

# PROSPECTUS

THIS PROSPECTUS IS DATED 22 JULY 2010

## SIG SIG GASES BERHAD

(Company No. 875083-W)  
(Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE OF 49,200,000 NEW ORDINARY SHARES OF RM0.50 EACH COMPRISING:-

- 7,500,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 9,000,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS, EMPLOYEES AND/OR BUSINESS ASSOCIATES OF SIG GASES BERHAD AND ITS SUBSIDIARIES;
- 17,700,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS; AND
- 15,000,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

OFFER FOR SALE OF 3,000,000 ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS

AT AN ISSUE/OFFER PRICE OF RM0.58 PER ORDINARY SHARE PAYABLE IN FULL ON APPLICATION IN CONJUNCTION WITH THE LISTING OF SIG GASES BERHAD ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Adviser, Sole Underwriter and Sole Placement Agent

### AmInvestment Bank Berhad

(Company No.: 23742-V)  
A member of



**AmInvestment Bank**

**Group**

(A Participating Organisation of Bursa Malaysia Securities Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS.  
IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER.  
TURN TO SECTION 3 FOR "RISK FACTORS".

SIG GASES BERHAD

PROSPECTUS



## RESPONSIBILITY STATEMENTS

OUR DIRECTORS, PROMOTERS AND/OR THE OFFERORS HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

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FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR THE OFFERING WOULD BE IN COMPLIANCE WITH THE TERMS OF THE OFFERING AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED. WE WILL FURTHER ASSUME THAT YOU HAD RECEIVED THE PROSPECTUS AND ACCEPTED THE OFFERING IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

HOWEVER, WE RESERVES THE RIGHT, IN OUR ABSOLUTE DISCRETION TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. IT SHALL BE YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS ON THE LAWS TO WHICH THE OFFERING OR YOU ARE OR MIGHT BE SUBJECTED. NEITHER WE NOR THE ADVISER NOR ANY OTHER ADVISERS IN RELATION TO THE OFFERING SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, VOIDABLE OR VOID IN ANY COUNTRY OR JURISDICTION.

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**TABLE OF CONTENTS**


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	Page
Indicative Timetable	i
Definitions	ii
Glossary of Technical Terms	vii
Presentation of Information	ix
Corporate Directory	x
<b>1. Information Summary .....</b>	<b>1</b>
1.1 Background Information on Our Group .....	1
1.2 Competitive Advantages and Key Strengths .....	3
1.3 Promoters, Substantial Shareholders, Directors and Key Management .....	4
1.4 Principal Statistics Relating to the Listing Scheme .....	5
1.5 Utilisation of Proceeds .....	6
1.6 Risk Factors .....	6
1.7 Financial Highlights .....	8
1.8 Auditors' Qualification .....	11
1.9 Shariah Status .....	11
<b>2. Particulars of the IPO .....</b>	<b>12</b>
2.1 Purposes of the Listing .....	13
2.2 Public Issue and Offer for Sale .....	13
2.3 Listing of and Quotation for Our Company's Shares .....	18
2.4 Dilution .....	18
2.5 Basis of Arriving at the IPO Price .....	20
2.6 Share Capital .....	20
2.7 Market Capitalisation Upon Listing .....	21
2.8 Proceeds from the Listing Exercise .....	21
2.9 Financial Impact from Utilisation of Proceeds .....	25
2.10 Underwriting Commission, Placement Fee and Brokerage .....	25
2.11 Salient Terms of the Underwriting Agreement .....	26
<b>3. Risk Factors .....</b>	<b>29</b>
3.1 Risks Relating to Our Business and Operations .....	29
3.2 Risks Relating to the Industry in which Our Group Operates .....	32
3.3 Risks Relating to Investment in Our Shares .....	33
<b>4. Information on Our Group .....</b>	<b>37</b>
4.1 Group Overview .....	37
4.2 Listing Scheme .....	41
4.3 Overview of Our Business Activities .....	44
4.4 Key Achievements, Awards and Recognition .....	49
4.5 Our Products, Services and Operations .....	50
4.6 Other Business Aspects .....	63
4.7 Competitive Advantages and Key Strengths .....	111
4.8 Business Strategies and Future Plans .....	113
4.9 Industry Overview .....	119
4.10 Outlook of the Industry .....	138

**TABLE OF CONTENTS (Cont'd)**

<b>5.</b>	<b>Information on Promoters, Substantial Shareholders, Directors and Key Management .....</b>	<b>139</b>
5.1	Promoters and Substantial Shareholders .....	139
5.2	Directors .....	143
5.3	Board Practices .....	152
5.4	Key Management .....	154
5.5	Declaration of Promoters, Directors and Key Management .....	157
5.6	Family Relationships .....	157
5.7	Existing or Proposed Service Agreements .....	157
5.8	Employees.....	158
5.9	Promoters, Directors and/or Substantial Shareholders' Benefit .....	160
<b>6.</b>	<b>Approvals and Conditions .....</b>	<b>161</b>
6.1	Approvals and Conditions .....	161
6.2	Moratorium on Shares.....	163
<b>7.</b>	<b>Related Party Transactions and Conflict of Interest .....</b>	<b>164</b>
7.1	Existing and Proposed Related Party Transactions and Conflict of Interest .....	164
7.2	Transactions That Are Unusual in Their Nature or Conditions .....	167
7.3	Outstanding Loans Made to / for the Benefit of Related Parties.....	167
7.4	Interest in Similar Business.....	168
7.5	Interest in Other Businesses or Corporations Which Are Customers or Suppliers of Our Group .....	170
7.6	Recurrent Related Party Transactions of a Revenue or Trading Nature .....	171
7.7	Declaration by Advisers .....	173
<b>8.</b>	<b>Financial Information .....</b>	<b>174</b>
8.1	Proforma Historical Consolidated Financial Information .....	174
8.2	Capitalisation and Indebtedness .....	176
8.3	Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects.....	177
8.4	Liquidity and Capital Resources.....	190
8.5	Trend Information .....	199
8.6	Dividend Policy.....	202
8.7	Proforma Consolidated Financial Information.....	202
<b>9.</b>	<b>Accountants' Report .....</b>	<b>217</b>
<b>10.</b>	<b>Independent Market Research Report .....</b>	<b>268</b>
<b>11.</b>	<b>Directors' Report.....</b>	<b>291</b>
<b>12.</b>	<b>ESOS By-Laws.....</b>	<b>292</b>
<b>13.</b>	<b>Other General Information .....</b>	<b>313</b>
13.1	Share Capital .....	313
13.2	Articles of Association .....	313
13.3	Limitation of Rights.....	320
13.4	Material Contracts .....	321
13.5	Material Litigation or Arbitration .....	322
13.6	Repatriation of Capital and Profits .....	322
13.7	General Information .....	322
13.8	Consents .....	323
13.9	Documents for Inspection .....	323
13.10	Responsibility Statements.....	324

---

**TABLE OF CONTENTS (Cont'd)**

---

<b>14.</b>	<b>Procedures for Applications and Acceptance .....</b>	<b>325</b>
14.1	Opening and Closing of Applications .....	325
14.2	Methods of Application.....	325
14.3	Procedures for Applications .....	325
14.4	General Conditions for Applications.....	325
14.5	Applications Using Application Forms.....	327
14.6	Applications Using Electronic Share Application .....	329
14.7	Applications Using Internet Share Application .....	334
14.8	Applications and Acceptance .....	343
14.9	CDS Accounts .....	344
14.10	Notice of Allotment .....	345
14.11	List of Authorised Depository Agents .....	346

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**INDICATIVE TIMETABLE**

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The indicative timing of events leading up to the listing of and quotation for our entire enlarged issued and fully paid-up share capital on the Main Market of Bursa Malaysia Securities Berhad is set out below:-

<u>Date</u>	<u>Event</u>
22 July 2010	: Issue of Prospectus/ opening date of the IPO
29 July 2010	: Closing date of the IPO
2 August 2010	: Tentative date for balloting of applications
3 August 2010	: Tentative date for allotment of IPO shares
9 August 2010	: Tentative listing date

**THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.**

**THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 5.00 P.M. ON 29 JULY 2010 OR FOR SUCH FURTHER PERIOD OR PERIODS AS OUR DIRECTORS, PROMOTERS AND OFFERORS TOGETHER WITH OUR SOLE UNDERWRITER IN THEIR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE.**

**IN THE EVENT THAT THE CLOSING DATE OF THE IPO IS EXTENDED, THE DATES FOR THE BALLOTING, ALLOTMENT AND ALLOCATION OF THE IPO SHARES AND THE LISTING OF SIG GASES WILL BE EXTENDED ACCORDINGLY. ANY EXTENSION OF THE ABOVEMENTIONED DATES WILL BE ANNOUNCED BY WAY OF ADVERTISEMENT IN A WIDELY CIRCULATED BAHASA MALAYSIA AND ENGLISH DAILY NEWSPAPER IN MALAYSIA.**

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## DEFINITIONS

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In this Prospectus, unless where the context requires otherwise, the following words and abbreviations shall have the following meanings -

<b>Acquisition</b>	:	The acquisition by SIG Gases of the entire issued and paid-up share capital of Southern Industrial Gas comprising 23,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM50,399,990, which was wholly satisfied by the issuance of 100,799,980 new Shares, credited as fully paid-up at an issue price of RM0.50 per Share
<b>ADA</b>	:	Authorised Depository Agent
<b>ADA Code</b>	:	ADA (Broker) Code
<b>Admission</b>	:	Admission of the SIG Gases's Shares to the Official List of the Main Market of Bursa Securities
<b>AmInvestment Bank</b>	:	AmInvestment Bank Berhad (23742-V), a member of AmInvestment Bank Group
<b>Application</b>	:	The application for the IPO Shares by way of Application Forms or by way of Electronic Share Application or Internet Share Application
<b>Application Form(s)</b>	:	The printed Application Form(s) for the application for the IPO Shares
<b>ATM</b>	:	Automated Teller Machine
<b>BNM</b>	:	Bank Negara Malaysia
<b>Board or Directors</b>	:	Board of Directors of SIG Gases
<b>Bursa Depository</b>	:	Bursa Malaysia Depository Sdn Bhd (165570-W), a subsidiary of Bursa Securities
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (635998-W)
<b>CDS</b>	:	Central Depository System
<b>Central Depositories Act</b>	:	The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>CMSA</b>	:	Capital Markets and Services Act 2007, or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>Companies Act</b>	:	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>Deposited Security</b>	:	A security in our Company standing to the credit of a Securities Account of a Depositor subject to the provision of the Central Depositories Act and the Rules
<b>Depositor</b>	:	A holder of a Securities Account

**DEFINITIONS (Cont'd)**

<b>Dividend Payment</b>	:	Distribution by Southern Industrial Gas to their shareholders a second interim dividend of RM1.15 million declared on 3 November 2009 and paid on 30 November 2009 from its unaudited PAT generated between 1 September 2009 and 31 December 2009. Please refer to Section 4.2 (i)(b) of this Prospectus for further details
<b>DOSH</b>	:	Department of Operation and Safety Health
<b>EBITDA</b>	:	Earnings before interest, taxation, depreciation and amortisation
<b>Electronic Prospectus</b>	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
<b>Electronic Share Application or ESA</b>	:	An application for subscription or purchase of the IPO Shares through Participating Financial Institutions' ATM
<b>EPS</b>	:	Earnings per Share
<b>EPU</b>	:	Economic Planning Unit
<b>ESOS</b>	:	The Board will implement an employees' share option scheme which entails the issuance of up to 15% of its issued and paid-up share capital of SIG Gases at any point of time or any limit prescribed by any guidelines, rules and regulations of the relevant authorities during the duration of the ESOS to the eligible Directors and employees of the SIG Gases Group
<b>ESOS Options</b>	:	The right to subscribe for new Shares upon acceptance of an offer under the ESOS
<b>FIC</b>	:	Foreign Investment Committee
<b>FPE</b>	:	Financial period ended
<b>FRS</b>	:	Financial Reporting Standards
<b>FYE</b>	:	Financial year ended / ending
<b>GDP</b>	:	Gross domestic product
<b>Internet Participating Financial Institution(s)</b>	:	Participating financial institution(s) in the Internet Share Application, as listed in Section 14.7(II) of this Prospectus
<b>Internet Share Application</b>	:	Application for the IPO Shares through an Internet Participating Financial Institution
<b>IPO</b>	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
<b>IPO Price</b>	:	RM0.58 per IPO Share, being the price payable by investors under the Public Issue/ Offer for Sale
<b>IPO Share(s)</b>	:	The Public Issue Shares and Offer Shares, collectively
<b>ISO</b>	:	International Organisation for Standardisation, a developer and publisher of international standards

**DEFINITIONS (Cont'd)**

<b>JKKP</b>	:	Jabatan Keselamatan Dan Kesihatan
<b>Listing</b>	:	Admission and the listing of and quotation for our entire issued and paid up share capital of RM75,000,000 comprising 150,000,000 Shares on the Main Market of Bursa Securities
<b>Listing Requirements</b>	:	The Main Market Listing Requirements of Bursa Securities, as amended, supplemented or modified from time to time
<b>Listing Scheme</b>	:	The Dividend Payment, Acquisition, Public Issue, Offer for Sale, Listing and ESOS, collectively
<b>LPD</b>	:	Last practicable date, being 31 May 2010
<b>Market Day</b>	:	A day on which the stock market of the Bursa Securities is open for trading in securities
<b>MI</b>	:	Minority interest
<b>MIDA</b>	:	Malaysian Industrial Development Authority
<b>MIH or Issuing House</b>	:	Malaysian Issuing House Sdn Bhd (258345-X)
<b>MITI</b>	:	Ministry of International Trade and Industry
<b>NA</b>	:	Net assets
<b>NBV</b>	:	Net book value
<b>NTA</b>	:	Net tangible assets
<b>Offer for Sale</b>	:	The offer for sale of 3,000,000 representing 2.00% of the enlarged issued and paid-up share capital of SIG Gases upon listing will be offered at the IPO Price and will be allocated via private placement to selected investors
<b>Offer Shares</b>	:	The 3,000,000 Shares, which are the subject of the Offer for Sale
<b>Offerors</b>	:	Peh Lam Hoh, Datin Hanifah Hajar Taib, Lau Cheng Ming and Sing Swee Bee Enterprise Pte Ltd, collectively. Their respective Offer Shares are as follows:-

<b>Offerors</b>	<b>No. of Offer Shares</b>	<b>% of Enlarged Share Capital</b>
Peh Lam Hoh	200,000	0.13
Datin Hanifah Hajar Taib	900,000	0.60
Lau Cheng Ming	900,000	0.60
Sing Swee Bee Enterprise Pte Ltd	1,000,000	0.67
<b>Total</b>	<b>3,000,000</b>	<b>2.00</b>

<b>Official List</b>	:	The official list on the main market of Bursa Securities
<b>OSHA</b>	:	Occupational Safety and Health Act
<b>Participating Financial Institution(s)</b>	:	Participating financial institution(s) for Electronic Share Application as listed in Section 14.6(ii)(p) of this Prospectus

**DEFINITIONS (Cont'd)**

<b>PAT</b>	:	Profit after taxation
<b>PBT</b>	:	Profit before taxation
<b>PE Multiple</b>	:	Price earnings multiple
<b>PERS</b>	:	Private Entity Reporting Standards
<b>Phoenix</b>	:	Phoenix SIG Holdings Sdn Bhd (Co. No: 882151-U)
<b>Pink Form Shares</b>	:	The 9,000,000 Public Issue Shares of our Company representing 6.00% of the enlarged issued and paid-up share capital of our Company at the IPO Price to the eligible Directors, employees and/or business associates of our Group
<b>Prescribed Security</b>	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules
<b>Promoters</b>	:	Phoenix, Sing Swee Bee Enterprise Pte Ltd, Peh Lam Hoh, Datin Hanifah Hajar Taib and Lau Cheng Ming, collectively
<b>Prospectus</b>	:	This Prospectus dated 22 July 2010 issued by our Company in respect of the IPO
<b>Public Issue</b>	:	The invitation by our Company to the public to subscribe for the Public Issue Shares at the IPO Price, payable in full upon application comprising the following:-

Description	No. of Public Issue Shares	% of Enlarged Share Capital Upon Listing
Malaysian public to be allocated via ballots	7,500,000	5.00
Eligible Directors, employees and/or business associates of SIG Gases Group	9,000,000	6.00
Private placement to selected investors	17,700,000	11.80
Private placement to Bumiputera investors approved by MITI	15,000,000	10.00
	<b>49,200,000</b>	<b>32.80</b>

<b>Public Issue Shares</b>	:	The 49,200,000 new Shares, which are the subject of the Public Issue
<b>R&amp;D</b>	:	Research and development
<b>Record of Depositors</b>	:	A record provided by Bursa Depository to our Company under Chapter 24 of the Rules
<b>RM and sen</b>	:	Ringgit Malaysia and sen respectively
<b>Rules</b>	:	The Rules of Bursa Depository
<b>SC</b>	:	Securities Commission, Malaysia

**DEFINITIONS (Cont'd)**

<b>SC Guidelines</b>	:	Equity Guidelines issued by the SC
<b>Securities Account</b>	:	An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
<b>SGD</b>	:	Singapore dollars and cents
<b>Share(s)</b>	:	Ordinary share(s) of RM0.50 each in SIG
<b>SIG Gases Group</b>	:	SIG Gases and its subsidiaries
<b>SIG Gases or Company</b>	:	SIG Gases Berhad (Co. No: 875083-W)
<b>SIRIM</b>	:	Standard and Industrial Research Institute of Malaysia
<b>Sole Placement Agent</b>	:	AmInvestment Bank
<b>Sole Underwriter</b>	:	AmInvestment Bank
<b>Southern Carbon Dioxide</b>	:	Southern Carbon Dioxide Sdn Bhd (Co. No: 789834-H), a wholly-owned subsidiary of SIG Gases
<b>Southern Industrial Gas</b>	:	Southern Industrial Gas Sdn Bhd (Co. No: 380462-X), a wholly-owned subsidiary of SIG Gases
<b>Southern Oxygen</b>	:	Southern Oxygen Sdn Bhd (Co. No: 788562-U), a wholly-owned subsidiary of SIG Gases
<b>Underwriting Agreement</b>	:	The underwriting agreement dated 7 July 2010 made between the Company and the Sole Underwriter for the underwriting of 16,500,000 Public Issue Shares upon the terms and subject to the conditions contained therein
<b>US</b>	:	United States of America
<b>USD</b>	:	US Dollar

Words referring to the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include a company or a corporation.

Any enactment referred to in this Prospectus is a reference to that enactment for the time being amended or re-enacted.

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## GLOSSARY OF TECHNICAL TERMS

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To facilitate better understanding of our business, the following glossary provides a description of some of the technical terms and abbreviations commonly found in our industry. The terms and their assigned meanings may not correspond to standard industry or common meanings, or usage of these terms, as the case may be:-

Acetone Top-Up	:	Acetone top-up is the process of replenishing an acetylene gas cylinder with acetone
Acetylene	:	Acetylene is a chemical compound with the chemical formula $C_2H_2$ and is a gas under normal atmospheric temperature and pressure
Argon	:	Argon is the element with the atomic number 18 and is represented by the symbol Ar. Under normal atmospheric temperature and pressure, argon exists as a gas
ASU	:	Air Separation Unit, refers to the plant that is used to produce industrial gases such as nitrogen and oxygen by means of Cryogenic Distillation
CNG	:	Compressed natural gas refers to natural gas that has been compressed and stored under pressure, usually in liquid form
Cryogenic Distillation	:	Cryogenic distillation refers to distillation or Fractional Distillation that is carried out at a very low temperature
Fractional Distillation	:	Fractional distillation is a method of physically separating a liquid mixture into its component parts (or fractions), whereby the liquid mixture is heated to a temperature at which several fractions of the liquid mixture will evaporate
Fuming Gas	:	A fuming gas is an industrial gas that is used to kill harmful organisms such as bacteria, mold and fungi
Gas Chromatograph	:	A gas chromatograph is a type of equipment that is commonly used to separate and analyse the chemical composition of a substance that can be vapourised without decomposition
Gas Mixture	:	A gas mixture is a blend of two or more gases that are mixed in accordance with a customer's individual specifications
Inert Substance	:	An inert substance is a substance that does not easily react with other substances
Purified Helium and Hydrogen	:	Purified helium and hydrogen refers to helium or hydrogen that has been treated to remove impurities

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**GLOSSARY OF TECHNICAL TERMS**

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- Refrigerants : A refrigerant is a compound that is used in a heat cycle that reversibly undergoes a phase change from a gas to a liquid and is used to reduce the temperature of another substance. Refrigerants are commonly used in air conditioning systems
- Specialty Gas : Within the context of the Industrial Gases Industry, specialty gases generally refer to an industrial gas that is not produced with an ASU. Examples of specialty gases include ammonia, ethane and synthetic air

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## **PRESENTATION OF INFORMATION**

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All references to “SIG Gases” and “Company” in this Prospectus are to SIG Gases Berhad. References to “our Group” are to our Company and our subsidiaries, and references to “we”, “us”, “our” and “ourselves” are to our Company, and where the context requires, includes our subsidiaries.

Unless the context otherwise requires, references to “management” are to our Directors and key management personnel as at the date of this Prospectus. Statements as to our beliefs, expectations, estimates and opinions are those of our Directors.

Certain acronyms, technical terms and other abbreviations used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include companies or corporations.

Any enactment referred to in this Prospectus is a reference to that enactment for the time-being amended or re-enacted.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest tenth/ hundredth or one/ two decimal places. Any numeric discrepancies in the tables included in this Prospectus between the listed amounts and the totals thereof are due to rounding differences.

This Prospectus contains forward-looking statements, which are statements other than statements of historical facts, and are based on assumptions that are subject to known and unknown risks, uncertainties and contingencies. The words, such as “believe”, “plan”, “expect”, “intend”, “estimate” and similar expressions are used to identify such forward-looking statements. These forward-looking statements represent our Directors’ views and beliefs with respect to the future of our Group, and do not constitute a guarantee of the future performance of our Group.

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Designation</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Peh Lam Hoh	Executive Chairman	22, Jalan Austin Perdana 5/11 Taman Austin Perdana 81100 Johor Bahru Johor	Director	Singaporean
Lau Cheng Ming	Executive Director	Lot 8679, Section 64 Pending Commercial Centre 93450 Kuching Sarawak	Director	Malaysian
Datuk Syed Ahmad bin Alwee Alsree	Non-Independent Non-Executive Director	1st Floor, Lot 201 Jalan Blacksmith Off Jalan Petanak 93100 Kuching Sarawak	Director	Singaporean
Diong Tai Pew	Independent Non-Executive Director	48, Yunnan Road Singapore 637911	Chartered Accountant	Malaysian
Michael Ong Kee Tuan	Independent Non-Executive Director	293, 1st Floor, Lorong 7B Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak	Lawyer	Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Diong Tai Pew	Chairman	Independent Non-Executive Director
Michael Ong Kee Tuan	Member	Independent Non-Executive Director
Datuk Syed Ahmad bin Alwee Alsree	Member	Non-Independent Non-Executive Director

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**CORPORATE DIRECTORY (Cont'd)**

- COMPANY SECRETARIES** : Yong May Li (f) (LS 0000295)  
25, Jalan Setia 5/2  
Taman Setia Indah  
81100 Johor Bahru  
Johor
- Irene Juay Yee Luan (f) (MAICSA 7057249)  
17, Jalan Indah 18/2  
Taman Bukit Indah  
81200 Johor Bahru  
Johor
- REGISTERED OFFICE** : Suite 1301, 13th Floor, City Plaza  
Jalan Tebrau  
80300 Johor Bahru  
Johor  
Telephone No. : 07-335 4988  
Facsimile No. : 07-335 4977
- HEAD OFFICE** : PLO 137, Kawasan Perindustrian Senai III  
81400 Senai  
Johor  
Telephone No. : (07) 598 3863  
Facsimile No. : (07) 598 3869  
E-mail : sig@sig.net.my  
Website : www.sig.net.my
- REGISTRAR AND TRANSFER OFFICE** : Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd)  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Telephone No. : (03) 2264 3883  
Facsimile No. : (03) 2282 1886
- AUDITORS AND REPORTING ACCOUNTANTS** : Ernst & Young (AF: 0039)  
Suite 11.2, Level 11  
Menara Pelangi  
2, Jalan Kuning  
Taman Pelangi  
80400 Johor Bahru  
Johor  
Telephone No. : (07) 334 1740  
Facsimile No. : (07) 334 1749
- SOLICITORS FOR THE IPO** : Lee Choon Wan & Co  
12, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Telephone No. : (03) 2093 0078  
Facsimile No. : (03) 2094 1750/ 2094 5631

**CORPORATE DIRECTORY (Cont'd)**

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- PRINCIPAL BANKERS** : RHB Bank Berhad  
Commercial Banking Business Centre  
Johor Central, Southern Region  
62, 64 & 66 (1<sup>st</sup> Floor),  
Jalan Bendahara 12  
Taman Ungku Tun Aminah  
81300 Skudai, Johor  
Telephone No. : (07) 558 5272  
Facsimile No. : (07) 556 9627
- OCBC Bank (Malaysia) Berhad  
47 & 49 Jalan Molek 1/29  
Taman Molek  
81100 Johor Bahru  
Telephone No. : 1300 88 5000  
Facsimile No. : (07) 353 4408
- AmBank (M) Berhad  
Level 31, Selesa Tower  
Jalan Dato' Abdullah Tahir  
80300 Johor Bahru  
Telephone No. : (07) 334 8766  
Facsimile No. : (07) 334 8799
- CIMB Bank Berhad  
No 43 & 43-01 Jalan Permas 10/2  
81750 Masai  
Johor Darul Takzim  
Telephone No. : (07) 386 1315  
Facsimile No. : (07) 386 4032
- INDEPENDENT BUSINESS AND  
MARKET RESEARCH  
CONSULTANTS** : Vital Factor Consulting Sdn Bhd  
75C & 77C, Jalan SS22/19  
Damansara Jaya  
47400 Petaling Jaya  
Selangor  
Telephone No. : (03) 7728 0248  
Facsimile No. : (03) 7728 7248
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd  
27th Floor, Menara Multi Purpose  
Capital Square  
8, Jalan Munshi Abdullah  
P.O. Box 13269  
50804 Kuala Lumpur  
Telephone No. : (03) 2693 2075  
Facsimile No. : (03) 2693 0858
- ADVISER, SOLE UNDERWRITER  
AND SOLE PLACEMENT AGENT** : AmInvestment Bank Berhad (23742-V)  
22nd Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Telephone No. : (03) 2036 2633  
Facsimile No. : (03) 2070 8596
- LISTING SOUGHT** : Main Market of Bursa Securities
- SHARIAH STATUS** : Approved by Shariah Advisory Council of the SC

## 1. INFORMATION SUMMARY

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**THE FOLLOWING INFORMATION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR GROUP. YOU SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN OUR COMPANY'S SHARES.**

### 1.1 BACKGROUND INFORMATION ON OUR GROUP

Our Company was incorporated in Malaysia under the Companies Act on 14 October 2009 as a public limited company.

Our history can be traced back to 1996 with the incorporation of Southern Industrial Gas by our founder, Peh Lam Hoh, who has been involved in the industrial gas industry since 1976.

Our first plant was located at Senai, Johor and began operating in 1997. When it was first opened, the Senai plant undertook production of Acetylene and carbon dioxide and also refilling of various gases using liquid gas produced by third parties as feedstock.

In late 1997, we expanded our operation by establishing a gas refilling plant in Balakong, Selangor to serve customers in the Klang Valley.

In 1999, we further expanded our business by establishing a distribution depot in Kuantan to serve customers in the East Coast of Peninsular Malaysia.

We then extend our reach to the north of Peninsular Malaysia in 2000 with the setting-up of a distribution depot in Juru, Penang.

In 2001, we set up a production and refilling plant in Puchong, Selangor. The Puchong plant is equipped to produce Gas Mixtures and to carry out refilling activities for oxygen, nitrogen, Argon and carbon dioxide. The Balakong plant was transferred to the Puchong plant to consolidate our operations in the Klang Valley. We also upgraded our Juru depot by setting up an oxygen refilling plant and carbon dioxide refilling plant to better address opportunities in the Northern part of Peninsular Malaysia.

In 2003, we constructed our ASU in Senai, Johor and began production of our own liquid oxygen and liquid nitrogen. In the same year, we set up a new oxygen refilling plant in Krubong, Malacca. The Krubong plant was upgraded with the addition of a carbon dioxide gas refilling plant in 2004.

In line with our commitment to product and service quality, Southern Industrial Gas was awarded the ISO 9001:2000 quality management system certification in 2004 which was updated to ISO 9001:2008 in 2009.

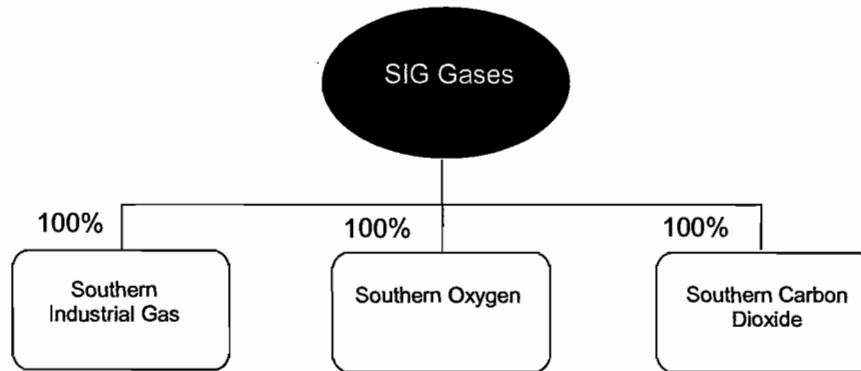
In 2005, we upgraded our existing Kuantan depot to incorporate an oxygen refilling plant to better address opportunities in the East Coast of Peninsular Malaysia.

In 2008, we further expanded our business in the north with the establishment of a new oxygen, nitrogen and carbon dioxide refilling plant in Bukit Minyak, Penang. The Juru plant was also transferred to the Bukit Minyak plant to consolidate our operations for the northern part of Peninsular Malaysia.

In February 2009, we began construction work on our newest manufacturing plant located at Nilai, Negeri Sembilan. The construction of the Nilai plant was completed in September 2009 and is our second industrial gas manufacturing facility, which manufactures Acetylene and Fuming Gas. Our Nilai plant has started operations in December 2009 and begun manufacturing Acetylene and Fuming Gas, as well as refilling carbon dioxide, which will also equip with oxygen, nitrogen and Argon refilling facilities.

**1. INFORMATION SUMMARY (Cont'd)**

Our Group's corporate structure is depicted below:-



The details of our wholly owned subsidiaries are as follows:-

Company	Date/ Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Southern Industrial Gas	20.03.1996/ Malaysia	23,000,000	100.00	Manufacturing, refilling and distribution of all kinds of industrial gases.
Southern Oxygen	17.09.2007/ Malaysia	2	100.00	Dormant.  The intended principal activities are investing in onsite plant and supply liquid oxygen, liquid nitrogen and liquid Argon.
Southern Carbon Dioxide	26.09.2007/ Malaysia	2	100.00	Dormant.  The intended principal activities are investing in carbon dioxide recovery plant and supply liquid carbon dioxide.

Our Group does not have any associated company.

Further details on our history and business are set out in Section 4 of this Prospectus.

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**1. INFORMATION SUMMARY (Cont'd)**

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**1.2 COMPETITIVE ADVANTAGES AND KEY STRENGTHS**

Our Directors believe that we have the following significant competitive advantages over our competitors that ensure our business sustainability and growth:-

- (i) We operate an in-house ASU;
- (ii) We operate in-house Acetylene production facilities;
- (iii) We operate in-house Fuming Gas production facilities;
- (iv) We have a network of refilling facilities;
- (v) Our products are of a high quality;
- (vi) We have a good reputation and track record; and
- (vii) We serve a wide number of user industries.

Further details on our competitive strengths and advantages are set out in Section 4.7 of this Prospectus.

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**1. INFORMATION SUMMARY (Cont'd)****1.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

Our Promoters, substantial shareholders, Directors and key management are as follows:-

<b>Name</b>	<b>Designation</b>
<b><u>Promoters</u></b>	
Phoenix	Promoter and substantial shareholder
Sing Swee Bee Enterprise Pte Ltd	Promoter and substantial shareholder
Peh Lam Hoh	Promoter, substantial shareholder and Executive Chairman
Datin Hanifah Hajar Taib	Promoter, substantial shareholder and Non-Executive Director of Southern Industrial Gas
Lau Cheng Ming	Promoter and Executive Director
<b><u>Substantial Shareholders</u></b>	
Phoenix	Promoter and substantial shareholder
Peh Lam Hoh	Promoter, substantial shareholder and Executive Chairman
Datin Hanifah Hajar Taib	Promoter, substantial shareholder and Non-Executive Director of Southern Industrial Gas
Sing Swee Bee Enterprise Pte Ltd	Promoter and substantial shareholder
<b><u>Directors</u></b>	
Peh Lam Hoh	Executive Chairman
Lau Cheng Ming	Executive Director
Datuk Syed Ahmad bin Alwee Alsree	Non-Independent Non-Executive Director
Diong Tai Pew	Independent Non-Executive Director
Michael Ong Kee Tuan	Independent Non-Executive Director
<b><u>Key Management</u></b>	
Foo Peng Boon	Regional Sales and Marketing Manager
Chong Joon Kiong	Regional Operation Manager
Koh Beng San	Senior Finance Manager
Boo Chin Eng	Production Manager
Tan Chin Peng	Personal Assistant to Executive Chairman



**1. INFORMATION SUMMARY (Cont'd)**

Further details of our Promoters, substantial shareholders, Directors and key management are set out in Section 5 of this Prospectus.

**1.4 PRINCIPAL STATISTICS RELATING TO THE LISTING SCHEME**

	<b>Number of Shares</b>	<b>Share Capital (RM)</b>
<b>Authorised share capital</b>	400,000,000	200,000,000
<b>Existing issued and fully paid-up share capital</b>	100,800,000	50,400,000
<b>Public Issue Shares to be issued</b>	49,200,000	24,600,000
<b>Enlarged issued and paid-up share capital upon Listing</b>	150,000,000	75,000,000
<b>New Shares to be issued assuming full exercise of ESOS Option</b>	22,500,000	11,250,000
<b>Enlarged share capital assuming full exercise of ESOS Option</b>	172,500,000	86,250,000
<b>ISSUE PRICE PER SHARE (RM)</b>		0.58
<b>PROFORMA CONSOLIDATED NA</b>		
<ul style="list-style-type: none"> <li>• Proforma consolidated NA as at 30 April 2010 (<i>after adjusting for the Acquisition, IPO and utilisation of proceeds</i>) (RM)</li> </ul>		78,825
<ul style="list-style-type: none"> <li>• Proforma consolidated NA per Share (<i>based on the enlarged issued and paid-up share capital of 150,000,000 Shares</i>) (RM)</li> </ul>		0.53
<b>MARKET CAPITALISATION OF OUR COMPANY</b> ( <i>based on the IPO Price and enlarged issued and paid-up share capital of 150,000,000 Shares</i> ) (RM)		87,000,000

Further details on the Listing Scheme are set out in Section 2.2 and Section 4.2 of this Prospectus.

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**1. INFORMATION SUMMARY (Cont'd)****1.5 UTILISATION OF PROCEEDS**

The IPO entails a public issue of 49,200,000 new Shares and an offer for sale of 3,000,000 Shares at the IPO Price.

As further detailed in Section 2.8 of this Prospectus, we will use the total gross proceeds of RM28,536,000 arising from the Public Issue in the following manner:-

No.	Description	Estimated Timeframe for Utilisation Upon Listing	Amount (RM'000)	% of Total Gross Proceeds
(i)	Purchase of land and building new facilities	Within 24 months	14,736	51.64
(ii)	Purchase of plant, machinery and equipment	Within 12 months	6,400	22.43
(iii)	Repayment of term loan	Within 12 months	4,200	14.72
(iv)	Estimated listing expenses	Immediate	3,200	11.21
	<b>Total proceeds</b>		<b>28,536</b>	<b>100.00</b>

The Offer for Sale is expected to raise gross proceeds of RM1,740,000. The entire proceeds of the Offer for Sale, net of relevant fee, will accrue to the Offerors.

Further information on the Listing Scheme is set out in Section 2.2 and Section 4.2 of this Prospectus.

**1.6 RISK FACTORS**

In evaluating an investment in the IPO Shares, you should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks set out below.

- (i) Risks relating to our business and operations:-
  - (a) Business risks;
  - (b) Mishaps in our manufacturing and refilling plants;
  - (c) Accidents during transportation;
  - (d) Occurrence of power failure;
  - (e) Dependence on key management personnel;
  - (f) Lack of long-term contracts with customers;
  - (g) Environmental regulation; and
  - (h) Financial risks.
- (ii) Risks relating to the industry in which our Group operates:-
  - (a) Political and economic risks;
  - (b) Increase in the prices of electricity;
  - (c) Increase in the prices of petrol and/or diesel; and
  - (d) Competition and new entrants.

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**1. INFORMATION SUMMARY (Cont'd)**

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(iii) Risks relating to investment in our Shares:-

- (a) No prior market for our Shares;
- (b) Capital market risks and share price volatility;
- (c) Control by Promoters;
- (d) Payment of dividends;
- (e) Future fund raisings may dilute shareholders' equity and/or restrict our operations;
- (f) Failure or delay in our Listing;
- (g) Delay between Admission and trading of the IPO Shares; and
- (h) Disclosure regarding forward-looking statements.

Further details of these risk factors are set out in Section 3 of this Prospectus.

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**1. INFORMATION SUMMARY (Cont'd)****1.7 FINANCIAL HIGHLIGHTS****1.7.1 Proforma Historical Consolidated Financial Information**

The following table sets out a summary of our proforma consolidated results for the past 5 FYE 31 December 2009 and the 4-month FPE 30 April 2010 which is presented for illustrative purposes only, on the assumption that our Group has been in existence throughout the years/period under review.

The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 8.7 of this Prospectus.

	←----- FYE 31 December ----->					4-month FPE 30 April	
	2005	2006	2007	2008	2009	2009 <sup>(1)</sup>	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	33,953	40,459	48,992	55,400	54,568	17,390	18,574
Cost of sales	(21,581)	(26,343)	(30,530)	(35,286)	(35,292)	(11,265)	(12,358)
Gross profit	12,372	14,116	18,462	20,114	19,276	6,125	6,216
Other operating income	71	148	196	187	441	96	56
Selling and administrative expenses	(6,560)	(7,331)	(8,964)	(10,116)	(9,255)	(2,842)	(4,162)
Operating profit	5,883	6,933	9,694	10,185	10,462	3,379	2,110
Finance costs	(1,792)	(1,822)	(1,486)	(1,223)	(1,070)	(423)	(395)
PBT	4,091	5,111	8,208	8,962	9,392	2,956	1,715
Income tax expense	(423)	(1,489)	(2,372)	(527)	(2,280)	(1,599)	(379)
PAT	3,668	3,622	5,836	8,435	7,112	1,357	1,336
Attributable to:							
- Equity holders of our Company	3,668	3,622	5,836	8,435	7,112	1,357	1,336
	3,668	3,622	5,836	8,435	7,112	1,357	1,336
Number of Shares had our Group been in existence ('000) <sup>(2)</sup>	100,800	100,800	100,800	100,800	100,800	100,800	100,800
EBITDA	7,794	9,100	12,143	12,843	13,313	4,339	3,211
Gross profit margin (%)	36.44	34.89	37.68	36.31	35.32	35.22	33.47
PBT margin (%)	12.05	12.63	16.75	16.18	17.21	17.00	9.23
PAT margin (%)	10.80	8.95	11.91	15.23	13.03	7.80	7.19
Gross EPS (sen) <sup>(3)</sup>	4.06	5.07	8.14	8.89	9.32	<sup>(6)</sup> 8.80	<sup>(6)</sup> 5.10
Net EPS (sen) <sup>(4)</sup>	3.64	3.59	5.79	8.37	7.06	<sup>(6)</sup> 4.04	<sup>(6)</sup> 3.98
Fully diluted EPS (sen) <sup>(5)</sup>	3.64	3.59	5.79	8.37	7.06	<sup>(6)</sup> 4.04	<sup>(6)</sup> 3.98

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**1. INFORMATION SUMMARY (Cont'd)**

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**Notes:-**

- (1) *Stated for comparison purpose only.*
- (2) *Based on the issued and paid-up share capital of 100,800,000 Shares immediately prior to the Public Issue.*
- (3) *Calculated based on PBT attributable to equity holders of the Company for the respective financial years/ periods divided by the number of Shares had our Group been in existence.*
- (4) *Calculated based on PAT attributable to equity holders of the Company for the respective financial years/ periods divided by the number of Shares had our Group been in existence.*
- (5) *Calculated based on profit attributable to equity holders of the Company for the respective financial years/ periods divided by the number of Shares had our Group been in existence.*
- (6) *Annualised to 12 months for comparison purposes.*

Further details on our financial information are set out in Section 8 of this Prospectus.

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**1. INFORMATION SUMMARY (Cont'd)****1.7.2 Proforma Consolidated Balance Sheets**

Our proforma consolidated balance sheets as at 30 April 2010 set out below had been prepared solely for illustrative purposes, to show the effects of the Listing Scheme had the Listing Scheme been implemented and completed on 30 April 2010. The proforma consolidated balance sheets should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 8.7 of this Prospectus.

	Audited as at 30.04.2010 (RM'000)	(I) After Acquisition (RM'000)	(II) After (I), IPO and Utilisation of IPO Proceeds (RM'000)	(III) After (II) and Assuming Full Exercise of ESOS Options (RM'000)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	-	69,133	90,269	90,269
Prepaid and lease payment	-	2,493	2,493	2,493
Intangible assets	-	217	217	217
	-	71,843	92,979	92,979
<b>Current assets</b>				
Inventories	-	3,105	3,105	3,105
Trade receivables	-	15,660	15,660	15,660
Other receivables	790	1,939	1,939	1,939
Cash and bank balances	-	1,579	1,579	14,629
	790	22,283	22,283	35,333
<b>TOTAL ASSETS</b>	790	94,126	115,262	128,312
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	-	9,177	7,660	7,660
Trade payables	-	7,034	7,034	7,034
Other payables	855	5,541	5,541	5,541
Tax payable	-	34	34	34
	855	21,786	20,269	20,269
<b>Net current (liabilities)/ assets</b>	(65)	497	2,014	15,064
<b>Non-current liabilities</b>				
Borrowings	-	10,248	7,565	7,565
Trade payables	-	2,087	2,087	2,087
Deferred tax liabilities	-	6,516	6,516	6,516
	-	18,851	16,168	16,168
<b>TOTAL LIABILITIES</b>	855	40,637	36,437	36,437
<b>Net (liabilities)/ assets</b>	(65)	53,489	78,825	91,875
<b>Equity attributable to equity holders</b>				
Share capital	(1)	50,400	75,000	86,250
Share premium	-	4,526	5,454	7,254
Merger deficit	-	(27,399)	(27,399)	(27,399)
Retained earnings	(65)	25,962	25,770	25,770
<b>Total liabilities</b>	(65)	53,489	78,825	91,875
<b>TOTAL EQUITY AND LIABILITIES</b>	790	94,126	115,262	128,312

**1. INFORMATION SUMMARY (Cont'd)**

	<b>Audited as at 30.04.2010 (RM'000)</b>	<b>(I) After Acquisition (RM'000)</b>	<b>(II) After (I), IPO and Utilisation of IPO Proceeds (RM'000)</b>	<b>(III) After (II) and Assuming Full Exercise of ESOS Options (RM'000)</b>
Number of ordinary shares in issue ('000)	(1)	100,800	150,000	172,500
NA (RM'000)	(65)	53,489	78,825	91,875
NA per share (RM) <sup>(2)</sup>	(3,267)	0.53	0.53	0.53

**Notes:-**

- (1) Denotes 20 ordinary shares of RM0.50 each.  
(2) NA over total number of ordinary shares in issue.

**1.8 AUDITORS' QUALIFICATION**

As set out in the Accountants' Report in Section 9 of this Prospectus, none of the financial statements of the companies within our Group for the FYE 31 December 2005 to FYE 31 December 2009 and for the 4-month FPE 30 April 2010 were subject to any audit qualification.

**1.9 SHARIAH STATUS**

We have voluntarily submitted an application to the SC for a Shariah compliance review to be carried out by the SAC as part of the process of determining our Shariah status at IPO.

The SAC has classified our securities as Shariah-compliant based on the audited financial statements for the financial year ended 31 December 2009 and the Shariah criteria adopted by the SAC.

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## **2. PARTICULARS OF THE IPO**

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This Prospectus is dated 22 July 2010.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the application forms, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

The SC's approval for the listing of our Company as set out in Section 6.1 of this Prospectus, obtained via SC's letter dated 16 April 2010 shall not be taken to indicate that the SC recommends the IPO. You should rely on your own evaluation to assess the merits and risks of the IPO.

An application will be made to the Bursa Securities within three (3) Market Days of the issuance of this Prospectus for admission to the Official List of the Main Market of Bursa Securities and for the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, failing which any allotment and allocation made on an application to subscribe for and/or purchase of our Shares pursuant to this Prospectus are required to be treated as void. Listing and quotation of Shares will commence after, amongst others, receipt of confirmation from Bursa Depository of the receipt of allotment and allocation information for the crediting of the IPO Shares, and receipt of an undertaking that all notices of allotment will be issued and despatched to all successful applicants prior to the date of listing and quotation of the Shares.

Acceptance of Application for the IPO will be conditional upon permission being granted by Bursa Securities for the quotation of the entire enlarged issued and fully paid-up share capital of our Company on the Main Market of Bursa Securities. Accordingly, monies paid in respect of any accepted from the IPO will be returned without interest if the aforesaid permission is not granted within 6 weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that our Company is notified by or on behalf of Bursa Securities within the aforesaid time frame. If such monies are not repaid within 14 days after we become liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Bursa Securities assumes no responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. Admission to the Official List of the Main Market of Bursa Securities is not to be taken as an indication of the merits of our Group or merits of our Shares.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a Prescribed Security. In consequence thereof, the IPO Shares allotted through this Prospectus will be deposited with Bursa Depository directly and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and the Rules.

Every applicant must have a CDS Account.

All enquiries in respect of the application form for IPO Shares made available for Application by the Malaysian public may be directed to MIH. Notwithstanding the aforementioned, investors should note that information relevant to an investment in our Shares are contained in this Prospectus.

Please note that this Prospectus shall not represent or imply that there has been no change in our affairs since the issuance of this Prospectus.



## 2. PARTICULARS OF THE IPO (Cont'd)

The IPO is only intended to be made available in Malaysia or to any person in Malaysia. The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for, or an offer to sell the IPO Shares, in any jurisdiction in which such invitation or offer is not authorised or lawful or to any person to whom it is unlawful to make such invitation or offer.

**If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.**

### 2.1 PURPOSES OF THE LISTING

The purposes of the IPO are as follows:-

- (i) To enable us to gain access to the capital market in future to raise funds for future expansion, diversification and continued growth of our Group;
- (ii) To provide additional funds to meet our working capital and capital expenditure requirements;
- (iii) To enable us to gain recognition and enhance our profile through listing status and further augment our corporate reputation and assist us in expanding our customer base locally as well as to enable us to explore the overseas market as disclosed in Section 4.8 (i) of this Prospectus; and
- (iv) To provide the opportunity for our eligible Directors, employees and/or business associates and the Malaysian investing public and institutions to participate in the equity and continuing growth of our Group.

### 2.2 PUBLIC ISSUE AND OFFER FOR SALE

We (for ourselves and on behalf of the Offerors) will undertake the Public Issue and Offer for Sale in conjunction with, and as part of our Listing, as follows:-

#### 2.2.1 Public Issue

The 49,200,000 Public Issue Shares representing 32.80% of our enlarged issued and paid-up share capital upon Listing, is offered at the IPO Price, payable in full on application upon the terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

##### (i) Malaysian Public via Balloting

7,500,000 Public Issue Shares representing 5.0% of our enlarged issued and paid-up share capital upon Listing will be made available for application by the Malaysian public, to be allocated via balloting, of which 50.0% will be set aside for Bumiputera investors.

##### (ii) Eligible Directors, Employees and/or Business Associates

9,000,000 Public Issue Shares representing 6.0% of our enlarged issued and paid-up share capital upon Listing, will be reserved for 6 eligible Directors, 150 employees and 100 business associates of our Group.

**2. PARTICULARS OF THE IPO (Cont'd)**

The Public Issue Shares will be allocated to our Directors and employees based on the following criteria as approved by our Board:-

- (a) at least 18 years old;
- (b) designation and position; and
- (c) length of service.

The same Public Issue Shares will also be allocated to our business associates based on the following criteria as approved by our Board:-

- (a) length of business relationship; and
- (b) contribution and support to our growth.

Details of the Directors eligible for the Pink Form Shares are as follows:-

Name	Designation	No. of Pink Form Shares
Lau Cheng Ming *	Executive Director	500,000
Datuk Syed Ahmad bin Alwee Alsree	Non-Independent Non-Executive Director	200,000
Diong Tai Pew	Independent Non-Executive Director	200,000
Michael Ong Kee Tuan	Independent Non-Executive Director	200,000
Datin Hanifah Hajar Taib *	Non-Executive Director of Southern Industrial Gas	500,000
Kong Khim Tuck	Non-Executive Director of Southern Industrial Gas	200,000
Total		1,800,000

Note:-

\* Lau Cheng Ming and Datin Hanifah Hajar Taib are the Offerors as well as the Directors of our Group. Please refer to note (f) in Section 2.2.2 of this Prospectus for further details.

**(iii) Selected Investors via Placement**

17,700,000 Public Issue Shares, representing 11.80% of our enlarged issued and paid-up share capital upon Listing will be made available for private placement to selected investors.

**(iv) Bumiputera Investors via Placement**

15,000,000 Public Issue Shares representing 10.0% of our enlarged issued and paid-up share capital upon Listing will be made available for private placement to Bumiputera investors approved by the MITI.

## 2. PARTICULARS OF THE IPO (Cont'd)

### 2.2.2 Offer for Sale

The Offer for Sale of 3,000,000 Shares representing 2.0% of our enlarged issued and paid-up share capital upon Listing is offered at the IPO Price, payable in full on application upon the terms and conditions as set out in this Prospectus and will be allocated and allotted by way of private placement to selected investors.

Details of the Offerors are set out below:-

Offerors	Relationship with Our Group/ Designation	Address	Shareholdings Before IPO <sup>(a)</sup>		Offer Shares		Shareholdings After IPO <sup>(b)</sup>					
			Direct	Indirect	Offer Shares <sup>(c)</sup>	% Before IPO <sup>(d)</sup>	Direct	Indirect				
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Peh Lam Hoh	Promoter, substantial shareholder and Executive Chairman	22, Jalan Austin Perdana 5/11 Taman Austin Perdana 81100 Johor Bahru Johor	6,229,744	6.18	<sup>(e)</sup> 65,365,458	64.85	200,000	0.20	6,029,744	4.02	<sup>(e)</sup> 64,365,458	42.91
Datin Hanifah Hajar Taib	Promoter, substantial shareholder and Non-Executive Director of Southern Industrial Gas	1st Floor, Lot 201 Jalan Blacksmith Off Jalan Petanak 93100 Kuching Sarawak	5,427,393	5.38	<sup>(e)</sup> 52,500,000	52.08	900,000	0.89	<sup>(e)</sup> 5,027,393	3.35	<sup>(e)</sup> 52,700,000	35.13
Lau Cheng Ming	Promoter and Executive Director	Lot 8679, Section 64 Pending Commercial Centre 93450 Kuching Sarawak	2,390,664	2.37	-	-	900,000	0.89	<sup>(e)</sup> 1,990,664	1.33	-	-
Sing Swee Bee Enterprise Pte Ltd	Promoter and substantial shareholder	6, Attap Valley Road Singapore 759906	12,865,458	12.76	-	-	1,000,000	0.99	11,865,458	7.91	-	-
Total							3,000,000					

#### Notes:-

- (a) Based on our issued and paid-up share capital of 100,800,000 Shares after the Acquisition.
- (b) Based on our enlarged issued and paid-up share capital of 150,000,000 Shares after the IPO.

**2. PARTICULARS OF THE IPO (Cont'd)**

- (c) *Inclusive of their respective Pink Form Shares pursuant to the IPO.*
- (d) *Deemed interest by virtue of his interest in Phoenix and Sing Swee Bee Enterprise Pte Ltd pursuant to Section 6A of the Companies Act.*
- (e) *Deemed interest by virtue of her interest in Phoenix and her spouse's (Datuk Syed Ahmad bin Alwee Alsree) interest in SIG Gases pursuant to Section 6A of the Companies Act.*
- (f) *The number of Offer Shares offered by the Offerors pursuant to the Offer for Sale is based upon the decision of the respective Offerors having regard to their respective shareholdings and roles in the SIG Gases Group. For the Pink Form Shares, the allocation is based on their respective entitlement in their capacity as Directors of our Group.*

Further information on Peh Lam Hoh, Datin Hanifah Hajar Taib, Lau Cheng Ming and Sing Swee Bee Enterprise Pte Ltd, including their shareholdings in our Company before and after the IPO is set out in Section 5.1 of this Prospectus.

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## 2. PARTICULARS OF THE IPO (Cont'd)

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The 16,500,000 Public Issue Shares made available for application by the Malaysian public and our eligible Directors, employees and/or business associates under Section 2.2.1(i) and Section 2.2.1(ii) of this Prospectus are fully underwritten by AmInvestment Bank.

The 20,700,000 IPO Shares made available for application by selected investors under Section 2.2.1(iii) and Section 2.2.2 of this Prospectus are not underwritten as irrevocable undertakings have been obtained from the selected investors to take up the IPO Shares available under the private placement.

The 15,000,000 Public Issue Shares made available for application by Bumiputera investors under Section 2.2.1(iv) of this Prospectus are not underwritten as these Shares have been allocated for MITI's approved and recognised Bumiputera investors whereby irrevocable undertakings from these investors have been obtained.

In the event of an under-subscription of the 15,000,000 IPO Shares made available for application by Bumiputera investors under Section 2.2.1(iv) of this Prospectus, the unsubscribed IPO Shares shall be made available for application by the Bumiputera public as part of the balloting process. Subsequently, any of the unsubscribed Shares which are not taken up by the Bumiputera public will be made available for application by the Malaysian public and/or private placement to selected investors.

In the event of an under-subscription of the IPO Shares by the Malaysian public, the unsubscribed IPO Shares will be made available to the selected investors. Any IPO Shares which are not taken up by our eligible Directors, employees and/or business associates will be reoffered to our Group's eligible Directors, employees and/or business associates. Subsequently, any of the IPO Shares reoffered which are not taken up will be made available for application by the Malaysian public on a fair and equitable manner and/or selected investors via the private placement. Any further IPO Shares not subscribed for will be made available for subscription by the Sole Underwriter based on the terms of the Underwriting Agreement.

There is no minimum subscription amount to be raised from the IPO.

### 2.2.3 ESOS

In conjunction with our Listing, we are implementing an ESOS which entails the issuance of up to 15% of our issued and paid-up share capital at any one time pursuant to the options to be granted under the ESOS to our Group's eligible Directors and employees.

Our Directors have proposed to grant up to 7,500,000 ESOS Options to our Group's eligible Directors and employees prior to our listing on Bursa Securities. The exercise price of such ESOS Options is the IPO Price.

Not more than fifty percent (50%) of the ESOS Options available under the ESOS would be allocated in aggregate, to the Directors and Senior Management as defined therein in the ESOS By-Laws 1.1 and 4.3 in Section 12 of this Prospectus. In addition, not more than ten percent (10%) of the ESOS Options available under the ESOS shall be allocated to any Director or employee, who singly or collectively through persons connected with such Director or employee, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company. Please refer to ESOS By-Law 4.3 in Section 12 of this Prospectus for further details of the basis of allotment and maximum allowable allocation of ESOS Options.

**2. PARTICULARS OF THE IPO (Cont'd)**

The indicative number of ESOS Options to be allocated to the Directors of SIG Gases Group are as follows:-

Directors	Designation	No. of ESOS Options
Peh Lam Hoh	Executive Chairman/ Promoter	2,000,000
Lau Cheng Ming	Executive Director	1,000,000
Datuk Syed Ahmad bin Alwee Alsree	Non Independent Non-Executive Director	200,000
Diong Tai Pew	Independent Director Non-Executive Director	200,000
Michael Ong Kee Tuan	Independent Director Non-Executive Director	200,000
Datin Hanifah Hajar Taib	Non-Executive Director of Southern Industrial Gas/ Promoter	800,000
Kong Khim Tuck	Non-Executive Director of Southern Industrial Gas	300,000

In addition to the initial grant, the ESOS committee established to administer the ESOS shall, within the duration of the ESOS, make offers to grant ESOS Options to the eligible persons in accordance with the ESOS By-laws. Each such option which is not part of the initial grant shall be exercisable at a price which is the higher of:-

- the price based on the 5 consecutive market days weighted average market price of our Shares immediately preceding the date of offer of such option, with a discount of not more than 10% (or such other permitted pricing mechanism); or
- the par value of our Shares.

The ESOS shall be in force for 5 years. However, our Board at its sole discretion, upon the recommendation of the ESOS committee, may extend the ESOS for up to another 5 years or any other duration that is allowed by the relevant authorities.

The new Shares to be issued upon the exercise of the ESOS Options will, upon allotment and issue, rank *pari passu* in all respects with our then existing issued and paid-up share capital, except that the new Shares will not be entitled to any dividend, rights, allotment or other distribution, the entitlement date of which is prior to the date of allotment of the said Shares. The new Shares will be subject to all the provisions of our Articles of Association.

**2.3 LISTING OF AND QUOTATION FOR OUR COMPANY'S SHARES**

An application will be made to Bursa Securities for the Admission and Listing.

**2.4 DILUTION**

Dilution is the amount by which the IPO Price to be paid by the applicants for our Shares under the IPO exceeds our proforma consolidated NA per Share after the IPO. The proforma consolidated NA per Share as at 30 April 2010 based on our issued and paid-up share capital of 100,800,000 Shares before adjusting for the effects of the IPO and utilisation of proceeds is RM0.53.

**2. PARTICULARS OF THE IPO (Cont'd)**

Pursuant to the Public Issue of 49,200,000 new Shares at the IPO Price and after adjusting for the effects of the utilisation of proceeds, the proforma consolidated NA of our Group as at 30 April 2010 is RM0.53 per Share based on the enlarged issued and paid-up capital of 150,000,000 Shares after the IPO. This does not represent any dilution to our existing shareholders and new investors. The following table illustrates such dilution on a per Share basis:-

	RM
IPO Price	0.58
Proforma consolidated NA per Share as at 30 April 2010 before the IPO	0.53
Increase in proforma consolidated NA per Share contributed by new investors	-
Proforma consolidated NA per Share after the IPO	0.53
Dilution in NA per Share to new investors	-
Dilution in NA per Share to new investors as a percentage of the IPO Price (%)	-

The following table summarises the total number of Shares acquired by our Directors or key management, substantial shareholders and/or persons connected to them, the total consideration paid by them and the average effective cost per Share in cash to our Directors or key management, substantial shareholders and/or persons connected to them in respect of the Shares acquired by them since the date of incorporation of our Company and to the new investors who subscribe for and/or purchase the IPO Shares:-

	No. of Shares	Total Consideration	Average Effective Cost Per Share
		RM	RM
<b><u>Directors and Substantial Shareholders</u></b>			
Peh Lam Hoh	6,029,744	1,535,436	0.25
<b><u>Directors</u></b>			
Lau Cheng Ming	1,990,664	906,266	0.46
Datuk Syed Ahmad bin Alwee Alsree	200,000	116,000	0.58
Diong Tai Pew	200,000	116,000	0.58
Michael Ong Kee Tuan	200,000	116,000	0.58
<b><u>Substantial Shareholders</u></b>			
Phoenix	52,500,000	17,739,200	0.34
Sing Swee Bee Enterprise Pte Ltd	11,865,458	4,271,565	0.36
Datin Hanifah Hajar Taib	5,027,393	2,256,779	0.45
Loh Pei Yon	5,905,564	1,417,335	0.24
<b><u>Key Management</u></b>			
Foo Peng Boon	565,739	322,350	0.57
Chong Joon Kiong	565,739	322,350	0.57
Koh Beng San	565,739	322,350	0.57
Boo Chin Eng	213,826	120,100	0.56
Tan Chin Peng	938,261	505,000	0.54
<b><u>New Investors</u></b>			
Public Issue	49,200,000	28,536,000	0.58
Offer for Sale	3,000,000	1,740,000	0.58

## 2. PARTICULARS OF THE IPO (Cont'd)

### 2.5 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price was determined and agreed upon by our Company, the Offerors and AmInvestment Bank as the Adviser, Sole Underwriter and Sole Placement Agent after taking into consideration, amongst others, the following factors:-

- (i) our operating and financial history and position as outlined in Section 4 and Section 8 respectively of this Prospectus;
- (ii) our business strategies and future plans as set out in Section 4.8 of this Prospectus;
- (iii) our Group's annualised net EPS of 8.32 sen per Share for the 4-month FPE 30 April 2010, based on our enlarged issued and paid-up share capital of 150,000,000 Shares;
- (iv) our proforma consolidated NA as at 30 April 2010 of RM0.53 per Share, based on our enlarged issued and paid-up share capital of 150,000,000 Shares after the IPO and utilisation of proceeds as set out in Sections 1.7.2 and 2.8 of this Prospectus;
- (v) the potential of the industrial gas industry as set out in the Section 4.9 of this Prospectus and our prospects as elaborated in Section 4.10 of this Prospectus.
- (vi) our competitive advantages and key strengths as listed in Section 4.7 of this Prospectus.

Our Directors and AmInvestment Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

However, you should note that the market price of our Shares upon listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares when they are traded.

You should form your own views on the valuation of the securities and the reasonableness of the bases used.

### 2.6 SHARE CAPITAL

	No. of Shares	Share Capital (RM)
<b>Authorised share capital</b>	400,000,000	200,000,000
Issued and fully paid-up share capital		
- Existing as at the LPD	100,800,000	50,400,000
- New Shares to be issued pursuant to the Public Issue	49,200,000	24,600,000
<b>Enlarged share capital upon Listing</b>	150,000,000	75,000,000
New Shares to be issued assuming full exercise of ESOS Options	22,500,000	11,250,000
<b>Enlarged share capital assuming full exercise of ESOS Options</b>	172,500,000	86,250,000
<b>Existing Shares to be offered pursuant to the Offer for Sale</b>	3,000,000	1,500,000



**2. PARTICULARS OF THE IPO (Cont'd)**

We have only 1 class of shares, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with one another. The IPO Shares will rank *pari passu* in all respects with the other existing shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

Subject to any special rights attached to any shares which we may issue in the future, the holders of our Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by our Company as dividends and other distributions, and in respect of any surplus in the event of our liquidation, in accordance with our Articles of Association.

At every general meeting, each member entitled to vote may vote in person or by proxy or by attorney or by duly authorised representative (in the case of a member who is a corporation). On a show of hands, every person who is a member or proxy or attorney or representative of a member shall have 1 vote; and on a poll, every member present in person or by proxy or attorney or representative shall have 1 vote for each share he holds. A member shall not be entitled to appoint more than 2 proxies to attend and vote at the same meeting.

**2.7 MARKET CAPITALISATION UPON LISTING**

Based on the IPO Price and our enlarged issued and fully paid-up share capital of 150,000,000 Shares upon listing, our market capitalisation will be RM87,000,000.

**2.8 PROCEEDS FROM THE LISTING EXERCISE**

In summary, the gross proceeds of approximately RM28.54 million which will accrue to our Company from the Public Issue are proposed to be utilised in the following manner:-

No.	Description	Estimated Timeframe for Utilisation Upon Listing	Amount (RM'000)	% of Total Gross Proceeds
(i)	Purchase of land and building new facilities	Within 24 months	14,736	51.64
(ii)	Purchase of plant, machinery and equipment	Within 12 months	6,400	22.43
(iii)	Repayment of term loan	Within 12 months	4,200	14.72
(iv)	Estimated listing expenses	Immediate	3,200	11.21
	<b>Total proceeds</b>		<b>28,536</b>	<b>100.00</b>

The Offer for Sale is expected to raise gross proceeds of approximately RM1.74 million. This amount shall accrue entirely to the Offerors and no part of the proceeds is receivable by our Company. The Offerors shall bear all expenses such as placement and miscellaneous fees estimated to be approximately RM40,000.

**2. PARTICULARS OF THE IPO (Cont'd)****(i) Purchase of land and building new facilities**

In line with our expansion plans, we have budgeted approximately RM14.74 million for the purchase of land in Sarawak, Kuantan, Pahang and Krubong, Malacca, and to build new facilities in the said locations over the next 24 months as tabulated below:-

<b>Purchase of Land and Building New Facilities</b>	<b>Utilisation of Public Issue Proceeds</b>
	<b>(RM'million)</b>
<b><u>Sarawak</u></b>	
- Land	4.00
- Construction of new facilities	5.74
<b>Total for Sarawak</b>	<b>9.74</b>
<b><u>Kuantan, Pahang</u></b>	
- Land	1.00
- Construction of new facilities	1.50
<b>Total for Kuantan, Pahang</b>	<b>2.50</b>
<b><u>Krubong, Malacca</u></b>	
- Land	1.00
- Construction of new facility	1.50
<b>Total for Krubong, Malacca</b>	<b>2.50</b>
<b>Total Estimated Cost</b>	<b>14.74</b>

Further details of the purchase of land and the construction of the new facilities in Sarawak, Kuantan, Pahang and Krubong, Malacca are as follows:-

**(a) Sarawak**

As at the LPD, we have identified a piece of leasehold land with a total land area of approximately 10 acres located in Similajau Industrial Park, Sarawak to build a new industrial gas production plant and refilling plant. The total capital investment is approximately RM11.0 million comprising mainly of the cost of land estimated at RM4 million whilst the estimated cost of construction of the plant is expected to be RM7 million.

Further details of the construction of the new industrial gas production plant and refilling plant in Sarawak, the expected production capacities of the new plants including the commencement and completion dates are as disclosed in Section 4.8 (i) of this Prospectus.

**(b) Kuantan, Pahang**

We had entered into two (2) agreements both dated 31 May 2010 with Perbadanan Kemajuan Negeri Pahang to purchase 2 pieces of leasehold land with a total land area of approximately 2 acres, located at Lots 41/129 and 42/129, Kawasan Perindustrian Gebeng Fasa II, Kuantan with the intention of building a new gas refilling plant for oxygen and Argon, and to equip this refilling plants with gas refilling machinery and equipment pursuant to the relocation of our operations from existing facility in Kuantan, Pahang. The total cost for the 2 pieces of land is RM965,159 and as at LPD, we have paid RM193,030 for the acquisition of the said land.

**2. PARTICULARS OF THE IPO (Cont'd)**

Further details of the relocation of our operations from our existing facility in Kuantan, Pahang to a new gas refilling plants in the same location in Kuantan, Pahang, the expected total capital investment, the expected production capacities of the new gas refilling plants including the commencement and completion dates are as disclosed in Section 4.8 (ii) (b) of this Prospectus.

**(c) Krubong, Malacca**

We had entered into two (2) agreements both dated 29 May 2010 with PB Realty Sdn Bhd to purchase 2 pieces of leasehold land in Mukim of Krubong, Melaka with a total land area of approximately 1 acre, located at HS(D) 65129, PT. 6623, (IL56) and HS(D) 65126, PT. 6620, Mukim Krubong, Daerah Melaka Tengah, Melaka with the intention of building a new gas refilling plant and to equip this refilling plant with gas refilling machinery and equipment pursuant to the relocation of our operations from existing facility in Krubong, Melaka. The total cost for the 2 pieces of land is RM843,436 and as at LPD, we have incurred and paid RM84,344 as down payment for the acquisition of the said land.

Further details of the relocation of our operations from our existing facility in Krubong, Malacca to a new gas refilling plant in the same location in Krubong, Malacca, the expected total capital investment, the expected production capacities of the new gas refilling plant including the commencement and completion dates are as disclosed in Section 4.8 (ii) (a) of this Prospectus.

In the event that there is any difference arising from the utilisation of Public Issue proceeds as compared to those allocated above, our Group intends to use any unutilised difference to finance the balance of approximately \*RM1.26 million for the purchase of land and to build new facilities in Sarawak instead of utilising internally generated fund and/or bank borrowings as tabulated above.

*Note:-*

\* *Based on the total capital investment for the purchase of land and building new facilities in Sarawak of approximately RM11.0 million after deducting RM9.74 million to be financed partly from the Public Issue proceeds.*

**(ii) Purchase of plant, machinery and equipment**

We intend to utilise RM6.4 million of the proceeds to be raised from the Public Issue to purchase plant, machinery and equipment over the next 12 months for our future expansions as detailed in Section 4.8 of this Prospectus.

The details on the plant, machinery and equipment to be purchased are as set out below:-

Description	Estimated Cost (RM'million)
Cylinders	5.40
Hydrogen Transportation System (Long Tube)	1.00
<b>Total</b>	<b>6.40</b>

**2. PARTICULARS OF THE IPO (Cont'd)**

Of the total RM6.4 million proceeds to be utilised for the purchase of plant, machinery and equipment, RM5.4 million will be utilised to purchase 10,000 units of gas cylinders from Sing Swee Bee Enterprise Pte Ltd (details of past purchases of gas cylinders from Sing Swee Bee Enterprise Pte Ltd are disclosed in Section 7.1.1 of this Prospectus). We provide gas cylinders and delivery services to support our core business activities of manufacturing, refilling and distribution of industrial gases. As at LPD, we own approximately 98,600 gas cylinders.

We intend to utilise RM1.0 million of the proceeds for the purchase of 2 units of new hydrogen transportation systems as disclosed in 4.8 (iv) of this Prospectus. The hydrogen transportation systems were acquired in August 2009 and we have already paid RM0.44 million which we have financed via bank borrowings and the balance will be paid upon receipt of Public Issue proceeds. Further, upon receipt of the Public Issue proceeds, we will repay the bank borrowings which were used to finance the initial payment of the hydrogen transportation systems of RM0.44 million.

**(iii) Repayment of Term Loan**

Our Group intends to utilise RM4.20 million to repay part of the term loan. As at 30 April 2010 our Group's total bank borrowings are approximately RM19.43 million.

The term loan has been utilised to finance the purchases of cylinders and Fuming Gases cylinder filling system.

The repayment of the term loan will reduce our Company's gearing level from approximately 0.36 times to 0.19 times (based on our Group's proforma total borrowings and shareholders' funds as at 30 April 2010 after taking into consideration the Acquisition, IPO and utilisation of proceeds as disclosed in Section 1.7.2 of this Prospectus). At the prevailing average interest rate of approximately 4.66% per annum, our Group anticipates interest savings of approximately RM0.20 million per annum as a result of the repayment. The repayment will also reduce the gearing of our Group and hence improve our Group's liquidity position in the future.

**(iv) Estimated Listing Expenses**

The estimated listing expenses for the listing of and quotation for our enlarged issued and fully paid-up share capital on the Main Market of Bursa Securities are as follows:-

	<b>Amount (RM'000)</b>
Fees to authorities	132
Estimated professional fees <sup>(1)</sup>	1,454
Placement, underwriting and brokerage fees	700
Other miscellaneous expenses <sup>(2)</sup>	914
<b>Total estimated listing expenses</b>	<b>3,200</b>

**Notes:-**

- (1) *Include fees for, amongst others, the Adviser, Solicitors, Reporting Accountants, Independent Business and Market Research Consultants and Issuing House.*
- (2) *Other incidental or related expenses in connection with the IPO.*

## **2. PARTICULARS OF THE IPO (Cont'd)**

Any difference arising from the utilisation as set out above will be adjusted accordingly with our purchase of land and building new facilities as disclosed in Section 2.8 (i) of this Prospectus.

Pending the utilisation of the proceeds from the Public Issue as mentioned above, the funds will be placed in short-term deposits with financial institutions.

### **2.9 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS**

Our utilisation of the proceeds from the Public Issue is expected to have a financial impact on us as follows:-

#### **(i) Interest savings**

Without the Public Issue proceeds, we are expected to incur incremental borrowings of approximately RM21.14 million to fund our plans for the purchase of land and building new facilities, and purchase of plant, machinery and equipment. As such, with the IPO proceeds and based on an assumed average interest rate of 4.66% per annum, we expect to effect interest savings of approximately RM0.99 million per annum.

In addition to the above, the repayment of the term loan will reduce our Company's gearing level from approximately 0.36 times to 0.19 times (based on our Group's proforma total borrowings and shareholders' funds as at 30 April 2010 after taking into consideration the Acquisitions, IPO and utilisation of proceeds as disclosed in Section 1.7.2 of this Prospectus). At the prevailing average interest rate of approximately 4.66% per annum, our Group would be able to save additional interest cost of approximately RM0.20 million per annum.

#### **(ii) Increase in Production Capacity**

The utilisation of RM21.14 million for the purchase of land and building new facilities, and purchase of plant, machinery and equipment are expected to increase our production capacities in order for our Group to meet the demand from our customers.

We expect the increased production capacities to contribute positively towards our Group's revenue and profits.

### **2.10 UNDERWRITING COMMISSION, PLACEMENT FEE AND BROKERAGE**

#### **Placement Fee**

We will pay the Sole Placement Agent a placement fee at the rate of 2.25% of the value of the 32,700,000 Public Issue Shares reserved for private placement under Section 2.2.1(iii) and Section 2.2.1(iv) of this Prospectus (being the number of Public Issue Shares reserved for private placement multiplied by the IPO Price) to be placed out successfully by our Sole Placement Agent.

The Offerors will pay the placement fee to be incurred on the sale of the 3,000,000 Offer Shares under Section 2.2.2 of this Prospectus at the rate of 2.25% of the IPO Price in respect of the Offer Shares.

## 2. PARTICULARS OF THE IPO (Cont'd)

### Underwriting Commission

We will pay the Sole Underwriter an underwriting commission at the rate of 2.25% of the value of the total underwritten 16,500,000 Public Issue Shares made available for application by the Malaysian public and our eligible Directors, employees and/or business associates under Section 2.2.1(i) and Section 2.2.1(ii) of this Prospectus (being the number of Public Issue Shares made available for application by the Malaysian public and our eligible Directors, employees and/or business associates multiplied by the IPO Price).

### Brokerage Fee

We will pay the brokerage to be incurred on the sale of 7,500,000 Public Issue Shares under Section 2.2.1(i) of this Prospectus at the rate of 1.0% of the IPO Price in respect of successful applications that bear the stamp of member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

### 2.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient terms of the Underwriting Agreement dated 7 July 2010 entered into between our Company and the Sole Underwriter, which may allow the Sole Underwriter to withdraw from its obligations under the Underwriting Agreement after the IPO as extracted from the Underwriting Agreement, are set out below.

Unless otherwise stated, all capitalised terms herein shall bear the same meanings as prescribed in the Underwriting Agreement.

#### 5. Conditions Precedent for underwriting

5.1 *Unless waived by the Underwriter (in which case any condition precedent or any part thereof so waived shall be deemed to have been satisfied), the obligations of the Underwriter under this Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:-*

- (a) *the Bursa Securities having agreed in principle to the listing of and quotation for (on terms satisfactory to the Underwriter) the entire issued and paid-up share capital of the Company on the Main Market of the Bursa Securities;*
- (b) *the approval from the SC in respect of the Prospectus and registration of the Prospectus with the SC pursuant to the CMSA and subsequent lodgement of the Prospectus with the Companies Commission of Malaysia;*
- (c) *all other necessary approvals and consents required in relation to the Public Issue, the Offer for Sale, the Issue Shares and the Offer Shares including but not limited to governmental approvals having been obtained and are in full force and effect;*
- (d) *the issue of the Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting;*
- (e) *there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement or which proves to be incorrect in any material respect;*

## 2. PARTICULARS OF THE IPO (Cont'd)

- (f) *there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Group or business or operations of the Group or in the prospects or future financial condition or business or operations of the Group (which in the reasonable opinion of the Underwriter, is or will be material in the context of the Public Issue and Offer for Sale and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained; and*
- (g) *the Underwriter receiving a copy certified by a director or secretary of the Company to be a true resolution of the Board of Directors of the Company approving this Agreement and authorising a person or persons to sign on behalf of the Company, this Agreement.*

5.2 *In the event any of the conditions set forth in **Clause 5.1** are not satisfied within three (3) months from the date of this Agreement, the Underwriter shall, subject as mentioned below in this clause, be entitled to forthwith terminate this Agreement by notice in writing given to the Company whereupon the following shall take place within three (3) Market Days of the receipt of such notice:*

- (a) *the Company shall make payment of the Underwriting Commission to the Underwriter; and*
- (b) *each party shall return all other monies (in the case of the Underwriter, after deducting the Underwriting Commission due and owing to the Underwriter hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder);*

*and thereafter, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.*

### 12. Termination

12.1 *Notwithstanding anything herein contained, the Underwriter, as the case may be, may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel and withdraw its commitment to underwrite the Underwritten Shares if:-*

- (a) *the approval of the Bursa Securities for the admission of the Company to the official list of the Main Market of the Bursa Securities or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of the Bursa Securities is withdrawn or procured but subject to the conditions not acceptable to the Underwriter;*
- (b) *there is any breach by the Company of any of the representations, warranties or undertakings contained in **Clauses 3 and 4**, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or*
- (c) *there is failure on the part of the Company to perform any of its obligations herein contained; or*

**2. PARTICULARS OF THE IPO (Cont'd)**

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- (d) *there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to this Agreement which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or*
- (e) *there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group; or*
- (f) *there shall have occurred, or happened any of the following circumstances: -*
  - (i) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*
  - (ii) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

*which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole, the success of the Public Issue which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.*

12.2 *In the event that this Agreement is terminated pursuant to **Clause 12.1**, the Underwriter and the Company may confer with a view to deferring the Public Issue by amending the terms of this Agreement and enter into a new underwriting agreement accordingly, but neither the Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.*

12.3 *Upon any such notice(s) being given pursuant to **Clause 12.1**, the Underwriter shall be released and discharged from its obligations hereunder whereupon the following shall take place within three (3) Market Days of the receipt of such notice:*

- (a) *the Company shall make payment of the Underwriting Commission to the Underwriter; and*
- (b) *each party shall return all other monies (in the case of the Underwriter, after deducting the Underwriting Commission due and owing to the Underwriter hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder);*

*and thereafter, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.*



### **3. RISK FACTORS**

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**IN EVALUATING AN INVESTMENT IN THE IPO SHARES, YOU SHOULD CAREFULLY CONSIDER ALL INFORMATION CONTAINED IN THIS PROSPECTUS INCLUDING BUT NOT LIMITED TO THE FOLLOWING GENERAL AND SPECIFIC RISKS.**

#### **3.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS**

##### **3.1.1 Business risks**

We are subject to business risks inherent in the industrial gas sector in Malaysia. This may include, amongst others, entry of new competitors, changes in economic, business and credit conditions, changes in governmental and international policies and regulations, and other business risks common to going concerns.

In mitigation, our Executive Chairman and Executive Director, collectively have more than 30 years of experience in the industrial gas industry, whilst our senior management has an average of 7 to 8 years of relevant experience. In addition, we believe that our strong working relationships with our customers and suppliers will allow us to prevail over any adversities and sustain our business operations. However, there is no assurance that any changes in the abovementioned factors will not adversely impact our business and profitability.

##### **3.1.2 Mishaps in our manufacturing and refilling plants**

We may encounter various operation risks such as accidents and fire breakout, which may affect the operations of our business. Some of the gases that we deal with are flammable or aid in combustion. In addition, we deal with gases under high pressure. Any mishaps in our manufacturing or refilling plants may disrupt our operations and have a negative impact on our financial position.

We have taken precautionary steps to minimise risks of fire outbreak through the installation of fire hydrants, fire extinguishers, sprinklers and Dissolved Acetylene Emergency Stop Button as well as providing safety guideline/ training to our employees in all our factories in compliance with OSHA (DOSH or JKKP) requirement. In addition, all our operating facilities are subject to stringent safety conditions to prevent any mishaps. We have also obtained ISO 9001:2000 quality management system certification to help us reinforce quality and safety in the workplace. In the history of our operation, we have not had any major mishaps in any of our operating facilities.

A further precautionary step we have taken is to ensure that we have adequate insurance coverage for our operations. We have taken up fire insurance policies for our office equipment, plant, machinery, premises and all-risks policies for our machineries. These insurance coverage are reviewed by us on a yearly basis.

However, even with all the precautions we have taken to limit these risks, there is no assurance that we will not experience mishaps in our operating facilities and/or the insurance coverage we have taken would be comprehensive enough to reflect the replacement cost of the assets or any consequential loss we may suffer.

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### 3. RISK FACTORS (Cont'd)

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#### 3.1.3 Accidents during transportation

Most of our industrial gases are transported over land. There is a risk that an accident that may result in spillage, discharge of gas, fire and explosion may occur during transportation.

We provide safety training to our lorry drivers and lorry attendants. Our lorry drivers and lorry attendants are not allowed to smoke during working hours. We ensure that the gas cylinders, cryogenic storage tanks and other storage vessels that we use to transport industrial gases comply with the relevant safety standards to minimise the chance of accidents. To-date, there have not been any accidents involving our industrial gases during transportation.

However, even with all the precautions we have taken to limit these risks, there is no assurance that we will not experience any accidents during transportation of industrial gases resulting in potential consequential loss to our Group thus impacting our financial position.

#### 3.1.4 Occurrence of power failure

Prolonged and/or frequent power failures at our plants will disrupt our operations as electricity is used to operate many of our critical machinery and equipment including ASU and compressors. This in turn may affect our ability to fulfil our customers' orders for industrial gases.

We occasionally suffer power disruption but generally, it takes less than half a day for the power to be restored and therefore, will not materially impact our business. To mitigate against power failures, we currently maintain stand-by generators at our plants to provide electricity, which will enable us to carry out critical operations for a certain period of time. However, our stand-by generator capacity is not sufficient to operate our ASU.

While we maintain insurance policies covering our production facilities and inventories, we cannot assure you that our insurance would be sufficient to cover all our potential losses.

#### 3.1.5 Dependence on key management personnel

We believe that our continued success will depend to a large extent on our management team's abilities and continued efforts. Having a team of experienced management staff is critical in maintaining the quality of our services and products, and our relationship with our customers. A high turnover of such personnel would adversely affect our operations and competitiveness. Our success is also dependent on the continued efforts of our key personnel, especially our Executive Chairman and Executive Director, who collectively have more than 30 years of experience in the industrial gas industry. The loss of these key personnel without suitable and timely replacements, and an inability to attract or retain qualified and suitable personnel would have an unfavourable and material impact on our Group's business and operating results.

As part of our management succession plan, we have in place human resources development strategies, which include, amongst others, competitive remuneration packages, provision of on-going external and in-house training programmes, and exposure of our senior and middle management to various aspects of our business activities to enable him/her to gain greater understanding of our entire business operations and decision making process. Further, in recognition of their contributions to our Group, we have reserved Pink Form Shares for allocation to our eligible Directors and eligible employees to participate in the IPO and will be implementing an ESOS in conjunction with our listing on Bursa Securities, as a measure to instil sense of ownership in the key management and key technical personnel through direct equity participation in our Company as well as to increase the level of commitment and loyalty amongst our key management and key technical personnel.

Notwithstanding our efforts to create a conducive working environment and providing motivation to our employees, there is no assurance that the above measures would be successful in retaining our key management and key technical personnel.

### 3. RISK FACTORS (Cont'd)

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#### 3.1.6 Lack of long-term contracts with customers

We currently have minimal formal long-term contracts with our customers. As at the LPD, our order book amounted to approximately RM1.68 million. Our order book has not been significant, as we generally do not receive long-term orders from our customers.

For the FYE 31 December 2009, our top 20 customers accounted for approximately 45.68% and 40.08% of our Group's total revenue for the FYE 31 December 2009 and 4-month FPE 30 April 2010 respectively. Although dependency on key customers is essential to a certain extent in ensuring long-term growth of our business, the over dependency on such customers may significantly impact our business in the event of a deterioration of their financial position and/or businesses, or loss of such key customers.

Despite the lack of formal long-term contracts, we have developed long-term business relationships with our customers. For the 4-month FPE 30 April 2010, we have been working with approximately 14 of our 20 top customers for 5 years or more. Our long-standing relationships with our customers will provide some assurance of business continuity from our existing customer base. However, there can be no assurance that such relationships will continue or that our customers will continue placing their orders on our products.

#### 3.1.7 Environmental regulation

During the normal course of our manufacture of Acetylene, we generate calcium hydroxide sludge, which is classified as a Scheduled Waste under the Environmental Quality (Scheduled Waste) Regulations 2005.

We believe that our existing operations are in compliance with the relevant environmental legislation. We have appointed companies licensed by the Department of Environment under Section 11 of the Environmental Quality Act, 1974, to collect and transport the scheduled waste daily or two days once from our Senai and Nilai plants.

However, there is a possibility that the Malaysian government may change its regulations with regards to environmental matters in the future, which would require us to modify our facilities and/or business operations, or incur expenses that may have an adverse effect on our operating results.

#### 3.1.8 Financial risks

Our working capital and capital expenditure requirements are funded by internally generated funds and external financing. Given that we have borrowings and the payment of interest thereon is dependent on the prevailing interest rates, future fluctuation of interest rates could have material effects on our Group's interest and principal repayment. Presently, we enjoy good credit standing with our bankers and have adequate credit facilities.

Save as disclosed in Section 8.2 and Section 8.4.3 of this Prospectus, we do not have any other borrowings and indebtedness. As at the 30 April 2010 and LPD, our total borrowings amounted to approximately RM19.43 million and RM19.40 million respectively.

Notwithstanding the above, our Directors are confident of our ability to meet our financial obligations when they become due and payable, with internally generated funds and/or external borrowings. In addition, our Listing will enable us to tap the capital markets in the future to meet long-term funding requirements when the need arise. The effective usage of the capital markets will result in relatively cheaper sources of funds, which may enhance our profitability due to interest savings and enable us to further expand our operations and lessen our exposure to fluctuation in interest rate. However, there is no assurance that future fluctuation of interest rates will not adversely impact our ability to meet financial obligations when they become due and payable.

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**3. RISK FACTORS (Cont'd)**

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**3.2 RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES**

**3.2.1 Political and economic risks**

Any adverse development in the political situation and economic uncertainties in Malaysia in which we conduct business, directly or indirectly, could have a negative impact on our financial position.

Any slowdown in the economy of Malaysia is likely to affect our business operations. Similarly, we will be affected by any changes in the political leadership and/or regulatory and government policies in Malaysia. Such political or regulatory changes or uncertainties include (but are not limited to) introduction of new laws and regulations which impose and/or increase restrictions on imports, business, employment of foreign workers, capital controls and repatriation of profits, changes in rates of interest, nationalisation, expropriation, wars or terrorism.

Whilst we have not in the past experienced any severe restrictions on the conduct of our business in Malaysia and we will take steps to comply with any new laws and regulations imposed, there is no assurance that any adverse development or change in the economic and political environment in Malaysia would not have an adverse impact on our ability to conduct business in this country.

**3.2.2 Increase in the prices of electricity**

Increases in the price of electricity will increase our operating expenses as the cost of electricity represents a significant proportion of our operating expenses. For the FYE 31 December 2009, electricity represented approximately 10.07% of our total cost. Currently, there are no alternatives to Tenaga Nasional Berhad as it has a monopoly on the distribution of electricity to users in Malaysia. In addition, it is not practical for us to generate our own electricity on a long-term basis, as the capital investment and operating costs required to generate the quantity of electricity that we need are prohibitive. As such, there is a risk that increases in the price of electricity may have a negative impact on our financial position.

Despite Tenaga Nasional Berhad's monopoly in the distribution of electricity, any price increase will require Government approval. In addition, we may be able to pass on some or all of the increases in the price of electricity to our customers.

Nevertheless, there is no assurance that price of electricity will not increase in the future, or that we will be able to pass on any of the increases in the price of electricity to our customers.

**3.2.3 Increase in the prices of petrol and/or diesel**

An increase in the prices of petrol and/or diesel will have a negative impact on our operating expenses, as it will increase our transportation costs. For the FYE 31 December 2009, transportation costs represented approximately 6% of our total cost.

The prices of petrol and diesel are controlled by the Government. We apply for Government subsidy for diesel on an annual basis and currently, we obtained diesel subsidy of 34,200 litres per month, which helps reduce our transportation costs. In addition, we may be able to pass on some or all of the increases in the price of petrol or diesel to our customers as all our competitors in Malaysia will also be similarly affected. Our strategy of establishing a network of plants close to major industrial centres in Peninsular Malaysia enables us to manage our transportation costs.

Nevertheless, there is no assurance that the Government will not increase the prices of petrol and diesel in the future. There is also no assurance that we will continue to receive diesel subsidy from the Government, or that we will be able to pass on any of the price increase to our customers.

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### 3. RISK FACTORS (Cont'd)

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#### 3.2.4 Competition and new market entrants

The overall level of competition among operators in the industrial gas industry in Malaysia is moderate. In general, operators in the industrial gas industry that have the capability to produce industrial gases in-house, such as our Group, compete primarily with the relatively small number of operators that also have the capability to produce industrial gases in-house.

We face competition from few industrial gas producers, which include, amongst others, local corporation such as B.I.G. Industries Sdn Bhd and multinational corporations such as MOX-Linde Gases Sdn Bhd, Air Products Malaysia Sdn Bhd and NIG Gases Sdn Bhd. However, competition from industrial gas refillers and industrial gas dealers is moderated by the fact that these operators have to purchase their industrial gases from Malaysian producers or have to import their industrial gases and are therefore at a disadvantage, particularly in terms of pricing.

There is also the potential threat from new market entrants. However, our Directors believe that the competition from new entrants will not have a major impact on our business due the numerous barriers to entry which include high capital and set-up costs, high level of technical skills, the need to demonstrate a consistently high level of product quality and to have an established reputation, track record and distribution network.

Although our Directors seek to continue to adopt appropriate strategies to remain competitive, there can be no assurance that competition from existing competitors and/or new entrants will not have a material adverse effect on our performance.

### 3.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

#### 3.3.1 No prior market for our Shares

There has been no prior public market for our Shares. There can be no assurance that an active public market will develop or be sustained after our Listing or that the market price of our Shares will not decline below the IPO Price. We believe that a variety of factors could cause our Share price to fluctuate and such fluctuation may adversely affect the market price of our Shares.

The IPO Price for our Shares has been determined after taking into consideration a number of factors, including but not limited to, our financial and operating history and condition, the prospects of the industries we operate in and the potential of the industrial gas industry which may not be indicative of the market price of our Shares after our Listing.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon or subsequent to our Listing.

#### 3.3.2 Capital market risks and share price volatility

The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses, and the flows of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions in Malaysia as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of the listed securities.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:-

- (i) variations in our results of operations;

### 3. RISK FACTORS (Cont'd)

- (ii) success or failure of our management team in implementing business and growth strategies;
- (iii) gain or loss of an important business relationship;
- (iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (vi) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed on Bursa Securities;
- (vii) additions or departures of key personnel;
- (viii) fluctuation in stock market prices and volume; or
- (ix) involvement in litigation.

Although we are committed to the sound management of our business, there is no assurance that our Share price will not be subject to volatility due to market sentiments.

Nevertheless, our profitability is not dependent on the performance of Bursa Securities, as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

#### 3.3.3 Control by Promoters

Upon our Listing, our Promoters, as set out in Section 5.1 of this Prospectus, will hold (directly and indirectly) a total of approximately 51.74% of our enlarged issued and paid-up share capital. As a result, they will still be able to, in the foreseeable future, effectively control our business direction and management as well as influence the outcome of certain matters requiring the vote of our shareholders unless our Promoters are required to abstain from voting by law and/or by the relevant guidelines or regulations.

Nevertheless, as a step towards good corporate governance, we have appointed two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director and set up an Audit Committee to ensure that, *inter alia*, all future transactions involving related parties, if any, are entered into on an arms'-length basis, or normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not to the detriment of our minority shareholders.

#### 3.3.4 Payment of dividends

We are principally an investment holding company and our core operations are carried out through our subsidiaries. Therefore, our major source of income comprises dividends and other distributions received from our subsidiaries.

If our subsidiaries incur debts or losses, such indebtedness or losses may impair our subsidiaries' ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders.

### 3. RISK FACTORS (Cont'd)

Our ability to pay dividends or make other distributions to our shareholders is also subject to the future financial performance and cash flow position of our Group. There is no assurance that we will be able to distribute dividends to our shareholders as a result of the abovementioned factors. Accordingly, our historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by us in the future. There is also no assurance that we will be able to record profits and have sufficient funds above our funding requirements, other obligations and business plans to declare dividends to our shareholders. Please refer to Section 8.6 of this Prospectus for details on our dividend policy.

#### 3.3.5 Future fund raisings may dilute shareholders' equity and/or restrict our operations

We may require additional funding for our future growth. This may result in dilution of our shareholders' equity, or restrictions imposed by additional debt funding.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our production facilities. Thus, we may need additional capital expenditure for mergers and acquisitions or investments. Any issue of Shares or other securities to raise funds will dilute shareholders' equity interests and may, in the case of a rights issue, require additional investments by shareholders.

Further, an issue of Shares below the then prevailing market price will also affect the value of Shares then held by investors. Dilution in shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price. In addition, any additional debt funding would increase our gearing ratio and may restrict our freedom to operate our business as it may have conditions that:-

- (i) limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- (ii) increase our vulnerability to general adverse economic and industry conditions;
- (iii) require us to dedicate a portion of our cash flow from operations to repayments of our debt, thereby reducing the availability of our cash flow for capital expenditures, working capital and other general corporate purposes; and
- (iv) limit our flexibility in planning for, or reacting to, changes in our businesses and our industry.

If we fail in obtaining more funds to meet requirements for our business, merger and acquisition plans or investments, we may not be able to implement future plans that are essential to our growth.

#### 3.3.6 Failure or delay in our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing on the Main Market of Bursa Securities:-

- (i) the identified investors fail to subscribe to the portion of IPO Shares intended to be placed to them although they have furnished their irrevocable undertaking letters to subscribe for such Shares;
- (ii) the Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;

### 3. RISK FACTORS (Cont'd)

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- (iii) we are unable to meet the public spread requirement as determined by Bursa Securities, i.e. at least 25% of our enlarged issued and paid-up share capital must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; or
- (iv) we are unable to obtain permission from Bursa Securities for our Admission to the Official List and for the quotation of our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

In such an event, subject to restrictions set out in Section 3.3.7 below, we will return in full without interest, all monies paid in respect of any Applications accepted. Nevertheless, our Directors will endeavour to ensure compliance with the various requirements for our successful Listing.

#### 3.3.7 Delay between Admission and trading of the IPO Shares

Delays in the Admission and the commencement of trading in shares on Bursa Securities have occurred in the past. In respect of the Public Issue Shares comprised in the IPO Shares, following their allotment and issuance to investors, a return of monies to such investors may be effected by way of either a repurchase by the Company of those shares at the IPO Price, or by way of a reduction of our share capital. A capital reduction would require the approval by special resolution of our shareholders and approval of the courts.

Further, such capital reduction shall not be effected if on the date the reduction is to be effected, there are reasonable grounds for believing that we are, or after the reduction would be, unable to pay our liabilities as they become due.

There can be no assurance that monies can be recovered within a short period of time. If Bursa Securities does not admit our Shares for Listing, the market for our Shares will be illiquid and it may not be possible to trade our Shares. This may also have a materially adverse effect on the value of our Shares.

#### 3.3.8 Disclosure regarding forward-looking statements

Certain statements in this Prospectus are based on historical data that may not be reflective of the future results, whilst others are forward looking in nature and are subject to uncertainties and contingencies. All forward looking statements are based on expectations and assumptions made by our Board and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied in such forward looking statements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us, the Offerors or our Adviser, that our plans and objectives will be achieved.



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## 4. INFORMATION ON OUR GROUP

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### 4.1 GROUP OVERVIEW

#### 4.1.1 Incorporation and Share Capital

Our Company was incorporated in Malaysia under the Companies Act on 14 October 2009 as a public limited company.

Our history can be traced back to 1996 with the incorporation of Southern Industrial Gas by our founder, Peh Lam Hoh, who has been involved in the industrial gas industry since 1976.

Our first plant was located at Senai, Johor and began operating in 1997. When it was first opened, the Senai plant undertook production of Acetylene and carbon dioxide and also refilling of various gases using liquid gas produced by third parties as feedstock.

In late 1997, we expanded our operation by establishing a gas refilling plant in Balakong, Selangor to serve customers in the Klang Valley.

In 1999, we further expanded our business by establishing a distribution depot in Kuantan to serve customers in the East Coast of Peninsular Malaysia.

We then extend our reach to the north of Peninsular Malaysia in 2000 with the setting-up of a distribution depot in Juru, Penang.

In 2001, we set up a production and refilling plant in Puchong, Selangor. The Puchong plant is equipped to produce Gas Mixtures and to carry out refilling activities for oxygen, nitrogen, Argon and carbon dioxide. The Balakong plant was transferred to the Puchong plant to consolidate our operations in the Klang Valley. We also upgraded our Juru depot by setting up an oxygen refilling plant and carbon dioxide refilling plant to better address opportunities in the Northern part of Peninsular Malaysia.

In 2003, we constructed our ASU in Senai, Johor and began production of our own liquid oxygen and liquid nitrogen. In the same year, we set up a new oxygen refilling plant in Krubong, Malacca. The Krubong plant was upgraded with the addition of a carbon dioxide gas refilling plant in 2004.

In line with our commitment to product and service quality, Southern Industrial Gas was awarded the ISO 9001:2000 quality management system certification in 2004 which was updated to ISO 9001:2008 in 2009.

In 2005, we upgraded our existing Kuantan depot to incorporate an oxygen refilling plant to better address opportunities in the East Coast of Peninsular Malaysia.

In 2008, we further expanded our business in the north with the establishment of a new oxygen, nitrogen and carbon dioxide refilling plant in Bukit Minyak, Penang. The Juru plant was also transferred to the Bukit Minyak plant to consolidate our operations for the northern part of Peninsular Malaysia.

In February 2009, we began construction work on our newest manufacturing plant located at Nilai, Negeri Sembilan. The construction of the Nilai plant was completed in September 2009 and is our second industrial gas manufacturing facility, which manufactures Acetylene and Fuming Gas. Our Nilai plant has started operations in December 2009 and begun manufacturing Acetylene and Fuming Gas, as well as refilling carbon dioxide, which will also equip with oxygen, nitrogen and Argon refilling facilities.

Our Company's authorised share capital is RM200,000,000 comprising 400,000,000 ordinary shares of RM0.50 each, of which RM50,400,000 comprising of 100,800,000 Shares have been issued and fully paid-up.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

The changes in our Company's issued and fully paid-up share capital since incorporation were as follows:-

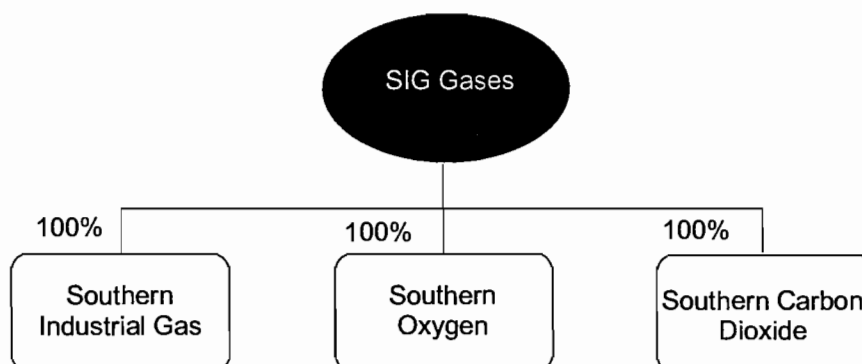
Date of Allotment	No. of Ordinary Shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Fully Paid-Up Ordinary Share Capital (RM)
14.10.2009	20	0.50	Subscribers' shares	10
12.05.2010	100,799,980	0.50	Acquisition	50,400,000

Upon completion of the Public Issue, our issued and fully paid-up share capital will increase to RM75,000,000 comprising 150,000,000 Shares.

We do not have any warrant, option or convertible securities in issue or any uncalled capital.

#### 4.1.2 Corporate Structure

Our Group's corporate structure is depicted below:-



The details of our subsidiaries are as follows:-

Company	Date/ Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Southern Industrial Gas	20.03.1996/ Malaysia	23,000,000	100.00	Manufacturing, refilling and distribution of all kinds of industrial gases.
Southern Oxygen	17.09.2007/ Malaysia	2	100.00	Dormant.  The intended principal activities are investing in onsite plant and supply liquid oxygen, liquid nitrogen and liquid Argon.
Southern Carbon Dioxide	26.09.2007/ Malaysia	2	100.00	Dormant.  The intended principal activities are investing in carbon dioxide recovery plant and supply liquid carbon dioxide.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.1.3 Our Subsidiaries

###### (i) Southern Industrial Gas

###### (a) Background and History

Southern Industrial Gas was incorporated in Malaysia on 20 March 1996 as a private limited company under its present name. Southern Industrial Gas commenced operations on 1 March 1997.

For further details on the background and history of Southern Industrial Gas, please refer to Section 4.1.1 of this Prospectus.

###### (b) Principal Activities and Products / Services

The principal activities of Southern Industrial Gas are manufacturing, refilling and distribution of all kinds of industrial gases.

For further details on the products and services of Southern Industrial Gas, please refer to Section 4.5 of this Prospectus.

###### (c) Share Capital

As at the LPD, Southern Industrial Gas's authorised share capital is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each, of which 23,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up. The changes in Southern Industrial Gas's issued and fully paid-up share capital for the past 3 years up to the LPD were as follows:-

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration	Cumulative Issued and Fully Paid-Up Ordinary Share Capital (RM)
15.04.2007	110,000	Cash	21,000,000
05.06.2008	2,000,000	Cash	23,000,000

Southern Industrial Gas does not have any warrant, option or convertible securities in issue or any uncalled capital.

###### (d) Subsidiary or Associated Company

After the completion of the Acquisition, on 31 May 2010, Southern Industrial Gas has transferred the 2 existing ordinary shares of RM1.00 each in Southern Oxygen and Southern Carbon Dioxide respectively, for a nominal value of RM1.00 per share each to SIG Gases.

Thereafter, Southern Oxygen and Southern Carbon Dioxide became the direct wholly-owned subsidiaries of SIG Gases.

As at the LPD, Southern Industrial Gas does not have any associated company.

**4. INFORMATION ON OUR GROUP (Cont'd)**

**(ii) Southern Oxygen**

**(a) Background and History**

Southern Oxygen was incorporated in Malaysia on 17 September 2007 under the Companies Act as a private limited company under its present name. As at the LPD, Southern Oxygen has not commenced operations.

**(b) Principal Activities and Products / Services**

As at the LPD, Southern Oxygen is a dormant company. The intended principal activities are investing in onsite plant and supply liquid oxygen, liquid nitrogen and liquid Argon.

**(c) Share Capital**

As at the LPD, Southern Oxygen's authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up. There were no changes in Southern Oxygen's issued and fully paid-up share capital for the past 3 years up to the LPD.

Southern Oxygen does not have any warrant, option or convertible securities in issue or any uncalled capital.

**(d) Subsidiary or Associated Company**

As at the LPD, Southern Oxygen does not have any subsidiary or associated company.

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**4. INFORMATION ON OUR GROUP (Cont'd)****(iii) Southern Carbon Dioxide****(a) Background and History**

Southern Carbon Dioxide was incorporated in Malaysia on 26 September 2007 under the Companies Act as a private limited company under its present name. As at the LPD, Southern Carbon Dioxide has not commenced operations.

**(b) Principal Activities and Products / Services**

As at the LPD, Southern Carbon Dioxide is a dormant company. The intended principal activities are investing in carbon dioxide recovery plant and supply liquid carbon dioxide.

**(c) Share Capital**

As at the LPD, Southern Carbon Dioxide's authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up. There were no changes in Southern Carbon Dioxide's issued and fully paid-up share capital for the past 3 years up to the LPD.

Southern Carbon Dioxide does not have any warrant, option or convertible securities in issue or any uncalled capital.

**(d) Subsidiary or Associated Company**

As at the LPD, Southern Carbon Dioxide does not have any subsidiary or associated company.

**4.2 LISTING SCHEME**

In conjunction with, and as an integral part of our Listing, we undertook the Listing Scheme, which involves the following:-

**(i) Dividend Payment**

Prior to the Acquisition, Southern Industrial Gas had declared and paid the following dividends to its shareholders:-

- (a) First interim dividend amounted to RM1.15 million from its PAT generated between 1 January 2009 to 31 August 2009 which was declared on 7 July 2009 and paid on 31 July 2009; and
- (b) Second interim dividend amounted to RM1.15 million from its PAT generated between 1 September 2009 and 31 December 2009 which was declared on 3 November 2009 and paid on 30 November 2009. Southern Industrial Gas achieved the PAT of approximately RM2.38 million for the 4-month period between 1 September 2009 and 31 December 2009 which was apportioned based on the audited PAT recorded by Southern Industrial Gas of approximately RM7.15 million for the FYE 31 December 2009.

**4. INFORMATION ON OUR GROUP (Cont'd)****(ii) Acquisition**

Pursuant to the share sale agreement dated 8 December 2009 entered into by us and the vendors of Southern Industrial Gas, we acquired the entire issued and paid-up share capital of Southern Industrial Gas comprising 23,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM50,399,990 which was wholly satisfied by the issuance of 100,799,980 new Shares each credited as fully paid-up. The vendors and their respective equity interests acquired by SIG Gases together with the number of new Shares issued as consideration are set out as follows:-

Name	Shareholding in Southern Industrial Gas		No. of New SIG Gases Shares Issued as Consideration
	No. of Ordinary Shares of RM1.00 Held	% Held	
Peh Lam Hoh	7,302,669	31.75	32,004,734
Datin Hanifah Hajar Taib	6,147,571	26.73	26,942,393
Sing Swee Bee Enterprise Pte Ltd	3,163,746	13.76	13,865,458
Lau Cheng Ming	1,506,102	6.55	6,600,654
Loh Pei Yon	1,347,500	5.86	5,905,564
Kong Khim Tuck	1,056,036	4.59	4,628,192
Khong Kar Yow	553,250	2.41	2,424,678
Voon Chee Keen	530,000	2.30	2,322,782
Ng Cheng Guan	494,000	2.15	2,165,008
Lim Hung Cheng	143,356	0.62	628,273
Peh Hock Soon	140,337	0.61	615,042
Tan Chin Peng	100,000	0.43	438,261
Li Xiao Qing	90,750	0.39	397,722
Manis	79,514	0.35	348,479
Toh Ah Katt	66,300	0.29	290,567
Chng Hian Beng	53,010	0.23	232,322
Lim Ban Seng	48,400	0.21	212,118
Yue Thye Chun	39,363	0.17	172,513
Xiao Fei	35,750	0.16	156,678
Lim Han Chiong	32,346	0.14	141,760
Foo Peng Boon	15,000	0.07	65,739
Chong Joon Kiong	15,000	0.07	65,739
Koh Beng San	15,000	0.07	65,739
Wong Kok Wee	10,000	0.04	43,826
Boo Chin Eng	10,000	0.04	43,826
Ku Chai Lin	5,000	0.01	21,913
<b>Total</b>	<b>23,000,000</b>	<b>100.00</b>	<b>100,799,980</b>

The purchase consideration of RM50,399,990 for the Acquisition was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NTA of Southern Industrial Gas as at 31 August 2009 of RM50,397,644.

The 100,799,980 new Shares issued pursuant to the Acquisition rank *pari passu* in all respects with the existing Shares of SIG Gases and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

The Acquisition was completed on 12 May 2010.

**4. INFORMATION ON OUR GROUP (Cont'd)**

After the completion of the Acquisition, on 31 May 2010, Southern Industrial Gas has transferred the 2 existing ordinary shares of RM1.00 each in Southern Oxygen and Southern Carbon Dioxide respectively, for a nominal value of RM1.00 per share each to SIG Gases. Southern Oxygen and Southern Carbon Dioxide are currently direct wholly owned subsidiaries of SIG Gases.

**(iii) IPO**

**(a) Public Issue**

We are undertaking the Public Issue, details of which are set out in Section 2.2.1 of this Prospectus.

**(b) Offer for Sale**

We are undertaking the Offer for Sale, details of which are set out in Section 2.2.2 of this Prospectus.

**(iv) Listing**

We will make an application to Bursa Securities for the admission of our Shares into the Official List and for the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

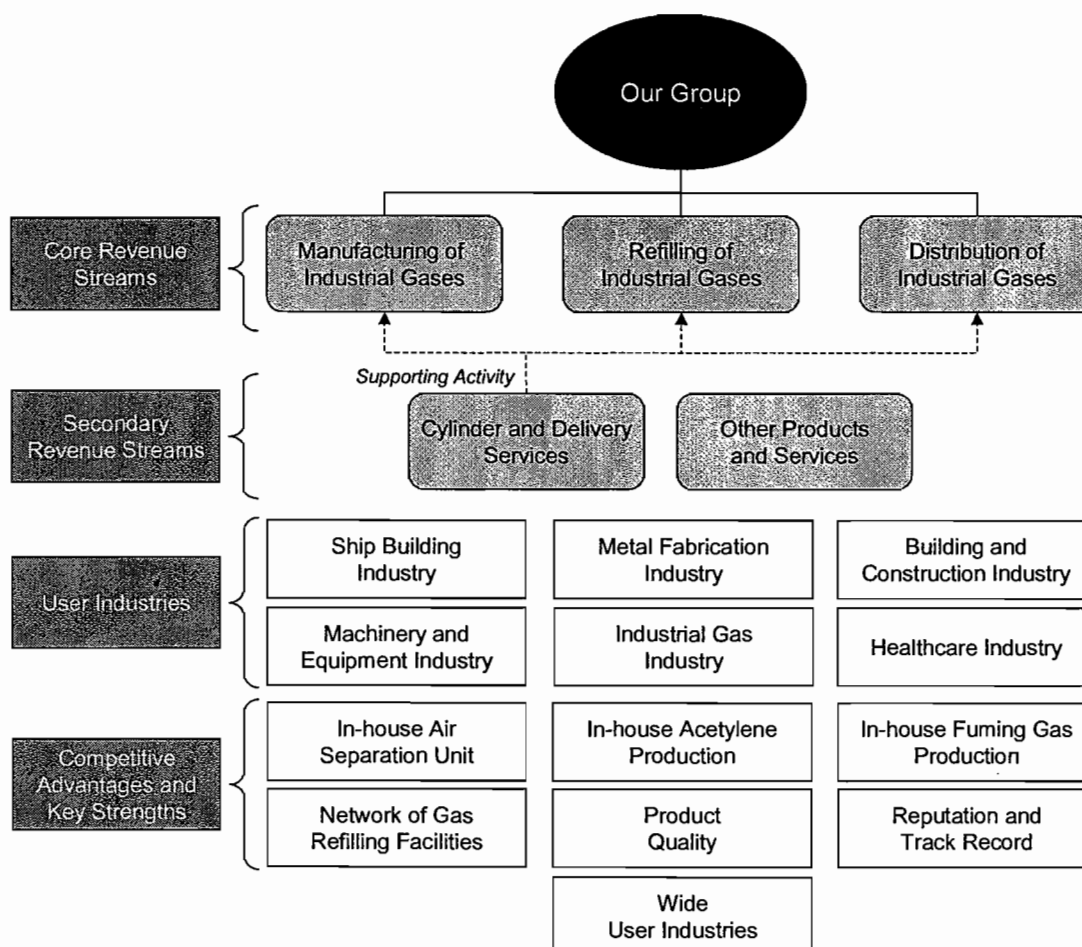
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**4. INFORMATION ON OUR GROUP (Cont'd)**

**4.3 OVERVIEW OF OUR BUSINESS ACTIVITIES**

**4.3.1 Business Model**

Our Group's business model is depicted in the figure below:-



**4.3.2 Business Focus**

Our business is in the manufacturing, refilling and distribution of industrial gases. The gases that we are involved in are oxygen, nitrogen, Argon, carbon dioxide, Acetylene, Gas Mixtures, Specialty Gases, Fuming Gas and Refrigerants.

**4.3.3 Revenue Streams**

Our core revenue streams are derived from the manufacturing, refilling and distribution of industrial gases.

Our other business activities are the provision of cylinders and delivery services, and the supply of other products and services. Please refer to Section 4.5.6 of this Prospectus for further details of our Group supply of the other products and services. Our cylinders and delivery services are supporting activities to our core business activities, while the supply of other products and services are complementary to our Group's business to provide a wider range of products and services for the convenience of our customers.



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**4. INFORMATION ON OUR GROUP (Cont'd)**

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We currently produce the following:-

Gases

- Oxygen;
- Nitrogen;
- Acetylene;
- Gas Mixtures; and
- Fuming Gas.

Bulk liquid

- Oxygen; and
- Nitrogen.

We produce oxygen and nitrogen in liquid form or gas form. In general, large users are supplied with oxygen or nitrogen in bulk liquid form while smaller users are supplied with oxygen or nitrogen that is compressed in gas cylinders. Most buyers of bulk liquid oxygen or nitrogen convert the liquid oxygen or liquid nitrogen into the gaseous form for use.

In addition, we currently purchase liquid Argon and liquid carbon dioxide from third-party producers and vapourises and compresses them into cylinders for our customers. Our suppliers for liquid Argon and liquid carbon dioxide are MOX-Linde Gases Sdn Bhd, SSB Cryogenic Equipment Pte Ltd and Cyromaster Sdn Bhd. The manufacturing of liquid Argon and liquid carbon dioxide requires a significant capital outlay in terms of investment in plant and machineries as well as technical expertise. The purchase from the third party will be a prudent and a cost effective approach to enable our Group to gauge the demand as well as establishing our pools of customers for the said products before evaluating further on the viability of manufacturing the liquid Argon and liquid carbon dioxide in-house.

We are also engaged in distributing Refrigerants and Specialty Gases such as ethylene, propylene, Purified Helium and Hydrogen. Our suppliers for Refrigerant and Specialty Gases are SSB Cryogenic Equipment Pte Ltd, Sing Swee Bee Enterprise Pte Ltd, Sing Swee Bee Sdn Bhd and Chemgas Pte Ltd.

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.3.4 User Industries

The industrial gases manufactured and supplied by us have a very wide range of applications, and are used in a large number of industries.

Some of the applications of industrial gases manufactured and supplied by us include the following:-

Types of Industrial Gases	Major User Industry	Principal Applications
Oxygen	Iron and steel	Injected into molten iron to:- - remove sulfur impurities and excess carbon; and - to increase the temperature in the furnace.
	Chemical	Used to oxidise raw chemicals to produce chemicals such as nitric acid, ethylene oxide, propylene oxide, vinyl chloride and other chemical compounds.
	Oil and gas	Sometimes used to improve and enhance the viscosity of oil and gas flow. In oil cracking plants, oxygen is used to boost production capacity, increase efficiency of high-octane component processing and to remove sulphur impurities
	Healthcare	Used in surgery, inhalation therapy, assistance in respiratory problems and other uses
Nitrogen	Oil and gas, chemical, pharmaceutical, electronics and food	Used to create an inert atmosphere to protect solids and liquids from coming into contact with oxygen and moisture
	Chemical	Used as a feedstock to produce ammonia and other chemical compounds
	Food, healthcare and various other industries	Liquid nitrogen is used as a freezing agent for biological substances and food

## 4. INFORMATION ON OUR GROUP (Cont'd)

Types of Industrial Gases	Major User Industry	Principal Applications
Argon	Chemical, pharmaceutical and food	Used to create an inert atmosphere to protect solids and liquids from coming into contact with oxygen and moisture
	Metal fabrication, shipbuilding, manufacturing and various other industries	Used as a shielding gas in inert gas metal welding
	Various industries	Sometimes mixed with nitrogen for use in fire extinguishing systems
Carbon dioxide	Food	Solid carbon dioxide is used as a cooling agent to store food
	Various industries	Solid carbon dioxide is used as a blast cleaning medium
	Food	Used to manufacture carbonated soft drinks, beer and other beverages. Used to remove caffeine from coffee beans
	Various industries	Sometimes used in fire extinguishing systems
	Chemical	Used to produce chemicals such as urea, carbonate, bicarbonate and sodium salicylate
	Oil and gas	Sometimes used to enhance oil recovery where carbon dioxide is injected into oil-bearing stratum to push the oil out under high pressure
Acetylene	Chemical	It is a raw material for conversion into acrylic acid derivatives, which are used in the manufacture of acrylic plastics, coatings, adhesives and other products
	Metal fabrication, machinery and equipment, building and construction, and many other industries	When use in combustion with oxygen, produces a very hot flame that is used to cut and weld metal

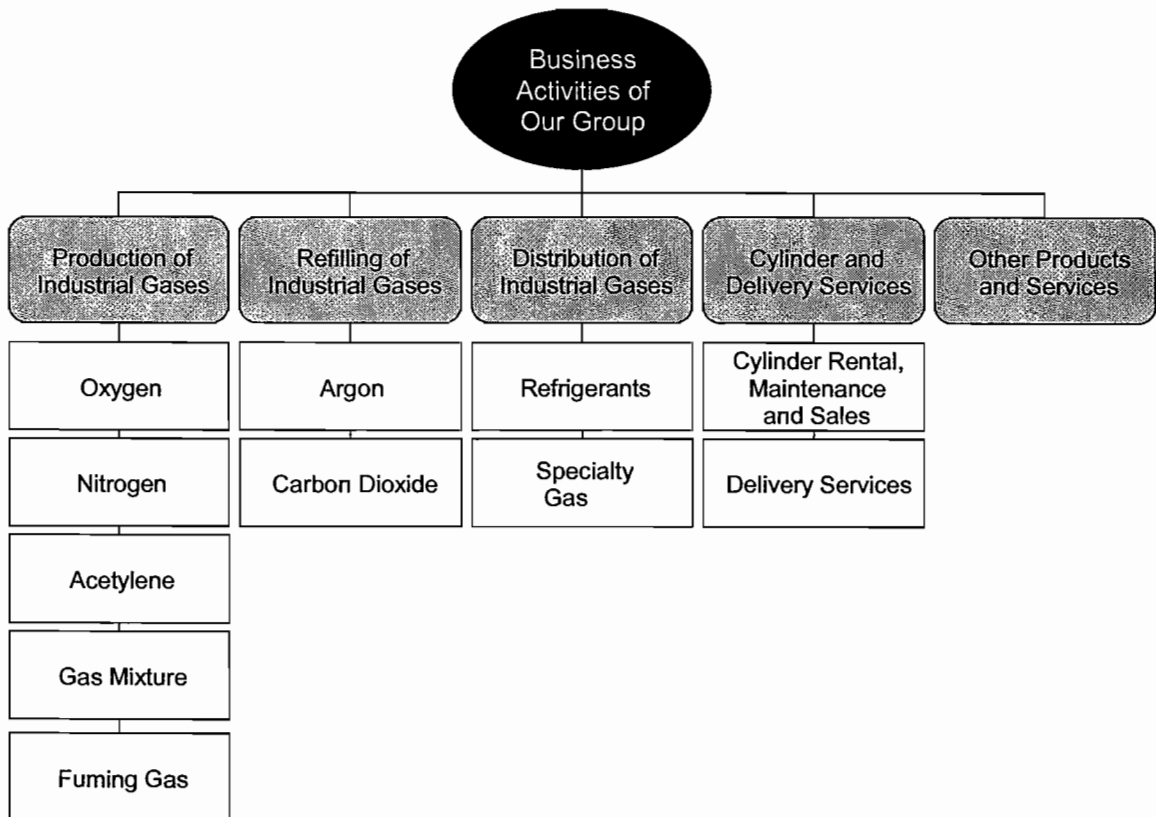
**4. INFORMATION ON OUR GROUP (Cont'd)**

Types of Industrial Gases	Major User Industry	Principal Applications
Fuming Gas	Healthcare	Used to sterilise products such as surgical instruments, bandages, sutures and other medical products that would be normally damaged by heat

The diverse usage and applications across a large number of user industries for industrial gases provide us with significant opportunities for growth.

**4.3.5 Business Activities**

Our business activities are depicted in the figure below:-



#### 4. INFORMATION ON OUR GROUP (Cont'd)

Our principal business activities are in the manufacturing, refilling and distribution of industrial gases. The gases that we are involved in are oxygen, nitrogen, Argon, carbon dioxide, Gas Mixtures, Specialty Gases and Refrigerants.

We provide supporting services, which include provision of cylinder sales, rental and maintenance, as well as delivery services. We also supply other products and services that complement our business and provide greater convenience to our customers.

#### 4.4 KEY ACHIEVEMENTS, AWARDS AND RECOGNITION

##### 4.4.1 Key Achievement

The table below sets out our key development and achievement milestones over the past years:-

Year	Major Milestones
1996	Commencement of business with the incorporation of Southern Industrial Gas.
1997	Construction of the factory in Senai, Johor and the commencement of the production of Acetylene and carbon dioxide, and refilling of various industrial gases.
2003	Commencement of the production of liquid oxygen and liquid nitrogen with the commissioning of an ASU at the Senai plant.
2004	Our Group, through Southern Industrial Gas obtained ISO 9001:2000 quality management system certification.
2007	Southern Oxygen and Southern Carbon Dioxide were incorporated to undertake their respective intended business activities as set out in Sections 1.1 and 4.1.2 of this Prospectus.
2009	Commencement of construction of factory for the manufacturing of Acetylene and Fuming Gas, and refilling of carbon dioxide in Nilai, Negeri Sembilan.

##### 4.4.2 Award, Accreditation and Recognition

Our Group, through our subsidiary, Southern Industrial Gas, has received ISO 9001:2008 quality management system certification for the scope of "Production of liquid nitrogen and oxygen" and "Trading of liquid nitrogen, oxygen and Argon for applications in steel, electronics, medical, construction, shipbuilding and food processing" from SIRIM QAS International Sdn Bhd. Southern Industrial Gas first received the certification on 16 January 2004. Southern Industrial Gas's current certification is valid from 15 December 2009 to 15 January 2013.

**4. INFORMATION ON OUR GROUP (Cont'd)****4.5 OUR PRODUCTS, SERVICES AND OPERATIONS****4.5.1 Revenue Segmentation by Business Activities and Products and Services**

Our revenue segmentation by business activities and products and services for the FYE 31 December 2009 and the 4-month FPE 30 April 2010 is as follows:-

	Revenue for the FYE 31 December 2009		Revenue for the 4-month FPE 30 April 2010	
	RM'000	%	RM'000	%
<b>Manufacturing of industrial gases</b>				
Acetylene	14,224	26.07	3,953	21.28
Oxygen	9,584	17.56	2,897	15.60
- Gas	7,581	13.89	2,302	12.40
- Liquid	2,003	3.67	595	3.20
Nitrogen	3,414	6.26	1,369	7.37
- Liquid	1,585	2.90	517	2.78
- Gas	1,829	3.36	852	4.59
Gas Mixtures	2,286	4.19	620	3.34
Fuming Gas *	-	-	65	0.35
<b>Total</b>	<b>29,508</b>	<b>54.08</b>	<b>8,904</b>	<b>47.94</b>
<b>Refilling of industrial gases</b>				
Argon	8,230	15.09	2,633	14.18
Carbon dioxide	4,962	9.09	1,711	9.21
<b>Total</b>	<b>13,192</b>	<b>24.18</b>	<b>4,344</b>	<b>23.39</b>
<b>Distribution of industrial gases</b>				
Refrigerants	3,984	7.30	2,031	10.93
Specialty gases	2,305	4.22	996	5.36
<b>Total</b>	<b>6,289</b>	<b>11.52</b>	<b>3,027</b>	<b>16.29</b>
<b>Cylinder and delivery services</b>				
Cylinder sales, rental and maintenance	3,300	6.05	1,265	6.81
Delivery services	1,186	2.17	407	2.19
<b>Total</b>	<b>4,486</b>	<b>8.22</b>	<b>1,672</b>	<b>9.00</b>
<b>Other products and services</b>				
Other products and services	1,093	2.00	628	3.38
<b>TOTAL GROUP REVENUE</b>	<b>54,568</b>	<b>100.00</b>	<b>18,575</b>	<b>100.00</b>

**Note:-**

\* Production of Fuming Gas began in December 2009.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.5.2 Manufacturing of Industrial Gases

We currently produce the following types of industrial gases at our production facility located at Senai, Johor:-

**(i) Oxygen**

Oxygen is a gas under normal atmospheric temperature and pressure with the chemical formula  $O_2$ . Oxygen is a reactive gas that supports combustion and reacts readily with many substances. It is also essential in sustaining life.

We produce oxygen by extracting oxygen from the atmosphere with our ASU. We normally produce liquid oxygen that is 99.6% pure. We can produce liquid oxygen that is up to 99.9% pure to meet more stringent customer specifications if required.

Currently, we sell oxygen to our customers in bulk liquid form or gas form. We deliver bulk liquid oxygen to our customers in specialised cryogenic liquid storage tanks. Customers who normally purchase oxygen in bulk liquid form include third-party industrial gas refillers, operators in the iron and steel industry, and other large-scale industrial users.

Oxygen that is sold to customers in gas form is delivered to customers in gas cylinders. We transport bulk liquid oxygen to our refilling facilities, where the liquid oxygen is vapourised and compressed into gas cylinders.

Some of the oxygen currently sold by us is used with Acetylene in oxy-Acetylene cutting and welding.

We also supply oxygen to operators in the iron and steel industry, where the oxygen is injected into molten iron and steel to remove impurities and to increase the combustion temperature in furnaces.

Oxygen is also used in the chemical, oil and gas, pharmaceutical and healthcare industries.

Please refer to Section 4.5.9.1 (ii) of this Prospectus for further details on oxygen.

**(ii) Nitrogen**

We currently produce nitrogen. Under normal atmospheric temperature and pressure, nitrogen is a gas with the chemical formula  $N_2$ .

We produce nitrogen by extracting nitrogen from the atmosphere with our ASU. We normally produce liquid nitrogen that is 99.999% pure with moisture content of less than 3 parts per million.

We sell nitrogen to customers in bulk liquid form or gas form. Nitrogen that is sold to customers in bulk liquid form is delivered in specialised cryogenic liquid storage tanks. Customers who normally purchase nitrogen in bulk liquid form include third-party industrial gas refillers and large-scale industrial users.

Nitrogen sold to customers in gas form is delivered to customers in gas cylinders. We transport bulk liquid nitrogen to our refilling facilities, where the liquid nitrogen is vapourised and compressed into gas cylinders.

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**4. INFORMATION ON OUR GROUP (Cont'd)**

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Nitrogen is an Inert Substance that does not support combustion or oxidation and does not react readily with most substances. Many of the industrial applications that involve nitrogen make use of its inert nature. Nitrogen is widely used to create an inert atmosphere to protect solids and liquids from coming into contact with oxygen and moisture in the oil and gas, chemical, pharmaceutical, electronics and food industries.

Liquid nitrogen is a cryogenic liquid with a boiling point of  $-195.8^{\circ}\text{C}$  at normal atmospheric pressure. Liquid nitrogen is used as a Refrigerant and cooling agent to freeze items such as biological substances and food.

Please refer to Section 4.5.9.1 (iii) of this Prospectus for further details on nitrogen.

**(iii) Acetylene**

Acetylene is a chemical compound with the chemical formula  $\text{C}_2\text{H}_2$  and is a gas at normal atmospheric temperature and pressure.

We produce Acetylene by reacting calcium carbide with water. The resulting Acetylene is cooled, purified, dried, compressed and injected into gas cylinders.

We currently sell Acetylene to our customers in gas form. The Acetylene is injected under pressure into a gas cylinder that contains a specified amount of acetone. Acetylene cannot be safely pressurised for efficient storage and transportation, and as such, the Acetylene is dissolved in acetone in cylinders for storage and transportation.

Most of the Acetylene sold by us is used by our customers to combust together with oxygen to produce a hot oxy-Acetylene flame for cutting and welding metals. Oxy-Acetylene metal cutting and welding is widely used in the shipbuilding, metal fabrication, machinery and equipment, building and construction and other industries.

While most of the Acetylene currently sold by us is produced in-house, in 2008 and 2009, a small proportion was purchased from third-party producers to supplement our production to meet customers' demand. Moving forward, we expect to be self-sufficient as production has recently begun at our Acetylene plant in Nilai, Negeri Sembilan.

Please refer to Section 4.5.9.1 (vi) of this Prospectus for further details on Acetylene.

**(iv) Gas Mixtures**

We currently produce a range of Gas Mixtures. Gas Mixtures are blends of two or more gases that are mixed in accordance with customer's individual specifications.

We have the expertise to produce a wide range of Gas Mixtures. Examples of Gas Mixtures produced by us include:-

- Argon and carbon dioxide;
- Argon and hydrogen;
- Argon and helium;
- Argon and nitrogen;
- Argon, carbon dioxide and oxygen;
- Argon, carbon dioxide and hydrogen;
- Argon, carbon dioxide and helium; and
- Argon, carbon dioxide and nitrogen.



#### 4. INFORMATION ON OUR GROUP (Cont'd)

Gas Mixtures produced by us can be used in a wide range of applications, including:-

- Medical and pharmaceutical applications;
- Calibrating Gas Mixtures for analytical purposes, for example in petrochemical engineering;
- As an environmental compliance mixture;
- For use in lasers;
- Used in electronics manufacturing;
- Used to detect leaks; and
- Standard mixtures for the chemical and fertiliser industries.

##### (v) Fuming Gas

Fuming Gas is a type of industrial gas that is used to kill harmful organisms such as bacteria, mold and fungus.

We produce a Fuming Gas comprising a mixture of ethylene oxide and carbon dioxide. This Fuming Gas is used by manufacturers of medical equipment to sterilise their products.

We have begun to manufacture Fuming Gas at our new production facility in Nilai, Negeri Sembilan.

##### 4.5.3 Refilling of Industrial Gases

Our industrial gas refilling business activities are focused on refilling Argon and carbon dioxide.

We purchase liquid Argon and liquid carbon dioxide from third-party producers. We then utilise our in-house gas vaporisation facilities to convert most of the liquid Argon and liquid carbon dioxide into their corresponding gases, which are then refilled into gas cylinders.

A small percentage of the liquid Argon and liquid carbon dioxide is supplied to customers in liquid form.

##### (i) Argon

We currently supply Argon to our customers. Under normal atmospheric temperature and pressure, Argon is a gas with the chemical formula Ar.

Argon is characterised by its inert nature and does not react readily with most substances. Argon has the highest concentration in the atmosphere of all the noble gases and as a result it is the most readily available and frequently used.

Like nitrogen, many of the industrial applications that involve Argon make use of its inert nature. Argon is used to create an inert atmosphere to protect solids and liquids from coming into contact with oxygen and moisture in the chemical, pharmaceutical and food industries.

Argon is used as a shielding gas in inert gas metal welding, where a continuous stream of Argon gas at the welding area displaces atmospheric gases that can cause weld defects.

In addition, as it does not support combustion, Argon gas is sometimes used in fire extinguishing systems.

Please refer to Section 4.5.9.1 (iv) of this Prospectus for further details on Argon.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### (ii) Carbon Dioxide

We currently supply carbon dioxide to our customers. Under normal atmospheric temperature and pressure, carbon dioxide is a gas with the chemical formula CO<sub>2</sub>.

Carbon dioxide is denser than air, mildly reactive and is normally non-flammable.

Carbon dioxide does not form a liquid under normal atmospheric pressure. Under normal atmospheric pressure, carbon dioxide sublimates directly from a solid phase to gaseous phase at -78.5°C. This property makes solid carbon dioxide, which is commonly known as "dry ice", useful as a blast cleaning medium and as a cooling agent for laboratories and retail stores.

In the food industry, carbon dioxide is used to produce carbonated beverages and in processing foods such as decaffeinated coffee.

As carbon dioxide does not support combustion, it is sometimes used in fire extinguishing systems.

Please refer to Section 4.5.9.1 (v) of this Prospectus for further details on the carbon dioxide.

##### 4.5.4 Distribution of Industrial Gases

In addition to manufacturing industrial gases and industrial gas refilling, we are also engaged in distributing a range of industrial gases. Our Group centralised distribution centre for industrial gases is located in Senai.

We currently distribute two (2) main categories of industrial gas namely, Refrigerants and Specialty Gas.

The Refrigerants distributed by us are suitable for use in commercial, residential and automotive air conditioners, and refrigeration systems.

The Specialty Gas distributed by us include:-

- Ammonia;
- Argonite;
- Ethane;
- Ethylene;
- Helium (purified helium and helium balloon gas);
- Methane;
- Noble gases (such as neon and xenon);
- Compressed air; and
- Sulphur hexafluoride.

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**4. INFORMATION ON OUR GROUP (Cont'd)**

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**4.5.5 Cylinder and Delivery Services**

We provide cylinder and delivery services to support our core business activities of manufacturing, refilling and distribution of industrial gases.

We rent gas cylinders to some of our customers. Customers who rent gas cylinders are charged a monthly fee for each gas cylinder rented. An additional fee is charged for each time that the gas cylinder is refilled with gas.

Other cylinder services provided by us include repair and maintenance services.

If required, we provide delivery services for our customers, either in bulk liquid form transported by specialised cryogenic storage tankers or in gas form stored in gas cylinders.

**4.5.6 Other Products and Services**

We are also engaged in supplying other complementary products and services primarily to provide convenience to customers as part of our strategy to enhance customer loyalty. They include supply of welding products such as welding sets and electrodes, and provision of gas flushing services.

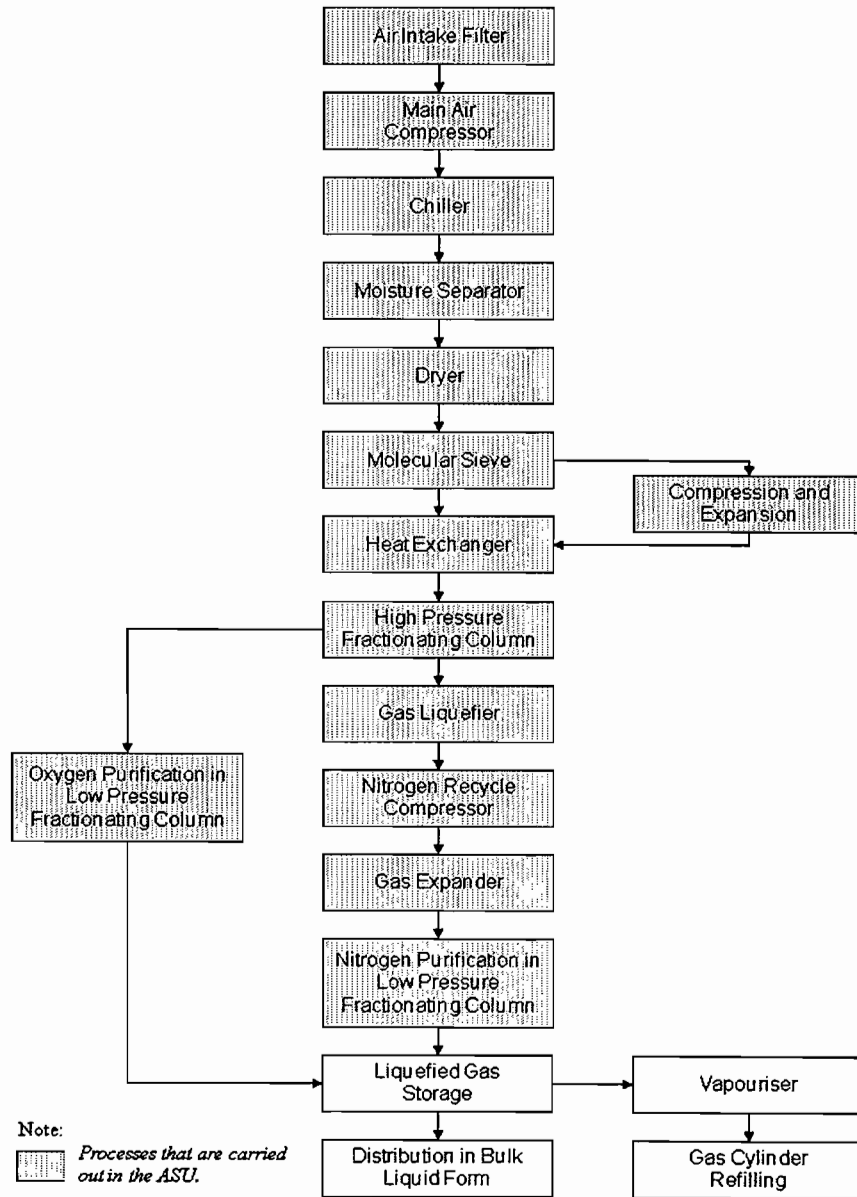
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4. INFORMATION ON OUR GROUP (Cont'd)

4.5.7 Business Process

(i) Process Flow for the Production of Liquid Oxygen and Liquid Nitrogen

The table below depicts the process flow for the production of liquid oxygen and liquid nitrogen:-



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**4. INFORMATION ON OUR GROUP (Cont'd)**

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Air is treated to remove substances that may freeze and clog up the ASU's cryogenic piping. The air is first filtered at the air intake to remove impurities such as dust and hydrocarbon particles. The air is compressed in a multi-stage air compressor. The compressed air is then passed through a chiller to condense the water vapour that is present in the air. The condensed water is removed in a water separator and passed through a dryer to remove any remaining water.

The air then passes through a molecular sieve, which is packed with absorbents that trap the carbon dioxide, heavier hydrocarbons and any remaining traces of water vapour.

The stream of air is split, with a small portion diverted to a compressor, where its pressure is boosted. It is then cooled and allowed to expand rapidly, which results in cooling of the air. The cooled air is used to provide the required cold temperature for the operation of the ASU.

The main stream of air passes through a heat exchanger, where it is cooled by the very cold purified liquid oxygen and liquid nitrogen that has been produced by the ASU. The cooled air is liquefied. At the pressure of 1 Atmosphere (the atmospheric pressure at sea level) gaseous oxygen becomes liquid oxygen at  $-183^{\circ}\text{C}$  while gaseous nitrogen becomes liquid nitrogen at  $-196^{\circ}\text{C}$ .

The liquid air enters the base of the first high pressure fractionating column. As the liquefied air works its way up the column, it loses additional heat. The oxygen (which is the fraction with the highest boiling point at  $-183^{\circ}\text{C}$ ) continues to liquefy, forming an oxygen-rich mixture at the bottom of the column, while most of the nitrogen and Argon (which have lower boiling points) remain in gas form and continue to flow to the top of the fractionating column.

The liquid oxygen mixture (known as crude liquid oxygen) is drawn out of the bottom of the fractionating column and cooled further. The crude liquid oxygen is fed into the top of a low-pressure fractionating column. As the crude liquid oxygen flows down the low-pressure fractionating column, most of the remaining nitrogen and other gases leave the crude liquid oxygen in gas form, leaving purified liquid oxygen at the bottom of the column. The liquid oxygen can be further processed in additional fractionating columns if higher purity is required.

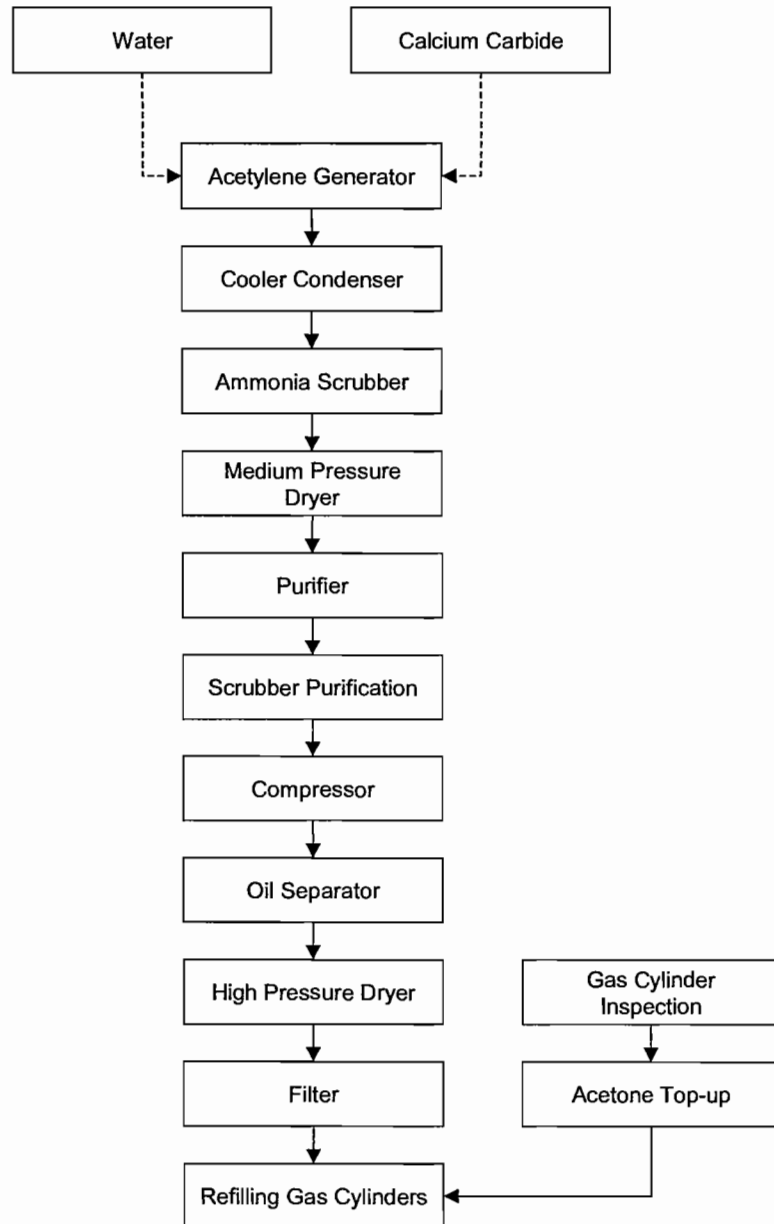
The nitrogen and other gases from the top of the high-pressure fractionating column are drawn off and cooled further using the gas liquefier, nitrogen recycle compressor and gas expander. The mixture is fed into the top of another low-pressure fractionating column. Argon, which has a higher boiling point than the nitrogen at  $-186^{\circ}\text{C}$ , flows to the bottom of the column as a liquid, while the nitrogen turns into gas. The nitrogen flows to the top of the column as very pure gaseous nitrogen. The nitrogen can be further processed in additional fractionating columns if higher purity is required.

The purified liquid oxygen and liquid nitrogen are stored in separate cryogenic storage vessels. The liquid oxygen and liquid nitrogen may be distributed to customers in bulk liquid form or converted into gas in a vapouriser to refill gas cylinders. Our ASU is not equipped with the specific fractionating column required to purify liquid Argon. The liquid Argon that is not recovered in our ASU is returned to the atmosphere.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### (ii) Process Flow for the Production of Acetylene

The table below depicts the process flow for the production of Acetylene:-



Calcium carbide and water are reacted together in an Acetylene generator. The resulting Acetylene is cooled, filtered and dried by a series of condensers, scrubbers, purifiers and dryers to remove water and impurities.

The Acetylene is then compressed and passed through an oil separator. It is then dried in a high pressure dryer and passed through a final filter. The filtered Acetylene can then be used to refill gas cylinders. As Acetylene is compressed, some lubricating oil from the compressor becomes mixed with the Acetylene. This lubricating oil must be removed before the Acetylene is filled into gas cylinders. An oil separator is used to remove the lubricating oil.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Empty gas cylinders that are returned by customers are inspected for damage and worn-out components. Any damaged or worn-out components are repaired and replaced. The gas cylinder is then weighed and topped-up with acetone if required. The gas cylinder is then ready to be refilled with Acetylene.

##### 4.5.8 Quality Management

Our Group, through our subsidiary, Southern Industrial Gas, has received ISO 9001:2000 quality management system certification for the scope of "Production of liquid nitrogen and oxygen" and "Trading of liquid nitrogen, oxygen and Argon for applications in steel, electronics, medical, construction, shipbuilding and food processing" from SIRIM QAS International Sdn Bhd. The company first received the certification on 16 January 2004 which was updated to ISO 9001:2008 in 2009. The company's current certification is valid from 15 December 2009 to 15 January 2013.

We have an in-house quality assurance testing facility located in our production facility at Senai, Johor, which is equipped with Gas Chromatograph, oxygen analyser and moisture analyser.

With the Gas Chromatograph, we can perform accurate chemical analysis to ascertain the composition of samples of liquid and gas that are collected in-process and at the end of the production process.

As at the LPD, we had one (1) Quality Assurance Officer. The Quality Assurance Officer is trained to perform chemical analysis using the Gas Chromatograph machine.

##### 4.5.9 R&D and Technology

###### 4.5.9.1 Relevant Technology

The main technology that is relevant to our business is Cryogenic Distillation as this is the method that we use to produce liquid oxygen and liquid nitrogen. A description of the following industrial gases is also provided, as they are the major contributors to our revenue:-

- Oxygen;
- Nitrogen;
- Argon;
- Carbon dioxide; and
- Acetylene.

###### (i) Cryogenic Distillation

Distillation is a method of physically separating a liquid mixture into its component parts (or fractions) based on the different volatilities of the individual fractions at a given pressure.

Fractional distillation is a special type of distillation whereby the liquid mixture is heated to a temperature at which several fractions of the liquid mixture will evaporate. Fractional distillation is generally used when the boiling points of the fractions are close together. As the boiling points are close together, several separation stages are usually required to achieve a high degree of separation. Cryogenic distillation refers to distillation or Fractional Distillation that is carried out at a very low temperature.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

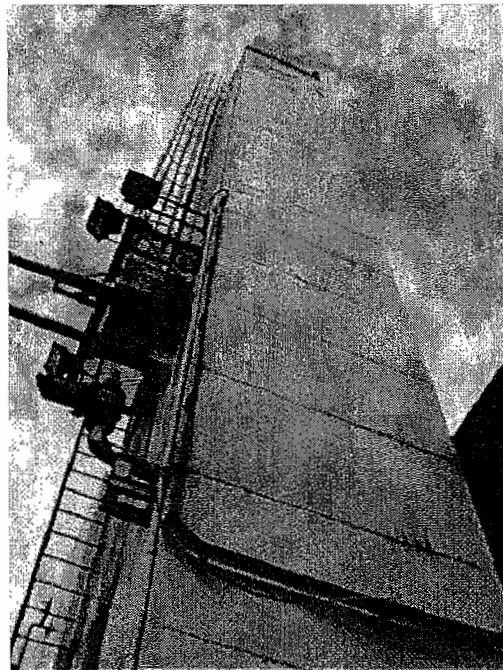
We use the Cryogenic Distillation method to produce liquid nitrogen and liquid oxygen in our ASU. Our ASU was manufactured by American Air Plant from US and our Group acquired the used ASU from PT Aneka Gas Industri from Indonesia. The total cost of the ASU inclusive of installation and other ancillary costs is approximately RM13.50 million.

Within the overall industrial gas industry, Cryogenic Distillation is currently the principal method of producing liquid nitrogen, liquid oxygen and liquid Argon.

The process generally involves liquefying air by cooling it to a very low temperature and then carefully heating the liquid so that the various component gases leave the mixture one at a time.

#### **Cryogenic Distillation in Industrial Gas Production**

Before processing, the air is treated and filtered to remove impurities that can clog the ASU. Water and carbon dioxide are removed, as they will solidify at the low temperature during operation of the ASU.



**Our Group's ASU**

Air compressors and heat exchangers are used to cool and liquefy the air. The liquefied air is fed through the base of a high-pressure fractionating column. As the liquefied air works its way up the column, it loses additional heat. The oxygen (which is the fraction with the highest boiling point) continues to liquefy, forming an oxygen-rich mixture at the bottom of the column, while most of the nitrogen and Argon (which have lower boiling points) remain in gas form and continue to flow to the top of the fractionating column.



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**4. INFORMATION ON OUR GROUP (Cont'd)**

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The liquid oxygen mixture (known as crude liquid oxygen) is drawn out of the bottom of the fractionating column and cooled further. The crude liquid oxygen is fed into the top of a low-pressure fractionating column. As the crude liquid oxygen flows down the low-pressure fractionating column, most of the remaining nitrogen and other gases leave the crude liquid oxygen in gas form, leaving purified liquid oxygen at the bottom of the column. The liquid oxygen can be further processed in additional fractionating columns if higher purity is required.

The nitrogen and other gases from the top of the high-pressure fractionating column are drawn off and cooled further. The mixture is fed into the top of another low-pressure fractionating column. Argon, which has a higher boiling point than nitrogen, flows to the bottom of the column as a liquid, while the nitrogen turns into gas. The nitrogen flows to the top of the column as very pure gaseous nitrogen. The nitrogen can be further processed in additional fractionating columns if higher purity is required.

The liquid Argon can be removed from the low-pressure fractionating column and processed with a third fractionating column to produce high purity Argon.

**(ii) Oxygen**

Oxygen is the second most abundant gas in the atmosphere, with approximately 21% of the atmosphere by volume consisting of oxygen. Please refer to Section 4.5.2 (i) of this Prospectus for further details on oxygen.

High purity oxygen is commonly produced on an industrial scale by the Cryogenic Distillation method. Oxygen can also be produced by chemical synthesis or by the electrolysis of water, although these methods are only normally used to produce relatively small amounts of the gas.

**(iii) Nitrogen**

Nitrogen is the most abundant gas in the atmosphere, with approximately 78% of the atmosphere by volume consisting of nitrogen. Please refer to Section 4.5.2 (ii) of this Prospectus for further details on nitrogen.

High purity nitrogen is commonly produced on an industrial scale by the Cryogenic Distillation method.

**(iv) Argon**

Argon is the most common noble gas present in the atmosphere, making up approximately 0.9% of the atmosphere by volume. Please refer to Section 4.5.3 (i) of this Prospectus for further details on Argon.

High purity Argon is commonly produced on an industrial scale by the Cryogenic Distillation method.

**(v) Carbon Dioxide**

Carbon dioxide is normally produced by the combustion of substances containing carbon such as wood, petroleum or natural gas. It is also a by-product of fermentation or hydrogen production or may be formed by chemical synthesis.

Please refer to Section 4.5.3 (ii) of this Prospectus for further details on carbon dioxide.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

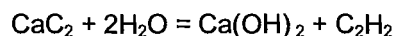
##### (vi) Acetylene

Acetylene is classified as a hydrocarbon, as it is a compound that consists entirely of carbon and hydrogen. Please refer to Section 4.5.2 (iii) of this Prospectus for further details on the Oxygen.

Acetylene may be produced on an industrial scale using a number of methods as follows:-

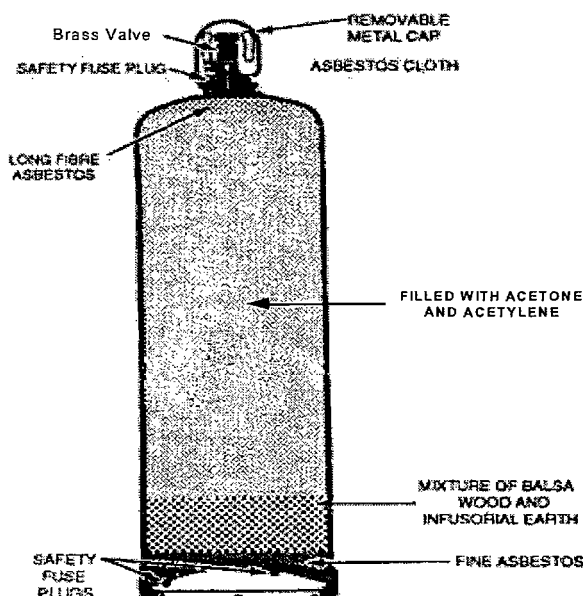
- As the by-product of a chemical reaction between calcium carbide and water;
- By partial combustion of methane; and
- Through thermal cracking of hydrocarbons where the temperature of hydrocarbons is raised to the point where the atomic bonds break or crack and the atoms are rebond to form different materials. Through this process, Acetylene is generated as a co-product to make ethylene.

We produce Acetylene by reacting calcium carbide with water. The chemical equation for the reaction is as follows:-



*Note: CaC<sub>2</sub> represents calcium carbide, H<sub>2</sub>O represents water, Ca(OH)<sub>2</sub> represents calcium hydroxide and C<sub>2</sub>H<sub>2</sub> represents Acetylene.*

A high degree of care must be taken in handling, storing and transporting Acetylene, as it is a highly flammable and unstable compound. Pure or highly concentrated Acetylene can explosively decompose. Acetylene can explode violently if the pressure of the gas exceeds approximately 2 atmospheres, or if it is in liquid or solid form. Acetylene also forms an explosive mixture with air that is readily ignited by sparks and flames.



**Cut-away Diagram of a Typical Acetylene Gas Cylinder**

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Acetylene is commonly stored and transported in gas cylinders. The gas cylinder contains a porous filling that is partially filled with acetone, which is a solvent for Acetylene. Acetylene is injected under pressure into the cylinder, where it dissolves in the acetone. The Acetylene will remain dissolved in the acetone as long as the cylinder is sealed.

##### 4.5.9.2 Policies of R&D

Our R&D policies are focused on internal process improvement and quality assurance as a means of strengthening our competitiveness.

Continuing process improvement and quality assurance are important in enabling our Group to achieve the following:-

- (i) Maximise the efficiency and productivity of the ASU and Acetylene production plant to maximise yield and minimise production costs;
- (ii) Minimise ASU and Acetylene production plant down-time to maximise capacity utilisation; and
- (iii) Maintain a very high level of safety, particularly at the Acetylene production plant, to prevent accidents.

##### 4.5.9.3 R&D Expenditure

We did not recognise any expenditure that is specific to R&D activities during the past three (3) FYE 31 December 2007 to FYE 31 December 2009 and the 4-month FPE 30 April 2010 as our R&D activities are mainly related to process improvement.

#### 4.6 OTHER BUSINESS ASPECTS

##### 4.6.1 Production Facilities, Capacity and Utilisation

Our operations are currently focused only on Southern Industrial Gas. Our operational facilities are as follows:-

Main Types of Activities Carried out at the Facility	Approximate Land Area (square meters)	Location of Facility
Manufacturing of liquid oxygen, liquid nitrogen, Acetylene and mixed gases, and refilling of industrial gases such as oxygen, nitrogen, Argon, carbon dioxide, Gas Mixtures and Acetylene	14,516	PLO 137, Kawasan Perindustrian Senai III, 81400 Senai, Johor
Manufacturing of mixed gases, and refilling of industrial gases such as oxygen, nitrogen, Argon, carbon dioxide and ethylene	4,679	No. 17, Jalan BP 4/1, Bandar Bukit Puchong, 47120 Puchong, Selangor

**4. INFORMATION ON OUR GROUP (Cont'd)**

<b>Main Types of Activities Carried out at the Facility</b>	<b>Approximate Land Area (square meters)</b>	<b>Location of Facility</b>
Refilling of industrial gases such as oxygen and carbon dioxide	1,904	Lot 6215 & Lot 6216, Krubong Industrial Park, 75250 Krubong, Malacca
Refilling of industrial gases such as oxygen	1,799	No. 1, Jalan IM 14/8, Bandar Indera Mahkota, 25200 Kuantan, Pahang
Manufacturing of Acetylene and Fuming Gases, and refilling of carbon dioxide	12,536	Lot 10688, Jalan Permata 1/4, Kawasan Perindustrian Arab Malaysia, Mukim Sentul Nilai, Negeri Sembilan
Refilling of industrial gases such as oxygen, nitrogen and carbon dioxide	5,192	Plot 235, Jalan Perindustrian Bukit Minyak 7, Kawasan Perindustrian Bukit Minyak 13, Seberang Perai, Penang

Southern Industrial Gas's capacity and production capacity for its ASU for the production of liquid oxygen and liquid nitrogen for the FYE 31 December 2009 is as follows:-

<b>Product</b>	<b>Annual Capacity <sup>(1)</sup> (Tonnes)</b>	<b>Production Capacity for FYE 31.12.2009 (Tonnes)</b>
Liquid oxygen	Variable	8,766
Liquid nitrogen	Variable	3,334
<b>Total</b>	<b>20,160</b>	<b>12,100</b>

**Notes:-**

- (1) Annual capacity is based on production being carried out 24 hours per day throughout the year.  
(2) The production capacity for Gas Mixtures is not available as it is dependent on the production capacities of the other products (i.e. the types of gases being mixed to produce the specific Gas Mixtures).

Our ASU has the capacity to produce a total of 20,160 tonnes of liquid oxygen and liquid nitrogen per year. The mix of liquid oxygen and liquid nitrogen produced can be varied based on demand for these gases.

The mix (by weight) of liquid oxygen and liquid nitrogen that can be produced at any one time ranges between the following:-

- A maximum of 78.6% liquid oxygen and 21.4% liquid nitrogen;
- A maximum of 78.6% liquid nitrogen and 21.4% liquid oxygen; and
- A mixture of liquid oxygen and liquid nitrogen that falls within the two ranges.

Southern Industrial Gas's average utilisation rate for the production of liquid oxygen and liquid nitrogen during the FYE 31 December 2009 was approximately 60.02%.

**4. INFORMATION ON OUR GROUP (Cont'd)**

Southern Industrial Gas's capacity, production and utilisation rate for the production of Acetylene for the FYE 31 December 2009 was as follows:-

<b>Product</b>	<b>Annual Capacity (m<sup>3</sup>) *</b>	<b>Production for FYE 31.12.2009 (m<sup>3</sup>)</b>	<b>Utilisation Rate for FYE 31.12.2009 (%)</b>
Acetylene	864,000	795,804	92.11

**Note:-**

\* Annual capacity is based on production being carried out 24 hours per day throughout the year.

Southern Industrial Gas's utilisation rate for the production of Acetylene during the FYE 31 December 2009 was approximately 92%. This relatively high utilisation rate indicates that our Acetylene production plant is being used efficiently.

Our new Nilai plant has the capacity to produce 1,296,000 m<sup>3</sup> of Acetylene per year, based on one 12-hour shift per day at the plant.

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**4. INFORMATION ON OUR GROUP (Cont'd)****4.6.2 Types, Sources and Availability of Raw Materials**

The purchases made by us for the FYE 31 December 2009 are as follows:-

	Value of Purchases (RM'000)	Percentage of Purchases (%)	Source	
			Malaysia (%)	Overseas (%)
<b>Purchases of Inputs</b>				
Calcium Carbide	6,933	25.67	97.19	2.81
Electricity	4,530	16.77	100.00	-
Liquid Argon	3,873	14.34	43.82	56.18
Liquid Carbon Dioxide	2,694	9.97	87.67	12.33
Acetone	431	1.60	100.00	0.00
<b>Total</b>	<b>18,461</b>	<b>68.35</b>	<b>85.36</b>	<b>14.64</b>
<b>Purchases of Finished Products</b>				
Refrigerants	3,848	14.25	63.58	36.42
Specialty Gas	1,189	4.40	37.06	62.94
Acetylene	1,523	5.64	100.00	-
Welding Products	989	3.66	98.79	1.21
Liquid Oxygen	500	1.85	70.70	29.30
Other Products	463	1.71	21.86	78.14
<b>Total</b>	<b>8,512</b>	<b>* 31.52</b>	<b>68.63</b>	<b>31.37</b>
<b>Sub-contracted Services</b>				
Piping Works	35	0.13	100.00	-
<b>Total</b>	<b>35</b>	<b>0.13</b>	<b>100.00</b>	<b>-</b>
<b>TOTAL PURCHASES</b>	<b>27,008</b>	<b>100.00</b>	<b>80.11</b>	<b>19.89</b>

**Note:-**

\* Does not add up due to rounding.

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**4. INFORMATION ON OUR GROUP (Cont'd)**

The purchases made by us for the 4-month FPE 30 April 2010 are as follows:-

	Value of Purchases (RM'000)	Percentage of Purchases (%)	Source	
			Malaysia (%)	Overseas (%)
<b>Purchases of Inputs</b>				
Calcium Carbide	1,680	18.90	100.00	0
Electricity	1,154	12.98	100.00	0
Liquid Argon	1,191	13.40	44.95	55.05
Liquid Carbon Dioxide	989	11.12	99.78	0.22
Acetone	145	1.63	100.00	0
<b>Total</b>	<b>5,159</b>	<b>58.03</b>	<b>87.25</b>	<b>12.75</b>
<b>Purchases of Finished Products</b>				
Refrigerants	1,799	20.23	61.06	38.94
Acetylene	22	0.25	100.00	0
Specialty Gas	463	5.21	36.70	63.30
Welding Products	565	6.35	100.00	0
Liquid Oxygen	370	4.16	61.75	38.25
Liquid Nitrogen	203	2.28	36.57	63.43
Other Products	310	3.49	8.18	91.82
<b>Total</b>	<b>3,732</b>	<b>41.97</b>	<b>58.53</b>	<b>41.47</b>
<b>TOTAL PURCHASES</b>	<b>8,891</b>	<b>100.00</b>	<b>75.20</b>	<b>24.80</b>

**Note:-**

\* Does not add up due to rounding.

The main raw material for the production of oxygen and nitrogen is air, which is available free of charge.

Calcium carbide is the main raw material used in producing Acetylene. Between the FYE 31 December 2005 to FYE 31 December 2009, the average price of the calcium carbide that we purchased increased by approximately 46%. During the FPE 30 April 2010, the average price of the calcium carbide that we purchased decreased by approximately 10% compared to the average purchase price during FYE 31 December 2009.

The other main component of is electricity. The average price of the electricity fluctuate not more than 10% from year to year between the FYE 31 December 2005 to FYE 31 December 2008. However, during the FYE 31 December 2009, the average price of the electricity increased by approximately 22% compared to the average purchase price during FYE 31 December 2008.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Southern Industrial Gas purchased the following from its suppliers in Singapore:-

- (a) Refrigerant products from Sing Swee Bee Enterprise Pte Ltd;
- (b) Liquid oxygen, liquid Argon, liquid carbon dioxide and Specialty Gases from SSB Cryogenic Equipment Pte Ltd; and
- (c) Specialty Gases from Chem-Gas Pte Ltd.

The rationale for purchasing the abovementioned products from the suppliers who are based in Singapore are mainly due to:-

- (i) support our Group's operations in Senai, Johor particularly in logistics sense, i.e. after taking into consideration of delivery efficiency in terms of distance and timing which could translates into savings in transportation cost by approximately 36% as compared to purchases being made from other alternative local suppliers in Klang Valley. Southern Industrial Gas does purchase from other local suppliers in Klang Valley to support our Group's operations in Klang Valley, Malacca and Penang;
- (ii) other suppliers may not be able to meet our Group's requirements in terms of quantity and demand due to their limited capacities; and
- (iii) certain types of Specialty Gases such as helium, purified helium, helium balloon gas and ethylene oxide are not produced locally. In addition, some local petrol chemical manufacturers produced certain types of Specialty Gases such as propane and ethylene for their own internal use only. As such, the abovementioned Specialty Gases were imported from Singapore in order to meet the demand of our Group's customers.

Further details on Sing Swee Bee Enterprise Pte Ltd and SSB Cryogenic Equipment Pte Ltd are set out in Section 7.1.1 of the Prospectus.

#### 4.6.3 Sales and Marketing

##### 4.6.3.1 Marketing Strategies

Our marketing strategy is to position our Group as a supplier of high quality industrial gases. We operate our own ASU and produce high purity liquid oxygen and liquid nitrogen.

We also complement our own manufactured gases with those produced by third-parties. This enables us to maximise from our customer base and distribution network to sell a wide range of industrial gases to increase our revenue stream.

We also position ourselves as a one-stop supplier for oxy-Acetylene welding needs, as we supply welding equipment and consumables in addition to oxygen and Acetylene to our customers.

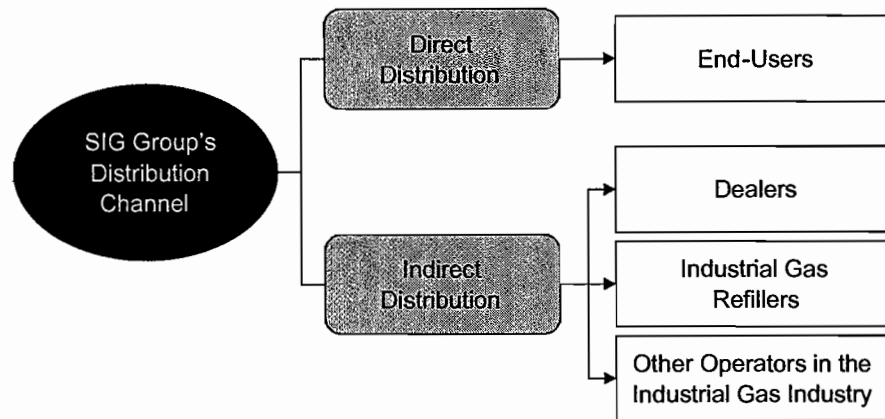
To support our marketing strategy, as at LPD, we have 21 Sales and Marketing personnel focused on new business development and servicing existing customers.



#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.6.3.2 Distribution Channel Strategy

Our distribution channel strategy comprises both direct and indirect distribution as follows:-



Our distribution strategy enables us to maximise our profit margin by selling directly to large end-users and maximise market coverage by using intermediaries.

We sell our industrial gases directly to customers in the following industries:-

- (i) Shipbuilding;
- (ii) Metal fabrication;
- (iii) Manufacture of machinery and equipment;
- (iv) Iron and steel industry;
- (v) Chemical;
- (vi) Healthcare; and
- (vii) Others.

We also sell our industrial gases to intermediaries as follows:-

- (i) Dealers, who sell to end-users without further processing;
- (ii) Refillers, who buy gases in bulk liquid or gaseous form and refill them into cylinders for resale to dealers and end-users; and
- (iii) Other operators including manufacturers for use in manufacturing Gas Mixtures.

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

The number of dealers, refillers and other operators of our Group via our indirect distribution channel and their respective locations are as set out below:-

FPE 30 April 2010	Indirect Distribution Channel			Total
	No. of Dealers	No. of Refillers	No. of Other Operators	
Central Region	26	-	3	29
Southern Region	27	2	5	34
Northern Region	13	-	1	14
		-	-	
Total	66	2	9	77

Our Group's revenue contribution segmented by end user industries via our direct and indirect distribution channels for the 4-month FPE 30 April 2010 is as follows:-

Region	Revenue for the FPE 30 April 2010											% of Total Revenue
	Direct Distribution Channel					Total for Direct Distribution Channel (RM'000)	Indirect Distribution Channel				Total (RM'000)	
	Shipbuilding (RM'000)	Fabrication Work (RM'000)	Refrigerant (RM'000)	Construction and Engineering Works (RM'000)	Others* (RM'000)		Dealers (RM'000)	Refillers (RM'000)	Other Operators (RM'000)	Total for Indirect Distribution Channel (RM'000)		
Central Region	33	972	740	479	2,710	4,934	3,572	-	436	4,008	8,943	48.15
Southern Region	1,608	915	782	351	949	4,605	1,778	462	-	2,240	6,845	36.85
Northern Region	327	134	305	169	529	1,464	1,056	31	-	1,087	2,551	13.73
Sabah	-	-	-	-	-	-	-	-	-	-	-	-
Singapore	-	-	-	-	15	15	-	-	102	102	117	0.63
Indonesia	-	-	-	-	-	-	-	-	119	119	119	0.64
Total	1,968	2,021	1,827	999	4,203	11,018	6,406	493	657	7,556	18,575	100.00
% of Total Revenue	10.59	10.88	9.84	5.38	22.63	59.32	34.49	2.65	3.54	40.68	100.00	

**Note:-**

\* Others comprising of metal stamping, electrical and electronics, steel mills / stainless steel, scrap metal, oil and gas, automotive, laboratory, furniture, hit treatment, medical, chemical, foods, ice manufacture and rubber / plantation.

We generally sell our products directly to larger end-users who purchase large quantities of industrial gases and to end-users that are located close to our various facilities.

We generally utilise the indirect distribution strategy of selling our products through intermediaries to serve end-users who are located far from our various facilities as well as to serve customers who normally purchase smaller quantities of industrial gases.

#### 4.6.4 Intellectual Property

We do not own any brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights.

**4. INFORMATION ON OUR GROUP (Cont'd)****4.6.5 Principal Markets**

Our revenue contribution segmented by geographic markets for the FYE 31 December 2009 and the 4-month FPE 30 April 2010 is as follows:-

	Revenue for the FYE 31 December 2009		Revenue for the 4- month FPE 30 April 2010	
	RM'000	%	RM'000	%
<b>Malaysia</b>				
Selangor	17,677	32.39	6,250	33.65
Johor	19,288	35.35	5,863	31.56
Pahang	4,998	9.16	1,633	8.79
Penang	3,380	6.19	1,461	7.87
Malacca	2,576	4.72	983	5.29
Negeri Sembilan	1,423	2.61	408	2.20
Terengganu	1,191	2.18	414	2.23
Perak	871	1.60	285	1.53
Kuala Lumpur	1,335	2.45	651	3.50
Kedah	791	1.45	373	2.01
Kelantan	1	-	18	0.10
Sabah	-	-	-	-
<b>Sub-Total</b>	<b>53,531</b>	<b>98.10</b>	<b>18,339</b>	<b>98.73</b>
<b>Overseas</b>				
Singapore	750	1.37	117	0.63
Indonesia	287	0.53	119	0.64
<b>Sub-Total</b>	<b>1,037</b>	<b>1.90</b>	<b>236</b>	<b>1.27</b>
<b>TOTAL</b>	<b>54,568</b>	<b>100.00</b>	<b>18,575</b>	<b>100.00</b>

The Malaysian market accounted for 98.10% and 98.73% of our total revenue for the FYE 31 December 2009 and 4-month FPE 30 April 2010 respectively.

We served customers in 12 states and federal territory in Malaysia. Our largest markets in Malaysia were Selangor and Johor, which accounted for 32.39% and 35.35% respectively of our total revenue for the FYE 31 December 2009.

During the 4-month FPE 30 April 2010, Selangor and Johor accounted for 33.65% and 31.56% respectively of our total revenue.

Our sole overseas market for the FYE 31 December 2009 was Singapore and Indonesia, which accounted for 1.37% and 0.53% respectively of our total revenue. For the 4-month FPE 30 April 2010, our overseas markets were Singapore and Indonesia, which accounted for 0.63% and 0.64% respectively of our total revenue.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.6.6 Seasonal or Cyclical Effect

We do not experience any material seasonality in our business as our business operations are relatively stable throughout the year with the exception of a minor slowdown in business activity during the principal festive seasons at the beginning and end of each calendar year.

##### 4.6.7 Major Customers

Our Group has more than 1,000 customers, nevertheless, none of our customers individually contributed to 10% or more of our total revenue for any of the past three (3) FYE 31 December 2007 to FYE 31 December 2009 and for the 4-month FPE 30 April 2010.

##### 4.6.8 Major Suppliers

The value of purchases from our suppliers that accounted for more than 10% of our total purchases for the past three (3) FYE 31 December 2007 to FYE 31 December 2009 and 4-month FPE 30 April 2010 are as follows:-

Supplier Name	Principle Activities	Length of Relationship	Purchases							
			FYE 31.12.2007		FYE 31.12.2008		FYE 31.12.2009		FPE 30.04.2010	
			(RM '000)	(%)	(RM '000)	(%)	(RM '000)	(%)	(RM '000)	(%)
Magnalium Sdn Bhd	Manufacturing and trading of calcium carbide, and dissolved Acetylene	7	3,308	14.08	3,866	13.62	5,179	18.52	1,277	14.36
Tenaga Nasional Berhad	Supply of electricity	14	4,902	20.87	5,589	19.69	4,530	16.20	1,154	12.98
MOX-Linde Gases Sdn Bhd	Gas manufacturer	7	-	-	3,334	11.74	3,417	12.22	1,051	11.82
SSB Cryogenic Equipment Pte Ltd	Importers, exporters and traders of cryogenic tanks, equipment, accessories and cryogenic	13	2,705	11.52	3,215	11.32	3,301	11.80	1,179	13.26
Sing Swee Bee Enterprise Pte Ltd *	Importers, exporters, distributors and wholesalers of industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment and accessories	13	2,027	8.63	2,782	9.80	2,709	9.69	1,268	14.26
MCB Industries Sdn Bhd	Manufacturing and trading of calcium carbide, and dissolved Acetylene	8	127	0.54	3,092	10.89	2,636	9.43	426	4.79
<b>Total Group Purchases</b>			<b>23,493</b>		<b>28,390</b>		<b>27,968</b>		<b>8,891</b>	

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Note:

- \* *Inclusive of other purchases and purchase of plant, property and equipment. Further details on Sing Swee Bee Enterprise Pte Ltd are set out in Section 7.1.1 of this Prospectus.*

In addition to the above, Cryomaster Sdn Bhd, Teknogas (M) Sdn Bhd, Chem-Gas Pte Ltd and Air Products Malaysia Sdn Bhd are some of our other suppliers for calcium carbide, liquid gases and Specialty Gases.

#### Mitigating factors against dependency on our suppliers

Our business may be dependent on the following suppliers by virtue of their contribution towards our purchases for the FYE 31 December 2009:-

- (i) Magnalium Sdn Bhd, which accounted for 18.52% of our purchases;
- (ii) Tenaga Nasional Berhad, which accounted for 16.20% of our purchases;
- (iii) MOX-Linde Gases Sdn Bhd, which accounted for 12.22% of our purchases;
- (iv) SSB Cryogenic Equipment Pte Ltd of Singapore, which accounted for 11.80% of our purchases;
- (v) Sing Swee Bee Enterprise Pte Ltd, which accounted for 9.69% of our purchases; and
- (vi) MCB Industries Sdn Bhd, which accounted for 9.43% of our purchases.

Some of our mitigating factors against over-dependency on suppliers are as follows:-

#### (i) Magnalium Sdn Bhd

- (a) We are a producer of Acetylene and as a result is not dependent on Magnalium Sdn Bhd for the supply of Acetylene.
- (b) We purchased calcium carbide from one other supplier from among our top 20 suppliers during the FYE 31 December 2009, indicating that we have alternative source of supply.
- (c) Magnalium Sdn Bhd has been our supplier for 7 years, indicating a long-term and stable business relationship. This will provide the basis for a continuing business relationship.

#### (ii) Tenaga Nasional Berhad

Tenaga Nasional Berhad is the monopoly supplier of electricity to end-users in Malaysia. As a result, we have no practical alternative other than to purchase electricity from Tenaga Nasional Berhad. This dependency applies to most companies in Peninsular Malaysia.

#### (iii) MOX-Linde Gases Sdn Bhd

- (a) We are a producer of liquid nitrogen and liquid oxygen and as a result is not dependent on MOX-Linde Gases Sdn Bhd for the supply of these liquid gases.
- (b) We purchased liquid gases from one other supplier from among our top 20 suppliers during the FYE 31 December 2009, indicating that we have alternative source of supply.
- (c) MOX-Linde Gases Sdn Bhd has been our supplier for 7 years, indicating a long-term and stable business relationship. This will provide the basis for a continuing business relationship.

**4. INFORMATION ON OUR GROUP (Cont'd)**

**(iv) SSB Cryogenic Equipment Pte Ltd**

- (a) We purchased speciality gases from 4 other suppliers from among our top 20 suppliers during the FYE 31 December 2009, indicating that we have alternative source of supply.
- (b) SSB Cryogenic Equipment Pte Ltd has been our supplier for 13 years, indicating a long-term and stable business relationship. This will provide the basis for a continuing business relationship.

**(v) Sing Swee Bee Enterprise Pte Ltd**

- (a) We purchased Refrigerants from two (2) other suppliers from among our top 20 suppliers during the FYE 31 December 2009, indicating that we have alternative source of supply.
- (b) We purchased cylinders and valves from Sing Swee Bee Enterprise Pte Ltd. Sing Swee Bee Enterprise Pte Ltd has been our supplier for 13 years, indicating a long-term and stable business relationship. This will provide the basis for a continuing business relationship. Please refer to Section 7.1.1 and Section 7.4 (i) for further details.

**(vi) MCB Industries Sdn Bhd**

- (a) We purchased calcium carbide from one other supplier from among our top 20 suppliers during the FYE 31 December 2009, indicating that we have alternative source of supply.
- (b) MCB Industries Sdn Bhd has been our supplier for 8 years, indicating a long-term and stable business relationship. This will provide the basis for a continuing business relationship.

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**4. INFORMATION ON OUR GROUP (Cont'd)****4.6.9 Material Plant, Machinery and Equipment**

Our material plant, machinery and equipment are as follows:-

<b>Plant / Machinery / Equipment</b>	<b>Description</b>	<b>No. of units</b>	<b>Audited NBV as at 30 April 2010 (RM'000)</b>
Air separation plant unit	Produce liquid oxygen and liquid nitrogen	1	9,535
Dissolved Acetylene and refilling plant	Produce and refilling of Acetylene gas	2	3,173
Fuming Gas plant	Produce Fuming Gas	1	668
Refilling gas plant	Refilling of oxygen, nitrogen, Argon and carbon dioxide	15	1,821
Liquid storage tanks	Liquid storage	25	3,684
ISO tanks	Storage and transport liquid	3	716
Cylinders and portable liquid containers / liquid gas containers	Gas and liquid containers	98,602	29,976
Gas Chromatograph	Analyser for gas purity	1	198
Long tube	Store and transport compressed hydrogen	2	729
<b>Total</b>			<b>50,500</b>

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.6.10 Material Capital Expenditures and Divestitures

Save as disclosed below, we did not incur any other material capital expenditures and divestitures for the past 3 years up to the LPD:-

Description	Transaction value (RM'000)			
	<----- FYE 31 December ----->			1 January 2010 up to the LPD <sup>(1)</sup>
	2007	2008	2009	
Freehold land	-	<sup>(2)</sup> 2,197	44	-
Leasehold Land	<sup>(3)</sup> 682	-	-	-
Factory buildings	9	<sup>(3)</sup> 1,555	<sup>(2)</sup> 5,783	82
Dissolved Acetylene and refilling plant	-	-	<sup>(2)</sup> 2,462	20
Fuming Gas plant	-	-	661	22
Liquid storage tanks	-	74	670	214
Refilling gas plant	141	451	40	15
ISO tanks	-	397	-	-
Cylinders and portable liquid containers/liquid gas containers <sup>(4)</sup>	2,042	5,447	4,013	3,074
Long tube	-	-	468	308
Gas Chromatograph	-	235	1	-
<b>Total</b>	<b>2,874</b>	<b>10,356</b>	<b>14,142</b>	<b>3,735</b>

##### Notes:-

- (1) The capital expenditures are financed by a combination of internally generated funds and bank borrowings.
- (2) Our freehold land and single storey detached office and factory located at Lot 10688, Jalan Permata 1/4, Kawasan, Perindustrian Arab Malaysian, Mukim, Setul Daerah Seremban (Please refer to item no. (5) in Section 4.6.12 of this Prospectus for further details). The construction of our Nilai plant was completed in September 2009 and we started operations in December 2009 for the manufacturing of Acetylene gas.
- (3) Leasehold land and building located at Plot 235, Taman Perindustrian Bukit, Minyak, Penang. Please refer to item no. (3) in Section 4.6.12 of this Prospectus for further details.



**4. INFORMATION ON OUR GROUP (Cont'd)**

- (4) *The units of cylinders and portable liquid containers purchase for the past 3 years up to LPD are as below:*

	<b>FYE 2007 (Units)</b>	<b>FYE 2008 (Units)</b>	<b>FYE 2009 (Units)</b>	<b>1 January 2010 up to the LPD (Units)</b>
<i>Cylinders</i>	2,735	10,648	7,616	5,983
<i>Portable liquid containers</i>	10	10	20	15

**4.6.11 Material Plans to Construct, Expand or Improve Facilities**

As at the LPD, we have no immediate plans to construct, expand or improve on existing facilities, saved as disclosed in Sections 2.8 and 4.8 of this Prospectus.

**4.6.12 Properties**

As at the LPD, we own the following properties:-

<b>No.</b>	<b>Location</b>	<b>Description/ Existing Use</b>	<b>Approximate Land Area/ Built-up Area</b>	<b>Approximate Age of Building/ Tenure</b>	<b>Audited NBV as at 30 April 2010 (RM'000)</b>	<b>Encumb rances</b>
1.	PLO 137, Kawasan Perindustrian Senai III, 81400 Senai, Johor	Double storey detached office and factory/ Manufacturing of liquid oxygen, liquid nitrogen and Acetylene gas, and refilling of industrial gas such as oxygen, nitrogen, Argon, carbon dioxide and Gas Mixture	14,516 square meter/ 4,359 square meter	12 years/ 60 years lease expiring on 13.02.2060	4,817	Charged to RHB Bank Bhd
2.	No. 17, Jalan BP 4/1, Bandar Bukit Puchong, 47100 Puchong, Selangor	Double storey detached office and refilling plant/ Refilling of industrial gases such as oxygen, nitrogen, Argon, carbon dioxide and Gas Mixture	4,679 square meter/ 1,427 square meter	9 years/ Freehold	3,164	Charged to RHB Bank Bhd
3.	Plot 235, Taman Perindustrian Bukit Minyak, Penang	Single storey detached office and refilling plant/ Refilling of industrial gases such as oxygen and carbon dioxide	5,192 square meter/ 943 square meter	1.5 years/ 60 years lease expiring on 08.08.2067	2,235	Charged to OCBC Bank (M) Bhd
4.	Lot 6215 and Lot 6216, Krubong Industrial Park, 75250 Mukim Krubong, Malacca	Office cabin and refilling plant/ Refilling of industrial gases such as oxygen and carbon dioxide	1,904 square meter/ 149 square meter	5.5 years/ Freehold	307	Nil
5.	GRN 128880, Lot 10688, Jalan Permata ¼ (previously known as Lot 114 HS(D) 110941, PT 16767), Kawasan Perindustrian Arab Malaysian, Mukim Setul Daerah Seremban, Negeri Sembilan	Single storey detached office and factory/ Manufacturing of dissolved Acetylene gas and Fuming Gas	12,536 square meter/ 1,977 square meter	2 months/ Freehold	7,873	Charged to RHB Bank Bhd
<b>Total</b>					<b>18,396</b>	

There is no valuation undertaken on the properties of our Group as tabulated above pursuant to the listing exercise.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

The Directors of our Company have confirmed that:-

- (i) There are no other restrictions in interest or encumbrances;
- (ii) The existing use on all land is in accordance with land use conditions/ permissible land use;
- (iii) The buildings are in compliance with relevant land use and building regulations;
- (iv) The buildings are in compliance with the express conditions attached; and
- (v) All the buildings have been issued with a Certificate of Fitness.

As at the LPD, we are the tenant of the following property:-

Location	Description/ Existing Use	Approximate Land Area/ Built-up Area	Approximate Age of Building/ Tenure	Duration	Annual Rental (RM)
No. 1, Jalan IM 14/8, Kawasan Perindustrian Ringan Sektor, Bandar Indera Mahkota, 25200 Kuantan, Pahang	Single storey semi-detached factory and refilling plant/ Refilling of industrial gases such as oxygen	1,799 square meter/ 354 square meter	6 years/ 99 years lease to expiring on 9.3.2103	01.06.2010 to 31.05.2011	31,200

Note:-

On 19 July 2007, Southern Industrial Gas has entered into a tenancy agreement with Saujana Perkasa Construction (Pahang) Sdn Bhd for the rental of the abovementioned property. Subsequently, Saujana Perkasa Construction (Pahang) Sdn Bhd has sold the abovementioned property to Lim Jiew Yang and Lim Ming Haur. Pursuant to this change of ownership of the abovementioned property, Southern Industrial Gas has entered into a new tenancy agreement with Lim Jiew Yang and Lim Ming Haur on 1 June 2010 for a term of 1 year commencing on 1 June 2010 and expiring on 31 May 2011.

As at the LPD, there is no regulatory requirement or environmental issue, which may materially affect our Group's operations and utilisation of assets.

#### 4.6.13 APPROVALS, MAJOR LICENCES AND PERMITS OBTAINED

The following are the approvals, major licences and permits issued to companies in our Group in order for us to carry out our operations, other than those pertaining to general business registration requirements:-

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
MIDA and MITI	04.07.2008	-	Manufacturing Licence  Licence No.- A 016842  Serial No.- A 028725  Product - Refilling of industrial gases such as oxygen, nitrogen, carbon dioxide, Argon and Acetylene	<u>MITI</u>  (a) Site: Lot 114, HS(D) 110941, PT 16767 (now known as GRN 128880, Lot 10688, Jalan Permata ¼), Arab-Malaysian Industrial Park Nilai Negeri Sembilan Darul Khusus is subject to approval from the relevant State Government and Department of Environment.	Met

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.	Met
				(c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.	Met
				(d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.	Met
				<b>MIDA</b>	
				(a) This Licence or a certified true copy is required to be displayed at the factory where the manufacturing activity is conducted. A renewal is not mandatory and is legitimate unless invalidated as stipulated under the Industrial Co-Ordination Act, 1975. Should there be a change in the company's Registered Address (Form 44), the company is required to inform MIDA in writing concerning the same.	Met
				(b) This project is required to be executed within a period of 12 months from the date of enforcement of this Manufacturing Licence or within a specified period approved by the Licensing Officer.	Met

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(c) This company is encouraged to ensure that the composition of the Board of Directors should, as far as possible, reflect the company's equity structure. MITI must be kept informed should there be any appointment and change of members in the company's Board of Directors.</p> <p>(d) For local sale, the company should, as much as possible, employ services endeavoured by the Malaysian public including appointing Malaysian owned distributor companies where at least 30% of its sales to the domestic market need to be distributed by Bumiputera distributors.</p> <p>(e) This approval is subject to the provisions stated in the Industrial Co-Ordination Act, 1975 and any violation of conditions could result in the withdrawal of this Manufacturing Licence.</p> <p>(f) If the company decides to expand the capacity of its production or to diversify its products, the company is required to obtain approval from the Licensing Officer (Chief Secretary, MITI) by submitting applications using the relevant forms accessible vide MIDA's website (<a href="http://www.mida.gov.my">www.mida.gov.my</a>)</p>	<p>Met</p> <p>Will be met.</p> <p>This condition has not been fully met. Southern Industrial Gas will continue to identify and appoint Bumiputra distributors when the opportunity arises.</p> <p>Met</p> <p>Not applicable.</p> <p>Southern Industrial Gas has not expanded the capacity of its production or diversified its products. Southern Industrial Gas will obtain approval from the Licensing Officer if the company decides to expand the capacity of its production or to diversify its products</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
MIDA and MITI	17.03.2009	-	<p>Manufacturing Licence</p> <p>Licence No.- A 016842</p> <p>Serial No.- A 029351</p> <p>Product – Refilling of Fuming Gas</p>	<p><b>MITI</b></p> <p>(a) Site: Lot 114, HS(D) 110941, PT 16767, Arab-Malaysian Industrial Park, Nilai, Negeri Sembilan Darul Khusus is subject to approval from the relevant State Government and Department of Environment.</p> <p>(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.</p> <p>(c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.</p> <p>(d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.</p>	<p>Met</p> <p>Met</p> <p>Met</p> <p>Met</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p><b>MIDA</b></p> <p>(a) This Licence or a certified true copy is required to be displayed at the factory where the manufacturing activity is conducted. A renewal is not mandatory and is legitimate unless invalidated as stipulated under the Industrial Co-Ordination Act, 1975. Should there be a change in the company's Registered Address (Form 44), the company is required to inform MIDA in writing concerning the same.</p> <p>(b) This project is required to be executed within a period of 12 months from the date of enforcement of this Manufacturing Licence or within a specified period approved by the Licensing Officer.</p> <p>(c) This company is encouraged to ensure that the composition of the Board of Directors should, as far as possible, reflect the company's equity structure. MITI must be kept informed should there be any appointment and change of members in the company's Board of Directors.</p> <p>(d) For local sale, the company should, as much as possible, employ services endeavoured by the Malaysian public including appointing Malaysian owned distributor companies where at least 30% of its sales to the domestic market need to be distributed by Bumiputera distributors.</p>	<p>Met</p> <p>Met</p> <p>Met</p> <p>Will be met.</p> <p>This condition has not been fully met. Southern Industrial Gas will continue to identify and appoint Bumiputra distributors when the opportunity arises.</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(e) This approval is subject to the provisions stated in the Industrial Co-Ordination Act, 1975 and any violation of conditions could result in the withdrawal of this Manufacturing Licence.</p> <p>(f) If the company decides to expand the capacity of its production or to diversify its products, the company is required to obtain approval from the Licensing Officer (Chief Secretary, MITI by submitting applications using the relevant forms accessible vide MIDA's website (<a href="http://www.mida.gov.my">www.mida.gov.my</a>))</p>	<p>Met</p> <p>N/A. Southern Industrial Gas has not expanded the capacity of its production or diversified its products. Southern Industrial Gas will obtain approval from the Licensing Officer if the company decides to expand the capacity of its production or to diversify its products.</p>
MIDA and MITI	04.12.1996		<p>Manufacturing Licence</p> <p>Licence No.- A 010685</p> <p>Serial No.- A 016258</p> <p>Product – Carbon dioxide, Acetylene, oxygen, Argon &amp; nitrogen</p>	<p><b>MITI</b></p> <p>(a) Site: PLO 137, Kawasan Perindustrian Senai III 81400 Senai Johor Darul Ta'zim is subject to approval from the relevant State Government and Department of Environment.</p> <p>(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.</p> <p>(c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.</p>	<p>Met</p> <p>Met</p> <p>Met</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				(d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.	Met
MIDA and MITI	12.06.2001	-	Manufacturing Licence  Licence No.- A 010685  Serial No.- A 020055  Product - Mixed gas	<u>MITI</u>  (a) Site: PLO 137, Kawasan Perindustrian Senai III, 81400 Senai, Johor Darul Ta'zim is subject to approval from the relevant State Government and Department of Environment.	Met
				(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.  (c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.  (d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.	Met  Met  Met



## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
MIDA and MITI	11.12.2003	-	Manufacturing Licence Licence No.- A 010685 Serial No.- A 021987 Product - Liquid oxygen and liquid nitrogen	<p><b>MITI</b></p> <p>(a) Site: PLO 137, Kawasan Perindustrian Senai III, 81400 Senai Johor Darul Ta'zim is subject to approval from the relevant State Government and Department of Environment.</p> <p>(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.</p> <p>(c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.</p> <p>(d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.</p>	<p>Met</p> <p>Met</p> <p>Met</p> <p>Met</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p><b>MIDA</b></p> <p>(a) This Licence or a certified true copy is required to be displayed at the factory where the manufacturing activity is conducted. A renewal is not mandatory and is legitimate unless invalidated as stipulated under the Industrial Co-Ordination Act, 1975.</p> <p>(b) This project is required to be executed within a period of 12 months from the date of enforcement of this Manufacturing Licence or within a specified period approved by the Licensing Officer.</p> <p>(c) This company is encouraged to ensure that the composition of the Board of Directors should, as far as possible, reflect the company's equity structure. MITI must be kept informed should there be any appointment and change of members in the company's Board of Directors.</p> <p>(d) For local sale, the company should, as much as possible, employ services endeavoured by the Malaysian public including appointing Malaysian owned distributor companies where at least 30% of its sales to the domestic market need to be distributed by Bumiputera distributors.</p>	<p>Met</p> <p>Met</p> <p>Met</p> <p>Will be met.</p> <p>This condition has not been fully met. Southern Industrial Gas will continue to identify and appoint Bumiputera distributors when the opportunity arises</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(e) The company is required to issue a report to MIDA vide forms attached herewith on the developments that were achieved subsequent to the execution of this project, 6 months from the date of issuance of this licence.</p> <p>(f) This approval is subject to the provisions stated in the Industrial Co-Ordination Act, 1975 and any violation of conditions could result in the withdrawal of this Manufacturing Licence.</p>	<p>Met</p> <p>Met</p>
MIDA and MITI	26.08.2000	-	<p>Manufacturing Licence</p> <p>Licence No.- A 012730</p> <p>Serial No.- A 024693</p> <p>Product - Mixed gas</p>	<p><b><u>MITI (Attachment A4)</u></b></p> <p>(a) Site: No. 17, Jalan BP 4/1, Bandar Bukit Puchong, 47100 Puchong, Selangor Darul Ehsan is subject to approval from the relevant State Government and Department of Environment.</p> <p>(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.</p> <p>(c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.</p>	<p>Met</p> <p>Met</p> <p>Met</p>

**4. INFORMATION ON OUR GROUP (Cont'd)**

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				(d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.	Met
				<b><u>MIDA</u></b>	
				(a) This Licence or a certified true copy is required to be displayed at the factory where the manufacturing activity is conducted. A renewal is not mandatory and is legitimate unless invalidated as stipulated under the Industrial Co-Ordination Act, 1975. Should there be a change in the company's Registered Address (Form 44), the company is required to inform MIDA in writing concerning the same.	Met
				(b) Please be informed that this is an approval for projects only. All applications to seek tariff protection and exemption from customs duties for manufacturing purposes should be done separately.	Met
				(c) This company is advised to negotiate with Tenaga Nasional Berhad concerning the need for electricity supply, particularly on the level of power quality and high level of system viability. This will ensure a supply of electricity suitable for the company's manufacturing activity.	Met

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(d) This company is also advised to inform the Water Supply Department (Jabatan Bekalan Air) and Telekom Malaysia Bhd, concerning the need of water and telecommunication facilities as soon as possible. Corresponding letters must be made available to MIDA for monitoring purposes.</p> <p>(e) The company is required to issue a report to MIDA and MITI vide forms attached herewith on the developments that were achieved subsequent to the execution of this project, 6 months from the date of issuance of this licence.</p>	<p>Met</p> <p>Met</p>
MIDA and MITI	31.10.2006	-	<p>Manufacturing Licence</p> <p>Licence No.- A 012730</p> <p>Serial No.- A 024714</p> <p>Product – Refilling of industrial gases such as oxygen, nitrogen, carbon dioxide and Argon.</p>	<p><b>MITI</b></p> <p>(a) Site: No. 17, Jalan BP 4/1, Bandar Bukit Puchong, 47100 Puchong, Selangor Darul Ehsan is subject to approval from the relevant State Government and Department of Environment.</p> <p>(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.</p>	<p>Met</p> <p>Met</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.</p> <p>(d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.</p>	<p>Met</p> <p>Met</p>
				<p><b>MIDA</b></p> <p>(a) This Licence or a certified true copy is required to be displayed at the factory where the manufacturing activity is conducted. A renewal is not mandatory and is legitimate unless invalidated as stipulated under the Industrial Co-Ordination Act, 1975. Should there be a change in the company's Registered Address (Form 44), the company is required to inform the Malaysian Industrial Development Authority (MIDA) in writing concerning the same.</p> <p>(b) This project is required to be executed within a period of 12 months from the date of enforcement of this Manufacturing Licence or within a specified period approved by the Licence Officer.</p>	<p>Met</p> <p>Met</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(c) This company is encouraged to ensure that the composition of the Board of Directors should, as far as possible, reflect the company's equity structure. MITI must be kept informed should there be any appointment and change of members in the company's Board of Directors.</p> <p>(d) For local sale, the company should, as much as possible, employ services endeavoured by the Malaysian public including appointing Malaysian owned distributor companies where at least 30% of its sales to the domestic market need to be distributed by Bumiputra distributors.</p> <p>(e) This approval is subject to the provisions stated in the Industrial Co-Ordination Act, 1975 and any violation of conditions could result in the withdrawal of this Manufacturing Licence.</p> <p>(f) If the company decides to expand the capacity of its production or to diversify its products, the company is required to obtain approval from the Licence Officer (Chief Secretary, MITI) by submitting applications using the relevant forms accessible vide the MIDA website (<a href="http://www.mida.gov.my">www.mida.gov.my</a>)</p>	<p>Met</p> <p>Will be met.</p> <p>This condition has not been fully met. Southern Industrial Gas will continue to identify and appoint Bumiputra distributors when the opportunity arises.</p> <p>Met</p> <p>Not applicable.</p> <p>Southern Industrial Gas has not expanded the capacity of its production or diversified its products. Southern Industrial Gas will obtain approval from the Licensing Officer if the company decides to expand the capacity of its production or to diversify its products.</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
MIDA and MITI	31.10.2006	-	<p>Manufacturing Licence</p> <p>Licence No.- A 015984</p> <p>Serial No.- A 024715</p> <p>Product – Refilling of industrial gases such as oxygen, nitrogen, carbon dioxide and Argon.</p>	<p><u>MITI</u></p> <p>(a) Site: No. 1, Jalan IM 14/8, Kawasan Perindustrian Ringan Sektor 3, Bandar Indera Mahkota, 25200 Kuantan, Pahang Darul Makmur is subject to approval from the relevant State Government and Department of Environment.</p> <p>(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.</p> <p>(c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.</p> <p>(d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.</p>	<p>Met</p> <p>Met</p> <p>Met</p> <p>Met</p>



## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p><b>MIDA</b></p> <p>(a) This Licence or a certified true copy is required to be displayed at the factory where the manufacturing activity is conducted. A renewal is not mandatory and is legitimate unless invalidated as stipulated under the Industrial Co-Ordination Act, 1975. Should there be a change in the company's Registered Address (Form 44), the company is required to inform MIDA in writing concerning the same.</p> <p>(b) This project is required to be executed within a period of 12 months from the date of enforcement of this Manufacturing Licence or within a specified period approved by the Licensing Officer.</p> <p>(c) This company is encouraged to ensure that the composition of the Board of Directors should, as far as possible, reflect the company's equity structure. MITI must be kept informed should there be any appointment and change of members in the company's Board of Directors.</p> <p>(d) For local sale, the company should, as much as possible, employ services endeavoured by the Malaysian public including appointing Malaysian owned distributor companies where at least 30% of its sales to the domestic market need to be distributed by Bumiputera distributors.</p>	<p>Met</p> <p>Met</p> <p>Met</p> <p>Will be met. This condition has not been fully met. Southern Industrial Gas will continue to identify and appoint Bumiputra distributors when the opportunity arises.</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(e) This approval is subject to the provisions stated in the Industrial Co-Ordination Act, 1975 and any violation of conditions could result in the withdrawal of this Manufacturing Licence.</p> <p>(f) If the company decides to expand the capacity of its production or to diversify its products, the company is required to obtain approval from the Licensing Officer (Chief Secretary, MITI) by submitting applications using the relevant forms accessible vide MIDA's website (<a href="http://www.mida.gov.my">www.mida.gov.my</a>)</p>	<p>Met</p> <p>Not applicable.</p> <p>Southern Industrial Gas has not expanded the capacity of its production or diversified its products. Southern Industrial Gas will obtain approval from the Licensing Officer if the company decides to expand the capacity of its production or to diversify its products.</p>
MIDA and MITI	31.10.2006		<p>Manufacturing Licence</p> <p>Licence No.- A 016091</p> <p>Serial No.- A 024883</p> <p>Product – Refilling of industrial gases such as oxygen, nitrogen, carbon dioxide and Argon.</p>	<p><b>MITI</b></p> <p>(a) Site: PT 1984 &amp; 1985, Krubong Industrial Park, 75250 Mukim Krubong, Malacca is subject to approval from the relevant State Government and Department of Environment.</p> <p>(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.</p>	<p>Met</p> <p>Met</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.</p> <p>(d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.</p>	<p>Met</p> <p>Met</p>
MIDA	14.07.2008	-	<p>Manufacturing Licence</p> <p>Licence No.- A 017096</p> <p>Serial No.- A 029122</p> <p>Product – Refilling of industrial gases such as oxygen, nitrogen, carbon dioxide and Argon.</p>	<p><b>MIDA</b></p> <p>(a) Site: Plot 235, Jalan Perindustrian Bukit Minyak 7, Kawasan Perindustrian Bukit Minyak 13, Seberang Perai, Pulau Pinang is subject to approval from the relevant State Government and Department of Environment.</p> <p>(b) At least 70% of the shares amounting to RM14.3 million are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Equity conditions are also not imposed on additional paid-up capital amounting to RM8.7 million. Approval of MITI must be obtained for the sale of the company's shares.</p> <p>(c) This company is required to train the Malaysian public so that the transfer of technology and expertise may be channelled to all levels of position.</p>	<p>Met</p> <p>Met</p> <p>Met</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				(d) This company is required to carry out the project as approved and in compliance with the laws and other rules and regulations enacted in Malaysia.	Met
MITI	10.11.2008	-	Letter of approval to transfer shares between foreigners, Bumiputeras and Non-Bumiputeras.	This company is required to inform MITI when the transaction of shares has been completed.	Met
MITI	24.06.2008	-	Letter of approval to transfer shares from the Malaysian public (Bumiputeras and Non-Bumiputeras) to Bumiputeras.	This company is required to inform MITI when the transaction of shares has been completed.	Met
MITI	June 2008	-	Letter of approval to increase paid-up share capital through issuance of new ordinary shares.	None stated	N/A
Department of Environment Negeri Sembilan	23.05.2008	-	Letter of approval for the proposal to construct a factory at Lot 10688, Kawasan Perindustrian Arab Malaysian, Nilai, Negeri Sembilan by Southern Industrial Gas.	<p>This department only recognizes the usage of land for the following products:-</p> <p>(a) Compressed Oxygen- 144,000 m<sup>3</sup></p> <p>(b) Compressed Nitrogen - 144,000 m<sup>3</sup></p> <p>(c) Compressed Argon- 144,000 m<sup>3</sup></p> <p>(d) Compresses Carbon Dioxide- 200,000 kg</p> <p>(e) Acetylene - 73,000 m<sup>3</sup></p> <p>Any other manufacturing activity is forbidden altogether;</p> <p>2.2 All effluent from the premise must be a hundred percent (100%) recycled in the premise. No effluent is allowed to be released from this premise;</p>	<p>Met</p> <p>Met</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				2.3 A written approval from this Department must be obtained by an accredited negotiator prior to the construction of effluent treatment plant/system;	Met
				2.4 The release of untreated sewage and sullage waste water is forbidden altogether;	Met
				2.5 A written approval from the Negeri Sembilan Department of Environment must be obtained prior to the installation of fuel burning equipment or chimney, as stipulated under the Regulations of Environmental Quality (Clean Air), 1978;	Not applicable. Southern Industrial Gas does not install fuel burning equipment or chimney.
				2.6 Any gas emissions into the air and impurities must be controlled to comply with the Standard C, Regulations of Environmental Quality (Clean Air) 1978;	Met
				2.7 Waste which falls within the category of waste listed in the First Schedule of the Regulations of Environmental Quality (Scheduled Waste) 2005 must be managed in accordance to methods stated in the regulations;	Met
				2.8 Fort should be built around the liquid fuel (diesel, lubricant etc) storage compartment and it should be able to accommodate at least 110% of the entire volume of the storage compartment	Met

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				2.9 Storage facilities for scheduled waste and chemicals should have roofs, concrete floors and be acid- and waterproof. Open storage is forbidden altogether;	Met
				2.10 Solid waste that is not scheduled in the Regulations of Environmental Quality (Scheduled Waste) 1989 shall be disposed of in landfills approved by the relevant state/ local authorities;	Met
				2.11 Open burning of any waste from inside or outside of the premise is forbidden altogether as stated under Section 29A (Amendment) 1998, of the Environmental Quality Act;	Met
				2.12 Emergency Response Plan ("ERP") to face any accidents, emergencies and unexpected incidents for "on-site" should be prepared three (3) months prior to operation of the premise. is to be made available after consultation with the Malaysian Department of Fire and Rescue Service, the Royal Malaysia Police Department, the Department of Occupational Safety and Health and the Local Authority. Plans shall be submitted to the Negeri Sembilan Department of Environment and updated from time to time according to the requirements;	Met

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				2.13 Level of noise in the border area of the premise shall be controlled so as not to exceed the level of 60 dBA at night and 70 dBA in the morning as stipulated in the First Schedule, Annex A, Planning Guidelines For Environmental Noise Limits and Control issued by the Department of Environment;	Met
				2.14 Factories should employ the 'Best Practicable Means' to prevent and control hazardous emissions as required under Regulation 32 of the Regulations of Environmental Quality (Clean Air), 1978;	Met
				2.15 An approval from this Department must be obtained prior to any addition or change to the quantity/ type of activity in the premise;	Met
				2.16 "Good House Keeping" should be practiced in the factory premise at all times;	Met
		-		2.17 Ensure the operation of this premise does not result in any pollution or disturbance to the residents surrounding this premise; and	Met
				2.18 Comply with the Department of Environment instructions from time to time.	Met
MITI	15.05.2007	-	Letter of approval for the allotment of shares owned by Bumiputras	This company is required to inform MITI when the transaction of shares has been completed.	Met

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
Penang Department of Environment	03.10.2006	-	Letter of approval for appropriation of industrial land (Southern Industrial Gas Plot 235, Taman Perindustrian Bukit Minyak)	<p>Factory Name: Southern Industrial Gas</p> <p>Site: Plot 235, Taman Perindustrian, Bukit Minyak, Mukim 13, Bukit Mertajam, Pulau Pinang.</p> <p>Type of Industries Permitted</p> <p>(c) Industrial activity permitted on this site is restricted to "refilling of oxygen, nitrogen, carbon dioxide and Argon".</p> <p>Air Pollution Control</p> <p>(b) Air pollution control devices such as scrubber, dust collector and spray booth etc must be installed at the part which produces air pollution. Approval from this Department must be obtained prior to the installation of these control devices.</p> <p>(c) Any gas emissions into the air and impurities must be controlled to comply with standards set under the Regulations of Environmental Quality (Clean Air) 1978. An approval from this Department must be obtained prior to the installation of chimney through which air impurities are emitted or discharged.</p> <p>(d) Installation of fuel burning equipment such as boiler, burner and furnace etc is forbidden except for the installation of a generator. A written approval must be obtained from this Department prior to the installation of the generator.</p>	<p>Met</p> <p>Not applicable.</p> <p>The industrial activity of Southern Industrial Gas on this site which consists of refilling of oxygen, nitrogen, carbon dioxide and argon does not result in air pollution.</p> <p>Not applicable.</p> <p>No air impurities are emitted or discharged from the factory.</p> <p>Met</p>



## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				(e) Open burning of any waste from the factory premise is forbidden altogether. Waste that is not included in the scheduled waste category must be disposed of in landfills approved by the Seberang Perai City Council.	Met
				(f) Appropriate and effective measures must be undertaken to control noise pollution caused by factory equipment/ machinery that emits loud noises.	Met
				(g) Level of noise in the border area of the premise shall be controlled so as not to exceed the level of 70 dB(A) in the morning (7.00 am – 10.00 pm) and 60dB(A) at night (10 pm – 7 am).	Met
				(h) Any amplification and increase in the capacity of the factory or change in process is forbidden unless an approval is first obtained from this Department.	Met
				Water Pollution Control	Met
				(i) Processing activity which produces effluent is forbidden on this site.	
				Scheduled Waste Control	Not applicable
				(j) Management of scheduled waste should be in compliance with the requirements of the Environmental Quality Regulations (Scheduled Waste) 2005 as follow:-	The factory does not have schedule waste as the industrial activity of Southern Industrial Gas is to refill oxygen, nitrogen, carbon dioxide and Argon.

**4. INFORMATION ON OUR GROUP (Cont'd)**

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(i) Notification concerning the abovementioned scheduled waste must be presented to the Department of Environment one (1) month after the waste is produced, vide form in the Second Schedule, Regulation 3 of the Environmental Quality Regulations (Scheduled Waste) 2005.</p> <p>(ii) Scheduled waste is only permitted to be stored for 180 days or less after its generation with condition that the quantity of scheduled waste accumulated on site does not exceed 20 metric tonnes. Scheduled wastes shall be stored in containers which are compatible with the scheduled wastes to be stored, durable and which are able to prevent spillage or leakage of the scheduled wastes into the environment in accordance to the Third Schedule, Regulations of Environmental Quality (Scheduled Waste) 2005.</p>	<p>Not applicable</p> <p>The factory does not have schedule waste as the industrial activity of Southern Industrial Gas is to refill oxygen, nitrogen, carbon dioxide and Argon.</p> <p>Not applicable</p> <p>The factory does not have schedule waste as the industrial activity of Southern Industrial Gas is to refill oxygen, nitrogen, carbon dioxide and Argon.</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				(iii) The scheduled waste must be clearly labelled according to type as specified in the Third Schedule, Regulations of Environmental Quality (Scheduled Waste) 2005.	Not applicable The factory does not have schedule waste as the industrial activity of Southern Industrial Gas is to refill oxygen, nitrogen, carbon dioxide and Argon.
				(iv) Areas for the storage of the containers shall be designed, constructed and maintained adequately to prevent spillage or leakage of scheduled wastes into the environment.	Not applicable The factory does not have schedule waste as the industrial activity of Southern Industrial Gas is to refill oxygen, nitrogen, carbon dioxide and Argon.
				(v) The manufacturer shall keep the inventory on scheduled wastes updated and submit an inventory report to this Department once in a month in accordance with the Fifth Schedule, Regulation 11, Environmental Quality Regulations (Scheduled Waste) 2005;	Not applicable The factory does not have schedule waste as the industrial activity of Southern Industrial Gas is to refill oxygen, nitrogen, carbon dioxide and Argon.
				(vi) Scheduled waste shall be disposed of at prescribed premises licensed by the Department of Environment only.	Not applicable The factory does not have schedule waste as the industrial activity of Southern Industrial Gas is to refill oxygen, nitrogen, carbon dioxide and Argon.

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>General Instructions</p> <p>(k) Fort should be built around fuel storage tanks to control any spills. Fort built must be capable of accommodating at least 110 percent of the largest tank in the fort. Site parking the tanks shall be made from resistant materials such as permeable concrete. Facilities for pumping the spilled material should be provided.</p>	<p>Not applicable.</p> <p>The factory does not have any fuel storage.</p>
				<p>Usage of environmentally-hazardous refrigerant materials in any cooling system is prohibited, as stipulated under the Regulations of Environmental Quality (Managing Refrigerants) 1999.</p>	Met
				<p>(m) The manufacturer is required to appoint a qualified staff to be responsible for matters related to environmental management in the factory premise.</p>	Met
				<p>(n) "Good Housekeeping Rules" should be practiced in the factory at all times.</p>	Met
				<p>(o) The manufacturers are fully responsible for controlling pollutions from the factory and complying with the instructions of this Department from time to time.</p>	Met

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
MITI	29.09.2006	-	Letter of approval to confirm compliance of equity conditions	<p>(a) At least 70% of the shares are required to be purchased and held by the Malaysian public, of which at least 30% shall be made exclusive. Approval of MITI must be obtained for the sale of the company's shares. Equity conditions are also not imposed on additional paid-up capital amounting to RM6.7 million.</p> <p>(b) The following are effective equity conditions which must be complied with after taking into consideration the additional capital:-</p> <p>(i) The original paid-up share capital: RM9,185,000.00 at par value of RM1.00 per share.</p> <p>(ii) The current paid-up share capital has been increased from RM9,815,000.00 to RM19,800,000.00 via:-</p> <ul style="list-style-type: none"> <li>Additional paid-up share capital of RM6.7mil executed in two stages involving RM3,000,000.00 (first stage) and RM3,685,000.00 (second stage).</li> </ul>	<p>Met</p> <p>Met</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<ul style="list-style-type: none"> <li>• Additional paid-up share capital of RM1,500,000.00 distributed to Bumiputera investor, Datin Hanifah Hajar Taib, effected on 16 March 2006 vide letter of approval from MITI dated 19 December 2005.</li> <li>• Issuance of 1,800,000 units of bonus shares proposed to be carried out on 26 May 2006.</li> <li>• Additional paid-up share capital/ issuance of new shares executed in several stages involving RM3,000,000.00 + RM3,685,000.00 + RM1,500,000.00 + RM1,800,000.00.</li> </ul> <p>(Sum total of RM9,985,000.00) is exempted from equity conditions.</p>	

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
MIDA	30.01.2009	-	Letter of approval to amend the approval conditions for the post of expatriate	<p>(1) This decision is subject to conditions stipulated in Attachments 'A' and 'B'</p> <p><b>Attachment A</b></p> <p>(a) Expatriates are prohibited from changing their job occupation/ position and are only permitted to hold positions that have been approved. A written approval/ permission shall be obtained from the Immigration Department (Urusetia Pewarganegaraa n), prior to any change of job position as stipulated under Provision 9(3) of the Immigration Regulations 1963.</p> <p>(b) The company is required to and is responsible for submitting all passports/ travel documents and passes issued to this office or to the nearest State Immigration office upon the resignation/ termination of an expatriate's work contract for cancellation purposes.</p> <p>(c) Issuance of passes is subject to the provisions and procedures of the immigration.</p>	<p>Met</p> <p>Met</p> <p>Met</p>

4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				<p>(d) It is the company's responsibility to ensure that expatriates respect and comply with:-</p> <p>(i) All laws and regulations of the country, particularly those related to their professionalism; and</p> <p>(ii) All National policy currently being enforced.</p> <p><b>Attachment B</b></p> <p>(a) The company shall ensure that the equity structure/ status of employees, based on category and salary, reflect the racial composition consistent with the New National Policy.</p> <p>(b) The company shall identify and train local employees, particularly the Bumiputeras, within the stipulated period at all levels of occupation so as to replace the services of expatriates. The company is allowed to fill in all positions approved within five (5) years from the date of issuance of this letter of approval.</p>	<p>Met</p> <p>Met</p> <p>Met</p>



## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				(c) Applications to fill in positions after a period of five (5) years from the date of issuance of this letter of approval is allowed for major job positions and termed positions provided that the company has executed its projects within the said period of five (5) years and has fulfilled paid-up capital conditions for the aforesaid approved major positions.	Met
				(d) A company is ineligible to fill in all approved positions should they fail to execute projects within a period of five (5) years from the date of issuance of this letter of approval.	Met
				(e) Companies with approved Manufacturing Licence or exempted from applying Manufacturing Licence but subject to paid-up share capital conditions shall comply with the abovementioned conditions within a period of 5 years from the date of position fulfilment.	Met

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				(2) Only expatriates who fulfil the qualifications and job experiences required for the position and who own their respective national passports are allowed to hold the abovementioned positions. The company shall submit certified copies of the relevant certificates as supporting documents during the application for the issuance of Employment Pass from the Malaysian Immigration Department.	Met
				(3) This additional activity project is required to be executed within a period of 12 months from the date of enforcement of this Manufacturing Licence or within a specified period approved by the Licensing Officer.	Met
				(4) This company is encouraged to ensure that the composition of the Board of Directors should, as far as possible, reflect the company's equity structure. MITI must be kept informed should there be any appointment and change of members in the company's Board of Directors.	Met
				(5) For local sale, the company should, as much as possible, employ services endeavoured by the Malaysian public including appointing Malaysian owned distributor companies where at least 30% of its sales to the domestic market need to be distributed by Bumiputera distributors.	Will be met.  This condition has not been fully met. Southern Industrial Gas will continue to identify and appoint Bumiputra distributors when the opportunity arises.

**4. INFORMATION ON OUR GROUP (Cont'd)**

Authority	Date of Issuance	Date of Expiry	Description	Major Conditions Imposed	Status of Compliance (Met/ Not Met/ Will Be Met)
				(6) This approval is subject to the provisions stated in the Industrial Co-Ordination Act, 1975 and any violation of conditions could result in the withdrawal of this Manufacturing Licence.	Met
				(7) If the company decides to expand the capacity of its production or to diversify its products, the company is required to obtain approval from the Licensing Officer (Chief Secretary, MITI) by submitting applications using the relevant forms accessible vide MIDA's website ( <a href="http://www.mida.gov.my">www.mida.gov.my</a> )	Met

**4.6.14 Dependency on Contracts/ Arrangements/ Licences**

Our Board is of the opinion that, we are not highly dependent on any single contract/ arrangement/ licences.

**4.6.15 Non-Interruption in Business Operations**

We did not experience any interruption in our business, which had a significant effect on our operations during the past 12 months prior to the date of this Prospectus.

**4.7 COMPETITIVE ADVANTAGES AND KEY STRENGTHS**

We possess a number of competitive advantages and key strengths that form a strong platform for us to compete against our competitors and to facilitate business sustenance and growth as set out below:-

**(i) We operate an in-house ASU**

We operate our own ASU at our main manufacturing facility in Senai, Johor for the production of oxygen and nitrogen. By operating our own ASU, we are able to maintain a high degree of control over the supply and quality of liquid oxygen and liquid nitrogen. It also enables us to promptly meet customer needs without reliance on third party suppliers.

By undertaking in-house production of oxygen and nitrogen as opposed to purchasing from third parties, we are able to obtain a higher profit margin. The resultant higher profit margin would enable us to be cost competitive.

**4. INFORMATION ON OUR GROUP (Cont'd)****(ii) We operate in-house Acetylene production facilities**

We operate Acetylene production plants at our main production facility in Senai, Johor and at our new manufacturing facility in Nilai, Negeri Sembilan. By operating our own Acetylene production plants, we are able to maintain a high degree of control over the supply and quality of Acetylene gas. It also enables us to promptly meet customer needs without reliance on third party suppliers. As a producer of Acetylene and Fuming Gas, our Group differentiates ourselves from dealers and refillers. The production of Acetylene is also complementary to our Group's production of oxygen, as oxygen and Acetylene are used together in oxy-Acetylene gas welding.

For the FYE 31 December 2009 and the 4-month FPE 30 April 2010, Acetylene was our highest revenue contributor. As such, having our own in-house Acetylene production facilities is key in ensuring our cost competitiveness, high product quality and good customer service to retain existing and attract new customers to sustain and grow our business.

**(iii) We operate in-house Fuming Gas production facilities**

We operate a Fuming Gas production plant at our new production facility in Nilai. The new Fuming Gas production plant will help us to diversify our production activities and potentially widen our customer base. Operating an in-house Fuming Gas production plant enables us to maintain a high degree of control over the supply and quality of the Fuming Gas produced.

**(iv) We have a network of refilling facilities**

We operate a network of gas refilling facilities distributed throughout Peninsular Malaysia. Our gas refilling facilities are positioned at the following strategic locations close to major industrial centres:-

- (a) Senai, Johor;
- (b) Puchong, Selangor;
- (c) Kuantan, Pahang;
- (d) Bukit Minyak, Penang;
- (e) Krubong, Malacca; and
- (f) Nilai, Negeri Sembilan.

Gas refilling stations are essential as it is not cost effective to transport gases over long distances. As such, bulk liquid gases are delivered to refilling stations, which we will vapourise and compress them for refilling into individual cylinders for final delivery to end-users.

By maintaining a wide network of gas refilling facilities, we can promptly and cost effectively deliver gases in cylinder forms to our customers.

**4. INFORMATION ON OUR GROUP (Cont'd)**

**(v) Our products are of a high quality**

We are committed to product and service quality, and currently Southern Industrial Gas has ISO 9001:2008 quality management certification for our Senai, Johor production facility.

Our commitment to product quality is further enhanced by our in-house production of liquid oxygen, liquid nitrogen and Acetylene with a high degree of purity to meet demanding customer specifications. We currently have the capability to produce liquid oxygen that is up to 99.9% pure and liquid nitrogen that is 99.999% pure.

Our commitment to product and service quality, coupled with our ability to produce high purity liquid oxygen and liquid nitrogen means that we have the ability to meet a wide range of exacting customer requirements.

**(vi) We have a good reputation and track record**

We have an established reputation and track record, having been involved in the industrial gas industry since 1997. We have also been producing Acetylene since 1997 and liquid oxygen and liquid nitrogen since 2003. Our reputation and proven track record provides new customers with the assurance that we are a quality and reliable supplier of industrial gases.

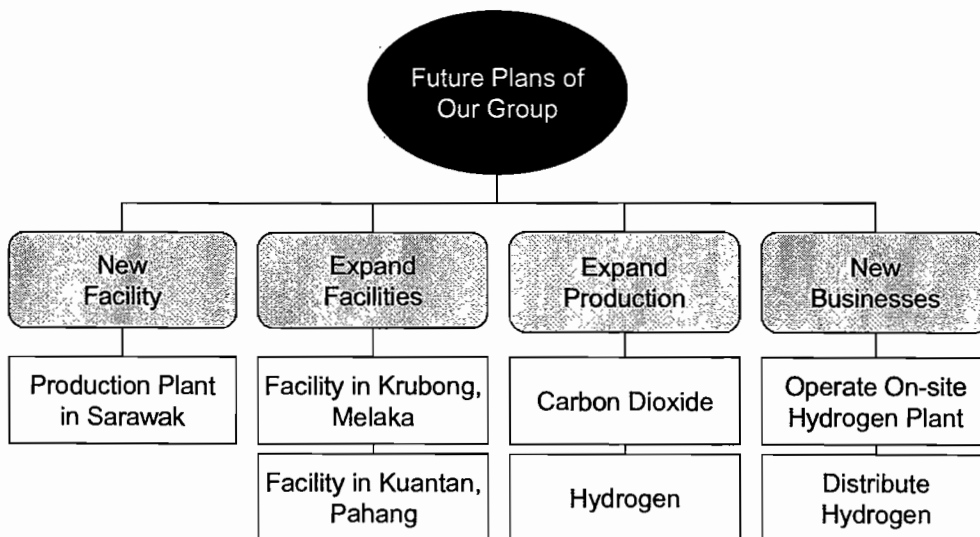
**(vii) We serve a wide number of user industries**

The user industries served by SIG Gases includes, among others, the ship building industry, metal fabrication industry, building and construction industry, machinery and equipment industry, industrial gas industry and healthcare industry.

The wide number of user industries that our Group serves provides us with the capability to address opportunities across a very wide spectrum of the market providing business growth for our Group. It also mitigates against any over-dependency of our Group's business on any one or small Group of industries.

**4.8 BUSINESS STRATEGIES AND FUTURE PLANS**

Our future plans are focused on the areas depicted in the diagram below:-



**4. INFORMATION ON OUR GROUP (Cont'd)****(i) We plan to set up a new production plant in Sarawak**

We plan to build a new industrial gas production plant and refilling plant in Sarawak and to equip the production plant in Sarawak with facilities to produce Acetylene and liquid carbon dioxide. The plant will also be equipped with facilities to refill oxygen and nitrogen cylinders. Liquid carbon dioxide will also be produced through a carbon dioxide plant using natural gas as the feedstock.

Establishing a physical presence in Sarawak will enhance our ability to serve customers in Sabah and Sarawak. The plant will also enable us to explore opportunities to export our products to Brunei and Kalimantan, Indonesia.

With our presence in Sarawak, our Group targets to penetrate the customers especially in the aluminium industry, solar industry, construction and engineering industry, electrical and electronic industry, silicon industry, food processing industry, oil base industry and others.

The expected total capital investment, including acquisition of land, construction of new facilities in respect of our new industrial gas production plant and refilling plant is approximately RM11 million which we intend to finance partly from the Public Issue proceeds to be raised as detailed in Section 2.8 (i) of this Prospectus and the balance will be funded via our internally generated funds and/or borrowings. As at LPD, we have yet to incur or pay any capital outlay for the setting up of the new production plant in Sarawak.

We plan to start the development of the Sarawak production plant in 2011 whereas the completion date has yet to be determined. At this juncture, our Group is unable to quantify the expected production capacities for the new industrial gas production plant and refilling plant in Sarawak.

**(ii) We plan to expand our existing facilities at Krubong, Malacca and Kuantan, Pahang****(a) Facility in Krubong, Malacca**

We plan to relocate our operations from our existing facility in Krubong, Malacca to a new gas refilling plant to be built at a bigger land area to be acquired in the same location, i.e. Krubong, Malacca as our existing plant is too small for our operations and any other future expansion. The refilling plant will be equipped with gas refilling machinery and equipment for the refilling of oxygen and carbon dioxide. Although our Group is expected to build a new gas refilling plant at Krubong, Malacca, our Group does not expect an increase in the production capacity as it is more of a relocation rather than an expansion except for the expected increase in the land area to cater for future expansion when there is an increase in demand.

As mentioned in Section 2.8 (i) (c) of this Prospectus, we had entered into two (2) agreements both dated 29 May 2010 with PB Realty Sdn Bhd to purchase 2 pieces of leasehold land in Malacca. The total cost for the 2 pieces of land is RM843,436 and as at the LPD, we have incurred and paid RM84,343 as down payment for the acquisition of the said land.

**4. INFORMATION ON OUR GROUP (Cont'd)**

Although we have provided about RM2.5 million of the Public Issue proceeds to be raised to finance the acquisition of land and construction of a new facility as detailed in Section 2.8 (i) (c) of this Prospectus, the expected total capital investment which is inclusive of the acquisition of land, construction of a new facility and acquisition of plant and machinery required for our new gas refilling plant has yet to be determined. In the event the expected total capital investment is more than RM2.5 million, we will finance the balance via our internally generated funds and/or borrowings.

We plan to start work on this new facility in Krubong, Malacca in 2010 whereas the completion date has yet to be determined.

**(b) Facilities in Kuantan, Pahang**

We plan to relocate our operations from our existing facility in Kuantan, Pahang to a new gas refilling plant as our tenancy agreement at our current location will be expiring, detail of which is disclosed in Section 4.6.12 of this Prospectus. As such, we had entered into two (2) agreements both dated 31 May 2010 with Perbadanan Kemajuan Negeri Pahang to purchase two (2) pieces of land in Kuantan, Pahang for the construction of our facilities. The new gas refilling plants will be equipped with machinery and equipment to refill oxygen and Argon.

We have allocated RM2.5 million of the Public Issue proceeds to be raised to finance the total capital investment which is inclusive of the acquisition of said two (2) pieces of land as mentioned above and detailed in Section 2.8 (i) (b) of this Prospectus, construction of new facilities and acquisition of plant and machinery required for our new gas refilling plants. In the event the expected total capital investment is more than RM2.5 million, we will finance the balance via our internally generated funds and/or borrowings. Please refer to Section 2.8 (i) (b) of this Prospectus for further details of the two (2) pieces of land to be acquired in Kuantan, Pahang including the amount incurred and paid for as at LPD.

The construction of the gas refilling plants in Kuantan, Pahang is expected to commence in third quarter of 2010 and to be completed in second quarter of 2011. The expected production capacities for the new gas refilling plants in Kuantan, Pahang are 99,424 m<sup>3</sup> for oxygen and 97,552 m<sup>3</sup> for Argon, calculated based on 8 production hours per day and 26 days per month.

**(iii) We plan to expand our product range by producing carbon dioxide and hydrogen****(a) Carbon Dioxide**

We plan to expand our production capabilities by developing the capability to produce liquid carbon dioxide. We intend to set up a carbon dioxide plant at our new production plant in Sarawak. We intend to use natural gas as the feedstock for our carbon dioxide plant.

By developing the ability to produce carbon dioxide in-house, we can reduce or even eliminate altogether our reliance on external industrial gas producers for the supply of this product. In-house production of carbon dioxide could also create opportunities to grow our existing carbon dioxide business, including opportunities to export carbon dioxide in bulk liquid form.

**4. INFORMATION ON OUR GROUP (Cont'd)**

We plan to begin the setting up our carbon dioxide plant in 2011. The expected total capital investment for the setting up the carbon dioxide plant has yet to be determined and is expected to be financed from our internally generated funds and/or borrowings. As at LPD, we have yet to incur or pay any capital outlay for the setting up the carbon dioxide plant. At this juncture, our Group is unable to quantify the expected production capacities for the new carbon dioxide plant.

**(b) Hydrogen**

We also plan to produce hydrogen. We intend to set up the hydrogen generation plant at our new production plant in Nilai, Negeri Sembilan. The ability to produce hydrogen, coupled with our recent purchase of hydrogen transportation systems, will enable us to expand our customer base by serving customers that consume large quantities of hydrogen, such as edible oil hydrogenation plants.

Development of our hydrogen generation plant is planned for 2011. The estimated cost of developing the hydrogen generation plant is approximately USD2 million and is expected to be financed from our internally generated funds and/or borrowings. As at LPD, we have yet to incur or pay any capital outlay for the setting up the hydrogen generation plant. At this juncture, our Group is unable to quantify the expected production capacities for the hydrogen generation plant.

**(iv) We plan to expand into a new business activity by operating on-site hydrogen plants on behalf of our customers and distributing hydrogen****(a) Operate On-site Hydrogen Plant**

We plan to expand our range of business activities by offering a new service to our customers. We intend to utilise our expertise in efficiently operating industrial gas plants by operating hydrogen generation plants at the customer's premises. The on-site hydrogen plant will generate hydrogen for the customer's exclusive use.

We plan to offer this service to industrial gas users that consume a steady and large volume of hydrogen as part of their production process, such as edible oil hydrogenation plants.

We plan to begin offering the service to operate on-site hydrogen plants by 2011. The expected total capital investment for the operation of the on-site hydrogen plants has yet to be determined and is expected to be financed from our internally generated funds and/or borrowings. As at LPD, we have yet to incur or pay any capital outlay for the operation of the on-site hydrogen plants. At this juncture, our Group is unable to quantify the expected production capacities for the operation of the on-site hydrogen plants.



**4. INFORMATION ON OUR GROUP (Cont'd)**

**(b) Distribute Hydrogen**

We have recently purchased 2 units of new hydrogen transportation systems known as “long tubes”.

Our Group intends to sell and distribute the hydrogen gas by sourcing the hydrogen gas from local suppliers. The new hydrogen transportation systems will enable us to distribute large quantities of hydrogen in gas form to our customers. This capability will enable us to broaden our customer base, as we can now serve heavy consumers of hydrogen such as edible oil hydrogenation plants.

The new hydrogen transportation systems will also complement our plans to produce hydrogen in-house.

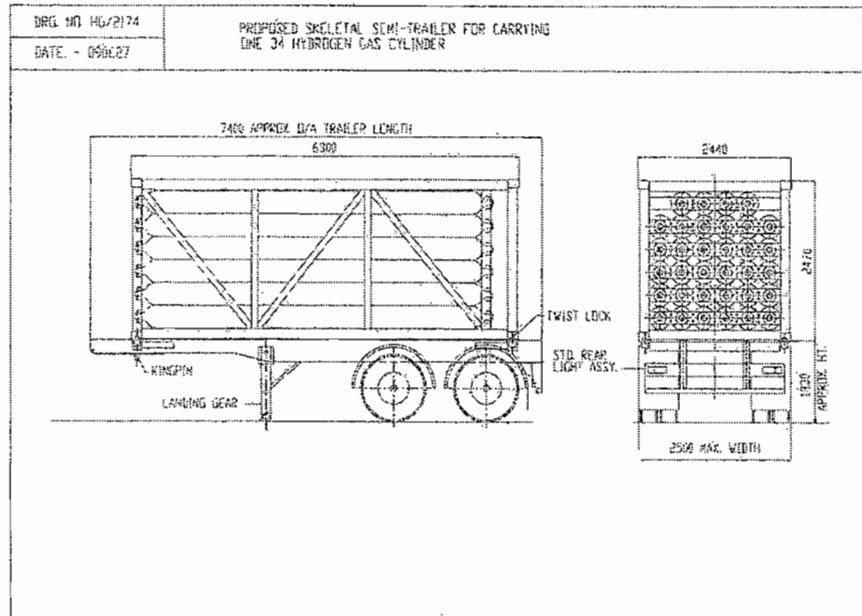
We expect to begin selling and distributing hydrogen by 2010. The two (2) units of new hydrogen transportation systems were acquired for a total of approximately RM1.00 million which will be financed fully from the Public Issue proceeds as disclosed in Section 2.8 (ii) of this Prospectus. Of the total RM1.00 million, our Group has already paid RM0.44 million which was financed via bank borrowings and the balance will be paid upon receipt of the Public Issue proceeds. Certain parts of the hydrogen transportation systems comprising of loose long tubes and hydrogen valves totalling to approximately RM0.40 million or equivalent to approximately 40% of the total cost of the hydrogen transportation systems of RM1.00 million were purchased from Sing Swee Bee Enterprise Pte Ltd as disclosed in Section 7.1.1 of this Prospectus. The balance of the hydrogen transportation systems was purchased from third parties.

The hydrogen transportation systems have estimated storage capacity of approximately 6,600 m<sup>3</sup>.

The hydrogen transportation systems is as depicted in the diagram below:-

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4. INFORMATION ON OUR GROUP (Cont'd)



**Future Plan Milestones**

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

Future Plans	2010	2011
<b>New Facilities</b>		
Production Plant in Sarawak		✓
<b>Expand Facilities</b>		
Facility in Krubong, Malacca	✓	
Facility in Kuantan, Pahang	✓	
<b>Expand Production</b>		
Carbon Dioxide		✓
Hydrogen		✓
<b>New Business</b>		
Operate On-site Hydrogen Plant		✓
Distribute Hydrogen	✓	

## 4. INFORMATION ON OUR GROUP (Cont'd)

### 4.9 INDUSTRY OVERVIEW

#### 4.9.1 Overview and Outlook of the Malaysia Economy

##### **The Malaysian economy grew strongly in the first quarter**

The Malaysian economy registered a strong growth of 10.1% in the first quarter of 2010, led by continued expansion in domestic demand and stronger external demand. The expansion in domestic demand was supported by higher private consumption and sustained public sector spending. The robust external demand provided further impetus to domestic growth through its spill-over effects on production, employment and overall sentiments. On the supply side, all economic sectors recorded positive growth during the quarter, led by strong growth in the manufacturing and services sectors.

During the quarter, domestic demand expanded by 5.4% (4Q 09: 2.8%), due mainly to higher private consumption and sustained public sector spending. Private consumption spending grew by 5.1% (4Q 09: 1.6%), supported by continued improvement in labour market conditions amidst an environment of low inflation and improved consumer sentiment. The public sector continued to provide additional impetus to growth, with public consumption registering an expansion of 6.3% during the quarter, due mainly to higher expenditure on emoluments as well as supplies and services. Gross fixed capital formation continued its positive growth momentum, growing by 5.4% (4Q 09: 8.2%), supported by sustained public sector capital spending and a modest recovery in private sector business spending activity. Private investment activity benefited from the significant increase in production and external demand, which led to improvements in both capacity utilization and business sentiments. Public sector capital spending continued to provide support to the domestic economy with the bulk of the development expenditure channelled into education, transportation and agriculture and rural development.

On the supply side, all economic sectors registered positive growth during the first quarter, with strong performance in the manufacturing and services sectors. The recovery momentum in the manufacturing sector strengthened further, with the sector registering a strong growth of 16.9% (4Q 09: 5.0%). Similarly, the services sector recorded a higher growth of 8.5% (4Q 09: 5.2%), with strong performance across all sub-sectors. The agriculture sector expanded further, supported mainly by strong rubber production amid higher prices. The construction sector continued to expand at a strong pace of 8.7% during the quarter (4Q 09: 9.3%), supported by the implementation of construction-related projects under the second fiscal stimulus package and the Ninth Malaysia Plan. The mining sector turned around to register a positive growth of 2.1% (4Q 09: -2.8%), largely reflecting the strong pick up in natural gas production.

##### **Growth of the domestic economy to be sustained going forward**

The recovery of the global economy continued to gather pace in the first quarter, with stronger growth performance across most regions, particularly the Asian economies. Economic activity was sustained in the advanced economies amid continued policy support, stabilisation of financial systems and improved business and consumer confidence. Meanwhile, the regional economies continued their robust expansion in the first quarter, supported by sustained domestic demand and strong export growth. Going forward, considerable uncertainties remain due to the ongoing sovereign debt problems in Europe and the diminishing support from policy stimulus. Despite these developments and the potential destabilising effects on financial markets, the assessment is that it would generally have limited effects on emerging market economies.

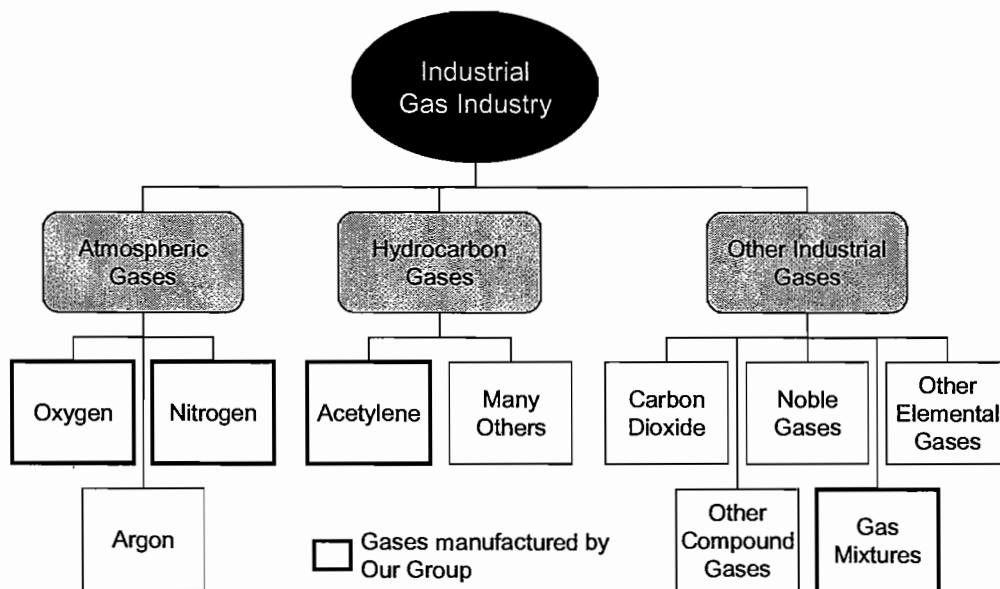
#### 4. INFORMATION ON OUR GROUP (Cont'd)

The strong and broad-based expansion of the domestic economy in the first quarter affirms that the recovery of the Malaysian economy is firmly established. Going forward, growth is expected to be sustained, supported by the continued expansion in domestic and external demand. Expansion in domestic demand is expected to be supported by the favourable employment conditions, improving consumer and business confidence and an accommodative policy environment, while external demand will be supported by stronger regional trade and the global upturn in the electrical and electronics cycle.

(Source: Bank Negara Malaysia, "Quarterly Bulletin First Quarter 2010")

##### 4.9.2 Overview of the Industrial Gas Industry in Malaysia

The industrial gas industry in Malaysia may be segmented into the following categories:-



##### Overall Structure of the Industrial Gas Industry

Industrial gases are manufactured on a commercial scale for use in various applications. Industrial gases may be produced through the following methods:-

- extraction from atmospheric air through a process of physical separation;
- extraction from underground reservoirs and further processed;
- chemical synthesis; and
- extraction of gas arising from decaying organic matters or biomass.

Atmospheric gases are primarily produced on an industrial scale through the physical separation of the various gases contained in the air. Types of gases most commonly manufactured using atmospheric air are nitrogen, oxygen and Argon.

Hydrocarbon gases are organic compounds that consist entirely of the elements carbon and hydrogen, and are in gaseous state under normal temperature and pressure. Hydrocarbon gases are normally produced by chemical synthesis or through the Fractional Distillation of crude oil and natural gas.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Acetylene is classified as a hydrocarbon gas. Other examples of hydrocarbon gases include methane, ethane, ethene, propane, propene, butane, butene, hexane and heptane.

Examples of other industrial gases include:-

- Noble gases such as helium, krypton, neon and xenon;
- Other elemental gases such as hydrogen, chlorine and fluorine;
- Compound gases such as ammonia, carbon monoxide, nitrous oxide and sulphur dioxide; and
- Gas Mixtures, which are blends of two or more gases mixed in accordance with a user's specifications.

There are six (6) naturally occurring noble gases (helium, krypton, neon, xenon, Argon and radon). One of the key characteristics of noble gases is that they have low chemical reactivity. They are also commonly referred to as inert gases.

Elemental gases are gases that exist under normal temperature and pressure in their pure atomic state without combining with other elements. Elemental gases include atmospheric gases (oxygen, nitrogen, Argon), halogens (hydrogen, fluorine, chlorine), noble gases (helium, krypton, neon, xenon) and others.

Compound gases are gases that exist in its gaseous state under normal temperature and pressure comprising more than one chemical element. Carbon dioxide is an example of a compound gas.

Carbon dioxide is normally produced by the combustion of substances containing carbon such as wood, petroleum or natural gas, as a by-product of fermentation or hydrogen production, or by chemical synthesis.

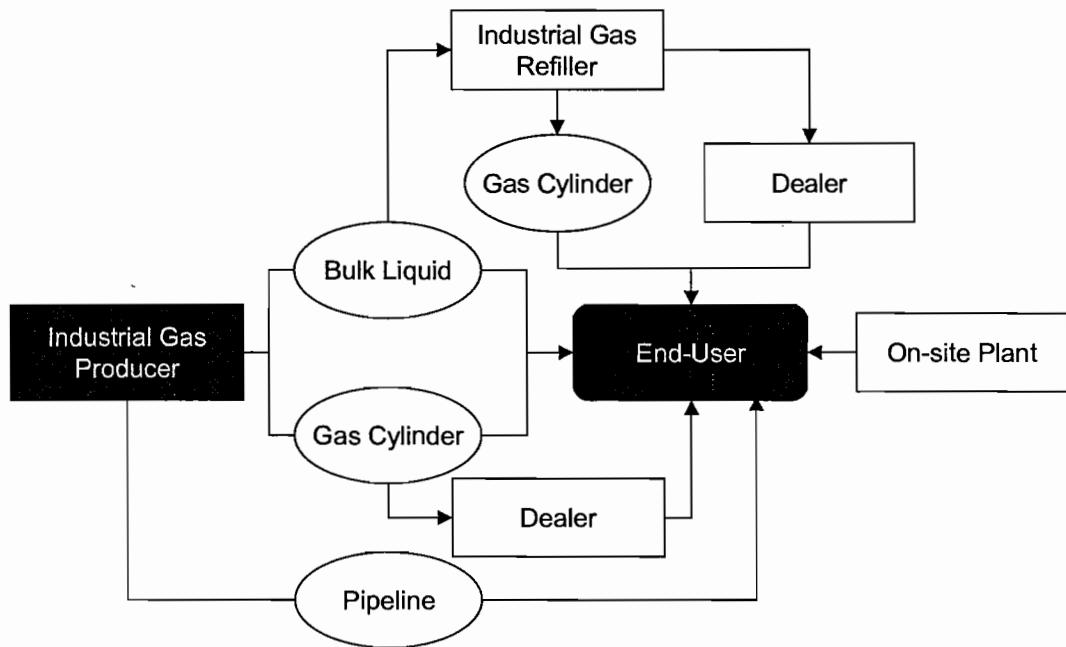
Gas Mixtures are two or more gases mixed according to specification.

We are engaged in the production of nitrogen, oxygen and Acetylene. We are also a producer of Gas Mixtures. We are also engaged in refilling gas cylinders with Argon and carbon dioxide.

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.9.3 Industry Supply and Value Chain



Producers of industrial gases normally use three (3) methods to supply gases to its customers:-

- bulk liquid;
- gas cylinder; and
- pipeline.

Industrial gas producers may supply directly to end-users or to intermediaries like refillers and dealers.

If a major end-user is located close to an industrial gas producer, a pipeline may be used to provide gases directly to the end-user.

Industrial gas producers normally supply end-users and intermediaries that consume a large quantity of industrial gases in bulk liquid form. Bulk liquid gases are stored and transported in specialised cryogenic storage vessels and tankers. Liquid gases are either used directly or vaporisers are used to convert them into gas form.

Industrial gas producers normally supply end-users and intermediaries that consume smaller quantities of industrial gases using refillable gas cylinders.

Due to the highly flammable and unstable nature of Acetylene, Acetylene is not commonly transported or stored in bulk liquid form and is not delivered to customers via direct pipeline. Acetylene is delivered to customers in refillable gas cylinders.

In general, it is not common for industrial gas refillers to be engaged in refilling gas cylinders with Acetylene, as Acetylene is not commonly delivered in bulk liquid form. Acetylene producers may supply Acetylene in gas cylinders to dealers.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Some end-users utilise an on-site plant to produce industrial gases for their own consumption. The on-site plant may be owned and operated by the user, or by a third-party.

We are an industrial gas producer that operates our own ASU, which is located at our production facility in Senai, Johor. We currently use our ASU to produce liquid nitrogen and liquid oxygen.

We currently supply oxygen, nitrogen, Argon and carbon dioxide to users in bulk liquid form and in gas cylinders. We supply directly to end-users as well as intermediaries like dealers and refillers.

##### 4.9.4 Industry Players and Competition

Listed below are all of the industrial gas producers in Malaysia that operate ASU and produce atmospheric gases such as nitrogen and oxygen (listed in alphabetical order):

- Air Products Malaysia Sdn Bhd;
- B.I.G. Industries Sdn Bhd;
- Eastern Oxygen Industries Sdn Bhd;
- Gas Pantai Timur Sdn Bhd;
- Malaysian Oxygen (MOX) Group;
- Piasau Gas Sdn Bhd;
- Sabah Oxygen Sdn Bhd;
- Secomex Manufacturing (M) Sdn Bhd; and
- **SIG Gases Group.**

In 2009, the SIG Gases Group ranked fifth (5th) among industrial gas producers in Malaysia that operate ASU and produce atmospheric gases such as nitrogen and oxygen.

*Note: The market ranking based on total revenue is only indicative of the overall financial size of companies that operate ASU and produce atmospheric gases such as nitrogen and oxygen. As such, the ranking is only indicative of the overall financial size of the companies under consideration.*

*(Source: Vital Factor Consulting Sdn Bhd)*

Listed below are some of the major producers of Acetylene in Malaysia (listed in alphabetical order):

- Air Products Malaysia Sdn Bhd;
- Bee Hua Industrial Gases Sdn Bhd;
- B.I.G. Industries Sdn Bhd;
- Eastern Oxygen Industries Sdn Bhd;
- Gas Pantai Timur Sdn Bhd;
- Magnalium Sdn Bhd;
- MCB Industries Sdn Bhd;
- Malaysian Oxygen (MOX) group;
- Piasau Gas Sdn Bhd;
- Polygas Sdn Bhd;
- Sabah Oxygen Sdn Bhd; and
- **SIG Gases Group.**

*Note: The list above is not an exhaustive list of the producers of Acetylene in Malaysia.*

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

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In 2009, the SIG Gases Group ranked fifth (5th) among producers of Acetylene in Malaysia.

*Note: The market ranking based on total revenue is only indicative of the overall financial size of companies that produce Acetylene. As such, the ranking is only indicative of the overall financial size of the companies under consideration.*

*(Source: Vital Factor Consulting Sdn Bhd)*

##### 4.9.4.1 Nature of Competition in the Industry

In general, operators in the industrial gas industry face normal competitive conditions, which is similar to a free enterprise environment, which is characterised by the following:-

- There are no undue government regulations or licensing requirements;
- There are a relatively large number of operators;
- Operators may enter and leave the industry freely; and
- No individual operator is large enough to dictate pricing.

In such an environment, the industry is subjected to normal supply and demand conditions moderated by the price mechanism. Operators compete on product and service differentiations, and other factors of competition.

In general, there are no regulations or other circumstances that restrict our Group from exporting our products.

The cost of transporting filled gas cylinders to customers and returning empty gas cylinders to our Group places some commercial restriction on the export of our Group's products. In overseas countries, the additional transportation costs may make our Group's products more expensive than similar products produced by local operators. It should be noted that this commercial restriction applies to the industrial gas industry as a whole.

The high barriers to exit may, to a certain extent, deter new operators from entering the industry.

Existing operators may be encouraged to sustain their operations even if they are facing losses as it is difficult to leave the industry. If such a situation arises, this may increase the competitive pressure faced by other operators in the industry.

##### 4.9.4.2 Factors of Competition

As with most free enterprise environments, competition amongst operators in the industrial gas industry is based on a number of factors, including:-

- In-house industrial gas production;
- Product quality;
- Established reputation and track record; and
- Network of gas refilling facilities.



#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.9.4.3 Impact of Factors of Competition on Our Group

###### (i) In-house Industrial Gas Production

The capability to produce industrial gases in-house is a key factor of competition. Operators with in-house gas production facilities can exercise a high degree of control over the quality of the industrial gases that they produce. The operator is also likely to enjoy more flexibility in terms of pricing as they are less dependent on industrial gases purchased from third-parties.

We operate an ASU to produce liquid oxygen and liquid nitrogen at our main manufacturing facility in Senai. We also produce Acetylene at the same facility.

We have begun producing Acetylene and Fuming Gas at our new manufacturing facility in Nilai.

###### (ii) Product Quality

Product quality is an important factor of competition in the industrial gas industry as industrial gases are commonly used in industrial processes. As a result, users normally do not tolerate the presence of impurities and deviations from their specifications.

We have the capability to produce high-purity liquid nitrogen and liquid oxygen:-

- We normally produce liquid nitrogen that is 99.999% pure; and
- We normally produce liquid oxygen that is 99.6% pure and can produce liquid oxygen that is 99.9% pure to meet more stringent customer specifications.

Our subsidiary, Southern Industrial Gas, obtained ISO 9001:2000 quality management system certification in the scope of "Production of liquid nitrogen and oxygen" and "Trading of liquid nitrogen, oxygen and Argon for applications in steel, electronics, medical, construction, shipbuilding and food processing" from SIRIM QAS International Sdn Bhd in 2004. In 2009, this was updated to ISO 9001:2008 quality management system certification for the same scope of work.

###### (iii) Established Reputation and Track Record

Users are more likely to purchase industrial gases from operators that have an established reputation and track record of supplying high quality industrial gases.

We have an established reputation and track record that dates back to 1997. When we were first established, we were initially engaged in producing Acetylene and refilling industrial gas cylinders. We began producing liquid oxygen and liquid nitrogen in 2003.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### (iv) Network of Gas Refilling Facilities

It is normally uneconomical to ship large numbers of filled gas cylinders over long distances and to collect the empty gas cylinders for refilling.

As a result, operators who wish to cover a wide geographic market will need to establish a network of gas refilling facilities. With a gas refilling facility, an operator will be able to transport large quantities of industrial gases in bulk liquid form to the facility, where the gases are converted into gas form and used to refill gas cylinders.

We operate a network of gas refilling facilities distributed throughout Peninsular Malaysia. Our gas refilling facilities are at positioned at the following strategic locations close to major industrial centres:-

- (a) Puchong, Selangor;
- (b) Kuantan, Pahang;
- (c) Bukit Minyak, Penang;
- (d) Krubong, Malacca; and
- (e) Nilai, Negeri Sembilan.

##### 4.9.4.4 Competitive Intensity

The overall level of competition among operators in the industrial gas industry in Malaysia is moderate.

In general, operators in the industrial gas industry that have the capability to produce industrial gases in-house, such as our Group, compete primarily with the relatively small number of operators that also have the capability to produce industrial gases in-house.

As at May 2010, there were 9 industrial gas producers in Malaysia (including us) that operate ASU and produce atmospheric gases such as oxygen and nitrogen. The industrial gas producers referred to are:-

- Air Products Malaysia Sdn Bhd;
- B.I.G. Industries Berhad;
- Eastern Oxygen Industries Sdn Bhd;
- Gas Pantai Timur Sdn Bhd;
- Malaysian Oxygen (MOX) Group;
- Piasau Gas Sdn Bhd;
- Sabah Oxygen Sdn Bhd;
- Secomex Manufacturing (M) Sdn Bhd; and
- SIG Gases Group.

Competition from industrial gas refillers and industrial gas dealers is moderated by the fact that these operators have to purchase their industrial gases from Malaysian producers or have to import their industrial gases and are therefore at a disadvantage, particularly in terms of pricing.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.9.4.5 Barriers to Entry

The barriers to entry faced by a new entrant wishing to produce liquid oxygen and liquid nitrogen are high and include the following:-

##### (i) Capital and set-up costs

The capital and set-up costs associated with establishing a new industrial gas production plant equipped with an ASU will constitute a high barrier to entry for a new entrant.

The capital and set-up cost to establish an entry-level industrial gas production plant equipped with an ASU is estimated at RM40 million. This will comprise the following:-

- ASU;
- Cryogenic storage tanks;
- 4 Cryogenic tankers for transportation;
- Gas cylinder refilling station; and
- 20,000 gas cylinders

In addition, it is estimated that working capital of RM10 million is required to finance day-to-day operations, trade debtors, gas cylinders in transit and for other miscellaneous expenses. It is estimated that this entry-level industrial gas producer will be able to generate revenue of approximately RM20 million per year.

##### (ii) Establishing a Distribution Network

The requirement to establish a distribution network comprising facilities to refill gas cylinders will create a barrier to entry for new entrants into the industrial gas industry.

Facilities to refill gas cylinders are necessary due to the high cost of transporting industrial gas cylinders over long distances. Not only are filled gas cylinders transported to the client, but empty gas cylinders must also be transported back to the industrial gas producer for refilling. It is more economical for an industrial gas producer to transport industrial gases in bulk liquid form to a refilling facility, where it is converted into gas and used to refill gas cylinders.

As a result, an industrial gas producer that does not have facilities to refill industrial gas cylinders will be restricted to serving customers that are located close to the industrial gas plant. A new entrant will require time and resources to establish a network of refilling facilities, which are crucial if it wishes to serve new customers and expand its market. This creates a moderate barrier to entry.

##### (iii) Safety

The need to establish and maintain stringent safety procedures creates a barrier to entry for new entrants. This is particularly true for new entrants who intend to manufacture Acetylene, as Acetylene is a highly flammable gas that requires special packaging and handling procedures to be transported and stored safely. The new entrant will also require technicians and workers who have experience in handling Acetylene.

It is likely that a new entrant will require time and resources to establish and maintain the required safety procedures, particularly for new entrants who intend to manufacture Acetylene. This creates a moderate barrier to entry.

**4. INFORMATION ON OUR GROUP (Cont'd)****(iv) Technical Skills**

In general, technical skills are required to efficiently and safely operate an industrial gas production facility equipped with an ASU. Some of the key personnel required include the following:-

- Professional chemical engineers and qualified technicians to carry out chemical analysis on the industrial gases produced; and
- Professional mechanical engineers and qualified technicians to keep the ASU in good working order.

A higher level of skill and experience is required if the new entrant intends to produce more specialised industrial gas products such as Gas Mixtures. Gas Mixtures consist of two or more gases that are mixed together in a specified proportion. The proportion of gases mixed must be tightly controlled, as Gas Mixtures are often used in specialised applications. Gas Mixtures that fail to meet the client's specifications are commonly discarded, as they cannot be used for other applications. This results in monetary losses. Having access to a pool of professional engineers and technicians that have the necessary qualifications and experience would create some barrier to entry for new entrants.

**(v) Product Quality**

The need to demonstrate a consistently high level of product quality creates a barrier to entry for new entrants to the industrial gas industry. The requirement to demonstrate a consistently high level of product quality is important in the industrial gas industry, as industrial gases are commonly used in industrial processes. Users normally do not tolerate the presence of impurities and deviations from their specifications.

As a result, a new entrant will have to demonstrate that their products are of a high quality and are able to consistently meet with their prospective customer's specifications. Industrial gas producers that have obtained the relevant ISO certification are in a stronger position to assure their customers that their quality management systems meet with internationally recognised standards.

**(vi) Established Reputation and Track Record**

The need to demonstrate a proven track record in the industrial gas industry creates a barrier to entry for new entrants. An operator with a proven track record will have a significant advantage in securing new orders compared to new entrants.

**4.9.4.6 Barriers to Exit**

The barriers to exit from the industrial gas industry for an operator that owns an ASU and/or Acetylene production plant are high.

Most of the plant and machinery used by industrial gas producers, particularly the ASU and machinery and equipment used to produce Acetylene, are highly specialised and cannot be modified to fulfil other functions.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.9.5 Market Size and Share

###### (i) Market Size Based on Domestic Production

###### Oxygen

In 2009, the market size for oxygen in Malaysia based on the sales value of domestic production was RM76.4 million. (Source: Department of Statistics).

###### Nitrogen

In 2009, the market size for nitrogen in Malaysia based on the sales value of domestic production was RM156.1 million. (Source: Department of Statistics)

###### (ii) Market Size Based on Apparent Consumption

###### Oxygen

In 2009, the market size for oxygen in Malaysia based on apparent consumption was RM81 million. (Source: Vital Factor Consulting Sdn Bhd).

###### Nitrogen

In 2009, the market size for nitrogen in Malaysia based on apparent consumption was estimated at RM180 million. (Source: Vital Factor Consulting Sdn Bhd).

*Note: Apparent consumption is estimated as the sum of the sales value of domestic production and imports, less exports.*

###### (iii) Market Share Based on Domestic Production

###### Market Share for Oxygen

In 2009, the SIG Gases Group's market share for oxygen based on local production was estimated at **13%**. (Source: Vital Factor Consulting Sdn Bhd).

*Note: The SIG Gases Group's market share for oxygen based on local production was estimated by dividing the SIG Gases Group's revenue from the manufacture of oxygen with the market size for oxygen based on local production.*

###### Market Share for Nitrogen

In 2009, the SIG Gases Group's market share for nitrogen based on local production was estimated at **2%**. (Source: Vital Factor Consulting Sdn Bhd).

*Note: The SIG Gases Group's market share for nitrogen based on local production was estimated by dividing the SIG Gases Group's revenue from the manufacture of nitrogen with the market size for nitrogen based on local production.*

###### (iv) Market Share Based on Apparent Consumption

###### Market Share for Oxygen

In 2009, the SIG Gases Group's market share for oxygen based on apparent consumption was estimated at **12%** (Source: Vital Factor Consulting Sdn Bhd).

*Note: The SIG Gases Group's market share for oxygen based on apparent consumption was estimated by dividing the SIG Gases Group's revenue from the manufacture of oxygen with the estimated market size for oxygen based on apparent consumption.*

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### Market Share for Nitrogen

In 2009, the SIG Gases Group's market share for nitrogen based on apparent consumption was estimated at 2%. (Source: Vital Factor Consulting Sdn Bhd).

*Note: The SIG Gases Group's market share for nitrogen based on apparent consumption was estimated by dividing the SIG Gases Group revenue from the manufacture of nitrogen with the estimated market size for nitrogen based on apparent consumption.*

#### 4.9.6 Relevant Laws and Regulations

##### (i) Manufacturing Licence

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

Southern Industrial Gas has obtained various manufacturing licenses, details of which were disclosed in Section 4.6.13 of this Prospectus.

##### (ii) Wholesaler's Poison Licence

An organisation that is involved in importation, possession, manufacture, compounding, storage, transport, sale and use of poisons, is subjected to The Poisons Act 1952. The licence is granted to an individual person and not to a company with a business address.

The following persons employed by Southern Industrial Gas hold the following Wholesaler's Poison Licence (Type B License):-

Item	Information
Address	PLO 137, Kawasan Perindustrian Senai III, 81400 Senai
License Holder	Chong Joon Kiong
Licensing Officer	Director of Health, Johor
Valid Period	1 January 2010 to 31 December 2010
Approved Poison List	Ammonia
Address	17, Jalan BP 4/1, Bandar Bukit Puchong, 47100 Puchong
License Holder	Foo Peng Boon
Licensing Officer	Director of Health, Selangor
Valid Period	1 January 2010 to 31 December 2010
Approved Poison List	Ammonia

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### (iii) Government Incentives

The major government incentives for companies engaged in the manufacturing sector include:-

- Pioneer Status;
- Investment Tax Allowance;
- Reinvestment Allowance; and
- Tax Exemption on the Value of Increased Exports.

Southern Industrial Gas is eligible for reinvestment allowance benefits and is currently enjoying the incentive for a period of 15 years (from 2001 to 2015).

##### (iv) Environmental Regulations

During the normal course of its business operations at its Senai plant, we generate the following waste that is classified as a Scheduled Waste under the Environmental Quality (Scheduled Waste) Regulations 2005:-

- SW 427, "Mineral sludge including calcium hydroxide sludge, phosphating sludge, calcium sulphite sludge and carbonates sludge".

Southern Industrial Gas has appointed companies licensed by the Department of Environment under Section 11 of the Environmental Quality Act, 1974, to collect and transport the scheduled waste from its premises.

#### 4.9.7 Demand and Supply Conditions

##### 4.9.7.1 Supply

Our principal business activities are focused on supplying a range of industrial gases to commercial users. Our core revenue streams are gas manufacturing, industrial gas refilling and the distribution of industrial gases.

With the exception of carbon dioxide, most of the industrial gases currently used in Malaysia are produced locally.

##### **Sales Value of the Manufacture of Industrial Gases, Whether Compressed, Liquefied or in Solid State**

Between 2005 and 2009, the sales value of the manufacture of industrial gases, whether compressed, liquefied or in solid state increased at an average annual rate of 0.7%. In 2009, the sales value of the manufacture of industrial gases, whether compressed, liquefied or in solid state declined by 27.7% to RM3.3 billion.

However, the sales value of the manufacture of industrial gases, whether compressed, liquefied or in solid state recorded quarter-on-quarter growth during most of 2009. Sales value for the second quarter of 2009 was 24.9% higher compared to the first quarter of 2009 and sales value for the third quarter of 2009 was 34.1% higher compared to the second quarter of 2009. However, in the fourth quarter of 2009, the sales value of the manufacture of industrial gases, whether compressed, liquefied or in solid state declined slightly by 2.4% compared to the third quarter of 2009.

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**4. INFORMATION ON OUR GROUP (Cont'd)**

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**Sales Value of the Manufacture of Oxygen**

Between 2005 and 2009, the sales value of the manufacture of oxygen increased at an average annual rate of 0.8%. In 2009, the sales value of the manufacture of oxygen declined by 37.1% to RM76.4 million.

**Sales Value of the Manufacture of Nitrogen**

Between 2005 and 2009, the sales value of the manufacture of nitrogen declined slightly at an average annual rate of 0.1%. In 2009, the sales value of the manufacture of nitrogen declined by 32.1% to RM156.1 million.

**Sales Value of the Manufacture of Argon**

Between 2005 and 2009, the sales value of the manufacture of Argon declined at an average annual rate of 4.3%. In 2009, the sales value of the manufacture of Argon declined by 32.2% to RM25.4 million.

**Sales Value of the Manufacture of Carbon Dioxide**

Between 2005 and 2009, the sales value of the manufacture of carbon dioxide declined at an average annual rate of 31.6%. In 2009, the sales value of the manufacture of carbon dioxide declined by 66.3% to RM5.0 million.

**Imports of Carbon Dioxide**

Between 2005 and 2009, the import value of carbon dioxide increased at an average annual rate of 59.8% (albeit from a relatively low base of RM2.1 million in 2005). In 2009, the import value of carbon dioxide declined by 31.2% to RM13.7 million.

In 2009, Thailand was the largest source of imports for carbon dioxide, accounting for 78.2% of total imports by value. Singapore and Germany were the second and third largest sources of imports, accounting for 13.0% and 4.0% of imports by value respectively. The other sources of imports for carbon dioxide in 2009 included Japan, Germany, Belgium and other countries.

**Sales Value of the Manufacture of Acetylene**

Between 2004 and 2008, the sales value of the manufacture of Acetylene increased at an average annual rate of 4.5%. In 2008, the sales value of the manufacture of Acetylene increased by 14.8% to reach RM42.6 million.

According to the Department of Statistics, data on the sales value of the manufacture of Acetylene in 2009 is not directly comparable with the sales value of the manufacture of Acetylene in 2008 due to changes in sampling methodology. For 2009, the Department of Statistics covered only companies with 200 workers or more, whereas in previous years all companies were covered. As a result, many of the companies that were covered in 2008 were not covered in 2009. In 2009, the sales value of the manufacture of Acetylene was RM17.1 million.



#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.9.7.2 Demand (Exports)

With the exception of Argon and carbon dioxide, a large proportion of the industrial gases currently produced in Malaysia are used locally. In many cases, the export value of these industrial gases represents only a small percentage of the sales value of domestic production for the corresponding industrial gas.

##### Exports of Argon

Between 2005 and 2009, the export value of Argon increased at an average annual rate of 21.1%. In 2009, the export value of Argon declined by 30.6% to RM11.6 million.

In 2009, Thailand was the largest export destination for Argon, representing 50.3% of total exports by value. Singapore and Brunei were the second and third largest export destinations, accounting for 23.2% and 12.7% of exports by value respectively. The other export markets for Argon in 2009 included Indonesia, Pakistan, Bangladesh, New Zealand, Australia and other countries.

##### Exports of Carbon Dioxide

Between 2005 and 2009, the export value of carbon dioxide increased at an average annual rate of 24.5%. In 2009, the export value of carbon dioxide declined by 47.4% to RM13.2 million.

In 2009, Singapore was the largest export destination for carbon dioxide, representing 98.5% of total exports by value. Brunei and Indonesia were the second and third largest export destinations, accounting for 1.1% and 0.4% of exports by value respectively.

##### 4.9.7.3 Supply Dependencies

The main inputs used by our Group in producing industrial gases are calcium carbide and electricity. We use calcium carbide as a raw material to produce Acetylene, while electricity is primarily used to operate our ASU to produce liquid nitrogen and liquid oxygen.

##### Manufacture of Calcium Carbide

Most of the calcium carbide used in Malaysia is produced locally and Malaysia is a net exporter of calcium carbide. In 2009, the import value of calcium carbide was only RM1.6 million, which is considerable smaller than the export value, which was RM40.5 million

##### Electricity Consumption

Electricity consumption in Malaysia is summarized in the following table:-

	Consumption by Units		Consumption by Value	
	Units (‘000 GWh)	Growth Rate (%)	Value (RM Million)	Growth Rate (%)
2004	78.8		18,112	7.9
2005	83.2	5.6	19,087	5.4
2006	86.6	4.1	20,941	9.7
2007	91.6	5.8	23,276	11.2
2008	95.2	3.9	26,216	12.6
1 <sup>st</sup> half 2009	45.0		13,877	

(Source: Ministry of Finance)

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Between 2004 and 2008, electricity consumption in Malaysia increased at an average annual rate of 4.8%. In 2008, electricity consumption grew by 3.9% in terms of units to reach 95,200 Gigawatt hours (GWh). During the first half of 2009, the electricity consumption in Malaysia amounted to 45,000 GWh.

Between 2004 and 2008, the value of electricity consumption in Malaysia increased at an average annual rate of 9.7%. In 2008, the value of electricity consumption grew by 12.6% to reach RM26.2 billion. During the first half of 2009, the electricity consumption in Malaysia by value amounted to RM13.9 billion.

#### Installed Capacity and Peak Demand for Electricity

Installed generating capacity and peak demand for electricity in Malaysia are summarised in the following table:-

	Accumulated Installed Capacity		Peak Demand*	
	(Megawatt)	Growth Rate (%)	(Megawatt)	Growth Rate (%)
2000	14,291		10,657	
2005	19,217	34.5	13,779	29.3
2010	25,258	31.4	20,087	45.8

#### Note:-

\* Peak demand is the maximum power demand registered by the system in a stated period of time.

The above are accumulated installed capacity and peak demand of electricity from Tenaga Nasional Berhad, Sabah Electricity Sdn Bhd and Syarikat SESCO Berhad.

(Source: Ninth Malaysia Plan)

Between 2000 and 2005, installed electricity generating capacity grew by 34.5% to reach 19,217 Megawatts (MW). In 2010, installed electricity generating capacity is expected to increase to 25,258 MW, which is 31.4% higher compared to 2005. This is equivalent to an average annual growth rate of 7.1%.

Between 2000 and 2005, peak demand for electricity increased by 29.3% to reach 13,779 MW. In 2010, peak demand for electricity expected to increase by 45.8% compared to 2005 to reach 20,087 MW. This is equivalent to an average annual growth rate of 9.9%.

Although peak demand for electricity is expected to grow at a slightly higher rate compared to installed electricity generating capacity, there is still a healthy cushion between planned installed capacity and expected peak demand. In 2010, installed electricity generating capacity is expected to be 25.7% higher than peak demand for electricity.

#### **4. INFORMATION ON OUR GROUP (Cont'd)**

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##### **4.9.7.4 Demand Dependencies**

As industrial gases are widely used in various manufacturing processes, the following section will also cover the performance of the overall manufacturing industry to provide an overall indication of demand for the industrial gas industry.

##### **Output of the Overall Manufacturing Sector**

Between 2005 and 2009, the sales value of the overall manufacturing sector grew at an average annual rate of 0.3%. In 2009, the sales value of the overall manufacturing sector declined by 19.0% to RM469.5 billion.

However, the overall manufacturing sector recorded quarter-on-quarter growth in sales value during the whole of 2009. The sales value of output for the second quarter of 2009 was 7.2% higher than the sales value of output for the first quarter of 2009, while the sales value of output for the third quarter of 2009 was 10.6% higher than the second quarter of 2009. The sales value of output for the fourth quarter of 2009 was 4.1% higher than the third quarter of 2009.

##### **Building and Repairing of Ships**

Between 2003 and 2007 (the most recent year for which data is available), the value of gross output for the building and repairing of ships increased at an average annual rate of 12.4%. In 2007, the value of gross output for the building and repairing of ships increased by 37.2% to RM4.7 billion (based on 141 establishments).

##### **Manufacture of Basic Iron and Steel Products**

Between 2005 and 2009, the sales value of the manufacture of basic iron and steel products declined at an average annual rate of 3.0%. In 2009, the sales value of manufacture of basic iron and steel products declined by 42.3% to RM16.4 billion.

##### **Manufacture of General Purpose Machinery**

Between 2003 and 2007 (the most recent year for which data is available), the value of gross output for the manufacture of general purpose machinery increased at an average annual rate of 17.5%. In 2007, the value of gross output for the manufacture of general purpose machinery declined by 10.4% to RM11.9 billion (based on 492 establishments).

##### **Manufacture of Special Purpose Machinery**

Between 2003 and 2007 (the most recent year for which data is available), the value of gross output for the manufacture of special purpose machinery increased at an average annual rate of 15.8%. In 2007, the value of gross output for the manufacture of special purpose machinery increased by 22.9% to reach RM5.0 billion (based on 731 establishments).

##### **GDP Contribution of the Construction Sector**

Between 2005 and 2009, the GDP contribution of the construction sector (at current prices) grew at an average annual rate of 7.8%. In 2009, the GDP contribution of the construction sector (at current prices) increased by 8.1% to reach RM21.2 billion.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.9.8 Substitute Product / Services

In general, there are no practical substitutes for most types of industrial gases in most of their current applications. In many instances, a specific gas is required as part of a process or reaction, for which no other substance may be used as a substitute.

Argon and nitrogen may be used as substitutes for one another in some applications, including:-

- (i) Applications where an inert gas is required, such as in creating an inert environment to protect substances from coming into contact with oxygen and moisture in the chemical, pharmaceutical and food industry; and
- (ii) In cooling and freezing applications.

There are currently a number of practical substitutes for metal cutting and welding using a flame produced by the combustion of Acetylene and another gas (commonly oxygen). Alternative metal cutting methods include plasma cutting, laser beam cutting and mechanical cutting. Alternative metal welding techniques include electric arc welding, resistance welding and welding with flames produced by the combustion of other gases such as oxygen-hydrogen welding.

However, metal cutting and welding using a flame produced by the combustion of Acetylene and another gas are widely used by users in many industries and is well established and understood. There are also a large number of welders who are trained in and familiar with the process. As a result, it is not likely that the method will be completely replaced by any of its current substitutes.

##### 4.9.9 Reliance on and Vulnerability to Imports

###### 4.9.9.1 Reliance on Imports

In general, the industrial gas industry is not reliant on imports for the supply of the main inputs used to produce industrial gases. The electricity used to operate ASU is generated locally, while most of the calcium carbide used to produce Acetylene is also produced locally.

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**4. INFORMATION ON OUR GROUP (Cont'd)****4.9.9.2 Vulnerability to Imports**

In general, the industrial gas industry is not vulnerable to competition from imports. With the exception of carbon dioxide, most of the industrial gases currently used in Malaysia are produced locally. As the table below indicates, in many cases the sales value of domestically produced industrial gas greatly exceeds the import value of the corresponding industrial gas in 2009.

<b>Industrial Gas</b>	<b>Sales Value of Domestic Production (RM'000)</b>	<b>Import Value (RM'000)</b>	<b>Import Value as a Percentage of the Sales Value of Domestic Production (%)</b>
Oxygen	76,373	6,002	7.9
Nitrogen	156,145	24,771	15.9
Argon	25,412	4,434	17.4
Carbon Dioxide	5,036	13,730	272.6
Acetylene	17,068 *	348	2.0

Note:

\* According to the Department of Statistics, the sampling methodology used to calculate sales value of domestic production in 2009 changed. For 2009, the Department of Statistics covered only companies with 200 workers or more, whereas in previous years all companies were covered. As a result, many of the companies that were covered in 2008 were not covered in 2009

(Source: Department of Statistics)

Although the import value of carbon dioxide in 2009 exceeded the sales value of domestic production, the industry is generally not vulnerable to imports, as a relatively large quantity of carbon dioxide is exported from Malaysia. In 2009, the export value of carbon dioxide was RM13.2 million, which was close to the value of both locally produced and imported carbon dioxide.

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.10 OUTLOOK OF THE INDUSTRY

There are strong indications that economic conditions in Malaysia are improving from the negative effects of the global financial crisis that began in mid-2007. The near term outlook, particularly for 2010, is likely to be more positive than 2009.

In 2009, Malaysia's real GDP contracted by 1.7%. However, the real GDP growth forecast for 2010 is 4.5% to 5.5% (Source: Bank Negara Malaysia).

The Malaysian economy registered strong real GDP growth of 10.1% in the first quarter of 2010, led by continued expansion in domestic demand and stronger external demand (Source: Bank Negara Malaysia).

There are also indications of improvement in the manufacturing sector in general and the Industrial Gases Industry in particular:

- While the sales value of the output of the overall manufacturing sector for the first, second, third and fourth quarters of 2009 were lower than the corresponding quarters in 2008, there are some indications that the performance of the overall manufacturing sector may be improving. The sales value of output for the second quarter of 2009 was 7.2% higher than the sales value of output for the first quarter of 2009, while the sales value of output for the third quarter of 2009 was 10.6% higher than the second quarter of 2009. The sales value of output for the fourth quarter of 2009 was 4.1% higher than the third quarter of 2009 (Source: Department of Statistics).
- Similarly, while the sales value of the manufacture of industrial gases, whether compressed, liquefied or in solid state for the first, second and third quarters of 2009 were lower than the corresponding quarters of 2008, the sales value for the second quarter of 2009 was 24.9% higher compared to the first quarter of 2009 and sales value for the third quarter of 2009 was 34.1% higher compared to the second quarter of 2009. However, in the fourth quarter of 2009, the sales value of the manufacture of industrial gases, whether compressed, liquefied or in solid state declined slightly by 2.4% compared to the third quarter of 2009 (Source: Department of Statistics).

The relatively strong quarter on quarter increases in the sales value of the manufacture of industrial gases, whether compressed, liquefied or in solid state reported in the first three quarters of 2009 indicates that demand for industrial gases is recovering in line with the improvement seen in the overall manufacturing sector. Moving forward, this is a positive development for the outlook of the Industrial Gases Industry.

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

### 5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

#### 5.1.1 Particulars and Shareholdings

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

Name	Nationality/ Country of Incorporation	No. of Shares Held Before the IPO <sup>(1)</sup>		No. of Shares Held After the IPO <sup>(2)</sup>		Assuming Full Exercise of ESOS Options <sup>(3)</sup>			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
<b>Promoters</b>									
Phoenix <sup>(4)</sup>	Malaysia	52,500,000	52.08	-	-	52,500,000	30.43	-	-
Sing Swee Bee Enterprise Pte Ltd	Singapore	12,865,458	12.76	-	-	11,865,458	6.88	-	-
Peh Lam Hoh	Singaporean	6,229,744	6.18	<sup>(5)</sup> 65,365,458	64.85	<sup>(6)</sup> 6,029,744	4.65	<sup>(6)</sup> 64,365,458	37.31
Datin Hanifah Hajjar Taib	Malaysian	5,427,393	5.38	<sup>(8)</sup> 52,500,000	52.08	<sup>(7)</sup> 5,027,393	3.38	<sup>(8)</sup> 52,900,000	30.67
Lau Cheng Ming	Malaysian	2,390,664	2.37	-	-	<sup>(7)</sup> 1,990,664	1.73	-	-
<b>Substantial Shareholders</b>									
Phoenix <sup>(4)</sup>	Malaysia	52,500,000	52.08	-	-	52,500,000	30.43	-	-
Sing Swee Bee Enterprise Pte Ltd	Singapore	12,865,458	12.76	-	-	11,865,458	6.88	-	-
Peh Lam Hoh	Singaporean	6,229,744	6.18	<sup>(5)</sup> 65,365,458	64.85	<sup>(6)</sup> 6,029,744	4.65	<sup>(6)</sup> 64,365,458	37.31
Datin Hanifah Hajjar Taib	Malaysian	5,427,393	5.38	<sup>(8)</sup> 52,500,000	52.08	<sup>(7)</sup> 5,027,393	3.38	<sup>(8)</sup> 52,900,000	30.67
Loh Pei Yon	Malaysian	5,905,564	5.86	-	-	5,905,564	3.42	-	-

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

Notes:-

- (1) Based on the issued and paid-up share capital of 100,800,000 Shares after the Acquisition.
- (2) Based on the enlarged issued and paid-up share capital of 150,000,000 Shares after the IPO.
- (3) Based on the enlarged issued and paid-up share capital of 172,500,000 Shares assuming full exercise of maximum ESOS Options to be allocated.
- (4) Upon completion of the Acquisition, the Shares of the 4 Promoters as tabulated below were transferred to Phoenix resulting in Phoenix being a substantial shareholder of SIG Gases.

The respective shareholding of the 4 Promoters in Phoenix are set out as below:-

Shareholders of Phoenix	SIG Gases Shares Transferred by the Promoters to Phoenix		Issued and Paid-up Share Capital in Phoenix * (RM)	Shareholdings of the Promoters in Phoenix (%)
	No. of Shares ('000)	%		
Peh Lam Hoh	25,775	49.10	4,910	49.10
Datin Hanifah Hajar Taib	21,515	40.98	4,098	40.98
Lau Cheng Ming	4,210	8.02	802	8.02
Sing Swee Bee Enterprise Pte Ltd	1,000	1.90	190	1.90
	52,500	100.00	10,000	100.00

\* Pursuant to the Acquisitions, Phoenix's issued and paid-up capital has been increased from RM4 comprising 4 ordinary shares of RM1.00 each to RM10,000 comprising 10,000 ordinary shares of RM1.00 each by the issuance of additional of 9,996 ordinary shares of RM1.00 each as consideration to the Promoters for the transfer of the SIG Gases Shares to Phoenix (in proportion of the SIG Gases Shares transferred by the Promoters to Phoenix).

- (5) Deemed interest by virtue of his interest in Phoenix and Sing Swee Bee Enterprise Pte Ltd pursuant to Section 6A of the Companies Act.
- (6) Inclusive of the indicative number of ESOS Options to be allocated to the individual Directors prior to our Listing.
- (7) Including their entitlements for the Pink Form Shares.
- (8) Deemed interest by virtue of her interest in Phoenix and her spouse's (Datuk Syed Ahmad bin Alwee Alsree) interest in SIG Gases pursuant to Section 6A of the Companies Act.

Save for Peh Lam Hoh and Datin Hanifah Hajar Taib, our Directors are not aware of any persons who, directly or indirectly, exercise control over our Company.

### 5.1.2 Profiles of Promoters

The profiles of our Promoters are as follows:-

#### (i) Phoenix

Phoenix was incorporated in Malaysia under the Companies Act on 10 December 2009 as a private limited company. As at LPD, Phoenix's authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 10,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activity of Phoenix is investment holding.

The Directors and substantial shareholders of Phoenix and their respective shareholdings in Phoenix as at LPD are as follows:-

Name	<-----Direct----->		<-----Indirect----->	
	No. of Ordinary Shares of RM1.00 Held	% Held	No. of Ordinary Shares of RM1.00 Held	% Held
<b>Directors</b>				
Peh Lam Hoh	4,910	49.10	-	-
Datin Hanifah Hajar Taib	4,098	40.98	-	-
Lau Cheng Ming	802	8.02	-	-
Yue Thye Chun	-	-	-	-



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

Name	<-----Direct----->		<-----Indirect----->	
	No. of Ordinary Shares of RM1.00 Held	% Held	No. of Ordinary Shares of RM1.00 Held	% Held
<b><u>Substantial Shareholders</u></b>				
Peh Lam Hoh	4,910	49.10	-	-
Datin Hanifah Hajar Taib	4,098	40.98	-	-
Lau Cheng Ming	802	8.02	-	-

**(ii) Sing Swee Bee Enterprise Pte Ltd**

Sing Swee Bee Enterprise Pte Ltd was incorporated under the laws of Singapore on 18 November 1992 as a private limited company. As at the LPD, its issued and paid-up share capital is SGD2,000,000 divided into 2,000,000 ordinary shares.

Sing Swee Bee Enterprise Pte Ltd is the importer, exporter, distributor and wholesaler of industrial, medical, special and other types of gases, Refrigerants, gas cylinders, fire-fighting equipment, welding and cutting equipment, and accessories.

The Directors and substantial shareholders of Sing Swee Bee Enterprise Pte Ltd and their respective shareholdings in Sing Swee Bee Enterprise Pte Ltd as at the LPD are as follows:-

Name	<-----Direct----->		<-----Indirect----->	
	No. of Ordinary Shares Held	% Held	No. of Ordinary Shares Held	% Held
<b><u>Directors</u></b>				
Peh Lam Hoh	1,799,800	89.99	-	-
Ng Swee Gek *	200	0.01	-	-
Lim Han Chiong	-	-	-	-
Lim Hung Cheng	-	-	-	-
Huang Bing	-	-	-	-
Yue Thye Chun	-	-	-	-
<b><u>Substantial Shareholders</u></b>				
Peh Lam Hoh	1,799,800	89.99	-	-
Peh Tuan	200,000	10.00	-	-
Ng Swee Gek *	200	0.01	-	-

Note:-

\* Ng Swee Gek is the spouse of Peh Lam Hoh.

**(iii) Peh Lam Hoh**, a Promoter and substantial shareholder, is also the Executive Chairman of SIG Gases. His profile is disclosed in Section 5.2.2 (i) of this Prospectus.

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

- (iv) **Datin Hanifah Hajar Taib**, a Malaysian aged 38, is a Promoter and a substantial shareholder of SIG Gases and a Non-Executive Director of Southern Industrial Gas. She obtained a Bachelor of Science Degree in Business Administration with an emphasis on international business and global management from the University of San Francisco, United States in 1998. She started her career with Kristal Harta Sdn Bhd, where she is currently the owner and Executive Director. She was employed by RSP Architect Pte Ltd as a Business Development Executive from 1999 to 2001, where she facilitated the company's establishment and set up the company's e-business function. She is currently the Executive Director and Executive Chairman of Premier Cottage Sdn Bhd, Executive Director of Majupun Sdn Bhd and Managing Director of Sarawak Press. She is also a shareholder and/or Director of several other private companies.
- (v) **Lau Cheng Ming**, a Promoter, is also the Executive Director of SIG Gases. His profile is disclosed in Section 5.2.2 (ii) of this Prospectus.

### 5.1.3 Significant Changes in the Direct or Indirect Shareholding During the Past Three (3) Years

The shareholdings of our Promoters and substantial shareholders for the past 3 years prior to the date of this Prospectus were as follows:-

Name	Before Acquisition <sup>(1)</sup>				After Acquisition <sup>(2)</sup>			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	(%)
Phoenix <sup>(3)</sup>	-	-	-	-	52,500,000	52.08	-	-
Sing Swee Bee Enterprise Pte Ltd	-	-	-	-	12,865,458	12.76	-	-
Peh Lam Hoh	10	50.00	-	-	6,229,744	6.18	<sup>(4)</sup> 65,365,458	64.85
Datin Hanifah Hajar Taib	-	-	-	-	5,427,393	5.38	<sup>(5)</sup> 52,500,000	52.08
Lau Cheng Ming	10	50.00	-	-	2,390,664	2.37	-	-
Loh Pei Yon	-	-	-	-	5,905,564	5.86	-	-

#### Notes:-

- (1) Based on the issued and paid-up share capital of 20 Shares prior to the Acquisition.
- (2) Based on the issued and paid-up share capital of 100,800,000 Shares after the Acquisition.
- (3) Upon completion of the Acquisition, certain portions of the Shares of the respective Promoters were transferred to Phoenix. Please refer to note (4) of Section 5.1.1 of this Prospectus for further details.
- (4) Deemed interest by virtue of his interest in Phoenix and Sing Swee Bee Enterprise Pte Ltd pursuant to Section 6A of the Companies Act.
- (5) Deemed interest by virtue of her interest in Phoenix pursuant to Section 6A of the Companies Act.

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

### 5.2 DIRECTORS

#### 5.2.1 Particulars and Shareholdings

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

Name	Designation	Age	No. of Shares Held Before the IPO <sup>(1)</sup>		No. of Shares Held After the IPO <sup>(2)</sup>		Assuming Full Exercise of ESOS Options <sup>(3)</sup>							
			Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)						
Peh Lam Hoh	Executive Chairman	60	6,229,744	6.18	<sup>(4)</sup> 65,365,458	64.85	6,029,744	4.02	<sup>(4)</sup> 64,365,458	42.91	<sup>(5)</sup> 8,029,744	4.65	<sup>(4)</sup> 64,365,458	37.31
Lau Cheng Ming	Executive Director	56	2,390,664	2.37	-	-	<sup>(6)</sup> 1,990,664	1.33	-	-	<sup>(6)</sup> 2,990,664	1.73	-	-
Datuk Syed Ahmad bin Alwee Alsree	Non-Independent Non-Executive Director	44	-	-	<sup>(7)</sup> 57,927,393	57.47	<sup>(6)</sup> 200,000	0.13	<sup>(7)</sup> 57,527,393	38.35	<sup>(6)</sup> 400,000	0.23	<sup>(7)</sup> 58,327,393	33.81
Diong Tai Pew	Independent Non-Executive Director	59	-	-	-	-	<sup>(6)</sup> 200,000	0.13	-	-	<sup>(6)</sup> 400,000	0.23	-	-
Michael Ong Kee Tuan	Independent Non-Executive Director	64	-	-	-	-	<sup>(6)</sup> 200,000	0.13	-	-	<sup>(6)</sup> 400,000	0.23	-	-

#### Notes:-

- (1) Based on the issued and paid-up share capital of 100,800,000 Shares after the Acquisition.
- (2) Based on the enlarged issued and paid-up share capital of 150,000,000 Shares after the IPO.
- (3) Based on the enlarged issued and paid-up share capital of 172,500,000 Shares assuming full exercise of maximum ESOS Options to be allocated.
- (4) Deemed interest by virtue of his interest in Phoenix and Sing Swee Bee Enterprise Pte Ltd pursuant to Section 6A of the Companies Act.
- (5) Inclusive of the indicative number of ESOS Options to be allocated to the individual Directors prior to our Listing.
- (6) Including their entitlements for the Pink Form Shares.
- (7) Deemed interest by virtue of his spouse's (Datin Hanifah Hajar Taib) interest in SIG Gases pursuant to Section 6A of the Companies Act.

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

At the first annual general meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office. Provided always that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

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

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

### 5.2.2 Profiles of Directors

- (i) **Peh Lam Hoh**, a Singaporean aged 60, is our Executive Chairman. He was appointed to the Board on 14 October 2009 and is responsible for overseeing the management of our Group. He began his career in 1969 when he joined the accounting department of a company. From 1970 to 1976, he was employed by a company engaged in manufacturing and trading of rubber. He then joined a company that was engaged in supplying industrial gases as a Partner in 1976. In 1978, he formed Sing Swee Bee Enterprise Pte Ltd, which was initially engaged in trading. Sing Swee Bee Enterprise Pte Ltd started supplying industrial gases in 1981. He founded Southern Industrial Gas in 1996 and has been instrumental in building and developing our Group into a manufacturer of industrial gases. He is currently a shareholder and Managing Director of several private companies, namely Sing Swee Bee Enterprise Pte Ltd, Sing Swee Bee Investment Pte Ltd, SSB Products Pte Ltd, Sing Swee Bee Industries Pte Ltd, SSB Cryogenic Equipment Pte Ltd, SSB Cryogenic Services Pte Ltd, Sing Swee Bee Sdn Bhd and Sing Hoh Realty Sdn Bhd. He is currently a shareholder and the President Director of PT Sing Swee Bee Indonesia. He is also currently a shareholder and Director of several private companies, namely Shanghai Yuhe Trading Co Ltd and Sakura Energy Corporation Pte Ltd. Several of the companies in which he is a shareholder and a board member is engaged in importing, exporting and/or distributing industrial gases and related products and/or providing services related to industrial gases.
- (ii) **Lau Cheng Ming**, a Malaysian aged 56, is our Executive Director. He was appointed to the Board on 14 October 2009 and is responsible for strategic planning and for the overall management of our Group. He obtained his Bachelor of Commerce degree from the University of Canterbury, New Zealand in 1979. He has been an Associate Chartered Accountant with the New Zealand Society of Accounts since 1981. He began his career as a Junior Accountant with Hunt & Duthie & Co in New Zealand in 1978. He joined Ernst & Whinney, New Zealand as a Senior Accountant in 1980. He was attached with Metas Holdings Sdn Bhd as the Financial Controller from 1982 to 1995, where he was responsible for evaluating investment portfolios and overseeing the management of associated companies. He served as a Director of Bintulu Industrial Gas Sdn Bhd from 1982 to 1998. He also served as an Executive Director of B.I.G. Industries Bhd in 1995. He is currently a Director and/or shareholder of a number of private companies.

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

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- (iii) **Datuk Syed Ahmad bin Alwee Alsree**, a Singaporean aged 44, is our Non-Independent Non-Executive Director. He was appointed to the Board on 14 December 2009. He graduated with a Bachelor of Law (LL.B) Honours from the National University of Singapore in 1993. He began his career with Billy Ng Chua & Partners, Advocates & Solicitors, Singapore, as a Partner. He subsequently joined Alsree Rudy & Chan, Advocates & Solicitors, Singapore as a Partner in 1997. In 1999, he joined Billy & Alsree, Advocates & Solicitors, Singapore as a Partner. He is currently an indirect shareholder and the Group Executive Director of Cahya Mata Sarawak Berhad, an indirect shareholder and the Deputy Chairman of UBG Berhad, the Deputy Chairman of Loh & Loh Corporation Berhad and a Director of KKB Engineering Berhad and K&N Kenanga Holdings Berhad. He is also a Director of several private companies. On 12 November 2009, he was conferred the prestigious Darjah Kebesaran Panglima Jasa Negara (PJN) (Kehormat) Federal award by the Seri Paduka Baginda Yang di-Pertuan Agong XIII, Al-Wathiqu Billah Tuanku Mizan Zainal Abidin Ibni Al-Marhum Sultan Mahmud Al-Muktafi Billah Shah. The award carries the title "Datuk".
- (iv) **Diong Tai Pew**, a Malaysian aged 59, is our Independent Non-Executive Director. He was appointed to the Board on 14 December 2009. He obtained his Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1976. He is currently a Fellow Member of the Association of Chartered Certified Accountants, a Fellow Member of the Institute of Certified Public Accountants, Singapore, a Member of the Malaysian Institute of Accountants and a Fellow Member of the Chartered Tax Institute of Malaysia. He began his career in 1976 with a chartered accountants company in Singapore. He left the chartered accountants company in 1980 and has since been practicing as a public accountant in Singapore under UHY Diong, an independent member of Urbach Hacker Young International. He is also a founder of UHY Diong, Chartered Accountants Malaysia. He is currently an Independent Non-Executive Director of VS International Group Ltd, a public listed company in Hong Kong and an Independent Non-Executive Director of Hengyang Petrochemical Logistics Ltd, a public listed company in Singapore. He is the Chairman of the Audit Committee of VS International Group Ltd and Hengyang Petrochemical Logistics Ltd. He is also a Director of The Clan Foundation Ltd, the Honorary Deputy Treasurer of the Singapore Federation of the Chinese Clan Associations and the Chairman of the Singapore Foochow Association.
- (v) **Michael Ong Kee Tuan**, a Malaysian aged 64, is our Independent Non-Executive Director. He was appointed to the Board on 14 December 2009. He graduated with a Bachelor of Economics (Honours) degree from the University of Malaya in 1971 and was admitted as a Barrister of the Honourable Society of Middle Temple London in 1977. He is a member of the Malaysian Institute of Accountants (Chartered Accountant), the Chartered Institute of Arbitrators (United Kingdom) and the Chartered Management Institute (United Kingdom) and a fellow member of the Association of Chartered Certified Accountants (United Kingdom), Malaysian Association of Company Secretaries and Chartered Tax Institute of Malaysia. He joined Standard Chartered Bank after his graduation as Officer Trainee and subsequently worked for the Audit Department as Auditor. Prior to commencement of his legal practice, he was the Branch Manager of an audit firm. In 2009, he was appointed to represent The Advocates Association of Sarawak to the Technical Committee of the Corporate Practice Consultative Forum (CPCF) under the Suruhanjaya Syarikat Malaysia (SSM). He is currently an Independent Non-Executive Director of Quality Concrete Holdings Bhd.

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

### 5.2.3 Directors' Remuneration and Benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 31 December 2009 and FPE 30 April 2010 are as follows:-

Name of Directors	FYE 31 December 2009 Remuneration Band (RM)	FPE 30 April 2010 Remuneration Band (RM)
Peh Lam Hoh	1,700,000 - 1,750,000	450,000 - 500,000
Lau Cheng Ming	150,000 - 200,000	50,000 - 100,000
Datuk Syed Ahmad bin Alwee Alsree	-	-
Diong Tai Pew	-	-
Michael Ong Kee Tuan	-	-

### 5.2.4 Principal Directorships in Other Corporations for the Past 5 Years and Principal Business Activities Performed Outside Our Group

Save as disclosed below, our Directors do not have any other principal directorship in other corporations for the past 5 years prior to the LPD or any principal business activities performed outside our Group as at LPD:-

#### (i) Peh Lam Hoh

Company	Involvement in Business Activities Other than as Director	Principal Activities
<b><u>Present Directorships</u></b>		
Sing Swee Bee Enterprise Pte Ltd	Shareholder	Importers, exporters, distributors and wholesalers of industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment, and accessories
Sing Swee Bee Investment Pte Ltd *	Nil	Investment holding
PT Sing Swee Be Indonesia *	Shareholder	Distributors and wholesalers of industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment, and accessories

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

Company	Involvement in Business Activities Other than as Director	Principal Activities
Shanghai Yuhe Trading Co Ltd *	Nil	Wholesale of chemical products, machinery and equipment, pressure vessels, low-temperature equipment, hardware and electrical equipment, and commission agent
SSB Products Pte Ltd	Shareholder	Trading of petroleum products and all kinds of oils and lubricants
Sing Swee Bee Industries Pte Ltd	Shareholder	Importers, exporters and distributors of gas cylinders and industrial gases
SSB Cryogenic Equipment Pte Ltd	Shareholder	Importers, exporters and traders of cryogenic tanks, equipment, accessories and cryogenic liquids, ISO tank rental, provision of marine services and gas related projects
SSB Cryogenic Services Pte Ltd #	Nil	Wholesale of solid, liquid and gaseous fuels, ship purging, inserting, testing, gas related turnkey projects, provision of marine services and gas related projects and trading of cryogenic parts
Sakura Energy Corporation Pte Ltd	Shareholder	Manage the cool-down and gas-up operations of vessels, shipping agent and supplier of gas to vessels
Sing Swee Bee Sdn Bhd	Shareholder	Importers, distributors and wholesalers of industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment, and accessories
Sing Hoh Realty Sdn Bhd	Shareholder	Investment holding
Sing Swee Bee Vietnam Co., Ltd *	Nil	Importers, distributors and wholesalers of Industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment and accessories
Buzwair Cryogenic Services	Nil	Cleaning services for tanks and cisterns, leasing machinery and equipment for manufacturing industries, pledges to provide the ships and vessels, leasing ships, inspection for ships and vessels.

**Notes:-**

\* Subsidiaries of Sing Swee Bee Enterprise Pte Ltd.

# Subsidiary of SSB Cryogenic Equipment Pte Ltd.

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

<b>Company</b>	<b>Involvement in Business Activities Other than as Director</b>	<b>Principal Activities</b>
<b><u>Present Directorships</u></b>		
Anjur Megah Sdn Bhd	Shareholder	Operating stone quarry
Holto Development Sdn Bhd	Shareholder	Property development
Jeram Pertama Sdn Bhd	Shareholder	Investment holding
Jody's Sdn Bhd	Shareholder	Investment holding, provision of management services and letting of shophouses
Jody's Timber Products Sdn Bhd *#	Nil	Manufacturing and selling of timber products
Kalaka Sdn Bhd *	Nil	Property development and investment holding
Kompupaper Sdn Bhd	Shareholder	Printer and dealer in computer stationery and equipment
Perihelion Sdn Bhd	Shareholder	Property development
Quality Crescent Sdn Bhd	Shareholder	Investment holding
Regal Arcade Sdn Bhd	Nil	Construction work and property development
United Packages Sdn Bhd	Shareholder	Processing and producing paper products and packing materials
Wong Chui Leng Development Sdn Bhd	Shareholder	Property holding
<b><u>Past Directorships</u></b>		
Benapaper Sdn Bhd *	Nil	Transportation services
Bena Block Sdn Bhd *#	Nil	Dormant
Best Choice Marketing Sdn Bhd #	Nil	Dormant
Bases Business Consulting Sdn Bhd	Shareholder	Dormant
Du Palm Engineering Sdn Bhd	Nil	Supply and servicing engineering products
Exproasia Sdn Bhd	Shareholder	Dormant
FG Industries Sdn Bhd	Shareholder	Dormant



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

Company	Involvement in Business Activities Other than as Director	Principal Activities
Jayahub Sdn Bhd #	Nil	Investment holding
Lifestyle Builders Sdn Bhd *	Nil	Investment holding
Maxim Empire Sdn Bhd #	Nil	Construction and property development
Perkapalan Sadong Sdn Bhd *	Nil	Dormant
Permina Agencies Sdn Bhd	Shareholder	Dormant
Regal Shipping Sdn Bhd #	Shareholder	Investment holding
Weeland Sdn Bhd	Nil	Dormant
Wang Kuoh Sdn Bhd	Shareholder	Investment in properties

**Notes:-**

\* Subsidiaries of United Packages Sdn Bhd.

# Subsidiaries of Jody's Sdn Bhd.

**(iii) Datuk Syed Ahmad bin Alwee Alsree**

Company	Involvement in Business Activities Other than as Director	Principal Activities
<b><u>Present Directorships</u></b>		
Cahaya Mata Sarawak Berhad	Nil	Investment holding
UBG Berhad	Nil	Investment holding
KKB Engineering Berhad	Nil	Steel fabrication, civil construction, hot dip galvanising and manufacture of liquid petroleum gas cylinders
Loh & Loh Corporation Berhad	Nil	Investment holding and civil construction
K&N Kenanga Holdings Berhad	Nil	Investment holding and provision of management services
CMS Asset Management Sdn Bhd	Nil	Managing investment funds
CMS Capital Sdn Bhd	Nil	Investment holding
CMS Cement Sdn Bhd	Nil	Manufacture and sale of cement

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

<b>Company</b>	<b>Involvement in Business Activities Other than as Director</b>	<b>Principal Activities</b>
CMS Clinker Sdn Bhd	Nil	Manufacture and trading of cement clinker
CMS Education Sdn Bhd	Nil	Provision of education services
CMS Foundation	Nil	To receive and administer funds for education, scientific and charitable purposes for public welfare
CMS Faradale Development Sdn Bhd	Nil	Property development
CMS Global (BVI) Ltd	Nil	Investment holding
CMS Hotels Sdn Bhd	Nil	Dormant
CMS I-Systems Berhad	Nil	Trading of computer software
CMS Land Sdn Bhd	Nil	Property holding, development and construction
CMS Mezzanine Sdn Bhd	Nil	Corporate financing
CMS Modular Housing Sdn Bhd	Nil	Dormant
CMS Property Development Sdn Bhd	Nil	Property holding, development and project management
CMS Property Management Sdn Bhd	Nil	Construction, management and marketing of realty and property projects
CMS Resources Sdn Bhd	Nil	Investment and property holding
CMS River Bus Sdn Bhd	Nil	Investment holding
CMS Trust Management Berhad	Nil	Promotion and management of unit trust funds
CMS Works International (China) Ltd	Nil	Investment holding
Concordance Holdings Sdn Bhd	Nil	Investment holding
Projek Bandar Samariang Sdn Bhd	Nil	Property development and related construction works
Sarawak Aluminium Company Sdn Bhd	Nil	Investment holding
Similajau Aluminium Industries Sdn Bhd	Nil	Investment holding
Similajau Industries Sdn Bhd	Nil	Investment holding
Similajau Power Generation Sdn Bhd	Shareholder	Power generation

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

Company	Involvement in Business Activities Other than as Director	Principal Activities
<b><u>Present Directorships</u></b>		
Zheng Shing Enterprise Sdn Bhd	Nil	Investment holding
Acc. Datamation Pte Ltd	Shareholder	Providers of accounting services
Acc. Datamation Sdn Bhd	Shareholder	Providers of accounting services
Tarc Associates (JB) Sdn Bhd	Shareholder	Providers of secretarial services
Diong Business Development Services Pte Ltd	Nil	Dormant
Sun Technopreneur International Pte Ltd	Nil	Dormant
V.S. International Group Ltd	Nil	Electronic products contract manufacturers
Hengyang Petrochemical Logistics Ltd	Nil	Petrochemical logistics providers
Clan Foundation Ltd	Nil	Trust

**(v) Michael Ong Kee Tuan**

Company	Involvement in Business Activities Other than as Director	Principal Activities
<b><u>Present Directorships</u></b>		
Quality Concrete Holdings Bhd	Nil	Investment holdings
Wang Weng Properties Sdn Bhd	Shareholder	Letting of property
<b><u>Past Directorships</u></b>		
Hong Tai Travel Agency Sdn Bhd	Nil	Travel Agency

Based on the declaration by our Directors, their respective involvement in the above businesses does not require a significant amount of their time as the businesses are managed by experienced personnel. Accordingly, their involvement in the abovementioned businesses do not affect their contribution to our Group or negatively impact their ability to act as our Directors.

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

### 5.3 BOARD PRACTICES

#### 5.3.1 Directors' Term of Office

Our Board is entrusted with the responsibility for the overall direction, strategy, performance and management of our Group. The number of years that our Directors have served in office and the date of expiration of their respective term of office are as follows:-

Name	Length of Service as Director of SIG Gases as at the LPD	Date of Expiration of Current Term of Office
Peh Lam Hoh	Less than a year	*
Lau Cheng Ming	Less than a year	*
Datuk Syed Ahmad bin Alwee Alsree	Less than a year	*
Diong Tai Pew	Less than a year	*
Michael Ong Kee Tuan	Less than a year	*

**Note:-**

- \* *All our Directors were re-elected on 30 April 2010 being the date of our first annual general meeting. In accordance with Article 103 of our Articles of Association, one-third (1/3) of our Directors shall retire from office at each annual general meeting after the first annual general meeting and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.*

#### 5.3.2 Audit Committee

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

Name	Designation	Directorship
Diong Tai Pew	Chairman	Independent Non-Executive Director
Michael Ong Kee Tuan	Member	Independent Non-Executive Director
Datuk Syed Ahmad bin Alwee Alsree	Member	Non-Independent Non-Executive Director

#### 5.3.3 Remuneration Committee

The Remuneration Committee is principally responsible for reviewing and recommending to our Board the remuneration package of our Directors. The Remuneration Committee comprises the following members: -

Name	Designation	Directorship
Peh Lam Hoh	Chairman	Executive Chairman
Diong Tai Pew	Member	Independent Non-Executive Director
Michael Ong Kee Tuan	Member	Independent Non-Executive Director

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


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**5.3.4 Nomination Committee**

The Nomination Committee is principally responsible for recommending to our Board the appointment of new Directors of our Company and committee members. The Nomination Committee comprises the following members:-

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Diong Tai Pew	Chairman	Independent Non-Executive Director
Datuk Syed Ahmad bin Alwee Alsree	Member	Non-Independent Non-Executive Director
Michael Ong Kee Tuan	Member	Independent Non-Executive Director

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

### 5.4 KEY MANAGEMENT

#### 5.4.1 Particulars and Shareholdings of the Key Management

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

Name	Designation	Age	No. of Shares Held Before the IPO <sup>(1)</sup>		No. of Shares Held After the IPO <sup>(2)</sup>		Assuming Full Exercise of ESOS Options <sup>(3)</sup>		
			Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	
Foo Peng Boon	Regional Sales and Marketing Manager	34	65,739	0.07	-	-	-	-	-
Chong Joon Kiong	Regional Operation Manager	35	65,739	0.07	-	-	-	-	-
Koh Beng San	Senior Finance Manager	36	65,739	0.07	-	-	-	-	-
Boo Chin Eng	Production Manager	31	43,826	0.04	-	-	-	-	-
Tan Chin Peng	Personal Assistant to Executive Chairman	48	438,261	0.43	-	-	-	-	-
					(4) 565,739	(4) 565,739	(5) 665,739	(5) 665,739	(5) 665,739
					(4) 565,739	(4) 565,739	(5) 665,739	(5) 665,739	(5) 665,739
					(4) 213,826	(4) 213,826	(5) 313,826	(5) 313,826	(5) 313,826
					(4) 938,261	(4) 938,261	(5) 1,038,261	(5) 1,038,261	(5) 1,038,261

#### Notes:-

- (1) Based on the issued and paid-up share capital of 100,800,000 Shares after the Acquisition.
- (2) Based on the enlarged issued and paid-up share capital of 150,000,000 Shares after the IPO.
- (3) Based on the enlarged issued and paid-up share capital of 172,500,000 Shares assuming full exercise of maximum ESOS Options to be allocated.
- (4) Including their entitlements for the Pink Form Shares.
- (5) Inclusive of the indicative number of ESOS Options to be allocated to the individual Directors prior to our Listing.

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

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**5.4.2 Profiles of the Key Management**

- (i) **Foo Peng Boon**, a Malaysian aged 34, is the Regional Sales and Marketing Manager. He obtained his Bachelor of Science (Human Development) Degree from Universiti Putra Malaysia in 1999. He started his career as a Sales Executive with Southern Industrial Gas in 1999. He was promoted to the positions of Senior Sales Executive in 2000 and Assistant Branch Manager in 2001. In 2003, he was promoted to the position of Branch Manager of our Group's Puchong, Selangor facility, where he was responsible for the branch's sales and operations. He was promoted to his current position as Regional Sales and Marketing Manager in 2006. He is currently responsible for overall sales and operations at our Group's Puchong, Selangor and Nilai, Negeri Sembilan facilities.
- (ii) **Chong Joon Kiong**, a Malaysian aged 35, is the Regional Operation Manager. He graduated with a Bachelor Degree of Management (Technology) from Universiti Teknologi Malaysia in 1999 and subsequently obtained a Master of Technology Management (Technology) from the same institution in 2002. His career started in 1999 when he joined Southern Industrial Gas as a Sales Executive. He was promoted to the position of Assistant Sales Manager in 2000, Assistant Operation and Sales Manager in 2001, and Operation and Sales Manager in 2003. In 2004, he was promoted to the position of Sales Manager (Bulk, Compressed Gases and Projects), where he was responsible for the operational and sales planning for these products and services. He was promoted to his current position as Regional Operation Manager in 2005, where he is responsible for our Group's regional operational and sales planning.
- (iii) **Koh Beng San**, a Malaysian aged 36, is the Senior Finance Manager. He was admitted as a Member of the Association of Chartered Certified Accountants in 2001 and was admitted as a Fellow Member in 2006. He was also admitted as a Member of the Malaysian Institute of Accountants in 2001. He began his career in 1999 as an Audit Assistant with BDO Binder, where he was responsible for conducting financial audits. He subsequently joined Tru-Tech Electronic (M) Sdn Bhd as an Assistant Finance Manager, where he was responsible for managing the company's finance and accounting functions. In 2003, he joined Southern Industrial Gas as the Finance Manager. He is responsible for our Group's treasury, accounting and finance functions. He is also in charge of matters relating to our Group's human resources, administration and information technology.
- (iv) **Boo Chin Eng**, a Malaysian aged 31, is the Production Manager. He graduated in 2003 with a Bachelor Degree in Chemical Engineering from Universiti Teknologi Malaysia. He began his career as a Chemical Engineer with Southern Industrial Gas in 2004 and was subsequently promoted to the position of Assistant Production Manager in 2007. He was promoted to his current position as Production Manager in 2008. He is responsible for managing the production, safety and maintenance of our Group's ASU, Acetylene manufacturing facilities, mixed gas production facilities and industrial gas refilling facilities in Senai, Johor. He is also responsible for our Group's internal quality control and providing technical support to our Group's customers. He manages and co-ordinates external projects and provides technical assistance to our Group's regional branches.

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

- (v) **Tan Chin Peng**, a Malaysian aged 48, is the Personal Assistant to the Executive Chairman. She obtained her Diploma in Secretaryship from Stamford College, Malaysia in 1985. She began her career as an Administrator with Asiatic Development Bhd from 1981 to 1983. In 1985, she joined Edaran Otomobil Nasional Berhad as a Secretary, where she served until 1995. She then joined Changhuat Plastics Industries Sdn Bhd as an Executive Secretary, where she was responsible for secretarial and administrative functions. She subsequently joined Sunway Juarasama Sdn Bhd as an Administrative Executive, where she was responsible for administrative and Human Resources functions. She joined Southern Industrial Gas in 2001 as the Personal Assistant to the Managing Director. She is currently responsible for providing full organisational support to the Managing Director and the management team, and providing support to the Accounts and Purchasing Department.

### 5.4.3 Involvement of Executive Directors / Key Management in other Businesses / Corporations

For the involvement of our Executive Directors in other businesses / corporations, please refer to Section 5.2.4 of this Prospectus.

As at the LPD, save as disclosed below, none of our key management is involved in other businesses or corporations:-

#### (i) Koh Beng San

Company	Position (Director/ Shareholder)	Principal Activities
Chico Auto Supply Sdn Bhd	Director	Trading of auto parts

#### (ii) Tan Chin Peng

Company	Position (Director/ Shareholder)	Principal Activities
Sing Hoh Realty Sdn Bhd	Director	Investment holding

Based on the declarations by Koh Beng San and Tan Chin Peng, they are not involved in the day-to-day activities and operations of the abovementioned business and accordingly, their involvement in the abovementioned business does not affect their contribution to our Group or negatively impact their ability to act as the Senior Finance Manager and Personal Assistant to the Executive Chairman.

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

**5.5 DECLARATION OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT**

None of our Promoters, Directors and key management is or has been involved in any of the following events:-

- (i) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or key personnel;
- (ii) Disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) Any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) The subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

**5.6 FAMILY RELATIONSHIPS**

Datuk Syed Ahmad bin Alwee Alsree and Datin Hanifah Hajar Taib are husband and wife.

Save as disclosed above, there are no family relationships / association between our Promoters, substantial shareholders, Directors and key management.

**5.7 EXISTING OR PROPOSED SERVICE AGREEMENTS**

As at the LPD, there are no existing or proposed service agreements (contracts for service) entered into by our Group or any company within our Group, with our Directors or key management.

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

### 5.8 EMPLOYEES

As at LPD, we have a total workforce of 193 employees, all of which are permanent employees. The breakdown of our employees is as follows:-

Category of Employees	As at 31.12.2007	As at 31.12.2008	As at 31.12.2009	As at LPD
Management and professionals	5	6	7	12
Technical personnel				
- Engineers	3	2	5	3
- Supervisors and technicians	12	14	15	16
- Quality assurance	1	1	1	1
Sales and marketing	17	18	21	21
Clerical and administrative	37	38	37	36
Factory floor workers				
- Skilled workers	26	30	32	36
- Semi-skilled workers	33	36	35	30
- Unskilled workers	30	32	35	38
<b>Total</b>	<b>164</b>	<b>177</b>	<b>188</b>	<b>193</b>

The gradual increase in the number of employees during the past 3 years up to the FYE 31 December 2009 and the 4-month FPE 30 April 2010 was mainly as the result of an increase in staff, in line with our business expansion during these financial years/period.

None of our employees belong to any labour union. The relationship and cooperation between our management and our employees have always been good and this is expected to continue. As at the LPD, there has been no major industrial dispute pertaining to our employees.

We currently have 1 quality assurance personnel who is responsible for overseeing the quality assurance at our production facility in Senai, Johor. Quality assurance functions at each of our industrial gas refilling facilities are handled by the respective gas refilling facilities' production supervisor.

We are currently in the process of hiring 1 qualified quality assurance personnel to oversee the quality assurance functions at our newly operational production facility in Nilai, Negeri Sembilan.

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

### Training and development

We regard our employees as invaluable and key components to our continued growth and view sound human resource management as of our critical success factors. We believe a well-trained, well-motivated and well-managed workforce is essential for efficient operations and the success of our business. As such, we proactively cultivate a positive working culture by having good working relationships with our employees and place great emphasis on comfortable working environment for our employees.

We believe in developing our human capital. It is our policy to develop and train employees to improve their skill sets and professionalism, in order to enhance productivity and operational efficiencies. As training and development is a continuing process, we encourage our employees to continually increase their skills and knowledge through hands-on training.

Some of the past and current internal and external training programmes undertaken by our employees are as follows:-

Date of Training Programme	Programme	Organiser
01.08.2005	Understanding an ISO 9001:2000	Neville Clarke (M) Sdn Bhd
18.03.2005 - 20.03.2005	Effective management skills and teambuilding	SM Learning Centre Sdn Bhd
22.08.2005	An introduction to SIG Gases ASU plant	Southern Industrial Gas
22.05.2006 - 23.05.2006	Application of trouble shooting of electric motor	Puspatri Johor Skills Development Centre
17.07.2006	Workplace inspection for safety & health committee	Neville Clarke (M) Sdn Bhd
13.11.2006 - 17.11.2006	ISO 9000:2000 series auditor/ lead auditor training course	Neville Clarke (M) Sdn Bhd
06.01.2007 - 08.04.2007	Certificate of Safety & Health Officer	National Institution of Safety and Health
02.02.2007	Safety in Operating & Maintenance Of Dissolved Acetylene Plant	Southern Industrial Gas
15.08.2008	Managing and Handling Scheduled Wastes	GMP Environment Consultants
26.08.2008 - 27.08.2008	Product Vehicle Safety & Accident Prevention	Federation of Malaysian Manufacturers
14.05.2009	ISO 9001:2008 Transition	Neville Clarke (M) Sdn Bhd

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

Date of Training Programme	Programme	Organiser
06.07.2009 - 07.07.2009	Protection and switchgear for electrical power system	Outsourcing Training & Consulting
25.07.2009	Introduction to safety handling & understanding about industrial gases	Southern Industrial Gas
18.07.2009	Staying ahead with one team.... One Goal	Global Training Network Alliances

**5.9 PROMOTERS, DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS' BENEFIT**

Save for the remuneration, material benefits-in-kind and dividend paid or payable by our Group to our Promoters, Directors and substantial shareholders, there have been no amounts and benefits that have been or are intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

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**6. APPROVALS AND CONDITIONS****6.1 APPROVALS AND CONDITIONS**

The listing of our Company on the Main Market of Bursa Securities was approved by the relevant authorities as follows:-

Authority	Date
SC	16 April 2010
MITI	29 April 2010
Shariah Advisory Council	8 June 2010
Bursa Securities	To be obtained

**6.1.1 MITI's Approval**

The conditions imposed by MITI via its letter dated 29 April 2010 and the status of compliance with these conditions are as follows:-

Conditions Imposed by the MITI via MITI's Letter Dated 29 April 2010	Status of Compliance
To obtain the SC's approval for the Listing	Complied

**6.1.2 SC's Approval**

The conditions imposed by the SC and the status of compliance with these conditions are as follows:-

Conditions Imposed by the SC via SC's Letter Dated 16 April 2010	Status of Compliance
(i) To allocate 50% of the public spread requirement to the Bumiputera investors. This includes the portion made available for subscription by way of balloting, 50% of which are to be offered to the retail Bumiputera investors. In the event that SIG Gases/MITI is unable to allocate the shares to potential Bumiputera investors, the unsubscribed shares shall be offered to Bumiputera public investors by way of balloting;	To be complied
(ii) SIG Gases is not to declare any dividends prior to its listing on the Main Market of Bursa Securities;	Complied

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

<b>Conditions Imposed by the SC via SC's Letter Dated 16 April 2010</b>	<b>Status of Compliance</b>
(iii) SIG Gases is to make full provision for all overdue trade receivables which are in dispute or under legal action, or for amounts which have been outstanding for more than 6 months, and that the Directors of SIG Gases should confirm to the SC that this condition has been complied with prior to the issuance of the listing prospectus;	Complied. Our Board had on 7 July 2010, provided the confirmation to the SC.
(iv) The Board of Directors of SIG Gases should submit a declaration to the SC that trade receivables exceeding the credit period, which have not been provided for as doubtful debts, excluding those under paragraph 1.2(ii) above, are recoverable;	Complied. Our Board had on 7 July 2010, provided the declaration to the SC.
(v) The Board of Directors of SIG Gases should provide a declaration to the SC that Southern Industrial Gas has sufficient level of working capital for the next 12 months from the date of the listing prospectus, and that AmInvestment is to provide a confirmation on the steps undertaken to satisfy themselves that the aforementioned declaration by the Board of Directors of SIG Gases has been properly made; and	Complied. Our Board and AmInvestment Bank had, on 7 July 2010, provided the declaration and the confirmation respectively, to the SC.
(vi) SIG Gases/AmInvestment should fully comply with the requirements of the Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the proposal.	To be complied.

The SC had, via SC's letter dated 8 March 2010, approved an exemption sought by us from having to comply with the requirement under the Prospectus Guidelines - Equity and Debt ("**Prospectus Guidelines**") issued by the SC. The details of the approved exemption sought and the accompanying conditions imposed by the SC are as follows:-

<b>Relevant Paragraph Under the Prospectus Guidelines for Which Waiver Was Sought</b>	<b>Details of the Waiver Granted</b>
<p>Paragraph 13.10</p> <p>Waiver from disclosing the auditors' report in the prospectus in respect of the financial years under review</p>	<p>Subject to the condition that the auditors' opinion on the audited financial statements for the financial years/ period under review be disclosed in the accountants' report.</p>

**6. APPROVALS AND CONDITIONS (Cont'd)****6.2 MORATORIUM ON SHARES**

In accordance with Paragraph 5.29 of the SC Guidelines, a moratorium shall be placed on the sale of the entire 81,213,259 Shares held by our Promoters, representing 47.08% of the enlarged issued and paid-up capital of SIG Gases (after assuming full exercise of ESOS Options) for 6 months from the date of Admission, as follows:-

Name	No. of Shares Held Upon Admission <sup>(1)</sup>			
	Direct	(%)	Indirect	(%)
Phoenix	52,500,000	30.43	-	-
Sing Swee Bee Enterprise Pte Ltd	11,865,458	6.88	-	-
Peh Lam Hoh	<sup>(2)</sup> 8,029,744	4.65	<sup>(3)</sup> 64,365,458	37.31
Datin Hanifah Hajar Taib	<sup>(2)</sup> 5,827,393	3.38	<sup>(4)</sup> 52,900,000	30.67
Lau Cheng Ming	<sup>(2)</sup> 2,990,664	1.73	-	-
<b>Total</b>	<b>81,213,259</b>	<b>47.07</b>		

**Notes:-**

- (1) Based on the enlarged issued and paid-up share capital of 172,500,000 Shares assuming full exercise of maximum ESOS Options to be allocated.
- (2) Inclusive of the indicative number of ESOS Options to be allocated to the individual Directors prior to our Listing.
- (3) Deemed interest by virtue of his interest in Phoenix and Sing Swee Bee Enterprise Pte Ltd pursuant to Section 6A of the Companies Act.
- (4) Deemed interest by virtue of her interest in Phoenix and her spouse's (Datuk Syed Ahmad bin Alwee Alsree) interest in SIG Gases pursuant to Section 6A of the Companies Act.

The ultimate shareholders of Phoenix (namely Peh Lam Hoh, Datin Hanifah Hajar Taib, Lau Cheng Ming and Sing Swee Bee Enterprise Pte Ltd) and Sing Swee Bee Enterprise Pte Ltd (namely Peh Lam Hoh, Peh Tuan and Ng Swee Gek), have furnished a letter of undertaking prior to the listing to the SC that they will not sell, transfer or assign any of their entire shareholdings in Phoenix and Sing Swee Bee Enterprise Pte Ltd for 6 months from the date of listing on Bursa Securities.

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

## 7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

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

#### 7.1.1 Recurrent Related Party Transactions

Save as disclosed below, we do not have any other existing and/or proposed recurrent related party transactions entered into by us which involve the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them as well as the Directors of our subsidiaries and/or persons connected to them as defined under the Listing Requirements for the past 3 years up to the FYE up to 31 December 2009 and the 4-month FPE 30 April 2010:-

Transacting Parties	Interested Related Party	Nature of Transactions	Transaction Value (RM'000)				Forecast (RM'000) <sup>(7)</sup>
			FYE 31.12.2007	FYE 31.12.2008	FYE 31.12.2009	FPE 30.04.2010	FYE 31.12.2010
Sing Swee Bee Sdn Bhd	Peh Lam Hoh	Southern Industrial Gas purchases Refrigerant products from Sing Swee Bee Sdn Bhd	1,700	1,841	1,996	1,000	3,000
		Southern Industrial Gas sells industrial gases to Sing Swee Bee Sdn Bhd	46	74	53	10	30
Sing Swee Bee Enterprise Pte Ltd <sup>(1)</sup>	Peh Lam Hoh	Southern Industrial Gas purchases Refrigerant products, cylinders, valves, hydrogen valves and loose long tubes from Sing Swee Bee Enterprise Pte Ltd	<sup>(1)</sup> 3,168	<sup>(1)</sup> 7,315	<sup>(1)</sup> 8,335	<sup>(1)</sup> 3,660	10,980
	Peh Lam Hoh	Southern Industrial Gas sells industrial gases and provide loading and unloading services to Sing Swee Bee Enterprise Pte Ltd	23	99	102	7	21
SSB Cryogenic Equipment Pte Ltd <sup>(2)</sup>	Peh Lam Hoh	Southern Industrial Gas purchases liquid oxygen, liquid nitrogen, liquid Argon, carbon dioxide, Specialty Gases from SSB Cryogenic Equipment Pte Ltd	<sup>(2)</sup> 3,195	<sup>(2)</sup> 4,129	<sup>(2)</sup> 3,422	<sup>(2)</sup> 1,242	3,726
	Peh Lam Hoh	Southern Industrial Gas sells liquid oxygen and liquid nitrogen to SSB Cryogenic Equipment Pte Ltd	1,153	772	343	19	57

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**7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**

Transacting Parties	Interested Related Party	Nature of Transactions	Transaction Value (RM'000)				Forecast (RM'000) <sup>(7)</sup>
			FYE 31.12.2007	FYE 31.12.2010	FYE 31.12.2009	FPE 30.04.2010	FYE 31.12.2010
Power Weld Sendirian Berhad	Teo Hin Guan <sup>(3)</sup>	Southern Industrial Gas purchases welding products and welding equipment from Power Weld Sendirian Berhad	766	-	-	-	-
Kobewel Kogyo Marketing Sdn Bhd	Loh Pei Yon <sup>(4)</sup>	Southern Industrial Gas purchases welding products and equipment from Kobewel Kogyo Marketing Sdn Bhd	2	-	3	11	33
		Southern Industrial Gas sells industrial gases to Kobewel Kogyo Marketing Sdn Bhd	337	-	-	-	-
Sing Swee Bee Industries Pte Ltd	Peh Lam Hoh	Southern Industrial Gas purchases valves from Sing Swee Bee Industries Pte Ltd	1	4	2	5	15
WSW Marketing & Services	Kong Khim Tuck <sup>(5)</sup>	Southern Industrial Gas purchases valves and spare parts from WSW Marketing & Services	-	35	51	12	36
LJ Tech Sdn Bhd	Loh Pei Yon	Southern Industrial Gas purchases welding products and equipment from LJ Tech Sdn Bhd	84	-	32	19	57
	Loh Pei Yon	Southern Industrial Gas sells industrial gases to LJ Tech Sdn Bhd	3	-	24	9	27
Kobewel Kogyo Gases Sdn Bhd <sup>(6)</sup>	Loh Pei Yon	Southern Industrial Gas sells industrial gases to Kobewel Kogyo Gases Sdn Bhd	-	-	1,454	531	1,593

**Notes:-**

- (1) The purchases from Sing Swee Bee Enterprise Pte Ltd are inclusive of the following:-

Details of Purchases	Transaction Value (RM'000)			
	FYE 31.12.2007	FYE 31.12.2008	FYE 31.12.2009	FPE 30.04.2010
Purchase of finished products and consumable store such as Refrigerants, valves and cylinder sales	2,027	2,782	2,709	1,268
Purchase of fixed assets such as cylinders, hydrogen valves and loose long tubes	1,105	4,529	5,608	2,392
Transportation charges etc	36	4	18	-
As disclosed herewith in Section 7.1.1 of this Prospectus	3,168	7,315	8,335	3,660

Sing Swee Bee Enterprise Pte Ltd has been the supplier of our Group for at least 12 years.

Sing Swee Bee Enterprise Pte Ltd is our Promoter and substantial shareholder. Peh Lam Hoh, the Promoter, substantial shareholder and Executive Chairman of SIG Gases is the Director and substantial shareholder of Sing Swee Bee Enterprise Pte Ltd. Please refer to Sections 5.1.1, 5.1.2 (ii), 7.4 (i) and 7.5 (i) of this Prospectus for further details.

**7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**

(2) *The purchases from SSB Cryogenic Equipment Pte Ltd are inclusive of the following:-*

<b>Details of Purchases</b>	<b>Transaction Value (RM'000)</b>			
	<b>FYE 31.12.2007</b>	<b>FYE 31.12.2008</b>	<b>FYE 31.12.2009</b>	<b>FPE 30.04.2010</b>
<i>Purchase of raw materials and finished products such as liquid Argon, liquid carbon dioxide and Specialty Gases as disclosed in Section 4.6.8 of this Prospectus</i>	2,705	3,215	3,301	1,179
<i>ISO tank rental, maintenance etc</i>	346	176	85	28
<i>Purchase of fixed assets such as vertical storage tank, ISO tank and Cryogenic tank</i>	-	695	-	-
<i>Transportation charges etc</i>	144	43	35	35
<i>As disclosed herewith in Section 7.1.1 of this Prospectus</i>	3,195	4,129	3,421	1,242

*Southern Industrial Gas purchases liquid oxygen and liquid nitrogen from SSB Cryogenic Equipment Pte Ltd mainly due to our Group's ASU is being shut down for maintenance and on ad-hoc basis when sales demand from our customers exceeds our production output.*

*Southern Industrial Gas sells liquid oxygen and liquid nitrogen to SSB Cryogenic Equipment Pte Ltd when SSB Cryogenic Equipment Pte Ltd has sales demand for these gases from its customers, which is being transacted in the ordinary course of business.*

*Peh Lam Hoh, the Promoter, substantial shareholder and Executive Chairman of SIG Gases is the Director and substantial shareholder of SSB Cryogenic Equipment Pte Ltd. Please refer to Sections 5.2.4 (i), 7.4 (i) and 7.5 (i) of this Prospectus for further details.*

- (3) *Teo Hin Guan, the Director of Southern Industrial Gas, is the Director and shareholder in Power Weld Sendirian Berhad. Teo Hin Guan has ceased to be the Director of Southern Industrial Gas on 2 July 2007.*
- (4) *Loh Pei Yon, a substantial shareholder of Southern Industrial Gas (prior to the IPO), is the Director and substantial shareholder in Kobewel Kogyo Marketing Sdn Bhd.*
- (5) *Kong Khim Tuck, the Director and shareholder of Southern Industrial Gas, is the Director in WSW Marketing & Services.*
- (6) *Subsidiary of Kobewel Kogyo Marketing Sdn Bhd.*
- (7) *Annualised based on the transaction value for the FPE 30 April 2010. However, the actual transaction value may differ from the forecast value.*

Our Directors are of the view that all the above material recurrent related party transactions were conducted on arm's length basis and are carried out in the ordinary course of business and on competitive commercial terms not more favourable to the related parties than those generally available to the public and were not to the detriment of our minority shareholder.

We anticipate that our Group would, in the ordinary course of business, continue to enter into certain transactions as disclosed above with the related parties as the transactions are necessary for our day-to-day operations. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time. Sales to the related parties represent an additional source of revenue for our Group. With regard to purchases, our Group will benefit from having access to convenience and reliability of supplies from the related parties in addition to our Group being granted longer credit terms.

Kindly refer to Section 7.6 of this Prospectus for further details in relation to the shareholders' mandate for related party transactions.

**7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)****7.1.2 Non-Recurrent Related Party Transactions**

Save as disclosed below pursuant to the Acquisition, we do not have any other existing and/or proposed non-recurrent related party transactions entered into by us which involve the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them as well as Directors of our subsidiaries and/or persons connected to them as defined under the Listing Requirements for the past 3 years up to the FYE 31 December 2009 and the 4-month FPE 30 April 2010:-

Transacting Parties	Interested Related Party	Nature of Transactions	Transaction Value (RM'000)			
			FYE 31.12.2007	FYE 31.12.2008	FYE 31.12.2009	FPE 30.04.2010
Peh Lam Hoh and Lau Cheng Ming	Peh Lam Hoh and Lau Cheng Ming	Acquisition of 2 ordinary shares of RM1.00 each in Southern Carbon Dioxide for cash for a nominal value of RM1.00 per share	-	-	-	-
Peh Lam Hoh and Lau Cheng Ming	Peh Lam Hoh and Lau Cheng Ming	Acquisition of 2 ordinary shares of RM1.00 each in Southern Oxygen for cash for a nominal value of RM1.00 per share	-	-	-	-

Note:-

*On 31 May 2010, Southern Industrial Gas has transferred the 2 existing ordinary shares of RM1.00 each in Southern Oxygen and Southern Carbon Dioxide respectively for a nominal value of RM1.00 per share each to SIG Gases.*

Our Directors are of the view that all the above non-recurrent related party transactions were conducted on arm's length basis and on terms not more favourable to the related parties than those generally available to the public. The Audit Committee will supervise the terms of non-recurrent related party transactions, and our Directors will report the transactions, if any, annually in our Company's annual report.

**7.2 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS**

Save as disclosed in Section 7.1.1 of this Prospectus, our Directors have confirmed that, to the best of their knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries was a party in respect of the past 3 years up to the FYE 31 December 2009 and the subsequent financial period up to the LPD.

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

There are no outstanding loans, including guarantees of any kind, made by our Group to or for the benefit of related parties during the past 3 years up to the FYE 31 December 2009 and the subsequent financial period up to the LPD.

**7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)****7.4 INTEREST IN SIMILAR BUSINESS**

Save as disclosed below, none of our Directors or substantial shareholders is interested, directly or indirectly, in any other business carrying on a similar or competing trade as our Group as at the LPD:-

**(i) Peh Lam Hoh**

Name of Company	Nature of Business	Position (Director/ Shareholder)	Direct (%)	Indirect (%)	Mitigating Factor
PT Sing Swee Bee Indonesia	Distributors and wholesalers of industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment, and accessories	Director and shareholder	-	* 100.00	Note (1)
Sing Swee Bee Industries Pte Ltd	Importers, exporters and distributors of gas cylinders and industrial gases	Director and shareholder	79.97	-	Note (2)
SSB Cryogenic Equipment Pte Ltd	Importers, exporters and traders of cryogenic tanks, equipment, accessories and cryogenic liquids, ISO tank rental, provision of marine services and gas related projects	Director and shareholder	83.64	-	Note (3)
SSB Cryogenic Services Pte Ltd	Wholesale of solid, liquid and gaseous fuels, ship purging, inserting, testing, gas related turnkey projects, provision of marine services and gas related projects and trading of cryogenic parts	Director and shareholder	-	^ 100.00	Note (4)
Sing Swee Bee Sdn Bhd	Importers, distributors and wholesalers of industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment, and accessories	Director and shareholder	99.00	-	Note (5)
Sing Swee Bee Enterprise Pte Ltd	Importers, exporters, distributors and wholesalers of Industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment, and accessories	Director and shareholder	89.99	-	Note (6)

**7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)****(ii) Loh Pei Yon**

Name of Company	Nature of Business	Position (Director/ Shareholder)	Direct (%)	Indirect (%)	Mitigating Factor
LJ Tech Sdn Bhd	Importers, exporters and distributors of welding products and equipment	Director and shareholder	50.00	-	Note (7)
Kobewel Kogyo Marketing Sdn Bhd	Importers, exporters and distributors of industrial gases, welding products and equipment	Director and shareholder	60.00	-	Note (7)
Kobewel Kogyo Gases Sdn Bhd	Importers, exporters and distributors of industrial gases	Shareholder	-	# 30.00	Note (7)

**Notes:-**

- (1) *PT Sing Swee Bee Indonesia imports, exports and distributes gas cylinders and industrial gases within the Indonesian market and does not compete directly with our principal geographic markets of operations.*
  - (2) *Sing Swee Bee Industries Pte Ltd mainly sells ammonia gas in Singapore and does not compete directly with our Group as it is principally involved in a different business segment as compared to our Group.*
  - (3) *SSB Cryogenic Equipment Pte Ltd's main business activities is ship purging, inserting, testing, gas related turnkey projects, provision of marine services and gas related projects, and trading of cryogenic parts and lease of ISO tank and therefore does not compete directly with our Group as it is principally involved in a different business segment.*
  - (4) *SSB Cryogenic Services Pte Ltd's main business activities is ship purging, inserting, testing, gas related turnkey projects, provision of marine services and gas related projects, and trading of cryogenic parts and therefore does not compete directly with our Group as it is principally involved in a different business segment.*
  - (5) *Sing Swee Bee Sdn Bhd mainly sells CNG cylinders, Refrigerant products and cylinders in Malaysia and does not compete directly with our Group as it is principally involved in a different business segment as compared to our Group.*
  - (6) *Sing Swee Bee Enterprise Pte Ltd is the sole distributor of Beijing cylinders in South East Asia and does not compete directly with our principal geographic markets of operations.*
  - (7) *Although Loh Pei Yon has interest in these companies, which have similar business activities with our Group, his directorship and substantial shareholdings in these companies will not give rise to any conflict of interest with our Group as he is just a shareholder of SIG Gases (a substantial shareholder prior to the IPO) and is not involve in the management and day-to-day operations of the our Group.*
- \* *Deemed interest by virtue of his interest in Sing Swee Bee Enterprise Pte Ltd.*  
 ^ *Deemed interest by virtue of his interest in SSB Cryogenic Equipment Pte Ltd.*  
 # *Deemed interest by virtue of his interest in Kobewel Kogyo Marketing Sdn Bhd.*

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**7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)****7.5 INTEREST IN OTHER BUSINESSES OR CORPORATIONS WHICH ARE CUSTOMERS OR SUPPLIERS OF OUR GROUP**

To the best knowledge and belief of our Directors and substantial shareholders, save as disclosed below, none of our Directors and substantial shareholders is interested directly and/or indirectly in any other business or corporation which is a customer or supplier of our Group as at the LPD:-

**(i) Peh Lam Hoh**

<b>Name of Company</b>	<b>Nature of Business</b>	<b>Relationship</b>	<b>Position (Director/ Shareholder)</b>	<b>Direct (%)</b>	<b>Indirect (%)</b>
Sing Swee Bee Enterprise Pte Ltd	Importers, exporters, distributors and wholesalers of industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment, and accessories	Customer and supplier	Director and shareholder	89.99	-
SSB Cryogenic Equipment Pte Ltd	Importers, exporters and traders of cryogenic tanks, equipment, accessories and cryogenic liquids, ISO tank rental, provision of marine services and gas related projects	Customer and supplier	Director and shareholder	83.64	-
Sing Swee Bee Sdn Bhd	Importers, distributors and wholesalers of industrial, medical, specialty and other types of gases, Refrigerants, gas cylinders, fire fighting equipment, welding and cutting equipment, and accessories	Customer and supplier	Director and shareholder	99.00	-
Sing Swee Bee Industries Pte Ltd	Importers, exporters and distributors of gas cylinders and industrial gases	Supplier	Director and shareholder	79.97	-

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**7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)****(ii) Loh Pei Yon**

<b>Name of Company</b>	<b>Nature of Business</b>	<b>Relationship</b>	<b>Position (Director/ Shareholder)</b>	<b>Direct %</b>	<b>Indirect %</b>
LJ Tech Sdn Bhd	Importers, exporters and distributors of welding products and equipment	Customer and supplier	Director and shareholder	50.00	-
Kobewel Kogyo Marketing Sdn Bhd	Importers, exporters and distributors of industrial gases, welding products and equipment	Customer and supplier	Director and shareholder	60.00	
Kobewel Kogyo Gases Sdn Bhd	Importers, exporters and distributors of industrial gases	Customer	Director and shareholder	-	30.00 *

**Note:-**

\* Deemed interest by virtue of his interest in Kobewel Kogyo Marketing Sdn Bhd.

The Directors and substantial shareholders of our Company are aware that the interests held by them in other businesses and corporations which are customers or suppliers to our Group may give rise to a conflict of interest situation with our Group's businesses.

Our Board confirms that all dealings between the affected businesses and corporations above will be on an arm's length basis, to be transacted on normal commercial terms and not to the detriment of the minority shareholders of our Group.

In view of their interests in such companies, interested Directors and interested shareholders will be required to abstain from deliberations and voting on decisions and resolutions in relation to matters and/or transactions with the affected businesses and corporations. At the same time, the Audit Committee and Independent Directors will ensure proper disclosure and corporate governance in all business dealings with the affected businesses and corporations.

**7.6 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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

- (i) the transaction are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under Paragraph 10.09(1) of the Listing Requirements; and

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**7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**

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

We would in the ordinary course of our business enter into transactions, including but not limited to the transactions described in the related party transactions set out in Section 7.1.1 above, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

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

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

An application will be sought from Bursa Securities for a waiver to allow our Group to obtain shareholders' ratification and shareholders' mandate for recurrent related party transactions to be entered between us or any of our subsidiaries and our Directors or major shareholders or persons connected with such Directors or major shareholders (as defined in Chapter 1 of the Listing Requirements) commencing from our Listing date up to the annual general meeting or extraordinary general meeting, whichever is held earlier.

Subsequently, we will seek shareholders' mandate which is subject to annual renewal and appropriate disclosure will be made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold in accordance with the Listing Requirements

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, monitor any recurrent related party transactions and the terms thereof and report to our Board for further action. In any related party transaction involves any of our Directors and/or substantial shareholders and/or persons connected or related to them, the relevant Director and/or substantial shareholder are required to abstain from deliberating or voting at the relevant Board meeting and general meeting convened to decide on the related party transactions. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any recurrent related party transactions entered into by us.



**7. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**

**7.7 DECLARATION BY ADVISERS**

AmInvestment Bank hereby confirms that there is no conflict of interest with respect of their capacity as the Adviser to our Group for the IPO.

AmInvestment Bank is the Sole Underwriter and Sole Placement Agent for the IPO Shares. AmInvestment Bank hereby confirms that, as at the date of this Prospectus, there is no conflict of interest with respect to its capacity as the Sole Underwriter and Sole Placement Agent for the IPO Shares. The Underwriting Agreement, which certain details are as set out in Section 2.11 of this Prospectus, was entered into an arms-length basis and on market terms.

Messrs Lee Choon Wan & Co hereby confirms that there is no conflict of interest with respect of their capacity as Solicitors to our Group for the IPO and due diligence respectively.

Messrs Ernst & Young hereby confirms that there is no conflict of interest with respect of their capacity as Auditors and Reporting Accountants to our Group for the IPO.

Vital Factor Consulting Sdn Bhd hereby confirms that there is no conflict of interest with respect of their capacity as Independent Business and Market Research Consultants to our Group for the IPO.

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**8. FINANCIAL INFORMATION****8.1 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL INFORMATION****8.1.1 Proforma Historical Consolidated Financial Information**

The following table sets out a summary of our proforma consolidated results for the past 5 FYE 31 December 2009 and the 4-month FPE 30 April 2010 which is presented for illustrative purposes only, on the assumption that our Group has been in existence throughout the years/period under review.

The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 8.7 of this Prospectus.

	<----- FYE 31 December ----->					4-month FPE 30 April	
	2005	2006	2007	2008	2009	2009 <sup>(1)</sup>	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	33,953	40,459	48,992	55,400	54,568	17,390	18,574
Cost of sales	(21,581)	(26,343)	(30,530)	(35,286)	(35,292)	(11,265)	(12,358)
Gross profit	12,372	14,116	18,462	20,114	19,276	6,125	6,216
Other operating income	71	148	196	187	441	96	56
Selling and administrative expenses	(6,560)	(7,331)	(8,964)	(10,116)	(9,255)	(2,842)	(4,162)
Operating profit	5,883	6,933	9,694	10,185	10,462	3,379	2,110
Finance costs	(1,792)	(1,822)	(1,486)	(1,223)	(1,070)	(423)	(395)
PBT	4,091	5,111	8,208	8,962	9,392	2,956	1,715
Income tax expense	(423)	(1,489)	(2,372)	(527)	(2,280)	(1,599)	(379)
PAT	3,668	3,622	5,836	8,435	7,112	1,357	1,336
Attributable to:							
- Equity holders of our Company	3,668	3,622	5,836	8,435	7,112	1,357	1,336
Number of Shares had our Group been in existence ('000) <sup>(2)</sup>	100,800	100,800	100,800	100,800	100,800	100,800	100,800
EBITDA	7,794	9,100	12,143	12,843	13,313	4,339	3,211
Gross profit margin (%)	36.44	34.89	37.68	36.31	35.32	35.22	33.47
PBT margin (%)	12.05	12.63	16.75	16.18	17.21	17.00	9.23
PAT margin (%)	10.80	8.95	11.91	15.23	13.03	7.80	7.19
Gross EPS (sen) <sup>(3)</sup>	4.06	5.07	8.14	8.89	9.32	<sup>(6)</sup> 8.80	<sup>(6)</sup> 5.10
Net EPS (sen) <sup>(4)</sup>	3.64	3.59	5.79	8.37	7.06	<sup>(6)</sup> 4.04	<sup>(6)</sup> 3.98
Fully diluted EPS (sen) <sup>(5)</sup>	3.64	3.59	5.79	8.37	7.06	<sup>(6)</sup> 4.04	<sup>(6)</sup> 3.98

**Notes:-**

- (1) Stated for comparison purpose only.
- (2) Based on the issued and paid-up share capital of 100,800,000 Shares immediately prior to the Public Issue.
- (3) Calculated based on PBT attributable to equity holders of the Company for the respective financial years/ periods divided by the number of Shares had our Group been in existence.
- (4) Calculated based on PAT attributable to equity holders of the Company for the respective financial years/periods divided by the number of Shares had our Group been in existence.
- (5) Calculated based on profit attributable to equity holders of the Company for the respective financial years/ periods divided by the number of Shares had our Group been in existence.
- (6) Annualised to 12 months for comparison purposes.

**8. FINANCIAL INFORMATION (Cont'd)****8.1.2 Proforma Consolidated Balance Sheets**

Our proforma consolidated balance sheets as at 30 April 2010 set out below had been prepared solely for illustrative purposes, to show the effects of the Listing Scheme had the Listing Scheme been implemented and completed on 30 April 2010. The proforma consolidated balance sheets should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 8.7 of this Prospectus.

	Audited as at 30.04.2010 (RM'000)	(I) After Acquisition (RM'000)	(II) After (I), IPO and Utilisation of IPO Proceeds (RM'000)	(III) After (II) and Assuming Full Exercise of ESOS Options (RM'000)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	-	69,133	90,269	90,269
Prepaid and lease payment	-	2,493	2,493	2,493
Intangible assets	-	217	217	217
	-	71,843	92,979	92,979
<b>Current assets</b>				
Inventories	-	3,105	3,105	3,105
Trade receivables	-	15,660	15,660	15,660
Other receivables	790	1,939	1,939	1,939
Cash and bank balances	-	1,579	1,579	14,629
	790	22,283	22,283	35,333
<b>TOTAL ASSETS</b>	790	94,126	115,262	128,312
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	-	9,177	7,660	7,660
Trade payables	-	7,034	7,034	7,034
Other payables	855	5,541	5,541	5,541
Tax payable	-	34	34	34
	855	21,786	20,269	20,269
<b>Net current (liabilities)/ assets</b>	(65)	497	2,014	15,064
<b>Non-current liabilities</b>				
Borrowings	-	10,248	7,565	7,565
Trade payables	-	2,087	2,087	2,087
Deferred tax liabilities	-	6,516	6,516	6,516
	-	18,851	16,168	16,168
<b>TOTAL LIABILITIES</b>	855	40,637	36,437	36,437
<b>Net (liabilities)/ assets</b>	(65)	53,489	78,825	91,875
<b>Equity attributable to equity holders</b>				
Share capital	(1)	50,400	75,000	86,250
Share premium	-	4,526	5,454	7,254
Merger deficit	-	(27,399)	(27,399)	(27,399)
Retained earnings	(65)	25,962	25,770	25,770
<b>Total liabilities</b>	(65)	53,489	78,825	91,875
<b>TOTAL EQUITY AND LIABILITIES</b>	790	94,126	115,262	128,312

**8. FINANCIAL INFORMATION (Cont'd)**

	Audited as at 30.04.2010 (RM'000)	(I) After Acquisition (RM'000)	(II) After (I), IPO and Utilisation of IPO Proceeds (RM'000)	(III) After (II) and Assuming Full Exercise of ESOS Options (RM'000)
Number of ordinary shares in issue ('000)	(1)	100,800	150,000	172,500
NA (RM'000)	(65)	53,489	78,825	91,875
NA per share (RM) (2)	(3,267)	0.53	0.53	0.53

**Notes:-**

- (1) Denotes 20 ordinary shares of RM0.50 each.  
(2) NA over total number of ordinary shares in issue.

**8.2 CAPITALISATION AND INDEBTEDNESS**

The following table shows our cash and cash equivalents, debts and capitalisation of our Group as at 30 April 2010:-

	Proforma as at 30 April 2010 After the Acquisition (RM'000)	After Adjusting for the Acquisition, IPO and Utilisation of Proceeds (RM'000)
Cash and cash equivalents	1,579	1,579
<b>Indebtedness</b>		
<b>Short term borrowings</b>		
<u>Secured and guaranteed:</u>		
- Bank overdrafts	108	108
- Bankers acceptance	4,008	4,008
- Term loans	3,719	2,202
<u>Secured but not guaranteed:</u>		
- Hire purchase	1,342	1,342
- Total short term borrowings	9,177	7,660
<b>Long term borrowings</b>		
<u>Secured and guaranteed:</u>		
- Term loans	9,218	6,535
<u>Secured but not guaranteed:</u>		
- Hire purchase	1,030	1,030
Total long term borrowings	10,248	7,565
Total indebtedness	19,425	15,225
Total proforma shareholders' equity/ capitalisation	53,489	78,825
<b>Total capitalisation and indebtedness</b>	<b>72,914</b>	<b>94,050</b>

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**8. FINANCIAL INFORMATION (Cont'd)**

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

The following discussion of our results of operations for the years/period under review should be read in conjunction with the proforma consolidated financial information and the related notes included in Section 8.7 of this Prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and the discussion on risk factors included in Section 3 of this Prospectus.

**8.3.1 Overview of Revenue and Expenses****(i) Revenue**

Our core revenue streams are derived from manufacturing, refilling and distribution of industrial gases. Our other business activities are the provision of cylinder and delivery services, and the supply of other products and services. Our cylinders and delivery services are supporting activities to our core business activities, while the supply of other products and services are complementary to its business to provide a wider range of products and services for the convenience of our customers.

Our revenue is segmented geographically between local and overseas markets, of which more than 97% was derived from local market and the balance of less than 3% was derived from overseas market.

The segmental analysis of revenue by business activities and geographical area are set out in Section 8.3.2 (i) of this Prospectus.

**(ii) Cost of sales, gross profit and gross profit margin**

Our cost of sales mainly comprises purchase of raw materials, transportation and trucking charges, and electricity cost. Our cost of sales accounted for approximately 63.56%, 65.11%, 62.32%, 63.69%, 64.68% and 66.53% of our total revenue for the FYE 31 December 2005, FYE 31 December 2006, FYE 31 December 2007, FYE 31 December 2008, FYE 31 December 2009 and 4-month FPE 30 April 2010 respectively.

The main factors that affect our costs of sales include *inter alia*, the fluctuation in the prices of raw materials, increase in tariff rate for electricity and increase in transportation cost due to increase in diesel price.

**8. FINANCIAL INFORMATION (Cont'd)****(iii) Other operating income**

Other operating income mainly comprises gain on disposal of property, plant and equipment.

Our frequent purchase and disposal of the property, plant and equipment is mainly due to the following:-

- (a) additional purchase of cylinders as cylinders are the mode of delivery/transporting our Group's products comprising of industrial gases to the customers. Any increase in the number of cylinders own by our Group will have a consequential increase in the revenue stream to be generated by our Group from our core business activities of manufacturing and supplying industrial gases. In addition, cylinders also contribute to the supporting revenue stream of our Group in terms of cylinder rental income. Depending on the type of industrial gasses to be filled by the cylinders, our Group charge our customers monthly cylinder rental charge that ranges from RM6.00 per month to RM12.00 per month.
- (b) the disposal of cylinders by our Group is due to the cylinders being lost by our customers. Our Group has implemented a cylinder management control system to keep track of the aging analysis of the cylinders being placed or rented to the customers. Fees will be charged to the customers for cylinders that have not been returned within specified agreed period of time or that are long overdue and when the cylinders are being confirmed as being lost by the customers. Also, our customers will continued to be charged with the cylinder rental until the outstanding fees on the cylinders loss are being settled.
- (c) the frequency of relocation of our factories is mainly due to the organic expansion of our Group's business. It is the strategy of our Group to expand our business with minimum capital outlay and minimise our Group's risk on a new venture by setting up a distribution depot at a new location and at a premise that is being rented. Our Group will subsequently set up a refilling facility once the revenue of the mentioned distribution depot has reached a certain level and it is self-supporting. Subsequently, our Group will purchase our own land and construct refilling facilities on the land that is owned by us as the same approach undertaken for the relocation of the distribution depot in Juru, Penang to a refilling plant in Bukit Minyak, Penang.

**(iv) Selling and administrative expenses**

Our selling and administrative expenses comprise mainly salary and staff related expenses, directors' emolument, plant and equipment written off, provision for doubtful debt and premises expenses such as rental and upkeep of offices and properties.

For the FYE 31 December 2006, FYE 31 December 2007, FYE 31 December 2008, FYE 31 December 2009 and 4-month FPE 30 April 2010, our Group have made provisions for doubtful debts of RM0.75 million, RM0.91 million, RM1.03 million, RM0.14 million and RM1.06 million respectively. The increase in the provision for doubtful debt to RM1.06 million for the 4-month FPE 30 April 2010 is mainly due to compliance with the conditions imposed by the SC as disclosed in Section 6.1.2 (iii) of this Prospectus.

**(v) Finance costs**

Our finance costs comprise interest expenses incurred on bank overdrafts, banker's acceptances, term loan, hire purchase and overdue interest.

## 8. FINANCIAL INFORMATION (Cont'd)

## 8.3.2 Segmental Analysis

## (i) Revenue

By business segment

	FYE 31 December						2009		2009		4-month FPE 30 April	
	2005		2006		2007		2008		2009		2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of industrial gases	15,678	46.17	20,162	49.83	26,827	54.75	30,644	55.31	29,508	54.08	9,531	54.81
Refilling of industrial gases	7,895	23.25	8,878	21.94	10,596	21.63	12,342	22.28	13,192	24.18	4,128	23.74
Distribution of industrial gases	5,072	14.94	4,777	11.81	5,511	11.25	6,453	11.65	6,289	11.52	1,710	9.83
Cylinder and delivery services	4,009	11.81	4,882	12.07	4,600	9.39	4,598	8.30	4,486	8.22	1,708	9.82
Other products and services	1,299	3.83	1,760	4.35	1,458	2.98	1,363	2.46	1,093	2.00	313	1.80
<b>Total Group revenue</b>	<b>33,953</b>	<b>100.00</b>	<b>40,459</b>	<b>100.00</b>	<b>48,992</b>	<b>100.00</b>	<b>55,400</b>	<b>100.00</b>	<b>54,568</b>	<b>100.00</b>	<b>17,390</b>	<b>100.00</b>

By geographical market

	FYE 31 December						2009		2009		4-month FPE 30 April	
	2005		2006		2007		2008		2009		2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local (Malaysia)	14,273	42.04	14,670	36.26	18,774	38.32	22,085	39.87	20,044	36.73	6,952	39.97
- Senai	10,892	32.08	13,622	33.67	15,153	30.93	17,104	30.87	17,159	31.45	5,276	30.34
- Puchong	3,470	10.22	4,762	11.77	5,791	11.82	5,711	10.31	6,310	11.56	1,919	11.04
- Kuantan	3,138	9.24	3,585	8.86	4,498	9.18	4,701	8.49	5,059	9.27	1,373	7.90
- Penang	2,064	6.08	2,638	6.52	3,600	7.35	4,916	8.87	4,959	9.09	1,558	8.96
- Melaka	-	-	-	-	-	-	-	-	-	-	-	-
- Nilai	33,837	99.66	39,277	97.08	47,816	97.60	54,517	98.41	53,531	98.10	17,078	98.21
Singapore	116	0.34	1,182	2.92	1,176	2.40	883	1.59	750	1.37	247	1.42
Indonesia	-	-	-	-	-	-	-	-	287	0.53	65	0.37
<b>Total Group revenue</b>	<b>33,953</b>	<b>100.00</b>	<b>40,459</b>	<b>100.00</b>	<b>48,992</b>	<b>100.00</b>	<b>55,400</b>	<b>100.00</b>	<b>54,568</b>	<b>100.00</b>	<b>17,390</b>	<b>100.00</b>

## 8. FINANCIAL INFORMATION (Cont'd)

## (ii) Gross Profit and Gross Profit Margin

The segmentation analysis of our gross profit and gross profit margin for the past 5 years up to FYE 31 December 2009 and 4-month FPE 30 April 2010 is as follows:-

By business segment

	2005		2006		2007		2008		2009		4-month FPE 30 April 2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of industrial gases	5,066	40.95	7,326	51.91	10,630	57.57	11,494	57.15	9,840	51.05	3,509	57.29
Refilling of industrial gases	2,360	19.08	2,562	18.15	3,068	16.62	3,360	16.70	4,085	21.19	963	15.72
Distribution of industrial gases	900	7.28	541	3.83	855	4.63	1,038	5.16	1,081	5.61	265	4.33
Cylinder and delivery services	3,692	29.84	3,405	24.12	3,714	20.12	4,074	20.25	4,126	21.40	1,348	22.01
Other products and services	353	2.85	281	1.99	195	1.06	148	0.74	144	0.75	40	0.65
<b>Total Group gross profit</b>	<b>12,371</b>	<b>100.00</b>	<b>14,115</b>	<b>100.00</b>	<b>18,462</b>	<b>100.00</b>	<b>20,114</b>	<b>100.00</b>	<b>19,276</b>	<b>100.00</b>	<b>6,125</b>	<b>100.00</b>

	2005		2006		2007		2008		2009		4-month FPE 30 April 2010	
	%	%	%	%	%	%	%	%	%	%	%	
Manufacturing of industrial gases	32.31		36.34		39.62		37.51		33.35		36.82	
Refilling of industrial gases	29.89		28.86		28.95		27.22		30.97		23.32	
Distribution of industrial gases	17.74		11.33		15.51		16.09		17.19		15.50	
Cylinder and delivery services	92.09		69.75		80.74		88.60		91.98		78.92	
Other products and services	27.17		15.97		13.37		10.86		13.17		12.78	
<b>Overall gross profit margin</b>	<b>36.44</b>		<b>34.89</b>		<b>37.68</b>		<b>36.31</b>		<b>35.32</b>		<b>35.22</b>	
												<b>33.46</b>



## 8. FINANCIAL INFORMATION (Cont'd)

By geographical market

	2005		2006		2007		2008		2009		4-month FPE 30 April 2009		2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local (Malaysia)	5,216	42.16	3,911	27.71	6,045	32.74	6,405	31.84	6,658	34.54	2,351	38.38	1,697	27.30
- Senai	3,957	31.99	5,803	41.11	7,047	38.17	7,953	39.54	7,370	38.23	2,059	33.62	2,779	44.71
- Puchong	1,352	10.93	1,821	12.90	1,999	10.83	1,967	9.78	1,739	9.02	569	9.29	544	8.75
- Kuantan	1,021	8.25	1,294	9.17	1,857	10.06	1,768	8.79	1,611	8.36	523	8.54	593	9.54
- Penang	782	6.32	944	6.69	1,110	6.01	1,754	8.72	1,555	8.07	517	8.44	538	8.66
- Melaka	-	-	-	-	-	-	-	-	-	-	-	-	1	0.02
- Nilai	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Singapore	12,328	99.65	13,773	97.58	18,058	97.81	19,847	98.67	18,933	98.22	6,019	98.27	6,152	98.98
Indonesia	43	0.35	342	2.42	404	2.19	267	1.33	248	1.29	84	1.37	32	0.51
Total group gross profit	12,371	100.00	14,115	100.00	18,462	100.00	20,114	100.00	19,276	100.00	6,125	100.00	6,216	100.00

	2005		2006		2007		2008		2009		4-month FPE 30 April 2009		2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local (Malaysia)	36.54	36.54	26.66	26.66	32.20	32.20	29.00	29.00	33.22	33.22	33.82	33.82	27.18	27.18
- Senai	36.33	36.33	42.60	42.60	46.51	46.51	46.50	46.50	42.95	42.95	39.03	39.03	45.77	45.77
- Puchong	38.96	38.96	38.24	38.24	34.52	34.52	34.44	34.44	27.56	27.56	29.65	29.65	25.75	25.75
- Kuantan	32.54	32.54	36.09	36.09	41.29	41.29	37.61	37.61	31.84	31.84	38.09	38.09	28.17	28.17
- Penang	37.89	37.89	35.78	35.78	30.83	30.83	35.68	35.68	31.36	31.36	33.18	33.18	29.86	29.86
- Melaka	-	-	-	-	-	-	-	-	-	-	-	-	33.33	33.33
- Nilai	36.43	36.43	35.07	35.07	37.77	37.77	36.41	36.41	35.37	35.37	35.24	35.24	33.55	33.55
Singapore	37.07	37.07	28.93	28.93	34.35	34.35	30.24	30.24	33.07	33.07	34.01	34.01	27.35	27.35
Indonesia	-	-	-	-	-	-	-	-	33.10	33.10	33.85	33.85	26.89	26.89
Overall gross profit margin	36.44	36.44	34.89	34.89	37.68	37.68	36.31	36.31	35.32	35.32	35.22	35.22	33.47	33.47

**8. FINANCIAL INFORMATION (Cont'd)****8.3.3 Commentary on past performance****FYE 31 December 2006 as compared to FYE 31 December 2005*****Revenue***

Our revenue increased by RM6.51 million or 19.18% from RM33.95 million in FYE 31 December 2005 to RM40.46 million in FYE 31 December 2006. This was attributable to the increase in sales volume from our manufacturing of industrial gases segment by RM4.48 million and refilling of industrial gases segment by RM0.98 million, which in turn was due to the increase in demand from our gas dealers, gas manufacturers and shipbuilding customers. The increase in revenue from manufacturing of industrial gases segment was mainly due to the increase in sales volume of oxygen by RM0.94 million, nitrogen by RM2.80 million and Acetylene by RM0.59 million. The increase in the refilling of industrial gases segment was mainly due to the increase in the sales volume of Argon and carbon dioxide by RM0.16 million and RM0.83 million respectively.

***Gross profit and gross profit margin***

Our gross profit increased by RM1.75 million or 14.15% from RM12.37 million in FYE 31 December 2005 to RM14.12 million in FYE 31 December 2006 in line with the increase in revenue. Our overall gross profit margin however, declined from 36.44% in FYE 31 December 2005 to 34.89% in FYE 31 December 2006 mainly due to the decrease in gross profit margin in other products and services segment from 27.17% in FYE 31 December 2005 to 15.97% FYE 31 December 2006 and cylinders and delivery services segment from 92.09% in FYE 31 December 2005 to 69.75% FYE 31 December 2006. The decrease in gross profit margin was caused by the decrease in sales of welding products for the other products and services segment and cylinder sales for the cylinders and delivery services segment due to the decrease in selling prices.

***Other operating income***

Our other operating income increased by RM0.08 million or 114.29% from RM0.07 million in FYE 31 December 2005 to RM0.15 million in FYE 31 December 2006. The increase was mainly contributed by gains arising from disposal of property, plant and equipment derived from disposal of cylinders of RM0.05 million in FYE 31 December 2005 to RM0.12 million in FYE 31 December 2006. Please refer to Section 8.3.1 (iii) for further explanation on the disposal of property, plant and equipment by our Group.

***Selling and administrative expenses***

Our selling and administrative expenses increased by RM0.77 million or 11.74% from RM6.56 million in FYE 31 December 2005 to RM7.33 million in FYE 31 December 2006 due mainly to the following:-

- (i) increase in provision for doubtful debts by RM0.60 million arising from inactive customers;
- (ii) increase in staff costs by RM0.38 million as a result of the increase in manpower and higher bonus payout; and
- (iii) increase in depreciation charges by RM0.26 million.

***Finance costs***

Our finance costs remained relatively unchanged in FYE 31 December 2006 as compared to FYE 31 December 2005.

**8. FINANCIAL INFORMATION (Cont'd)*****Taxation***

Our taxation expense increased by RM1.07 million or 254.76% from RM0.42 million in FYE 31 December 2005 to RM1.49 million in FYE 31 December 2006 mainly due to the increase in PBT.

***Net profit attributable to shareholders***

As a result of the above, our net profit attributable to shareholders decreased by RM0.05 million or 1.36% from RM3.67 million in FYE 31 December 2005 to RM3.62 million in FYE 31 December 2006.

**FYE 31 December 2007 as compared to FYE 31 December 2006*****Revenue***

Our revenue increased by RM8.53 million or 21.08% from RM40.46 million in FYE 31 December 2006 to RM48.99 million in FYE 31 December 2007. This was attributable to the increase in sales volume from our manufacturing of industrial gases segment by RM6.67 million and refilling of industrial gases segment by RM1.72 million, which in turn was due to the increase in demand from our gas dealers, gas manufacturers and shipbuilding customers. In addition, in January 2007, we started to supply industrial gases to new customers amounting to RM0.64 million in the fabrication works sector in Kuantan. The increase in revenue from the manufacturing of industrial gases segment was mainly due to the increase in the sales volume of oxygen by RM2.81 million, nitrogen by RM0.74 million and Acetylene by RM2.57 million. The increase in refilling of industrial gases segment was contributed by the increase in sales volume of Argon and carbon dioxide by RM1.09 million and RM0.63 million respectively.

***Gross profit and gross profit margin***

Our gross profit increased by RM4.34 million or 30.74% from RM14.12 million in FYE 31 December 2006 to RM18.46 million in FYE 31 December 2007 in line with the increase in revenue. The improvement in our overall gross profit margin from 34.89% in FYE 31 December 2006 to 37.68% in FYE 31 December 2007 was attributable to the increase in gross profit margin of our manufacturing of industrial gases segment mainly due to the increase in the production output by approximately 32.39% resulting in a decrease in the average manufacturing cost by approximately 8.57% as our Group achieved economies of scale.

The gross profit margin for cylinder and delivery services segment also increased from 69.75% in FYE 31 December 2006 to 80.74% FYE 31 December 2007 mainly due to the increase in delivery charges from RM0.92 million in FYE 31 December 2006 to RM1.23 million in FYE 31 December 2007 whereby fixed costs remain unchanged and the increase in the gross profit margin of cylinders sales from 11% in FYE 31 December 2006 to 13% in FYE 31 December 2007 due to the increase in selling price.

***Other operating income***

Our other operating income increased by RM0.05 million or 33.33% from RM0.15 million in FYE 31 December 2006 to RM0.20 million in FYE 31 December 2007. The increase was mainly due to increase in gains on foreign exchange by RM0.17 million.

**8. FINANCIAL INFORMATION (Cont'd)*****Selling and administrative expenses***

Our selling and administrative expenses increased by RM1.63 million or 22.24% from RM7.33 million in FYE 31 December 2006 to RM8.96 million in FYE 31 December 2007 due mainly to the following:-

- (i) higher staff costs from RM4.40 million to RM5.46 million as a result of the increase in manpower and higher bonus payout;
- (ii) increase in provision for doubtful debts from RM0.75 million to RM0.94 million; and
- (iii) increase in upkeep of motor vehicle expenses from RM0.83 million to RM0.99 million as a result of the increase in repair and maintenance costs.

***Finance costs***

Our finance costs decreased by RM0.33 million or 18.13% from RM1.82 million in FYE 31 December 2006 to RM1.49 million in FYE 31 December 2007 mainly due to repayment of outstanding loan.

***Taxation***

Our taxation expense increased by RM0.88 million or 59.06% from RM1.49 million in FYE 31 December 2006 to RM2.37 million in FYE 31 December 2007 mainly due to the increase in PBT and deferred taxation due to timing difference.

***Net profit attributable to shareholders***

As a result of the above, our net profit attributable to shareholders increased by RM2.22 million or 61.33% from RM3.62 million in FYE 31 December 2006 to RM5.84 million in FYE 31 December 2007.

**FYE 31 December 2008 as compared to FYE 31 December 2007*****Revenue***

Our revenue increased by RM6.41 million or 13.08% from RM48.99 million in FYE 31 December 2007 to RM55.40 million in FYE 31 December 2008. This was attributable to the increase in sales volume from our manufacturing of industrial gases segment by RM3.82 million, refilling of industrial gases segment by RM1.75 million and distribution of industrial gases segment by RM0.94 million. The increase in distribution of industrial gases segment was attributable to the increase in sales volume resulted from the increase in demand for \*HFC 134A and 4 series of Refrigerant products.

Our increase in sales volume was also contributed by the increase in our capacity from the upgrading of our existing Penang plant to incorporate an oxygen refilling plant, nitrogen refilling plant and carbon dioxide refilling plant to better address opportunities in the Northern region of Peninsular Malaysia. In addition, the appointment of a new dealer in Selangor also contributed to the increase in our Group's sales by RM1.88 million. The increase in the sales of manufacturing of industrial gases segment was mainly due to the increase in the sales volume of oxygen by RM0.11 million, nitrogen by RM0.13 million and Acetylene by RM3.09 million. The increase in refilling of industrial gases segment was mainly due to the increase in sales volume of Argon and carbon dioxide by RM0.92 million and RM0.82 million respectively.

**8. FINANCIAL INFORMATION (Cont'd)**

Note:-

- \* *HFC-134A is a type of Refrigerant that is an inert gas primarily used as a Refrigerant for domestic refrigeration and automobile air conditioners. Other uses of HFC-134A include plastic foam blowing, cleaning solvent and propellant for the delivery of medicines.*

**Gross profit and gross profit margin**

Our gross profit increased by RM1.65 million or 8.94% from RM18.46 million in FYE 31 December 2007 to RM20.11 million in FYE 31 December 2008 in line with the increase in revenue. Our overall gross profit margin declined from 37.68% in FYE 31 December 2007 to 36.31% in FYE 31 December 2008 largely attributable to the decrease in gross profit margin from our manufacturing of industrial gases segment from 39.62% in FYE 31 December 2007 to 37.51% in FYE 31 December 2008. This was due to the increase in operation cost as a result of the increase in tariff rate of electricity and transportation cost. The increase in tariff rate of electricity has resulted in the increase in electricity cost by RM0.57 million or 23% and the increase in diesel price has resulted in the increase in the transportation cost by RM0.23 million or 18% for the period from June 2008 to December 2008 respectively.

**Other operating income**

Our other operating income decreased by RM0.01 million or 5.0% from RM0.20 million in FYE 31 December 2007 to RM0.19 million in FYE 31 December 2008. The decrease was mainly due to the increase in foreign exchange loss.

**Selling and administrative expenses**

Our selling and administrative expenses increased by RM1.16 million or 12.95% from RM8.96 million in FYE 31 December 2007 to RM10.12 million in FYE 31 December 2008 mainly due to the following:-

- (i) higher staff costs from RM5.46 million to RM6.21 million as a result of the increase in manpower and higher bonus payout;
- (ii) increase in provision for doubtful debts from RM0.91 million to RM1.03 million; and
- (iii) increase in property, plant and equipment from RM0.01 million to RM0.15 million.

**Finance costs**

Our finance costs decreased by RM0.27 million or 18.12% from RM1.49 million in FYE 31 December 2007 to RM1.22 million in FYE 31 December 2008 mainly due to repayment of outstanding loan.

**Taxation**

Our taxation expense decreased by RM1.84 million or 77.64% from RM2.37 million in FYE 31 December 2007 to RM0.53 million in FYE 31 December 2008 mainly as a result of the reversal of deferred taxation largely attributable to the increase in reinvestment allowance during the period under review.

**Net profit attributable to shareholders**

As a result of the above, our net profit attributable to shareholders increased by RM2.60 million or 44.52% from RM5.84 million in FYE 31 December 2007 to RM8.44 million in FYE 31 December 2008.

**8. FINANCIAL INFORMATION (Cont'd)****FYE 31 December 2009 as compared to FYE 31 December 2008*****Revenue***

Our revenue decreased by RM0.83 million or 1.50% from RM55.40 million in FYE 31 December 2008 to RM54.57 million in FYE 31 December 2009. This was attributable to the reduction in the sales volume and selling prices from our manufacturing of industrial gases segment by RM1.14 million, distribution of industrial gases segment by RM0.16 million and other product and services segment by RM0.27 million. However, the revenue of our refilling of industrial gases segment has increased by RM0.85 million mainly due to the increase in sales volume of Argon by RM0.90 million.

The decrease in revenue by RM1.14 million for the manufacturing of industrial gases segment was mainly due to the decrease in the sales volume and selling prices of nitrogen by RM2.21 million which was set-off by the increase in the sales volume of Acetylene by RM1.12 million.

The decrease in distribution of industrial gases segment by RM0.16 million was mainly due to the decrease in the sales volume of special gases, which declined by RM0.32 million set –off by the increase in the sales volume of Refrigerants by RM0.15 million.

The decrease in revenue from other products and services segment was mainly due to the decrease in sales volume of welding products, which declined by RM0.27 million.

***Gross profit and gross profit margin***

Our gross profit decreased by RM0.83 million or 4.13% from RM20.11 million in FYE 31 December 2008 to RM19.28 million in FYE 31 December 2009 in line with the decrease in revenue. Our overall gross profit margin has also declined from 36.31% in FYE 31 December 2008 to 35.32% in FYE 31 December 2009 largely attributable to the decrease in gross profit margin from our manufacturing of industrial gases segment from 37.51% in FYE 31 December 2008 to 33.35% in FYE 31 December 2009 due to the drop in selling prices of our gasses. The selling prices of oxygen declined by RM0.03 per m<sup>3</sup>, nitrogen decreased by RM0.01 per m<sup>3</sup> and Gas Mixture decreased by RM0.23 per m<sup>3</sup>. The decline in the gross profit margin was also attributable to the increase in our cost of sales attributable to the increase in the average purchase price of electricity and calcium carbide by approximately 21.74% and 6.59% respectively as compared to the average purchase price for the same items in the FYE 31 December 2008.

***Other operating income***

Our other operating income increased by RM0.25 million or 131.58% from RM0.19 million in FYE 31 December 2008 to RM0.44 million in FPE 31 December 2009. The increase was mainly due to the increase in the bad debts recovered from RM0.02 million in FYE 31 December 2008 to RM0.18 million in FYE 31 December 2009.

***Selling and administrative expenses***

Our selling and administrative expenses decreased by RM0.86 million or 8.50% from RM10.12 million in FYE 31 December 2008 to RM9.26 million in FYE 31 December 2009 mainly due to the decrease in the provision for doubtful debt by RM0.87 or 84.38%.

**8. FINANCIAL INFORMATION (Cont'd)**

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***Finance costs***

Our finance costs decreased by RM0.15 million or 12.30% from RM1.22 million in FYE 31 December 2008 to RM1.07 million in FYE 31 December 2009 mainly due to repayment of outstanding loan.

***Taxation***

Our taxation expense increased by RM1.75 million or 330.19% from RM0.53 million in FYE 31 December 2008 to RM2.28 million in FYE 31 December 2009 mainly as a result of the under provision of deferred tax in prior year.

The under provision of deferred taxation was due to the over utilisation of reinvestment allowance claimed for the cylinders. During the FYE 31 December 2009, our Group changed our accounting policy and as such, deferred tax arising from the utilisation of reinvestment allowances previously recognised for cylinders has been derecognised.

***Net profit attributable to shareholders***

As a result of the above, our net profit attributable to shareholders decreased by RM1.32 million or 15.76% from RM8.44 million in FYE 31 December 2008 to RM7.11 million in FYE 31 December 2009.

**4-month FPE 30 April 2010 ("FPE 30 April 2010") as compared to 4-month FPE 30 April 2009 ("FPE 30 April 2009")*****Revenue***

Our revenue increased by RM1.18 million or 6.79% from RM17.39 million in FPE 30 April 2009 to RM18.57 million in FPE 30 April 2010. This was attributable to the increase in our revenue due to the increase in the sales volume from our refilling of industrial gas segment by RM0.22 million, distribution of industrial gases segment by RM1.32 million and other product and services segment by RM0.32 million. However, the revenue of our manufacturing of industrial gases segment has decreased by RM0.63 million mainly due to the decrease in sales volume of Acetylene by RM1.13 million.

The increase in refilling of industrial gas segment by RM0.22 million was mainly due to the increase in sales volume of carbon dioxide.

The increase in distribution of industrial gases segment by RM1.32 million was mainly due to the increase in the sales volume of special gases and Refrigerant by RM0.33 million and RM0.99 million respectively.

The increase in revenue from other products and services segment was mainly due to the increase in sales volume of welding products by RM0.32 million.

***Gross profit and gross profit margin***

Our gross profit increased by RM0.09 million or 1.47% from RM6.13 million in FPE 30 April 2009 to RM6.22 million in FPE 30 April 2010 which is in line with our increased in sales. However, our overall gross profit margin has declined from 35.22% in FPE 30 April 2009 to 33.47% in FPE 30 April 2010 largely attributable to the decrease in gross profit margin from our manufacturing of industrial gases segment from 36.82% in FPE 30 April 2009 to 35.25% in FPE 30 April 2010 due to the decline in the selling price of Acetylene by RM0.23 per m<sup>3</sup> or 1.34%.

**8. FINANCIAL INFORMATION (Cont'd)*****Other operating income***

Our other operating income decreased by RM0.04 million or 40.0% from RM0.10 million in FPE 30 April 2009 to RM0.06 million in FPE 30 April 2010. The decrease was mainly due to decrease in gain on foreign exchange.

***Selling and administrative expenses***

Our selling and administrative expenses increased by RM1.32 million or 46.48% from RM2.84 million in FPE 30 April 2009 to RM4.16 million in FPE 30 April 2010 due mainly to the following:-

- (i) increase in insurance expenses by RM0.66 million as a result of purchase of additional property, plant and equipment during the financial period;
- (ii) higher staff costs from RM2.02 million to RM2.28 million due to increase in manpower and higher bonus payout; and
- (iii) increase in allowance for doubtful debt by RM1.06 million mainly due to compliance with the conditions imposed by the SC as disclosed in Section 6.1.2 (iii) of this Prospectus.

***Finance costs***

There was no major fluctuation in our finance costs during the financial period under review.

***Taxation***

There was no major fluctuation in our taxation during the financial period under review.

***Net profit attributable to shareholders***

There was no major fluctuation in our net profit attributable to shareholders during the financial period under review.

**8.3.4 Significant Factors Materially Affecting Our Group's Net Revenue and Profits**

Our results of operations are affected by a number of factors, the most significant of which are described below:-

**(i) Increases in the prices of petrol and/or diesel**

An increase in the prices of petrol and/or diesel will have a negative impact on our operating expenses as it will increase our transportation costs. The prices of petrol and diesel are controlled by the Government. We apply for Government subsidy for diesel on an annual basis, which helps reduce our transportation costs. In addition, we may be able to pass on some or all of the increases in the price of petrol or diesel to our customers as all our competitors in Malaysia will also be similarly affected. Our strategy of establishing a network of refilling facilities close to major industrial centres in Peninsular Malaysia enables us to manage our transportation costs.



**8. FINANCIAL INFORMATION (Cont'd)**

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**(ii) Increases in the price of electricity**

Increases in the price of electricity will increase our operating expenses as the cost of electricity represents a significant proportion of our operating expenses. For the FYE 31 December 2009, electricity represented approximately 10.07% of our total cost. Currently, there are no alternatives to Tenaga Nasional Berhad as it has a monopoly on the distribution of electricity to users in Malaysia. In addition, it is not practical for us to generate our own electricity on a long-term basis, as the capital investment and operating costs required to generate the quantity of electricity that we need are prohibitive. As such, there is a risk that increases in the price of electricity may have a negative impact on our financial performance.

Despite Tenaga Nasional Berhad's monopoly in the distribution of electricity, any price increase will require Government approval. In addition, our Directors are of the opinion that we may be able to pass on some or all of the increases in the price of electricity to some of our customers.

**(iii) Demand and supply conditions**

Our revenue and profit is dependent on the demand and supply condition as set out in Section 4.9.7 of the Prospectus.

**(iv) Tax considerations**

We are subject to Malaysia statutory corporate tax rate of 28% for the FYE 31 December 2005 and FYE 31 December 2006, 27% for the FYE 31 December 2007, 26% for the FYE 31 December 2008, 25% for the FYE 31 December 2009 and 4-month FPE 30 April 2010.

The effective tax rate for the FYE 31 December 2006, FYE 31 December 2007 and FYE 31 December 2009 were higher than the applicable tax rate as there were certain expenses being not deductible for income tax purposes such as deferred expenditures written-off, certain legal fees and stamp duty incurred for banking facilities and some entertainment and travelling expenses. The effective tax rate for the FYE 31 December 2005, FYE 31 December 2008 and FPE 30 April 2010 were lower than the applicable tax rate mainly due to the utilisation of certain tax incentives such as reinvestment allowance available to our Group.

**(v) Exceptional/ Extraordinary Items**

There were no exceptional or extraordinary items in the past 5 years up to FYE 31 December 2009 and 4-month FPE 30 April 2010.

**8.3.5 Material Changes in Sales or Revenue**

A discussion on the reasons on material changes in our revenue for the past 5 years up to the FYE 31 December 2009 and the 4-month FPE 30 April 2010 is as set out in Section 8.3.3 of this Prospectus.

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## **8. FINANCIAL INFORMATION (Cont'd)**

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### **8.3.6 Impact of Foreign Exchange/ Interest Rates/ Commodity Prices on Our Group's Operations**

Our business operations and customers are primarily contained within Malaysia. We also conduct our operations in Singapore. Therefore, we are affected by fluctuation in foreign exchange. However, for the FYE 31 December 2009 and 4-month FPE 30 April 2010, only approximately 1% of our revenue was transacted in SGD. As such, any appreciation or depreciation of these foreign currencies against the RM will not have a significant impact on us.

Save for the above and as disclosed in Section 8.3.3 of this Prospectus, there were no other material impacts of fluctuation of foreign currency, interest rates or commodity prices on the operating profits of our Group in the relevant financial years/ periods under review.

### **8.3.7 Impact of Inflation on Our Group's Operations**

There is no material impact of inflation on our historical profit for the past 5 years up to the FYE 31 December 2009 and for the 4-month FPE 30 April 2010.

### **8.3.8 Impact of Government, Economic, Fiscal or Monetary Policies on Our Group's Operations**

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, are as set out in Section 3 of this Prospectus.

Save for the above and as disclosed in Section 8.3.3 of this Prospectus, there is no material impact of government, economic, fiscal or monetary policies or factors on our historical profits for the past 5 years up to the FYE 31 December 2009 and the 4-month FPE 30 April 2010.

## **8.4 LIQUIDITY AND CAPITAL RESOURCES**

### **8.4.1 Working Capital**

Our business growth has been financed through a combination of shareholders' equity, cash generated from our operations and external borrowings mainly from financial institutions. Cash generated from operations is mainly from collection from customers. Our principal uses of cash have been for trade payments to suppliers, operating, administrative and financial expenses.

As at 30 April 2010, after incorporating the effects of the Listing Scheme (before full exercise of ESOS Options), our Group's proforma has cash and cash equivalents is RM1.58 million and our total short term borrowings is RM7.66 million. Our debt to equity ratio as at 30 April 2010 is 0.19 times after incorporating the effects of the Listing Scheme (before full exercise of ESOS Options).

Our Directors are of the opinion that, based on our past financial performance and future prospects, after taking into account the banking facilities available and the proceeds to be raised from the Public Issue, we will have adequate working capital for our present and foreseeable requirements for a period of 12 months from the date of this Prospectus to meet our needs and foreseeable requirements.

**8. FINANCIAL INFORMATION (Cont'd)****8.4.2 Proforma Consolidated Cash Flows****8.4.2.1 Latest Proforma Consolidated Cash Flow**

A summary of our Group's proforma cash flow for the 4-month FPE 30 April 2010 based on the proforma consolidated cash flow statement as set out in Section 8.7 of this Prospectus is as follows:-

	<b>Proforma as at 30 April 2010 After the Acquisition RM ('000)</b>	<b>After Adjusting for the Acquisition, IPO, Utilisation of Proceeds and Exercise of ESOS Options RM ('000)</b>
Net cash flow generated from operating activities	4,583	4,583
Net cash flow used in investing activities	(3,576)	(24,713)
Net cash flow (used)/ generated from financing activities	(913)	33,273
Net increase in cash and cash equivalents	94	13,143
Opening balance of cash and cash equivalents	1,377	1,377
Closing balance of cash and cash equivalents	1,471	14,520
Cash and cash equivalents comprise:		
- Cash and bank balances	1,579	14,628
- Bank overdraft	(108)	(108)
	1,471	14,520

There are no legal or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends. Therefore, we are confident that we can meet our cash obligations.

**(i) Net cash flows generated from operating activities**

The amount generated from operations but before working capital changes during the 4-month FPE 30 April 2010 was RM3.89 million. During the financial period, we had utilised RM0.53 million to pay our bank interests and income tax liabilities which resulted in net cash inflow in operating activities of RM4.58 million. Fund utilised to finance our working capital included:-

- (a) increase in receivables amounting to RM2.45 million, mainly due to the extension of credit period to trade debtors;
- (b) decrease in inventories amounting to RM0.41 million, mainly due to the decrease in consumable stores and Refrigerant products; and
- (c) increase in payables amounting to RM3.25 million, mainly due to purchase of equipment during the 4-month FPE 30 April 2010.

**8. FINANCIAL INFORMATION (Cont'd)****(ii) Net cash flows used in investing activities**

For the 4-month FPE 30 April 2010, we have a total net cash flow used in investing activities of RM3.57 million comprising of RM3.73 million utilised to purchase property, plant and equipment which was set-off by the proceeds from disposal of property, plant and equipment of RM0.16 million. After taking into consideration the utilisation of the Public Issue proceeds, our total net cash flow used in investing activities will be RM24.71 million. The additional RM21.14 million will be used to purchase property, plant and equipment in accordance with the utilisation of proceeds as set out in Section 2.8 of this Prospectus comprising the purchase of land and building new facilities of RM14.74 million, and the purchase of plant, machinery and equipment of RM6.40 million.

**(iii) Net cash flows (used)/ generated from financing activities**

For the 4-month FPE 30 April 2010, we have a total net cash flow used in financing activities of RM0.91 million comprising of RM0.99 million and RM0.55 million utilised for the repayment of term loan and hire purchase respectively which was set off by the utilisation of trade facilities provided by financial institutions of RM0.63 million. After taking into consideration the utilisation of the Public Issue proceeds, our total net cash flow generated from financing activities will be RM33.27 million. The additional RM34.18 million will comprise of the gross proceeds of RM28.54 million from the Public Issue and gross proceeds of RM13.04 million assuming full exercise of all the ESOS Options which will be set-off by the utilisation of RM3.20 million to defray the estimated listing expenses and the repayment of term loan of RM4.20 million in accordance with the utilisation of proceeds as set out in Section 2.8 of this Prospectus.

**8.4.2.2 Summarised Historical Proforma Consolidated Cash Flow Statements**

A summary of our Group's proforma cash flow for the past 5 FYE 31 December 2009 which is presented for illustrative purposes only, on the assumption that our Group has been in existence throughout the years under review.

The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 8.7 of this Prospectus.

	FYE 31 December				
	2005	2006	2007	2008	2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	5,781	4,930	5,315	10,983	13,084
Net cash used in investing activities	(3,727)	(5,858)	(1,839)	(11,788)	(11,030)
Net cash (used in)/ generated from financing activities	(757)	103	(2,485)	1,918	(57)
Net increase/ (decrease) in cash and cash equivalents	1,297	(825)	991	1,113	1,997
Cash and cash equivalents at beginning of financial year	(3,196)	(1,899)	(2,724)	(1,733)	(620)
Cash and cash equivalents at end of financial year	(1,899)	(2,724)	(1,733)	(620)	1,377

**8. FINANCIAL INFORMATION (Cont'd)**

Our Group operates in the negative cash balances from FYEs 31 December 2005 to 31 December 2009 mainly due to:-

**(i) Net cash flows generated from operating activities**

Our Group's net cash flows generated from operating activities have been improving from the FYE 31 December 2005 to FYE 31 December 2009.

Our Group has implemented a tight credit control policy in terms of credit limit and credit period which has improved its trade receivables turnover period from the highest recorded in the FYE 31 December 2006 of 4.37 months and reduced to the lowest of 3.19 months in the FYE 31 December 2008 as detailed in Section 8.4.10 of this Prospectus.

Our Group has also improved its trade payables turnover period in tandem with the improvement in its trade receivables turnover period which has resulted in our Group's trade payables turnover period reduced from the highest of 5.69 months in the FYE 31 December 2005 to the lowest of 1.87 months in the FYE 31 December 2008 as detailed in Section 8.4.10 of this Prospectus.

**(ii) Net cash flows used in investing activities**

Our Group has net cash used in investing activities for the FYE 31 December 2005 to FYE 31 December 2009 mainly due to continuous investment in capital expenditures in terms of purchase of property, plant and equipment to expand our Group's business. The purchase of property, plant and equipment for the FYE 31 December 2005 to FYE 31 December 2009 comprises mainly of the purchase of cylinders, construction of our refilling facilities and other plant and machinery such as storage tanks, vaporiser and pump which were financed by internally generated funds, capital contribution by the existing shareholders via issuance of new shares and bank borrowings.

The purchase of cylinders is a continuous and on-going investment by our Group as the cylinders are essential in the generation of core revenue stream for our Group's manufacturing and refilling of industrial gas segments. In addition, the availability of cylinders also contributes to our Group's revenue in the supporting segment such as cylinder and delivery services segment particularly rental income from cylinders. To a certain extent, the availability in terms of growth in the number of cylinders owned by our Group will enable our Group's revenue to grow in tandem accordingly.

The continuous expansion by our Group particularly in the construction of refilling facilities in strategic locations in Malaysia is to enable us to be near our customers in order to reduce the delivery time and at the same time, to enable us to be more cost efficient in terms of transportation cost.

**(iii) Net cash flows used in/ generated from financing activities**

Our Group has net cash used in financing activities of RM0.76 million, RM2.49 million and RM0.57 million for the FYE 31 December 2005, FYE 31 December 2007 and FYE 31 December 2009.

The net cash used in financing activities of RM0.76 million for the FYE 31 December 2005 was mainly contributed by the dividend payment made to our shareholders of RM0.33 million via cash generated from our operations.

**8. FINANCIAL INFORMATION (Cont'd)**

Our Group has net cash used in financing activities of RM2.49 million for the FYE 31 December 2007 mainly due to the dividend payment made to our shareholders of RM0.46 million and net repayment of bank borrowings of RM3.05 million. The higher repayment of bank borrowings was mainly due to the high principal repayment of borrowings as compared to drawdown of loan in terms of trade facilities for the FYE 31 December 2007.

For the FYE 31 December 2009, our Group has net used in financing activities of RM0.57 million mainly due to the dividend payment made to our shareholders of RM2.30 million, drawdown of new term loan and trade facilities amounting to a total of RM8.02 million for purchase of property, plant and equipment, and raw materials which was set-off majorly by the repayment of bank borrowings of RM5.77 million.

Nevertheless, based on the proforma consolidated cash flows of our Group as at 31 December 2009 (as tabulated in this section) and 30 April 2010 after taking into account the effects of the Proposed IPO and proposed utilisation of proceeds (as tabulated in Section 8.4.2.1 of this Prospectus), our Group is expected to operate in a positive cash balance.

**8.4.3 Borrowings**

As at the LPD, we had total outstanding borrowings of RM19.40 million, details of which are set out below:-

Outstanding borrowings	Amount (RM'000)
<u>Interest bearing short term borrowings</u>	
- Bank overdrafts	145
- Bankers acceptance	4,230
- Term loans	3,718
- Hire purchase	1,342
	9,435
<u>Interest bearing long term borrowings</u>	
- Term loans	8,912
- Hire purchase	1,053
	9,965
<b>Total interest-bearing borrowings</b>	<b>19,400</b>
Gearing ratio as at the LPD (times) <sup>(1)</sup>	0.36
Gearing ratio after IPO and utilisation of proceeds (times) <sup>(2)</sup>	0.25

**Notes:-**

(1) Based on total interest-bearing borrowings divided by proforma shareholders' funds as at 30 April 2010 of RM53.49 million upon completion of the Acquisition.

(2) Based on total interest-bearing borrowings divided by proforma shareholders' funds as at 30 April 2010 of RM78.82 upon completion of the Public Issue and after the utilisation of proceeds.

There has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group throughout the past 5 years up to the FYE 31 December 2009 and the subsequent financial period up to the LPD which our Directors are aware of.

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## 8. FINANCIAL INFORMATION (Cont'd)

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### 8.4.4 Breach of Terms and Conditions/ Covenants Associated With Credit Arrangement/ Bank Loan

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

### 8.4.5 Financial Instruments Used

As at the LPD, we do not use any financial instrument for hedging purposes but will undertake to regularly monitor and review the need to hedge our foreign currency exposure.

### 8.4.6 Treasury Policies and Objectives

We have been financing our operations through a combination of cash generated from our operations and external source of funds. Our external source of funds mainly comprises shareholders' funds and bank borrowings. Details of the borrowings are provided in Sections 8.2 and 8.4.3 of this Prospectus.

The decision to either utilise banking facilities or internally generated funds for our operations depends on *inter alia*, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, *inter alia*, the expected cash inflows or receipts from customers, liquidity of our short-term investments and our future working capital requirements.

### 8.4.7 Material Commitment

As at the LPD, we do not have any material commitments for capital expenditure, which upon becoming enforceable, may have a material effect on our financial position.

### 8.4.8 Material Litigation/ Arbitration

Save as disclosed below as at the LPD, neither we nor our subsidiaries are engaged in any litigation or arbitration, either as plaintiff or defendant, which have a material effect and/or adverse effect on our financial position or business.

#### *Johor Bahru High Court Bankruptcy Nos. 29-1326-06 & 29-2067-06*

Southern Industrial Gas has vide its solicitors filed a petition against Liew Chong Yong and Liew Look Kee in the Johor High Court via Bankruptcy No. 29-1326-06 and 29-2067-06. Southern Industrial Gas is claiming for the sum of RM459,419.86 being the outstanding cylinder rentals and interest on late payment. Southern Industrial Gas has sought bankruptcy orders against both Liew Chong Yong and Liew Look Kee. Adjudicating and Receiving Order was made against Liew Chong Yong on 27 May 2009 and against Liew Look Kee on 16 September 2009.

Southern Industrial Gas had since filed its proof of debts against both Liew Chong Yong and Liew Look Kee.

**8. FINANCIAL INFORMATION (Cont'd)****8.4.9 Contingent Liabilities**

As at the LPD, we do not have any contingent liabilities which, have become enforceable or likely to become enforceable, which in the opinion of our Directors, will or may substantially affect our ability to meet our obligations as and when they fall due.

**8.4.10 Key Financial Ratios**

The table below sets out some of our key financial ratios for the past 5 financial years up to FYE 31 December 2009 and the 4-month FPE 30 April 2010:-

	<----- FYE 31 December ----->					FPE
	2005	2006	2007	2008	2009	30.04.2010
Trade receivables' turnover period <sup>(1)</sup> (months)	4.27	4.37	3.66	3.19	3.42	3.37
Trade payables' turnover period <sup>(2)</sup> (months)	5.69	4.88	2.01	1.87	2.43	2.27
Inventory turnover period <sup>(3)</sup> (months)	0.85	0.81	0.62	0.91	1.20	1.00
Current ratio (times)	0.66	0.75	1.01	1.01	1.04	1.03
Gearing ratio <sup>(4)</sup> (times)	0.73	0.50	0.41	0.34	0.39	0.36

**Notes:-**

- (1) Calculated based on the consolidated trade receivables' balances as at their respective balance sheet date, net of allowances for doubtful debts.
- (2) Calculated based on the consolidated trade payables' balances as at their respective balance sheet date.
- (3) Calculated based on year end raw materials balance over cost of sales.
- (4) Calculated based on total interest bearing borrowings over shareholders' funds.

**Trade Receivables**

The normal credit terms granted to our customers ranges from cash on delivery to 120 days. Other credit terms are assessed and approved on a case by case basis after taking into consideration, *inter-alia*, the background and credit worthiness of the customer, payment history of the customer and our relationship with the customer. We have a credit control policy in order to improve the collection of our Group.

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**8. FINANCIAL INFORMATION (Cont'd)**

The ageing analysis of our trade receivables as at 30 April 2010 is as follows:-

	Within Credit Period				Exceeding Credit Period		Total RM'000
	0-30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-120 days RM'000	121-180 days RM'000	>180 days RM'000	
Trade receivables	5,187	4,582	2,827	2,020	946	3,811	19,373
Provision for doubtful debts	(5)	(5)	(7)	(8)	(13)	(3,675)	(3,713)
Trade receivables after provision for doubtful debts	5,182	4,577	2,820	2,012	933	* 136	15,660
Percentages of total trade receivables after provision for doubtful debts	33.09%	29.23%	18.01%	12.85%	5.96%	0.86%	100.00%

*Note:-*

\* *The amount has been fully collected as at LPD.*

Our trade receivables turnover period ranges from a low of 3.19 months in the FYE 31 December 2008 to a high of 4.37 times in the FYE 31 December 2006. The trade receivables turnover period for the 4-month FPE 30 April 2010 was 3.37 months.

The high trade receivables turnover period in the FYE 31 December 2005 and FYE 31 December 2006, which exceeds our normal credit period were due to uncollectible debts by certain customers. The total cumulative allowance for doubtful debts amounting to RM3.71 million representing 78.05% of our Group's total trade receivables exceeding credit period as at 30 April 2010 has been made for the trade receivables where collections are doubtful which comprised of the brought forward amount of RM1.20 million for the FYE 31 December 2005 and a total amount of RM2.51 million provided for in the FYE 31 December 2005 to FPE 30 April 2010. It is our Group's policy to undertake a monthly review of all trade receivables and to make specific and full provisions for doubtful debts where recoverability is uncertain. Provision for doubtful debts will be made and recognised in the corresponding month upon the occurrence of doubt on the recoveries of the trade receivables when undertaking the monthly review or upon occurrence of legal action. The increase in trade receivable turnover period for the FYE 31 December 2009 and 4-month FPE 30 April 2010 was due to the request of extension of credit period by some of our customers.

As at the LPD, 28.93% or RM4.53 million of the total trade receivables (net of provision for doubtful debts) of RM15.66 million as at 30 April 2010 have been collected. Our Directors are of the opinion that trade receivables exceeding credit period (net of provision for doubtful debts) are recoverable taking into consideration the long term relationship between most of these customers and us, and various credit control measures being implemented by us to minimise customer default.

**8. FINANCIAL INFORMATION (Cont'd)**Trade Payables

The normal credit terms granted by our suppliers ranges from 30 days to 120 days.

The ageing analysis of our trade payables as at 30 April 2010 is as follows:-

	Within Credit Period				Exceeding Credit Period		Total
	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	>180 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	1,434	2,116	1,132	923	1,083	346	7,034
Percentages of total trade payables	20.39%	30.08%	16.09%	13.12%	15.40%	4.92%	100.00%

The decrease in trade payables turnover period from 5.69 months in the FYE 31 December 2005 to 1.87 months in FYE 31 December 2008 were mainly due to our utilisation of our banking facilities such as bankers' acceptance and bank overdrafts to pay our trade suppliers. The increase in trade payables turnover period from 1.87 months in FYE 31 December 2008 to 2.43 months in FYE 31 December 2009 and 2.27 months in the 4-month FPE 30 April 2010 was mainly due to increase in purchase of cylinders and the extended credit period given by the suppliers.

As at the LPD, no legal or other action has been taken against us due to our non-payment or late payment in the amount owed to our suppliers.

Inventories

Our inventories consist of raw materials, consumable stores and finished goods. There is no major fluctuation from the FYE 31 December 2005 to FYE 31 December 2008.

The increase in inventories turnover period in the FYE 31 December 2009 and FPE 30 April 2010 was mainly due to increase in trading stock such as Refrigerants to meet the customers' demand.

We are of the opinion that there is no material slow moving or obsolete inventories as at the LPD.

Current ratio

Current ratio has improved from approximately 0.66 times in FYE 31 December 2005 to approximately 1.04 times in FYE 31 December 2009. The current ratio was below 1 times in FYE 31 December 2005 and FYE 31 December 2006 mainly contributed by high trade payables as explained and detailed in Sections 8.4.2.2 and 8.4.10 of this Prospectus respectively. In addition to the improvement in the trade payables, the improvement in the current ratio was also due to the decrease in the short term bank borrowings.

The decrease in the current ratio from 1.04 times in FYE 31 December 2009 to approximately 1.03 times in FPE 30 April 2010 was mainly due to the increase in bank borrowings as the result of our investment in our new production plant in Nilai and increase in our trade payables due to purchase of property, plant and equipment, i.e. cylinders.

**8. FINANCIAL INFORMATION (Cont'd)**Gearing ratio

Gearing ratio has improved from the highest of 0.73 times in the FYE 31 December 2005 to the lowest of 0.34 times in FYE 31 December 2008 mainly due to the improvement in the shareholders' fund of our Group although there was no major fluctuation on our Group's level of borrowings. Gearing ratio has increased from 0.34 times in FYE 31 December 2008 to 0.39 times in FYE 31 December 2009 mainly due to increase in bank borrowings due to our investment in our new production plant in Nilai. However, the gearing ratio has improved from 0.39 times in FYE 31 December 2009 to 0.36 times in FPE 30 April 2010 principally attributable to the repayment of term loan and also improvement in shareholders' fund of our Group.

**8.5 Trend Information****(i) Business and financial prospects**

To the best of our Directors' knowledge, the most recent trends on our business and financial prospects since 30 April 2010 are as follows:-

- (a) We do not expect any major fluctuation in our sales volume and average selling prices of our products since FPE 30 April 2010;
- (b) The production capacities of our Group are expected to be in line with the demand of our Group's products and we do not expect any significant change since FPE 30 April 2010;
- (c) Our Group's inventory comprises of raw materials, consumable stocks and finished goods. We expect our average inventory turnover period to be sustained and we do not expect any significant change since FPE 30 April 2010; and
- (d) Our Group's cost of sales comprise mainly of raw materials such as calcium carbide, electricity and water, labour cost and its related expenses, other manufacturing overheads and transportation charges. We do not expect any significant change in our Group's cost of sales since FPE 30 April 2010.

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

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and Section 3 and Section 4 of this Prospectus;
- (b) material commitment for capital expenditures;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and in Section 3 of this Prospectus;

## 8. FINANCIAL INFORMATION (Cont'd)

- (d) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in Section 4.9 of this Prospectus and business strategies and future plans as set out in Section 4.8 of this Prospectus;
- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 3 of this Prospectus; and
- (f) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and in Section 3 and Section 4 of this Prospectus.

Our Board is optimistic about our future prospect given the favourable outlook as set out in Section 4.10 of this Prospectus, our competitive advantages and key strengths set out in Section 4.7 of this Prospectus and our dedication to implement the business strategies and future plans set out in Section 4.8 of this Prospectus.

### (ii) Order book

As at the LPD, our order book amounted to approximately RM1.68 million. Our order book has not been significant, as we generally do not receive long-term orders from our customers. Despite the absence of long-term agreements with our customers, we have been successful in attracting repeat customers as well as new customers as evidenced by the revenue growth achieved since the FYE 31 December 2005. In addition, we have been dealing with most of our top 20 customers for more than 5 years. Our top 20 customers contributed 45.68% and 40.08% of our Group's total revenue for the FYE 31 December 2009 and 4-month FPE 30 April 2010 respectively.

Going forward, we are confident that our order book will remain strong as we have earned the confidence and recognition of customers due to our track record of delivering high quality services/ products in a consistent and prompt manner as well as our ability to meet the stringent requirements of our customers.

## 8.6 DIVIDEND POLICY

Save as disclosed below, no dividends were declared and paid by our Company or our subsidiaries for the last financial year:-

Southern Industrial Gas had declared and paid the following dividends to its shareholders:-

- (i) First interim dividend amounted to RM1.15 million from its PAT generated between 1 January 2009 to 31 August 2009 which was declared 7 July 2009 and paid on 31 July 2009; and
- (ii) Second interim dividend amounted to RM1.15 million from its PAT generated between 1 September 2009 and 31 December 2009 which was declared on 3 November 2009 and paid on 30 November 2009. Southern Industrial Gas achieved the PAT of approximately RM2.38 million for the 4-month period between 1 September 2009 and 31 December 2009 which was apportioned based on the audited PAT recorded by Southern Industrial Gas of approximately RM7.15 million for the FYE 31 December 2009.

## 8. FINANCIAL INFORMATION (Cont'd)

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The declaration of interim dividends and the recommendation of final dividend are subject to the discretion of our Board and any final dividend for the year is subject to our shareholders' approval. It is our intention to pay dividends to our shareholders in the future. However, such payments will depend upon a number of factors as follows:-

- (i) the availability of adequate distributable reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and
- (iv) any material impact of tax laws and other regulatory requirements.

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

Southern Industrial Gas has many shareholders (between 26 – 32 shareholders) throughout the years since its incorporation and most of them are not related to the Directors and/or substantial shareholders of Southern Industrial Gas.

As Southern Industrial Gas is involved in the capital intensive industry, there are always requirements for the company to keep investing in property, plant and equipment for its continuous growth. The company needs to balance between the continuous requirement by the company to invest in property, plant and equipment and the need to reward its shareholders for their continued support. When the need arises, the shareholders have also contributed their own funds in terms of capital injection to Southern Industrial Gas via the issuance of shares. The company rewards its shareholders for their continual support via the payment of dividends which are declared out of profits generated by the company during each financial year. The quantum of dividends declared is dependent on the cash flow position, the need to further invest in property, plant and equipment and the level of borrowings of the company at that point in time.

The dividend payments for the FYE 31 December 2005, FYE 31 December 2007, FYE 31 December 2008 and FYE 31 December 2009 were made from the overdraft facilities of Southern Industrial Gas. Although Southern Industrial Gas has been declaring and paying dividends whilst in a negative cash position, the cash flow position of Southern Industrial Gas has been improving and Southern Industrial Gas has achieved a positive cash position as at 31 December 2009 and 30 April 2010.

The Directors of Southern Industrial Gas have been diligently managing the cash position of the company whilst keeping in view of the needs of the company to continue to grow and expand via the capital investment in property, plant and equipment and will continue to do so by balancing the cash requirements of the company against the needs to provide a satisfactory return in the form of dividends to its shareholders.

## 8. FINANCIAL INFORMATION (Cont'd)

### 8.7 PROFORMA CONSOLIDATED FINANCIAL INFORMATION



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### 8.7 Reporting Accountant's Letter on the Proforma Consolidated Financial Information

**(Prepared for inclusion in this Prospectus)**  
**5 July 2010**

The Board of Directors  
SIG Gases Berhad  
Suite 1301, 13<sup>th</sup> Floor, City Plaza  
Jalan Tebrau  
80300 Johor Bahru  
Johor

Dear Sir

#### **SIG Gases Berhad ("SIG Gases")** **Proforma consolidated financial information**

We report on the proforma consolidated financial information of SIG Gases and its subsidiaries ("SIG Gases Group" or "Group") as set out in the accompanying notes, which we have stamped for the purpose of identification. The proforma consolidated financial information has been prepared for illustrative purposes only on the basis of assumptions as set out in the accompanying notes and after making certain adjustments to show what :

- (a) the financial results of SIG Gases Group for the five (5) financial years ended ("FYE") 31 December 2005 to 31 December 2009 and four (4) months financial period ended ("FPE") 30 April 2010 would have been, if the Group structure as at the date of this Prospectus had been in place throughout the financial years/period being reported thereon;
- (b) the financial position of SIG Gases Group as at 30 April 2010 would have been, if the Group structure as at the date of the Prospectus had been in place on that date, adjusted for the Acquisition, Public Issue (as defined therein), Employees' Share Option Scheme ("ESOS") and the utilisation of listing proceed; and
- (c) the cash flows of SIG Gases Group for the four (4) months FPE 30 April 2010 would have been if the Group structure as of the date of the Prospectus had been in place since the beginning of financial period, adjusted for the Acquisition, Public Issue (as defined therein), ESOS and utilisation of listing proceed.

This letter is required by and is given for the purpose of complying with the Prospectus Guidelines issued by Securities Commission ("the Guidelines") and for no other purpose.

The proforma consolidated financial information, because of its nature, may not be reflective of SIG Gases Group's actual financial results, financial position and cash flows.

**8. FINANCIAL INFORMATION (Cont'd)**



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**SIG Gases Berhad**  
**Proforma consolidated financial information (contd.)**

**Responsibilities**

It is solely the responsibility of the Board of Directors of SIG Gases to prepare the proforma consolidated financial information in accordance with the requirements of the Guidelines.

It is our responsibility to form an opinion, as required by the Guidelines as to the proper compilation of the proforma consolidated financial information, and to report our opinion to you.

In providing this opinion, we are not responsible in updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the proforma consolidated financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with Malaysian Approved Standard on Assurance, ISAE 3000-Assurance Engagements Other Than Audit or Review Historical Information. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information to the audited financial statements as listed below, considering the evidence supporting the adjustments and discussing the proforma consolidated financial information with the directors of SIG Gases.

- (i) the audited financial statements of SIG Gases for the first financial period from 14 October 2009 (date of incorporation) to 31 December 2009 and the four (4) months FPE 30 April 2010;
- (ii) the audited financial statements of Southern Industrial Gas Sdn Bhd for the five (5) FYEs 31 December 2005 to 2009 and the four (4) months FPE 30 April 2010;
- (iii) the audited financial statements of Southern Oxygen Sdn Bhd for FPE 31 December 2008, FYE 31 December 2009 and the four (4) months FPE 30 April 2010;
- (iv) the audited financial statements of Southern Carbon Dioxide Sdn Bhd for FPE 31 December 2008, FYE 31 December 2009 and the four (4) months FPE 30 April 2010;

**8. FINANCIAL INFORMATION (Cont'd)**



**SIG Gases Berhad  
Proforma consolidated financial information (contd.)**

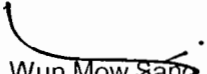
We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the proforma consolidated financial information have been properly compiled on the basis stated using financial statements prepared in accordance with approved accounting standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of SIG Gases. Our work also involves assessing whether each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information.

In our opinion:

- (i) the proforma consolidated financial information which have been prepared by the directors of SIG Gases have been properly compiled on the basis stated in the accompanying notes using the financial statements prepared in accordance with the approved accounting standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies adopted by SIG Gases; and
- (ii) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information.

Yours faithfully

  
Ernst & Young  
AF: 0039  
Chartered Accountants

  
Wun Mow Sang  
1821/12/10 (J)  
Chartered Accountant

Johor Bahru, Malaysia



**8. FINANCIAL INFORMATION (Cont'd)**

**SIG Gases Berhad**  
(Incorporated In Malaysia)

**NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

**1. Introduction**

The proforma consolidated financial information, comprising the proforma consolidated statements of comprehensive income for the five (5) years ended 31 December 2009 and four (4) months financial period ended 30 April 2010, the proforma consolidated statement of financial position as at 30 April 2010, and the proforma consolidated statement of cash flow for the financial period ended 30 April 2010 have been prepared for inclusion in the Prospectus of SIG Gases in connection with the listing of SIG Gases on the Main Market of Bursa Malaysia Securities Berhad.

**2. Abbreviations**

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Acquisition	The acquisition by SIG Gases of the entire issued and paid-up share capital of Southern Industrial Gas comprising 23,000,000 ordinary shares of RM1.00 each in Southern Industrial Gas for a purchase consideration of RM50,399,990, which was wholly satisfied by the issuance of 100,799,980 new Shares, credited as fully paid-up at an issue price of RM0.50 per Share
ESOS	The Board will implement an ESOS which entails the issuance of up to 15% of its issued and paid-up share capital of SIG Gases at any point of time or any limit prescribed by any guidelines, rules and regulations of the relevant authorities during the duration of the ESOS to the eligible directors and employees of the SIG Gases Group
ESOS Options	The right to subscribe for new Shares upon acceptance of an offer under the ESOS
FPE	Financial period ended
FRS	Financial Reporting Standards
FYE	Financial year ended/ending
IPO	Initial public offering in Malaysia comprising the Public Issue and Offer for Sale, collectively
IPO Price	RM0.58 per IPO share, being the price payable by investors under the Public Issue/Offer for Sale
Offerors	Peh Lam Hoh, Datin Hanifah Hajar Taib, Lau Cheng Ming and Sing Swee Bee Enterprise Pte Ltd, collectively
Offer for Sale	The offer for sale of 3,000,000 representing 2.00% of the enlarged issued and paid-up share capital of SIG Gases upon listing will be offered at the IPO Price and will be allocated via private placement to selected investors
Offer Shares	The 3,000,000 Shares, which are the subject of the Offer for Sale
Public Issue	The invitation by SIG Gases to the public to subscribe for the Public Issue Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Public Issue Shares	The 49,200,000 new Shares, which are the subject of the Public Issue
RM	Ringgit Malaysia

**8. FINANCIAL INFORMATION (Cont'd)****2. Abbreviations (contd.)**

Share(s)	Ordinary share(s) of RM0.50 each in SIG Gases
SIG Gases or the Company	SIG Gases Berhad
SIG Gases Group	SIG Gases Berhad and its subsidiaries
Southern Industrial Gas	Southern Industrial Gas Sdn. Bhd., a wholly-owned subsidiary of SIG Gases
Southern Oxygen	Southern Oxygen Sdn. Bhd., a wholly-owned subsidiary of SIG Gases
Southern Carbon Dioxide	Southern Carbon Dioxide Sdn. Bhd., a wholly-owned subsidiary of SIG Gases

**3. Listing Scheme**

As part of the listing scheme, SIG Gases undertook the following:

**3.1 Acquisition**

On 8 December 2009, SIG Gases entered into share sale agreement with the vendors of Southern Industrial Gas for the acquisition of the entire equity interest in Southern Industrial Gas comprising 23,000,000 ordinary shares of RM1.00 each. The purchase consideration for the Acquisition is RM50,399,990, which was satisfied by the issuance of 100,799,980 Shares to the vendors of Southern Industrial Gas at an issue price of RM0.50 per Share. The Acquisition was completed on 12 May 2010.

On 31 May 2010, Southern Industrial Gas transferred the 2 existing ordinary shares of RM1.00 each in Southern Oxygen and Southern Carbon Dioxide respectively, for a nominal value of RM1.00 per share to SIG Gases.

**3.2 Public Issue**

In conjunction with the listing, SIG Gases will undertake a public issue of 49,200,000 new Shares, representing 32.80% of the enlarged issued and paid-up share capital of SIG Gases upon listing, at the IPO Price to be allocated and allotted in the following manner:

- (a) 7,500,000 Public Issue Shares, representing 5.00% of the enlarged issued and paid-up share capital of SIG Gases upon listing, will be made available for application by the Malaysian public, to be allocated via ballots;
- (b) 9,000,000 Public Issue Shares, representing 6.00% of the enlarged issued and paid-up share capital of SIG Gases upon listing, will be reserved for the eligible directors, employees and/or business associates of the SIG Gases Group;
- (c) 17,700,000 Public Issue Shares, representing 11.80% of the enlarged issued and paid-up share capital of SIG Gases upon listing, will be made available for private placement to selected investors; and
- (d) 15,000,000 Public Issue Shares, representing 10.00% of the enlarged issued and paid-up share capital of SIG Gases upon listing, will be made available for private placement to Bumiputera investors approved by the Ministry of International Trade and Industry.

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**8. FINANCIAL INFORMATION (Cont'd)**

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**3. Listing Scheme (contd.)**

**3.3 Offer for Sale**

The offer for sale of 3,000,000 representing 2.00% of the enlarged issued and paid-up share capital of SIG Gases upon listing will be offered at the IPO Price and will be allocated via private placement to selected investors.

**3.4 ESOS**

The Board will be implementing an ESOS which entails the issuance of up to 15% of its enlarged issued and paid up share capital of SIG Gases upon listing at any one time at the IPO price of RM0.58 to the eligible directors and employees of SIG Gases Group.

**3.5 Listing**

Upon completion of the Public Issue and Offer for Sale, SIG Gases will seek the listing of and quotation for its entire enlarged issued and paid-up share capital on the Main Market of Bursa Malaysia Securities Berhad.

**4. Basis of preparation of proforma consolidated financial information**

**4.1** The proforma consolidated financial information has been prepared to illustrate:

- (a) the financial results of SIG Gases Group for the past five (5) FYE 31 December 2005 to 31 December 2009 and four (4) months FPE 30 April 2010 would have been if the Group structure as at the date of this Prospectus had been in existence throughout the financial years/period under review;
- (b) the financial position of SIG Gases Group as at 30 April 2010 would have been if the Group structure as of the date of this Prospectus had been in place on that date, adjusted for the Acquisition, Public Issue, ESOS and the utilisation of listing proceed; and
- (c) the cash flows of SIG Gases Group for the four (4) months FPE 30 April 2010 would have been if the Group structure as of the date of this Prospectus had been in existence throughout the FPE 30 April 2010, adjusted for the Acquisition, Public issue, ESOS and the utilisation of listing proceed.

The above proforma consolidated financial information has been accounted for using merger accounting principles.

**8. FINANCIAL INFORMATION (Cont'd)****4. Basis of preparation of proforma consolidated financial information (cont'd)**

**4.2** The proforma consolidated financial information have been prepared for illustrative purposes, based on the audited financial statements of SIG Gases Group for the years/periods, as follows:

<b>Company</b>	<b>FYE/FPE</b>
SIG Gases	FPE 31 December 2009 FPE 30 April 2010
Southern Industrial Gas	FYE 31 December 2005 FYE 31 December 2006 FYE 31 December 2007 FYE 31 December 2008 FYE 31 December 2009 FPE 30 April 2010
Southern Oxygen	FPE 31 December 2008 FYE 31 December 2009 FPE 30 April 2010
Southern Carbon Dioxide	FPE 31 December 2008 FYE 31 December 2009 FPE 30 April 2010

**4.3** For the purpose of preparation of proforma consolidated financial information, the financial statements of the subsidiaries, Southern Industrial Gas, Southern Oxygen and Southern Carbon Dioxide were converted to comply with applicable FRS. We have reviewed the financial statements of Southern Industrial Gas for FYE 31 December 2005 to 31 December 2008, Southern Oxygen and Southern Carbon Dioxide for FPE 31 December 2008 for the conversion to applicable FRS, prepared for the purpose of this report. The adoption of applicable FRS did not have any material financial effect on the statements of comprehensive income of these companies.

The audited financial statements of SIG Gases, Southern Industrial Gas, Southern Oxygen and Southern Carbon Dioxide for the FYE 31 December 2009 and four (4) months FPE 30 April 2010 have been prepared in accordance with applicable FRS.

The auditors' reports on the respective financial statements were not subject to any qualifications or modifications for all the financial years/period under review.

**8. FINANCIAL INFORMATION (Cont'd)****5. Proforma consolidated statement of comprehensive income of the Group**

**5.1** The proforma consolidated statement of comprehensive income for the past five (5) FYE 31 December 2005 to 31 December 2009 and four (4) months FPE 30 April 2009 and 30 April 2010, which have been prepared for illustrative purposes to show the aggregate results of SIG Gases Group, are prepared on the assumption that the current structure of SIG Gases Group existed throughout the financial years/period under review.

	FYE 31 December					FPE 30 April	
	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM	2009 RM	2010 RM
Revenue	33,952,968	40,459,110	48,991,875	55,399,959	54,567,891	17,389,506	18,574,478
Cost of sales	(21,581,490)	(26,343,418)	(30,529,826)	(35,285,788)	(35,291,558)	(11,264,796)	(12,358,279)
Gross profit	12,371,478	14,115,692	18,462,049	20,114,171	19,276,333	6,124,710	6,216,199
Other items of income	71,679	148,062	196,129	187,069	441,058	95,969	55,850
expenses							
Administrative expenses	(6,559,730)	(7,330,784)	(8,963,817)	(10,116,523)	(9,254,852)	(2,842,370)	(4,161,748)
Finance costs	(1,792,075)	(1,822,452)	(1,485,837)	(1,223,086)	(1,070,757)	(423,434)	(394,743)
<b>Profit before tax from continuing operations</b>	<b>4,091,352</b>	<b>5,110,518</b>	<b>8,208,524</b>	<b>8,961,631</b>	<b>9,391,782</b>	<b>2,954,875</b>	<b>1,715,558</b>
Income tax expense	(423,000)	(1,489,000)	(2,372,100)	(526,900)	(2,279,870)	(1,599,217)	(379,233)
<b>Profit from continuing operations, net of tax</b>	<b>3,668,352</b>	<b>3,621,518</b>	<b>5,836,424</b>	<b>8,434,731</b>	<b>7,111,912</b>	<b>1,355,658</b>	<b>1,336,325</b>
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>3,668,352</b>	<b>3,621,518</b>	<b>5,836,424</b>	<b>8,434,731</b>	<b>7,111,912</b>	<b>1,355,658</b>	<b>1,336,325</b>
<b>Profit attributable to:</b>							
Equity holders of the Company	3,668,352	3,621,518	5,836,424	8,434,731	7,111,912	1,355,658	1,336,325
Minority interests	-	-	-	-	-	-	-
<b>Total comprehensive income attributable to:</b>	<b>3,668,352</b>	<b>3,621,518</b>	<b>5,836,424</b>	<b>8,434,731</b>	<b>7,111,912</b>	<b>1,355,658</b>	<b>1,336,325</b>
to:							
Equity holders of the Company	3,668,352	3,621,518	5,836,424	8,434,731	7,111,912	1,355,658	1,336,325
Minority interests	-	-	-	-	-	-	-
<b>Total comprehensive income attributable to:</b>	<b>3,668,352</b>	<b>3,621,518</b>	<b>5,836,424</b>	<b>8,434,731</b>	<b>7,111,912</b>	<b>1,355,658</b>	<b>1,336,325</b>

**8. FINANCIAL INFORMATION (Cont'd)****5. Proforma consolidated statement of comprehensive income of the Group (contd.)**

5.2 The performance indices of SIG Gases Group based on the proforma consolidated statement of comprehensive income for the past five (5) FYE 31 December 2005 to 31 December 2009 and four (4) months FPE 30 April 2009 and 30 April 2010 are as follows:

	FYE 31 December					FPE 30 April	
	2005	2006	2007	2008	2009	2009	2010
Number of ordinary shares assumed in issue*	100,800,000	100,800,000	100,800,000	100,800,000	100,800,000	100,800,000	100,800,000
Revenue (RM)	33,952,968	40,459,110	48,991,875	55,399,959	54,567,891	17,389,506	18,574,478
Gross profit (RM)	12,371,478	14,115,692	18,462,049	20,114,171	19,276,333	6,124,710	6,216,199
Profit before tax from continuing operations (RM)	4,091,352	5,110,518	8,208,524	8,961,631	9,391,782	2,954,875	1,715,558
Gross earnings per share (RM)	0.04	0.05	0.08	0.09	0.09	0.09 <sup>^</sup>	0.05 <sup>^</sup>
Net earnings per share (RM)	0.04	0.04	0.06	0.08	0.07	0.04 <sup>^</sup>	0.04 <sup>^</sup>
Gross profit margin (%)	36.44	34.89	37.68	36.31	35.33	35.22	33.47
Profit before tax margin (%)	12.05	12.63	16.75	16.18	17.21	16.99	9.23
Profit after tax margin (%)	10.80	8.95	11.91	15.23	13.03	7.80	7.19
Effective tax rate (%)	10.34	29.14	28.90	5.88	24.28	54.12	22.11
Interest expense (RM)	1,792,075	1,822,452	1,485,837	1,223,086	1,070,757	423,434	394,743
Interest coverage ratio (times)	3.28	3.80	6.52	8.33	9.77	7.98	5.35

\* Based on the number of ordinary shares in issue after the completion of the Acquisition but before the Public Issue.  
<sup>^</sup> Annualised for 12 months for comparison purposes.

5.3 Notes to the proforma consolidated statement of comprehensive income

(i) The statement of comprehensive income for the FPE 30 April 2009 is unaudited and is included for comparison purposes only.

## 8. FINANCIAL INFORMATION (Cont'd)

### 6. Proforma consolidated statement of financial position

The proforma consolidated statement of financial position of SIG Gases Group as set out below are prepared solely for illustrative purposes only to show the effects of the Acquisition, Public Issue and full exercise of ESOS Options referred to in Section 3 had these transactions been effected on 30 April 2010.

	Audited SIG Gases statement of financial position as at 30.4.2010 RM	Adjustment for Acquisition RM	(i) Proforma SIG Gases Group after Acquisition RM	Subscription of IPO and Utilisation of funds RM	(ii) Proforma SIG Gases Group after Proforma (i) and IPO and Utilisation of funds RM	Full exercise of ESOS Options RM	(iii) Proforma SIG Gases Group after Proforma (i) and (ii) and full exercise of ESOS Options RM
<b>Non-current assets</b>							
Property, plant and equipment	-	69,132,656	69,132,656	21,136,000	90,268,656	90,268,656	90,268,656
Prepaid and lease payment	-	2,493,099	2,493,099		2,493,099	2,493,099	2,493,099
Intangible assets	-	216,979	216,979		216,979	216,979	216,979
	-		71,842,734		92,978,734	92,978,734	92,978,734
<b>Current assets</b>							
Inventories	-	3,105,005	3,105,005		3,105,005	3,105,005	3,105,005
Trade receivables	-	15,659,620	15,659,620		15,659,620	15,659,620	15,659,620
Other receivables	790,100	1,149,474	1,939,574		1,939,574	1,939,574	1,939,574
Cash and bank balances	10	1,578,877	1,578,887		1,578,887	13,050,000	14,628,887
	790,110		22,283,086		22,283,086		35,333,086
<b>Total assets</b>	790,110		94,125,820		115,261,820		128,311,820

## 8. FINANCIAL INFORMATION (Cont'd)

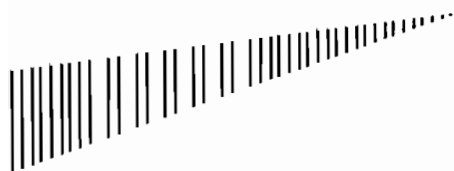
## 6. Proforma consolidated statement of financial position (contd.)

	Audited SIG Gases statement of financial position as at 30.4.2010 RM	Adjustment for Acquisition RM	Proforma SIG Gases Group after Acquisition RM	Subscription of IPO and Utilisation of funds RM	Proforma SIG Gases Group after Proforma (I) and subscription of IPO and Utilisation of funds RM	Full exercise of ESOS Options RM	Proforma SIG Gases Group after Proforma (I) and (II) and full exercise of ESOS Options RM
<b>Equity and liabilities</b>							
<b>Current liabilities</b>							
Borrowings	-	9,177,171	9,177,171	(1,517,000)	7,660,171	7,660,171	7,660,171
Trade payables	-	7,033,748	7,033,748		7,033,748	7,033,748	7,033,748
Other payables	855,459	4,685,573	5,541,032		5,541,032	5,541,032	5,541,032
Tax payable	-	33,868	33,868		33,868	33,868	33,868
	<u>855,459</u>		<u>21,785,819</u>		<u>20,268,819</u>		<u>20,268,819</u>
<b>Net current (liabilities)/assets</b>	<u>(65,349)</u>		<u>497,267</u>		<u>2,614,267</u>		<u>15,064,267</u>
<b>Non-current liabilities</b>							
Borrowings	-	10,248,136	10,248,136	(2,683,000)	7,565,136	7,565,136	7,565,136
Long term payables	-	2,087,124	2,087,124		2,087,124	2,087,124	2,087,124
Deferred tax liabilities	-	6,516,000	6,516,000		6,516,000	6,516,000	6,516,000
	-		<u>18,851,260</u>		<u>16,168,260</u>		<u>16,168,260</u>
<b>Total liabilities</b>	<u>855,459</u>		<u>40,637,079</u>		<u>36,437,079</u>		<u>36,437,079</u>
<b>Net (liabilities)/assets</b>	<u>(65,349)</u>		<u>53,488,741</u>		<u>78,824,741</u>		<u>91,874,741</u>



**8. FINANCIAL INFORMATION (Cont'd)**
**6. Proforma consolidated statement of financial position (contd.)**

	Audited SIG Gases statement of financial position as at 30.4.2010 RM	Adjustment for Acquisition RM	Proforma SIG Gases Group after Acquisition RM	Subscription of IPO and Utilisation of funds RM	Proforma SIG Gases Group after Proforma (I) and subscription of IPO and Utilisation of funds RM	Full exercise of ESOS Options RM	Proforma SIG Gases Group after Proforma (I) and (II) and full exercise of ESOS Options RM
<b>Equity attributable to equity holders</b>							
Share capital	10	50,399,990	50,400,000	24,600,000	75,000,000	11,250,000	86,250,000
Share premium	-	4,526,000	4,526,000	928,000	5,454,000	1,800,000	7,254,000
Merger deficit	-	(27,399,990)	(27,399,990)	(192,000)	(27,399,990)		(27,399,990)
Retained earnings	(65,359)	26,028,090	25,962,371		25,770,731		25,770,731
<b>Total liabilities</b>	(65,349)		53,488,741		78,824,741		91,874,741
<b>TOTAL EQUITY AND LIABILITIES</b>	790,110		94,125,820		115,261,820		128,311,820
Number of ordinary shares in issue	20		100,800,000		150,000,000		172,500,000
Net (liabilities)/assets (RM)	(65,349)		53,488,741		78,824,741		91,874,741
Net (liabilities)/assets per share (RM)	(3,267.45)		0.53		0.53		0.53

**8. FINANCIAL INFORMATION (Cont'd)****6. Proforma consolidated statement of financial position (contd.)****6.1 Notes to the proforma consolidated statement of financial position**

The proforma consolidated statement of financial position include, on a proforma basis, the following transactions assuming they were effected on 30 April 2010:

**Proforma (I)****Acquisition**

SIG Gases entered into share sale agreement with the vendors of Southern Industrial Gas for the acquisition of the entire equity interest in Southern Industrial Gas comprising 23,000,000 ordinary shares of RM1.00. The purchase considerations for the Acquisition is RM50,399,990, which were satisfied by the issuance of 100,799,980 Shares to the vendors of Southern Industrial Gas at an issue price of RM0.50 per Share. The Acquisition was completed on 12 May 2010.

Proforma (I) incorporates the effects of the Acquisition.

The merger deficit in Proforma (I) is based on the difference between the amount recorded as cost of merger and the nominal value of Southern Industrial Gas share capital acquired, as follows:

	<b>RM</b>
Cost of merger	50,399,990
Less: Share capital of Acquisition	<u>(23,000,000)</u>
Merger deficit	<u>27,399,990</u>

**Proforma (II)**

Proforma (II) incorporates the effects of Proforma (I) and the Public Issue of 49,200,000 new Shares at the IPO Price as set out in Section 3.3 and the proposed utilisation of the gross proceeds from the Public Issue as follows:

	<b>RM</b>
<u>Utilisation of proceeds</u>	
Purchase of plant, machinery and equipment	6,400,000
Purchase of land and building new facilities	14,736,000
Repayment of term loan	4,200,000
Estimated listing expenses	<u>3,200,000</u>
	<u>28,536,000</u>

**Proforma (III)**

Proforma (III) incorporates the effects of Proforma (I) and Proforma (II) and the proposed establishment and full exercise of ESOS options of up to 15% of SIG Gases's enlarged issued and paid up share capital at any one time (or 22,500,000 ordinary shares) at the IPO Price to the eligible directors and employees of SIG Gases Group.

**8. FINANCIAL INFORMATION (Cont'd)****6. Proforma consolidated statement of financial position (contd.)****6.1 Notes to the proforma consolidated statement of financial position (cont'd)**

The movements in the cash and cash equivalents are as follows:

	RM
As at 30 April 2010	10
Arising from the Acquisition	1,578,877
As per Proforma (I)	<u>1,578,887</u>
Add: Proceeds from the Proposed Public Issue	28,536,000
Less: Estimated Listing expenses	(3,200,000)
Less: Purchase of plant, machinery and equipment	(6,400,000)
Less: Purchase of land and building new facilities	(14,736,000)
Less: Repayment of term loan	(4,200,000)
As per Proforma (II)	<u>1,578,887</u>
Full exercise of ESOS Options	13,050,000
As per Proforma (III)	<u>14,628,887</u>

The movements in the issued and paid-up share capital account are as follows:

	Number of Ordinary Shares	Amount of Share Capital RM
Audited as at 30 April 2010	20	10
Issuance of Shares for the Acquisition	100,799,980	50,399,990
As per Proforma (I)	<u>100,800,000</u>	<u>50,400,000</u>
Public Issue	49,200,000	24,600,000
As per Proforma (II)	<u>150,000,000</u>	<u>75,000,000</u>
Full exercise of ESOS Options	22,500,000	11,250,000
As per Proforma (III)	<u>172,500,000</u>	<u>86,250,000</u>

The movements in the share premium account are as follows:

	RM
As at 30 April 2010	-
Arising from Acquisition	4,526,000
As per Proforma (I)	<u>4,526,000</u>
Share premium from Public Issue *	928,000
As per Proforma (II)	<u>5,454,000</u>
Share premium from full exercise of ESOS Options	1,800,000
As per Proforma (III)	<u>7,254,000</u>

\* Estimated listing expenses relating to the issue of shares of RM3,008,000 and RM192,000 will be set off against share premium account and retained earnings respectively. For the purpose of this proforma, these expenses have been settled using the proceeds from the Public Issue.

**8. FINANCIAL INFORMATION (Cont'd)****7.0 Proforma consolidated statement of cash flow**

The proforma consolidated statement of cash flow of SIG Gases Group for the four (4) months FPE 30 April 2010, which has been prepared for illustrative purposes only, are based on the assumption that the current structure of the Group existed throughout the financial period under review.

	<b>After Acquisition, Public Issue and full exercise of ESOS Options RM</b>
<b>Cash flows from operating activities</b>	
Profit before tax from continuing operation	1,715,558
Adjustments for:	
Amortisation of prepaid land lease payments	17,185
Amortisation of intangible assets	10,950
Depreciation	1,045,852
Gain on disposal of property, plant and equipment	(53,547)
Property, plant and equipment written off	3,806
Interest expenses	394,743
Provision for doubtful debts	1,060,310
Unrealised foreign exchange loss	(300,283)
Operating profit before working capital changes	3,894,574
Inventories	413,545
Receivables	(2,451,798)
Payables	3,254,735
Cash generated from operating activities	5,111,056
Interest paid	(394,743)
Tax paid	(133,336)
Net cash from operating activities	4,582,977
<b>Cash flows from investing activities</b>	
Purchase of property, plant and equipment	(24,867,295)
Proceeds from disposal of property, plant and equipment	154,598
Net cash used in investing activities	(24,712,697)
<b>Cash flows from financing activities</b>	
Proceeds from public issue and ESOS	41,586,000
Repayment to hire purchase payables	(552,454)
Repayment of loans	(5,189,367)
Proceeds from trade facilities / loan	629,000
Estimated listing expenses	(3,200,000)
Net cash generated from financing activities	33,273,179
Net increase in cash and cash equivalents	13,143,459
Cash and cash equivalents at beginning of financial period	1,377,108
Cash and cash equivalents at end of financial period	14,520,567
Cash and cash equivalents comprise:	
Cash and bank balances	14,628,887
Bank overdrafts	(108,320)
	14,520,567