5. INFORMATION ON OUR GROUP

5.1 History and background of our Group

We were incorporated on 28 June 2004 as a public company limited by shares in Malaysia under the Act as the vehicle to undertake the Flotation Exercise. We commenced our business on 7 December 2004.

We are principally an investment holding company whilst the principal activities of our subsidiary companies are manufacturing of pesticides and plant micronutrients, distribution and agency of pesticides and other agrochemicals, and trading of pesticides and other agrochemicals, and investment holding. Further details of our subsidiaries are set out in Section 5.24 of this Prospectus.

The history of our business can be traced back to 1983 when Protrade Sdn Bhd was incorporated. In May 1993, Protrade Sdn Bhd changed its name to IRSB where IRSB's initial principal activity was in the trading of pesticides and other agrochemicals. After a brief association with Protrade Sdn Bhd between 1986 and 1988, Mr Tong Chin Hen bought a stake in IRSB in June 1993 and assumed the position of General Manager. Mr Tong Chin Hen has more than two (2) decades of experience in the pesticide industry and since taking over the helm of IRSB, he has been instrumental in the success, growth and development of our Group.

As part of our Group's geographical expansion, our Group first ventured into export markets in 1993. In 1996, our Group ventured into repacking of pesticides and in 1998, we extended our manufacturing operations to produce a range of pesticides, including herbicides, insecticides and fungicides.

Our Group's revenue and profit after tax have grown over the past five (5) years to reach RM63.09 million and RM7.46 million respectively for the financial year ended 30 June 2005.

To-date, our Group has successfully sold our products to many countries the world over, including among many others, Russia, Bulgaria, Netherlands, Japan, Taiwan, India, Vietnam, Thailand, Indonesia, Saudi Arabia, South Africa and Australia. To-date, we have established ourselves as a key manufacturer in the pesticide industry in Malaysia. As at 12 December 2005, our Group owns one hundred ninety (190) registered pesticides in Malaysia and overseas.

5.2 Share capital

Our authorised, issued and paid-up share capital as at the date of this Prospectus are as follows:

Type	No. of ordinary shares	Par value RM	RM
Authorised	200,000,000	0.50	100,000,000
Issued and paid-up	62,935,242	0.50	31,467,621

Since our incorporation, the changes in our issued and paid-up share capital are as follows:

Date of allotment	No. of Shares allotted	Consideration	Par Value	Total no. of ICB Shares	Total issued and paid-up share capital
			RM		RM
28.06.04	4	Subscribers' shares	0.50	4	2
28.10.05	59,342,276	Acquisition of IRSB	0.50	59,342,280	29,671,140
28.10.05	3,592,962	Acquisition of ICSB	0.50	62,935,242	31,467,621

5.3 Details on the Flotation Exercise

In conjunction with, and as an integral part of, the listing of and quotation for our entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities, we undertook the following corporate exercises:

5.3.1 Acquisitions

(i) Acquisition of IRSB

On 28 March 2005, we entered into a conditional sale and purchase agreement with the IRSB Vendors for the acquisition of the entire issued and paid-up share capital of IRSB comprising 4,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM29,671,138, which was satisfied by the issuance of 59,342,276 new ICB Shares at an issue price of RM0.50 per share.

The purchase consideration for IRSB was arrived at based on the audited NTA of IRSB as at 30 June 2004.

The IRSB Vendors received the following number of ICB Shares following the completion of the Acquisition of IRSB:

IRSB Vendors	No. of shares in IRSB	%	Purchase consideration based on the audited NTA as at 30.06.2004 RM	No. of Considera-tion Shares received
Tong Chin Hen	2,700,000	60.00	17,802,683	35,605,366
Mohd Shafek bin Isa	1,350,000	30.00	8,901,341	17,802,682
Fang Lie Lie	195,000	4.33	1,285,749	2,571,498
Chin Wei Ching	180,000	4.00	1,186,846	2,373,692
Ku Kooi Khang	75,000	1.67	494,519	989,038
Total	**4,500,000**	**100.00**	**29,671,138**	**59,342,276**

The Acquisition of IRSB was completed on 28 October 2005.

(ii) Acquisition of ICSB

On 28 March 2005, we entered into a conditional sale and purchase agreement with the ICSB Vendors for the purchase of the entire issued and paid-up share capital of ICSB comprising 1,469,779 ordinary shares of RM1.00 each for a purchase consideration of RM1,796,481, which was satisfied by the issuance of 3,592,962 new ICB Shares at an issue price of RM0.50 per share.

The purchase consideration for ICSB was arrived at based on the audited NTA of ICSB as at 30 June 2004 of RM426,702 and after adjusting for the capitalisation of amounts due to its Directors, namely Tong Chin Hen and Mohd Shafek bin Isa, totaling RM1,369,779. The amounts due to the Directors of ICSB were advances provided to fund ICSB's working capital.

The capitalisation of the directors' advance was carried out via the issuance of one (1) new ordinary share of RM1.00 each ("ICSB Shares") in ICSB for every RM1.00 of directors' advance.

The ICSB Vendors received the following number of ICB Shares following the completion of the Acquisition of ICSB:

(a) Acquisition of ICSB prior to capitalisation of directors' advance

ICSB Vendors	No. of shares in ICSB		Purchase consideration based on the audited NTA as at 30.06.2004	No. of Consideration Shares received
		%	RM	
Tong Chin Hen	70,000	70.00	298,691	597,382
Mohd Shafek bin Isa	30,000	30.00	128,011	256,022
TOTAL	**100,000**	**100.00**	**426,702**	**853,404**

(b) Capitalisation of directors' advance

	Amount advanced to ICSB	No. of ICSB Shares issued pursuant to the capitalisation of directors' advance	No. of Consideration Shares received
	RM		
Tong Chin Hen	839,779	839,779	1,679,558
Mohd Shafek bin Isa	530,000	530,000	1,060,000
TOTAL	**1,369,779**	**1,369,779**	**2,739,558**

(c) Total number of Consideration Shares issued for the Acquisition of ICSB

	<-----No. of Consideration Shares received----->		
	Acquisition of ICSB	Capitalisation of directors' advance	Total
Tong Chin Hen	597,382	1,679,558	2,276,940
Mohd Shafek bin Isa	256,022	1,060,000	1,316,022
TOTAL	**853,404**	**2,739,558**	**3,592,962**

The Acquisition of ICSB was completed on 28 October 2005.

(iii) Share Transfer

On 30 November 2005, Tong Chin Hen and Mohd Shafek bin Isa have entered into a Share Transfer agreement with SRSB and Sunbina for the transfer of their shareholdings in our Company into SRSB and Sunbina respectively.

Pursuant to the Share Transfer agreement, Tong Chin Hen and Mohd Shafek bin Isa will transfer their shareholdings of 33,947,064 ICB Shares and 19,118,704 ICB Shares to SRSB and Sunbina respectively as follows:

Promoters	Total ICB Shares held after the Acquisitions	No. of ICB Shares to be transferred to SRSB and Sunbina	No. of ICB Shares held after Share Transfer
Tong Chin Hen	37,882,306	33,947,064[1]	3,935,242*
Mohd Shafek bin Isa	19,118,704	19,118,704[2]	-
TOTAL	**57,001,010**	**53,065,768**	**3,935,242**

Notes:

1 *No. of ICB Shares to be transferred to SRSB pursuant to the Share Transfer agreement between Tong Chin Hen and SRSB.*

2 *No. of ICB Shares to be transferred to Sunbina pursuant to the Share Transfer agreement between Mohd Shafek bin Isa and Sunbina.*

* *To be offered for sale pursuant to the Offer for Sale.*

Upon completion of the Share Transfer, the shareholding structure in SRSB and Sunbina will be as follows:

SRSB

	No. of shares held prior to the Share Transfer	No. of shares to be issued pursuant to the Share Transfer	No. of shares held after the Share Transfer	%
Wong Sang See#	1	-	1	0.01
Liow Pooi Ling#	1	-	1	0.01
Tong Chin Hen*	-	9,998	9,998	99.98
TOTAL	**2**	**9,998**	**10,000**	**100.00**

Notes:

\# *Present directors and shareholders of SRSB.*

* *Proposed director and shareholder of SRSB upon completion of the Share Transfer.*

Sunbina

	No. of shares held prior to the Share Transfer	No. of shares to be issued pursuant to the Share Transfer	No. of shares held after the Share Transfer	%
Othman bin Abdul Rahman#	1	-	1	0.01
Abdul Samad bin Saidi#	1	-	1	0.01
Mohd Shafek bin Isa*	-	9,998	9,998	99.98
TOTAL	**2**	**9,998**	**10,000**	**100.00**

Notes:

\# *Present directors and shareholders of Sunbina.*

* *Proposed director and shareholder of Sunbina upon completion of the Share Transfer.*

The Share Transfer will be completed upon the relevant ICB Shares being credited into the CDS Accounts of SRSB and Sunbina which shall take place after the issuance of this Prospectus but prior to the Listing.

5.3.2 IPO

The IPO involves a Public Issue of 17,064,758 new ICB Shares by our Company and an Offer for Sale of 3,935,242 existing ICB Shares by the Offeror at an IPO Price of RM0.75 per Share to be allocated in the following manner:

(i) Malaysian Public

6,000,000 IPO Shares to the Malaysian Public (of which 30% or 1,800,000 IPO Shares will be allocated to Bumiputera investors);

(ii) Private placement

5,618,000 IPO Shares by way of private placement to selected investors (of which 30% or 1,685,400 IPO Shares will be allocated to Bumiputera investors);

(iii) Eligible Directors, employees and business associates of our Group

4,500,000 IPO Shares to the eligible Directors, employees, and business associates of our Group; and

(iv) Bumiputera investors

4,882,000 IPO Shares to Bumiputera investors nominated by MITI.

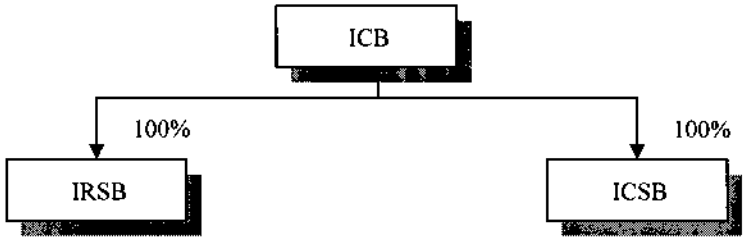
5.3.3 Listing

Upon completion of the abovementioned exercises, we shall seek listing and quotation for our enlarged issued and paid-up share capital of RM40,000,000 comprising 80,000,000 ICB Shares on the Second Board of Bursa Securities.

5.4 Business overview of our Group

5.4.1 Our Group structure

The structure of our Group is set out below:



5.4.2 Principal activities

We are principally involved in the following activities:

(i) Manufacturing of pesticides and plant micronutrients;
(ii) Distribution and agency of pesticides and other agrochemicals; and
(iii) Trading of pesticides and other agrochemicals.

The bulk of our products are used within the agriculture sector.

5.4.3 Business activities

Manufacturing

Our manufacturing operations involve the production of our own formulated pesticides using the following methods:

(i) In-house manufacturing, whereby we purchase all the raw materials and manufacture the pesticides in our own manufacturing premises;

(ii) Outsourcing, whereby we supply all the active ingredients as raw materials to third parties to manufacture the required pesticides at their premises based on our Group's specified formulations and our own brand names; and

(iii) Repacking, whereby we purchase pesticides in bulk from third parties based on our Group's specified formulation and repack them at our premises.

Pesticides manufactured by our Group are subsequently marketed both locally and internationally upon their successful product registration with the relevant regulatory authorities. Each pesticide will be required to undergo separate registration process in each country where it is sold, which involves the filing of registration dossier of raw materials, formulation, manufacturing process and labels. Details on the registration process applicable to pesticides are set out in Section 5.7 of this Prospectus.

Pesticides manufactured by our Group commonly include two general categories of ingredients, namely active ingredients and inert ingredients. The active ingredient is the specific compound designed to adversely affect a pest. An example of an active ingredient is Glyphosate, which is a type of herbicide that kills or control weeds. An inert ingredient is simply any ingredient in the product that is not intended to affect a target pest. Inert ingredients are also used to improve their storage, handling, application, effectiveness or safety.

Our Group outsources the manufacturing of certain pesticides to third parties for the following reasons:

(i) Minimise product cross contamination during the manufacturing process as our Group has a wide range of proprietary products to handle in-house, thus outsourcing to selected third parties with the necessary dedicated facilities and processes reduces / eliminates potential cross contamination;

(ii) Increase manufacturing efficiency and output by minimising the need for downtime in cleaning processing equipment when manufacturing different products; and

(iii) Enable our Group to carry a wider range of products without investing heavily in manufacturing equipment. This is crucial as our Group has a wide range of proprietary products and it would not be practical to manufacture all of them in-house.

As at 12 December 2005, we have a total of two hundred thirty eight (238) brand names of our own formulated pesticides of which one hundred seventy six (176) have been registered and sixty two (62) are pending approval from the relevant regulatory authorities.

Distribution and agency

Our Group is also engaged in distribution and agency of externally sourced products including pesticides and other agrochemicals. The types of products which are sold and distributed by our Group under this activity include pesticides (herbicides, fungicides and insecticides) and other agrochemicals. Distribution and agency activities can be further be segmented as follows:

(i) Sole distributorship

To provide our customers with a wider range of products, we also collaborate with multinational manufacturers to distribute their products in Malaysia under sole distributorship agreements. Some of the products that we distribute on behalf of third parties are registered with the Pesticides Board under IRSB. Under this circumstance, our Group will act as the sole distributor in Malaysia, whereby the principal owner of such products is fully reliant on us to sell their products in Malaysia. The registration of the products under our Group is significant value-adding that creates dependency on us as registration of pesticides in Malaysia is highly regulated and may take between eight (8) months and up to four (4) years.

Although the products are registered under us, we do not have the rights to use the formulation or to manufacture the products without prior agreement with the principals.

We are the sole distributor in Malaysia for the following global players:

(a) Cerexagri S.A., France (a member of Total Ato Fina Group);

(b) Taminco N.V., Belgium; and

(c) Bilag Industries Private Limited, India (a Bayer CropScience AG company from Germany).

We purchase external products for resale and distribution for the following reasons:

(a) To supplement in-house manufactured products with the view of supplying a comprehensive range of products to customers;

(b) It is not economical for us to manufacture all or most of these products on our own as there is a wide range of pesticides; and

(c) The latest pesticides available are usually patented by the principals and we are not able to manufacture them unless we are granted the license by the principals.

As at 12 December 2005, we have a total of nine (9) brand names of our principals' formulated pesticides, which are registered or pending registration under our Group that are distributed in Malaysia. Please refer to Section 5.7 for a detailed breakdown of these registrations.

(ii) Agency

We are also appointed as an agent for a range of products comprising herbicides, insecticides and other agrochemicals. We are an agent in Malaysia for the following multinational companies:

(a) Dow AgroSciences (South Africa) Pty Limited;

(b) Bayer CropScience (M) Sdn Bhd; and

(c) Nissan Chemical Industries Ltd., Japan.

Trading and Others (T&O)

Apart from the manufacturing, and distribution and agency activities, our Group is also engaged in the trading of pesticides, plant micronutrients, PGRs and other agrochemicals. We merely trade in products manufactured by third parties.

5.5 Principal products

5.5.1 Herbicides

Herbicides are used in weed control management by way of destroying, suppressing or preventing the spread of a weed or other unwanted vegetation. We are involved in the manufacturing of the following types of herbicides:

(i) Glyphosate-based; and

(ii) Others (including 2,4-D Amine and Propanil).

Glyphosate-based herbicides are formulated by using Glyphosate (active ingredient) and other surfactants or adjuvants (inert ingredients). It controls weeds by inhibiting the synthesis of amino acids necessary for protein formation in susceptible plants. Glyphosate is strongly absorbed by soil particles, which prevents it from excessive leaching or from being taken-up by non-target plants.

Herbicides manufactured by our Group can be used in various crop and non-crop areas such as plantation crops, cash crops, fruit orchards, paddy fields and other places such as road sides and railway tracks.

Herbicides formulated by our Group are primarily in liquid or fluid suspension form where they may be sprayed. They include active ingredients, additives that enhance herbicide effectiveness, stability or ease of application such as surfactants and other adjuvant, and any other ingredients including solvents, carriers and dyes.

As at the date hereof, we are focused on in-house manufacturing Glyphosate-based herbicides, representing 74.28% of total herbicides manufactured for the financial year ended 30 June 2005. During the same period, sales of herbicides which amounted to RM41.95 million contributed 66.50% to our total turnover

As at 12 December 2005, we have a total of twenty five (25) ranges of herbicide. Each range of herbicides comprises a common active ingredient or a common combination of active ingredients.

5.5.2 Insecticides

Insecticides are also a type of pesticide that is used to eliminate insects and bugs. They are commonly used in plantation crops, and outdoor areas such as parks. Insecticides manufactured by our Group can be used in various crop areas such as plantation crops, cash crops, fruit orchards and paddy fields.

For the financial year ended 30 June 2005, sales of insecticides which amounted to RM9.46 million contributed 15.00% to our total turnover. As at 12 December 2005, we have a total of twenty five (25) ranges of insecticides where each range comprises a common active ingredient or a common combination of active ingredients.

5.5.3 Fungicides

Fungicides are used to control, destroy, render ineffective or regulate the effect of fungi and also control diseases caused by fungi.

For the financial year ended 30 June 2005, sales of fungicides which amounted to RM8.58 million contributed 13.60% to our total turnover. As at 12 December 2005, we have a total of twenty one (21) ranges of fungicides where each range of fungicide comprises a common active ingredient or a common combination of active ingredients.

5.5.4 Plant micronutrients

Plant micronutrients fall under a sub-segment of fertilisers, apart from the other two sub-segments, namely primary and secondary fertilisers.

For the financial year ended 30 June 2005, sales of plant micronutrients and others in Section 5.5.5 which amounted to RM3.09 million contributed 4.90% to our total turnover. Plant micronutrients are required in minute amounts for promotion of balanced growth. Generally, there are nine (9) elements in micronutrients which include boron, chlorine, cobalt, copper, iron, manganese, molybdenum, sodium and zinc.

5.5.5 Others

Apart from the above range of herbicides, insecticides, fungicides and plant micronutrients, we also deal in the following chemicals:

(i) Anti-fouling agent: Anti-fouling agent is a type of pesticide which kills or repels organisms that attach to underwater surfaces, such as bottom of marine vehicles or aquaculture cages;

(ii) Termiticide: Termiticide is a type of pesticide which is used for termite control, particularly, those used for pre and post construction soil treatment to avoid infection by termites; and

(iii) Wood preservatives: Wood preservatives are specially formulated to treat wood and protect it from insect pests and disease attack.

5.6 Usage of science and technology

The pesticide and agrochemical industry utilises technologies and materials that are constantly evolving, with change driven by breakthroughs primarily aimed at creating new and improved products to meet the needs of end-user industries.

Relevant technologies that are employed in the manufacture of agrochemical products include:

(i) Agricultural Science and other related sciences; and

(ii) Processing and formulation technologies.

Agricultural Science and other related sciences

We use primary Agricultural Science to develop, improve and test most of our products. Unlike most other manufacturing technologies, Agricultural Science includes any techniques of natural science dealing with number of variables associated with chemical reaction to create agrochemical products such as pesticides.

We also have to utilise multiple discipline in applications of chemical sciences such as Pure and Applied Chemical, Agricultural Chemical and others to set a relevant parameter for evaluating the potential of chemicals and reactions pathways. These reaction parameters can be categorised as follows:

(i) Decision / independent variables are reaction inputs, which the chemist can physically manipulate. For example, the choice of feedstock, reaction conditions, catalyst, reaction media, and pollution control technologies; and

(ii) Outcome / dependent variables are only manipulated as a result of changes in decision variables. Some of the outcome variables include reaction kinetics, character and properties, energy consumption, reaction efficiency, reaction products, reaction residuals and reaction economics.

The application of Agricultural Science is to design, optimise and evaluate chemical synthetic pathways based on the selectivity and yield of reaction step. Yield is the percentage of actual products obtained against the theoretical amount, which could be obtained from a given amount of reactants as specific conditions. This is a critical indicator of efficiency of utilisation of feedstocks and other reaction inputs in the process.

Processing and formulation technology

Formulation of pesticides including other agrochemicals is the mixing of compounds including active ingredients and inert ingredients to cause a chemical reaction to get a mixture with the desired characteristics and properties.

Currently, we use two general types of ingredients as follows:

(i) Active ingredients (such as Glyphosate, "2,4-D", etc); and

(ii) Inert ingredients (such as solvents, surfactants/adjuvants or the carriers).

Adjuvant is any material that is added to the spray tank, separate from the pesticide formulation, to improve the performance of the pesticide. Some common types of adjuvants are:

(i) Stickers, which are used to improve the weatherability of a spray deposit, particularly from washing by rainfall or irrigation;

(ii) Synergists, which are used to increase the activity of insecticides by blocking the ability of the insect to breakdown the insecticide;

(iii) Penetrants, which are used to increase uptake of herbicides into a plant;

(iv) Buffers, which are used in spray tanks to decrease breakdown of pesticide caused by exposure of alkaline water conditions and also used to change the acidity of the spray solution;

(v) Compatibility agents, which are used to aid mixing two or more substance in a common spray solution;

(vi) Drift retardants, which are used to decrease the potential for pesticide drift; and

(vii) Suspension aids, which are used to aids mixing and suspending pesticide formulation in solution.

Surfactants are substances that are added to the pesticide spray solution to reduce the surface tension so that droplets spread out and are absorb to a greater surface area when applied. In general, surfactants can be categorised into the following:

(i) Non-ionic surfactants, which comprised linear or nonyl-phenol alcohols and/or fatty acids. This type of surfactant reduces surface tension and improves spreading, sticking and herbicide uptake;

(ii) Crop oil concentrates, which are composed of a blend of paraffinic-based petroleum oil and surfactants. This surfactant reduces surface tension and improves herbicide uptake and leaf surface spreading. This is primarily used for grass herbicides;

(iii) Nitrogen-surfactants blends, consists of premix combination of various forms of nitrogen and surfactants. This surfactant is used with the addition of ammonium sulfate or nitrogen, which is to reduce surface tension and improve leaf surface spreading. This is primarily used for broadleaf herbicides;

(iv) Esterified seed oils are produced by reacting fatty acids from seed oils, such as corn, soybean, sunflower and canola, with an alcohol to form esters. The methyl or ethyl esters produced by this reaction are combined with surfactants or emulsifiers to form an esterified seed oil. These surfactants reduce surface tension and improve herbicide uptake by improving herbicide distribution on the leaf surface; and

(v) Organo-silicones, which are usually silicone or surfactant blends of silicone to non-ionic or other surfactants; a few within this classification are composed entirely of silicone. These surfactants provide significant reduction in surface tension and spread more than other surfactants.

All these formulation and processing will provide certain properties such as:

(i) Compatibility;
(ii) Dispersing;
(iii) Spreading and distribution;
(iv) Sticking;
(v) Wetting;
(vi) Absorbing; and
(vii) Penetrating.

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

5.7 Brand names, registrations and registration process

Summarised below is our Group's products which have been registered in Malaysia and foreign countries as at 12 December 2005:

		<---Range of pesticides---->			<-----IRSB's own brand name----->			<----Non-IRSB owned brand name-->			Total	Total	Total
		Approved	Pending	Total	Approved	Pending	Subtotal	Approved	Pending	Subtotal	Approved	Pending	Brands
Herbicides	Local	14	2	16	44	23	67	1	-	1	45	23	68
	Overseas	12	2	14	25	11	36	6	-	6	31	11	42
	*(Overlapping range with Malaysia)**	*(5)*	-	*(5)*	-	-	-	-	-	-	-	-	-
	Total	**21**	**4**	**25**	**69**	**34**	**103**	**7**	**-**	**7**	**76**	**34**	**110**
Insecticides	Local	18	3	21	46	18	64	2	-	2	48	18	66
	Overseas	15	-	15	17	2	19	-	-	-	17	2	19
	*(Overlapping range with Malaysia)**	*(9)*	*(2)*	*(11)*	-	-	-	-	-	-	-	-	-
	Total	**24**	**1**	**25**	**63**	**20**	**83**	**2**	**-**	**2**	**65**	**20**	**85**
Fungicides	Local	12	2	14	27	5	32	5	1	6	32	6	38
	Overseas	13	1	14	17	3	20	-	-	-	17	3	20
	*(Overlapping range with Malaysia)**	*(6)*	*(1)*	*(7)*	-	-	-	-	-	-	-	-	-
	Total	**19**	**2**	**21**	**44**	**8**	**52**	**5**	**1**	**6**	**49**	**9**	**58**
	TOTAL	**64**	**7**	**71**	**176**	**62**	**238**	**14**	**1**	**15**	**190**	**63**	**253**
Pesticides	Malaysia	44	7	51	117	46	163	8	1	9~	125	47	172
	Foreign	40	3	43	59	16	75	6	-	6^	65	16	81
	*(Overlapping range with Malaysia)**	*(20)*	*(3)*	*(23)*	-	-	-	-	-	-	-	-	-
	TOTAL	**64**	**7**	**71**	**176**	**62**	**238**	**14**	**1**	**15**	**190**	**63**	**253**

Notes:

* : *Range of pesticides approved / pending that are available in both Malaysia and overseas countries.*

~ : *Products are registered under principal's brand name.*

^ : *Products are registered under common name.*

Details on the brand names and registrations of the products which we principally deal in are disclosed in Section 5.22 of this Prospectus.

The pesticide industry is regulated by the government under the provisions set out under the Pesticides Act 1974 which comes under the purview of the MOA. All pesticides must be registered with the Pesticides Board before they can be imported, marketed, distributed or manufactured for sale in Malaysia. These regulations provide a barrier to entry into the pesticide industry as products are strictly prohibited from being imported, manufactured and sold unless it is registered with the Pesticides Board and only companies that have a local presence in Malaysia are allowed to register their pesticides.

Based on the latest amendments to the Pesticides Act 1974, all Pesticides that are registered and approved by the Pesticides Board on 1 April 2005 onwards, shall be given a registration period of five (5) years. Pesticides that were registered and approved by the Pesticides Board before 1 April 2005 will continue to have a registration period of three (3) years.

The registration process for a pesticide with the Pesticides Board involves stringent disclosure of information and approval, including, inter-alia, the following:

(i) a statement of the common name of the pesticide, if available, its trade name, its chemical name and its structural formula, and of the name and concentration of every active ingredient of the pesticide;

(ii) the name and concentration of every other ingredient of the pesticide;

(iii) detailed toxicological information on every ingredient of the pesticide and on the pesticide as a whole;

(iv) all matters proposed to be included in the label of the pesticide, including instructions for, and the precautionary measures to be taken in connection with, its use, the claims made for it and the proposed class of pesticide;

(v) a statement as to, or a sample of, the proposed package of the pesticide;

(vi) reports on the efficacy and safety of the pesticide;

(vii) a statement of the methods of analysing the pesticide and of the authorities or sources of information on which the statement is based;

(viii) a statement of the methods of determining the residue of the pesticide on plants or crops on which it is intended to be used;

(ix) the addresses of the place of business of the applicant and of the place where the applicant intends to store pesticides;

(x) if he is a manufacturer, the name and address of the factory, building, or premises at which the applicant intends to manufacture the pesticide and an outline of the process of manufacturing the pesticide; and

(xi) a prescribed amount of a sample of the pesticide which the applicant intends to register.

The timing for obtaining the required approval for a registered pesticide varies significantly depending of the type of product, which usually takes between eight (8) months and up to four (4) years. Pesticides that are registered are only valid for five (5) years and thereafter, renewal of the registration is required to be made.

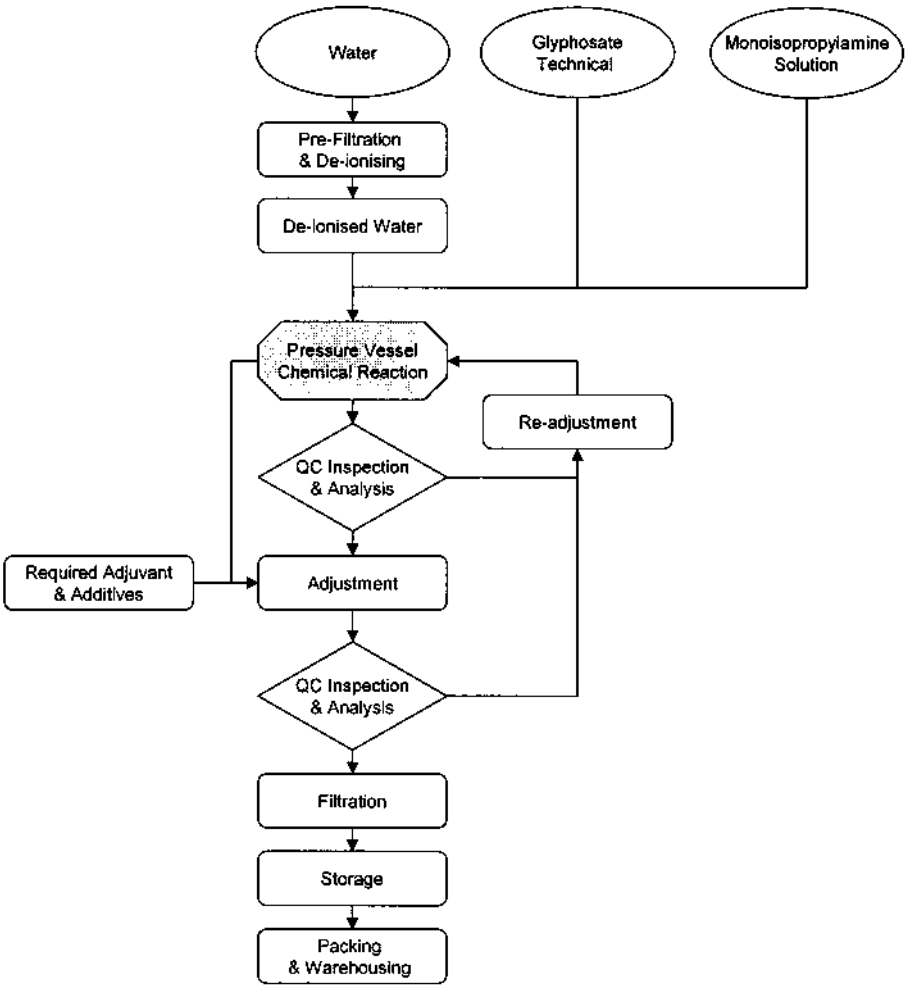
As at 12 December 2005, we have one hundred seventeen (117) approved product registrations and forty six (46) applications pending the approval by the Pesticides Board under our Group's own brand names in Malaysia. In addition, we have fifty nine (59) approved product registrations under our own brand names in foreign countries such as Australia, Indonesia, Vietnam, Taiwan, Bulgaria, Philippines, Saudi Arabia and Russia, and sixteen (16) applications pending approval.

5.8 Production processes

5.8.1 Manufacturing of Glyphosate-based herbicides

Our Group's manufacturing plant produces a wide range of Glyphosate-based and other herbicides based on specific chemical formula and concentration, as well as packaging requirements.

The following flow chart illustrates the processes involved:



Flowchart 1: Manufacture of Glyphosate-based herbicides

The process for the manufacture of herbicides to produce Glyphosate-based products begins with the filtration of tap water. The water is passed through a pre-filter to remove particles such as rust and other unwanted residues.

It is then introduced into an ion-exchange column or a de-ioniser to reduce mineral contents such as Magnesium and Calcium, which are present in the water. The de-ionised water is then stored in a water storage tank until required for use in production.

De-ionised water is fed into a Pressure Vessel Reactor. This is followed by the introduction of Glyphosate Technical in a cystallised powdered form into the reactor. The contents in the reactor are continuously stirred until they reached a state of homogenous slurry.

Glyphosate Technical and other raw materials are evaluated and tested through routine random sampling to ensure only quality control-approved ingredients and raw materials are used in the production process.

A chemical reaction takes place when MIPA, a highly volatile and inflammable solution, is gradually pumped into the reactor. As the chemical reaction between the homogenous slurry and MIPA solution produces heat, temperature and pressure built-up during the reaction process is continuously monitored and controlled.

All gaseous by-products resulting from the chemical reactions and vapour emissions from the MIPA pumping station are sealed off and re-cycled. This is to ensure that only clean air is released into the atmosphere.

Other reaction control procedures and sequence of actions are strictly complied with at this stage. Where necessary, readjustments are made via pumping of additional MIPA into the reactor.

The contents in the reactor are continuously stirred and quality control checks are conducted until the quality control chemist confirms that the chemical reaction in the reactor is completed. Adjuvant, which are substances added to improve herbicidal activity or application characteristics are introduced at this stage. Other ingredients and additives are also introduced and contents are continuously stirred to ensure complete mixing during the second stage process of adjustment.

The homogeneously mixed solution is again subject to quality control checks and further readjustments are made with further introduction of either de-ionised water or adjuvant until the quality of product is certified and approved by the quality control chemist.

The finished product is then passed through a final filtration process and thereafter pumped into a bulk tank for storage. Depending on the packaging requirements, the finished product is precisely measured and filled into drums, bottles or any other packaging. The product is then sealed, labelled and finally packed into cartons for warehousing until the product is despatched to customers.

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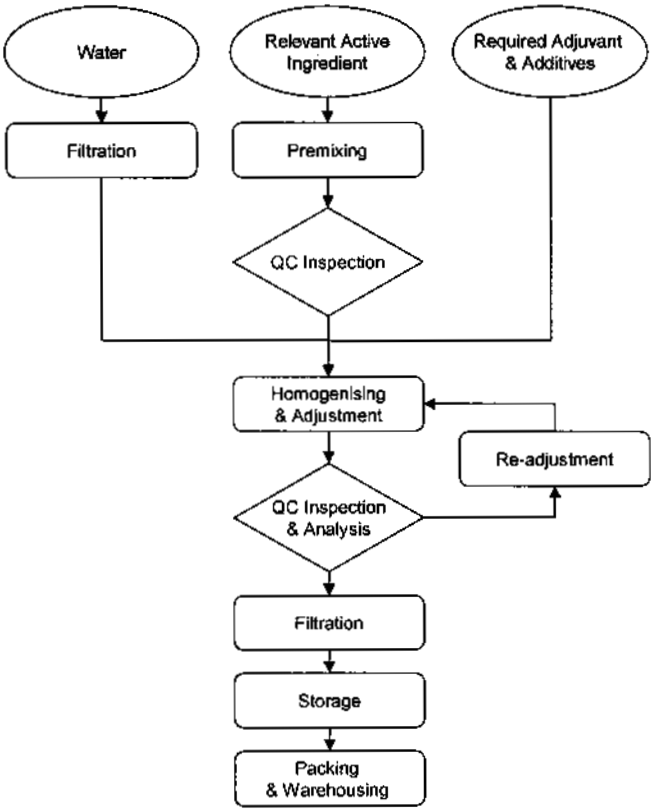
5.8.2 Manufacturing of non-Glyphosate herbicide products

We also have a non-Glyphosate herbicide production station (not requiring Pressure Vessel Reactor) that produces non-Glyphosate based herbicides.

The flowchart of a typical non-Glyphosate herbicide production process is illustrated below:



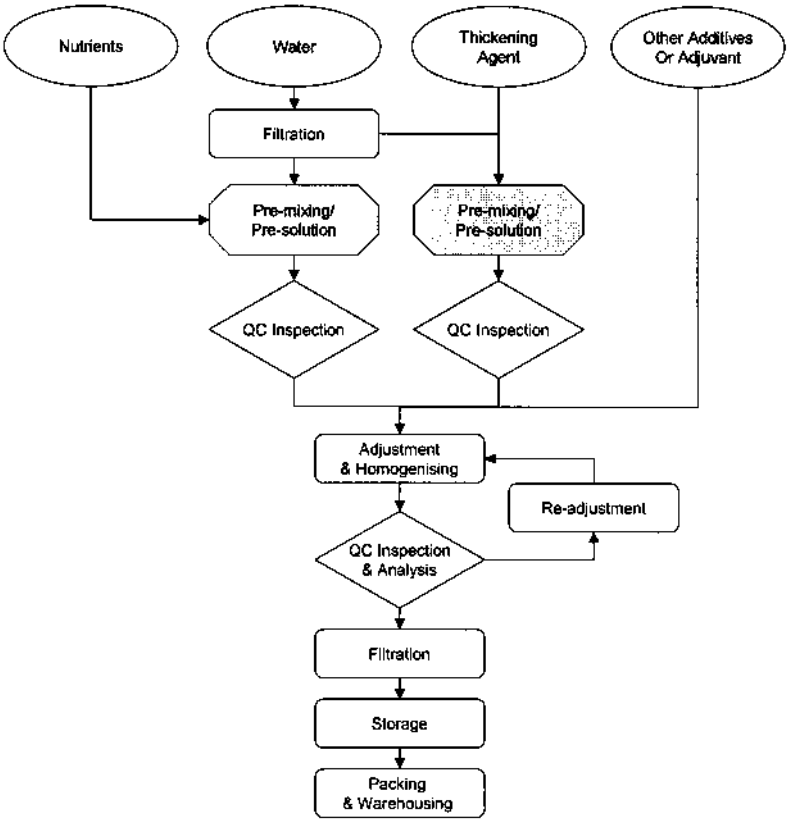
Flowchart 2: Manufacture of Non-Glyphosate-based herbicides

In the initial manufacturing processes, filtered tap water is passed through a filter to remove particles such as rust and other unwanted residues. The active ingredient materials in higher concentration and in bulk form are first introduced into the mixing tank where the contents are blended and stirred, and samples taken for quality control checks. Upon meeting the approval of the quality control checks, filtered water and adjuvant or other additives are added to the active ingredient materials. The contents in the mixture are then continuously stirred to ensure a complete homogenisation takes place. Samples of the mixture are taken again for quality control checks. Further re-adjustments (with either additional of filtered water, adjuvants or additives) are made to ensure the output mixture meets product specification.

The quality control approved final output is then channelled through a filter before being pumped into the storage tank. Depending on the packaging requirements, the finished product is precisely measured and filled into drums, bottles or any other packaging. The product is then sealed, labelled, packed into cartons and then warehoused until the product is despatched to customers.

5.8.3 Manufacturing of plant micronutrients

Flowchart 3 below illustrates the manufacturing of plant micronutrients.



Flowchart 3: Manufacture of plant micronutrients

Filtered water is first introduced into a formulation mixing tank. This is followed by the nutrients (in crystallised form), which is mixed with water in the tank according to the formulation and specifications. The contents in the formulation mixing tanks are then stirred to ensure that the nutrients are fully dissolved in the water. As the reaction during mixing could produce heat, the liquid solution in the formulation mixing tank is left to cool until it returns to room temperature.

Simultaneously with the above nutrient mixture process, filtered water is introduced into a separate pre-mix tank. A slow and regulated sprinkling of thickener is introduced into the premixing tank where the contents are agitated by a mixer. Where required by formulation and specifications, preservatives are added to the mixture. This pre-solution is left overnight to ensure full hydration and expansion takes place.

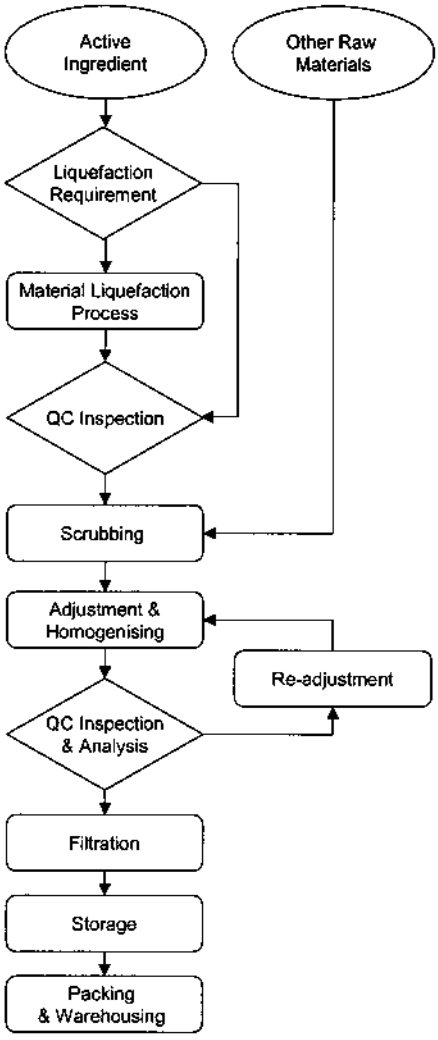
The pre-solution thickener is then mixed with the content (containing the nutrient solution) into the other formulation mixing tank and the two liquid mixtures are continuously stirred. Where required, other additives or adjuvants such as colouring agents, stabilisers or surfactants are added and thoroughly mixed together in the final solution.

Quality control checks are then conducted and readjustments made to ensure that the output plant micronutrients meets product specifications.

The finished product is then channeled through a filter before being pumped into the bulk storage tank. Depending on the packaging requirements, the finished product is then precisely measured and filled into drums, bottles or any other packaging. It is then sealed and capped, labelled and repacked into cartons to be warehoused until the product is despatched to customers.

5.8.4 Manufacturing of insecticides

Flowchart 4 below shows the process involved in the manufacture of emulsifiable concentrate insecticide.



Flowchart 4: Manufacture of insecticides

Active ingredients specified in the formulation for the manufacture of emulsifiable concentrate insecticides in either liquid or solid form are used in the manufacturing process. If the active ingredients are in a liquid-solid form at room temperature, it must be sent through a liquefaction process (through a hot bath tank) to transform it into liquid state.

In its liquid state, the active ingredients or materials are initially inspected and approved by the quality control department before being introduced into the formulation mixing tank. The other raw materials such as emulsifiers and solvents are then added into the formulation mixing tank and a scrubber system is activated to ensure all vapour emissions during pumping and mixing are totally trapped cleaned.

The contents in the tank are continuously blended and stirred to ensure complete homogenisation takes place. The solution mixture is also subjected to readjustment with a further addition of solvents or other materials to ensure it meets quality control requirements. Finally the resultant approved output of insecticide solution is then pumped through a filtration process before it is pumped into a finish bulk storage tank.

The finished bulk insecticide concentrate is then measured and filled into drums, bottles or other packaging. The product is then sealed, labelled and finally packed into cartons for warehousing until the product is despatched to customers.

5.9 Market coverage and share

Market Size

In 2004, the market size in Malaysia for pesticides (includes only herbicides, insecticides and fungicides) was estimated at RM350 million based on the sales value of production, details of which are as follow:

(i) The market size for herbicides was estimated at RM320 million; and

(ii) The market size for insecticides was estimated at RM25 million.

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

Market Share

In 2004, our market share of pesticides (includes only herbicides, insecticides and fungicides) was estimated at 12% based on sales value of production, details of which are as follow:

(i) Our market share of herbicides was estimated at 9%; and

(ii) Our market share of insecticides was estimated at 22%.

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

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For the financial year ended 30 June 2005, our Group derived approximately 32.38% of our revenue from export sales. The countries that we export to are as follows:

Countries	% of total sales for the financial year ended 30 June 2005
Indonesia	8.73
Bulgaria	7.76
Russia	5.35
Australia	3.33
Vietnam	2.36
India	1.20
Taiwan	1.04
Japan	0.63
Thailand	0.62
South Africa	0.61
Saudi Arabia	0.59
Others	0.16
TOTAL	**32.38**

To date, our Group has exported our products to approximately thirty (30) countries worldwide.

5.10 New and enhanced products in the pipeline

We intend to develop the following products over the next three (3) years:

New products	Application	Estimated time of launching (financial year ending 30 June)
Glufosinate Ammonium	A replacement to Paraquat-based herbicides which are used for weed control	2006
Lambda-Cyhalothrin	To address the problems posed by rhinoceros beetle and bagworm (found in oil palm plantations), mango leaf hopper, cocoa pod borer and army worm (found in cabbages)	2006
Imidacloprid (for household use)	Non-repellant systemic pest control product to eliminate ant and cockroach colonies	2007
Glyphosate plus Desiccant	A systemic herbicide with certain attributes of a contact herbicide which will also be used as an alternative to Paraquat-based herbicide	2008

Further details on the development of the above products are set out in Section 5.26.1 of this Prospectus.

5.11 Types, sources and availability of raw materials and input

The major raw materials used in our manufacturing of pesticides are active ingredients and inert ingredients.

Almost all active and inert ingredients are sourced from overseas because there are no local manufacturers for most of these products. Moreover, as these raw materials are mainly commodity items, they are easily available overseas.

In ensuring our competitive advantage, we have managed to build up an extensive network for sourcing of quality critical raw materials. The extensiveness of our sources provides us with a competitive advantage in ensuring consistent supplies of raw materials to minimise interruptions in our production process and to minimise production cost while ensuring delivery of quality pesticides products. In addition, we also practice sourcing from alternating suppliers over a time period and this is achievable as we have established more than one source for each type of raw material or product required.

The main raw materials used in the manufacturing of pesticides by our Group in the financial year ended 30 June 2005 includes:

Raw materials	**% of total purchases of the Group***
Glyphosate Technical	42.13
Reactant (including MIPA and DMA)	13.10
Inert ingredients (including surfactants, adjuvants, emulsifier, solvent, dyestuff and others)	4.49
4,4 Bipyridyl	4.09
Chlorpyrifos Technical	3.62
Total	**67.43**

Note:

* *Total raw material purchases of the Group consist of purchases of raw materials, packing materials and finished products.*

Raw materials account for a total of 77.27% of our Group's total purchases for the financial year ended 30 June 2005. Approximately 22.73% of our Group's total purchases for the same period under review were accounted by purchases of packing materials and finished goods for distribution, agency and trading activities.

5.12 Quality control

Our Group places strong emphasis on quality. We adopt stringent quality control system at every stage of our operations to ensure delivery of quality products to our customers that meets their needs and in a timely manner. This is further reinforced by the fact that our Group has one hundred twenty five (125) products registered with the Pesticides Board in Malaysia and sixty five (65) products registered overseas. The large number of products points to the quality of our Group's products that are able to meet the stringent requirements of various government control bodies in Malaysia and overseas countries.

In addition, tests conducted by our Group are carried out in accordance to internationally accepted practices prescribed by the Collaborative International Pesticide Analytical Council, United Kingdom and the Association of Official Analytical Chemist, US.

5.13 Research and development

Our Group is not engaged in primary research and development activities to develop new pesticides or agrochemical compounds that can be patented. The conduct of identifying new compounds, particularly new active ingredients, is resource intensive and has a long gestation period, and these are largely undertaken by larger global players. However, our Group is engaged in secondary research and development to enhance product efficacy through improved formulations as disclosed in Section 5.13.4 of this Prospectus.

Our Group maintains a policy of rapidly commercialising improved formulation products as a mean of creating a competitive advantage. By maintaining the ability to rapidly register and gain regulatory approval for the sale of improved pesticides and agrochemicals, our Group is able to fulfill customers' requirements before competing products can be introduced. In addition, our Group aims to be the first-to-market of generics products. This is where research and development plays an important role in developing improved formulation of generics and be first-to-market. Henceforth, we believe that we are able to enhance our competitive advantage through our research and development activities which are set out in the following sections.

5.13.1 Policy on research and development

We believe that continuous research and development effort is important to ensure the competitiveness, growth and profitability of our Group in the longer term and this shall be achieved through our embracement of the following policies:

(i) continuously developing new products to create new areas of growth and opportunities;

(ii) continuously devising new formulations to meet the needs of our target markets;

(iii) continuously driving product quality improvements to ensure customer satisfaction; and

(iv) enhancing production effectiveness, efficiency and productivity to optimise production costs.

5.13.2 Research and development facilities and personnel involved

Research and development facilities

The acquisition of the Agriculture Research and Development Centre marks a milestone in our research and development efforts in developing continuous quality and innovative products that meets the evolving industry requirements and expectation of our customers. The Agriculture Research and Development Centre spans over an area of forty three (43) acres in Jasin, Melaka and comprises field testing facilities, public health research facilities and termite testing facilities.

The importation and testing of products not yet registered in Malaysia is strictly restricted unless the trials are conducted in a controlled environment such as those in the Agriculture Research and Development Centre.

We are also able to conduct in-house profiling tests on new and unregistered products at the Agriculture Research and Development Centre. Product profiling is important to confirm bio-efficiency parameters before initiating costly and time-consuming product registration application.

We believe that the research centre would be a key factor to our future growth as it would enable us to expand the range of our products, further enhance the efficacy of our products and facilitate a faster gathering of data and information for a rapid registration of new and improved products.

Research and development team

We have a research and development team who possesses qualifications and in-depth knowledge in the agrochemical industry. As at 12 December 2005, a total of nine (9) personnel were directly involved in research and development and they are as depicted in the table below:

Designation	Number of personnel
Regulatory Affairs & Research and Development Manager	1
Research and Development Assistant Manager	1
Technical Development Executive	2
Formulation Chemist	1
Techno-Commercial Executives	4
TOTAL	9

5.13.3 Achievements in research and development

Development of products

Over the years, we have successfully undertaken research and development activities to improve product formulation and facilitate product commercialisation for our range of products.

As at 12 December 2005, we have a total of seventy one (71) ranges of pesticides of which sixty four (64) are registered and seven (7) are pending approval for registration in Malaysia and overseas. Each range of pesticides comprises a common active ingredient or a common combination of active ingredients. Please refer to Section 5.7 for further details on the products registered.

Improvement in manufacturing processes

We have continuously focused on process improvement particularly in enhancing our manufacturing process which is critical and has a direct impact on our manufacturing efficiency, effectiveness, productivity and product quality.

Our Group's Quality Assurance team continuously identifies areas for improvement and ensures that quality standards are complied with throughout the manufacturing processes which are critical in ensuring quality products at all times.

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5.13.4 On-going and future research and development

At present, our focus is on the following critical areas:

(i) enhancing product efficacy through improved formulations;

(ii) research into new bait systems for urban pest control and public health products;

(iii) improving manufacturing process efficiency; and

(iv) conducting research to enable the use of environmentally friendly alternative raw materials.

Enhancing product efficacy through improved formulations

We continuously undertake research to improve the efficacy of our products through the use of improved formulations. Feedback provided by techno-commercial executives concerning crop protection problems in the field, forms the basis of our Group's development of crop protection solutions.

Laboratory testing is firstly carried out to measure the performance of new formulations before the commencement of larger-scale field-testing. Among the parameters being tested are mixing compatibility of formulation ingredients, storage stability and product bioefficiency.

Our Group hopes to achieve the following performance enhancement:

(i) more effective pest control due to better and more rapid penetration of pesticides into the target pest;

(ii) improving "rain-fastness" of herbicides;

(iii) potentially reduction in the quantity of agricultural chemicals that users require for a particular application; and

(iv) research into new bait systems for urban pest control and public health products.

Research into new bait systems for urban pest control and public health products

As part of our diversification strategy, we are undertaking research and development to develop pesticides to address the needs of urban pest control and public health applications.

We are planning to develop a range of termite control technologies and products to address the urban pest control market which we expect to roll out the first batch of products in 2006.

We also intend to develop public health products such as a new bait system, and product formulations for the control of other pests such as cockroaches, mosquitoes, houseflies and ants of which the commercial viability will depend on the satisfactory field and laboratory test as well as favourable market survey.

Improving manufacturing process efficiency

The research and development initiatives at our Group's manufacturing facility is focused primarily on improving the efficiency of the existing processes, increasing the productivity of our Group's resources and maintaining consistent output quality. Improvements in manufacturing process efficiency are achieved by mechanisation of processes (where possible), re-allocation of resources to optimise workflow and innovative adaptation of proven technologies in process control.

Our management also conducts research into developing an optimum workflow and mechanisation of processes by testing on pilot plant before making it a permanent installation at our manufacturing facilities. This will allow our management to assess the impact of changes in production processes on productivity and yield before a full-scale implementation is made on the production floor.

Conducting research to enable the use of environmentally friendly alternative raw materials

Our Group is also undertaking research and development aimed at identifying and developing alternative raw materials which are environmentally friendly for use in our manufacturing activity. Our efforts in this field are mainly focused on two (2) important areas:

(i) developing an environmentally friendly surfactant; and

(ii) developing a Glyphosate-based herbicide formulation with desiccant properties.

Our Group also intends to develop a Glyphosate-based herbicide formulation with the same quick desiccating properties similar to Paraquat-based herbicides. Quick desiccating properties are desirable as they increase the rate of pesticide take-up in targeting weeds, and effectively render the herbicide rain-fast. Rain-fastness is an important herbicide property, particularly in tropical countries such as Malaysia as it minimises the occurrence of herbicide rendered ineffective by being washed off a target weed by rain. Glyphosate-based herbicide formulation with enhanced desiccating properties could replace Paraquat-based herbicides in both the domestic and international markets.

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5.13.5 Research and development expenditure

The amount spent on research and development for the last three (3) financial years are as follows:

	<-------- Financial year ended -------->		
	30 June 2003 RM	**30 June 2004 RM**	**30 June 2005 RM**
Research and development capital expenditure	-	219,100	*2,055,168
Research and development operating expenditure	370,968	492,965	567,788
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	**370,968**	**712,065**	**2,622,956**
Total research and development expenses as a proportion of our Group's total proforma revenue (%)	0.88	1.34	4.16

Note:

* *Include cost of acquisition of a Research Centre in Jasin of approximately RM2 million.*

5.14 Key achievements / milestones

The key achievements and milestones that our Group have achieved are as follows:

Calendar Year	Achievement / Milestone
1994	• Secured sole distributorship for all the products of Elf Atochem Agri B.V. France in Malaysia
1997	• Acquisition of property located at North Port, Klang, Selangor, for the setting up of manufacturing plant
2003	• Being the 1st company to have its generic Lambda-Cyhalothrin (technical grade material) gazetted in Malaysia for use in the manufacturing of finished product *(Source: Secondary market research undertaken by Vital Factor Consulting Sdn Bhd)*
	• Being the 1st company to have its generic Imidacloprid (finished product as a soluble concentrate) gazetted in Malaysia as an insecticide for use on crops *(Source: Secondary market research undertaken by Vital Factor Consulting Sdn Bhd)*
2004	• Being the 1st company to have its generic Imidacloprid (finished product as a soluble concentrate) gazetted in Malaysia as an insecticide for use by pesticide control operator *(Source: Secondary market research undertaken by Vital Factor Consulting Sdn Bhd)*
	• Being the 1st company to have its generic Imidacloprid (technical grade material) gazetted in Malaysia for use in the manufacturing of finished product *(Source: Secondary market research undertaken by Vital Factor Consulting Sdn Bhd)*
	• Acquired the Agricultural Research Centre
	• Being the 1st company to have its generic Lambda-Cyhalothrin (finished product as an emulsifiable concentrate) gazetted in Malaysia as an insecticide for use on crops *(Source: Secondary market research undertaken by Vital Factor Consulting Sdn Bhd)*

2005 • Achieved 5th ranking in Enterprise 50 Award for 2005, organised jointly by the Small and Medium Industries Development Corporation (an agency under MITI) and Deloitte Consulting (M) Sdn Bhd

The significance of these achievements / milestones includes:

(i) Being the 1st company to have its generic technical grade materials (active ingredients) gazetted in Malaysia enables our Group:

(a) to source the relevant generic technical grade at competitive prices; and

(b) to have a head start in research efforts to develop improved formulation of finished products for specific applications from these generic technical grade active ingredients.

(ii) Being the 1st company to have its generic finished products gazetted in Malaysia gives us a head start to devise appropriate marketing strategies, and use our first-to-market advantage to capitalize on the favourable price differential that exists between patented and off-patent (generic) finished products.

(iii) Enterprise 50 Award is an annual programme which promotes and showcases competitive and resilient enterprises in Malaysia that are capable of facing global challenges in the true entrepreneurial spirit. Among the criteria used in the judging were:

- the entrepreneurial focus of the company;
- its global orientation; and
- the most important, its home-grown products.

In 2005, a total of one hundred eighty two (182) companies participated in the Enterprise 50 Award programme.

5.15 Major customers

The top ten (10) customers of our Group based on our audited results for the financial year ended 30 June 2005 are as follows:

Name of customer	Country	Length of relationship (Years)	% of total sales
PT Biotis Agrindo	Indonesia	3	8.34
Eastern Europe company 1	East Europe	7	5.35
Eastern Europe company 2	East Europe	9	4.33
Zagro Chemicals Sdn Bhd	Malaysia	6	3.97
Eastern Europe company 3	East Europe	6	3.43
Biotis Life Science Pty Ltd	Australia	2	3.33
Hextar Chemicals Sdn Bhd	Malaysia	5	2.38
Kimia Utama (EM) Sdn Bhd	Malaysia	7	2.25
Honong Enterprise Sdn Bhd	Malaysia	11	2.25
Pontian Nam Soon Fertilisers Sdn Bhd	Malaysia	11	2.06
Total			**37.69**

There is no major dependence on any one of our customers. The major customers of our Group as listed above accounted for approximately 37.69% of our total revenue for the financial year ended 30 June 2005 and none of them individually contributes more than 10% of the revenue of our Group. The remaining 62.31% of our total revenue for the financial year ended 30 June 2005 was spread across among three hundred twenty (320) customers.

Based on the above, our Directors are of the view that we are not overly dependent on any one of our customers. However, our Group intends to leverage on some of our customers' wide business networks to penetrate potential markets in the regions where our Group currently does not have a presence. Notwithstanding the above, in order to further mitigate any dependency and manage our Group's exposure to the above customers, we carefully select our customers based on its track record.

As a generally accepted practice, it is common for manufacturers in the pesticide industry not to have long term contracts with their customers, and most will work from confirmed purchase orders. The same applies to our Group. On average, confirmed purchase orders are placed on a monthly basis.

We have also managed to establish good relationships, whereby the average length of relationship established with our top ten (10) customers is approximately seven (7) years, through the provision of quality products and after sales services to our customers.

5.16 Major suppliers

The top ten (10) suppliers of our Group based on our audited results for the financial year ended 30 June 2005 are as follows:

Name of suppliers	Country	Length of relationship (years)	% of total purchases
Zheijang Xinan Chemical Industrial	China	2	34.55
March Chemicals Company Limited	China	11	5.37
Chemtech Company Limited	China	5	5.23
Bilag Industries Private Limited (A Bayer Cropscience AG, Germany, company)	India	7	4.83
Hextar Chemicals Sdn Bhd	Malaysia	7	4.82
Zhenjiang Jiangnan Chemical Factory	China	1	4.63
King Tech Corporation Limited	China	1	4.18
CTK Holland B.V.	Netherlands	9	3.28
Rhodia Asia Pacific Pte Ltd	Singapore	3	2.91
Taminco N.V.	Belgium	10	2.85
TOTAL			**72.65**

Our supplier base extends to across the globe and therefore we do not foresee any difficulty in procuring raw materials required for our production and distribution. However, we continuously ensure that we establish relationships with more than one source of supply for each type of raw material required. We mainly source our raw materials from foreign countries due to the unavailability of such materials in Malaysia.

Due to the seasonal nature of our business, we do not engage ourselves in a long-term contract for the supplies of raw materials. However, the long-term relationship between our Group and our suppliers, and the support by the suppliers have reinforced the continuity of the supplies to our Group.

5.17 Interruption in business

We have not experienced any disruption in business which had significant effects on our operations for the past twelve (12) months prior to the date of this Prospectus.

5.18 Employees

As at 12 December 2005, being the latest practicable date prior to issuance of this Prospectus, we have a total workforce of sixty one (61) full time employees. Approximately 29.51% of the employees are graduates with Masters and/or Degree in either Agricultural Science, Chemistry, Agronomy or any other related fields.

The employees of our Group do not belong to any labour union and enjoy a cordial relationship with the management. There is no labour or industrial dispute between the employees and the management.

The breakdown of the total number of employees by category and the average of number of years in service are as follows:

Category	No. of employees	% of workforce	Average no. of years in service
Management and professionals	13	21.31	6
Technical professionals	13	21.31	3
Clerical and administrative personnel	10	16.40	2
General workers and factory workers (excluding contracted workers)	13	21.31	2
	49	80.33	3
Contracted general factory workers	12	19.67	n/a
TOTAL	**61**	**100.00**	**n/a**

Generally, the workforce of our Group has acquired vast experience and knowledge in the agrochemical industry, particularly our senior management. As such, our senior management would be able to provide continuous training and upgrading of skills of our employees. In addition, our senior management also continuously seeks opportunities for external trainings to be conducted for our employees.

We intend to enhance our profile as employer of choice with the Flotation Exercise to further attract well qualified and knowledgeable workers in the future to drive our Group forward with more innovative agrochemicals.

5.19 Marketing strategies

Our Group's sales and marketing arm utilises the following marketing strategies:

(i) position ourselves as an established manufacturer of pesticides and other agrochemicals with full in-house manufacturing facilities and capabilities, including research and development and testing;

(ii) constantly monitor market potential and expiry dates of patented pesticides and other agrochemicals to enable it to formulate generic products when patents expire. This strategy also includes aiming to be first-to-market for generic products;

(iii) carrying out extensive fieldwork with domestic customers, assess end-user needs, as well as to provide solutions and collect data for further analysis and product development;

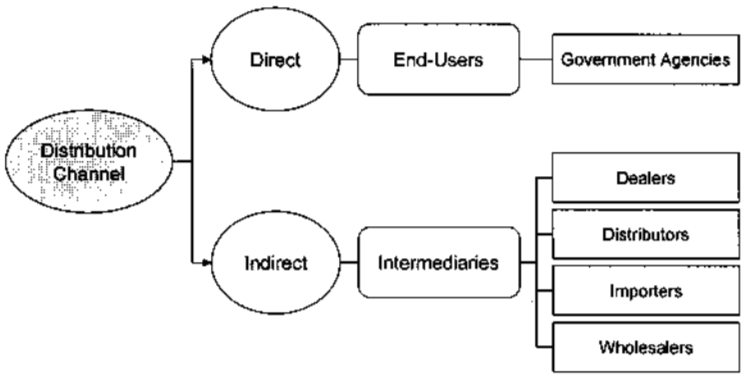
(iv) playing a consultative role in understanding customers' needs and offering technical solutions to our customers' problems and needs;

(v) continuously providing excellence in product quality and customer service with the aim of developing long-term business relationship with customers;

(vi) expanding our market presence overseas and develop new business opportunities by working in close partnership with existing customers; and

(vii) keeping abreast of new technological and product development to stay ahead of competition as well as meeting the needs of our customers better.

In relation to our distribution strategy, we use two (2) channels, namely direct distribution to end-users and indirect distribution to intermediaries, which are depicted as follows:



We adopt a direct distribution strategy of selling to end-user customers in Malaysia only, mainly to government agencies. For the financial year ended 30 June 2005, we serviced a total of thirty one (31) end-user customers. This strategy has the advantage in enabling us to work closely with our customers to evaluate and attain a better understanding of their requirements and to serve as a feedback mechanism for continuous product and service improvements.

The indirect distribution channel enables us to utilise the existing network of intermediaries to expand our market coverage without a significant need for investments in marketing and logistics. This strategy is applicable to both local and overseas markets. For the financial year ended 30 June 2005, there are two hundred seventy two (272) local intermediaries and seventeen (17) foreign intermediaries. These intermediaries will rely upon their respective distribution network to reach sub-distributors and end-users.

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5.20 Production capacity

Our Group presently carries out the following manufacturing activities at North Port, Klang, Selangor:

	Type of manufacturing activities	Annual production capacity ('000 liters)#	Production output for financial year ended 30 June 2005 ('000 liters)	Capacity utilisation rate %^
(i)	Manufacturing of Glyphosate related herbicides	8,736	3,810	43.61
(ii)	Manufacturing of non-Glyphosate related herbicides	2,023	82	4.05
(iii)	Manufacturing of plant micronutrients, insecticides, etc.	546	141	25.82

Notes:

\# *Production capacity is based on a maximum capacity of 12 hours per day, 7 days per week over 52 weeks per year. This upper limit of production capacity has been capped at 12 hours per day, though in reality, production is normally carried out during one 8-hour shift per day to maintain a margin of safety.*

^ *The perceived low utilisation rate is mainly explained by the following factors:*

(a) Our Group manufactures a diverse range of pesticides. To avoid cross-contamination, all machinery, equipment and receptacles involved in the manufacturing process are thoroughly cleaned prior to the manufacturing of each different formulation of pesticide. This results in significant down time;

(b) Our Group manufactures a significant proportion of our products based on customer orders. As such, significant down time is also required to clean all machinery, equipment and receptacles that are involved in the manufacturing process between each customer order;

(c) The rated annual production capacity is based on an ideal situation whereby one product is manufactured throughout the year. In our Group's situation, this is not practical as we manufacture a wide range of products; and

(d) To maintain a margin of safety, our Group normally runs one eight-hour shift per day, capped at a maximum of one twelve-hour shift per day.

We have invested approximately RM4.476 million in machinery and equipment since the commencement of our operations. Based on the availability of the machinery and equipment and the production capacity available, there is sufficient capacity available to cater for any increase in demand, should the need arises.

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5.21 Location of manufacturing plant and principal place of business

Manufacturing plant

Our Group's manufacturing plant is located at North Port, Klang, Selangor. Details of our factory are as follows:

Location	Status	Land area (Square feet)	Built-up area (Square feet)	Annual production capacity ('000 liters)	Activity
Lot 2, Solok Sultan Hishamuddin 7, Kawasan 20, Selat Klang Utara, 42000 Port Klang Selangor Darul Ehsan	Lease – 99 years expiring on 9 June 2086	73,378	29,586*	11,305	Manufacturing of herbicides and other products (includes plant micronutrients, wood preservatives, etc.)

Note:

* *Does not include the built-up area for the office located on the 1st floor of the manufacturing plant.*

Principal place of business

Our principal place of business comprises of two main areas, namely at our manufacturing plant for the production of pesticides (details as set out above) and our administrative head office located at 37, Jalan 5, Kawasan 16, Taman Intan, 41300 Klang, Selangor Darul Ehsan.

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5.22 Approvals, major licences and permits obtained

The following tables outline the major approvals, licences, certifications and product registrations required for the business operation of our Group:

IRSB

(i) Business and manufacturing licence

Licence no.	Issuing authority	Subject matter	Date of issue	Validity period	Equity conditions and other major conditions imposed	Status of compliance
010904053520004	Majlis Perbandaran Klang	Business licence for authorising IRSB to conduct its agrochemical manufacturing business at Lot 2, Solok Sultan Hishamuddin 7, Kawasan 20, Selat Klang Utara, 42000 Port Klang, Selangor Darul Ehsan	14.12.2005	31.12.06	None	N/A
A 014448	MITI	Manufacturing Licence issued pursuant to the Industrial Co-ordination Act, 1975 authorising IRSB to manufacture herbicides from its factory located at Lot 2, Solok Sultan Hishamuddin 7, Kawasan 20 Selat Klang Utara, 42000 Port Klang, Selangor Darul Ehsan	28.02.2004	N/A	See Note 1 below.	See Note 1 below.
A 014448	MITI	Manufacturing Licence issued pursuant to the Industrial Co-ordination Act, 1975 authorising IRSB to manufacture fungicide and insecticide from its factory located at Lot 2, Solok Sultan Hishamuddin 7, Kawasan 20 Selat Klang Utara, 42000 Port Klang, Selangor Darul Ehsan	10.06.2005	N/A	See Note 1 below.	See Note 1 below.

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Note:
1.

Equity conditions and other major conditions imposed	*Status of compliance*
(i) Any sale of shares must be notified to MITI.	*Met. MITI has been informed of the Acquisition of IRSB.*
(ii) IRSB shall train Malaysian citizens to ensure that technology transfer and expertise can be channeled to all levels of post.	*Met. All of IRSB's employees are Malaysian citizens. IRSB's employees comprise mainly of individuals with qualifications in management, research and development, technical knowledge and marketing. All levels of employees work closely together in sharing knowledge and experience particularly in the areas of products, market demand, production process and marketing. IRSB carries out in-house and on-the-job training for all its Malaysian employees.*
(iii) IRSB shall also carry out its projects as approved subjected to the conditions as stated hereinabove and in accordance with other laws and regulations in Malaysia.	*Noted by IRSB.*

(ii) Contractor registration

Registration no.	Issuing authority	Subject matter	Date of issue	Validity period	Equity conditions and other major conditions imposed	Status of compliance
357-02015272	Ministry of Finance	Registration certificate issued by the Ministry of Finance appointing IRSB as a registered supplier to Keretapi Tanah Melayu Berhad for supplies or services falling under the category of "Producer : Manufacturing of agrochemicals and fertiliser products".	26.12.2003	3 years (25.12.2006)	None	N/A

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

(iii) Environmental certification

Reference no.	Certificate no.	Issuing authority	Subject matter	Date of issue	Validity period	Equity conditions and other major conditions imposed	Status of compliance
(B) B 35/119/110 /468	AK/116/2004	Department of Environment, Selangor ("DOE")	Written approval certificate issued by DOE under Rule 38 of the Environmental Quality Rules (Clean Air), 1978 for the approval for construction or installation of one (1) unit Scrubber air control device and one (1) unit of stack at IRSB's manufacturing plant at Lot 2, Solok Sultan Hishamuddin 7, Kawasan 20, Selat Klang Utara, 42000 Port Klang, Selangor.	27.09.2004	N/A	The construction or installation of one (1) unit Scrubber air control device and one (1) unit of stack according to the plan and specifications spelled out in the drawings.	N/A

(iv) Approval

Reference no.	Issuing authority	Subject matter	Date of issue	Validity period	Other major conditions imposed	Status of compliance
PIM SL/04/01/1 341	Department of Occupational Safety and Health, Selangor ("DOSH")	Approval granted by DOSH on 10 September 2004 pursuant to the provisions under Section 36(1) Factory and Machinery Act, 1967, for the installation of machineries at IRSB's manufacturing plant located in Lot 2, Solok Sultan Hishamuddin 7, Kawasan 20, Selat Klang Utara, 42000 Port Klang, Selangor.	10.09.2004	N/A	None	N/A

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

(v) **Trademarks**

Trademark no.	Issuing authority	Trademark	Description	Validity period	Equity conditions and other major conditions imposed	Status of compliance
01015589	MyIPO	Glysorb	Chemicals used in industry, in agriculture, horticulture and forestry; all included in Class 1	05.12.2001 – 05.12.2011	None	N/A
01015588	MyIPO	Glyphosorb	Herbicides included in Class 5	05.12.2001 – 05.12.2011	None	N/A
01015591	MyIPO	Glyphosorb	Chemicals used in industry, agriculture, horticulture and forestry; all included in Class 1	05.12.2001 – 05.12.2011	None	N/A
00002985	MyIPO	Comatec	Chemical additives to fungicides, francium, chemicals for forestry and horticulture, except fungicides, herbicides, insecticides and parasiticides, chemicals preparations for the manufacture of paints, humus, fertilisers, fertilising preparations, earth for growing, chemical for condensation preparations; all included in Class 1	17.03.2000 – 17.03.2010	None	N/A
00002986	MyIPO	Comatec	Fungicides, herbicides, insecticides, parasiticides; all included in Class 5	17.03.2000 – 17.03.2010	None	N/A
01015592	MyIPO	Ultrans	Herbicides included in Class 5	05.12.2001 – 05.12.2011	None	N/A
01015590	MyIPO	Ultrans	Chemicals used in agriculture, horticulture and forestry; all included in Class 1	05.12.2001 – 05.12.2011	None	N/A
95005553	MyIPO	Zinacol	Agriculture chemicals included in Class 1	13.06.2002 – 13.06.2012	None	N/A
95000856	MyIPO	Shoot	Agriculture chemicals included in Class 1	26.01.2002 – 26.01.2012	None	N/A

(vi) Product registration

We have registered our products with the pesticides regulatory authorities of the respective countries where each product is normally registered in IRSB's trade or proprietary name. A summary of our Group's approved product registrations worldwide as at 12 December 2005 is as follows:

Countries	No. of approved product registrations						
	F	H	I	TG/F	TG/H	TG/I	Total
Malaysia	28	35	38	4	10	10	125
Australia	-	5	-	-	-	-	5
Republic of Bulgaria	9	9	10	-	-	-	28
Republic of Indonesia	-	1	-	-	-	-	1
Republic of Philippines	-	-	1	-	-	-	1
Kingdom of Saudi Arabia	1	-	1	-	1	-	3
Russia	-	1	-	-	-	-	1
Taiwan	3	1	-	-	1	-	5
Thailand	-	2	-	-	2	-	4
Vietnam	4	8	5	-	-	-	17
Total	**45**	**62**	**55**	**4**	**14**	**10**	**190**

Notes:

F : *Fungicide (finished product)*
H : *Herbicide (finished product)*
I : *Insecticide (finished product)*
TG/F : *Technical grade for further formulation into fungicide (finished product)*
TG/H : *Technical grade for further formulation into herbicide (finished product)*
TG/I : *Technical grade for further formulation into insecticide (finished product)*

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5.23 Competitive advantages

Despite being in a competitive industry, we believe that we have carved a market share of our own with the following differentiations:

(a) Wide range of products registered

As at the 12 December 2005, we have a total of one hundred twenty five (125) pesticide products (herbicides, insecticides and fungicides) registered with the Pesticides Board of Malaysia and sixty five (65) products registered overseas in nine (9) different countries. Product registration is key to business survival as only registered products are allowed to be sold in Malaysia and many countries overseas.

The wide range of registered products enable us to meet the needs of its customers while securing new customers by providing customers the convenience of a 'one-stop supplier' concept, increasing sales to the same customer base and ensuring continuous loyalty.

(b) Wide distribution network

For the financial year ended 30 June 2005, in addition to our direct distribution to thirty one (31) end-users (Government agencies in Malaysia), we also distribute our products through a total of two hundred eighty nine (289) intermediaries located both locally and internationally. These intermediaries are relied upon to further distribute our Group's products to sub-distributors and end-users.

This extensive distribution network enables us to reach out to diverse users of pesticides in many industries at various locations. In addition, extensive overseas distribution network is also important for export sales to provide growth to our business.

(c) First to market for off-patent products

We aim to be the first-to-market off-patent products which will enable us to win significant market share or attain fast penetration in new markets as generics can be significantly less expensive than the corresponding patented products. This strategy is backed by our research and development team who works on the improvement to the formulation of the products.

(d) Market reputation and established track record

Since 1993, we have developed a reputation as an established manufacturer and distributor of pesticides and plant micronutrients both locally and internationally.

For the financial year ended 30 June 2005, we have three hundred three (303) customers spread out in thirteen (13) different states within Malaysia. We have also established long term business relationships with our customers, with approximately 75% of our top twenty (20) customers having established a relationship with us for at least five (5) years.

Our ability to secure customer loyalty will form one of the factors that will enable us to increase our market share.

(e) In-roads into export markets

To-date, we have successfully gained in-roads into export markets. Export sales contributed approximately 32.38% of our revenue for the financial year ended 30 June 2005.

(f) Research and development capabilities and facilities

We continuously undertake research and development to improve on the efficacy and performance of its products, which includes the use of various inert ingredients, to meet the needs of customers better.

The identity tests on Technical grade (active ingredients) and finished products carried out in our Group's in-house laboratory complies with the FAO specifications. Although this is not mandatory in Malaysia, all product registrations must be accompanied by, among others, results of tests that complied with FAO standards.

Our Group's recent acquisition of a research centre provides us the opportunity to strengthen competitiveness of our Group. We have positioned ourselves strongly to develop our own formulation for pesticides and other related products with the ability to undertake research under stringent controlled environment. This is a major advantage to our Group as it would significantly improve and shorten the research or trial periods and provide sufficient research documentation for the registration of new and improved formulations of pesticides.

Our Group's scope and focus on research and development is one of its key competitive advantages that will enable us to develop better performing products and be first-to-market off-patent products.

The acquisition of the Agriculture Research and Development Centre has given us the following advantages:

(i) Differentiating our Group from small players who do not own any research and development facility and only resort to blending formulation provided by their customers;

(ii) Differentiating the Group from other manufacturers who do not have strong research and development capabilities;

(iii) Developing products by capitalising on off-patent products and ensuring proprietary of these products;

(iv) Reducing the need to pay royalties or act as agent for principals of proprietary products; and

(v) Gearing ourselves to become the first-to-market for off-patent products.

(g) Sole distributorship rights in Malaysia for global players

In addition to manufacturing and distribution activities, we hold sole distributorship rights representing a number of established multinational companies such as Cerexagri S.A., France (a member of Total Ato Fina Group), Taminco N.V., Belgium and Bilag Industries Private Limited, India (a Bayer CropScience AG company of Germany).

Under sole distributorship, these products are registered with the Pesticides Board under the name of IRSB. The principal owner of these products fully relies on our Group's distribution network to sell these products as only registered products are allowed be sold in Malaysia.

The registration of the product under IRSB is a significant value-adding that creates dependency of multi-national principals on us as registration of pesticides in Malaysia is highly regulated.

5.24 Details on subsidiaries

5.24.1 IRSB

(i) History and business

IRSB was incorporated on 6 May 1983 under the name of Protrade Sdn Bhd in Malaysia as a private limited company, under the Act and was involved in general trading activities. IRSB commenced its business in 1983 and assumed its present name on 15 May 1993. IRSB is a wholly owned subsidiary of ICB.

IRSB is principally engaged in the manufacturing of pesticides and plant micronutrients, distribution and agency of pesticides and other agrochemicals and trading of pesticides and other agrochemicals.

(ii) Share capital

The present authorised and issued and paid-up share capital of IRSB as at the date hereof are as follows:

Type	No. of ordinary shares	Par value RM	RM
Authorised	5,000,000	1.00	5,000,000
Issued and paid-up	4,500,000	1.00	4,500,000

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

Date of allotment	No. of shares allotted	Conside-ration	Par value RM	Total no. of shares	Total issued and paid-up share capital RM
06.05.1983	2	Subscribers' shares	1.00	2	2
17.12.1984	15,000	Cash	1.00	15,002	15,002
18.06.1986	30,000	Cash	1.00	45,002	45,002
19.01.1988	45,000	Cash	1.00	90,002	90,002
15.04.1990	110,000	Cash	1.00	200,002	200,002
30.06.1993	299,998	Cash	1.00	500,000	500,000
26.08.1996	500,000	Cash	1.00	1,000,000	1,000,000
30.06.1997	500,000	Cash	1.00	1,500,000	1,500,000
17.06.2004	3,000,000	Cash	1.00	4,500,000	4,500,000

(iii) Subsidiaries and associated companies

IRSB had acquired a 30% equity stake in Ong Ban Hong Leong (Malaya) Sdn Bhd ("OBHL") on 15 December 1986 for a cost of RM15,100. OBHL is a private limited company incorporated in Malaysia which is principally engaged as a dealer in auto spare-parts, fuel and lubricant. Tong Chin Hen also had a 7.20% equity interest and was appointed a Director of OBHL.

During the financial year ended 30 June 2004, IRSB has written off the cost of investment in OBHL as it has ceased operations. Subsequently, during the financial year ended 30 June 2005, IRSB's entire equity interest in OBHL and those held by Tong Chin Hen have been disposed. Tong Chin Hen has also ceased to be a Director of OBHL with effect from 31 December 2004.

As at the date hereof, IRSB has no subsidiaries or investments in associated companies.

5.24.2 ICSB

(i) History and business

ICSB was incorporated on 6 September 1996 in Malaysia, under the Act, and commenced its business in 1996. ICSB is a wholly-owned subsidiary of ICB.

ICSB is principally an investment holding company.

(ii) Share capital

The present authorised and issued paid-up share capital of ICSB as at the date hereof are as follows:

Type	No. of ordinary shares	Par value RM	RM
Authorised	2,000,000	1.00	2,000,000
Issued and paid-up	1,469,779	1.00	1,469,779

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

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Date of allotment	No. of shares allotted	Conside-ration	Par value RM	Total no. of ICSB Shares	Total issued and paid-up share capital RM
06.09.1996	2	Subscribers' shares	1.00	2	2
15.11.1996	99,998	Cash	1.00	100,000	100,000
20.10.2005	1,369,779	Capitalisation of directors' advance	1.00	1,469,779	1,469,779

(iii) Subsidiaries and associated companies

As at the date hereof, ICSB does not have any subsidiary and associated companies.

5.25 Industry overview

5.25.1 Overview of the Malaysian economy

The Malaysian economy remains resilient despite moderation in the growth of global economy amidst high oil prices and less accommodative monetary policy, particularly in the US. The nation continues to sustain its growth momentum, with strong domestic demand providing the impetus for the expansion in domestic economic activities.

Economic fundamentals have further strengthened while domestic demand continued to be resilient amidst firm consumer spending as well as continued uptrend in private investment activities. These factors, coupled with pro-active measures by the Government to promote economic activities provided the enabling environment for the Malaysian economy to expand favourably, albeit at a lower rate of 4.9% in the first half of 2005, compared with 8.1% during the same period of 2004. Despite the sharp increases in oil prices, the Malaysian economy is expected to register 5.1% growth in the second half of the year, with growth for the year averaging 5%. This projection is premised on a growth of 4.8% in the Leading Index for January-June 2005 which indicates continued expansion in the second half of 2005. Growth is expected to be broad based with major sectors recording positive growth, backed by recovery in global electronics demand. The continuing build-up in international reserves arising from larger current account surplus and inflows of foreign capital has also strengthened domestic macroeconomic fundamentals.

The expansion in the economy is reflected by positive growth in all sectors, except construction. The main drivers of growth are the services, manufacturing and the primary commodity sectors. Strong domestic consumption is expected to drive the services sector, especially in wholesale and retail trade, hotels and restaurants; transport, storage, and communication; and financial services sub-sectors. The recovery of global electronics demand will accelerate manufacturing exports, resulting in a stronger momentum in manufacturing production in the second half of the year. Meanwhile, stable commodity prices will help sustain the growth momentum of the agriculture sector. Growth in private consumption remains firm, arising from higher household income. Private investment is expected to further strengthen, reinforced by continued accommodative and more flexible monetary policy as well as higher inflow of foreign direct investments (FDI).

In tandem with the expansion in economic activities, national income as measured by Gross National Product (GNP), is estimated to increase by 9.1% to RM463,546 million (2004: 14.1%; RM425,060 million, with per capita income rising by 6.8% to reach RM17,741 (2004:11.7%; RM16,616). Based on purchasing power parity (PPP), per capita income is expected to increase by 7.2% to USD10,323 (2004:7.4%; USD9,630).

(Source: Economic Report 2005/2006, Ministry of Finance Malaysia, 30 September 2005)

5.25.2 Overview of the global economy

The world economy is expected to expand at a more moderate pace in 2005 in the midst of sharply higher oil prices as well as tighter monetary policy in the US. While the pace of global growth will be somewhat lower, it will, nonetheless, continue to remain strong with further expansion in economic activities.

World economic growth, which had recorded a thirty-year high of 5.1% in 2004, is estimated to moderate to 4.3% in 2005. Global growth continues to be led by China and the US, with growth rates of 9% and 3.5% respectively. Most countries in emerging Asia are expected to post satisfactory growth rates, albeit below 2004 levels. The recovery in Japan is envisaged to continue to be sustained underpinned by rising corporate investment and private consumption as well as a rebound in exports. Performance in the euro area is anticipated to improve, although differing widely across the region, as the weak euro boosts export competitiveness

The US, currently in its fourth year of expansion, continues to outperform other major industrial countries, despite high energy prices and interest rate hikes. Its real GDP growth recorded a 3.3% in the second quarter (first quarter 2005:3.8%) of 2005. This is mainly due to increases in personal consumption, exports, equipment and software, residential fixed investment and government spending, which was partly offset by a deceleration in private inventory investment. With the outlook for the next six months remaining stable, real GDP for the year forecast at 3.5%.

The UK economy performed marginally better in the second quarter with a GDP growth of 0.5% (first quarter 2005: 0.4%) as high interest rates and rising oil prices continued to dampen consumer and business spending. Although growth in the services sector remained robust, manufacturing output declined while transport and communication as well as the housing market stagnated.

Japan registered a real GDP growth of 0.8% in the second quarter of 2005 (first quarter 2005: 1.3%), with consumer spending accounting for more than half of the increase in GDP. Exports' contribution to growth turned positive for the first time in four quarters, reflecting the strength in its economy recovery. Other indicators, notably retail sales, investment plans and employment growth points towards a continued expansion in the second half of the year.

In contrast, growth across the 12-nation euro area remained subdued and uneven. The euro area posted a 0.3% growth in the second quarter (first quarter 2005: 0.4%) of the year as high oil prices and global deceleration of the industrial sector compounded by budget and constitutional crises, continued to weigh down consumer and business confidence. However, Germany saw a pick-up in domestic demand for the first time in almost a year as imports exceeded exports, fuelled by an increase in consumer and government spending as well as investment in equipment and machinery as factory orders and industrial production rose towards the end of the second quarter of 2005. This trend is expected to continue in the third quarter as business confidence further improved, buoyed by encouraging signs of growth in the manufacturing and services sectors.

The economies of the ASEAN 5 (Indonesia, Malaysia, Philippines, Singapore and Thailand collectively) remain strong in 2005, although at lower rates of GDP growth mainly driven by sustained exports and domestic demand. Generally, monetary and fiscal policies remain accommodative and investor sentiment strengthened in most economies in the region. Intra-regional trade is also expected to continue expanding at a brisk pace given the still robust growth of China and India, and underpinned by governments' efforts to further enhance competitiveness and regional integration.

(Source: Economic Report 2005/2006, Ministry of Finance Malaysia, released on 30 September 2005)

5.25.3 Overview and outlook of the agriculture sector

The agriculture, forestry and fishing (agriculture) sector registered another year of strong and broad-based growth, reflecting its revival as an important engine of growth for the economy. The sector contributed to 0.4% to overall GDP growth in 2004 (2003: 0.5%; 1993-2002: average of 0.03%. Value added growth in the sector expanded by 5% in 2004 reflecting an expansion across a wide range of commodities, namely crude palm oil, rubber, saw logs and food-related activities. On the external front, foreign exchange earnings from agriculture commodities increased by 7.4%, due wholly to the marked increases in export prices of between 5 – 47%. Agriculture exports accounted for 7.5% of gross exports in 2004.

The strong performance of the agriculture sector was due to a confluence of positive developments during the year. Conducive weather conditions, increases in mature areas and strong productivity gains as a result of Good Agriculture Practices (GAP) by farmers encouraged by the high global prices of agriculture commodities were key factors driving growth. In particular, production of crude palm oil and rubber reached record levels during the year. While palm oil production was supported by large expansions in new matured areas and more widespread application of agricultural inputs, especially fertilisers, rubber output was induced by intensive tapping activity, especially among smallholders and higher yields from application of new labour-saving technologies.

The broad-based growth in the agriculture sector was also contributed by higher output of the food crops sub-sector, a major component of Malaysia's agriculture sector (about 40% of the value added in the agriculture sector). The Government's efforts to transform and modernise the agriculture sector in recent years, by encouraging higher productivity and establishing deeper linkages with downstream agro-based industries, has helped to diversify the agriculture base. These contributed to higher and more stable income and increased consumption activity among farmers, fishermen and other smallholders in the rural communities of Malaysia.

The agriculture sector is projected to expand further by 3.3% in 2005 following two successive years of strong growth. Growth would be supported by higher palm oil and rubber production as well as miscellaneous agriculture. The increase in palm oil production would be driven by both higher yields and expansion in mature areas, particularly in East Malaysia. Farmers are also envisaged to continue with GAP, reflecting utilization of agricultural inputs to increase productivity encouraged by the relatively favourable prices. Following the strongest output growth in more than 30 years to 1.19 million tonnes in 2004, natural rubber production is projected to increase marginally to 1.2 million tonnes in 2005, with smallholders continuing to account for the bulk of the production amidst the firm prices. Growth in the agriculture sector is also expected to emanate food-related activities, particularly fisheries, livestock, fruits and vegetables.

(Source: Bank Negara Malaysia Annual Report 2004)

5.25.4 Overview of the pesticide industry

Pesticides play an important role in the growth and development of the agriculture industry in Malaysia in the following areas:

(i) Controlling pests including weeds, fungi, insects, diseases, rodents and living organisms from destroying crops, plantations including among others, rubber, oil palm, cocoa and horticulture; and

(ii) Increase quality of output and crop yield, thus generating higher profits for farmers and plantation owners.

The agricultural sector has been earmarked to be Malaysia's next engine and source of growth in creating wealth for the nation. In the mid-term review of the Eighth Malaysia Plan, the agricultural sector is targeted to grow at 2.7% per annum in 2005. This will be driven by export demand for major commodities and increase in local food production and processing activities.

As the pesticide sector will be one of the critical supporting industries, the expected growth in the agricultural sector will continue to stimulate demand for pesticide products.

In addition, the 2006 Budget for Malaysia aims to modernise the Agriculture Sector where RM2.8 billion is allocated for development expenditure, primarily for agriculture, animal husbandry, fishery and forestry. The Government will also give priority to efforts to increase productivity and improve the quality of food production. In this respect, the Fund for Food (3F) will be further increased by RM300 million to ensure sufficient funding for the food production industry. To give priorities to projects that generate economies of scale, increase competitiveness and develop new technologies, the Government will allocate an additional RM400 million to finance agricultural projects of Government linked companies. *(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)*

The pesticide industry is a major contributor to the growth of the Malaysian economy and this is demonstrated by the following:

(i) In 2004, the sales value of the manufacture of pesticides in Malaysia (including herbicides, insecticides and fungicides) grew by 13.6%, which amounted to approximately RM353.4 million;

(ii) For the first seven (7) months of 2005, sales value of the manufacture of pesticides in Malaysia (including herbicides, insecticides and fungicides) grew by 9.6% to reach RM246.9 million, compared to the same period in 2004;

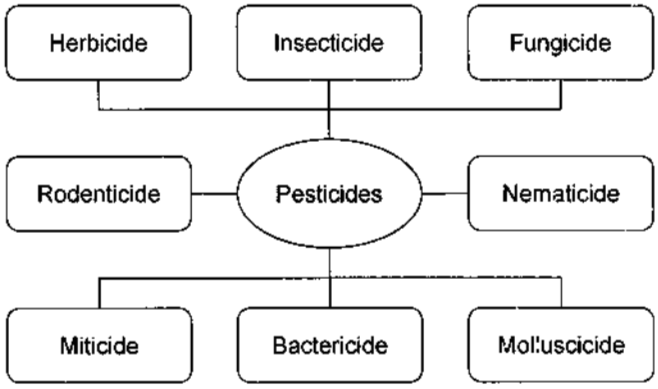
(iii) In 2004, export value of pesticides (including herbicides, insecticides and fungicides) declined by 7.0% amounted to RM232.9 million; and

(iv) However, for the first seven (7) months of 2005, value of exports of pesticides grew by 10.4% compared to the same period in 2004. Value of exports of pesticides reached RM168.9 million for the first seven months of 2005.

The Malaysian Government continues to nurture the development and growth of the pesticide industry and this is demonstrated by the fact that the manufacture of basic manufacture of pesticide is a promoted activity, which is eligible for Pioneer Status or Investment Allowance incentives.

5. INFORMATION ON ICB GROUP *(Cont'd)*

Pesticides can be segmented into various categories or type, some of which are as follows:



Pesticides are agents used to reduce or eliminate pests such as unwanted plants, animals, insects and other living organisms. The term pesticide is broad and includes, but not limited to, substances that specifically act on insects, plants, rodents, spiders, fungi and others.

Different types of Pesticides are used to control specific types of pests and this is as follows:

Type of pesticides	**Effective against the following pests**
Herbicide	Weeds
Insecticide	Insects
Fungicide	Fungi
Miticide	Mites and Ticks
Bactericide	Bacteria
Molluscicide	Molluscs
Nematicide	Nematodes
Rodenticide	Rodents

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5. INFORMATION ON ICB GROUP *(Cont'd)*

(i) Herbicides can be classified into the following common applications as follow:

Applications of herbicides	Description
Selective	Can kill a specific type of weeds and cause little or no injury to another for example 2,4-D
Non-Selective	Toxic to both crop and weeds for example Paraquat and Diquat
Pre-planting	Applied to the soil before planting a crop
Pre-emergence	Applied to the soil before the weeds emerge
Post-emergence	Applied after the weeds and crop emerge

(ii) Insecticides are also described in terms of the mode of entry into the insect:

(a) Systemic insecticide whereby it is taken up by the leaves or roots of the plant and is directly ingested by insects;

(b) Contact insecticides penetrate through the external skeleton of the insect; and

(c) Insecticides that enter through the breathing openings are called fumigants.

(iii) Fungicides are often classified as being either protectants or eradicants:

(a) Protectants must be applied to the surface of the plant before the fungus attacks the plant; and

(b) Eradicants can move within the plant and kill developing fungi.

Protectant fungicides are also known as contact fungicides while eradicants are also known as systemic fungicides.

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

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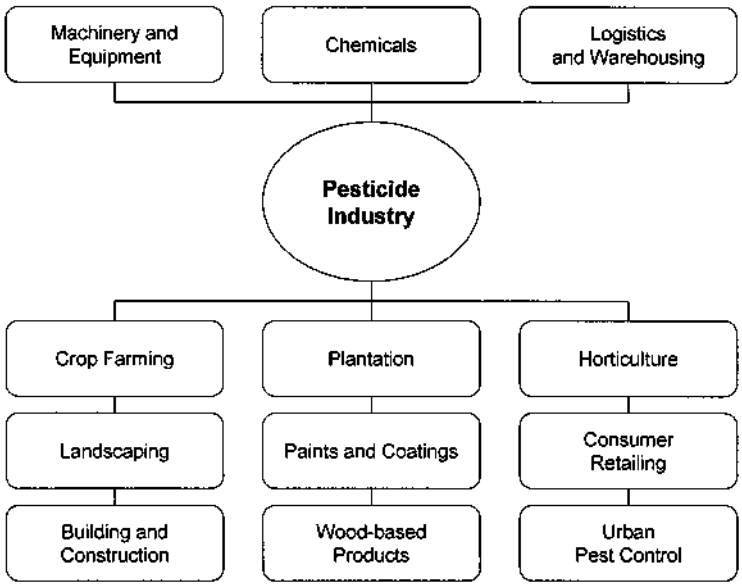
5.25.5 Industry linkages

The pesticide industry has linkages to its upstream, downstream and midstream activities. These linkages are depicted in the figure below:



The linkages of the pesticide industry illustrate its critical role to many other dependent industries.

As such, the significant role of the pesticide industry will also act as a catalyst for economic activities, employment and creation of wealth.

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

5.25.6 Prospects and outlook

The outlook of the pesticide industry is favourable. The following factors and observations in local production and export, and end-user industry performances provide support for the favourable outlook:

(i) ***Local Production - Sales Value of Pesticides*** *(herbicides, insecticides, fungicides)*

In 2004, sales value of local production of pesticides grew by 13.6%, which amounted to approximately RM353.4 million. For the first seven (7) months of 2005, sales value of the manufacture of pesticides in Malaysia (including herbicides, insecticides and fungicides) grew by 9.6% to reach RM246.9 million, compared to the same period in 2004.

(ii) ***Exports - Value of Pesticides*** *(herbicides, insecticides, fungicides)*

In 2004, export value of pesticides under this category declined by 7.0%, which amounted to RM232.9 million. However, for the first seven (7) months of 2005, value of exports of pesticides grew by 10.4% compared to the same period in 2004. Value of exports of pesticides reached RM168.9 million for the first seven months of 2005.

(iii) ***Global market size***

The large global market size for pesticides also provides growth opportunities especially for export oriented pesticide manufacturers. In 2004, the global market size for pesticides amounted to US$33 billion segmented as follows:

- Herbicides accounted for US$15 billion;
- Insecticides accounted for US$9 billion;
- Fungicides accounted for US$7 billion; and
- The remaining accounted for US$2 billion

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

5.25.7 Industry players and competitions

(i) Competitive condition

The pesticide industry operates under normal competitive conditions. Generally, competitive intensity among operators in the pesticide industry within Malaysia is moderate.

(ii) Major players in the industry

Some of the key players operating in the pesticide industry in Malaysia include the following multinationals and local companies:

Multinationals

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

Local Manufacturers

(a) Imaspro Corporation Berhad;
(b) Agricultural Chemicals (M) Sdn Bhd;
(c) Ancom Crop Care Sdn Bhd;
(d) Kenso Corporation (M) Sdn Bhd;
(e) Halex (M) Sdn Bhd;
(f) Serba Kimia Sdn Bhd;
(g) Zagro Chemicals Sdn Bhd; and
(h) Hextar Chemicals Sdn Bhd.

Not all the above players have their own manufacturing plants. All of the multinational agrochemical companies operating in Malaysia outsource their manufacturing with the exception of Monsanto.

The above players are involved in pesticides for use in the agriculture and non-agriculture sectors.

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

5.25.8 Government regulations

(i) Government regulations

The pesticide industry is a highly regulated industry. The Pesticides Board, which falls under the Department of Agriculture, is the main governing body regulating the pesticide industry in Malaysia.

Other bodies such as the FAO provide globally acceptable industry practices and guidelines for the worldwide pesticide industry such as International Code of Conduct on the Distribution and Use of Pesticides. However, these are mainly voluntary guidelines and are not enforceable.

FAO's International Code of Conduct on the Distribution and Use of Pesticides are used as guidelines to formulate pesticide regulations and laws in respective countries.

(ii) Pesticides Act 1974

The Pesticides Board was created under the Pesticides Act 1974, as the sole authority charged with the responsibility of regulating pesticide use in Malaysia.

The Pesticides Act 1974, is the principal legislation used for the control of pesticides in Malaysia and it states the following:

(i) Person manufacturing pesticides must obtain a licence from the Pesticides Board;

(ii) Person selling or storing pesticides must obtain a licence from the Pesticides Board;

(iii) All pesticides must be registered with the Pesticides Board before they can be imported or manufactured for sale in the country; and

(iv) All pesticide advertising must obtain prior approval from the Pesticides Board before it can be published in the electronic media including radio, television, films, video or other forms of mass media.

Based on the latest amendments to the Pesticides Act 1974, all Pesticides that are registered and approved by the Pesticides Board on 1 April 2005 onwards, shall be given a registration period of five (5) years. Pesticides that were registered and approved by the Pesticides Board before 1 April 2005 will continue to have a registration period of three (3) years.

(iii) Environmental Regulations

According to the Environmental Quality Act, 1974, waste from the production, formulation and trade of Pesticides including Herbicides, Insecticides, Rodenticides and Fungicides are classified as Scheduled Wastes from Specific Sources. This includes the following:

(i) dust from air emission control equipment of Pesticide formulation plant;

(ii) sludges from wastewater treatment system of Pesticide formulation plant;

(iii) residues from filtering process of intermediate products at Pesticide formulation plant;

(iv) waste from washing of reaction tank or mixing tank and spillages at Pesticide formulation plant;

(v) off-specification products from Pesticide formulation plant and trade of Pesticides; and

(vi) waste from the production of Pesticides.

In addition, used containers or bags contaminated with residues of raw materials and products of Pesticides formulation plant is also classified under the same category.

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

As at the date of this Prospectus, our Group has complied with all relevant requirements of the respective Pesticides Act 1974 and Environmental Quality Act, 1974.

5.25.9 Demand and supply dependencies

(i) Demand dependencies

As pesticides are critical to the agriculture industry, it is used in virtually almost all sectors of the industry. Its applications are used across all types of crops, nurseries and plantations.

Without pesticides, yields from agricultural produce would drop significantly. Depending on the type of produce, drop in yield would be at least 10% and up to as high as 50%. The most commonly quoted drop in yield is between 20% and 30% if no pesticides were used.

Some of the major end-user sectors of pesticides include the following:

(i) Plantations including oil palm, rubber, pepper, tobacco and cocoa;
(ii) Horticultural including flowers, fruits and vegetable;
(iii) Crops including paddy, corn and sugar cane; and
(iv) Landscaping including golf courses, hotel resorts and others.

Demand for pesticides is also dependent on the local and export markets. As Malaysia is a major exporter of agricultural commodities, growth in end-user industries will ensure continuing demand and opportunities for operators in the pesticide industry.

(ii) Supply dependencies

The major raw materials used in the manufacturing of pesticides are:

(i) active ingredients; and
(ii) inert ingredients.

Active ingredients are the agents in pesticide formulation that has a specific effect on the pest. Some examples of active ingredients are chemical compounds such as Glyphosate, which is a type of herbicide that kills or control weeds. Others such as Cypermethrin are active ingredients for insecticide that kills insects that eat or come into contact with it.

Active ingredients are mainly imported as these are not produced locally. Manufacturers would buy imported active ingredients for formulation of various pesticides.

In 2004, import value of Other Organo-Inorganic Compounds (including Glyphosate Technical) recorded RM277.2 million.

Inert ingredients are added to pesticide formulations to improve the performance or characteristics of the pesticide. For example, surfactant is a chemical that is added to the formulation to improve the dispersing, spreading, sticking or wetting properties of liquid or solid pesticide. Most inert ingredients used in the manufacturing of pesticides are imported.

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

5.25.10 Substitutes

Generally, there are two main alternatives to the application of chemical pesticides, namely alternative farming techniques and the use of genetically modified crops.

(i) Alternative farming techniques ("AFT")

A substitute for the use of chemical pesticides is the use of alternative farming methods, for example organic farming.

Alternative farming methods generally seek to reduce the negative effects of pests through means other than the application of chemical pesticides.

Common pest mitigation techniques include:

(a) careful preparation of the crop growing area to remove pests before crop planting, and keeping the growing area closed off from the environment, for example through the use of a greenhouse or plastic sheeting; and

(b) introducing natural prey organisms to control insects and other animals. For example, owls and other birds of prey may be encouraged to nest in rice growing areas to keep the rodent population under control.

While organic farming techniques may be effective, the cost of production associated with this farming method is generally higher than those associated with conventional farming. As a result, the prices commonly charged for organically produced crops are generally higher, which tends to reduce demand for these crops.

In addition, alternative farming techniques are generally unsuitable for large-scale commercial agriculture, for example in plantations. As a result, chemical pesticides are still required to control pests in commercial plantations.

As demand from the large-scale commercial agriculture sector constitutes the largest component of demand for chemical pesticides, alternative agricultural practices are not a comprehensive substitute for chemical pesticides.

(ii) Genetically modified crops ("GMC")

GMC are crops whose genome has been altered by the insertion of one or more 'foreign' genes (i.e. genes that do not occur naturally in that particular species). Genetically modified crops may be engineered to express a range of characteristics, including resistance to a particular pest or disease.

GMC are a substitute to chemical pesticide in so far as resistance to a particular pest reduces or eliminates the need for the application of that particular chemical pesticide to control that pest.

As such, GMC would still required pesticides to control pests not being addressed by the modified gene pool.

While GMC are generally viable, there has been opposition to their introduction and use, particularly among consumers in Europe. The reluctance of European consumers to consume GMC, particularly as food, has slowed down their introduction in Europe and in countries that export these crops to Europe.

The introduction of GMC does not affect demand from growers of existing non-GMC, particularly plantation crops with long economic lifespan such as rubber and oil palm.

As such, GMC are not a perfect substitute for chemical pesticides and do not totally remove the use of pesticides.

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

5.25.11 Dependency on other industries and vulnerability to imports

(i) Dependency

The pesticide industry is highly dependent on the agriculture sector as it is the largest user of pesticides.

Preliminary data indicated that Real Value Added by the agriculture industry grew at an average annual rate of 4.6% from 2000 to 2004. Real Value Added increased by 5.0% in 2004, to reach RM21.1 billion in constant 1987 prices. The growth in Real Value Added reflected an expansion across a wide range of commodities such as crude palm oil, rubber, saw logs and food-related activities.

The increase in the production of food reflected the positive effect of measures taken by the Government to increase domestic sources of growth through increased food production.

The agriculture sector employs approximately 13% of Malaysia's total workforce in 2004. As a significant proportion is smallholders, the higher income helped to support increased consumption among the rural community.

(ii) Vulnerability to Imports

The pesticide industry depends heavily on imports of active as well as inert ingredients. This is because there are hardly any local manufacturers of these materials.

Raw materials used in the manufacture of pesticide are generally widely traded commodities. As a result, it is relatively easy to source the required raw materials in the open market. In addition, these raw materials can be sourced from numerous countries, mitigating the possibility of disruption in supply from any one country.

(Source: Assessment of the Pesticide Industry Focusing on the Agriculture Sector)

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5.26 Future plans, strategies and prospects of our Group

Our future plans would be concentrated in three (3) key areas, namely product development, expansion of production facilities and expansion of export markets.

5.26.1 Product development

Urban pest control products

As part of our Group's strategy to expand on our product range, we commenced the manufacturing of urban pest control products in 2005. Part of our Group's future plans is to extend on this range of urban pest control products to cater to the needs of pest management companies. This type of product is targeted at households, commercial places and other public areas in urban areas.

Most of the current termite control products in the market suffer from their residual repellent property, that is, termites are able to 'sense' that a particular area has been sprayed with pesticide and will avoid contact with it in the future. Unless these termite control products are sprayed directly at the termite colony, the residual repellent property will cause the surviving termite to move away (or repel them) to the adjoining untreated areas, thus serves to move the problem from one treated household to a non-treated household.

The new product to be developed will rely on non-repellent systemic mode of action to eliminate entire pest colony. Since the product is non-repellent, pests that come into contact with the product will return to the colony to 'infect' the entire population in the colony.

Our Group intends to commence the manufacturing of the new range of pest control products by financial year ending 30 June 2006.

Enhanced herbicide

Our Group shall be developing two types of enhanced herbicide as an alternative to Paraquat. Please refer to Section 4.2.5 of this Prospectus for the recent developments of the usage of Paraquat in Malaysia.

Our Group has successfully completed laboratory testing of a combination of active ingredients to develop a range of systemic herbicide with desiccant effect as an alternative to Paraquat.

Our Group intends to commence the production of this systemic herbicide upon completion of toxicity studies and obtaining product registration from the Pesticides Board. It is envisaged that full commercialisation will be undertaken commencing in financial year ending 30 June 2008.

Off-patent products

We shall continue to look for opportunities to produce generic products once patents have expired. Two finished products which we intend to develop are as follows:

- Lambda-Cyhalothrin by financial year ending 30 June 2006; and
- Imidacloprid (household use) by financial year ending 30 June 2007.

Imidacloprid is a broad spectrum systemic insecticide that works by blocking the elements of the insect nervous system. Our Group currently holds the Imidacloprid Technical registration licence, and which will be used to develop insecticides to work against ants and cockroaches colonies.

Our Group also holds the product registration of both finished products and technical grade material (active ingredient) for Lambda-Cyhalothrin whose patent will expire in December 2005. Our Group intends to develop this pesticide to address problems with rhinoceros beetle and bagworm (found in Oil Palm plantations), mango leaf hopper, cocoa pod borer and army worm (found in cabbages).

Our Group also intends to commercialise another enhanced herbicide, Glufosinate Ammonium, to replace Paraquat. It is envisaged that full commercialisation will be undertaken in the financial year ending 30 June 2006.

5.26.2 Expansion of production facilities

Purchase of land and building

As part of our expansion plans, we intend to purchase a piece of land with building in Port Klang for our second manufacturing plant. The proposed land and building is close to the vicinity of our Group's existing manufacturing plant. The purchased property will be housing the plants and machineries to be acquired as detailed in the following section.

Purchase of equipment and machinery

We plan to invest in new machinery and equipment for the second manufacturing plant by utilising the proceeds raised through our Public Issue. This is to cater for future business growth and expansion including the production of new pesticide products.

The purchase of new machinery and equipment will give us an additional manufacturing line and storage space, and we shall enjoy the following benefits:

(i) reduce the likelihood of cross-contamination when manufacturing different products; and

(ii) increase operational efficiency as there will be reduced downtime between manufacturing different products as the manufacturing process is undertaken by an additional manufacturing line.

5.26.3 Expansion of export markets

For the financial year ended 30 June 2005, local markets contributed 67.62% of our Group's revenue while the remaining 32.38% was derived from the export markets. Our Group uses indirect distribution through intermediaries to reach the end-users for the export markets.

Our Group expects to utilise a similar distribution strategy to penetrate or expand the following new markets:

Country	Financial year ending
Philippines	2006
Dominican Republic	2006
Hungary	2007
Romania	2007