: Independent Market Research Report by D&B Malaysia)

In the local pesticides industry, we recorded a decrease in our market share from 13.2% in 2005 to 7.6% in 2007. The decrease in our market share in the local pesticides industry in both 2006 and 2007 was due to the expiry of our Paraquat-based pesticides registration on 1 July 2005 to sell and distribute Paraquat-based pesticides, based on the decision of the Pesticides Board of Malaysia to phase out the use of Paraquat-based pesticides in 2004. Paraquat is one of the two (2) main herbicides in the local pesticides market, and herbicides represented 71.6% of the total local pesticides market value in 2007.

In 2005, the Pesticides Board of Malaysia had unilaterally, vide its letter dated 26 August 2005, restricted the registration to sell and distribute Paraquat-based pesticides to only five (5) companies. The decision was met with strong protests by MCPA and its members. The companies that obtained the registrations were Syngenta Crop Protection Sdn Bhd, Crop Protection (M) Sdn Bhd, Hextar Chemicals Sdn Bhd, Kenso Corporation (M) Sdn Bhd and Grocare Sdn Bhd.

On 1 November 2006, however, the Pesticides Board of Malaysia agreed to open the registration of Paraquat-based pesticides once again to all companies. As such, we had only managed to receive the re-registration of our finished Paraquat-based pesticides and Paraquat technical in mid-February 2007 and August 2007, respectively, hence resulting in a sales gap during the period when the registration had expired and the decision of the Pesticides Board of Malaysia to allow only five (5) companies to sell and distribute the Paraquat-based pesticides.

Albeit a decreasing market share over the past three (3) financial years, we recorded a growth in our sales of pesticides from approximately RM34.72 million for the FYE 30 September 2006 to approximately RM38.35 million for the FYE 30 September 2007 and approximately RM48.46 million for the FYE 30 September 2008, representing an increase in the sales of pesticides of 10.46% and 26.36% for the respective financial year 2007 and 2008. The growth in our sales of pesticides reflects our ability and success in expanding our customer base through the introduction of new products as well as our effective marketing strategies.

(Source: Independent Market Research Report by D&B Malaysia)

Aside from pesticide products, we are also involved in the following activities:

- propagation of various ornamental plants through the application of biotechnology and other related agro-biotechnology activities;
- propagation and sale of foliage cuttings, potted and festive plants; and

7. INDUSTRY OVERVIEW (Cont'd)

- manufacturing and distribution of healthcare disposable products, such as wet wipes, cotton-based products, sanitary towels and tissue products.

For our healthcare disposables business, we are one (1) of two (2) local manufacturers (including foreign companies with facilities in Malaysia) that have in-house cotton wool production facilities to produce cotton jumbo rolls from raw cotton. The cotton jumbo rolls are then used as the principal raw material in the manufacturing of cotton-based healthcare disposable products. We are also one of the leading producers of wet wipes in Malaysia and provide a wide range of wet wipes, which include baby wipes, antiseptic wipes, hygienic wipes, family wipes, kitchen and household wipes, facial cleansing wipes, feminine wipes and alcohol surface wipes (for hospital use).

(Source: Independent Market Research Report by D&B Malaysia)

7.9 Prospects and Outlook**7.9.1 Prospects of the agro-based input industry**

At the end of 2008, both the global economy and commodity markets, including crude oil, were at a crossroads. Following the insolvency of a large number of banks and financial institutions in USA and Europe, financial conditions have become much tougher. After a series of efforts by central banks and governments to resolve the growing crisis through liquidity injections and various ad hoc measures, policy makers have now acted forcefully to restore confidence in the international banking system. Notwithstanding these steps, growth prospects for the developed countries, and to a lesser extent, the developing countries as well, have deteriorated. A wide range of outcomes remain possible. The financial turmoil could intensify further, sparking a prolonged credit crunch and global recession. A milder downturn is also possible, if credit conditions do not deteriorate as much as anticipated.

The roots of plunging crude oil prices can be found in USA subprime mortgage crisis, when loans were made beyond the true ability of many borrowers to service them in a credit-driven society. To remedy the situation, the Federal Reserve Board tried to provide liquidity to the banking sector, through a series of interest rate cuts and other measures. However, these cuts, together with the worsening economic outlook, weakened the dollar and saw a flight from it into commodity markets, including crude oil, as investors around the world sought better financial returns. Through hedging against the falling value of the dollar and inflation in this way, these international speculators were treating crude oil futures contracts as financial assets. Their actions greatly increased the amount of activity on futures markets and this had a big influence on crude oil prices. Without the support of sound market fundamentals, crude oil prices fell sharply, when the bubble burst and the world economic outlook weakened. Over the long-term, the price of crude oil should decline, although not expected to fall to their levels in the 1990s. The recent plunge in crude oil prices is anticipated to lead to a decrease in the production costs of agrochemicals. In addition, crude oil prices have been fluctuating in the global market.

However, due to the emphasis on the agriculture sector under the 9MP, the demand for agro-based inputs such as agrochemicals is expected to increase in tandem. In addition, the Government has been investing substantially in field food crops to boost local food production. In order to increase food production, various types of agrochemicals, both pesticides and fertilisers, are used to increase production yield as well as the quality of the crops. Apart from the local market, local agrochemicals players have also been expanding to the overseas markets. The relatively strong export opportunities in the global market provide another source of revenue for local players.

7. INDUSTRY OVERVIEW (Cont'd)

In Malaysia, plant tissue culture is one of the most prominent agro-biotechnology activities and mainly focuses on orchids, palm oil and banana. Recently, a number of local companies have carried out R&D activities on tissue culture for oil palm and floriculture crops. As the agriculture sector becomes more competitive, the local agro-biotechnology industry is expected to flourish with the commercialisation of various high-quality and better-yielding plants or crops.

The outlook for the agrochemicals and agro-biotechnology industries are dependent on the demand of the agriculture sector. While the threat from the illegal pesticides market still lingers, local pesticides manufacturers are able to remain competitive in the industry through the provisions of quality products and services. Furthermore, the Government has established a task force comprising various government agencies, including the Pesticide Board of the DOA and Royal Customs and Excise Department, Malaysia to combat local illegal pesticide trading. These efforts will help to curb unregistered pesticides and flooding of illegal pesticides in the local market.

(Source: Independent Market Research Report by D&B Malaysia)

7.9.2 Prospects of the healthcare disposables industry

Due to the expected increase in the demand for healthcare disposable products, the role of local manufacturers has become increasingly important in supporting MNCs and other consumer product retailers within the healthcare disposable products industry. Local players are poised to benefit from this growing trend. In addition, successful local players which are equipped with the relevant market knowledge and manufacturing know-how are now manufacturing quality products for MNCs, consumer product retailers, specialty shops and international supermarket chains. As a result, local manufacturers serving these markets have been flourishing. Currently, a number of local manufacturers have been actively carrying out product development programmes and have begun to market products under their own brand names in the local and overseas markets.

The prospects for Halex Woolton to capture substantial market share in the Asia-Pacific region is promising based on its successful track record in its existing local and overseas market performance. For the local market, Halex Woolton will continue to ride on the preference for locally-established brands given the Government's encouragement to "Buy Malaysia First" in its efforts to improve the country's trade balance and reduce reliance on imported products.

Furthermore, the healthcare disposable products market is large, and mainly driven by the increase in population, higher demand for improved hygiene and higher standards of living. The demand for healthcare disposable products is always present and continuously growing. Thus, the prospect of the healthcare disposables industry is considered to be bright and promising, particularly for companies with large-scale production capabilities and consistently high product quality levels such as Halex Woolton.

(Source: Independent Market Research Report by D&B Malaysia)

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL**8.1 Substantial Shareholders and Promoters****8.1.1 Shareholdings**

Based on our Register of Substantial Shareholders and Register of Members as at LPD, the table below sets out the direct and indirect interests of our substantial shareholders and Promoters before and after the IPO:

Name	Nationality / Country of incorporation	←-----Before IPO-----→		←-----After IPO-----→			
		←---Direct---→ Number of Shares	←---Indirect---→ Number of Shares	←---Direct---→ Number of Shares	←---Indirect---→ Number of Shares		
		%	%	(%)	(%)		
Husaini bin Md Sadli @ Md Sardit ⁽¹⁾	Malaysian	18,461,679	26.37	11,374,737	14.22	-	0.00
Yeoh Cheng Poh ⁽¹⁾	Malaysian	12,957,650	18.51	11,874,795	14.84	-	0.00
Low Ngak Tiow ⁽¹⁾	Malaysian	11,891,438	16.99	10,897,685	13.62	-	0.00
Ong E Jo @ Wong Ah Chuan ⁽¹⁾	Malaysian	10,009,116	14.30	9,172,666	11.47	-	0.00

Note:

(1) Represents substantial shareholder and Promoter.

Save as disclosed above, our Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises control over our Company.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.1.2 Profile of the substantial shareholders and Promoters

Husaini bin Md Sadli @ Md Sardili, aged 57, is our Non-Independent Executive Director and Plant Manager of our Healthcare Disposables Division. He oversees our Healthcare Disposables Division. En. Husaini obtained his Malaysian Certificate of Education-Overseas Cambridge School Certificate (MCE) in 1969. He was certified as a Manufacturing Management Specialist in 1984 by the Japanese Institute of Management, after attending a two (2)-year course covering factory layout, machinery layout (including process flow), costing and cost control, production planning and inventory control. Between 1970 and 1971, En. Husaini was self-employed and he was involved in the marketing of imported fruits. In 1972, he was employed as a Field Officer by the Department of Statistics in Johor, and later as a Field Assistant with Johor Land and Mines Department, overseeing the plantation, chicken farming and vegetable growing operations under the Johor Youth Land Development Scheme. He joined Peladang Kimia Sdn Bhd, a fertiliser company as an Operation Supervisor for approximately six (6) years from 1974 to 1980. He later joined Max Agriculture Sdn Bhd, a fertiliser company as a Production Supervisor in 1980. In 1981, En. Husaini joined Federal Industries Sdn Bhd, a subsidiary of Smith & Nephew Group (a UK-based cotton and medical products company), as a Store Superintendent / Production Planner.

En. Husaini left Federal Industries Sdn Bhd in 1989 to join Sancot Sdn Bhd as a Production Manager. He later acquired a stake in the company and became a director. In 1992, Sancot Sdn Bhd was acquired by the HALEX Group, and the company's name was changed to Halex Woolton. En. Husaini continued to be a director in Halex Woolton and is currently holding the position of Plant Manager in our Healthcare Disposables Division. Presently, En. Husaini is also a shareholder and director of Harum Megah (M) Sdn Bhd, a horticulture and landscape business, and Halex Maju Sdn Bhd, a dormant company.

Yeoh Cheng Poh, aged 60, is our Chairman cum Managing Director. He graduated with a Bachelor of Agriculture Science (Honours) – Second Class Upper from University of Malaya in 1973 on a Malaysian Rubber Fund Board scholarship. After graduation, he was attached to the Rubber Research Institute of Malaysia as a Research Officer in the Plant Science Division working in the Tapping and Exploitation Unit, developing new latex stimulants and tapping systems for rubber. He then joined Behn Meyer & Co. Pte Ltd, Singapore as a Company Executive in 1976. He was involved in the development, sales and marketing of agrochemicals. He left in 1980, and together with a few shareholders, he bought into a shelf company known as Halex Sdn Bhd, which then imported and distributed agrochemicals. The company name was later changed to Halex (M).

Always keeping a heart for R&D, and an eye for commerce, Mr. Yeoh was instrumental in broadening Halex (M)'s agro-based trading business into agrochemical manufacturing and agro-biotechnology, which resulted in the setting up of Halex Industries in 1980 and Halex Biotechnologies in 1992 respectively. He was also responsible for our Group's strategic diversification into the cotton and paper disposable business, with the acquisition of Halex Woolton in 1992.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Low Ngak Tiow, aged 59, is our Non-Independent Executive Director. He obtained a Diploma in Agriculture from Serdang College, Malaysia (now known as Universiti Putra Malaysia) in 1972. Mr. Low also pursued and achieved a Masters in Business Administration from Senior University, USA in 2001. From 1972 to 1975, he was an Agriculture Assistant with the DOA, where he was involved in the main committee to formulate the Buku Hijau programme for promoting and increasing food crop production for the nation. He was also in charge of the Cash Crop Seed and Vegetable Seed production in line with the government policy at the time. Mr. Low joined Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) as an Agriculture Officer from 1975 to 1977, in which he was tasked with training both diploma and degree students with hands-on practical planting of agricultural crops and conducting study tours throughout the country. During his three (3) years of service, Mr. Low has trained many graduates who are currently holding key positions in both the private and government sectors.

From 1978 to 1982, Mr. Low was a Company Executive with Behn Meyer & Co. (M) Sdn Bhd. He was responsible for advising fertilisation and crop protection aspects for plantations and marketing. In 1980, Mr. Low was sent for training in BASF Aktiengesellschaft, Germany as well as other motivational courses, which further equipped him to enhance his job functions. Mr. Low joined Halex (M) as a director in 1982 and has attended many seminars in Thailand, USA and PRC. In addition, he has conducted many product talks in Mandarin, English and Bahasa Malaysia, which makes him a valuable leader in the marketing team.

Ong E Jo @ Wong Ah Chuan, aged 66, is our Non-Independent Executive Director. Mr. Wong obtained a Bachelor of Agriculture Science (Entomology) from the National Chung Hsing University in Taiwan in 1967. From 1968 to 1972, he was the Division Chief of the Crop Protection Division for Gula Perak Berhad, where he carried out numerous herbicide trials with multinational pesticide suppliers, to evaluate the efficacy of their herbicides for sugar cane pre-emergence and early post-emergence treatments. He later joined Agricultural Chemicals (M) Sdn Bhd as an Assistant Manager in the R&D division in 1972. In 1977, he assisted in developing the usages of new third generation synthetic pyrethroid insecticide, namely Fenvalerate from Sumitomo Chemical Company Ltd. in Japan. He was also previously trained in leading Japanese research stations on the techniques of pesticide evaluation and application. He was promoted to the position of Manager in the Market Development Division in 1978.

Mr. Wong joined Halex (M) in 1984 as a Market Development Manager, and was later made a director in 1994. Presently, Mr. Wong is responsible for the operations of Halex Biotechnologies, apart from his duties as a director of several other companies within the Group.

8.1.3 Directorships and substantial shareholdings in other public corporations

None of our substantial shareholders and Promoters has any directorship or substantial shareholding in other local or foreign public corporations over the past two (2) years.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

3.1.4 Changes in substantial shareholders' shareholdings

The changes in the shareholdings of our substantial shareholders for the past three (3) years prior to LPD are as follows:

Name	Date	Shareholdings in HALEX prior to changes		Shares acquired/ (disposed)		Shareholdings in HALEX after changes		% Indirect	
		Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Husaini bin Md Sadli @ Md Sardili	27.09.2006	158,706	-	3,080,000	-	3,238,706	-	26.37	0.00
	23.01.2009	3,238,706	-	-	-	^6,477,412	-	26.37	0.00
	30.01.2009	6,477,412	-	11,984,267	-	18,461,679	-	26.37	0.00
Yeoh Cheng Poh	28.07.2006	505,371	-	547,338	-	1,052,709	-	11.44	0.00
	27.09.2006	1,052,709	-	(1,000,000)	-	52,709	-	0.57	0.00
	29.09.2006	52,709	-	1,000,000	-	1,052,709	-	8.57	0.00
	05.02.2008	1,052,709	-	1,196,058	-	2,248,767	-	18.31	0.00
	31.03.2008	2,248,767	-	24,375	-	2,273,142	-	18.51	0.00
	23.01.2009	2,273,142	-	-	-	^4,546,284	-	18.51	0.00
Low Ngak Tiow	30.01.2009	4,546,284	-	8,411,366	-	12,957,650	-	18.51	0.00
	28.07.2006	505,371	-	457,338	-	962,709	-	10.46	0.00
	27.09.2006	962,709	-	(950,000)	-	12,709	-	0.14	0.00
	29.09.2006	12,709	-	950,000	-	962,709	-	7.85	0.00
	05.02.2008	962,709	-	1,123,389	-	2,086,098	-	16.99	0.00
	23.01.2009	2,086,098	-	-	-	^4,172,196	-	16.99	0.00
Ong E Jo @ Wong Ah Chuan	30.01.2009	4,172,196	-	7,719,242	-	11,891,438	-	16.99	0.00
	28.07.2006	494,753	-	467,954	-	962,707	-	10.46	0.00
	27.09.2006	962,707	-	(950,000)	-	12,707	-	0.14	0.00
	29.09.2006	12,707	-	950,000	-	962,707	-	7.84	0.00
	05.02.2008	962,707	-	793,178	-	1,755,885	-	14.30	0.00
	23.01.2009	1,755,885	-	-	-	^3,511,770	-	14.30	0.00
Hew Sen Kian (ceased to be a substantial shareholder with effect from 29.09.2006)	30.01.2009	3,511,770	-	6,497,346	-	10,009,116	-	14.30	0.00
	28.07.2006	484,370	-	100,000	-	584,370	-	6.35	0.00

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Name	Date	Shareholdings in HALEX prior to changes		Shares acquired/ (disposed)		Shareholdings in HALEX after changes		%	
		Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Chiew Khwai @ Chiew Swee King (ceased to be a substantial shareholder with effect from 29.09.2006)	28.07.2006	439,019	-	100,000	-	539,018	-	5.86	0.00
Ng Choon Kwee (ceased to be a substantial shareholder with effect from 29.09.2006)	28.07.2006	439,019	-	100,000	-	539,019	-	5.86	0.00

Note:

[^] Being our Shares held pursuant to the subdivision of the par value of the then existing shares from RM1.00 each to RM0.50 each.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.2 Directors

Our Board comprises the following members:

Name	Designation	Date of appointment	Date of expiration of current term of office
Yeoh Cheng Poh	Chairman cum Managing Director	13.10.1990	31.12.2010
Low Ngak Tiow	Non-Independent Executive Director	15.05.1994	31.12.2009
Ong E Jo @ Wong Ah Chuan	Non-Independent Executive Director	15.05.1994	31.12.2009
Husaini bin Md Sadli @ Md Sardili	Non-Independent Executive Director	31.10.2006	31.12.2010
Supian bin Yussof	Non-Independent Executive Director	28.03.2008	31.12.2011
Chiew Khwai @ Chiew Swee King	Independent Non-Executive Director	06.05.1998	31.12.2010
Tham Kut Cheong	Independent Non-Executive Director	30.01.2009	31.12.2009
Song Kok Cheong	Independent Non-Executive Director	30.01.2009	31.12.2009
Dato' Dr Yeang Hoong Yeet	Independent Non-Executive Director	30.01.2009	31.12.2009

In accordance with our Articles of Association, one third (1/3) of our Board will retire by rotation at every annual general meeting of our Company. Each Director shall retire at least once in every three (3) years and shall be eligible for re-election. Any Director appointed within the year shall hold office only until the next annual general meeting and shall then be eligible for re-election. None of the Directors has been appointed for a fixed term.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**8.2.1 Shareholdings**

Based on our Register of Directors' Shareholdings as at LPD, the table below sets out the direct and indirect interests of our Directors before and after the IPO:

Name	Nationality / Country of incorporation	←-----Before IPO-----→		←-----After IPO-----→					
		<---Direct---> Number of Shares	<---Indirect---> Number of Shares	<---Direct---> Number of Shares	<---Indirect---> Number of Shares				
		%	%	(%)	(%)				
Yeoh Cheng Poh	Malaysian	12,957,650	18.51	-	0.00	11,874,795	14.84	-	0.00
Low Ngak Tiow	Malaysian	11,891,438	16.99	-	0.00	10,897,685	13.62	-	0.00
Ong E Jo @ Wong Ah Chuan	Malaysian	10,009,116	14.30	-	0.00	9,172,666	11.47	-	0.00
Husaini bin Md Sadli @ Md Sardili	Malaysian	18,461,679	26.37	-	0.00	11,374,737	14.22	-	0.00
Supian bin Yussof	Malaysian	695,229	0.99	-	0.00	695,229	0.87	-	0.00
Chiew Khwai @ Chiew Swee King	Malaysian	-	0.00	-	0.00	-	0.00	-	0.00
Tham Kut Cheong	Malaysian	-	0.00	-	0.00	-	0.00	-	0.00
Song Kok Cheong	Malaysian	-	0.00	-	0.00	-	0.00	-	0.00
Dato' Dr Yeang Hoong Yeet	Malaysian	-	0.00	-	0.00	-	0.00	-	0.00

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.2.2 Profile of the Board of Directors

The profiles of Yeoh Cheng Poh, Low Ngak Tiow, Ong E Jo @ Wong Ah Chuan and Husaini bin Md Sadli @ Md Sardili, have been set out in Section 8.1.2 of this Prospectus.

Supian bin Yussof, aged 54, is our Non-Independent Executive Director and Public Sector Manager for Halex (M). He graduated with a Diploma in Agriculture from Serdang College, Malaysia (now known as Universiti Putra Malaysia) in 1975. En. Supian started his career as an Assistant Research Officer with MARDI. In 1981, he joined Pernas Trading Sdn Bhd as an Area Sales Manager. He later joined Petmal Malaysia Sdn Bhd as a Branch Manager in 1985. He was then attached with FE Zuellig Chemicals Malaysia Sdn Bhd as a Product Development Executive from 1986 to 1987.

In 1987, En. Supian was employed as a Public Sector Manager with Halex (M), where he has served for over 20 years. En. Supian was made a director of Halex Trading on 1 March 1999, and appointed to the Boards of Halex (M) and HALEX on 28 March 2008. Presently, En. Supian is also a shareholder and director of Citarasa Berbakti Sdn Bhd, a dormant company which is under voluntarily winding-up.

Chiew Khwai @ Chiew Swee King, aged 60, is our Independent Non-Executive Director. Mr. Chiew started his working career in 1962 at a relatively young age, working in various positions in the agriculture industry. In 1973, together with a few other partners, Mr. Chiew started Kulai Agrochemical Trading Sdn Bhd. He left this company in 1978 to set up Pesticides & Fertilisers Sdn Bhd, an agrochemical retailing business based in Kulai, Johor. He remains as the major shareholder and managing director of this company until today, and is responsible for the day-to-day operations of the business. He is also a shareholder and director of Kota Tinggi Estate Supplies Sdn Bhd, an agrochemical retailing business. He presently serves as an advisor to our Board.

Tham Kut Cheong, aged 63, is our Independent Non-Executive Director. He graduated from University of Malaya in 1970 with a Bachelor of Economics degree and fulfilled his training in accountancy under Deloitte & Co., UK. He was a fellow member of the Institute of Chartered Accountants in Ireland and was admitted to the Malaysian Institute of Accountants in 1980 as a public accountant. Upon completing his training, he started his own practice, K.C. Tham & Co. in 1980. He has more than twenty (20) years of experience in financial management, accounting and auditing. Mr. Tham is a director of Techventure Berhad and Toyo Ink Group Berhad. He is also a director in several private limited companies in Malaysia.

Song Kok Cheong, aged 56, is our Independent Non-Executive Director. He obtained his Malaysian Certificate of Education-Overseas Cambridge School Certificate (MCE) in 1969. Mr. Song started his career in 1970 as a Printing Technician in Federal Metal Printing Company and subsequently joined DIC (M) Sdn Bhd, the world's largest printing ink manufacturer operating in Malaysia. Since 1975, Mr. Song has been instrumental in building up the business of Toyo Ink Group Berhad. Mr. Song is presently the Managing Director of Toyo Ink Group Berhad.

Dato' Dr Yeang Hoong Yeat, aged 59, is our Independent Non-Executive Director. He graduated from University of Malaya in 1973, majoring in botany. In the same year, he joined the Rubber Research Institute of Malaysia (RRIM) where he remained for 33 years. During his service at the RRIM, he also pursued his studies and received his PhD in plant physiology from University of Glasgow in 1980. He rose to head the Biotechnology and Strategic Research Unit in 1990 till his retirement.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

At RRIM (now the research arm of the Malaysian Rubber Board), Dato' Dr Yeang led the research in the areas of biochemistry, molecular biology, physiology and tissue culture relating to the rubber tree. He has authored and co-authored more than 80 peer-reviewed papers in international scientific journals, with many of his publications having been well-cited in the scientific research community. His research in latex allergy, an aspect that affects the country's multi-billion ringgit latex industry was recognised by the International Union of Immunological Societies and the technique of quantitating proteins of latex products was endorsed by the regulatory agencies in Europe and the USA, and is today regarded as the *gold standard* worldwide.

Dato' Dr Yeang has also rendered consultancy and technical services to governmental and commercial research institutes locally and in the USA, Europe and PRC. He was elected a Fellow of the Akademi Sains Malaysia in 2002 and was awarded the *Hevea Gold Medal* in 2005 in recognition of his contribution to research for the rubber industry. Dato' Dr Yeang also received the Kesatria Mangku Negara (KMN) award from SPB Yang Di-Pertuan Agong in 2001. In 2006, he received the Darjah Setia Pangkuan Negeri (DSPN) award from TYT Yang Di-Pertua Negeri Pulau Pinang.

8.2.3 Directorships and substantial shareholdings in other public corporations

Save as disclosed below, none of our Directors has any directorship or substantial shareholding in other local or foreign public corporations over the past two (2) years:

Director	Company	Principal activities	Date appointed (resigned)	Held as at LPD			
				<---- Direct ---->		<----Indirect---->	
				Number of shares	%	Number of shares	%
Tham Kut Cheong	Techventure Berhad*	Manufacturing and distributions of corrugated carton boxes, air conditioning insulation products and roto-moulded plastic products.	28.03.1997	162,000	0.32	⁽¹⁾ 3,257,269	6.48
	Toyo Ink Group Berhad	Supplying, manufacturing and dealing in printing ink, colour pigment, colourants for plastic and other printing materials.	04.08.2003	-	0.00	-	0.00
Song Kok Cheong	Toyo Ink Group Berhad	Supplying, manufacturing and dealing in printing ink, colour pigment, colourants for plastic and other printing materials.	04.08.2003	²⁾ 3,449,525	8.62	⁽³⁾ 642,826	1.61

Notes:

- (1) Deemed interested by virtue of his spouse's shareholdings in Techventure Berhad.
(2) 3,000,000 ordinary shares of RM1.00 each in Toyo Ink Group Berhad held through Amsec Nominees (Tempatan) Sdn Bhd.
(3) Deemed interested by virtue of his spouse's shareholdings in Toyo Ink Group Berhad.
* The company was delisted from the Official List of Bursa Securities on 10 February 2009.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.2.4 Directors' remuneration and benefits

The aggregate remuneration and benefits paid/accrued to our Directors for services rendered in all their capabilities within our Group according to bands of RM50,000 for the financial year ended/ending 30 September 2008 and 2009 are as follows:

Director	Remuneration band of our Directors for the financial year ended /ending 30 September	
	2008 RM	2009 RM
Yeoh Cheng Poh	450,000 - 500,000	450,000 - 500,000
Low Ngak Tiow	350,000 - 400,000	350,000 - 400,000
Ong E Jo @ Wong Ah Chuan	300,000 - 350,000	300,000 - 350,000
Husaini bin Md Sadli @ Md Sardili	150,000 - 200,000	150,000 - 200,000
Supian bin Yussof	50,000 - 100,000*	100,000 - 150,000
Chiew Khwai @ Chiew Swee King	0 - 50,000	0 - 50,000
Tham Kut Cheong	0 - 50,000	0 - 50,000
Song Kok Cheong	0 - 50,000	0 - 50,000
Dato' Dr Yeang Hoong Yeet	0 - 50,000	0 - 50,000

Note:

* Supian bin Yussof was appointed to our Board on 28 March 2008.

The remuneration which includes our Directors' salaries, bonus, fees and allowances as well as other benefits to our Directors, must be considered and recommended by our Nomination and Remuneration Committee and subsequently, be approved by our Board of Directors. Our Directors' fees must be further approved by our shareholders at a general meeting.

8.3 Committee

8.3.1 Audit committee

Our Audit Committee comprises the following members:

Name	Designation	Directorship
Tham Kut Cheong	Chairman	Independent Non-Executive Director
Song Kok Cheong	Member	Independent Non-Executive Director
Dato' Dr Yeang Hoong Yeet	Member	Independent Non-Executive Director

Our Audit Committee is principally responsible for, amongst other, the review of audit plans and audit reports with our auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of the balance sheets and profit and loss accounts, and nomination of the auditors.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.3.2 Nomination and remuneration committee

Our Nomination and Remuneration Committee comprises the following members:

Name	Designation	Directorship
Yeoh Cheng Poh	Chairman	Chairman cum Managing Director
Tham Kut Cheong	Member	Independent Non-Executive Director
Song Kok Cheong	Member	Independent Non-Executive Director

Our Nomination and Remuneration Committee is principally responsible for, among others, the following:

- (a) recommending candidates for appointments to our Board, members of board committees, key management and key technical personnel positions, assessing the effectiveness of the Board and board committees, as well as arranging orientation programs for new Directors; and
- (b) establishing performance criteria to evaluate the performance of each member of our Board, developing our Group's remuneration policy for our Managing Director and Executive Directors for the Board's approval and recommending the remuneration packages and terms of employment of our Managing Director and Executive Directors to the Board.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**8.4 Key Management and Key Technical Personnel**

Our management is headed by Yeoh Cheng Poh, our Managing Director as well as Low Ngak Tiow, Ong E Jo @ Wong Ah Chuan, Husaini bin Md Sadli @ Md Sardili and Supian bin Yussof, our Executive Directors. They are assisted by our key management and key technical personnel, who are responsible for our Group's day-to-day management and operations.

8.4.1 Shareholdings

Based on our Register of Members as at LPD, the table below set out the direct and indirect interests of our key management and key technical personnel before and after the IPO:

Name	Designation	←---Before IPO---→		←---After IPO*---→	
		←---Direct---→ Number of Shares	←---Indirect---→ Number of Shares	←---Direct---→ Number of Shares	←---Indirect---→ Number of Shares
Chen Sen Loon	General Manager - Agrochemicals	1,040,366	1.49	1,040,366	1.30
Wong Woon Peng @ Ong Inn Peng	General Manager - Healthcare Disposables	-	0.00	-	0.00
Tan Boon Leng	Nursery Manager	-	0.00	-	0.00
Liew Yet Wah	Tissue Culture Manager	-	0.00	-	0.00
Tan Dek	Manager of Vermiculture Project	-	0.00	-	0.00
R. Ganesh Rao	R&D Manager - Agrochemicals	-	0.00	-	0.00
Lo Nyok Piang	Technical Adviser - Agrochemicals	-	0.00	-	0.00
Tay Lee Lee	Group Administration Manager	-	0.00	-	0.00
Lim Pang Yan	Group Accountant	-	0.00	-	0.00

Note:

* Assuming none of the Public Issue Shares is allocated to the respective key management and key technical personnel.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.4.2 Profile of the key management and key technical personnel

Chen Sen Loon, aged 42, is our General Manager who oversees our Agrochemicals Division. He graduated with a degree in Chemistry (Honours) from Universiti Kebangsaan Malaysia in 1992. In 1999, he obtained a Masters in Business Administration from Heriot-Watt University, UK. Mr. Chen is presently an associate member of the Malaysian Institute of Chemistry (IKM). Mr. Chen joined Halex Industries in 1992 as a Chemist, after graduating from Universiti Kebangsaan Malaysia. He was promoted to the position of Production Manager in 1994, and was subsequently appointed to his current position in 2002.

Wong Woon Peng @ Ong Inn Peng, aged 59, is our General Manager who oversees our Healthcare Disposables Division. Mr. Ong obtained his Malaysian Certificate of Education-Overseas Cambridge School Certificate (MCE) in 1968. Mr. Ong began his working career in 1970 as an Administrative Clerk in Pineapple Cannery of Malaysia, Pekan Nenas, Johor. From 1974 to 1987, he was employed as a Planning and Purchasing Executive with Federal Industries Sdn Bhd, a subsidiary of Smith & Nephew Group (UK-based cotton and medical products company). Then in 1987, he joined Sancot Sdn Bhd as a director. Between 1989 and 1992, he was employed as a Factory Manager under Advance Paper (M) Sdn Bhd, a manufacturer of tissue paper products. Mr. Ong joined Halex Woolton as a Factory Manager in 1992 and was promoted to his present position in 2002. Presently, Mr. Ong is also a shareholder and director of Principal Harmony Sdn Bhd, an agrochemical retailing business, Capaian Sepadu Sdn Bhd, a property investment company and Kim Sun Realty (M) Sdn Bhd, a gaming company.

Tan Boon Leng, aged 52, is our Nursery Manager. Mr. Tan obtained a Diploma in Horticulture & Garden Design from the School of Ornamental Horticulture, Singapore Botanic Gardens in 1988. Mr. Tan started his working career in 1987 as an Assistant Horticulturist, under the product extension team, in Halex (M). In 1989, he was transferred to Halex Realty when the Group commenced its horticulture business. In 1991, Mr. Tan was transferred to Halex Biotechnologies, when the company took over the horticulture business from Halex Realty. Mr. Tan joined Halex Biotechnologies as a Horticulturist and was subsequently promoted to his current position in 1999.

Liew Yet Wah, aged 43, is our Tissue Culture Manager. Ms. Liew graduated with a Bachelor of Agricultural Science from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) in 1991. She began her working career as a Research Officer with IOI Tissue Culture Laboratory in 1991 where she remained for close to 12 years. Her last position held was a Research Officer. In June 2005, she was employed under One Garden Center Sdn Bhd as a Manager. Ms. Liew joined Halex Biotechnologies as a R&D Officer in February 2006, and was subsequently promoted to her current position in October 2008.

Tan Dek, aged 60, is our Manager of Vermiculture Project. From 1971 to 1973, he worked as a temporary teacher in Jerantut, Pahang. Mr. Tan graduated from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) with a Bachelor of Agricultural Science degree in 1977. After graduation, he was employed as an Agriculture Officer in the Kedah State Commodity Development Branch in 1978, and was in charge of the Southern Kedah Crop Demonstration and Training Unit. In 1982, he joined Pusat Pertanian, Kedah, where he served in various places and capacities, including Head of Seed Processing, Testing and Certification Unit, Head of Rice Seed Production and Certification Unit, and Head of Fruit Planting Material Production and Certification Unit. Between 1992 and 1997, he was attached with the Penang Commodity Development Division. From 1997 to 2002 and from

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

2002 to 2005, he was employed as an Officer-in-charge of the Perlis Crop Protection & Plant Quarantine Division in Perlis and Officer-in-charge of the Kedah Crop Protection & Plant Quarantine Division in Kedah respectively. In 2005, he joined Ladang Padi Emas Maju Sdn Bhd as a Project Manager, and was in charge of the cultivation of rice project.

Mr. Tan joined our Group as a Manager of Vermiculture Project in 2006. Mr. Tan is one of the pioneers in the introduction of vermiculture and vermicompost production in Malaysia. He was involved in the setting up of the National Vermiculture Centre in Pusat Pertanian Malaysia in Perlis in 2000, and presented a technical paper in Penang on the "Introduction to Vermiculture" in 2003. Besides that, he was involved in various projects related to the development of rice seed and the paddy production industry.

R. Ganesh Rao, aged 33, is the R&D Manager of our Agrochemical Division. He graduated with a Bachelor degree in Horticulture Science from Universiti Putra Malaysia in August 1999. In 2008, he obtained a Masters in Business Administration majoring in Strategic Management from Universiti Teknologi Malaysia.

He started work in IOI Corporation Berhad as a Trainee Agronomist in Batang Melaka research station in January 1999. He was involved in the oil palm estate advisory works which involve the setting up of a fertilizer, pest and disease control program for IOI Corporation Berhad's plantations. In December 1999, he left IOI Corporation Berhad and joined Halex (M) as a Product Development Executive. In Halex (M), he is responsible for the screening, development and promotion of various types of agrochemical products. He had attended the International Conference on Foliar Fertilizer organised by Yara Phosyn Ltd. (formerly known as Phosyn plc) from UK in Vietnam in 2004. He had also participated in a training program on biological insecticides organised by Valent Biosciences in Chicago, USA in 2006.

In year 2008, he was promoted to the position of R&D Manager of our Agrochemical Division.

Lo Nyok Piang, aged 58, is our Technical Adviser of our Agrochemical Division. He graduated with a Bachelor of Crop Science from Louisiana State University, USA in 1975. In 1977, he obtained a Masters in Weed Science from University of Missouri-Columbia, USA.

Mr. Lo started his working career as a Plantation Executive for the Guthrie Group in 1975. After completing his Masters programme in weed science, Mr. Lo joined MARDI in 1978 before retiring in 2006. At MARDI, Mr. Lo conducted numerous research projects, some of the more notable ones are formulating control strategies and herbicide screenings for legumes, grain crops and cassava; weed control strategies and herbicide screenings for direct seeded rice on grassy weeds; and weed management strategies for Mengkudu, pineapples and other herbal plants.

Mr. Lo joined our Group as a Technical Adviser in April 2008 and he is responsible for the screening and development of our agrochemicals.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Tay Lee Lee, aged 46, is our Group Administration Manager. Ms. Tay obtained the London Chamber of Commerce and Industry (LCCI) and MCC Bookkeeping Certificates in 1983/84. In 2004, she obtained a certificate in Human Resource and Industrial Relations from the Federation of Malaysian Manufacturers (FMM). Ms. Tay started her working career in 1982 as an Accounts Clerk with Tiang Sheng Management Services. Ms. Tay joined Halex (M) in 1987 as an administration staff and rose through the ranks to become our Administration Manager in 2002.

Lim Pang Yan, aged 39, is our Group Accountant. He graduated with a degree in Accounting from the University of New South Wales, Australia in 1991. He then completed the Australian Certified Practising Accountants (CPA) programme in 1994, and is currently a member of CPA Australia and the Malaysian Institute of Accountants (MIA). Mr. Lim joined Ernst & Young, Johor Bahru in 1992, and rose to the rank of Audit Senior in 1994. He left Ernst & Young and joined Halex (M) as an Accountant in 1996, and was subsequently promoted to his current position in 2001.

8.5 Involvement in Other Businesses/Corporations

Save as disclosed below, none of our Executive Directors, key management and key technical personnel is involved in the activities or operations of any other businesses or corporations as at LPD:

- (a) Husaini bin Md Sadli @ Md Sardili, a shareholder and director of Harum Megah (M) Sdn Bhd and Halex Maju Sdn Bhd;
- (b) Supian bin Yussof, a shareholder and director of Citarasa Berbakti Sdn Bhd, a dormant company which is under voluntarily winding-up; and
- (c) Wong Woon Peng @ Ong Inn Peng, a shareholder and director of Principal Harmony Sdn Bhd, Capaian Sepadu Sdn Bhd and Kim Sun Realty (M) Sdn Bhd.

En. Husaini, En. Supian and Mr. Ong devote almost all of their time and effort to their executive functions in our Group. As such, their involvements in other businesses and corporations are not expected to have any material effect on their capacity within our Group.

8.6 Declaration

None of our Promoters, Directors, key management or key technical personnel, is or has been involved in the following events, whether in or outside Malaysia:

- (a) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he/she was a partner or any corporation of which he/she was a director of key personnel;
- (b) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) a charged on/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) a judgment entered against such person involving a breach of any law or regulation requirement that relates to the securities or future industry; or
- (e) an order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.7 Family Relationships

There are no family relationships amongst our Promoters, substantial shareholders, Directors, key management and key technical personnel.

8.8 Amounts/Benefits Paid or Intended to be Paid or Given to any Promoter, Director or Substantial Shareholder

Save for dividends amounting to approximately RM2.71 million, and remuneration and benefits paid/accrued to Directors and Promoters of our Company for services rendered in all their capacities within the Group amounting to approximately RM3.28 million during the two (2) financial years up to the FYE 30 September 2008 and six (6)-month FPE 31 March 2009 preceding the date of this Prospectus, there is no other amount or benefit paid or intended to be paid or given to any of our Promoter, Director or substantial shareholder, within the two (2) years preceding the date of this Prospectus.

8.9 Service Agreements

It is our Group's policy that all employees that have passed the age of retirement are/may be employed under employment contracts that are subject to periodic renewal. Tan Dek and Lo Nyok Piang, who are among our Group's key management and key technical personnel, are employed by our Group under such arrangement.

Save as disclosed above, all our employees have standard employment contracts. There is no other existing or proposed service agreement between our Group or any other company within our Group, our key management and key technical personnel.

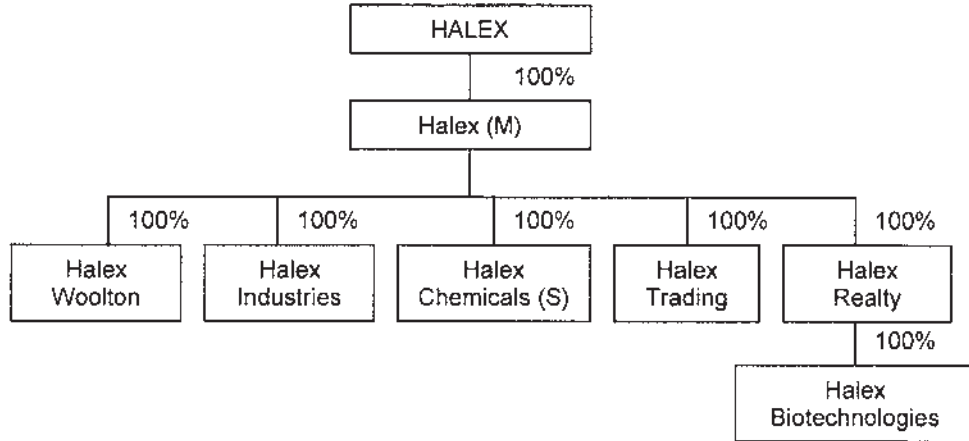
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9. FLOTATION EXERCISE

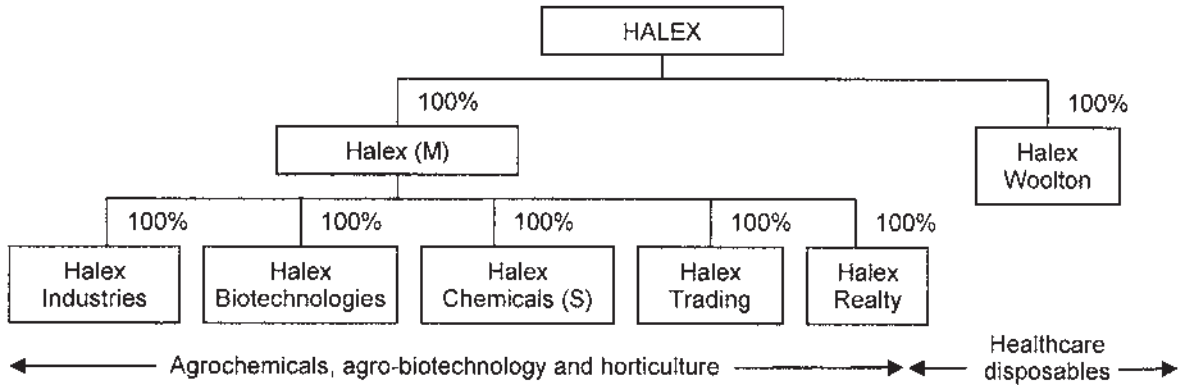
In conjunction with and as an integral part of our Listing, we undertook the Flotation Exercise which entails the following:

9.1 Internal Restructuring

Prior to 22 January 2009, our corporate group structure is set out below:



On 22 January 2009, our Company undertook an internal restructuring, which resulted in the corporate structure of our Group being segregated into two (2) distinct core business segments, being the agrochemicals, agro-biotechnology and horticulture business segment, and the healthcare disposables business segment. Upon completion of the Internal Restructuring, our corporate group structure is depicted as follows:



9.2 Share Split

On 23 January 2009, our Company undertook a share split of 12,280,000 ordinary shares to 24,560,000 ordinary shares by sub-dividing the par value of the ordinary share of RM1.00 per share in our Company to RM0.50 per share.

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9. FLOTATION EXERCISE (Cont'd)

9.3 Declaration of Dividends

An aggregate net dividend amount of RM2,378,110 for the six (6)-month FPE 31 March 2009 has been declared and paid to the shareholder of Halex Industries, namely Halex (M) on 28 January 2009. Subsequently, an aggregate net dividend amount of RM22,297,723 for the six (6)-month FPE 31 March 2009 has been declared and paid to the common shareholder of Halex (M) and Halex Woolton, namely HALEX on 28 January 2009.

9.4 Bonus Issue

On 30 January 2009, our Company undertook a bonus issue of 45,440,000 new Shares on the basis of approximately two (2) Bonus Shares for every one (1) existing Share held in our Company.

The Bonus Issue was effected through the capitalisation of the retained earnings and share premium of our Company, the details of which are as follows:

	Company RM'000
Retained earnings	
Retained earnings before capitalisation for the Bonus Issue	(36)
Dividend received from the Declaration of Dividends	22,298
	<u>22,262</u>
Amount capitalised for the Bonus Issue	(21,538)
Audited as at 31 March 2009	<u>724</u>
Share premium	
Share premium before capitalisation for the Bonus Issue	1,182
Amount capitalised for the Bonus Issue	(1,182)
Audited as at 31 March 2009	<u>-</u>

The Bonus Shares rank *pari passu* in all respects with our existing issued Shares including voting rights and rights to all dividends and distributions, the entitlement date of which are subsequent thereof.

Upon completion of the Bonus Issue, our issued and paid-up share capital increased from RM12,280,000 comprising 24,560,000 Shares to RM35,000,000 comprising 70,000,000 Shares.

The Bonus Issue was completed on 30 January 2009.

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9. FLOTATION EXERCISE (Cont'd)

9.5 Public Issue

Pursuant to the Public Issue, we shall issue 10,000,000 new Shares at an Issue Price of RM0.78 per Share to be allocated in the following manner:

- (a) 2,000,000 Public Issue Shares will be made available for application by our eligible employees;
- (b) 2,000,000 Public Issue Shares will be allocated by way of private placement to selected investors; and
- (c) 6,000,000 Public Issue Shares will be made available for application by the Malaysian public.

The Public Issue Shares will rank *pari passu* in all respects with our existing issued Shares including voting rights and rights to all dividends and distributions, the entitlement date of which are subsequent thereof.

Upon completion of the Public Issue, our issued and paid-up share capital will increase from RM35,000,000 comprising 70,000,000 Shares to RM40,000,000 comprising 80,000,000 Shares.

9.6 Offer for Sale

In conjunction with our Listing, our Company will undertake an offer for sale of up to 10,000,000 Shares to Bumiputera investors nominated and approved by the MITI at an Offer Price of RM0.78 per Share.

Our shareholders who are offering the Offer Shares for sale are as follows:

Shareholders	No. of Offer Shares	% of the enlarged share capital
Husaini bin Md Sadli @ Md Sardili	7,086,942	8.86
Yeoh Cheng Poh	1,082,855	1.35
Low Ngak Tiow	993,753	1.24
Ong E Jo @ Wong Ah Chuan	836,450	1.05
	10,000,000	12.50

9.7 Listing

We have obtained the approval in-principle from Bursa Securities for our admission to the Official List and for the listing of and quotation for our entire enlarged issued and paid-up share capital of RM40,000,000 comprising 80,000,000 Shares on the Main Market of Bursa Securities.

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9. FLOTATION EXERCISE (Cont'd)**9.8 Approvals and Conditions**

The SC had approved our Listing Scheme under Section 212(5) of the CMSA and the Bumiputera equity requirement, vide its letters dated 17 October 2008, 29 January 2009 and 20 July 2009. The conditions imposed by the SC and the status of our compliance with the conditions are as follows:

No.	Details on conditions imposed	Status of compliance
(a)	The promoters of HALEX should not sell, transfer or assign their entire shareholdings in HALEX for six (6) months from the date of admission of HALEX to Bursa Securities.	Complied. The Promoters have on 27 July 2009 provided the SC with their respective letters of undertaking that they will not sell, transfer or assign their entire shareholdings in HALEX for six (6) months from the date of admission to the Main Market of Bursa Securities.
(b)	Full disclosure should be made in the listing prospectus of HALEX on the following:	
(i)	Interest of the substantial shareholders and Directors of HALEX in other companies with similar activities to the HALEX Group;	Complied. Please refer to Section 10.2 of this Prospectus.
(ii)	Risk relating to the continued availability of management expertise of the common promoters/Directors of the HALEX Group, namely Yeoh Cheng Poh, Low Ngak Tiow and Ong E Jo @ Wong Ah Chuan, on a long-term basis and the steps taken/to be taken by HALEX to address such risk; and	Complied. Please refer to Sections 4.3.6 and 6.12 of this Prospectus.
(iii)	The management succession plan of HALEX, which should be in place, prior to the issuance of the listing prospectus;	Complied. Please refer to Section 6.12 of this Prospectus.
(c)	The substantial shareholders and Directors who are involved in full-time capacity in the HALEX Group should submit to the SC a letter of undertaking that they would not be involved in full-time capacity in their personal businesses (if any);	Complied. The substantial shareholders and Directors who are involved in full-time capacity in our Group, have on 27 July 2009 provided the SC with their respective letters of undertaking that they would not be involved in full-time capacity in their personal businesses (if any).

9. FLOTATION EXERCISE (Cont'd)

No.	Details on conditions imposed	Status of compliance
(d)	The proceeds raised from the proposed listing of HALEX should not be utilised, either directly or indirectly, to fund the proposed dividends;	Complied. We have confirmed to the SC vide our letter dated 27 July 2009 that the proceeds raised from the Listing will not be utilised, either directly or indirectly, to fund the proposed dividends.
(e)	For the purpose of complying with the Bumiputera equity requirement, at least 30% of the enlarged share capital upon listing of HALEX should be held by Bumiputera shareholders. The existing Bumiputera shareholders in HALEX should be recognised by MITI and the allocation and nomination of new Bumiputera investors should be approved by MITI;	To be complied. OSK/We will inform the SC on our status of compliance upon completion of our Listing. Further, MITI had vide its letter dated 24 July 2009 recognised the existing Bumiputera shareholders in HALEX.
(f)	For the purpose of complying with the Bumiputera equity requirement upon listing if HALEX/the MITI is unable to allocate the shares from the Bumiputera shares portion, the unsubscribed shares shall be immediately offered to the public Bumiputera investors as part of the IPO balloting process. HALEX will be deemed to have complied with the Bumiputera equity requirement once it has completed this process.	To be complied.
(g)	OSK/HALEX should inform the SC on the status of compliance with the Bumiputera equity requirement upon completion of the proposed listing exercise; and	To be complied. OSK/We will inform the SC on our status of compliance upon completion of our Listing.
(h)	HALEX and OSK should comply with the relevant requirements relating to the implementation of the listing proposal as stipulated in the Guidelines on the Offering of Equity and Equity-Linked Securities.	To be complied.

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9. FLOTATION EXERCISE (Cont'd)

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 our Listing Scheme (%)	After implementation of our Listing Scheme (%)
Bumiputera	30.20	*32.32
Non-Bumiputera	66.83	65.08
Foreigners	2.97	2.60
	100.00	100.00

Note:

* Of the 32.32%, 17.16% will be held by non-public Bumiputera shareholders, and the remaining 15.16% will be held by public Bumiputera investors. For the purpose of complying with the Bumiputera equity requirement upon listing, if HALEX/the MITI is unable to allocate the shares from the Bumiputera shares portion, the unsubscribed shares shall immediately be offered to Bumiputera public investors as part of the IPO balloting process.

The MITI had vide its letters dated 1 August 2008, 19 February 2009 and 24 July 2009, approved our Listing Scheme. The conditions imposed by the MITI and the status of our compliance with the conditions are as follows:

No.	Details on conditions imposed	Status of compliance
(a)	SC's approval and compliance with the Bumiputera equity requirement.	Complied. The SC had approved the Listing Scheme vide its letters dated 17 October 2008, 29 January 2009 and 20 July 2009 subject to the conditions as set out above.
(b)	HALEX should inform the MITI of the shareholdings of the recognised Bumiputera investors, six (6) months after the listing of HALEX.	To be complied.

Bursa Securities had also vide its letter dated 13 August 2009, approved in-principle our admission to the Official List of the Main Market of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

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9. FLOTATION EXERCISE (Cont'd)

9.9 Moratorium on Shares

The SC, in approving our Listing Scheme, had imposed a moratorium on the sale, transfer or assignment of the entire shareholdings of our promoters, representing approximately 54.15% of our enlarged issued and paid-up capital at the date of our admission to the Official List of the Main Market of Bursa Securities. The Promoters whose Shares are subject to moratorium are as follows:

Name	Under moratorium upon Listing Number of Shares	% of enlarged share capital
Yeoh Cheng Poh	11,874,795	14.84
Husaini bin Md Sadli @ Md Sardili	11,374,737	14.22
Low Ngak Tiow	10,897,685	13.62
Ong E Jo @ Wong Ah Chuan	9,172,666	11.47
	43,319,883	54.15

Our Promoters have fully accepted the above moratorium restrictions. They will not be allowed to sell, transfer or otherwise dispose of any part of their interest in the Shares under moratorium within six (6) months from the date of our admission to the Official List of Bursa Securities.

The restriction, which is fully acknowledged by the aforesaid Promoters, is specifically endorsed on the notice of allotment representing their shareholdings that are under moratorium. The Registrar and Bursa Depository have been informed in writing in relation to the moratorium of the aforesaid Promoters to ensure that they do not register any transfer not in compliance with the moratorium restrictions.

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10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST**10.1 Related Party Transactions and Conflicts of Interest**

Save as disclosed in Section 10.2 and below, for the past three (3) financial years up to the FYE 30 September 2008 and six (6)-month FPE 31 March 2009, none of our Directors, substantial shareholders, key management, key technical personnel, and/or persons connected with them, was engaged in any existing and potential related party transaction:

Related party	Nature of transaction	Value of transactions for the			
		FYE 30 September			6-month FPE 31 March 2009
		2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000
Harum Megah (M) Sdn Bhd, a company in which Husaini bin Md Sadli @ Md Sardili has substantial shareholding and is a director	Sales of agrochemicals to Harum Megah (M) Sdn Bhd	12	*	*	*
Pesticides & Fertilisers Sdn Bhd, a company in which Chiew Khwai @ Chiew Swee King has substantial shareholding and is a director	Sales of agrochemicals to Pesticides & Fertilisers Sdn Bhd	570	511	752	327
Kota Tinggi Estate Supplies Sdn Bhd, a company in which Chiew Khwai @ Chiew Swee King has substantial shareholding and is a director	Sales of agrochemicals to Kota Tinggi Estate Supplies Sdn Bhd	29	65	18	11
Principal Harmony Sdn Bhd, a company in which Wong Woon Peng @ Ong Inn Peng has substantial shareholding and is a director	Sales of agrochemicals to Principal Harmony Sdn Bhd	686	694	581	-

Note:

* Less than RM1,000.

Our Directors have confirmed that the transactions with related parties are of expenditure in nature, which are required for day-to-day operations, and will continue to be transacted. All future transactions which involve the interests of the Directors, substantial shareholders, key management, key technical personnel and/or persons connected with them will be transacted at arm's length, on our normal commercial terms which are not more favourable to the related parties than those generally available to the public, and which are not to the detriment of the minority shareholders. The Audit Committee will supervise the terms of all related party transactions, and our Directors will report such transactions, if any, all in our annual reports.

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)**10.2 Interests in Similar Trade and Interests in Businesses of our Customers or Suppliers**

Save as disclosed below, none of our Directors or substantial shareholders has any interest, direct or indirect, in any business or corporation carrying on a similar trade as our Company or subsidiaries, or any business or corporation which are also our customers or suppliers:

Director/ Substantial shareholder	Company	Principal activities	Date appointed (resigned)	Held as at LPD		Mitigating factor
				<----- Direct -----> Number of shares	<----- Indirect -----> Number of shares	
Husaini bin Md Sadli @ Md Sardli Sdn Bhd	Harum Megah (M) Sdn Bhd	Horticulture and landscape business	28.09.1992	73,332	33.33	0.00

Harum Megah (M) Sdn Bhd is a customer, but not a competitor to our Group, as Harum Megah (M) Sdn Bhd is principally involved in the provision of landscape and landscape services in the local market, whilst we are principally involved in propagation of various plants through the application of biotechnology and other related agro-biotechnology activities, as well as propagation and exporting foliage cuttings to overseas markets. Furthermore, En. Husaini's appointment letter further prohibits him from engaging in businesses which give rise to a conflict of interest.

En. Husaini has confirmed and our Board is of similar opinion that, En. Husaini's said directorship and substantial shareholding will not give rise to any conflict of interest with our Group as he devotes almost all of his time and effort to his executive functions in our Group.

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10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

Director/ Substantial shareholder	Company	Principal activities	Date appointed (resigned)	Held as at LPD		Mitigating factor	
				<----- Direct -----> Number of shares	<----- Indirect -----> Number of shares		
				%	%		
Chiew Khwai @ Chiew Swee King	Pesticides & Fertilisers Sdn Bhd	Retailing in agrochemicals	28.11.1978	80,001	50.00	0.00	Pesticides & Fertilisers Sdn Bhd is a customer, but not a competitor to our Group. Our agrochemical products are sold to retailers, dealers and large plantation companies, whilst Pesticides & Fertilisers Sdn Bhd's agrochemical products are sold to end users.
	Kota Tinggi Estate Supplies Sdn Bhd	Retailing in agrochemicals	01.01.1979	30,748	13.98	0.00	Furthermore, Mr. Chiew has confirmed and our Board is of similar opinion that, Mr. Chiew's said directorship and substantial shareholding will not give rise to any conflict of interest with our Group in view of his non-executive positions in our Group. Kota Tinggi Estate Supplies Sdn Bhd is a customer, but not a competitor to our Group. Our agrochemical products are sold to retailers, dealers and large plantation companies, whilst Kota Tinggi Estate Supplies Sdn Bhd's agrochemical products are sold to end users.
							Furthermore, Mr. Chiew has confirmed and our Board is of similar opinion that, Mr. Chiew's said directorship and substantial shareholding will not give rise to any conflict of interest with our Group in view of his non-executive positions in our Group.

Note:

N/A denotes as not applicable.

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

10.3 Transactions that are Unusual in their Nature or Conditions

There has been no transaction unusual in its nature or conditions, involving goods, services, tangible or intangible assets to which our Company or any of our subsidiaries was a party over the past three (3) financial years up to the FYE 30 September 2008 and six (6)-month FPE 31 March 2009.

10.4 Outstanding Loans and Guarantees

There has been no outstanding loan (including guarantees of any kind) made by our Company or any of our subsidiaries to or for the benefit of related parties over the past three (3) financial years up to the FYE 30 September 2008 and six (6)-month FPE 31 March 2009.

10.5 Promotions of any Material Asset Acquired/to be Acquired

Our Directors or substantial shareholders have no interest, whether direct or indirect, in the promotion of, or in any material assets, within the three (3) financial years up to the FYE 30 September 2008 and six (6)-month FPE 31 March 2009 acquired or proposed to acquired or disposed of or proposed to disposed of or leased or proposed to leased to us and any of our subsidiary.

10.6 Conflicts of Interest

OSK has given its written confirmation on 27 July 2009 to the Board that there is no existing or potential conflict of interest in its capacity as the Adviser, Managing and Sole Underwriter and Sole Placement Agent for the Flotation Exercise.

Messrs Leou & Associates has given its written confirmation on 27 July 2009 to the Board that there is no existing or potential conflict of interest in its capacity vis-à-vis the Company or the Group as the Auditors and Reporting Accountants for the Flotation Exercise.

Messrs T. C. Chong & Rakan Rakan has given its written confirmation on 27 July 2009 to the Board that there is no existing or potential conflict of interest in its capacity vis-à-vis the Company or the Group as the Solicitors for the Flotation Exercise.

Dun & Bradstreet (D&B) Malaysia Sdn Bhd has given its written confirmation on 27 July 2009 to the Board that there is no existing or potential conflict of interest in its capacity vis-à-vis the Company or the Group as the Independent Market Researcher for the Flotation Exercise.

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11. OTHER INFORMATION CONCERNING OUR GROUP**11.1 Land and Buildings****11.1.1 Land and buildings owned by our Group**

A summary of the land and buildings owned by our Group is set out below:

Registered owner and postal address/identification	Approximate age of the building / Date of certificate of fitness	Tenure / Expiry date of lease	Description and existing use	Land area (Square metre)	Built-up area (Square metre)	Restrictions in Interest	Encumbrances	Net book value as at 30 June 2009 (RM)
<i>Hallex (M) Sdn Bhd</i>								
No. S2-06, 2 nd Floor, Wisma Abad Jalan Harimau, Century Garden 80250 Johor Bahru Johor Darul Takzim	27 years / 02.10.1982	Freehold	Office unit / vacant	-	32	Nil	Nil	75,350
<i>Title identification:</i> Geran No. 28855 Parent title held under Q.T. (R) No. 2851/2, T.L.O. 2969/70, Township of Johor Bahru, Johor								
Unit No. B3 (New Unit No. 17413) 17 th Floor, Ria Apartment Selangor Tower Genting Highlands Pahang	23 years / 22.11.1986	Freehold	Apartment unit / staff recreation	-	103	Nil	Nil	171,250
<i>Title identification:</i> Geran No. 24222, Lot No. 3277 Mukim Batang Kali District of Ulu Selangor State of Selangor								

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Registered owner and postal address/identification	Approximate age of the building / Date of certificate of fitness	Tenure / Expiry date of lease	Description and existing use	Land area (Square metre)	Built-up area (Square metre)	Restrictions in Interest	Encumbrances	Net book value as at 30 June 2009 (RM)
Halex Woolton								
No. 9, Jalan Taruka Tampoi Industrial Estate 81200 Johor Bahru Johor Darul Takzim	10 years / 18.11.1999	60 years lease expiring on 26.12.2053	3 storey factory cum office building / head office and factory for Halex Woolton	4,860	4,768	This endowed land shall not be sold, leased, charged, mortgaged or transferred by any means, whatsoever including by using all sorts of agreements made in order to discharge or sell this land without the State Controller's approval	Charged to Alliance Bank Malaysia Berhad for credit facilities	4,855,026
<i>Title identification:</i> H.S. (D) 215977, PTD No. 19116 Town & District Johor Bahru State of Johore								
No. 11-1, Jalan Petaling Kawasan Perindustrian Dato' Onn 80350 Johor Bahru Johor Darul Takzim	22 years / 25.01.1987	60 years lease expiring on 23.10.2041	Single storey detached factory with an annexed double storey office building / factory for Halex Woolton	4,046	2,137	Nil	Charged to Alliance Bank Malaysia Berhad for credit facilities	1,649,134
<i>Title identification:</i> H.S. (D) 49124, Lot No. 6383 Town & District of Johor Bahru State of Johore								
Lot 142, GM 826, Mukim Plentong [#] 81800 Ulu Tiram Johor Darul Takzim	Pending certificate of fitness (with temporary certificate of fitness dated 24.09.2008)	Freehold	Single storey detached factory with an annexed double storey office building, a single storey warehouse, a single storey workshop and a canteen / factory for Halex Woolton	45,033	13,656	Nil	Charged to Hong Leong Bank Berhad for credit facilities	17,908,999
<i>Title identification:</i> Lot 142, GM 826, Mukim Plentong District of Johor Bahru State of Johore								

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Registered owner and postal address/identification	Approximate age of the building / Date of certificate of fitness	Tenure / Expiry date of lease	Description and existing use	Land area (Square metre)	Built-up area (Square metre)	Restrictions in Interest	Encumbrances	Net book value as at 30 June 2009 (RM)
Halax Industries								
Lot PTB 264, Jalan Tun Mutalib Satu Kawasan Industri Bandar Tenggara 81440 Bandar Tenggara Johor Darul Takzim	11 years / 15.08.1998	60 years lease expiring on 21.01.2050	Single storey detached factory with an annexed double storey office building and open shed / factory for Halax Industries	12,237	3,562	This endowed land shall not be sold, leased, charged, mortgaged or transferred by any means, whatsoever including by using all sorts of agreements made in order to discharge or sell this land without the State Controller's approval	Nil	2,337,697
<i>Title identification:</i>								
H.S. (D) 8111, PTB No. 264 Mukim of Hulu Sungai Johor District of Kota Tinggi State of Johore								
Halax Biotechnologies								
Lot 1167, GM 227, EMR 870 Mukim Senai 81000 Kulai Johor Darul Takzim	Not applicable	Freehold	Nursery (Seelong) for Halax Biotechnologies	27,746	-	Nil	Charged to HSBC Bank Malaysia Berhad for credit facilities	871,788
Lot 650 & 651, GM 547 & 361 Ban Foo Village Mukim Plentong 81800 Ulu Tiram Johor Darul Takzim	Not applicable	Freehold	Nursery (Ban Foo) for Halax Biotechnologies (including tissue culture facility and microbiology laboratory)	54,576	1,820	Nil	Charged to HSBC Bank Malaysia Berhad for credit facilities	908,423

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11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Registered owner and postal address/identification	Approximate age of the building / Date of certificate of fitness	Tenure / Expiry date of lease	Description and existing use	Land area (Square metre)	Built-up area (Square metre)	Restrictions in Interest	Encumbrances	Net book value as at 30 June 2009 (RM)
PTD 17875, Jalan Sri Putri 12/5 Taman Putri Kulai 81000 Johor Bahru Johor Darul Takzim	7 years / 01.07.2002	Freehold	Single storey terrace house / vacant	143	93	Nil	Nil	112,218
<i>Title identification:</i>								
PTD No. 17875, GRN 64517 Mukim Senai-Kulai District of Johor Bahru State of Johore								
Unit No. T2-2, 2 nd Floor, Block Tioman La'Cemara Desaru Resort Condominium Desaru 81900 Kota Tinggi Johor Darul Takzim	8 years / 13.11.2001	99 years lease expiring on 14.08.2091	Condominium unit / vacant	-	111	This endowed land shall not be sold, leased, charged, mortgaged or transferred by any means, whatsoever including by using all sorts of agreements made in order to discharge or sell this land without the State Controller's approval	Nil	-
<i>Title identification:</i>								
H.S. (D) 13599, PTD No. 1588 Mukim Pantai Timur District of Kota Tinggi State of Johore								
Halex Realty								
Lot 249, GM202, EMR 124 Mukim of Ulu Sungai Sedili Besar District of Kota Tinggi Johor Darul Takzim	Not applicable	Freehold	Agriculture land / investment	26,279	-	Nil	Nil	90,000

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)*Note:*

Halex Woolton as the purchaser, entered into a sale and purchase agreement with LKH Wires & Cables Sdn Bhd as the vendor, on 2 October 2006, for the acquisition of Lot 142, GM 826, Mukim Plentong, 81800 Ulu Tiram, Johor Darul Takzim together with the building for a purchase consideration of RM10,111,000.

In respect of the land and buildings of our Group, our Directors have confirmed the following:

- (a) that save as disclosed above, there is no other restriction in interest or major encumbrances;
- (b) that the existing use of land is in accordance with the land use conditions;
- (c) that all our properties have been issued with certificate of fitness; and
- (d) that we are not in breach of any law, rules and building regulations in relation to the use of all land and buildings owned by us.

11.1.2 Land and buildings leased by our Group

A summary of the land and buildings leased by our Group is set out below:

Tenant and postal address/identification	Landlord	Tenure of tenancy	Description and existing use	Land area (Square metre)	Built-up area (Square metre)	Monthly rental (RM)
<i>Halex (M)</i>						
No. 7, Jalan Kapal Off Chain Ferry 12100 Butterworth, Penang	Aw Hong Sum	01.04.2009 to 31.12.2009	Office unit / branch office for Halex (M) and Halex Woolton	-	509.4	1,500
No. 25G & 25A, Jalan PCR 3 Kawasan Perniagaan Cheras Raya Batu 11 Cheras 43200 Cheras, Selangor Darul Ehsan	Tang Kun Kek	01.06.2008 to 31.05.2010	Office unit / branch office for Halex (M) and Halex Woolton	-	260	1,900

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Tenant and postal address/identification	Landlord	Tenure of tenancy	Description and existing use	Land area (Square metre)	Built-up area (Square metre)	Monthly rental (RM)
Haix Biotechnologies						
Lot 618, Ban Foo Village Mukim Pientong 81800 Ulu Tiram, Johor Darul Takzim	Poh Ah Ming	16.05.2008 to 15.05.2013	Nursery (Ban Foo) for Haix Biotechnologies	27,286	-	1,000
Lot 1446, GM 1438 Mukim Pientong 81800 Ulu Tiram, Johor Darul Takzim	Ong Toh Huat and Hon Kwee Lan	01.01.2008 to 31.12.2017	Nursery (Ban Foo) for Haix Biotechnologies	33,134	-	560

In respect of the land and buildings leased by our Group and to the best of knowledge of our Directors, we are not in breach of any law, rules and building regulations in relation to the use of all land and buildings leased by us.

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11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

11.2 Material Plant and Equipment

A summary of the material plant and equipment of our Group is set out below:

11.2.1 Production

Type of plant and equipment	Description / Function
Agrochemicals	
Glyphosate filling machine	To carry out 4 litres and 1 litre product packing in glyphosate line
Glyphosate process vessel	To process chemicals during neutralisation reaction in glyphosate area
Amine process vessel	To process chemicals during neutralisation reaction in 2,4-D Amine area
Triclopyr process vessel	To process chemicals during formulation reaction in triclopyr (a water-based herbicide) area
Insecticide process tank	To process chemicals during insecticide formulation
EW process tank	To process EW insecticides
Fertiliser process tank	To mix chemicals during liquid foliar fertiliser process (<i>Leaffie and Fruitti Organisol</i>)
Induction sealing machine (semi-auto)	To seal PET bottle products
Induction sealing machine (manual)	To seal PET bottle products
Direct heat sealing machine	To seal HDPE type bottle or jar
Granular mixer	To mix powder or granular type of product
2,4-D BE mixer	To process 2,4-D-BE type of product
Ink jet printer	To print batch number and production date on each unit of product
WDG granular machine	To manufacture products in WDG form
Holding tank	To store glyphosate
Paraquat dilution tank	To hold Paraquat during dilution process
Powder fertiliser mixer	To mix various types of fertiliser materials
Forklifts	To handle / transport materials
Agro-biotechnology	
Laminar flow	To transfer ex-plants, plant calluses and plantlets from and to flasks under sterilised conditions
Autoclave	To sterilise utensils and culture media for tissue culture plants
Bioreactor	To use in cell suspension culture for the development of new varieties of plants by cell fusion and for mass production

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Type of plant and equipment	Description / Function
Microscope	To use during extraction and transfer of ex-plant and plant calluses during QC process
Shaker	To stimulate aeration of ex-plants
150kw generator	To back up electrical supply disruption
R.O. Distiller	To purify water
Freezer and refrigerator	To store media and chemicals
Air conditioners	To regulate temperatures in culture and growth rooms
Racks	To place the flasks containing tissue culture plantlets for growing
Analytical balance	To prepare media
Media mixer	To prepare media
Agar powder blender	To prepare media
Light meter	To test light density in growth rooms
Horticulture	
Water pumps	To irrigate nurseries and wash foliages
Pressure mist sprayer	To wash and clean foliage cuttings as well as for pest and disease control
Generator	To produce electricity
Healthcare Disposables	
Non-woven folding and packing machine	To cut, fold, spray and coat with chemical solution, and pack wet wipes
Auto glue filling conveyor machine	To attach cap seal to wet wipes packaging
Norson hot melt glue applicator	To attach cap seal to wet wipes packaging
Markemlnk printer	To print expiry date and batch code for wet wipes
Shinlong bundle packing machine	To bundle and pack wet wipes and pocket tissue
Air ducting carding room	To distribute raw cotton to carding machine
Belt press machine	To drench cotton sheets in chemical and water
2-doffer carding machine	To card raw cotton
1-doffer carding machine	To card raw cotton
Opener machine	To card raw cotton
Super cleaner machine	To card raw cotton
Single beater machine	To card raw cotton
Circular cotton opening machine	To open and loosen compacted raw cotton

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Type of plant and equipment	Description / Function
Cotton beater machine	To open and loosen compacted raw cotton
Boiler (Mechmar)	To provide steam during bleaching process
Bleaching machine and pump	To bleach cotton sheets
Carrier	To bleach cotton sheets
Waste water treatment plant	To treat the waste water from bleaching process
Hoist	To hoist wet cotton sheets to/from bleaching tank
Spin dryer	To spin dry bleached cotton sheets
Cylinder machine	To dry bleached cotton sheets and to coat with polyvinyl acetate (PVA)
Airbox dry machine	To dry bleached cotton sheets and to coat with PVA
Winder machine	To dry bleached cotton sheets and to coat with PVA
Facial cotton jumbo roll cutting machines	To cut facial cotton jumbo roll
Facial cotton cutting machines	To cut facial cotton jumbo roll into squares
Cotton buds stick and straw machine	To produce cotton bud stems
Falu cotton swab forming machine	To produce cotton buds
Falu automatic packing machine	To pack cotton buds into ziplock bags
Heating chamber with blower	To heat and dry cotton buds
Cotton sliver making machine	To produce cotton sliver for cotton buds
Cotton opening/lap machine	To produce cotton laps
Cotton balls carding machine	To card cotton for making cotton balls
Cotton balls making machine	To produce cotton balls
Carding machine cotton rolling	To produce carded cotton wool rolls
Cotton wool carding machine for 100% cotton wool rolls	To card cotton for 100% cotton wool rolls
Cotton wool rolling machine for 100% cotton wool rolls	To roll and pack 100% cotton wool rolls
Zigzag cotton wool machine	To fold and pack zigzag cotton wool rolls
Sanitary towel line	To produce hospital and maternity sanitary napkins

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Type of plant and equipment	Description / Function
Tissue slitting machine	To cut tissue for hospital and maternity sanitary napkins
Cover knitting machine (Stibbes)	To knit covers for hospital and maternity sanitary napkins
Loops knitting machine (Stibbes)	To knit loops for hospital and maternity sanitary napkins
Industrial high speed sewing machines	To sew loops onto hospital and maternity sanitary napkins
HangZhou sanitary napkin machine	To produce modern sanitary napkins
Box tissue machine	To cut, fold and pack box tissues
Mini box tissue folding and packing machine	To fold and pack small box tissues
Box tissue packing and gluing	To pack box tissues
Pocket tissue packing and folding machines	To cut, fold and pack pocket tissues
Dongyang mini hanky machine	To cut, fold and pack mini handkerchief tissues
KwunHing mini hanky machine	To cut, fold and pack mini handkerchief tissues
Shinshen mini hanky folding machine	To fold and pack mini handkerchief tissues

11.2.2 R&D and QC

Type of plant and equipment	Description / Function
Agrochemicals	
Gas Liquid Chromatography (GLC) Model: SHIMADZU GC 17A	Analysis of active ingredients of: a. Herbicide (such as 2,4-D BE, triclopyr, molinate, EPTC (S-ethyl dipropylthiocarbamate, a herbicide used in paddy fields) and propanil) b. Fungicide (such as metaaxy!) c. Insecticide (such as chlorpyrifos, cypermethrin, acephate, carbofuran, carbosulfan, dimethoate, methamidophos, metaidehyde, amitraz and malathion)
High Performance Liquid Chromatography (HPLC) Model: GILSON 712	Analysis of active ingredients of: a. Herbicide (such as glyphosate, 2,4-D acid, glufosinate ammonium, metsulfuron methyl, diuron, Pantera® and deltamethrin) b. Fungicide (such as chlorothalonil and carbendazim) c. Insecticide (such as abamectin and cartap)
Spectrophotometer Model: SPECTRONIC® 20 Genesys™ 4001/4	Analysis of active ingredients of: a. Herbicide (such as paraquat dichloride) b. Free phenol content of 2,4-D acid

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Type of plant and equipment	Description / Function
Density meter digital Model: DMA35N	Determination of liquid density
Oven Model: MEMMERT UL 40	Stability test and general drying purpose
Freeze Model: SANYO SR-26D	Stability test and temporary analytical standard and standard stock solution storage
Mixer Model: HEIDOLPH RZR 1	R&D, product development and general dilution/mixing
Stirring hot plate Model: FAVORIT HS 0707v2	R&D, product development and general dilution/heating/mixing
Analytical weighing machine Model: PRECISA 205 A SCS	Weighing of analysis samples
Weighing machine digital, 30 kg Model: BM-Series	Finished products inspection and general weighing
Laboratory weighing machine Model: AND FY-3000 Model: Snowrex NHC-3	R&D, product development and general product/sample preparation
Water purifying Model: ELGASTAT UHQ MK II	Liquid solution for HPLC analysis and R&D
Vacuum system Model: BUCHI B-169	Filter the mobile phase solution for HPLC analysis
Ultrasonic cleaner Model: NEYTECH Ultrasonik™ 28X	Degas analysis sample and mobile phase solution for HPLC/GLC analysis
pH-meter Model: HANNA HI 8424	Acidic and alkali measurement
High speed centrifuge Model: 80-2	Accelerated stability test
Viscosimeter Model: Brookfield, RVDV-1P	Viscosity and fluids thickness measurement
Agro-biotechnology	
Laminar flow	To provide air purification and sterilisation during QC checks on plant calluses and plantlets
Autoclave	To sterilise utensils and culture media for tissue culture plants
Microscope	To conduct QC checks on plant calluses and plantlets
Refrigerator	To store media and chemicals
Incubator	To store test samples
Water distiller	To purify water

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Type of plant and equipment	Description / Function
Digital balance	To prepare media
Microscope and microscope camera	To study micro-organisms
Healthcare Disposables	
Digital caliper Model: G038433 & G038375	Length and diameter of products measurements
Thickness gauge Brand: Mitotoyo	Thickness measurement
Oven Model: Memmert ULM400	Heating sample in certain temperature
Incubator Model: Memmert BE600	Incubation of agar media for microbial test
Autoclave machine Model: Hirayama HA 300M	Sterilising of apparatus and chemicals
Laminar flow cabinet (clean bench) Model: Gelman Science HLF-120	Microbial test
Binocular microscope objective (Model: Eyepiece)	Viewing of minute objects, e.g. bacteria activity
Vortex, maxi mix Model: LMS Fisher Scientific	Mixing of solution
Sealer Model: OUBAO PCS-300	Sealing purposes
Desiccator Model: Jencons 8"	Air leakage test
Colony counter Model: Galaxy 230	Counting of microbial colony
Laboratory dryer Model: Protech, FSD-380	Drying of apparatus
Refrigerator Model: Sharp Deodorizer	Blank agar storage
Spectrophotometer Model: Unica 110	Analyse rate of microbial growth in broth media
pH meter electrode Model: Mettler Toledo, Delta 320	Acidic and alkali measurement
Hotplate stirrer Model: Labtech	Heating and stirring purpose
Oven Model: Memmert- UFB500	Incubation of stability test for R&D
Infrared thermometer Model: Acez	Checking temperature of machine heater

11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Type of plant and equipment	Description / Function
Digital thermometer Model: Sika	Checking temperature of machine heater

As at 31 March 2009, the total audited net book value of our manufacturing plant and equipment was approximately RM5.66 million.

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12. FINANCIAL INFORMATION

12.1 Pro Forma and Audited Consolidated Income Statements

We have prepared our pro forma consolidated income statements for each of the past two (2) financial years up to the FYE 30 September 2007, our audited consolidated income statement for the past FYE 30 September 2008 and six (6)-month FPE 31 March 2009 below. We have also prepared our audited consolidated income statement for the six (6)-month FPE 31 March 2008 for comparison to the audited consolidated income statement for the six (6)-month FPE 31 March 2009.

Our pro forma consolidated income statements for each of the past two (2) financial years up to the FYE 30 September 2007 were prepared for illustrative purposes only, based on our Company's and our subsidiaries' respective audited financial statements for the past two (2) financial years up to the FYE 30 September 2007, on the assumption that our current Group structure had been in existence throughout the past two (2) financial years up to the FYE 30 September 2007. Our pro forma consolidated income statements below have been prepared in accordance with the applicable approved accounting standards in Malaysia.

You should read the summary of our financial data regarding our business for the past three (3) financial years up to the FYE 30 September 2008 and six (6)-month FPE 31 March 2009 that we have presented below together with our Management's Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 12.2 of this Prospectus, the Reporting Accountants' letter on our Pro forma Consolidated Financial Information enclosed in Section 12.3 of this Prospectus and the accompanying notes and assumptions included in the Reporting Accountants' Report enclosed in Section 13 of this Prospectus.

	<--- Pro forma --->		Audited	Audited	
	FYE 30 September			6-month FPE 31 March	
	2006	2007	2008	2008	2009
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	69,450	78,241	100,897	48,339	39,112
Less: Cost of sales	(47,363)	(53,070)	(73,775)	(34,859)	(27,979)
Gross profit	22,087	25,171	27,122	13,480	11,133
Other operating income	445	383	272	139	206
Profit before depreciation, interest, taxation and amortisation	11,010	12,281	12,375	6,512	3,918
Finance costs	(205)	(241)	(442)	(231)	(218)
Depreciation and amortisation	(1,323)	(1,327)	(1,409)	(655)	(689)
Operating profit	9,482	10,713	10,524	5,626	3,011
Exceptional items ⁽¹⁾	-	-	-	-	-
Share of profits of associated companies	-	-	-	-	-
PBT	9,482	10,713	10,524	5,626	3,011
Taxation	(1,938)	(2,043)	(1,915)	(1,123)	(791)
Profit from ordinary activities	7,544	8,670	8,609	4,503	2,220
Extraordinary items ⁽¹⁾	-	-	-	-	-
MI	-	-	-	-	-
PAT and MI	7,544	8,670	8,609	4,503	2,220
No. of ordinary shares of RM0.50 each in issue ('000) ⁽²⁾	70,000	70,000	70,000	70,000	70,000
<u>Profit margin</u>					
Gross profit margin (%)	31.80	32.17	26.88	27.89	28.46
Pre-tax profit margin (%)	13.65	13.69	10.43	11.64	7.70
Net profit margin (%)	10.86	11.08	8.53	9.32	5.68

12. FINANCIAL INFORMATION (Cont'd)

	<--- Pro forma --->		Audited	Audited	
	FYE 30 September			6-month FPE 31	
	2006	2007	2008	2008	2009
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Basic EPS					
Gross EPS (Sen) ⁽³⁾	13.55	15.30	15.03	8.04	4.30
Net EPS (Sen) ⁽⁴⁾	10.78	12.39	12.30	6.43	3.17

Notes:

- * *Inter-company transactions between companies within our Group for each of the years/periods under review have been eliminated on consolidation.*
- (1) *There were no exceptional and extraordinary items for the financial years/periods under review.*
- (2) *The number of Shares assumed in issue is the number of issued and paid-up share capital of RM0.50 each immediately prior to the IPO.*
- (3) *The gross EPS is calculated based on the PBT attributable to our shareholders for the respective financial years/periods divided by the number of Shares in issue.*
- (4) *The net EPS is calculated based on the PAT attributable to our shareholders for the respective financial years/periods divided by the number of Shares in issue.*

Our pro forma and audited consolidated financial statements have been reported by our auditors without any qualification for the financial years/periods under review.

Exchange rate

The financial statements of our subsidiary, namely Halex Chemical (S) are denominated in SGD. As our Group's reporting currency is in RM, the financial statements of Halex Chemical (S) were translated to RM for consolidation purposes. As such, our Group faces translation risk in that any material fluctuation in SGD will have an effect on our consolidated financial statements which are presented in RM.

For illustrative purposes, we have set out the applicable historical exchange rates as follows:

- (a) Historical exchange rates for SGD/RM for the past six (6) months preceding LPD and as at LPD

	SGD/RM	
	High (RM)	Low (RM)
2009		
January	2.6590	2.5132
February	2.5495	2.4527
March	2.5285	2.4303
April	2.5796	2.4907
May	2.6382	2.5601
June	2.6502	2.5944

Closing exchange rate as at LPD: RM2.6253

(Source: Bloomberg)

12. FINANCIAL INFORMATION (Cont'd)

- (b) The average and closing exchange rates for SGD/RM for the each of the financial years and periods

	SGD/RM	
	Average*	Closing
FYE 30 September 2006	2.3530	2.3931
FYE 30 September 2007	2.4894	2.5585
FYE 30 September 2008	2.7128	2.6473
Six (6)-month FPE 31 March 2008	2.6758	2.7624
Six (6)-month FPE 31 March 2009	2.5330	2.4952

Note:

* The average exchange rate between SGD and RM is calculated using the average of the exchange rates on the last day of each month during each financial year/period.

(Source: Bloomberg)

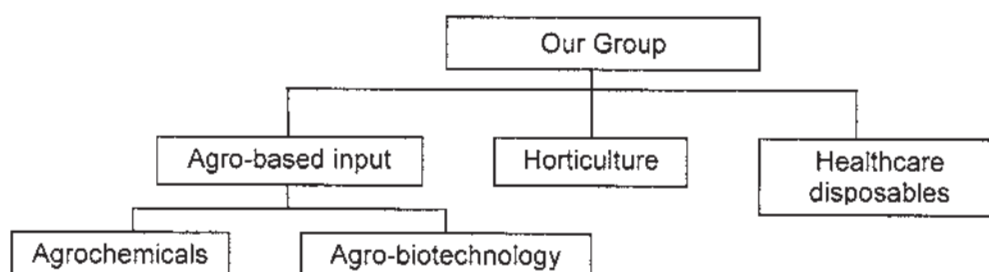
12.2 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of our financial condition and results of operations for each of the three (3) financial years up to the FYE 30 September 2008, and six (6)-month FPE 31 March 2008 and 2009. You should read the financial information presented below together with the Reporting Accountants' letter on our Pro forma Consolidated Financial Information and the Reporting Accountants' Report, together with the notes, assumptions and bases thereto, as set out in Sections 12.3 and 13 of this Prospectus respectively.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties and reflect our current views with respect to future events and financial performance. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those stated on the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the "Risk Factors" section as set out in Section 4 of this Prospectus.

12.2.1 Overview of results**Revenue**

Our core business activities are illustrated below:



12. FINANCIAL INFORMATION (Cont'd)

Hence, our revenue is principally derived from the following:

- (a) manufacturing, formulation, re-packaging, distribution and agency of agrochemicals;
- (b) propagation of various ornamental plants through the application of biotechnology and other related agro-biotechnology activities;
- (c) propagation and sales of foliage cuttings, potted and festive plants; and
- (d) manufacturing and distribution of healthcare disposable products, such as wet wipes, cotton-based products, sanitary towels and tissue products.

Revenue from the sales of our agrochemicals, horticulture products, tissue culture products and healthcare disposable products are recognised when significant risks and rewards of ownership have been transferred to our customer in accordance with the terms of sales entered into with our customer. Our revenue derived from formulation, re-packaging, distribution and agency of other agrochemicals, as well as distribution of other healthcare disposable products which we do not manufacture under our own brand names, are recognised upon the delivery and acceptance by our customers.

For our domestic customers, this generally coincides with the time of goods collected by the customer, and for our overseas customers, this generally coincides with the time of loading of goods upon the ship as evidenced by the date of the bill of lading. However, our foliage cuttings and festive plants sold to Japan are done by way of tender through our agents. Hence, the revenue generated from these horticulture products are recognised upon the success of such tender.

Agrochemicals

We manufacture, formulate, re-package, distribute and act as an agency for three (3) main categories of agrochemicals, namely pesticides, fertilisers and other related products, such as growth regulators and adjuvants. Revenue derived from the agrochemicals accounted for approximately 59.88%, 58.14%, 60.49% and 47.99% of our total revenue for the FYE 30 September 2006, 2007, 2008 and six (6)-month FPE 31 March 2009, respectively. Among the revenue generated from our agrochemicals, approximately 18.45%, 11.80%, 14.44% and 13.67% of our agrochemicals are exported to our overseas customers, and the remaining are sold to our local customers for the respective financial years/period.

Among the three (3) main categories of agrochemicals, our revenue is mainly contributed from the sale of pesticides. Our pesticides include herbicides, insecticides and fungicides, each suitable for different functions and support different types of loads.

With over 29 years of involvement in agrochemical products, we have established a solid presence in the agrochemical industry. As at LPD, we hold over 111 products registered with the Pesticides Board of Malaysia, of which 94 of them are our in-house generic products, while the other 17 are proprietary products that we hold under our sole distribution rights within Malaysia. We also have over 30 products registered in eight (8) different developing countries.

In addition to the manufacturing of our own products, we also manufacture agrochemicals on contract manufacture basis for private labels. With an established and extensive distribution network in Malaysia, we are also the sole distributor in Malaysia for several agrochemical products developed by various MNCs.

12. FINANCIAL INFORMATION (Cont'd)

Under the sole distributorship rights, the principal owners of these products are fully reliant on us to sell their products in Malaysia. As such, we are able to secure a substantial clientele base within the local agrochemical market.

One of our most prominent distributorship rights is our right to solely distribute in Malaysia the well-known Leffingwell range of foliar fertilisers manufactured by Yara Phosyn Ltd (*formerly known as Phosyn plc*) from UK. This range of foliar fertilisers is well-recognised by Malaysian cash crop growers due to its effectiveness. Our Directors are of the opinion that, together with our own range of foliar fertilisers, namely *Fruitti Organisol* for fruit-bearing plants and *Leaffie Organisol* for leafy vegetables, we are one (1) of the market leaders in the local foliar fertilisers market.

We set out below the breakdown of our revenue generated from our agrochemicals for the financial years/periods under review:

	<--- Pro forma --->		Audited	Audited	
	FYE 30 September			6-month FPE 31 March	
	2006	2007	2008	2008	2009
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
By products and services					
Pesticides	34,720	38,352	48,455	26,187	16,455
Fertilisers	3,982	3,026	4,036	1,385	1,372
Others	2,881	4,115	8,538	2,110	943
	<u>41,583</u>	<u>45,493</u>	<u>61,029</u>	<u>29,682</u>	<u>18,770</u>
By activities					
Manufacturing	22,513	28,695	42,772	21,901	12,551
Formulation and analysis	438	374	342	157	93
Handling and re-packaging	77	67	62	28	31
Distribution	13,530	8,289	10,683	4,213	4,005
Agency	5,025	8,068	7,170	3,383	2,090
	<u>41,583</u>	<u>45,493</u>	<u>61,029</u>	<u>29,682</u>	<u>18,770</u>
By geographical					
Local	33,910	40,127	52,215	25,833	16,204
Export	7,673	5,366	8,814	3,849	2,566
	<u>41,583</u>	<u>45,493</u>	<u>61,029</u>	<u>29,682</u>	<u>18,770</u>

Major factors which can affect our revenue generated from agrochemicals are as follows:

- our ability to maintain/supply product quality consistently and at competitive prices;
- our ability to secure repeat orders by delivering products to the satisfaction of our customers consistently and on a timely basis; and providing adequate after-sales technical support to our customers. We generally do not have long-term supply contracts with our customers where we have committed orders;
- our ability to compete effectively against existing competitors and new market entrants;
- our ability to satisfy the qualitative standards and toxicity levels specified by the relevant local and overseas authorities for product registration before we can manufacture and distribute our agrochemicals;

12. FINANCIAL INFORMATION (Cont'd)

- seasonality in our sale of agrochemicals, as described under Section 6.5.1 of this Prospectus; and
- our ability to succeed in the branding of our agrochemicals, which is particularly important in the sale of our pesticides sold in small packs under our different brands.

Horticulture and tissue culture operations

To complement our Agrochemicals Division, we also produce and distribute foliage cuttings for floral arrangements and festive plants to Japan, the USA, Singapore and the local market, as well as several varieties of potted plants for the local market through our investment in Halex Biotechnologies.

We identify and propagate new and attractive varieties of foliage cuttings and plants, through studying the life-cycles of new varieties of foliage cuttings and plants to determine the feasibility of exporting these foliage and plants. As at LPD, we produce over 60 varieties of foliage cuttings, potted plants and festive plants.

We mainly export our horticulture products to overseas markets due to higher gross profit margins enjoyed compared to selling to local customers. We set out below a geographical breakdown of our revenue generated from our horticulture products for the financial years/periods under review:

	<--- Pro forma --->		Audited	Audited	
	FYE 30 September	FYE 30 September	2008	6-month FPE 31 March	2009
	2006	2007	2008	2008	2009
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Local	841	802	507	130	207
Export	4,459	4,849	5,007	2,383	3,094
	5,300	5,651	5,514	2,513	3,301

In view of the increasing demand for better quality and higher agriculture yields, modern agriculture methodologies based on agro-biotechnology are being increasingly adopted as they are considered to be more effective than conventional methodologies. In our aim to be at the forefront of agriculture developments in Malaysia, we acquired an operational tissue culture facility in March 2006.

Our tissue culture facility enables us to propagate our festive and potted plants all-year-round without interruptions caused by seasonal changes, as the plantlets are propagated within a regulated environment (in vitro) in a laboratory. Our tissue culture operations also produce a large variety of orchid and ornamental plantlets for growers in Malaysia and Singapore. As far as our management's awareness of the tissue cultured orchid plantlets markets in Malaysia and Singapore, we are one of the largest local suppliers of tissue cultured orchid plantlets to these two (2) countries, where a thriving orchid growing industry is centred.

We experienced a decline in our tissue culture revenue for the FYE 30 September 2008 due to the disruption of operations during the shifting of our tissue culture operations to our new tissue culture facility at our Ban Foo nursery in November 2007.

12. FINANCIAL INFORMATION (Cont'd)

Major factors which can affect our sales of propagating and tissue culturing of foliages and plants are as follows:

- seasonality in our sales of horticulture products, as described under Section 6.5.3 of this Prospectus;
- our ability to satisfy the stringent quarantine tests of the Pest Quarantine Department of relevant overseas authorities, especially Japan and USA; and
- should any of our foliages be fumigated or incinerated, this could adversely affect our reputation and sales.

However, the Government, through the Ministry of Agriculture and Agro-Based Industries, Malaysia, has set out a few measures to further expand the potential of floriculture industry. It is estimated that there was an increase of floriculture production from 135 million cuttings in 2005 to 160 million cuttings in 2008, with emphasis given to the cultivation of orchids. In terms of orchid cut flowers and non-orchid cut flowers, total production has registered an annual increase of 9.8% in 2008. The floriculture industry is a fast expanding industry worldwide, where the industry is estimated to grow between 6.0% and 10.0% per annum globally. This is mainly attributed to the growing demand for floriculture crops from developed countries such as Europe, America, Australia, Japan and Singapore.

(Source: Independent Market Research Report by D&B Malaysia)

In view of this, our Board believes that we stand in a position to benefit from the horticulture industry through our investment in Halex Biotechnologies.

Healthcare disposables

In 1992, we diversified our businesses into the manufacturing, processing and distribution of cotton- and paper-based healthcare disposable products with our investment in Halex Woolton. These products include wet wipes, cotton-based products, sanitary napkins, tissue products, wiper sheets and medical disposable products. Cotton-based products include facial cotton jumbo rolls, facial cotton pads, cotton buds, cotton balls, cotton wool rolls and zig-zag of rayon-based cotton, as well as medical cotton using 100% cotton. With our wide range of products, Halex Woolton is one of a few players in Malaysia that offer a wide range of both cotton- and paper-based healthcare disposable products, as well as wet wipes.

(Source: Independent Market Research Report by D&B Malaysia)

Apart from developing and marketing our own brands, we are also a contract manufacturer for other brand names for hypermarket and supermarkets chains, local pharmacies and pharmaceutical chains.

We are one (1) of two (2) local manufacturers (including foreign companies with facilities in Malaysia) that have in-house cotton wool production facilities to produce cotton jumbo rolls from raw cotton. The cotton jumbo rolls are then used as the principal raw material in the manufacturing of cotton-based healthcare disposable. We are also one of the leading producers of wet wipes in Malaysia and provide a wide range of wet wipes, which include baby wipes, antiseptic wipes, hygienic wipes, family wipes, kitchen and household wipes, facial cleansing wipes, feminine wipes and alcohol surface wipes (for hospital use).

(Source: Independent Market Research Report by D&B Malaysia)

12. FINANCIAL INFORMATION (Cont'd)

Our healthcare disposables business provides diversification of our income stream, and has continuously contributed significantly to our Group's revenue throughout the financial years/periods under review by accounting for approximately 32.07% of the total revenue of our Group for the FYE 30 September 2006 to approximately 42.97% of the total revenue of our Group for the six (6)-month FPE 31 March 2009.

We set out below the breakdown of our revenue generated from our healthcare disposables for the financial years/periods under review:

	<--- Pro forma --->		Audited	Audited	
	FYE 30 September			6-month FPE 31 March	
	2006	2007	2008	2008	2009
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
By products and services					
Wet wipes	4,525	4,653	9,373	4,855	3,673
Cotton-based products	8,985	8,692	8,916	3,933	3,628
Sanitary napkins	727	829	777	408	326
Tissue products	7,729	12,032	14,866	6,737	9,086
Others	308	261	140	66	93
	<u>22,274</u>	<u>26,467</u>	<u>34,072</u>	<u>15,999</u>	<u>16,806</u>
By activities					
Manufacturing	22,099	26,212	33,763	15,896	16,590
Trading	175	255	309	103	216
	<u>22,274</u>	<u>26,467</u>	<u>34,072</u>	<u>15,999</u>	<u>16,806</u>
By geographical					
Local	17,624	19,481	23,205	10,520	13,166
Export	4,650	6,986	10,867	5,479	3,640
	<u>22,274</u>	<u>26,467</u>	<u>34,072</u>	<u>15,999</u>	<u>16,806</u>

Major factors which can affect our revenue generated from our healthcare disposables are as follows:

- the demand for our healthcare disposables is dependent on the awareness of the need for a hygienic lifestyle and general economic conditions of the local market as well as the overseas markets where we market our products to;
- our ability to compete effectively against existing competitors and new market entrants; and
- our ability to fulfil more and larger orders by increasing our production capacity and efficiency.

Order book

We do not carry a significant order book as we typically do not receive long-term orders from our customers. We receive confirmed orders from our customers which are supported by purchasing orders issued to us, with specifications such as product types or species, sizes, quality selection, quantities and types of finishing. Most of our customers' orders are usually fulfilled within three (3) months.

12. FINANCIAL INFORMATION (Cont'd)**Cost of sales**

Our cost of sales mainly comprises the cost of raw materials, direct labour and production overheads. The components of cost of sales for the financial years/periods under review were as follows:

	<--- Pro forma --->		Audited	Audited	
	FYE 30 September			6-month FPE 31	
	2006	2007	2008	2008	2009
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Raw materials	40,365	51,776	69,386	32,107	20,712
Direct labour	3,597	4,163	4,609	2,177	2,232
Production overheads	3,074	3,268	4,095	1,844	1,880
Inventories	327	(6,137)	(4,315)	(1,269)	3,155
	47,363	53,070	73,775	34,859	27,979

Cost of raw materials accounted for a significant portion, ranging from 74% to 98% of our cost of sales for the past financial years/periods under review. For further information on the principal raw materials used by our Group, please refer to Section 6.9 of this Prospectus. The cost of materials for our products is affected by fluctuation in the price of our raw materials, which in turn depends on supply and demand factors. However, we are of the opinion that we are able to pass these higher costs to our customers.

Direct labour mainly comprises salaries, wages, bonus and other staff-related costs of employees who are directly involved in our production activities. These labour costs are affected by wage levels, number of production staff employed, number of working hours and labour market condition.

Production overhead mainly comprises factory utility charges, fuel consumed in operating on-site utilities equipment such as captive power plant, boilers, standby electricity generators, depreciation of machinery, as well as repair and maintenance of plant machinery.

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