www.boilermech.com

BOILERMECH HOLDINGS BERHAD (Company No. 897694-T)

Lot 875, Jalan Subang 8, Taman Peindustrian Subang
47620 Subang Jaya, Selangor Darul Ehsan,
T: 603-8023 9137 F: 603-8023 2127

PROSPECTUS

BOILERMECH

PROSPECTUS

BOILERMECH HOLDINGS BERHAD
(Company No. 897694-T)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:-

(I) PUBLIC ISSUE OF 34,900,000 NEW ORDINARY SHARES OF RM0.10 EACH IN BOILERMECH HOLDINGS BERHAD COMPRISING:-

- 19,250,000 NEW ORDINARY SHARES OF RM0.10 EACH MADE AVAILABLE FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY ("MITI");
- 8,000,000 NEW ORDINARY SHARES OF RM0.10 EACH MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC; AND
- 7,650,000 NEW ORDINARY SHARES OF RM0.10 EACH MADE AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES/PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP;

AND

(II) OFFER FOR SALE OF 13,500,000 ORDINARY SHARES OF RM0.10 EACH COMPRISING:-

- 9,000,000 ORDINARY SHARES OF RM0.10 EACH MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY MITI; AND
- 4,500,000 ORDINARY SHARES OF RM0.10 EACH MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS;

AT AN ISSUE/OFFER PRICE OF RM0.33 PER ORDINARY SHARE PAYABLE IN FULL UPON APPLICATION.

Adviser, Sponsor, Underwriter and Placement Agent

OSK

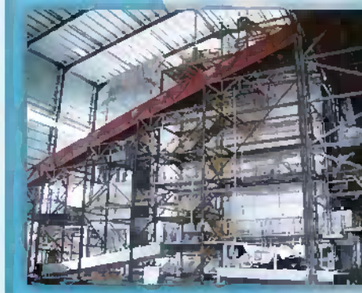
OSK Investment Bank Berhad (14152-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

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

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH INVESTORS SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 4 OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE ACE MARKET MAY BE OF HIGH INVESTMENT RISK.

THIS PROSPECTUS IS DATED 14 APRIL 2011



RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders (as defined herein) have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there is no false or misleading statement or other facts which if omitted, would make any statement herein false or misleading.

OSK Investment Bank Berhad ("OSK"), being the Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the initial public offering ("IPO").

IMPORTANT NOTICE

A copy of this Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of this Prospectus should not be taken to indicate that the SC recommends the IPO or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The Public Issue (as defined herein) and Offer for Sale (as defined herein) in respect of the IPO are exempt transactions under Section 213 of the Capital Markets and Services Act 2007 ("CMSA") and are therefore not subject to the approval of the SC.

The SC is not liable for any non-disclosure in this Prospectus on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. A copy of this Prospectus, together with the application form, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Companies listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") may have a limited operating history or may not have any profit track record prior to listing. Such companies may be of high investment risk. As with all investments, you should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to, amongst others, the Prospectus, latest financial statements and corporate announcements. You are strongly recommended to seek advice from a securities professional/adviser.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND YOUR INVESTMENT IN OUR SHARES. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Approval has been obtained from Bursa Securities for the listing of and quotation for the IPO Shares (as defined herein) on 14 February 2011. Admission to the official list of the ACE Market of Bursa Securities shall not to be taken as an indication of the merits of the IPO, our Company or our Shares.

Bursa Securities shall not be liable for any non-disclosure in this Prospectus by us and takes no responsibility for the contents of this Prospectus. Bursa Securities makes no representation as to its accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The valuation utilised for the purpose of our IPO should not be construed as an endorsement by the SC on the value of the property of our Company.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the IPO for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of the IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether the IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for the IPO would be in compliance with the terms of the IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted the IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion to treat any acceptances as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which the IPO or you are or might be subjected to. Neither us nor our Adviser nor any other advisers in relation to the IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same. You may download a copy of the Electronic Prospectus from the websites of Affin Bank Berhad at www.affinOnline.com, RHB Bank Berhad at www.rhbbank.com.my, Malayan Banking Berhad at www.maybank2u.com.my, CIMB Investment Bank Berhad at www.eipocimb.com, CIMB Bank Berhad at www.cimbclicks.com.my and Public Bank Berhad at www.pbebank.com.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses and hackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you doubt the validity or integrity of an Electronic Prospectus, you should immediately request from us, or the issuing house, a paper/printed copy of this Prospectus. If there is any discrepancy arising between the contents of the Electronic Prospectus and the contents of the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus which is identical to the copy of the Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "Third Party Internet Sites"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:-

(i) we and our Adviser do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we and our Adviser are not responsible for the availability of, or the content or any data, information, file or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;

(ii) we and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and

(iii) any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:-

(i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus, which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and

(ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or cost, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on an applicant's personal computer.

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INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Event(s)	Tentative Date(s)
Issuance of this Prospectus/ Opening of the application for the initial public offering ("IPO")	14 April 2011
Closing of the application for the IPO	21 April 2011
Balloting of the applications	25 April 2011
Allotment to successful applicants	3 May 2011
Listing	5 May 2011

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The application period for the IPO will close at the date stated above or such later date as our Directors, Promoters, Selling Shareholders and OSK Investment Bank Berhad in their absolute discretion may mutually decide.

In the event the closing date of the application is extended, we will advertise the notice of the extension in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original closing date of the application. Following this, we will extend the dates for the balloting of the applications for the issue shares, allotment of the issue shares and listing accordingly.

Further information on the indicative timetable is set out in **Section 3.2** of this Prospectus.

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DEFINITIONS

Unless otherwise indicated, the following definitions shall apply throughout this Prospectus:-

ACE Market Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities, and all amendments thereto
Acquisition	:	The acquisition of BSB which was completed on 21 October 2010
Act	:	Companies Act, 1965 including any statutory modification, amendment or re-enactment thereof for the time being in force
ADA(s)	:	Authorised Depository Agent(s)
AIE	:	Allowance for Increased Exports under the Income Tax (Exemption) (No. 17) Order 2005
Application	:	The application for the Issue Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
Application Form(s)	:	The printed application form(s) for the application of the Issue Shares
ASME	:	American Society of Mechanical Engineers
ATM	:	Automated Teller Machine
Board	:	The Board of Directors of Boilermech
Boilermech or **Company**	:	Boilermech Holdings Berhad (Company No. 897694-T)
Boilermech Group or **Group**	:	Boilermech and our subsidiary, namely BSB
Boilermech Share(s) or **Share(s)**	:	Ordinary share(s) of RM0.10 each in Boilermech
BS	:	British Standards
BSB	:	Boilermech Sdn Bhd (Company No. 58098-U)
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CBG	:	CBG Holdings Sdn Bhd (Company No. 116910-V)
CDS	:	Central Depository System
CDS Account(s)	:	Account(s) established for a depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
CF	:	Certificate of Fitness for the boilers
CMSA	:	The Capital Markets and Services Act 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force

DEFINITIONS (Cont'd)

Depositor	:	A holder of a CDS Account
Director(s)	:	Director(s) of our Company and shall have the meaning given in Section 4 of the Act
DNSB	:	Desa Nikmat Sdn Bhd (Company No. 274414-H)
DOSH	:	Department of Occupational Safety and Health, Malaysia
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
ECU	:	Equity Compliance Unit of the SC
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
Electronic Share Application	:	An application for the 8,000,000 Issue Shares allocated for the Malaysian Public through Participating Financial Institutions' ATM
EPS	:	Earnings per share
FM Act	:	Factories and Machinery Act 1967 (Act 139), Regulations and Rules including any statutory modification, amendment or re-enactment thereof for the time being in force
Farsathy	:	Farsathy Holdings Sdn Bhd (Company No. 61787-X)
Frost & Sullivan	:	Frost & Sullivan Malaysia Sdn Bhd (Company No. 522293-W)
FRS	:	Financial Reporting Standards
FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year ended/ending, as the case may be
IA	:	Inspecting Authorities
Independent Market Research Report	:	Independent market research report dated 28 March 2011 prepared by Frost & Sullivan
Internet Participating Financial Institution(s)	:	Participating organisation(s) for the Internet Share Application, as listed in **Section 15** of this Prospectus
Internet Share Application(s)	:	Application for the 8,000,000 Issue Shares allocated for the Malaysian Public through an online share application service provided by the Internet Participating Financial Institution(s)
IPO	:	Initial public offering of the Issue Shares and Offer Shares in conjunction with our listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities
IPO Price	:	The Issue Price and Offer Price of RM0.33 for each IPO Share
IPO Share(s)	:	The Issue Shares and Offer Shares, collectively
Issue Price	:	The issue price of RM0.33 for each Issue Share

DEFINITIONS (Cont'd)

Issue Share(s)	:	34,900,000 Boilermech Shares representing 13.53% of our enlarged issued and paid-up share capital to be issued pursuant to the Public Issue, subject to the terms and conditions of this Prospectus
Issuing House or **MIH**	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
Listing	:	The admission to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM25,800,000 comprising 258,000,000 Boilermech Shares on the ACE Market of Bursa Securities
Listing Scheme	:	The Public Issue, Offer for Sale and Listing, collectively
LPD	:	1 March 2011, being the latest practicable date prior to the printing of this Prospectus
Malaysian Public	:	Citizen of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading in securities
MB	:	Design, manufacture, installation and commissioning of biomass boilers
MDR	:	Manufacturing data record
MI	:	Minority interest
MITI	:	Ministry of International Trade and Industry
MPOB	:	Malaysia Palm Oil Board
MRST	:	Repairs and refurbishment services as well as provision of engineering solutions for biomass boilers
NA	:	Net assets
Offer for Sale	:	Offer for sale of the Offer Shares at the Offer Price by the Selling Shareholders to identified investors and Bumiputera investors approved by MITI by way of private placement
Offer Price	:	The offer price of RM0.33 for each Offer Share
Offer Share(s)	:	13,500,000 Boilermech Shares, representing 5.23% of the enlarged issued and paid-up share capital of Boilermech which are to be offered for sale in the following manner:- • 9,000,000 Boilermech Shares to Bumiputera investors approved by MITI; and • 4,500,000 Boilermech Shares to identified investors; by way of private placement pursuant to the Offer for Sale and subject to the terms and conditions of this Prospectus
Official List	:	Official list of the ACE Market of Bursa Securities
OSK	:	OSK Investment Bank Berhad (Company No. 14152-V)

DEFINITIONS (Cont'd)

Participating Financial Institutions(s)	:	Participating financial institution(s) for Electronic Share Application as listed in **Section 15** of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
Prescribed Security	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules of Bursa Depository
Promoter(s)	:	Promoter(s) of Boilermech, namely QLGR, Leong Yew Cheong, Wong Wee Voo, Tee Seng Chun and Gan Chih Soon
Prospectus	:	This prospectus dated 14 April 2011 in relation to the IPO
Public Issue	:	The public issue of 34,900,000 new Boilermech Shares at the Issue Price payable in full upon application subject to the terms and conditions of this Prospectus
QC	:	Quality Control
QL	:	QL Resources Berhad (Company No. 428915-X)
QLGR	:	QL Green Resources Sdn Bhd *(Formerly known as Tong Her Marine Products Sdn Bhd)* (Company No. 69489-D)
R&D	:	Research and Development
Raine & Horne	:	Raine & Horne International Zaki + Partners Sdn Bhd (Company No. 99440-T)
RM and **Sen**	:	Ringgit Malaysia and sen, respectively
ROC	:	Registrar of Companies
Rules	:	Rules of the Bursa Depository
SC	:	Securities Commission
Selling Shareholder(s)	:	The shareholders of Boilermech, who are undertaking an Offer for Sale as follows:-

Shareholders	**No. of Offer Shares**	**% of the enlarged share capital after the Public Issue**
Leong Yew Cheong	6,000,000	2.33
Wong Wee Voo	4,000,000	1.55
Lai Yee Kein	2,000,000	0.78
Law Chee Wong	500,000	0.19
Wong Poon Han	500,000	0.19
Loh Foo	500,000	0.19
Total	**13,500,000**	**5.23**

Underwriting Agreement	:	The underwriting agreement dated 28 March 2011 made between Boilermech and OSK for the underwriting of 15,650,000 Issue Shares
USD	:	United States Dollar
Vendor(s)	:	Vendors in relation to the Acquisition namely Leong Yew Cheong, Wong Wee Voo, Tee Seng Chun, Gan Chih Soon, Law Chee Wong, Wong Poon Han, Lai Yee Kein, Loh Foo and QLGR
WPS	:	Welding Procedure Specification

All references to "our Company" and "Boilermech" in this Prospectus are to Boilermech Holdings Berhad, references to "our Group" is to our Company and our subsidiary taken as a whole and references to "we", "us", "our" and "ourselves" are to our Company and our subsidiary, save where the context otherwise requires.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any discrepancies in the tables between the total sum of amounts listed and the total shown in this Prospectus are due to rounding.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Prospectus shall be reference to Malaysian time, unless otherwise stated.

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GLOSSARY OF TECHNICAL TERMS

In order to facilitate a better understanding of our business, the following glossary of technical terms contains an explanation and description of certain terms used in this Prospectus in connection with our Group. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

Air preheaters	:	An auxiliary equipment installed to improve boiler efficiency by preheating combustion air with flue gases before being introduced into the furnace
Auto fuel feeding system	:	A system that automatically controls the amount of fuel being fed into the combustion chamber
Bent tubes and pipes	:	Finished contour formed tubes and pipes for connecting boiler components located internally and are exposed to high temperature heat
Biomass boilers	:	A steam-generating unit that is fired on biological materials such as palm waste, wood chip and agricultural processed waste
Biomass cogeneration	:	The use of steam to generate both electricity and heat by utilising biomass as an energy source
Biomass combustion system	:	A system to burn biomass efficiently for heat and steam generation
Boiler tubes	:	Hollow cylinders connected to boiler components to convey water or mixture of steam-water under pressure
Combustion	:	A process in which a substance reacts with oxygen to produce heat
Drum steam separator	:	A device to filter impurities and water droplets in steam before discharging from steam drums
Dust collector cones	:	A component in the dust collecting system to collect dust arising from the combustion
Economisers	:	An auxiliary equipment installed to improve boiler efficiency by preheating boiler feed water by flue gases before feeding into the boiler
Emission control system	:	A system to control and monitor emissions from the boiler chimney
Fixed grate stoker	:	A firing bed formed by a frame of fixed iron bars to hold the fuel and allow combustion to take place. Combustion residue is manually removed from the furnace
Flux cored welding	:	A type of arc welding that uses consumable tubular electrodes which consist of flux material
Fuel feeding system	:	A system to control amount of fuel being fed into the combustion chamber
Fuel retrieval system	:	A system that receives and stores fuel, and control amount of fuel being fed into the conveyors for delivery to the boiler fuel feeding system
Furnace fire bars	:	Individual cast iron bars that form the firing bed to hold the fuel and allow combustion to take place

GLOSSARY OF TECHNICAL TERMS (Cont'd)

Headers	:	Hollow cylindrical pipes that distribute steam/water in the boiler
Heat treatment	:	A heat process to relieve residual stress in the welds or formed parts
Hydrostatic test	:	A pressure test used to identify leakage and flaws on the pressure vessel
Integral tubes and pipes	:	Pipes that are used to connect or integrate boiler major components located externally, which are not exposed to high temperature heat
Magnetic particle/dye penetration inspection	:	A non-destructive test carried out on welded parts to detect surface flaws/defects
MIG welding	:	Metal Inert Gas Welding is a type of arc welding that uses solid or metal cored electrodes and uses inert gas to shield the weld area from atmospheric contamination
Moving grate stoker	:	A firing bed formed by a frame of moving iron bars to hold and move the fuel and allows combustion to take place. Combustion residue will be automatically discharged at the same time resulting from the motion
Pressure vessels	:	A metal closed container designed to hold steam/water above atmospheric pressure
Radiographic test	:	A non-destructive test of inspecting welded parts for hidden flaws by using X-ray
Shield metal arc welding (SMAW)	:	A type of arc welding that uses arc between a coated stick electrode and the workpiece to produce weld
Steam sootblower	:	A system using steam impact to remove soot that is deposited on the boiler tubes
Steam test	:	A test on the boiler conducted under steaming condition to ensure functionality of the safety devices of the boiler
Structures	:	Steel beams or plates that are assembled to support the boiler pressure vessels, platform galleries, ducting, fuel feeding devices, dust collector cones and external piping
Submerged arc welding (SAW)	:	A type of arc welding that uses a layer of fusible granular material called flux for shielding the arc and the molten metal
Superheaters	:	A component of a steam-generating unit in which steam, after it has left the boiler drum, is heated above its saturation temperature
Tungsten inert gas welding (TIG)	:	A type of arc welding that uses a non-consumable tungsten electrode to produce weld
Ultrasonic test	:	A non-destructive test of inspecting welded parts for hidden flaws by using ultrasound waveform and the results are shown on a diagnostic machine display

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Designation	Address	Nationality/ Profession
Chia Song Kun	Non-Independent Non-Executive Chairman	No. 17, Jalan Kelab Golf 13/3 Green Hill KGSAAS Seksyen 13 40100 Shah Alam Selangor Darul Ehsan	Malaysian/ Director
Leong Yew Cheong	Managing Director	No. 14, Jalan Pengaturcara U1/51B Seksyen U1, Glenmarie 40150 Shah Alam Selangor Darul Ehsan	Malaysian/ Director
Wong Wee Voo	Executive Director	22, Jalan SL 3/3 Bandar Sg. Long 43000 Kajang Selangor Darul Ehsan	Malaysian/ Director
Chia Lik Khai	Executive Director	No. 17, Jalan Kelab Golf 13/3 Green Hill KGSAAS Seksyen 13 40100 Shah Alam Selangor Darul Ehsan	Malaysian/ Director
Chia Seong Fatt	Alternate Director to Executive Director, Chia Lik Khai	No. 303, Taman Lily Batu 4 Jalan Sin Onn 91000 Tawau Sabah	Malaysian/ Director
Low Teng Lum	Independent Non-Executive Director	16 Jalan PJU 1A/1D Ara Damansara 47301 Petaling Jaya Selangor Darul Ehsan	Malaysian/ Director
Mohd Yusof bin Hussian	Independent Non-Executive Director	No. 2, Lorong SS 4A/4A Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan	Malaysian/ Director

AUDIT COMMITTEE

Name	Designation	Directorship
Low Teng Lum	Chairman	Independent Non-Executive Director
Chia Song Kun	Member	Non-Independent Non-Executive Chairman
Mohd Yusof bin Hussian	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Chia Song Kun	Chairman	Non-Independent Non-Executive Chairman
Low Teng Lum	Member	Independent Non-Executive Director
Leong Yew Cheong	Member	Managing Director

1. CORPORATE DIRECTORY (Cont'd)

NOMINATION COMMITTEE

Name	Designation	Directorship
Chia Song Kun	Chairman	Non-Independent Non-Executive Chairman
Low Teng Lum	Member	Independent Non-Executive Director
Mohd Yusof bin Hussian	Member	Independent Non-Executive Director

COMPANY SECRETARIES :

Tan Bee Hwee (MAICSA 7021024)
E-6-9, Flora Damansara
Jalan PJU 8/9
Bandar Damansara Perdana
Bukit Lanjan
47820 Petaling Jaya
Selangor Darul Ehsan

Wong Wai Foong (MAICSA 7001358)
1164, Jalan 17/46
Happy Garden
46400 Petaling Jaya
Selangor Darul Ehsan

REGISTERED OFFICE :

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone No. : 03-2264 8888
Facsimile No. : 03-2282 2733

HEAD OFFICE :

Lot 875, Jalan Subang 8
Taman Perindustrian Subang
47620 Subang Jaya
Selangor Darul Ehsan
Telephone No. : 03-8023 9137
Facsimile No. : 03-8023 2127
Website : www.boilermech.com

PRINCIPAL BANKERS :

Malayan Banking Berhad (3813-K)
Subang Business Centre
G02, East Wing, Wisma Consplant
2, Jalan SS16/4, Subang Jaya
47500 Petaling Jaya
Selangor Darul Ehsan
Telephone No. : 03-5631 2210

HSBC Bank Malaysia Berhad (127776-V)
Ground Floor, Wisma UEP
Jalan USJ 10/1A
Pusat Perniagaan USJ10
47620 Subang Jaya
Selangor Darul Ehsan
Telephone No. : 03-8025 2741

1. CORPORATE DIRECTORY (Cont'd)

PRINCIPAL BANKERS (Cont'd)		OCBC Bank (Malaysia) Berhad (295400-W) 1A A-4A, Jalan USJ 10/1A Pusat Perniagaan USJ10 47610 UPP Subang Jaya Selangor Darul Ehsan Telephone No. : 1300 88 7000
AUDITORS AND REPORTING ACCOUNTANTS	:	Messrs Crowe Horwath (AF1018) Level 16 Tower C Megan Avenue II 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur Telephone No. : 03-2166 0000
LEGAL ADVISERS FOR THE LISTING EXERCISE	:	Messrs Naqiz & Partners 42A, Lorong Dungun Damansara Heights 50490 Kuala Lumpur Telephone No. : 03-2095 1188
VALUER	:	Messrs. Raine & Horne International Zaki + Partners Sdn Bhd (99440-T) 124B, 2nd Floor Jalan SS 24/2 Taman Megah 47301 Petaling Jaya Selangor Darul Ehsan Telephone No. : 03-7880 6542
INDEPENDENT MARKET RESEARCHER	:	Frost & Sullivan Malaysia Sdn Bhd (522293-W) Suite E-08-15, Block E Plaza Mont' Kiara 2 Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Telephone No. : 03-6204 5800
ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	OSK Investment Bank Berhad (14152-V) 20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Telephone No. : 03-2333 8333
SHARE REGISTRAR	:	Bina Management (M) Sdn Bhd (50164-V) Lot 10 The Highway Centre Jalan 51/205 46050 Petaling Jaya Selangor Darul Ehsan Telephone No. : 03-7784 3922
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd (258345-X) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Telephone No. : 03-7841 8000
LISTING SOUGHT	:	ACE Market of Bursa Securities

2. INFORMATION SUMMARY

This section is only a summary of the salient information about us and the IPO and is extracted from the full text of this Prospectus. You should carefully read and understand this section together with the whole Prospectus before you decide whether to invest in us.

2.1 BACKGROUND AND PRINCIPAL ACTIVITIES

Our Company was incorporated in Malaysia under the Act on 8 April 2010 as a private limited company under the name Boilermech Holdings Sdn Bhd. We are an investment holding company incorporated to facilitate the listing of our subsidiary, BSB. We were converted to a public company on 14 May 2010.

Our wholly-owned subsidiary, BSB is principally involved in the following core activities:-

- Design, manufacture, installation and commissioning of biomass boilers

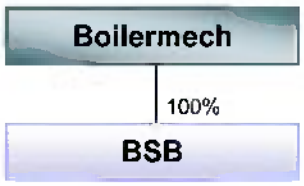
  We design and manufacture biomass boilers of various capacities and pressure based on the needs and technical requirements of our customers, who are predominantly in the palm oil milling industry. Apart from the palm oil milling industry, we also serve other agricultural based processing industries such as sugar milling, rubber based manufacturers, food processing and palm oil refineries.

  The biomass boilers are utilised by our customers to generate steam for the purposes of power generation and sterilisation, heating and drying.

- Repairs and refurbishment services as well as provision of engineering solutions for biomass boiler

  We also provide biomass boiler repairs and refurbishment services as well as engineering solutions for biomass boilers.

Our Group's present corporate structure is as follows:-



Further information on our Group, history and business activities are set out in **Section 5** of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.2 PRINCIPAL STATISTICS RELATING TO THE IPO

The following statistics relating to the IPO are derived from the full text of this Prospectus and should be read in conjunction with the text:-

	Number of Shares	Share capital (RM)
Authorised share capital	**500,000,000**	**50,000,000**
Issued and fully paid-up share capital as at the date of this Prospectus	223,100,000	22,310,000
New shares to be issued pursuant to the Public Issue	34,900,000	3,490,000
Enlarged share capital upon Listing	**258,000,000**	**25,800,000**
Offer for Sale	**13,500,000**	**1,350,000**
IPO Price		RM0.33[(1)]
- **Proforma consolidated NA per Share** *(based on the enlarged issued and paid-up share capital after the IPO and deducting the estimated listing expenses of RM1.70 million)*		RM0.13
- **Market capitalisation** *(based on the IPO Price and enlarged issued and paid-up share capital after Listing)*		**RM85,140,000**

Note:-

*(1) The IPO Price of RM0.33 per IPO Share is based on amongst other factors disclosed in **Section 3.5** of this Prospectus, a net PE Multiple of approximately 6.0 times computed based on the PAT of our Group for the FYE 30 April 2010, and the number of Shares in issue prior to the Public Issue of 223,100,000 Boilermech Shares.*

The IPO Price of RM0.33 per Share is payable in full upon Application, subject to the terms and conditions of this Prospectus. Detailed information on the basis of arriving at the IPO Price is set out in **Section 3.5** of this Prospectus.

2.3 UTILISATION OF PROCEEDS FROM THE IPO

We expect the total gross proceeds from the Public Issue to amount to approximately RM11.52 million based on the Issue Price of RM0.33. The proceeds shall come to us and we shall bear all expenses relating to the listing of and quotation for our entire issued and paid-up share capital on the ACE Market of Bursa Securities.

We expect the proceeds to be utilised in the following manner:-

Purpose	RM'000	Time frame for utilisation
Business expansion plans	4,000	Within two (2) years after Listing
Repayment of term loan	2,500	Within one (1) month after Listing
Working capital	3,317	Within one (1) year after Listing
Estimated listing expenses	1,700	Within one (1) month after Listing
Total	**11,517**	

Further details on the utilisation of proceeds are set out in **Section 3.9** of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

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

The Offer for Sale will raise total gross proceeds of RM4.46 million. All the proceeds from the Offer for Sale will be credited to the Selling Shareholders and we will not receive any part of the proceeds. The Selling Shareholders shall bear all expenses including registration and transfer fees relating to the Offer for Sale.

The effects of the utilisation of proceeds on our proforma consolidated balance sheets as at 31 October 2010 is reflected in **Section 10.2** of this Prospectus.

2.4 PROFORMA CONSOLIDATED INCOME STATEMENTS OF OUR GROUP

The following table sets forth a summary of our proforma consolidated income statements for the past three (3) FYE up to 30 April 2010 and for the six (6) months FPE 31 October 2010 based on the assumption that we have been in existence throughout the financial years under review. The proforma consolidated income statements are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Letter as set forth in **Section 10.2** of this Prospectus and our Management's Discussion and Analysis of Financial Conditions, Results of Operations and Prospects that are presented in **Section 10.3** of this Prospectus:-

	<----------FYE 30 April---------->			Unaudited	Audited
	2008 (RM'000)	2009 (RM'000)	2010 (RM'000)	*FPE 31 October 2009 (RM'000)	FPE 31 October 2010 (RM'000)
Revenue	**42,987**	**59,991**	**98,783**	**46,074**	**60,766**
Cost of sales	(36,866)	(52,744)	(77,497)	(35,780)	(46,882)
Gross profit	**6,121**	**7,247**	**21,286**	**10,294**	**13,884**
Other income	117	854	168	60	222
	6,238	8,101	21,454	10,354	14,106
Selling and marketing expenses	(351)	(531)	(827)	(337)	(819)
Administrative expenses	(1,578)	(1,483)	(2,367)	(1,103)	(2,106)
Other expenses	(399)	(372)	(3,865)	(504)	(944)
Profit from operations	**3,910**	**5,715**	**14,395**	**8,410**	**10,237**
Finance costs	(5)	(47)	(299)	(137)	(124)
PBT	**3,905**	**5,668**	**14,096**	**8,273**	**10,113**
Depreciation	160	346	957	365	500
Interest expense	5	47	299	137	124
Interest income	(115)	(284)	(24)	(13)	(104)
EBITDA	**3,955**	**5,777**	**15,328**	**8,762**	**10,633**
Depreciation	(160)	(346)	(957)	(365)	(500)
Interest expense	(5)	(47)	(299)	(137)	(124)
Interest income	115	284	24	13	104
PBT	**3,905**	**5,668**	**14,096**	**8,273**	**10,113**
Income tax expense	(1,051)	(1,490)	(1,756)	(1,031)	(2,864)
PAT	**2,854**	**4,178**	**12,340**	**7,242**	**7,249**
Gross profit margin (%)	14.2	12.1	21.5	22.3	22.8
PBT margin (%)	9.1	9.4	14.3	18.0	16.6
PAT margin (%)	6.6	7.0	12.5	15.7	11.9
Effective tax rate (%)	26.9	26.3	12.5	12.5	28.3
Number of shares in issue ('000)[1]	223,100	223,100	223,100	223,100	223,100
Gross EPS (sen)[2]	1.75	2.54	6.32	3.71	4.53
Net EPS (sen)[3]	1.28	1.87	5.53	3.25	3.25

Notes:-

* *Unaudited and stated for illustrative purposes only as a comparative.*
(1) The number of shares in issue prior to the Public Issue.
(2) The gross EPS is calculated based on the PBT attributable to our shareholders divided by the number of Shares in issue.
(3) The net EPS is calculated based on the PAT attributable to our shareholders divided by the number of Shares in issue.

Our audited financial statements for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 have not been subjected to any audit qualification. There were no exceptional or extraordinary items in the audited financial statements of our Group during the years/periods under review.

2.5 PROFORMA CONSOLIDATED BALANCE SHEETS OF OUR GROUP

We have prepared our proforma consolidated balance sheets below for illustrative purposes to show the effects on the audited consolidated balance sheet of our Group as at 31 October 2010, had the IPO been effected on that date. We advise you to read the proforma consolidated balance sheets together with the accompanying notes and assumptions included in the Reporting Accountants' Letter as set out in **Section 10.2** of this Prospectus.

	As at 31 October 2010 (RM'000)	Proforma I After the Public Issue (RM'000)	Proforma II After Proforma I and utilisation of proceeds (RM'000)
ASSETS			
Non-current assets			
Property, plant and equipment	19,349	19,349	22,349
Other investment	23	23	23
	19,372	19,372	22,372
Current assets			
Inventories	10,069	10,069	10,069
Amount owing by contract customers	9,104	9,104	9,104
Trade receivables	39,121	39,121	39,121
Other receivables, deposits and prepayments	1,734	1,734	1,734
Short-term deposits with a licensed bank	2,000	2,000	2,000
Cash and bank balances	7,805	19,322	11,485
	69,833	81,350	73,513
TOTAL ASSETS	**89,205**	**100,722**	**95,885**
EQUITY AND LIABILITIES			
Equity			
Share capital	22,310	25,800	25,800
Share premium	-	8,027	7,417
Revaluation reserve	4,862	4,862	4,862
Fair value reserve	(27)	(27)	(27)
Merger deficit	(21,810)	(21,810)	(21,810)
Retained profits	19,740	19,740	18,013
TOTAL EQUITY	**25,075**	**36,592**	**34,255**

2. INFORMATION SUMMARY (Cont'd)

	As at 31 October 2010 (RM'000)	Proforma I After the Public Issue (RM'000)	Proforma II After Proforma I and utilisation of proceeds (RM'000)
Non-current liabilities			
Long-term borrowings	4,475	4,475	1,975
Deferred taxation	1,614	1,614	1,614
	6,089	6,089	3,589
Current liabilities			
Amount owing to contract customers	33,067	33,067	33,067
Trade payables	16,721	16,721	16,721
Other payables and payables	3,109	3,109	3,109
Short-term borrowings	434	434	434
Current tax liabilities	4,710	4,710	4,710
	58,041	58,041	58,041
TOTAL LIABILITIES	**64,130**	**64,130**	**61,630**
TOTAL EQUITY AND LIABILITIES	**89,205**	**100,722**	**95,885**
Number of ordinary shares of RM0.10 each assumed in issue ('000)	223,100	258,000	258,000
NA	25,075	36,592	34,255
NA per ordinary share (RM)	0.11	0.14	0.13

2.6 COMPETITIVE STRENGTHS AND ADVANTAGES

The competitive strengths and advantages of our Group include the following:-

(i) Experienced management team;
(ii) Established track record and reputation;
(iii) Ability to provide customised design and engineering solutions;
(iv) Timely delivery and commitment to project completion;
(v) Commitment to after sales service and support; and
(vi) Strength of the palm oil industry and ability to service other agricultural based processing industries.

Further information on our competitive strengths and advantages are disclosed under **Section 5.8.4** of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.7 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, certain risks and investment considerations that may affect our future financial performance. The following is a summary of the key risks and investment considerations (which may not be exhaustive) that we currently face or that may develop in the future:-

2.7.1 Risks relating to business and operations of our Group

(i) Dependence on the palm oil industry;
(ii) Dependence on our Executive Directors and key management team;
(iii) Foreign exchange risk;
(iv) Availability and fluctuation in prices of raw materials;
(v) Unanticipated costs overruns and project delays;
(vi) Non-performance of sales contract and warranty claims by our customers;
(vii) Dependence on contractors;
(viii) Ability to secure new contracts;
(ix) Operational risks;
(x) Non-renewal and/or revocation of permits and licenses for our operations;
(xi) Change in political, economic and regulatory conditions;
(xii) Competition;
(xiii) Credit risk of our customers; and
(xiv) Future investment activities.

2.7.2 Risks relating to investment in our Shares

(i) No prior market for our Shares and possible volatility of Share prices;
(ii) Forward-looking statements;
(iii) Trading price and volume of our Shares;
(iv) Ownership and control by our existing shareholders;
(v) Failure or delay in our Listing; and
(vi) Delay between admission and trading of the IPO Shares.

Further information on our risk factors is disclosed under **Section 4** of this Prospectus.

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3. PARTICULARS OF THE IPO

3.1 INTRODUCTION

This Prospectus is dated 14 April 2011.

We have registered a copy of this Prospectus together with the Application Forms with the SC. A copy of this Prospectus, together with the Application Forms, has also been lodged with the ROC who takes no responsibility for its contents.

We have obtained the approval from Bursa Securities on 14 February 2011 for the admission of our Company to the Official List of the ACE Market of Bursa Securities and for permission to deal in and for the listing of and quotation for our entire enlarged issued and paid-up share capital, including the Issue Shares, which are the subject of this Prospectus, on the ACE Market of Bursa Securities. Our Shares will be admitted to the Official List of the ACE Market of Bursa Securities and official quotation will commence upon receipt of confirmation from Bursa Depository that all the Issue Shares have been credited into the respective CDS accounts of the successful applicants and the notices of allotment have been issued and despatched to all successful applicants.

Bursa Securities assumes no responsibility for the correctness of any statement made or of any opinion or report expressed in this Prospectus. Our admission to the Official List of the ACE Market of Bursa Securities shall not be taken as an indication of the merits of our Company, our Shares or our IPO exercise.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed our Shares as a Prescribed Security. Therefore, we will deposit the IPO Shares directly with Bursa Depository. Any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act 1991 and the Rules. We will not issue any share certificates to successful applicants.

Pursuant to the ACE Market Listing Requirements, at least 25% of the total number of shares for which listing is sought must be in the hands of a minimum number of 200 public shareholders holding not less than 100 Shares each upon admission to the ACE Market of Bursa Securities. In the event that the above requirement is not met pursuant to the IPO, we may not be allowed to proceed with our Listing on the ACE Market of Bursa Securities. In such an event, we will return all the monies paid in respect of all applications without interest.

If you are submitting your application by way of an Application Form or Electronic Share Application or Internet Share Application, you **MUST** have a CDS account. If you presently do not have a CDS account, you should open a CDS account at an ADA prior to making an application for our IPO Shares. Please refer to **Section 15** of this Prospectus for further details on the procedures for application for the IPO Shares.

In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish his/her CDS Account number to the Participating Financial Institution by way of keying in his/her CDS Account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS account and an existing account with access to the internet financial services with Internet Participating Financial Institutions can make an Internet Share Application. You shall furnish your CDS account number to the Internet Participating Financial Institutions by keying your CDS account number into the online application form. A corporation or institution cannot apply for the IPO Shares by way of Internet Share Application.

3. PARTICULARS OF THE IPO (Cont'd)

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by us. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Group since the date of this Prospectus.

Nonetheless, should we become aware of any material change or development affecting a matter disclosed in this Prospectus from the date of registration of this Prospectus with the SC up to the date of the Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to the Malaysian laws and we, together with OSK as the Adviser, Sponsor, Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation and/or offer to subscribe for our IPO Shares in any jurisdictions in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or expressed in this Prospectus. Admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of our merit or the merit of our Shares.

If you are in any doubt about any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

3.2 INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Event(s)	Tentative Date(s)
Issuance of this Prospectus/ Opening of the application for the IPO	14 April 2011
Closing of the application	21 April 2011
Balloting of the applications	25 April 2011
Allotment to successful applicants	3 May 2011
Listing date	5 May 2011

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. This issue will close at the date stated above or such later date as our Directors, Promoters, Selling Shareholders and OSK in their absolute discretion may mutually decide.

In the event the closing date of the application is extended, we will advertise the notice of the extension in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original closing date of the application. Following this, we will extend the dates for the balloting of the applications for the issue shares, allotment of the issue shares and listing accordingly.

3. PARTICULARS OF THE IPO (Cont'd)

3.3 PURPOSE OF THE IPO

The purposes of the IPO are as follows:-

(i) to obtain the listing of and quotation for the entire issued and paid-up share capital of our Group on the ACE Market of Bursa Securities, which is expected to enhance our business, profile and future prospects;

(ii) to provide our Group with access to the capital market and allow us to raise funds for future expansion and growth;

(iii) to enhance the stature of our Group in the marketing of our products and services, and to retain and attract new, skilled employees;

(iv) to provide an opportunity for Malaysian investors (including all our eligible Directors and employees) to participate in our equity and continuing growth; and

(v) to enhance our profile in Malaysia and to assist our Group in expanding our customer base in Malaysia and abroad.

3.4 SHARE CAPITAL AND RIGHTS ATTACHING TO THE ISSUE SHARES AND OFFER SHARES

	RM
Authorised share capital	
500,000,000 ordinary shares of RM0.10 each	50,000,000
Issued and fully-paid up share capital as at the date of this Prospectus	
223,100,000 ordinary shares of RM0.10 each	22,310,000
To be offered pursuant to the Public Issue	
34,900,000 ordinary shares of RM0.10 each	3,490,000
Enlarged issued and fully paid-up share capital	**25,800,000**
To be offered for sale pursuant to the Offer for Sale	
13,500,000 existing ordinary shares of RM0.10 each	1,350,000
Market capitalisation upon listing based on the Issue Price of RM0.33 per Share	***85,140,000***

We only have one (1) class of shares, being ordinary shares of RM0.10 each. The Issue Shares and the Offer Shares will, upon allotment and issue, rank *pari passu* in all respects with our existing issued Shares which are fully paid-up including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to any special rights attaching to any of our Shares which may be issued in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share the profits paid out by us as dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus, in accordance with our Articles of Association and provisions of the Act.

3. PARTICULARS OF THE IPO (Cont'd)

Each of our shareholders shall be entitled to vote at any of our general meetings in person, by proxy or by attorney or being a corporation is represented by a representative. On a show of hands, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote. On a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member or a qualified legal practitioner, or an approved company auditor or a person approved by the Registrar.

3.5 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors and OSK, as the Adviser, Sponsor, Underwriter and Placement Agent, had determined and agreed upon the IPO Price of RM0.33 per IPO Share, after taking into consideration the following factors:-

(i) Our operating history and nature of business

Since the commencement of our business in 2005, we have grown to establish ourselves as a reputable and reliable boiler manufacturing company with the capability of providing boiler repair and refurbishment services in Malaysia within a relatively short period of time. We believe that our competitive strengths contributed to our success and achievement to date and have also provided us with a platform to strengthen our position in the boiler industry. Our operating history is further set out in **Section 5** of this Prospectus.

(ii) Our financial history

We have recorded an upward trend in our revenue and PAT for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010. Our overall gross profit margins for the past three (3) financial years and the six (6) months FPE 31 October 2010 were 14.24%, 12.08%, 21.55% and 22.85% respectively. As at the LPD, our outstanding order book recognisable as revenue stands at approximately RM194.2 million. Further information on our financial history is set out in **Section 10** of this Prospectus.

(iii) Our proforma PE multiple

Our net EPS of 5.53 sen (computed based on the proforma consolidated PAT of our Group for the FYE 30 April 2010 of approximately RM12.34 million and the number of Shares in issue prior to our Public Issue of 223,100,000 Boilermech Shares) and our net PE Multiple of approximately 6.0 times.

(iv) Our proforma consolidated NA

Our proforma consolidated NA per Share as at 31 October 2010 of RM0.13. The IPO Price of RM0.33 per IPO Share, represents a premium of RM0.20 per Share or approximately 153.85% above the proforma Group NA per Share after taking into account our Public Issue.

(v) Our future plans and prospects

Moving forward, we intend to expand our market presence geographically to palm oil industries in South East Asia and other emerging palm producing countries, expand our coverage to other agricultural based processing industries, increase production capacity, enhance product innovation and explore opportunities in the area of biomass power generation and renewable energy. Further information on our future plans are set out in **Section 5.9** of this Prospectus.

Premised on our future plans, we believe that our Group will be able to capitalise on the encouraging prospects of the boiler industry, particularly in East Malaysia and Indonesia and grow our business further. Details of the future prospects of the industry we operate in are further set out in **Section 6** of this Prospectus.

Prior to the IPO, there has been no public market for our Shares within or outside Malaysia. You should note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the market price of our Shares.

You are reminded to carefully consider the risk factors as set out in **Section 4** of this Prospectus and form your own views on the valuation of our Shares before deciding to invest in our Shares.

3.6 DETAILS OF THE IPO

3.6.1 Public Issue

The Public Issue of 34,900,000 Shares at an Issue Price of RM0.33 per Share is payable in full on application upon such term and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

(i) Malaysian Public

8,000,000 new Boilermech Shares representing 3.10% of our enlarged issued and paid-up share capital of our Company will be made available for application by the Malaysian Public through a balloting process, of which at least 50% is to be set aside strictly for Bumiputera investors.

The basis of allocation shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants in view of broadening the shareholding base of our Company to meet the public spread requirements, and to establish a liquid and adequate market for our Shares.

(ii) Eligible Directors, employees and business associates/persons who have contributed to the success of our Group

7,650,000 new Boilermech Shares representing approximately 2.97% of our enlarged issued and paid-up share capital will be reserved for our eligible Directors, employees and business associates/persons who have contributed to the success of our Group. Further details of our pink form share allocation are set out in **Section 3.7** of this Prospectus.

(iii) Private placement to identified Bumiputera investors approved by MITI

19,250,000 new Boilermech Shares representing approximately 7.46% of our enlarged issued and paid-up share capital has been allocated to be placed out to identified Bumiputera investors approved by MITI.

3.6.2 Offer for Sale

The Offer for Sale of 13,500,000 of our Shares, representing approximately 5.23% of our enlarged issued and paid-up share capital will be offered in the following manner:-

(i) 9,000,000 of our Offer Shares to Bumiputera investors approved by MITI; and

(ii) 4,500,000 of our Offer Shares to identified investors;

by way of private placement and is payable in full on application upon such terms and conditions as set out in this Prospectus.

3. PARTICULARS OF THE IPO (Cont'd)

All the 15,650,000 Issue Shares available for application by the Malaysian Public and our eligible Directors, employees and business associates/persons who have contributed to the success of our Group will be underwritten while the 19,250,000 IPO Shares reserved for placement to identified Bumiputera investors approved by MITI will be placed out by our Placement Agent, OSK. All the 19,250,000 Issue Shares under **Section 3.6.1(iii)** will not be underwritten as these Issue Shares have been allocated for subscription to MITI's approved and recognised Bumiputera investors. In the event there are Issue Shares under **Section 3.6.1(iii)** which are not subscribed by the Bumiputera investors, the unsubscribed portion will be offered for application by the Malaysian Bumiputera public as part of the balloting process. Thereafter, any of the Issue Shares that are re-allocated to the Bumiputera public (as part of the balloting process) and not taken up by the Malaysian Bumiputera public, will be made available for application by the Malaysian Public. Please refer to **Section 3.12(ii)** and **Section 3.12(iii)** of this Prospectus for further details on the underwriting and placement arrangements.

Any Issue Shares not subscribed under Malaysian Public will be offered to our eligible Directors, employees and business associates/persons who have contributed to the success of our Group. Likewise, any Issue Shares which are not taken up by our eligible Directors, employees and business associates/persons who have contributed to the success of our Group will be offered for application by the Malaysian Public.

Any remaining re-offered Issue Shares under **Section 3.6.1(i)** and **Section 3.6.1(ii)** of this Prospectus that are not subscribed for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement as set out in **Section 3.13** of this Prospectus.

The basis of allocation for the Issue Shares shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants in view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market in the Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors.

The number of shares offered under the Public Issue and Offer for Sale will not be increased via any over-allotment or "greenshoe" option.

3.7 ALLOCATION OF THE ISSUE SHARES TO OUR ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES/PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP

Our eligible Directors, employees and business associates/persons who have contributed to the success of our Group have been allocated a total of 7,650,000 new Boilermech Shares.

The total number of persons eligible for the allocation is 154 comprising the following:-

Category	No. of persons	Aggregate of number of Issue Shares allocated
Eligible Directors	5	900,000
Eligible Employees	40	1,795,000
Business associates/persons who have contributed to the success of our Group	109	4,955,000
Total	**154**	**7,650,000**

3. PARTICULARS OF THE IPO (Cont'd)

The criteria for the allocation of the above mentioned Issue Shares to our Directors and employees (as approved by our Board) are based on, *inter-alia*, the following factors:-

(i) The employee must be an eligible and confirmed employee and on the payroll of our Group; and

(ii) The number of shares allocated to the eligible employees of our Group is based on the seniority, position, their length of service and respective contribution made to our Group as well as other factors deemed relevant to our Board.

The Issue Shares to be allotted to the business associates/persons who have contributed to the success of our Group shall be based on their contribution to our Group as approved by our Board. The persons who have contributed to the success of our Group include business contacts, suppliers, customers and others.

The allocation of our pink form shares to our eligible Directors are as follows:-

Name	Designation	No. of Issue Shares allocated
Chia Song Kun	Non-Independent Non-Executive Chairman	200,000
Chia Lik Khai	Executive Director	200,000
Chia Seong Fatt	Alternate Director to Executive Director, Chia Lik Khai	100,000
Low Teng Lum	Independent Non-Executive Director	200,000
Mohd Yusof bin Hussian	Independent Non-Executive Director	200,000

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3. PARTICULARS OF THE IPO (Cont'd)

3.8 SELLING SHAREHOLDERS

The details of our selling shareholders and their shareholdings in Boilermech before and after the IPO is as follows:-

Nama	Material relationship with our Company	Addreas	Before the IPO		Shares offared pursuant to the Offer for Sale			After the IPO	
			No. of Shares	%[a]	No. of Offer Sharea	%[a]	%[b]	No. of Shares	%[b]
Directors									
Leong Yew Cheong	Our Director, Promoter and substantial shareholder	No. 14, Jalan Pengaturcara U1/51B Seksyen U1, Glenmarie 40150 Shah Alam Selangor Darul Ehsan	46,474,412	20.83	6,000,000	2.69	2.33	40,474,412	15.69
Wong Wee Voo	Our Director, Promoter and substantial shareholder	22 Jalan SL 3/3 Bandar Sg. Long 43000 Kajang Selangor Darul Ehsan	31,536,085	14.13	4,000.000	1.79	1.55	27.536,085	10.67
Key Management / Employees									
Lai Yee Kein	Our key management	14 Jalan Kasawari 5 Bandar Puchong Jaya 47170 Puchong Selangor Darul Ehsan	10,342,915	4.64	2,000,000	0.90	0.78	8,342,915	3.23
Law Chee Wong	Our employee	No. 6, Jalan PP 5/10 Taman Putra Prima 47130 Puchong Selangor Darul Ehsan	8,502,340	3.81	500,000	0.22	0.19	8,002,340	3.10
Wong Poon Han	Our employee	28, Jalan USJ 4/6E UEP Subang Jaya 47600 Subang Jaya Selangor Darul Ehsan	7,757,186	3.48	500,000	0.22	0.19	7,257,186	2.81

3. PARTICULARS OF THE IPO (Cont'd)

Name	Material relationship with our Company	Address	Before the IPO		Shares offered pursuant to the Offer for Sale			After the IPO	
			No. of Shares	%[(a)]	No. of Offer Shares	%[(a)]	%[(b)]	No. of Shares	%[(b)]
Shareholder									
Loh Foo	Our shareholder	6 Jalan USJ 1/3G 47620 Subang Jaya Selangor Darul Ehsan	5,541,804	2.48	500,000	0.22	0.19	5,041,804	1.95

Notes:-

(a) Based on the issued and paid-up share capital of 223,100,000 Boilermech Shares. i.e. before the Public Issue.
(b) Based on the issued and paid-up share capital of 258,000.000 Boilermech Shares, i.e. after the Public Issue.

The Selling Shareholders shall bear all the expenses such as placement and miscellaneous fees estimated to be approximately RM100,000 relating to their respective portion of the Offer Shares.

Save as disclosed above. there are no other selling shareholders in conjunction with the IPO who has a material relationship with our Company for the past three (3) years.

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3. PARTICULARS OF THE IPO (Cont'd)

3.9 UTILISATION OF PROCEEDS FROM THE IPO

We expect the total gross proceeds from the Public Issue to amount to approximately RM11.52 million based on the Issue Price of RM0.33. The proceeds shall come to us and we shall bear all expenses relating to the listing of and quotation for our entire issued and paid-up share capital on the ACE Market of Bursa Securities.

We expect the proceeds to be utilised in the following manner:-

Purpose	Note	RM'000	Time frame for utilisation
Business expansion plans	(i)	4,000	Within two (2) years after Listing
Repayment of term loan	(ii)	2,500	Within one (1) month after Listing
Working capital	(iii)	3,317	Within one (1) year after Listing
Estimated listing expenses	(iv)	1,700	Within one (1) month after Listing
Total		**11,517**	

Notes:-

(i) Business expansion plans

We have earmarked approximately RM4.0 million of the totel gross proceeds from the Public Issue for business expension purposes es set out below:-

*(a) Based on our past record and current plant production schedule, we have been able to deliver up to a maximum of five (5) boilers per month (with evaporation capacity ranging from fifteen (15) tonnes per hour to seventy (70) tonnes per hour) at our current factory which has e totel covered aree of epproximetely 4,756 squere metres es disclosed in **Section 5.8.7** of this Prospectus. Our production cepecity and/or fabrication works is partly limited by our manufacturing floor area. As such, we plan to increase production capacity by utilising RM2.5 million for the expansion, upgrading and refurbishment of our existing production fecilities end RM0.5 million for the purchese of equipment end mechineries.*

Our expansion efforts will increase our production floor area by approximately 2,378 square metres and is expected to enable us to deliver up to an additional three (3) boilers per month (with evaporation capacity ranging from fifteen (15) tonnes per hour to seventy (70) tonnes per hour). Our expansion efforts will enable us to support the existing end growing demend for our boilers es we increase our merket presence locally end overseas, end es we continue to increase contribution from other agricultural based processing industries (apart from the palm oil industry where we derived more then 85% of our revenue for the pest three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010); and

*(b) We have earmarked RM1.0 million to grow our revenue and diversify into new business areas in line with our future strategies and plans highlighted under **Section 5.9** of this Prospectus.*

In particular, we plan to allocate RM0.5 million towards intensifying our sales and marketing efforts in palm oil producing countries as well es other egricultureI besed processing industries in South East Asia, the African continent and the Centrel end South Americen region. We intend to intensify our sales and merketing efforts by increasing our sales and marketing force, increasing the frequency of internetional marketing trips end participation in more exhibitions.

Apart from growing our geographical reach, we intend to spend RM0.5 million to enhance our expertise and explore opportunities in the eree of biomass power generation and other renewable energy, which we believe has good potentiel. For this purpose, we may enter into joint ventures or collaborative agreements with partners who have expertise in the erea of biomess power generation and other renewable energy.

(ii) Repayment of term loan

We intend to utilise approximetely RM2.5 million of the total gross proceeds from the Public Issue to part repay bank borrowings, the deteils of which are set out below:-

Lender	:	*Meleyen Banking Berhad*
Type of borrowing	:	*Term loan*
Purpose of borrowings	:	*To part finance the purchase of lend end building*
Outstanding balance as at the LPD	:	*4,401,096*
Interest rate	:	*Bese lending rate ("BLR") - 1.5%*
Terms of repayment	:	*180 instalments commencing from 1 February 2009*

3. PARTICULARS OF THE IPO (Cont'd)

Based on the prevailing interest rate of approximetely 5% (BLR less 1.5%), we expect to enjoy interest savings of approximately RM125,000 per ennum from this repayment of term loan.

(iii) Working capital

RM3.3 million of the proceeds has been eermarked to supplement the working capital requirements of our Group. The cash proceeds are to be used in our day-to-day operations such as the purchase of raw materials and equipment, payment of labour, installation and transportation cost as well as other overheads deemed necessary for the smooth running of our operations. We expect our working cepital requirements to increase in line with the increese in our order books and as we expand our business.

(iv) Estimated listing expenses

Any surplus in the actual listing expenses will be utilised for the working capital of our Group. Conversely, any deficit in the actual listing expenses will be funded from the portion allocated for working capital purposes. Please refer to ***Section 3.10*** *below, for the breekdown of our estimated listing expenses.*

The total cash proceeds earmarked for each of the purpose of the utilisation of proceeds are based on the respective total budgeted funds required by our Group to implement them. In the event that the proceeds are insufficient, the balance of the budgeted funds for each of the purposes will be fully funded by internally generated funds.

The aforesaid proceeds which are not utilised prior to their due dates shall be kept in interest bearing accounts with licensed financial institutions.

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

The Offer for Sale will raise total gross proceeds of RM4.46 million. All the proceeds from the Offer for Sale will be credited to the Selling Shareholders and we will not receive any part of the proceeds. The Selling Shareholders shall bear all expenses including registration and transfer fee relating to their respective portion of the Offer for Sale.

The effects of the utilisation of proceeds on our proforma consolidated balance sheets as at 31 October 2010 is reflected in **Section 10.2** of this Prospectus.

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3. PARTICULARS OF THE IPO (Cont'd)

3.10 ESTIMATED LISTING EXPENSES

Our Listing expenses are estimated to be approximately RM1.70 million, details of which are as follows:-

	RM'000
Professional fees	1,000
Fees to authorities	65
Estimated underwriting, placement and brokerage fees	270
Printing, advertising and issuing house fees	180
Contingencies	185
Total*	1,700

Note:-

* *Any surplus in the estimated listing expenses will be utilised for our Group's working capital purposes.*

3.11 DILUTION

Dilution is the amount of which the proforma consolidated NA per Share immediately after the IPO is less than the IPO Price to be paid for the Boilermech Shares. Our audited consolidated NA per Share as at 31 October 2010 was RM0.11. Pursuant to the Public Issue, our proforma consolidated NA per Share shall be RM0.13.

The following table illustrates such dilution on a per Share basis:-

	RM
IPO Price	0.33
Our audited consolidated NA per Share as at 31 October 2010	0.11
Increase in the audited consolidated NA per Share attributable to existing shareholders	0.02
Our proforma consolidated NA per Share after the IPO*	0.13
Dilution in proforma consolidated NA per Share to our new investors	0.20
Dilution in proforma consolidated NA per Share to our new investors as a percentage of the IPO Price	60.61%

Note:-

* *After adjusting for the effects of the utilisation of proceeds raised from the Public Issue.*

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3. PARTICULARS OF THE IPO (Cont'd)

Save as disclosed below, there has been no acquisition of any existing Shares in our Company by our Directors, key management, substantial shareholders or persons connected with them, or in which they have the right to acquire, during the past three (3) years prior to the date of this Prospectus.

	Total number of Shares pursuant to the Acquisition	Purchaaa consideration (RM'000)	Effectiva cash cost per Share (RM)
Substantial shareholders			
QLGR	90,381,818	9,038	0.10
Leong Yew Cheong	*46,474,412	4,647	0.10
Wong Wee Voo	*31,536,085	3,153	0.10
Key management / employees			
Tee Seng Chun	11,616,370	1,162	0.10
Gan Chih Soon	10,947,070	1,095	0.10
Lai Yee Kein	10,342,915	1,034	0.10
Law Chee Wong	8,502,340	850	0.10
Wong Poon Han	7,757,186	776	0.10
	Total number of Issue Shares	**Total consideration (RM)**	**Effective cash cost per Share (RM)**
Public investors	34,900,000	11,517,000	0.33

Note:-

* *Includes the transfer of twenty (20) Boilermech Shares by the nominee shareholders on 29 October 2010.*

3.12 BROKERAGE, UNDERWRITING AND PLACEMENT FEE

(i) Brokerage

We will bear the brokerage fee to be incurred on the sale of our Issue Shares at the rate of 1% of the Issue Price in respect of successful applications which bear the stamp of member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House. Brokerage fee with respect to the Offer Shares shall be fully borne by the Selling Shareholders.

(ii) Underwriting commission

Our Underwriter has agreed to underwrite 15,650,000 Issue Shares as set out in **Section 3.6.1(i)** and **Section 3.6.1(ii)** of this Prospectus. We will pay the Underwriter an underwriting commission at the rate of 2% of the total value of the underwritten Shares at the Issue Price. There will be no managing underwriter fees payable to OSK.

(iii) Placement fee

Our Placement Agent has agreed to place our IPO Shares, which comprise of:-

(a) 19,250,000 Issue Shares reserved for identified Bumiputera investors approved by MITI set out in **Section 3.6.1(iii)** of this Prospectus; and

(b) 13,500,000 Offer Shares reserved in the following manner as set out in **Section 3.6.2** of this Prospectus:-

(i) 9,000,000 Offer Shares reserved for identified Bumiputera investors approved by MITI; and

(ii) 4,500,000 Offer Shares reserved for identified investors.

We will pay our Placement Agent a placement fee at the rate of 1% and 2% of the value of the Shares placed out by our Group and the Placement Agent respectively. The placement fee to be incurred on the sale of 13,500,000 Offer Shares will be fully borne by our Selling Shareholders.

3.13 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We had on 28 March 2011 entered into an Underwriting Agreement with OSK, whereby OSK had agreed to underwrite the Issue Shares at the Issue Price based on some of the salient terms set out below.

The following terms are reproduced from the Underwriting Agreement. Unless otherwise stated, the capitalised terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement:-

"4. CONOITIONS PRECEOENT

4.1 Conditions Precedent

The obligations of the Underwriter under this Agreement are subject to the fulfilment of the following conditions precedent to the satisfaction of the Underwriter:

(a) upon the Company's application, the SC having approved the offering of the Underwritten Shares and the Prospectus;

(b) upon the Company's application, Bursa Securities agreeing in principle on or prior to the Closing Date to the admission of the Underwritten Shares to the Official List and the listing of and quotation for all the Underwritten Shares on the ACE Market or the Underwriter being reasonably satisfied that such admission, listing and quotation will be granted three (3) Market Days (or such other days as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents;

(c) upon the Company's application, the registration of the Prospectus with the SC in accordance with the requirements of the CMSA and the issuance by the SC of the relevant certificate of registration, if required;

(d) the lodgement of the Prospectus with the CCM;

(e) the Underwriter being satisfied with the arrangements of the Company to pay the Underwriting Commission;

(f) the Underwriter receiving the Company's board of directors' resolution which shall be in full force and effect and duly certified by a director and/or secretary of the Company as true and accurate and in the form and substance acceptable to the Underwriter in respect of the following:

(i) approving the Prospectus, this Agreement and the transactions contemplated by them;

3. PARTICULARS OF THE IPO (Cont'd)

(ii) authorising a person to sign and deliver this Agreement on behalf of the Company;

(iii) authorising the issuance of the Prospectus;

(g) this Agreement being duly signed by all parties and stamped;

(h) the IPO not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the IPO and/or listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE Market have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;

(i) the Underwriter being satisfied that the Company has complied with the policies, guidelines and requirements of the SC, Bursa Securities and other relevant authorities and all revisions, amendments and/or supplements thereto;

(j) there has been no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Company or the Company Group taken as a whole from that subsequent to the date of this Agreement;

(k) there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking in Clause 3 materially untrue or inaccurate or result in a material breach of this Agreement by the Company;

(l) the Underwriter receiving a certificate in the form or substantially in the form contained in Schedule 3 of this Agreement dated the Closing Date signed by a director of the Company for and on behalf of the board of directors stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 3 of this Agreement; and

(m) the approvals of the respective relevant authorities referred to in this Agreement remaining in full force and effect and that all conditions precedent to the approvals have been complied with.

If any of the foregoing conditions is not satisfied by the Closing Date, the Underwriter shall thereupon be entitled, subject to Clause 5 below, to terminate this Agreement by notice in writing to the Company and in that event the parties hereto shall, save and except for the fees (including legal fee on a solicitor and client basis), Underwriting Commission, costs and expenses incurred prior to or in connection with such termination, which are to be solely borne by the Company, be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriter may in its absolute discretion waive compliance with any provisions of this clause.

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3. PARTICULARS OF THE IPO (Cont'd)

5. TERMINATION

5.1 Notwithstanding anything herein contained, the Underwriter may at any time before the Listing Date by notice in writing to the Company terminate, cancel or withdraw its obligations under this Agreement if:

(a) there is any material breach by the Company of the representations, warranties or undertakings herein set out, which is not being capable of remedy or, if capable of remedy, is not remedied by the Company within thirty (30) days of written notice of such breach being given to the Company; or

(b) there is a failure on the part of the Company to perform any of its obligations herein contained or there occurs any event or there is discovered any fact, which renders and/or will render any of the representations, warranties or undertakings of the Company herein contained given as at the date hereof materially inaccurate, untrue or incorrect; or

(c) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of Company or Company Group or the success of the IPO; or

(d) there shall occur any event or series of events beyond the reasonable control of the Underwriter (including without limitation to acts of government, strikes, lockouts, fire, explosion, floods, civil commotion, viral outbreak, acts of war, sabotage, Acts of God including tsunami and epidemic) which has or is likely to have the effect of rendering any material part of this Agreement incapable of performance; or

(e) there shall have been such a change in national or international monetary, financial, political or economic conditions, or in exchange control or currency exchange rates or in any law, regulation, directive, policy or ruling in any relevant jurisdiction which renders it illegal for the Underwriter to perform its obligations herein; or

(f) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Company Group; or

(g) any matter which arose immediately before the date of the Prospectus, would have constituted a material and adverse omission in the context of the IPO; or

(h) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities or the FTSE Bursa Securities Kuala Lumpur Composite Index falling below 1,200 points and remaining below 1,200 points for three (3) consecutive Market Days between the date of this Agreement and the Listing Date, both dates inclusive; or

(i) there occurs any material litigation and/or legal proceedings taken by or proposed to be taken by or filed against the Company or its subsidiary outside its ordinary course of business which will have a Material Adverse Effect on the Company's financial position and reputation,

which, in the reasonable opinion of the Underwriter would have or can reasonably be expected to have, a Material Adverse Effect on, and/or materially prejudice the business or the operations of the Company Group as a whole, or the success of the IPO, or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

3. PARTICULARS OF THE IPO (Cont'd)

5.2 *Upon receipt of such notice of termination from the Underwriter by the Company in accordance with this Agreement, this Agreement shall be terminated and the obligations of the Underwriter under this Agreement shall be discharged accordingly whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement save and except that the Company shall remain liable for the payment of the Underwriting Commission and shall remain liable in respect of its obligations and liabilities under Clause 6.3 for the payment of costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies, and for any antecedent breach.*

The Underwriter shall have the rights to terminate this Agreement by notice in writing served on the Company in the event that the approval of Bursa Securities or the admission of the Company to the Official List of the ACE Market and for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE Market is withdrawn or procured but subject to conditions not acceptable to the Underwriter and upon such termination, the obligations of the Company and the Underwriter shall become null and void and none of the parties shall have a claim against each other and that each party shall return any monies paid to the other or others under this Agreement save for those paid and remaining payable under Clauses 2.7, 3.4 and 6.3 within three (3) Market Days of the receipt of such notice.

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4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINEO IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIOER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP. YOU SHOULO CAREFULLY CONSIOER THE RISKS AND INVESTMENT CONSIOERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINEO HEREIN IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT OECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULO CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL AOVISER.

THE RISKS ANO INVESTMENT CONSIDERATIONS SET OUT BELOW ARE NOT AN EXHAUSTIVE LIST OF THE CHALLENGES THAT WE CURRENTLY FACE OR THAT MAY DEVELOP IN THE FUTURE. ADDITIONAL RISKS WHETHER KNOWN OR UNKNOWN, MAY HAVE A MATERIAL AOVERSE EFFECT ON THE FINANCIAL PERFORMANCE OF OUR GROUP.

4.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

4.1.1 Dependence on the palm oil industry

We are dependent on the palm oil industry as we primarily supply boilers for use in palm oil mills. For the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010, customers operating in the palm oil milling industry contributed approximately 85.4%, 86.9%, 89.3% and 96.1% to our Group's total revenue respectively. Hence, our operations and financial performance may be adversely affected if the palm oil industry experiences a significant downturn which results in amongst others, lower palm oil production activities, fewer palm oil mills being built, lack of growth in new plantation acreage and shrinking demand for our repairs and maintenance services.

Notwithstanding the above, the Board believes that the production activities and growth in the palm oil industry is supported by the importance and global growth in demand for palm oil products and various government initiatives to promote sustainable palm oil development and biomass energy. In addition, we have also diversified our revenue stream to service other agricultural based processing industries such as sugar milling, rubber based manufacturing, food processing and palm oil refineries as set out in **Section 10.3.2** of this Prospectus.

While our Group is confident on the prospects of the palm oil industry and has the capability of servicing other agricultural based processing industries, there can be no assurance that any adverse change in the palm oil industry will not have a material adverse effect on our operations and financial performance.

4.1.2 Dependence on our Executive Directors and key management team

We believe that our Group's continued success will depend, to a significant extent upon the abilities, capabilities and continued efforts of our Managing Director, Leong Yew Cheong and our Executive Director, Wong Wee Voo as well as our key management, Tee Seng Chun and Gan Chih Soon, who are also the promoters of our Group. Our Group is led by these promoters and is managed by a team of qualified key personnel who have extensive knowledge and experience in the supply, design, manufacturing and installation of boilers, as well as the repairs and maintenance of boilers and provision of engineering solutions. The credentials of our Executive Directors and key management personnel are set out in **Section 7** of this Prospectus.

Accordingly, the loss of our Executive Directors or key management personnel without suitable and timely replacement may adversely affect our continued ability to compete effectively in the industry.

In recognising the importance of attracting and retaining suitably qualified personnel, we have put in place human resource strategies which include the adoption of succession planning for key positions and providing the employees with a variety of on-going training programmes to upgrade their knowledge and capabilities. However, we cannot provide any assurance that the above measures will be successful in attracting and retaining our key management/personnel or ensuring a smooth transition should changes occur.

4.1.3 Foreign exchange risk

For the FYE 30 April 2010 and the six (6) months FPE 31 October 2010, we recorded approximately 55.84% and 48.86% of our revenue from overseas markets respectively which are primarily denominated in USD. Some of our raw materials such as carbon steel tubes and plates are sourced from overseas and are also denominated in USD. These raw materials constitute approximately 16% and 19% of our Group's total purchases for the FYE 30 April 2010 and the six (6) months FPE 31 October 2010 respectively. To the extent that our revenue and purchases/costs incurred are not naturally matched in the same currency, our Group is exposed to foreign exchange fluctuations which may adversely affect our profitability.

In order to mitigate the above, we have procured a foreign exchange facility to hedge our overseas boiler manufacturing contracts denominated in USD for exposure of up to RM60 million. We use this facility to hedge the USD rates of our overseas boiler manufacturing contracts. As at the LPD, we have taken position of approximately RM35 million to hedge against the fluctuations of the USD. In addition, we also manage the foreign exchange risk by constantly monitoring market trends for the prices of overseas imported raw materials and foreign exchange fluctuations. For the past three (3) FYE up to 30 April 2010 and the six (6) months FPE 31 October 2010, we have not incurred any material losses arising from foreign exchange transactions.

Notwithstanding the above, there is no assurance that any foreign currency exchange fluctuations in the future will not adversely affect our Group's financial performance.

4.1.4 Availability and fluctuations in prices of raw materials

Our total cost of raw materials accounted for 79%, 80%, 76% and 72% of our total cost of sales for past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 respectively. Our products depend on obtaining adequate supply of raw materials of a particular quality at competitive prices and on a timely basis for our manufacturing needs. One of the major components of our raw materials is steel. The prices and supply of our raw materials such as steel tubes and plates are, among others, subject to fluctuations in commodity prices for steel, global economic conditions, demand from the end-user industries and availability of steel from steel manufacturers. A reduction in supply of any main raw materials may also lead to an increase in costs or result in disruptions to our planned procurement and/or fabrication schedule.

Nevertheless, our Board believes that the risk of fluctuations in prices of raw materials is mitigated by the following:-

(a) the impact of the price movement of the raw materials is manageable as the cost of the raw materials (particularly steel based raw materials) are generally imputed in our boiler manufacturing contract; and

(b) our management constantly monitors the market trend of commodity prices and foreign exchange fluctuations, and plan our purchases of steel based raw materials accordingly. Further details on the fluctuation of steel prices for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 are disclosed in **Section 10.3.3(c)** of this Prospectus.

In the event that we are unable to secure adequate supplies of raw materials of a particular quality at competitive prices and on a timely basis for our manufacturing needs, or there are significant fluctuations in the prices of raw materials, our business and financial performance may be adversely affected.

However, to date, we have not faced any major difficulties in obtaining our raw materials, which have had material adverse effect on our operations. Notwithstanding that, we cannot guarantee that any shortage of supply of raw materials in the future will not affect our business and operating results.

4.1.5 Unanticipated cost overruns and project delays

Our revenue is mainly derived from project-based contracts. Although we closely manage and monitor our project costs, costs overruns may arise during the boiler installation and commissioning stages as a result of unanticipated modification works. In addition, we may also incur additional costs to our projects arising from amongst others, unexpected delays by others at the project site. The occurrence of any such events may have an adverse impact on our financial performance.

However, we believe that the above risk is to a certain extent mitigated by our strong project management experience and engineering capabilities. For the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010, we have not experienced any material project cost overruns.

4.1.6 Non-performance of sales contract and warranty claims by our customers

The boilers manufactured by our Group must conform to and perform according to our customers' specifications as stated in each sales contract. In the event our boilers do not conform to the pre-agreed specifications or suffer from defective materials and workmanship, we will have to rectify the defects at our own cost resulting in reduced profitability. However, our warranty is limited to rectifying or replacing the defective material or defective part, and does not cover any consequential losses due to the breakdown of the boiler or the daily wear and tear of boiler parts.

Although we have not suffered any material losses as a result of non-performance of sales contract and have not been subject to product warranty claims, no assurance can be given that we will not be adversely affected by the above mentioned risk.

4.1.7 Dependence on contractors

We engage contractors for purposes of fabricating certain boiler components and parts in our manufacturing facility as well as installing our boilers (which involves structural works) at project sites. We outsource some of the fabrication and installation works to our contractors as we believe it is cost ineffective to maintain a large general labour workforce solely for the fabrication and installation works given that these works are on a project basis. By outsourcing some of these functions, we have the flexibility to project manage the fabrication and installation of the boilers without being constrained by the number of workers available at our premises or to be mobilized to site. Furthermore, we do not intend to be burdened by the human resource functions of managing a large general labour workforce such as applying for work permits, and submitting relevant documentation to mobilize them for our overseas projects.

Our operations may be adversely affected if we are unable to procure the services of these contractors in a timely manner, or if the contractors fail to perform their duties. However, we believe that the dependence on contractors is mitigated by the following:-

(a) we have established long term relationships with our contractors, who are reliable, have an established track record and are experienced;

(b) there are numerous suitably qualified contractors in the market; and

(c) the contractors are monitored and supervised by our QC inspectors and project engineers/site supervisors at our factory premises and the project site, respectively. In addition, we also undertake continuous review and evaluation to monitor the work in progress for each project to ensure timely completion and high quality delivery of projects, and that boilers installed at the site are deemed fit to be operational.

Although we have not previously experienced any major disruption to our operations as a result of our dependence on contractors, no assurance can be given that our Group will be able to procure such services from our contractors in a timely manner for our future projects.

4.1.8 Ability to secure new contracts

Our business is project-based. We therefore have to continuously and consistently secure new sales contracts to sustain our financial performance. There can be no assurance that we will be able to secure new contracts in the future. As such, our profitability and financial performance will depend on our ability to secure new projects on a regular basis. If we are unable to do so for any reason, our profitability and financial performance may be adversely affected.

4.1.9 Operational risks

We are susceptible to various operational risks such as accidents, outbreaks of fire or floods and/or other natural disasters which may cause loss of or damage to our boilers and/or significant damage to our warehouse, manufacturing facility and office, thus disrupting our business operations.

We seek to limit the above risks through the implementation of the following plans and risk management practices:-

(a) our facilities are equipped with the regulatory fire-fighting equipment such as fire extinguishers and/or hose reels. In addition, we also purchase fire insurance coverage on our properties and equipment as well as marine cargo insurance for the transport of our boilers to the project site;

(b) we review our insurance policies on a regular basis to ensure that there is adequate insurance coverage for our assets;

(c) our management also holds regular meetings and discussions to identify and mitigate any foreseeable problems in our business operations; and

(d) we ensure that our facilities, manufacturing plant and warehouse meet all safety requirements stipulated in various licenses issued by relevant authorities. We also conduct various in-house briefing on safety requirements to minimise the risks of industrial accidents in our facilities.

Notwithstanding the above, there is no assurance that we will not suffer any material adverse disruption to our operations or that our insurance coverage is sufficient to offset all potential losses arising from any of the events highlighted above.

4. RISK FACTORS (Cont'd)

4.1.10 Non-renewal and/or revocation of permits and licenses for our operations

We have obtained certain permits and licenses from various governmental authorities. Details of our permits and licenses are set out in **Section 5.8.11** of this Prospectus. Some of these permits, approvals, business licenses and accreditations are subject to periodic inspection, changes and/or fulfilment of certain conditions imposed by the relevant authorities, in particular DOSH. Failure to comply with the conditions imposed by the relevant authorities as set out in **Section 5.8.11** of this Prospectus may cause the Company's permit and licenses to be revoked/not renewed.

Revocation or non-renewal of our permits, approvals and business licences may have an adverse effect on our operations, business and reputation as we may lose certain customers and/or projects. This may result in substantial monetary losses, which would materially and adversely impact our Group's profitability. To date, our Company has not experienced any non-renewal and/or revocation of permits, approvals and business licences.

4.1.11 Change in political, economic and regulatory conditions

Adverse developments in the political, economic and regulatory conditions in Malaysia as well as other countries where we market our products and services could materially and adversely affect the financial and operational conditions as well as the overall profitability of our Group. These changes may include, but are not limited to the changes in general economic, business and credit conditions, political leadership, government legislations and policies affecting manufacturers, inflation, interest rates, risks of war, employment of foreign workers, renegotiation or nullification of existing contracts and methods of taxation.

For the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010, approximately 33%, 29%, 41% and 36% of our revenue contribution was from the Indonesian market respectively. Hence, our business and financial performance may be affected should there be any changes in Indonesia and our other overseas markets resulting in more stringent restrictions or unfavourable changes arising from trade restrictions or customs and tariffs.

Much of the above changes are beyond our control. Whilst we practice prudent financial management and efficient operating procedures, there can be no assurance that any adverse economic, political and regulatory developments will not materially affect the performance of our Group.

4.1.12 Competition

Our Group faces competition from existing competitors in the industry as well as new market entrants. However, our Board believes that the impact of competition from new entrants is mitigated by certain barriers to entry such as licensing requirements, track record of reliability and delivery of quality boilers, competent technical skills and knowledge to design, manufacture and install boilers, as well as high capital investment and working capital requirements.

Although we continually seek to maintain and adopt appropriate strategies to remain competitive, there can be no assurance that competition from existing competitors and/or new market entrants will not have a material adverse effect on our performance/ market share in the future.

4. RISK FACTORS (Cont'd)

4.1.13 Credit risk of our customers

Our financial performance is dependent, to a certain extent, on the creditworthiness of our customers. If circumstances arise that affect our customers' ability or willingness to pay us, we may experience payment delays or in more severe cases, we may not be able to collect payment. Accordingly, we would have to make allowances for doubtful debts, or incur debt write-offs, which may have an adverse impact on our profitability.

4.1.14 Future investment activities

We may from time to time invest in new machineries/equipment or new ventures which we believe to be beneficial to our Group or is synergistic with our current operations. Amongst others, part of the proceeds from our IPO as disclosed in **Section 3.9** of this Prospectus will be used to expand our manufacturing facility and diversify into new products and markets. Although we endeavour to exercise due care in assessing the risks and merits of investing in new equipment or new ventures, there is always the potential risk that the returns from these investments may require a longer than expected payback period or such investments may fail.

Although our Board and management will take active steps to mitigate such investment risks, there can be no assurance that all our future investments will yield positive returns and would not have any adverse effect on our future financial performance.

4.2 RISKS RELATING TO INVESTMENT IN OUR SHARES

4.2.1 No prior market for our Shares and possible volatility of Share prices

Prior to this IPO, there has been no public market for our Shares. Hence, there is no assurance that upon listing, an active market in our Shares will develop, or, if developed, that such a market will be sustained. The IPO Price was determined through our negotiation with our Directors and OSK, as Adviser, Sponsor, Underwriter and Placement Agent, after taking into account various factors. Please refer to **Section 3.5** of this Prospectus on the basis for the determination of the IPO Price.

There can be no assurance that the market price of our Shares will not decline below the IPO Price. We believe that a number of factors could cause our Share price to fluctuate, including but not limited to sales of substantial amounts of our Shares in the public market in the immediate future, announcements of developments relating to our business, fluctuations in our operating results, general industry conditions or the performance of the global economy.

4.2.2 Forward looking statements

This Prospectus contains forward-looking statements that are based on historical data, which may not be reflective of the future performance of our Group. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from future results. Although our Group believes that the expectations reflected in such forward-looking statements are reasonable at this point of time, we can give no assurance that such expectations will be justifiable. Whether or not such statements prove to be accurate would be dependent upon a variety of factors that may have an effect on the business and operations of our Group.

4.2.3 Trading price and volume of our Shares

The trading prices and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

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

4.2.4 Ownership and control by our existing shareholders

As disclosed in **Section 7.1.1** of this Prospectus, our Promoters will directly and indirectly, own in aggregate approximately 70.14% of our enlarged issued and paid-up share capital upon Listing. As a result, these shareholders, acting together will have voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our Group's shareholders, unless it is required that they abstain from voting either by law and/or by the relevant authorities.

Our Group has appointed two (2) independent directors to promote good corporate governance and transparency, and to ensure that any future transactions involving related parties are entered into on an arms-length basis and on terms which are not detrimental to our Group.

4.2.5 Failure or delay in our Listing

The success of our Listing is also exposed to the risk that it may fail or be delayed due to any of the following reasons, amongst others:-

(i) The eligible Directors, employees and business associates/persons who have contributed to the success of our Group fail to subscribe for the portion of Issue Shares allocated to them;

(ii) The identified investors under the private placement tranche fail to acquire the Issue Shares allocated to them;

(iii) The Underwriter exercising their rights pursuant to the Underwriting Agreement discharging themselves from their obligations thereunder; and/or

(iv) We are unable to meet the public shareholding spread requirements i.e. at least 25% of our entire enlarged issued and paid-up share capital must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each, at the time of Listing.

In the event that the Listing is unsuccessful or delayed due to amongst others, any of the above reasons, monies paid in respect of any application accepted from the IPO will be returned in full without interest in accordance with the provisions of sub-section 243(2) of the CMSA.

The above risks are mitigated by the following:-

(i) portion of the Issue Shares reserved for our eligible Directors, employees and business associates/persons who have contributed to the success of our Group are fully underwritten; and

(ii) Our Directors and OSK, as Adviser, Sponsor, Underwriter and Placement Agent, will endeavour to ensure that our Group is able to meet the public spread requirements by allocating the Issue Shares applied for by the Malaysian Public to the required number of public shareholders during the balloting process. The Issue Shares allocated to the Malaysian Public are fully underwritten.

4.2.6 Delay between admission and trading of the IPO Shares

After we have allocated and allotted our Shares to your CDS account with Bursa Depository, which would occur at least two (2) clear Market Days before the anticipated date for admission, it may not be possible for you to immediately recover monies paid in respect of the IPO Shares from us in the event that our admission and commencement of trading on the ACE Market of Bursa Securities do not occur. Delays in the admission and commencement of trading in shares on the ACE Market of Bursa Securities have occurred in the past. In order for us to return the monies to you in respect of the IPO Shares following the allocation in Bursa Depository, a reduction of our Company's capital would be necessary. This would require sanction of our shareholders by special resolution at a general meeting and the confirmation of the capital reduction by the High Court of Malaya.

Although the monies paid in respect of the IPO Shares will be returned in full without interest in accordance with the provisions of sub-section 243(2) of the CMSA, there can be no assurance that monies can be recovered within a short period of times.

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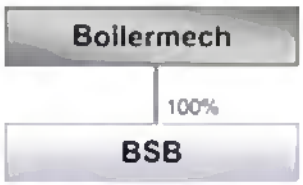
5. INFORMATION ON OUR GROUP

5.1 HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 8 April 2010 as a private limited company under the name Boilermech Holdings Sdn Bhd. Our Company was subsequently converted to a public limited company on 14 May 2010. BHB was incorporated to facilitate our Listing and commenced business as an investment holding company following the acquisition of BSB on 21 October 2010.

Our Group's corporate structure is as follows:-



The history of our Group can be traced back to September 2005 when our Executive Director, Wong Wee Voo and DNSB purchased BSB, an inactive company, to venture into and operate in the business of design and manufacturing of boilers. Our Executive Director, Wong Wee Voo brings with him approximately 24 years of experience in the boiler industry.

On 5 October 2005, we obtained registration from DOSH to manufacture boilers. Pursuant to the registration, we commenced business operations by collaborating with DNSB to design and manufacture boilers at a rented 5-acre site located in Taman Perindustrian Subang, Subang Jaya, Selangor Darul Ehsan ("Facility"). Leveraging on the experience and expertise of Wong Wee Voo and a team of newly recruited key management personnel, we secured our first boiler manufacturing contract worth approximately RM1.83 million in October 2005.

In the following month, we secured our first overseas boiler manufacturing contract worth approximately RM1.6 million from the Indonesian market.

Our Managing Director, Leong Yew Cheong subsequently joined us in June 2006. Leong Yew Cheong has approximately 31 years of experience in the boiler industry and has strong business contacts with customers operating in the palm oil industry and other end-user industries, as well as suppliers of spare parts and boiler components.

In July 2006, we secured a contract worth approximately RM11.1 million to manufacture two (2) boiler units of higher technical specifications in Indonesia. Each of the boilers supplies steam to generate 7.0 megawatts of electrical power. This is the first dedicated power generation biomass boiler designed and built by us.

In May 2007, we secured our first project worth approximately RM5.0 million for biomass cogeneration system (excluding turbine generator) comprising the fuel handling systems, boiler and water treatment systems.

In July 2007, we achieved another milestone by successfully securing a RM6.8 million contract to manufacture a biomass boiler with steam evaporation capacity of 130 tonnes per hour for a sugar mill in Indonesia. The biomass boiler remains to-date the largest boiler we have built in terms of capacity.

In January 2008, DNSB divested its shareholdings in BSB. DNSB was previously involved in fabrication works for the pressure vessels while we provided the design of the boilers and supervision of the manufacturing of the pressure vessels. As such, there were no material consequences as a result of DNSB's divestment. Consequently, we completed the purchase of the Facility in December 2008 and took on the manufacturing function previously performed by DNSB.

5. INFORMATION ON OUR GROUP (Cont'd)

In line with our strategy to expand our range of services, management focused on providing engineering solutions for major repairs and refurbishment work on existing/ageing boilers. We successfully secured our first major repair and refurbishment contract amounting to RM1.48 million in November 2009.

Indonesia currently represents our biggest export market accounting for approximately 41.0% and 36.4% of our total revenue for the FYE 30 April 2010 and the six (6) months FPE 31 October 2010 respectively. To tap into the growth potential of the Indonesian market and strengthen our market presence there, we appointed PT Agrindo Putra Lestari as our first non-exclusive foreign marketing agent in January 2010. We have also expanded our export markets to include Ivory Coast, Sri Lanka, Thailand and the Solomon Islands.

In October 2010, QLGR became our strategic investor by acquiring a 40.5% equity interest in BSB. The entry of QLGR is expected to complement our strategies and capabilities in the development of biomass renewable energy. QLGR is part of the QL group of companies. The QL group is a diversified resource and agricultural based group with one of its activities being development of palm biomass fuel processing. The QL group has the capability and technical know-how in the handling of palm biomass fuel, and palm biomass characteristics and applications. This is expected to enable us to widen and enhance the application of our boilers and allow us to explore the potential in the biomass and boiler technology. QLGR also complements our corporate strategy and planning as well as assists in our risk management practices. By leveraging on the resources and expertise of both companies, we believe that we can increase our capability to participate in more biomass renewable energy projects.

Having only started as a new entrant in the boiler manufacturing industry in 2005, we have grown to establish ourselves as a reputable and reliable boiler manufacturing company with the capability of providing boiler repair and refurbishment services. Under the drive and stewardship of our Managing Director, Leong Yew Cheong and Executive Director, Wong Wee Voo coupled with the commitment and dedication of our team of experienced management personnel, we are presently ranked as one of the largest boiler manufacturers in Malaysia[1]. Since the commencement of our business up to the LPD, we have secured boiler manufacturing contracts from both local and overseas markets totalling approximately RM505.41 million for the design and manufacture of 187 boilers. Although we primarily serve the palm oil milling industry, we have also designed and manufactured boilers for other agricultural based processing industries such as sugar milling, rubber based manufacturing, food processing and palm oil refineries.

Note:-

(1) Source: Independent Market Research Report by Frost & Sullivan.

5.2 SHARE CAPITAL

As at the date of this Prospectus, we have an authorised share capital of RM50,000,000, comprising 500,000,000 ordinary shares of RM0.10 each and an issued and paid-up share capital of RM22,310,000 comprising 223,100,000 ordinary shares of RM0.10 each.

The details of the changes in our issued and paid-up share capital since incorporation until the date of this Prospectus are as follows:-

Date of allotment	No. of Shares	Par value (RM)	Consideration	Total issued and paid-up share capital (RM)
8 April 2010	20	0.10	Cash/ Subscribers' Shares	2
21 October 2010	223,099,980	0.10	Shares issued pursuant to the Acquisition	22,309,998

5. INFORMATION ON OUR GROUP (Cont'd)

As at the date of this Prospectus, we do not have any outstanding warrants, options, convertible securities or uncalled capital. Upon completion of the Public Issue, our enlarged issued and paid-up share capital will be RM25,800,000 comprising 258,000,000 ordinary shares of RM0.10 each.

5.3 SUBSIDIARY AND ASSOCIATE COMPANIES

We are an investment holding company with only one (1) subsidiary as set out below:-

Subsidiary	Date/ Place of incorporation	Date of commencement of business	Issued and paid-up share capital (RM)	Effective equity interest (%)	Principal activities
BSB	10 May 1980/ Malaysia	October 2005	500,000	100.00	Design, manufacture, install and commission biomass boilers, boiler repair and refurbishment services and provision of engineering solutions for biomass boilers

Further details on our subsidiary, BSB is set out in **Section 5.6** of this Prospectus. As at the date of this Prospectus, we do not have any other subsidiaries and any associate companies.

5.4 KEY ACHIEVEMENTS/ MILESTONES

Our Group's key achievements/milestones since incorporation are as follows:-

Month/Year	Key Achievements/Milestones
October 2005	Secured our first biomass boiler manufacturing contract worth RM1.83 million.
November 2005	Secured our first overseas biomass boiler manufacturing contract worth approximately RM1.6 million from the Indonesian market.
July 2006	Secured a RM11.1 million contract to manufacture two (2) boiler units of higher technical specifications in Indonesia. Each of the boilers supplies steam to generate 7.0 megawatts in power. This is the first dedicated power generation biomass boiler designed and built by us.
May 2007	Secured our first project worth approximately RM5.0 million for biomass cogeneration system (excluding turbine generator) comprising the fuel handling systems, boiler and water treatment systems.
July 2007	Secured a RM6.8 million contract to manufacture a biomass boiler with the boiler capacity of 130 tonnes per hour for a sugar mill in Indonesia. The biomass boiler has the largest boiler capacity built by us to-date.
December 2008	Purchased the existing premises located at Lot 875, Jalan Subang 8, Taman Perindustrian Subang, 47620 Subang Jaya, Selangor Darul Ehsan.
November 2009	Secured our first major repair and refurbishment contract amounting to RM1.48 million.
January 2010	Appointed PT Agrindo Putra Lestari as our first non-exclusive foreign marketing agent in Indonesia.
October 2010	QL became a strategic shareholder of our Group.

5. INFORMATION ON OUR GROUP (Cont'd)

5.5 LOCATION OF OPERATIONS

(i) Operational facilities and principal assets

Our Group's operational and administrative facilities are located as follows:-

Company	Purpose	Location of Operations
BSB	Administrative office and manufacturing facility	Lot 875, Jalan Subang 8 Taman Perindustrian Subang 47620 Subang Jaya Selangor Darul Ehsan

Details of the ownership of the abovementioned property are set out in **Section 5.8.16** of this Prospectus.

(ii) Registered office

Our Company's registered office is at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

5.6 INFORMATION ON OUR SUBSIDIARY

(i) History and Business

BSB was incorporated under the Act on 10 May 1980 as a private limited company under the name of Boilermech Sdn Bhd. BSB has been relatively inactive since incorporation and only actively commenced the business of boiler design and manufacturing in October 2005.

(ii) Share Capital

The authorised and issued and paid-up share capital of BSB is as follows:-

	No. of shares	Par value (RM)	Amount (RM)
Authorised	500,000	1.00	500,000
Issued and paid-up	500,000	1.00	500,000

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

Date of Allotment	No. of shares	Par value (RM)	Consideration	Cumulative Total (RM)
10 May 1980	5	1.00	Subscribers' shares	5
20 July 1981	99,995	1.00	Cash	100,000
5 March 2007	400,000	1.00	Cash	500,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital of BSB.

5. INFORMATION ON OUR GROUP (Cont'd)

(iii) Shareholder

BSB is our wholly-owned subsidiary. The changes in the shareholdings of BSB for the past three (3) years up to the LPD are as follows:-

Shareholders	As st 1 Msrch 2008				As st 1 Msrch 2009				As st 1 Msrch 2010				As st the LPD			
	<------Direct----->		<----Indirect------>		<-----Indirect----->		<-----Indirect----->		<-------Indirect------>		<----Indirect----->		<-----Indirect------>		<-----Indirect---->	
	No. of shsres	%	No. of shsres	%	No. of shsres	%	No. of shsres	%	No. of shares	%	No. of shares	%	No. of shsres	%	No. of shsres	%
Leong Yew Cheong[(a)]	140,000	28.00	-	-	140,000	28.00	-	-	129,500	25.90	-	-	-	-	[(b)]500,000	100.00
Wong Wee Voo[(a)]	95,000	19.00	-	-	95,000	19.00	-	-	85,500	17.10	-	-	-	-	[(b)]500,000	100.00
Tee Seng Chun	12,500	2.50	-	-	12,500	2.50	-	-	20,625	4.13	-	-	-	-	-	-
Gan Chih Soon	12,500	2.50	-	-	12,500	2.50	-	-	20,625	4.13	-	-	-	-	-	-
Lai Yee Kein	10,000	2.00	-	-	10,000	2.00	-	-	13,000	2.60	-	-	-	-	-	-
Law Chee Wong	7,500	1.50	-	-	7,500	1.50	-	-	12,375	2.48	-	-	-	-	-	-
Wong Poon Han	7,500	1.50	-	-	7,500	1.50	-	-	12,375	2.48	-	-	-	-	-	-
Loh Foo	15,000	3.00	-	-	15,000	3.00	-	-	13,500	2.70	-	-	-	-	-	-
Foong Peng Foo	200,000	40.00	-	-	200,000	40.00	-	-	192,500	38.50	-	-	-	-	-	-
QLGR[(a)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[(b)]500,000	100.00
QL[(a)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[(c)]500,000	100.00
CBG[(a)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[(d)]500,000	100.00
Farsathy[(a)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[(d)]500,000	100.00
Boilermech	-	-	-	-	-	-	-	-	-	-	-	-	500,000	100.00	-	-

Notes:-

(a) Substantial shareholders of Boilermech.
(b) Deemed interested by virtue of their substantial shareholdings in Boilermech pursuant to Section 6A of the Act.
(c) Deemed interested by virtue of its substantial shareholdings in QLGR pursuant to Section 6A of the Act.
(d) Deemed interested by virtue of its substantial shareholdings in QL pursuant to Section 6A of the Act.

5. INFORMATION ON OUR GROUP (Cont'd)

Estimated cash cost

The shareholders of BSB and their estimated cash cost per share are as follows:-

Shareholders	No. of BSB shares	Estimated purchase consideration for BSB shares (RM'000)	Upon completion of the Acquisition			[2]Estimated cash cost per share (RM)
			Purchase consideration for Boilermech Shares (RM'000)	Issue price (RM)	No. of Boilermech Shares	
QLGR	202,559	29,168	9,038	0.10	90,381,818	0.32
Leong Yew Cheong	104,156	208	4,647	0.10	[1]46,474,412	[3]
Wong Wee Voo	70,677	37	3,153	0.10	[1]31,536,085	[3]
Tee Seng Chun	26,034	355	1,162	0.10	11,616,370	0.03
Gan Chih Soon	24,534	302	1,095	0.10	10,947,070	0.03
Lai Yee Kein	23,180	316	1,034	0.10	10,342,915	0.03
Law Chee Wong	19,055	297	850	0.10	8,502,340	0.03
Wong Poon Han	17,385	237	776	0.10	7,757,186	0.03
Loh Foo	12,420	15	554	0.10	5,541,804	[3]

Notes:-

(1) *Includes the transfer of twenty (20) Boilermech Shares by the nominee shareholders on 29 October 2010.*

(2) *The estimated cash cost per share is calculated based on the estimated purchase consideration for BSB shares divided by the number of Boilermech Shares received upon completion of the Acquisition.*

(3) *Negligible.*

(iv) Subsidiary and Associate Companies

As at the LPD, BSB does not have any subsidiary or associate companies.

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5. INFORMATION ON OUR GROUP (Cont'd)

5.7 INFORMATION ON LISTING SCHEME

In conjunction with, and as an integral part of our listing of and quotation for the entire issued and paid-up share capital of our Company on the ACE Market of Bursa Securities, the details of our Listing Scheme are as follows:-

(i) Acquisition

On 21 October 2010, Boilermech entered into a share sale and purchase agreement with the Vendors of BSB, for the acquisition of their entire equity interest in BSB for a purchase consideration of RM22,309,998, which was fully satisfied by the issuance of 223,099,980 new Boilermech Shares at an issue price of RM0.10 each.

The Acquisition resulted in the following Vendors exchanging their respective stakes in BSB for a proportionate stake in our Company as set out below:-

	Existing shareholding in Boilermech prior to the Acquisition		Shareholdings of the Vendors in BSB		Upon completion of the Acquisition		
Vendors	**No. of shares**	**%**	**No. of shares**	**%**	**No. of Boilermech Shares to be received**	**Purchase consideration (RM'000)**	***%**
QLGR	-	-	202,559	40.51	90,381,818	9,038	40.51
Leong Yew Cheong	-	-	104,156	20.83	^46,474,412	4,647	20.83
Wong Wee Voo	-	-	70,677	14.13	^31,536,085	3,154	14.13
Tee Seng Chun	-	-	26,034	5.21	11,616,370	1,162	5.21
Gan Chih Soon	-	-	24,534	4.91	10,947,070	1,095	4.91
Lai Yee Kein	-	-	23,180	4.64	10,342,915	1,034	4.64
Law Chee Wong	-	-	19,055	3.81	8,502,340	850	3.81
Wong Poon Han	-	-	17,385	3.48	7,757,186	776	3.48
Loh Foo	-	-	12,420	2.48	5,541,804	554	2.48
Total	**-**	**-**	**500,000**	**100.00**	**223,100,000**	**22,310**	**100.00**

Notes:-

* *Based on the issued and paid-up share capital of our Company of 223,100,000 Boilermech Shares i.e. before the Public Issue.*

^ *Includes the transfer of twenty (20) Boilermech Shares by the nominee shareholders on 29 October 2010.*

The purchase consideration of RM22,309,998 for the Acquisition was arrived at based on a willing-buyer willing-seller basis after taking into consideration the unaudited NA of BSB as at 31 August 2010 of RM22,306,458 after adjusting for the fair value of BSB's property. The property was valued by the Directors based upon a valuation carried out by Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuers, and resulted in a net revaluation surplus of approximately RM4.861 million.

The Acquisition was completed on 21 October 2010.

5. INFORMATION ON OUR GROUP (Cont'd)

(ii) Offer for Sale

In conjunction with our Listing, 13,500,000 Offer Shares representing 5.23% of our enlarged issued and paid-up share capital of our Company will be offered to identified investors and Bumiputera investors approved by MITI at an offer price of RM0.33 per Boilermech Share subject to the terms and conditions of this Prospectus as follows:-

Selling Shareholders	No. of Offer Shares	% of the enlarged issued and paid-up share capital	Proceeds raised (RM)
Leong Yew Cheong	6,000,000	2.33	1,980,000
Wong Wee Voo	4,000,000	1.55	1,320,000
Lai Yee Kein	2,000,000	0.78	660,000
Law Chee Wong	500,000	0.19	165,000
Wong Poon Han	500,000	0.19	165,000
Loh Foo	500,000	0.19	165,000
Total	**13,500,000**	**5.23**	**4,455,000**

Pursuant to the Offer for Sale, the Selling Shareholders are expected to raise approximately RM4.46 million based on the Offer Price of RM0.33 per Boilermech Share.

(iii) Public Issue

In conjunction with the Listing, Boilermech proposes to undertake a public issue of 34,900,000 new Boilermech Shares, representing 13.53% of the enlarged issued and paid-up share capital of Boilermech, at an Issue Price of RM0.33 per Boilermech Share to be allocated in the following manner:-

(a) 19,250,000 new Boilermech Shares, representing 7.46% of the enlarged issued and paid-up share capital of Boilermech, by way of private placement to identified Bumiputera investors approved by MITI;

(b) 8,000,000 new Boilermech Shares, representing 3.10% of the enlarged issued and paid-up share capital of Boilermech made available for application by the Malaysian Public through a balloting process, of which 50% is to be set aside strictly for Bumiputera investors; and

(c) 7,650,000 new Boilermech Shares, representing 2.97% of the enlarged issued and paid-up share capital of Boilermech reserved for eligible directors, employees and business associates/ persons who have contributed to the success of our Group.

All the Issue Shares and Offer Shares shall rank *pari passu* in all respects with the existing issued and paid-up shares of our Company, including the voting rights and rights to all dividends and distributions that may be declared, made or paid subsequent to the date of the allotment thereof.

(iv) Listing

The admission and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM25,800,000 comprising of 258,000,000 Boilermech Shares on the ACE Market of Bursa Securities will be sought.

5. INFORMATION ON OUR GROUP (Cont'd)

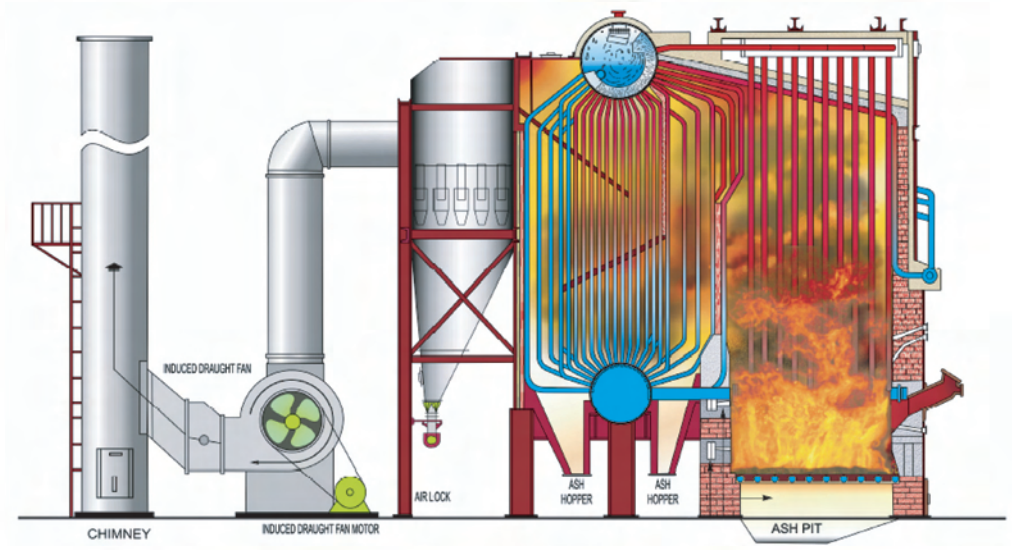
5.8 BUSINESS OVERVIEW

5.8.1 Our Products and Services

(a) Design, manufacture, installation and commissioning of biomass boilers

We design, manufacture, install and commission biomass boilers of various capacity and pressure based on the needs and technical requirements of our customers, which are predominantly in the palm oil milling industry. Apart from the palm oil milling industry, our customer base also includes those from the agricultural based processing industries such as sugar milling, rubber based manufacturing, food processing and palm oil refineries.

Biomass boilers are an integral part of palm oil mills and other agricultural based processing industries. Biomass boilers generate steam which drives turbines that generate electricity to power the operations of the mill/plant. In the case of palm oil mills, steam generated by the boilers is also used to sterilize and cook fresh fruit bunches. Hence, any downtime in the biomass boilers will materially disrupt the business operations/processing activities of the palm oil mill or plant.



Cross sectional view of a typical biomass boiler

Picture of an installed and commissioned boiler

Leveraging on the experience and technical expertise of our key management, we are able to design and manufacture boilers to cater for different biomass fuel sources such as palm waste (i.e. palm fibre, shells and empty fruit bunches), wood waste, bagasse, rice husk and other agricultural wastes and also customise our boiler solutions to meet various engineering and site constraints.

Typically, the design and manufacturing process spans a duration of between eight (8) to ten (10) months and the installation and commissioning phase takes between four (4) to six (6) months, depending on the size and features of the boiler. There are no specific types or category of biomass boilers manufactured by us as the principal mechanics of biomass boilers are the same. Biomass boilers can be differentiated in terms of size (i.e. boilers with steam evaporation capacity ranging from ten (10) tonnes per hour to up to 130 tonnes per hour) and by design parameters which is determined by our client.

The manufacturing of boilers is carried out at our factory premises. Upon delivery of the boilers to the site, our dedicated onsite supervisors and project engineers will then manage and supervise the entire onsite installation and commissioning phase prior to handover to our customers.

To date, we have manufactured boilers with steam evaporation capacity ranging from ten (10) tonnes per hour to up to 130 tonnes per hour. We have also manufactured boilers for the supply of steam to generate up to seven (7) megawatts of electrical power. We believe that we have the expertise and capability to design and manufacture boilers of a larger capacity and higher technical specification, however, this would depend on our customers' requirement.

(b) Repairs and refurbishment services as well as provision of engineering solutions for biomass boilers

We provide boiler repair services that include replacement of boiler tubes, superheaters, air preheaters and economizers to boilers of various makes apart from those manufactured by us. We have the capability to provide engineering solutions and modifications for boilers of various makes. We also provide engineering solutions for the integration of biogas burning systems into biomass boilers.

As part of our repairs and refurbishment services, we are also able to manufacture the following boiler components and parts for our customers:-

- pressure vessels
- steam sootblower
- auto fuel feeding system
- drum steam separator
- superheater
- air preheater
- economiser
- fixed grate stoker
- moving grate stoker
- fuel retrieval system

We also procure and supply boiler components and spare parts such as valves, gauges, dust collector cones, furnace fire bars and other boiler components requested by our customers on an ad-hoc basis.

5. INFORMATION ON OUR GROUP (Cont'd)

5.8.2 Our Principal Markets

Our principal markets comprise local and overseas markets. For the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010, our revenue by geographical markets is as follows:-

Geographical markets	FYE 30 April						FPE 31 October 2010	
	2008		2009		2010			
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Local	**28,185**	**65.56**	**36,009**	**60.03**	**43,623**	**44.16**	**31,075**	**51.14**
Overseas:-								
Indonesia	*14,121*	*32.85*	*17,404*	*29.01*	*40,504*	*41.00*	*22,115*	*36.40*
Ivory Coast	-	-	*59*	*0.10*	*13,456*	*13.62*	*3,214*	*5.29*
Thailand	*53*	*0.12*	*4,391*	*7.32*	*985*	*1.00*	*2,536*	*4.17*
Cambodia	-	-	-	-	*55*	*0.05*	*1,344*	*2.21*
Solomon Islands	-	-	*2,046*	*3.41*	*66*	*0.07*	*438*	*0.72*
Sri Lanka	*617*	*1.44*	*(1)*	-	-	-	-	-
Others[2]	*11*	*0.03*	*82*	*0.13*	*94*	*0.10*	44	0.07
Total overseas	**14,802**	**34.44**	**23,982**	**39.97**	**55,160**	**55.84**	**29,691**	**48.86**
Total revenue	**42,987**	**100.00**	**59,991**	**100.00**	**98,783**	**100.00**	**60,766**	**100.00**

Notes:-

(1) Negligible.
(2) Includes amongst others, Myanmar and Colombia.

Indonesia is currently our largest overseas market and is expected to remain as our largest export market moving forward. In addition, we also intend to expand and strengthen our market presence in other countries in South East Asia, the African continent as well as the Central and South American region.

Thus far, our geographical expansion plans have been mainly focused on moving in tandem with our existing customers who are seeking expansion outside of Malaysia and South East Asia. We believe this to be the best strategy to diversify into foreign markets whilst minimising credit risk.

5.8.3 Seasonality

Our Group does not experience any material seasonality in our business. Our business is mainly contract based and is hence dependant on the length of time taken to complete the project from the design stage to delivery and commissioning of the boilers at the project site.

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5.8.4 Our competitive strengths

We operate on a platform that enables us to sustain as well as provide future growth for our business. Our competitive strengths are as follows:-

(a) Experienced management team

Our Managing Director, Leong Yew Cheong and Executive Director, Wong Wee Voo as well as our key management personnel such as Tee Seng Chun and Gan Chih Soon, who are also our promoters, have played a vital role in growing our business. They have between fourteen (14) years to thirty one (31) years of experience and knowledge in the boiler industry. More importantly, their leadership, technical know-how and strong business contacts within the palm oil industry has enabled us to grow into one of the leading boiler manufacturers in Malaysia within a relatively short period of time.

Our Promoters are also ably supported by a set of experienced and dedicated management and technical personnel team. Please refer to **Section 7** of this Prospectus for the profile of our Directors and key management and technical personnel.

(b) Established track record and reputation

Having only started in the boiler manufacturing industry in 2005, we have grown to establish ourselves as a reputable and reliable boiler manufacturing company with the capability of providing boiler repair and refurbishment services.

Since the commencement of our business up to the LPD, we have secured contracts both locally and overseas worth approximately RM505.41 million to manufacture 187 boilers. We have not recorded any instances of major boiler downtime upon site installation and commissioning. Our Board believes that such achievement has been a result of the technical expertise, design quality and stringent supervision from the production process all the way to project installation and commissioning of the boiler at the location site.

(c) Ability to provide customised design and engineering solutions

We design and manufacture biomass boilers of various capacity and pressure based on the needs and technical requirements of our customers. We continuously strive to design boilers which are easy to maintain, compact and reliable. More importantly, we are also able to provide customised design and engineering solutions to meet various engineering and site constraints for boilers of various makes and for boilers used in a variety of end-user industries.

(d) Timely delivery and commitment to project completion

Our team of key management and technical personnel consist of project engineers and experienced site supervisors who are assigned to each project will ensure timely delivery and installation of the boilers at site within the stipulated timeline/deadline set out in the boiler manufacturing contract or unless otherwise varied and mutually agreed upon with our customers. We adopt a proactive and hands-on approach from the design and fabrication of the boiler all the way to delivery and installation at the project site. Our strength and experience in project management coupled with our engineering capabilities enable us to execute projects efficiently.

5. INFORMATION ON OUR GROUP (Cont'd)

(e) Commitment to after sales service and support

As at the LPD, we have three (3) dedicated personnel who are assisted by nineteen (19) project personnel from our project management and planning division for our after sales service and support team. By capitalising on their knowledge and technical expertise, we are able to respond promptly to requests from existing customers, thus minimising disruptions to customers' mill and production operations. The response time for each request from our customers may vary, depending on the quantum or technical specification of the said complication/concern/request.

Post completion of the installation and commissioning of the boiler, our after sales service and support team will continues to provide assistance and advice to our customers to further enhance the efficiency of the boiler system and to prevent any onsite boiler downtime.

(f) Strength of the palm oil industry and ability to serve other agricultural based processing industries

We supply biomass boilers primarily for the palm oil industry. We believe that the production activities and growth of the palm oil industry is well supported by global growth in demand for palm oil products as well as government initiatives to promote sustainable palm oil development and biomass energy. Our ability to cater to this industry will enable us to pursue further opportunities in line with the development and growth of the palm oil industry.

Apart from the palm oil industry, we are also able to manufacture biomass boilers for a wide range of agricultural based processing industries such as sugar milling, rubber based manufacturing, food processing and palm oil refineries. We are hence able to diversify our revenue stream and to tap into different market segments for revenue growth and profitability.

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5.8.5 Types, sources and availability of raw materials/ input

For the six (6) months FPE 31 October 2010, our main purchases of raw materials for our manufacturing operations are as follows:-

	Purchase value	% of total purchases	Supply source	
	(RM'000)	(%)	Local (%)	Import (%)
Carbon steel tubes, plates and pipes	6,835	18	43	[(a)]57
Mild steel and stainless steel plates and other products	2,797	7	100	-
Parts, valves and fittings	3,091	8	100	-
Instruments and equipment[(b)]	6,878	17	95	[(c)]5
Refractory and insulation material	2,118	5	100	-
Electrical system and wiring	1,701	4	100	-
Steel structures and structural works	4,647	12	100	-
Hardware and consumables	1,763	4	100	-
Others[(d)]	2,466	6	100	-
Third party services				
Fabrication work for pressure vessels	1,374	4	100	-
Installation works at site	5,708	15	46	54
Total	**39,378**	**100**	**81**	**19**

Notes:-

(a) Imported source mainly from Japan and Germany.
(b) Includes fans, motors, turbines and pumps
(c) Imported source mainly from Indonesia.
(d) Includes cast metal products and water treatment system.

The primary raw materials used in the manufacturing of boiler systems consist of carbon steel tubes, plates and pipes, mild steel structures, instruments and equipment. Most of these materials are sourced from a number of local suppliers. We also import carbon steel plates and tubes through local trading agents. Thus far, we have not experienced any material shortages in sourcing the above materials for our operations.

The prices of our raw materials, particularly steel tubes and plates are dependent on global steel prices. Further information on the fluctuation in raw material prices is set out in **Section 4.1.4** of this Prospectus.

5.8.6 Technology used or to be used

Some of the relevant technologies employed by us in our operations include the following:-

(a) Combustion technology

Combustion technology is the fundamental element in boiler design where fuel is burned in the furnace and the heat transferred to the water in the boiler at its optimum level with minimal heat loss. The technology is core to boiler designing and it is an integral part of a boiler system.

5. INFORMATION ON OUR GROUP (Cont'd)

We have extensive experience and technical know-how in the integration and application of this technology into our boiler systems.

(b) Fabrication processes

In our production operations, we fabricate pressure parts such as steam/water drums, headers, superheaters, tubes and pipes, as well as non-pressure parts using the following technology/processes:-

(a) Roll forming processes

Roll forming is a continuous metal forming process, in which rolling machines are used to shape steel plates into cylindrical shapes as the steel plates moves through the machine. A roll forming machine consists of a sequence of rollers located on the top and bottom of the machine.

(b) Welding technology

The welding process is a metal forming process which ensures that two metals are formed and joined strongly with the use of filter material and molten pool.

We currently employ the following arc welding procedures in the welding of the boiler fittings and parts:-

- Tungsten Inert Gas welding (TIG)
- Submerged arc welding (SAW)
- Shield metal arc welding (SMAW)
- Flux cored welding
- MIG welding

(c) Other fabrication processes such as tube bending, cutting and drilling.

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5. INFORMATION ON OUR GROUP (Cont'd)

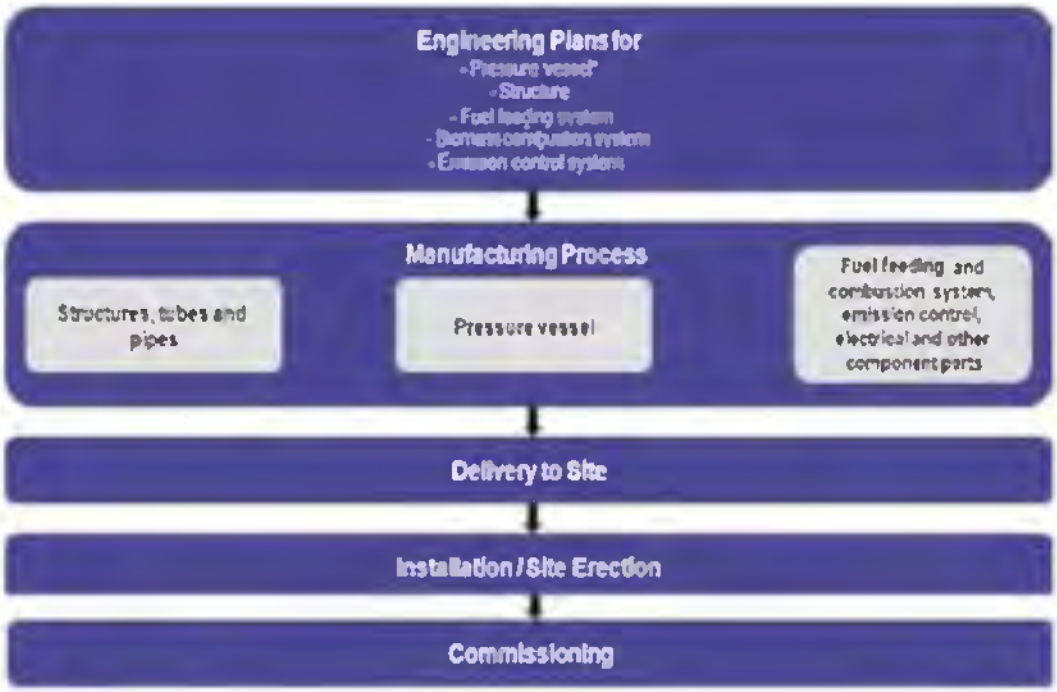
5.8.7 Production/ operating capacity and output

Our business is mainly contract based and each boiler takes approximately one (1) year on average to complete from the design stage to delivery and commissioning at the project site. The timeline for the completion of the fabrication process for each boiler may vary, depending on the size and technical specifications of the boiler, the delivery date of the boiler and the customer's site readiness. Therefore, it is difficult for us to ascertain/estimate the annual production capacity and the utilisation rate of our factory given that conventional measure of capacity may not be relevant to our operations.

Based on our past track record and our plant's current production schedule, we have been able to deliver up to a maximum of five (5) boilers per month with evaporation capacity ranging from fifteen (15) tonnes per hour to seventy (70) tonnes per hour at our factory which has a total covered area of approximately 4,756 square metres. Our production capacity and/or fabrication works is partly limited by our manufacturing floor area. As such, we believe that our expansion efforts will increase our production floor area by approximately 2,378 square metres and is expected to enable us to deliver up to an additional three (3) boilers per month (with evaporation capacity ranging from fifteen (15) tonnes per hour to seventy (70) tonnes per hour) as disclosed in **Section 3.9** of this Prospectus.

5.8.8 The process flow of our business operations

The stages/processes of our business operations for the manufacturing, installation and commissioning of the boilers are depicted as follows:-



Note:-

* *Prior approval required from DOSH.*

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5. INFORMATION ON OUR GROUP (Cont'd)

(a) Designing /Engineering planning

Our design engineers will work closely with our customers to identify their boiler requirements and technical specifications. Based on our customers' requirements and specifications, our design engineering team will formulate and design the engineering drawings and plans for pressure vessel, structures, fuel feeding system, combustion system and emission control system, which collectively forms the blueprint of the entire boiler system.

We presently design our boiler engineering plans/designs in accordance to the engineering codes, BS codes or ASME codes as prescribed under the FM Act. Our engineering plans/designs for pressure vessels are required to be submitted to DOSH for their approval prior to its fabrication. We also submit our engineering plans/designs to the Department of Environment for approval pursuant to the Environmental Quality (Clean Air) Regulations 1978.

(b) Manufacturing

Upon receipt of the approval from DOSH on pressure vessel engineering plans/designs, we will proceed with the following boiler manufacturing stages:-

(i) Fabrication of pressure parts such as pressure vessels, headers tubes and pipes

We fabricate the following pressure parts at our factory premises:-

(a) Pressure vessels that include water/steam drums, headers and superheaters;
(b) Bent tubes and pipes; and
(c) Integral tubes and pipes.

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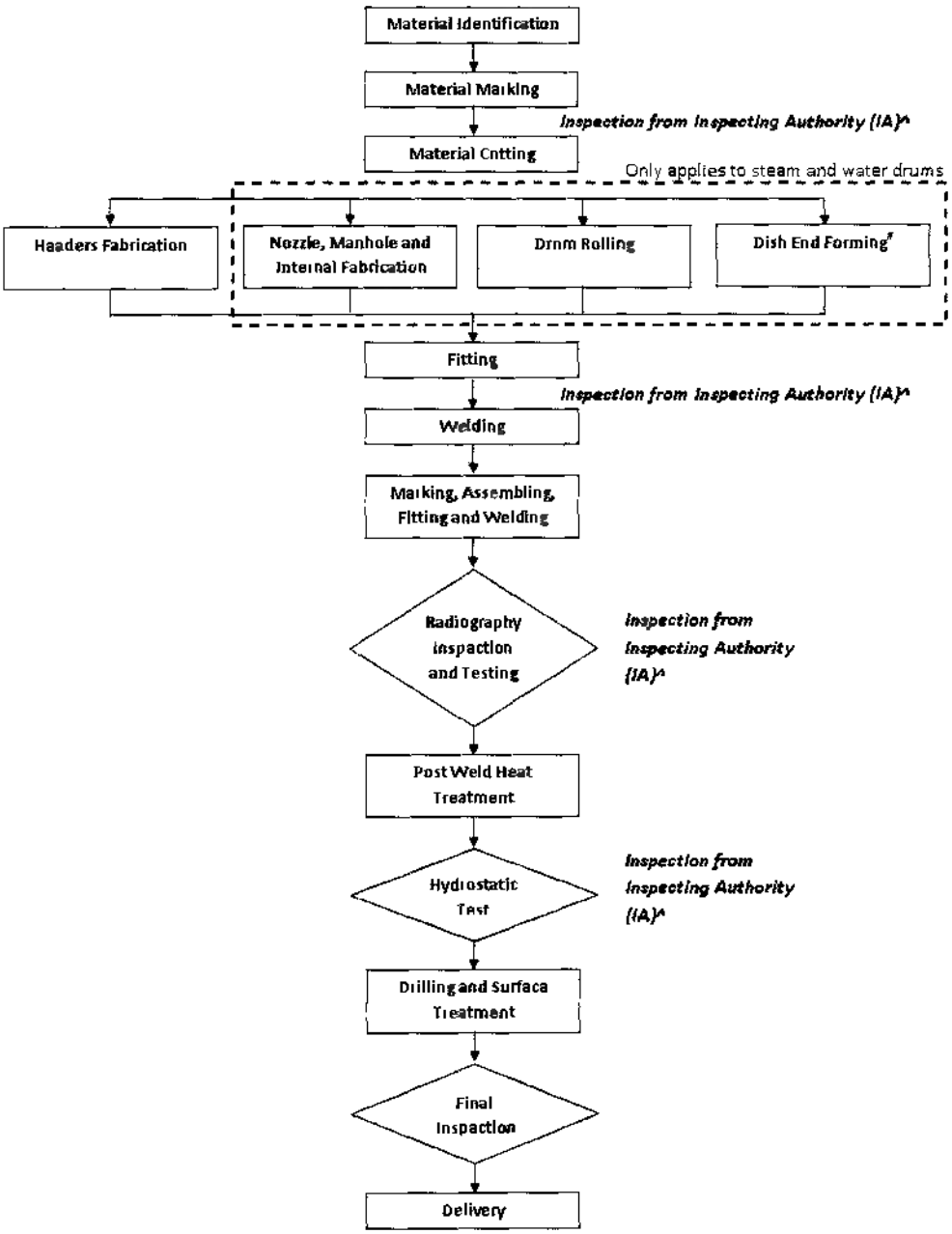
5. INFORMATION ON OUR GROUP (Cont'd)

The production process of the fabrication of pressure vessels are as follows:-



Notes:-

^ *Third party inspection body which has been pre-approved under the FM Act*

\# *The forming and shaping of our dish ends are carried out by our contractors at their premises.*

(1) Upon receipt of the raw materials, our QC inspectors will carry out inspections on the raw materials particularly on the steel plates, tubes and pipes. Our QC inspectors will ensure that the raw materials are free from defects and are accompanied with mill certification, indicating the specification of the raw material prior to fabrication.

(2) The raw materials will be marked, cut, rolled, fitted and welded into various parts of the pressure vessels as per engineering plans. Our QC inspectors will carry out dimensional and welded part fit-up checks as well as monitor the WPS being used for the fabrication of the said pressure vessel parts.

(3) An independent inspection authority/body registered as IA will perform the above QC functions at this juncture.

(4) The welded parts and fittings will then be assembled, fitted and welded together to form the pressure vessels.

(5) The welded area of the pressure vessels will undergo non destructive tests such as radiographic test, ultrasonic test, and magnetic particle/dye penetration inspection. A sample of the welded specimen will be sent for destructive tests. All these tests are carried out to ensure that there are no flaws in the welding works made on the pressure vessels. The test results will be enclosed in our MDR for the IA to review and endorse at the end of the fabrication process.

(6) Subsequent to the above tests on the welded areas, the pressure vessels will then undergo post weld heat treatment (if applicable) subject to engineering code requirements. The heat treatment is to relieve the residual stresses in the weldings.

(7) Hydrostatic test will be carried out on the pressure vessels to ensure that there is no leakage and flaws on the pressure vessel as well as to ensure that it can tolerate the maximum allowable pressures as prescribed under the engineering codes.

(8) The IA will witness the hydrostatic test and review the reports stated in item 2, 5 and 7 of the pressure vessel fabrication processes, which are enclosed in the MDR.

(9) Prior to the despatch for painting and delivery, the tube holes will be marked, checked and drilled on the pressure vessel.

(10) Our QC inspectors will carry out a final inspection on the pressure vessels to ensure that it complies with the specifications of the engineering plans. The IA will issue a certificate of conformity to certify the material and fabrication of the pressure vessels are in compliance to the engineering codes.

(ii) Fabrication of non-pressure parts such as structures, fuel feeding and combustion system and emission control

The fabrication of non-pressure parts are carried out by our contractors in accordance to our engineering plans.

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(c) Installation at site

We have a team of dedicated onsite supervisors and project engineers to monitor the installation of the boilers, which are carried out by our contractors.

Pursuant to the completion of the installation of the boilers, our onsite supervisors and project engineers will carry out hydrostatic test and steam tests on the assembled boiler system. Please refer to **Section 5.8.9** of this Prospectus for further details of the said tests.

The above tests will be conducted in the presence of the officers from DOSH for the issuance of the CF for the boilers. In addition to the above, we have to ensure that written approvals are obtained from the Department of Environment for the erection and installation of boiler combustion systems, dust collecting system and chimneys pursuant to the Environmental Quality (Clean Air) Regulations 1978.

(d) Commissioning

The boiler is deemed fit to be operational upon the receipt of the CF. Our on-site supervisors and project engineers will then proceed to handover the boiler system operations to our customers.

Typically, the design and manufacturing process spans a duration of between eight (8) to ten (10) months and the installation and commissioning phase takes between eight (4) to six (6) months, depending on the size and features of the boiler. The manufacturing of boilers is carried out at our factory premises. Upon delivery to the site, our dedicated onsite supervisors and project engineers will then manage and supervise the entire onsite installation and commissioning phase prior to handover to our customers.

5.8.9 Quality control and quality assurance

We presently adopt the following standards as part of our design and manufacturing process as prescribed under the FM Act:-

- ASME standards; and
- BS standards.

The above standard generally dictates the rules and procedures pertaining to materials, designs, application, fabrication, inspection, tests and reports.

In addition, we also engage independent inspection authority/body registered as Inspecting Authorities under the FM Act to carry out QC inspections at specific intervals of our fabrication processes to ensure conformance to the regulations and requirements set out under the FM Act particularly pertaining to the designs, raw materials, method of fabrication and workmanship. We generally engaged Lloyd's Register Technical Services Sdn Bhd and ABS Consulting (Malaysia) Sdn Bhd as the IA for our projects.

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The quality assessments and tests carried out during our fabrication and commissioning stages to ensure the safety and quality of our boilers are as follows:-

Fabrication stage

Reports / Certificate	Description
Manufacturing Data Record	Our QC Inspectors will maintain a MDR that sets out the history of the material origin, fabrication process, inspection reports and test results carried out on the pressure vessel.
Certificate of conformity	The IA will issue this certificate declaring the conformance pertaining to the designs, raw materials, method of fabrication and workmanship as prescribed under the engineering codes.

Commissioning stage

Tests	Description
Hydrostatic test	Pressure test conducted on the assembled and installed boiler.
Steam test	Steam test conducted to ensure functionality of the safety devices of the boiler.

Note:-

The above tests are conducted in the presence of the officers from DOSH for the issuance of the CF for the boilers.

5.8.10 Modes of marketing and distribution

We primarily utilise the direct distribution strategy in marketing our range of products and services that include design, manufacture, installing and commissioning of biomass boilers, boiler repair and refurbishment services as well as provision of engineering solutions for biomass boilers.

We predominantly supply our products and services to the palm oil milling industry. Apart from the palm oil industry, our customer base also includes those from the sugar milling industry, rubber based manufacturers, food processing and palm oil refineries.

We utilise the following marketing strategies to sustain and expand our business:-

(i) Direct marketing and selling

Our direct marketing and selling is mainly driven by our Managing Director, Leong Yew Cheong, Executive Director, Wong Wee Voo and our General Manager, Tee Seng Chun. Our Executive Directors and key management personnel have been involved in the boiler manufacturing industry for many years, and thus have a large network of contacts.

These Directors are responsible for securing contracts for our Group. We leverage on our reputation of providing reliable/ quality products and our track record has become an effective way of selling.

(ii) Agency development

We have recently appointed PT Agrindo Putra Lestari as our marketing agent for the Indonesian market on a non-exclusive basis on 1 January 2010. The agent will be responsible for marketing our products and services in Indonesia.

5. INFORMATION ON OUR GROUP (Cont'd)

In the six (6) months FPE 31 October 2010, we managed to secure eight (8) boiler manufacturing contracts amounting to approximately RM16.06 million vide PT Agrindo Putra Lestari, which represents approximately 29.62% of the total value of the boiler manufacturing contracts secured in the financial period.

(iii) Leveraging on our customer base

We have been expanding our market presence overseas by leveraging on our existing customer base and business contacts who are seeking expansion outside of Malaysia and South East Asia. We believe this to be the best strategy to diversify into foreign markets whilst minimising credit risk.

(iv) Exhibitions and trade fairs

We also participate in several exhibitions and trade fairs to create awareness on our products and to expand our market presence geographically.

To date, we have participated in the following exhibitions:-

Date	Organiser	Exhibition	Venue
21-23 May 2008	Bimatama Inka	World Palm Oil Summit and Exhibition 2008	Jakarta, Indonesia.
15 – 16 December 2008	MPOB	2008 National Seminar on Palm Oil Milling, Refining Technology Quality and Environmental	Kota Kinabalu, Sabah, Malaysia
29 – 31 October 2009	Palm Oil Asia (Fireworks)	Asia's Largest Palm Oil Exhibition at the Heart of the Palm Oil Industry	Medan, Indonesia
9 – 12 November 2009	MPOB	2009 Malaysian Palm Oil Board International Palm Oil Congress (2009 PIPOC)	Kuala Lumpur, Malaysia
27-28 September 2010	MPOB	2010 National Seminar on Palm Oil Milling, Refining, Environment and Quality.	Kota Kinabalu, Sabah, Malaysia

In addition, we organised a marketing trip to Colombia, South America in September 2009 to explore the prospects and opportunities in the South American region.

Our sales and marketing efforts are focused on four (4) target groups:-

(i) Plantation companies

Plantation companies have a tendency of generating repeat orders as the companies may expand their estate acreage locally and in foreign countries.

(ii) Engineering consultancy firms/ turnkey contractors

Turnkey contractors/engineering consultancy firms are typically employed by the palm oil milling industry and agricultural based processing industries to undertake turnkey construction projects for their mills or plants.

(iii) Individual standalone palm oil millers

(iv) Agricultural based processing companies

Our sales strategies are tailored to suit the requirements of the abovementioned groups.

5. INFORMATION ON OUR GROUP (Cont'd)

5.8.11 Approvals, major licences and permits obtained

Details of major business licenses, permits and approvals applicable to our Group as at the LPD are as follows:-

Company	Approving/ laauing authority	Type of approvals/ licencea/ permits	Date of issuance/ validity	Licence/ certificate no.	Equity and other major conditions imposed	Status of compliance
BSB	MITI	Manufacturing license for the manufacturing of biomass steam boiler and related components effective from 10 February 2010	Effective from 11 February 2010/ Until and unless revoked	Licence No. A017505 Serial No. A029780	(a) Any sale of shares in BSB must be notified to MITI. (b) BSB is required to train Malaysian citizens so as to channel a transfer in technology and skills in all levels and positions. (c) BSB is required to carry out the approved activities in accordance with all applicable laws and regulations.	Complied
BSB	MITI	Manufacturing licence for the activity of refurbishing of steam boiler effective from 26 April 2010	Effective from 27 April 2010/ Until and unless revoked	Licence No. A017505 Serial No. A029934	(a) Any sale of shares in BSB must be notified to MITI. (b) BSB is required to train Malaysian citizens so as to channel a transfer in technology and skills in all levels and positions. (c) BSB is required to carry out the approved activities in accordance with all applicable laws and regulations.	Complied
BSB	DOSH	Renewal of registration as a boiler equipment manufacturer effective from 13 January 2011	18 January 2011/ 13 January 2011 – 12 January 2013	Registration No. BT21/474	(a) All boiler designs to be reviewed by a certified body approved by the Department. (b) Design approval to be obtained from the Design Section of the Industrial Safety Department (Seksyen Rekabentuk, Bahagian Keselamatan Industri, Jabatan Keselamatan & Kesihatan Pekerjaan) prior to the commencement of manufacturing works. (c) All welding work needs to comply with the WPS approved by a certified body approved by the Department. (d) All boilers have to be inspected by a certified body approved by the Department. (e) BSB must comply with the requirements of the FM Act and the Occupational Safety and Health Act 1994.	Complied

5. INFORMATION ON OUR GROUP (Cont'd)

5.8.12 Brand names, patents, trademarks, licenses, technical assistance agreements, franchises and other intellectual property rights

We have submitted our application to the Intellectual Property Corporation of Malaysia ("MyIPO") for the registration of the following marks on 6 September 2010.

Logo	Company	Class	Description
BOILERMECH BOILERMECH	BSB	11	Accumulators (Heat), Accumulators (Steam), Ash boxes (Furnace), Boilers (other than parts of machines), Burners; all included in Class 11
		16	Advertisement boards of paper or cardboard, announcement card (stationery), booklets, books, calendars, catalogues, clipboards, envelopes (stationery), folders for papers, folders (stationery), forms (printed), graphic representations, graphic reproductions, magazines (periodicals), newsletters, printed matter; all included in Class 16
		37	Boiler installation, maintenance and repairs; all included in Class 37
	BSB	11	Accumulators (Heat), Accumulators (Steam), Ash boxes (Furnace), Boilers (other than parts of machines), Burners; all included in Class 11
		16	Advertisement boards of paper or cardboard, announcement card (stationery), booklets, books, calendars, catalogues, clipboards, envelopes (stationery), folders for papers, folders (stationery), forms (printed), graphic representations, graphic reproductions, magazines (periodicals), newsletters, printed matter; all included in Class 16
		37	Boiler installation, maintenance and repairs; all included in Class 37

Note:-

The abovementioned marks are currently pending registration by MyIPO.

Save for the above, our Group does not have any other brand names, patents, trademarks, licenses, technical assistance agreements, franchises and other intellectual property rights.

Further details of our Group's major licenses and certifications are set out in **Section 5.8.11** of this Prospectus.

5.8.13 Dependency on patents, intellectual property rights, licenses, industrial, commercial or financial contracts or new manufacturing processes

Save for the licenses as disclosed in **Section 5.8.11** of this Prospectus, we are not highly dependent on any other patents, intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes that could materially affect our business or profitability.

5.8.14 R&D

We do not carry out any specific R&D nor have we put in place a formal R&D plan or policy. Our R&D efforts are focused on continuously improving the efficiency of our biomass boilers and internal production processes based on the performance of our boilers and equipment installed at site.

Our continuous R&D efforts are important in enabling us to achieve the following:-

(i) increase efficiency, effectiveness and productivity of our boilers in order to lower production cost;

(ii) provide competitive advantage for our company in terms of providing customised design and engineering solutions for our customers; and

(iii) reduce defects and increase quality and reliability of our products and services.

We did not recognise any expenditure for R&D activities for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010, as we do not have any designated R&D staff given that all our R&D activities were mainly related to internal process improvement and product improvement/refinement.

5.8.15 Interruptions in business

We have not experienced any material interruption to our business, which has had significant effects on our operations for the past twelve (12) months preceding the date of this Prospectus.

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5. INFORMATION ON OUR GROUP (Cont'd)

5.8.16 Information on property, plant and equipmant

Our Group currently owns the following land and buildings:-

Ragistered owner/ Beneficial owner	Title details/ Addreas	Deacription/ Existing uae	Tenure	Date of isauanca of certificate of fitnesa for occupation	Land area/ grosa built-up area (aqusre metres)	Expreas condition/ Rastriction in interest	Encumbrancea	Market value (RM'000)/ Date of valuation	Audited net book value as at 31 October 2010 (RM'000)
BSB	HSM230, PT875, Mukim of Damansara, Locality of Sungai Penaga, District of Petaling and State of Selangor Darul Ehsan/ Lot 875, Jalan Subang 8, Taman Perindustrian Subang, 47620 Subang Jaya, Selangor Darul Ehsan	Two (2) single storey factories with one being annexed to a three (3) storey office building / Administrative office and factory	99 years, expiring on 2 September 2068	26 August 2010	Land area: 20,407.28 square metres Built-up area: 7,200 square metres	Industrial use/ The land cannot be transferred without written consent from the state authority	Charged to Malaysian Banking Berhad	16,900/ 30 August 2010	16,833

The above mentioned subject property has been revalued by an independent firm of valuers, being Messrs Raine & Horne International Zaki + Partners Sdn Bhd, at a total market value of RM16.9 million, which resulted in a net revaluation surplus (net deferred tax) of approximately *RM4.86 million. The net revaluation surplus has been incorporated in our latest audited financial statements for the six (6) months FPE 31 October 2010. The valuation of the above subject property does not require the approval from the SC. Please refer to **Section 12** of this Prospectus for the Valuation Certificate for further details of the above subject property.

Note:-

* *The net revaluation surplus of approximately RM4.86 million was derived at after taking into consideration the uneudited net book value of BSB as at 31 August 2010 of approximately RM10.42 million and after adjusting for the deferred tax of 25%.*

Currently, our Group does not rent any properties.

Breach of By-Laws or Approved Land Uaa

To the best of the knowledge of the Board, the above property is not in any breach of land-use conditions and complies with the current statutory requirements, land rules and building regulations.

5.8.17 Information on material plant and equipment

The material plant and equipment of our Group as at 31 October 2010 are set out below:-

Machineries/ Equipment	Units	Net book value as at 31 October 2010 (RM)
Bending and rolling machines	4	413,200
Overhead travelling cranes	4	196,879
Welding machines	27	299,530
Drilling machines	9	73,820
Cutting machines	11	132,048
Forklift	2	55,600
Mobile crane	1	135,000
Others[1]	5	57,244

Note:-

(1) Includes hydraulic pump, hydraulic punching machine, grooving tools, baking oven and air compressor.

Save as disclosed above, none of our machineries and equipment are individually material to disclose separately.

The audited net book value for all our machineries and equipment as at 31 October 2010 is approximately RM1.36 million.

Save for the utilisation proceeds earmarked for the increase in production capacity as disclosed in **Section 3.9** of this Prospectus, our Board is of the opinion that our Group has sufficient capacity to meet the current and anticipated level of demand and will continue to monitor the capacity requirements to ensure that our Group's operations run smoothly. The above plant and equipment is used for our production capacity and output as explained in **Section 5.8.7** of this Prospectus.

5.8.18 Regulatory requirement and environmental issue

Our Group believes that we are in compliance in respect of all the regulatory requirements and environmental issues which may materially affect our Group's operations and/or utilisation of assets as disclosed in **Section 5.8.11** and **Part 1.10** of **Section 6** of this Prospectus. As at the LPD, our Group is not aware of any environmental proceedings or investigations to which we are or might become a party to.

5.8.19 Material plans to construct, expand or improve facilities

Save as disclosed in **Section 3.9** of this Prospectus, our Group has no immediate plans to construct, expand or improve on our existing facilities.

5.8.20 Acquisitions of properties during the two (2) years preceding the date of this Prospectus

Save for the land and buildings as disclosed in **Section 5.8.16** of this Prospectus, there were no properties acquired by our Group during the last two (2) years preceding the date of this Prospectus.

5. INFORMATION ON OUR GROUP (Cont'd)

5.8.21 Major customers

Our major customers contributing more than 5% of our total revenue for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 are as follows:-

FYE 30 April 2008

Major customers	% of total revenue
Sarawak Plantation Agriculture Development Sdn Bhd	15.10
Boustead Estate Agency Sdn Bhd	9.71
Mindo Trade Sdn Bhd	7.81
Minsec Engineering Services Sdn Bhd	5.42
Kuala Lumpur Kepong Berhad	5.29
Kunak Refinery Sdn Bhd	5.21
PT Adei Plantation & Industry	5.20

FYE 30 April 2009

Major customers	% of total revenue
Tradewinds Plantation Management Sdn Bhd	8.74
PT Hujan Hijau Mas	6.67
Kilang Minyak Sawit Tg. Tualang Sdn Bhd	5.12

FYE 30 April 2010

Major customers	% of total revenue
Wilmar Trading Pte Ltd	10.63
Minsec Engineering Services Sdn Bhd	9.14
Sime Darby Plantation Sdn Bhd	6.51

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5. INFORMATION ON OUR GROUP (Cont'd)

FPE 31 October 2010

Major customers	% of total revenue
PT Rea Kaltim Plantations	7.52
Wilmar Trading Pte Ltd	5.13

Save for Minsec Engineering Services Sdn Bhd and Wilmar Trading Pte Ltd as highlighted above, we do not have repeat customers contributing more than 5% of our total revenue for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010. The nature of our business is such that we are not overly dependent on any major customer for our business as the boiler manufacturing contracts are on a project basis whilst repair and refurbishment services are on an ad-hoc basis.

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5. INFORMATION ON OUR GROUP (Cont'd)

5.8.22 Major suppliers

The top ten (10) suppliers of our Group for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 are listed below:-

Name	Country of origin	Types of materials supplied	Approximate length of relationship as at the LPD (years)	% of total purchases			
				FYE 30 April			FPE 31 October 2010
				2008	2009	2010	
Klang Cathay Engineering Sdn Bhd	Malaysia	Fabrication of structures	5	13	10	10	10
Sumikin Bussan Corporation	Japan	Carbon steel tubes and plates	4	19	17	9	7
Ann Joo Metal Sdn Bhd	Malaysia	Carbon steel plates, mild steel	5	3	9	6	7
Soon Hoe Hardware Sdn Bhd	Malaysia	Hardware, mild steel	5	2	2	5	5
DNSB	Malaysia	Fabrication work for pressure vessels	5	17	10	5	*
Vibran Engineering Sdn Bhd	Malaysia	Industrial fans	5	3	3	4	2
Refracon Sdn Bhd	Malaysia	Insulation materials, bricks and tiles	5	3	6	3	4
PT Surya Jinggatama Mas	Indonesia	Site installation	5	3	1	2	4
Merge Jati Engineering Sdn Bhd	Malaysia	Site installation	5	2	2	2	3
Ri Sheng Engineering	Malaysia	Fabrication works for pressure vessel	3	-	-	2	3

Note:-

* *Negligible.*

We have a close working relationship with our major suppliers as evidenced by the length of our relationship with our suppliers spanning three (3) to five (5) years. However, we believe that we are not overly dependent on any particular supplier as we are able to source raw material from alternative suppliers, if required. In general, we procure our raw materials based on the pricing, availability/lead time for delivery and quality of the raw materials with the intention of broadening our base of suppliers. As at the LPD, our Group has not experienced any major supply interruptions or shortages for any of the raw materials used.

5.9 STRATEGIES, FUTURE PLANS AND PROSPECTS

5.9.1 Future strategies/ plans

In order to achieve growth and maintain our competitive strength, our Group intends to utilise the following strategies as part of our future plans for the next five (5) years:-

(a) **Intensify efforts to expand our business in the palm oil industry in Indonesia, East Malaysia and other emerging palm producing countries**

The palm oil sector in Indonesia has expanded rapidly to become a prime component of the nation's economy. Indonesia is currently the world's largest producer of CPO, with 18.6 million tonnes of CPO in 2009. Oil palm plantations have expanded at a rate of 275% from 1995 to 2009, triggered by high returns, easy availability of land, and the Government's provision of low-cost capital.

(Source: Independent Market Research Report by Frost & Sullivan)

We believe that Indonesia will increasingly become a key market for us, with the increase in palm oil mills to process harvested crops. We have recently appointed PT Agrindo Putra Lestari as our marketing agent (non-exclusive) in Indonesia to help us secure more boiler manufacturing contracts from mill owners and plantation companies. We believe that this will be a successful partnership.

The palm oil plantation in Malaysia is spread across Peninsular Malaysia and East Malaysia, with the latter growing at a faster pace. Between 1985 and 2009, the palm oil plantation in East Malaysia grew by 1058.6% (from 190,000 hectares to 2,201,346 hectares) compared to the 92.7% (from 1,292,399 hectares to 2,491,212 hectares) growth in Peninsular Malaysia. Between 2000 and 2009, the total palm oil mills in East Malaysia grew by 63.7% (65 mills) compared to the 0.4% (1 mill) growth rate in Peninsular Malaysia.

(Source: Independent Market Research Report by Frost & Sullivan)

As the prospects for the establishment of new mills in East Malaysia appear more promising than Peninsular Malaysia, we aim to market new boilers to palm oil mills in East Malaysia.

In addition to the above, we plan to expand our geographical reach to other emerging palm producing countries in the African continent and the Central and South American region given the favourable prospects in those areas as highlighted in **Part 1.16.3** and **Part 1.16.4** of **Section 6** of this Prospectus within the next three (3) years. Thus far, our geographical expansion plans have been mainly focused on moving in tandem with our existing customers who are seeking expansion outside of Malaysia and South East Asia. We believe this to be the best strategy to diversify into foreign markets whilst minimising credit risk. However, we hope to also market our boilers directly to foreign-owned companies once we build relationships and gain a better understanding of the markets overseas.

(b) **Expand our coverage to other agricultural based processing industries**

Apart from the palm oil industry, we also serve other agricultural based processing industries such as sugar milling, rubber based manufacturing, food processing and palm oil refineries. For the FYE 30 April 2010 and the six (6) months FPE 31 October 2010, revenue contribution from this business segment was approximately RM10.6 million and RM3.0 million representing 10.7% and 5.0% of our total revenue respectively.

As at October 2010, there were approximately 348 rubber based processing companies, 176 plywood mills, 10 cocoa grinding plants and 4 sugar mills in operation across Malaysia. While some of these industries generate waste which can be utilized as biomass, many factories within this industry also depend on non-renewable fossil fuel for their industrial boilers. The Government's move to gradually reduce fossil fuel subsidy over the coming years will likely have a positive impact on the adoption of biomass fuel in the agricultural processing and manufacturing sector in Malaysia.

(Source: Independent Market Research Report by Frost & Sullivan)

As we already have the capability to design and manufacture boilers to suit other forms of biomass fuel such as wood waste, bagasse, rice husk and other agricultural waste, we plan to channel some of our Public Issue proceeds towards intensifying sales and marketing efforts to target the above mentioned end user industries, both locally and overseas. For the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010, we have served two (2) customers in the rubber based processing industry, two (2) customers in the food processing industry, three (3) customers in the palm oil refineries and one (1) customer in the sugar milling industry, both locally and overseas.

As we do not have a large presence in the agricultural based processing industries, we plan to increase our sales and marketing force and participate in more trade exhibitions to tap into the potential opportunities available in this market segment within the next three (3) years.

(c) Increase contribution from repairs and refurbishment services

The palm oil industry in Malaysia is relatively mature and has been in place for more than twenty (20) years. As such, there are close to 416 palm oil mills in Malaysia, some of which may have been in operation for a long time and is potentially in need of repair and maintenance. This business segment represents a significant opportunity for our Group to offer boiler repair and refurbishment services, replacement of boilers and the provision of engineering solutions for biomass boilers.

Repair and refurbishment services currently contribute approximately RM9.85 million and RM3.33 million or close to 10% and 5% of our total revenue for the FYE 30 April 2010 and the six (6) months FPE 31 October 2010 respectively. We intend to grow this market segment within the next three (3) years as it commands higher profit margins compared to our design and manufacturing operations. We will continue to build our track record and reputation in the boiler repairs and refurbishment service by focusing on servicing our existing customer base as well as leverage on our large network of business contacts.

(d) Increase production capacity

As mentioned under **Section 3.9** of this Prospectus, we plan to utilise in aggregate RM3.0 million of our Public Issue proceeds towards increasing our production capacity. In particular, we have earmarked RM2.5 million for the expansion, upgrading and refurbishment of our production facilities and RM0.5 million for the purchase of equipment and machineries. Our expansion efforts will increase our production floor by approximately 2,378 square metres and is expected to enable us to deliver an additional three (3) boilers per month (with evaporation capacity ranging from fifteen (15) tonnes per hour to seventy (70) tonnes per hour).

Our increased production capacity will enable us to support the existing and growing demand for our boilers as we increase our market presence both locally and overseas.

(e) Continue on product innovation to improve efficiency and safety aspects of our boilers

We believe that the improvement in the efficiency, reliability and safety of our boilers lie in the application of combustion technology which is an on-going process. We shall continuously strive to improve on our design capability and introduce customised equipment and parts to suit such designs. In order to achieve this, we will continue to ensure that our design staff are kept abreast with the latest technological and product developments, engineering concepts and principles by encouraging our design staff to perform literature research on the boilers in the markets, and attend trainings and conferences.

We believe this will improve our profit margins, while at the same time, the increased innovation and customisation is expected to strengthen our position in the market.

(f) Develop biomass power generation and biomass renewable energy opportunities

We have earmarked some of our Public Issue proceeds towards enhancing our expertise and exploring opportunities in the area of biomass power generation and biomass renewable energy within the next five (5) years.

Among the various renewable energy resources such as hydro power and solar energy, biomass energy is a renewable energy with significant potential due to the abundant availability of oil palm and other agriculture waste, and the technological know-how to harness this resource. We also believe biomass power generation and biomass renewable energy has good potential underpinned by various government initiatives outlined under the 10th Malaysia Plan and the Economic Transformation Program ("ETP") to promote renewable energy. Please refer to **Part 1.16** of **Section 6** of this Prospectus for further details on the prospects of the biomass power generation industry.

For this purpose, we have been identifying and exploring opportunities to enter into joint ventures or collaborative agreements with partners who have expertise in the area of biomass power generation and biomass renewable energy. In addition, we have also been expanding our team to tap into the growth opportunities by recruiting project engineers with the relevant technical expertise and experience.

5.9.2 Prospects of our Group

Premised on our future plans and strategies as highlighted above, our key competitive strengths as highlighted in **Section 5.8.4**, the prospects and the outlook of the industry as set out in **Part 1.16** of **Section 6** and the state of our order book as disclosed in **Section 10.3.1** of this Prospectus, our Board is of the view that we will enjoy positive growth and favourable prospects in the long-term.

We will continue to leverage on our core competencies, strong fundamentals and our established track record whilst pursuing growth opportunities within the palm oil industry and other agricultural based processing industries both locally and in overseas markets. For the near future, our growth will be driven by our increased capacity at our premises, as well as our plans to utilise our IPO proceeds in the manner as set out in **Section 3.9** of this Prospectus.

6. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

(Prepared for inclusion in this Prospectus)

FROST & SULLIVAN

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28 March 2011

The Board of Directors

BOILERMECH HOLDINGS BERHAD

Lot 875, Jalan Subang 8

Taman Perindustrian Subang

47620 Subang Jaya

Selangor Darul Ehsan

Dear Sirs,

Executive Summary of the Independent Market Report on the Biomass Boiler Industry in Malaysia and an Overview of the Oil Palm Industry in Malaysia and Indonesia

This Executive Summary of the Independent Market Report on the Biomass Boiler Industry in Malaysia and an Overview of the Oil Palm Industry in Malaysia and Indonesia is prepared by Frost & Sullivan Malaysia Sdn Bhd ("Frost & Sullivan") for inclusion in the Prospectus of Boilermech Holdings Berhad ("BHB" or the "Company") in connection with its listing on the Ace Market of Bursa Malaysia Securities Berhad.

For and on behalf of Frost & Sullivan Malaysia Sdn Bhd:

Dennis Tan
Director

The market research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research, which involves discussing the status of the industry with leading industry participants and industry experts. The research methodology used is the *Expert Opinion Consensus Methodology*. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in the business and industry climate.

This market research was completed on 28 March 2011.

This report is prepared for inclusion in the Prospectus of Boilermech Holdings Berhad (BHB).

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For further information, please contact:
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Suite E-08-15, Block E, Plaza Mont' Kiara
2, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur.

1.1 INTRODUCTION

Boilermech Sdn Bhd (BSB) is a wholly owned subsidiary of Boilermech Holdings Berhad (BHB), which is principally engaged in the following core activities:

- Design, manufacture, installation and commissioning of biomass boilers

  BSB designs and manufactures biomass boilers of various capacities and pressure based on the needs and technical requirements of its customers, who are predominantly in the palm oil industry. The biomass boilers are utilised by BSB's customers to generate steam for the purposes of power generation and sterilisation, heating and drying.

- Repairs and refurbishment services as well as provision of engineering solutions for biomass boiler

  BSB also provide biomass boiler repairs and refurbishment services as well as engineering solutions for biomass boilers.

1.2 MARKET SEGMENTATION

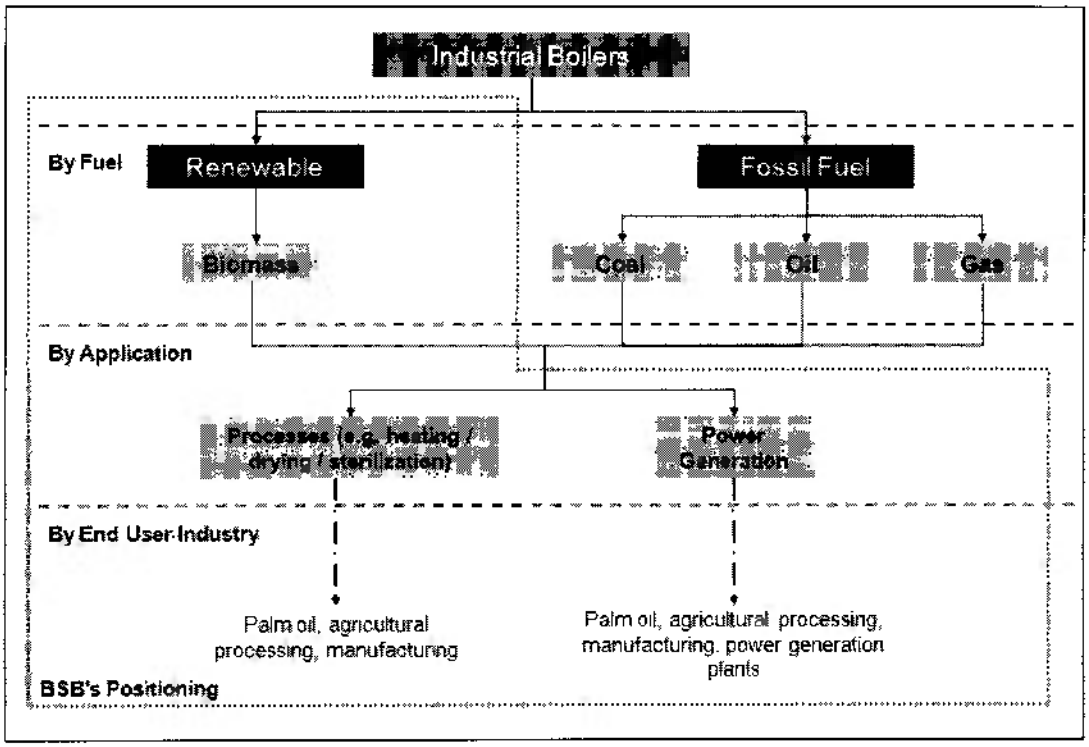
A boiler is an enclosed pressure vessel which utilizes heat from a fuel source (biomass, oil, gas or coal) to convert water into steam. This steam is piped to a point where it can be used to run production equipment, sterilize and provide heat. Industrial boilers are an integral part of various end user industries, ranging from power plants to palm oil mills and refineries to agricultural processing and manufacturing industries. These industries require large quantities of steam which can only be produced by industrial boilers. The application of steam from industrial boilers varies depending on industrial activities and processes. In many cases, steam is used to drive a turbine to generate electricity, and in the case of oil palm mills, steam is also used to sterilize and cook palm fresh fruit brunches.

Industrial boilers require a heat source to convert water into steam. This heat can be sourced from either renewable energy such as biomass, or non-renewable fossil fuel such as coal, oil or gas. It is noted that in the past, boilers fueled by coal, oil and gas were the preferred choice. However in today's world where environmental preservation is becoming increasingly important and rising fossil fuel prices, industrial boilers fueled by renewable energy such as biomass are gaining popularity.

Biomass fuel is also being favoured as it utilizes readily available sources of waste and converts it into profit. The palm oil and agricultural processing industries such as palm oil mills and sawmills can fall back on readily available quantities of waste products which are meant for disposal. By converting this waste into biomass fuel, industries can save on transportation costs and fuel purchasing costs, which translate into higher profits.

The scope of this report focuses on the biomass boiler segment, the space in which Boilermech Sdn Bhd (BSB), a subsidiary of Boilermech Holdings Berhad (BHB), operates in. BSB produces biomass boilers which are primarily used in palm oil mills.

Segmentation of Industrial Boilers Industry, 2009



Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

1.3 KEY DEMAND CONDITIONS

1.3.1 Industry Drivers

Demand for new biomass boilers in the palm oil industry, primarily from East Malaysia

The palm oil industry has been a driving force behind the growth of the biomass boiler segment in Malaysia. Biomass boilers are an integral part of palm oil milling production processes, whereby it generates steam for the sterilization of FFB and power generation. Malaysia is presently the second largest crude palm oil (CPO) producer globally with 17.6 million tonnes of CPO processed by the 416 palm oil mills in the country. Hence there is a large end user base for biomass boilers in Malaysia.

The palm oil plantation in Malaysia is spread across Peninsular Malaysia and East Malaysia, with the latter growing at a faster pace. Between 1985 and 2009, the palm oil plantation in East Malaysia grew by 1058.6% (from 190,000 hectares to 2,201,346 hectares) compared to the 92.7% (from 1,292,399 hectares to 2,491,212 hectares) growth in Peninsular Malaysia.

Between 2000 and 2009, the total palm oil mills in East Malaysia grew by 63.7% (65 mills) compared to the 0.4% (1 mill) growth rate in Peninsular Malaysia.

The higher growth rate in East Malaysia is attributed to the higher availability of land for plantation and agricultural purposes compared to Peninsular Malaysia. As a result of this, more new palm oil mills have been constructed in the East Malaysia states of Sabah and Sarawak, creating a higher demand for newly manufactured boilers.

Demand for replacement biomass boilers and / or capacity expansion for the palm oil industry, primarily from Peninsular Malaysia

The Peninsular Malaysia industrial boiler industry is primarily driven by the demand for replacement boilers and mill expansion. The demand for replacement boilers is prompted when existing boilers in the palm oil mills have reached the end of their effective lifespan of approximately between 20 years to 30 years. The lifespan of a boiler is dependant on factors such as quality and regularity of maintenance (particularly in respect to the water treatment system) and the nature of fuel.

The oil palm industry in Malaysia is relatively mature whereby many palm oil mills and boilers have been in existence for many years. Frost & Sullivan estimates that presently there are approximately 33% palm oil plantations aged more than 20 years. Based on the assumption that each of these plantations has a mill of a similar age, approximately 33% of the palm oil mills in Malaysia should be due for biomass boiler refurbishment or replacement within the next 10 years.

In 2009, there were 416 mills in Malaysia. Approximately 137 mills or 33% of the palm oil mills in Malaysia is expected to be due for boilers refurbishment or replacement in the next 10 years. This cycle is expected to continue as the remaining 67% of the palm oil mills continue to age.

Many plantation companies in Peninsular Malaysia have also expanded their processing capacities in the recent years, generating demand for additional boiler units to be installed at their milling facilities. Hence, additional growth in this market is not solely driven by demands for new boilers from new plantations, but also the possible replacement and upgrades, and demand for the maintenance of ageing equipment.

Demand from other industries such as agricultural processing and manufacturing

The rapid growth of agricultural processing industries such as rubber, food and oleochemicals are driving the demand for industrial biomass boilers. Due to the rising cost of fossil fuel and shortage in natural gas in Malaysia over the longer term in the industrial sector, these industries are beginning to switch to biomass boilers. Fossil fuel prices will continue to rise as the Government moves to gradually reduce fossil fuel subsidy in the coming years, making biomass a more cost effective option for companies in this sector. The increasing awareness

among manufacturers to reduce greenhouse gas emissions also drives the demand for biomass boilers. Further growth in these industries will generate further growth in the demand for biomass boilers. The biomass boiler segment growth is also supported by the abundant supply of biomass fuel, such as wood processing, palm oil milling and rice milling waste in the region. As at October 2010, there were approximately 348 rubber based processing companies, 176 plywood mills, 10 cocoa grinding plants and 4 sugar mills operating across Malaysia, which could lead to potential future demand for biomass boilers.

Government initiatives to promote biomass energy

Among the various renewable energy resources such as hydro power and solar energy, biomass energy is a renewable energy with significant potential in Malaysia, due to the abundant availability of oil palm waste and the technological know-how to harness this resource.

The development of biomass utilization has been supported by the Government since the 8th Malaysia Plan (2001-2005). However, the renewable energy target in the 9th Malaysia Plan (2006-2010) was not fully achieved, prompting the Government to streamline its efforts and focus on selected key areas of concern in the following 10th Malaysia Plan. In the 10th Malaysia Plan (2011-2015), the Government aims to create stronger incentives for investments in renewable energy. In line with this, the Government intends to:

- Introduce a feed-in tariff (FiT) of 1%, which will be incorporated into consumer electricity tariffs, to support the adoption of renewable energy on a larger scale. This effort is expected to enable electricity derived from renewable energy sources to be sold to utilities at a fixed premium price over a specific period of time.
- Establish a renewable energy fund from the FiT, which is to be managed by the Sustainable Energy Development Authority, a body under the Ministry of Energy, Green Technology and Water (KeTTHA). This fund will support the development of renewable energy in Malaysia.

This commitment from the Government in driving the renewable energy sector for power generation is expected to further drive the biomass boiler segment.

1.3.2 Industry Restraints

Lack of a strong legal framework for energy policy

The Government has introduced the following energy policies over the years:

- The National Petroleum Policy (1975)
- The National Energy Policy (1979)
- The National Depletion Policy (1980)

- The Four Fuel / Diversification Policy (2001)

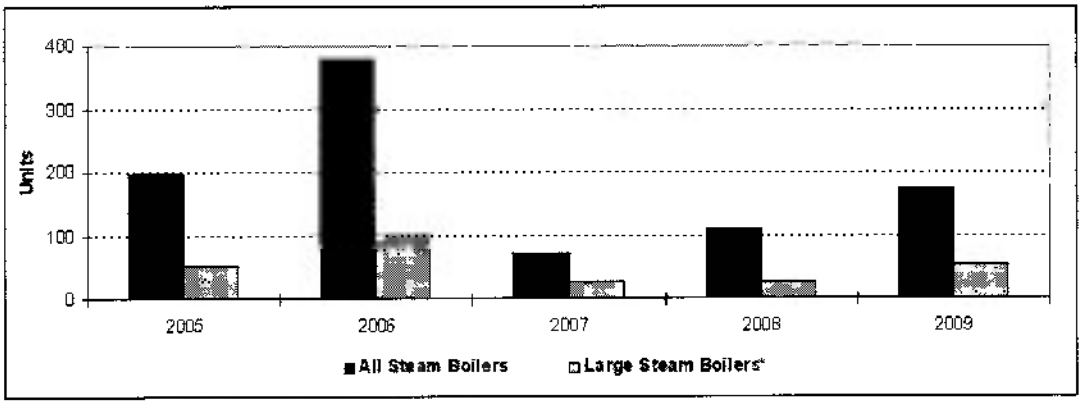
While some renewable energy policies and programmes are in place, targets set in the promotional programmes are not consistently met due to lack of effective implementation and enforcement.

The creation of such a framework to support the Government's plan of achieving a renewable energy target of 985MW by 2015 or 5.5% of Malaysia's total electricity generation mix, of which biomass is expected to form the largest contributor of 330MW, will positively impact the biomass boiler segment in Malaysia.

1.4 INDUSTRY SIZE AND GROWTH TRENDS

The boiler industry in Malaysia presented a healthy and continuous growth with a total of 931 new steam boilers registered between 2005 and 2009. Large boilers, with steam capacity ranging between 10 and 250 tonnes per hour, increased between 26 and 89 units annually over the same historical period. Biomass boilers used in palm oil mills and agricultural processing and manufacturing industries are mostly characterized under large steam boilers category. The large steam boiler segment recorded an average increase of approximately 50 units, indicating a strong market demand for these boilers. In 2009, there were 55 units of newly registered large steam boilers in the industry.

Number of Newly Registered Steam Boilers (Malaysia), 2005 – 2009



Year	Volume (Unit)	
	Large Steam Boilers[a]	All Steam Boilers
2005	52	197
2006	89	378
2007	26	73
2008	28	109

Year	Volume (Unit)	
	Large Steam Boilers	All Steam Boilers
2009	55	174
Average New Boilers per Annum, 2005 - 2009	50	186

[a] Boiler capacity between 10 and 250 tonnes per hour

* Data represents total industrial boilers, as data specifically for biomass boilers is unavailable (the biomass boiler segment is a subset of the industrial boilers industry)

* Due to data availability, the reported figures are not limited to the palm oil industry in Malaysia

Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

1.5 INDUSTRY FORECAST AND OUTLOOK

The boiler industry is projected to remain active whereby all newly registered steam boilers are expected to increase by approximately 186 units on average annually from 2010 to 2012. The large steam boiler segment of between 10 and 250 tonnes per hour, is expected to record an average of 50 newly registered boilers annually between 2010 and 2012. This conservative estimate is based on the historical average growth for both the large steam boilers and total steam boilers between 2005 and 2009.

1.6 PRODUCT SUBSTITUTION

Industrial boilers are essential equipment in palm oil mill operations and other production processes in different industries. However it is noted that the selection of boilers is often driven by the choice of fuel. Choices of fuel for boilers include biomass fuel and fossil fuel. Agricultural based industries such as palm oil, wood and paper industries have the cost effective option of using biomass as fuel for boiler operations. In this instance, these industries can fall back on readily available waste products which would otherwise be meant for disposal. In converting waste into biomass fuel, companies can save on transportation costs and fuel costs, which ultimately affects the profitability of the company.

However it is noted that oil and gas companies and independent power plant producers will opt for non-renewable energy sources such as coal and petrol, due to its availability on a much wider scale compared to biomass. Non-renewable energy sources are a more effective option for these industries.

1.7 RELIANCE AND VULNERABILITY TO IMPORTS

The biomass boiler industry is relatively reliant on imports. Steel parts such as carbon steel plates and carbon steel tubes are used in the construction of pressure parts in a biomass boiler. It is noted that most boiler manufacturers import pressure boiler components from developed countries such as Japan, Germany and United Kingdom (UK) as these countries have the capability of producing steel components with high tensile strength.

Components including pressure valves, gauges, pipes, and etc are also commonly imported from the above mentioned countries due to their technical edge and quality. Subsequently, the various parts that form a boiler will be fabricated and assembled locally in Malaysia. It is noted that the cost of assembling biomass boilers locally is still a more cost efficient option compared to importing fully assembled boilers into the country.

1.8 INDUSTRY RISK AND CHALLENGES

Geographical limitation of biomass supply

Biomass boilers can utilize a variety of agricultural waste as fuel. This includes palm waste, rice husk, bagasse and wood chips. The availability of biomass is dependent on crop patterns and regional weather patterns. As Malaysia is located along the tropical belt, crops such as palm oil, rubber and rice plantations are widely cultivated throughout the country. However the diffusion of these plantations across the country makes it difficult for the collection and transportation of biomass. Such an effort will incur additional cost in terms of transportation and manpower employment.

It is also noted that biomass fuel such as palm waste requires further processing or pelletizing before it can be used for power generation. Pelletizing reduces the size and moisture level of palm waste, while increasing its efficiency for power generation. The supply of biomass changes every season annually, depending on crop patterns and weather conditions such as the monsoon and drought.

In light of these challenges, biomass utilization in Malaysia thus far has been largely limited to captive and local use. This captive and local use is in reference to palm oil mills that burn biomass to sterilize FFB and generate power for its own mill's operations. However Frost & Sullivan notes that Tenaga Nasional Berhad (TNB) has committed to purchasing RM37.7 million worth of renewable energy annually for a 21 year period from Maju Intan Biomass Energy Sdn Bhd, Garisan Etika (M) Sdn Bhd and Felda Palm Industries (M) Sdn Bhd under the small renewable energy power programme. Both Maju Intan Biomass Energy Sdn Bhd and Garisan Etika (M) Sdn Bhd utilize empty fruit bunches (EFB) as biomass fuel, while Felda Palm Industries (M) Sdn Bhd utilizes methane gas from palm oil mill effluent (POME).

Dependence on imported steel products

Boiler manufacturers import low carbon steel plates and low carbon steel tubes from countries such as Japan and Europe for the manufacturing of the pressure vessels. While these steel components are not manufactured locally, they can be purchased from local trading agencies. Boiler manufacturers are also able to source them directly from the foreign steel mills. Changes in the pricing of steel products affect the pricing of biomass boilers. While other boiler components such as pumps and instruments are also imported, they are readily available through local trading agents.

1.9 BARRIERS TO ENTRY

Licensing Requirement

Boiler manufacturing and installation is regulated by the Department of Occupational Safety and Health (DOSH) and the Department of Environment (DOE) of Malaysia.

All boiler manufacturers must abide to the regulations stipulated in the Factories and Machinery Act 1967. This act stipulates that all boiler manufacturers must be registered with DOSH and their factories be identified for the use of boiler manufacturing. Boiler manufacturers are required to provide a safe working environment for their employees and ensure that they are suitable trained to design and construct steam boilers or unfired pressure vessels. The act also mandates the approval for boiler design from DOSH. All boilers require a certificate of fitness (CF) from DOSH prior to being operational.

The DOE enforces Regulation 36 of the Environmental Quality (Clean Air) Regulations 1978, which requires DOE's approval prior to erecting, installing, relocation or modifying fuel burning equipment used for the purpose of heating or power generation.

All boiler manufacturers must abide to these regulations in order to continue operating in this industry. It is noted that DOSH may withdraw its approval on previously approved boiler manufacturers should it be discovered that the latter have been in breach of the conditions outlined in the Factories and Machineries Act 1967. These regulations and approval requirements prove to be a crucial barrier to entry for new entrants to this industry.

High capital investment

Boiler manufacturing requires significant capital investments in a production facility and a large working capital in sustaining the business. Prospective entrants will need to invest in property, plant and equipment which will be used to fabricate pressure vessels and be able to sustain initial cash outflow until the business achieves a point of financial breakeven. A healthy cash flow is essential to sustain the business. This is a barrier for new entrants to enter this market.

Proven track record and established business relationships within the industry

Biomass boilers are an integral part of mill operations and are often referred to as the heart and lung of palm oil mills. Palm oil mills rely on the steam generated from boilers to power the entire mill operations and sterilize fruit bunches. A breakdown in boiler operations will lead to mill downtime, and time loss in mill operations which may lead to financial losses. Hence it is vital for boiler manufacturers to be able to design, manufacture and install reliable industrial boilers which are able to perform consistently. New entrants to the industry will need to invest much time and effort in building a track record of product reliability and timely delivery within the industry.

It is also noted that new entrants may find it difficult to build a strong business relationship in the industrial boiler industry. Established companies in this market have bonded to a comfortable stage where trust and confidence is well-established with their suppliers and customers. They are able to obtain priority from suppliers and customers compared to new entrants.

Technical and design expertise

Boiler manufacturing requires expertise and know-how to optimize boiler efficiency, durability and safety. Boiler manufacturing and installation capabilities affects performance, reliability and production cost. Performance depends on the combustion and thermal efficiency, which determines fuel consumption. Reliability refers to the ease of boiler operations and maintenance. Production and project cost can vary as a result of technical expertise. Companies with technical expertise would be able to complete projects on time, without sustaining additional cost and time over modifications and errors.

While the larger part of boiler manufacturing is relatively mature technology, differentiations are focused on various fuel combustion optimizations. Experienced and knowledgeable design engineers play an important role in designing and customizing boiler blueprints to optimize combustion for better boiler performance. It is also noted that the manufacturing process of industrial boilers requires specific experience and technical expertise of biomass in optimizing combustion and thermal efficiency. These skills are vital, and can prove to be a strong entry barrier to new entrants.

1.10 RELEVANT LAWS AND REGULATIONS

The industrial boiler segment is regulated by the Department of Occupational Safety and Health (DOSH) and the Department of Environment (DOE) of Malaysia. This section aims to identify the various laws and regulations in place governing the boiler manufacturing industry in Malaysia including work safety aspects.

- Department of Occupational Safety and Health (DOSH)

(i) The Factories and Machinery Act 1967 stipulates that all local boiler manufacturers must be registered with DOSH as a qualified boiler manufacturer, and their manufacturing facilities identified for the purpose of boiler manufacturing. DOSH is authorized to ensure that companies have taken steps to ensure a safe working environment for their employees.

(ii) Prior to approving the boiler manufacturing license, DOSH will take into consideration the construction, methods of manufacturing, materials, inspection during construction and testing carried out throughout the manufacturing process. DOSH will also evaluate the training provided to employees, in determining if they have been adequately trained to design and construct steam boilers or unfired pressure vessels.

(iii) According to the Factories and Machinery Act 1967, all steam boilers either manufactured locally or imported to Malaysia require a valid certificate of fitness before it can be operational. This approval need to be obtained from DOSH.

(iv) In addition, the approval for steam boiler designs is also required prior to the manufacturing, installation and commissioning of a boiler. This application can be made by the manufacturer, installer, supplier or owner of a particular steam boiler.

(v) In accordance to the Occupational Safety and Health Act 1994, any boiler or pressure vessel manufacturing activity employing more than a hundred employees is required to employ a safety and health officer.

- Department of Environment (DOE)

Boiler manufacturers / users are required to comply with Regulation 36 of the Environmental Quality (Clean Air) Regulations 1978. This act mandates the need for written approval from DOE prior to erecting, installing, relocation or modifying fuel burning equipment used for the purpose of heating or power generation.

1.11 SUPPLY CONDITIONS

Availability of raw materials

The pressure vessel of an industrial boiler is fabricated from low carbon steel plates and low carbon steel tubes, in accordance to specific industry requirements. These steel components are imported, from countries such as Japan and Europe as they are not manufactured locally. These parts are readily available from local trading agencies.

Boiler manufacturers also commonly use imported components such as pumps and instruments, from countries such as United Kingdom (UK), Germany, United States (US) and Australia. Boiler manufacturers also use other non-pressure parts fabrication such as steel for structure fabrication, which are readily available locally.

Availability of skilled and experienced design and technical workforce

The design and manufacturing of industrial boilers, especially biomass boilers, requires a specific level of skill and experience. The fuel combustion technology is still developing and there are continuous improvements and advancements in this technology. Optimization in fuel combustion leads to increased boiler performance and efficiency.

Skilled and experienced design engineers play an important role in designing boilers with optimal fuel combustion for better performance. While the general engineering workforce in the country is equipped with the pertinent civil and mechanical engineering expertise required in this industry, however mastery of combustion technology, especially in the area of biomass fuel, only comes through hands on field experience. Experience is important in this industry, as different boiler designs, and fuel combinations result in different performance levels.

1.12 KEY INDUSTRY PLAYERS

The industry is dominated by a few players by virtue of their reputation and established record in the industry. Competition is driven by product customization and design capabilities of key players in the industry. Timely delivery, product quality, reliability and after-sales services are important factors of competitiveness within the industry.

Key Industry Players (Malaysia), 2009

Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

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1.13 MARKET SHARE AND RANKING

The total steam boiler industry (inclusive of the small boiler segment[1] and large boiler segment[2])[3] in Malaysia is dominated by 3 players, collectively holding 41.9% of the market share in this industry in 2009. Market share in the total steam boiler segment is determined by the number of issued certificate of fitness (CF) for newly installed and commissioned steam boilers in 2009, as reported by DOSH. In 2009, DOSH recorded a total of 174 CFs for all newly installed and commissioned steam boilers in Malaysia. Based on data provided by DOSH, the key players in this industry in 2009 are Mechmar (21.3%), Vickers Hoskins (14.9%) and BSB (5.7%).

The large steam boiler segment in Malaysia is also dominated by Mechmar, Vickers Hoskins and BSB, collectively holding 55.4% of the market share within this segment in 2009. BSB, among these 3 key players in the industry in 2009, recorded a 16.1% market share by the volume of newly registered large steam boilers, with boiler capacity ranging between 10 and 250 tonnes per hour. Based on data provided by DOSH, the other key players in the large steam boiler segment in 2009 are Vickers Hoskins (26.8%) and Mechmar (12.5%).

In 2009, DOSH issued a total of 9 CFs for newly registered large steam boilers for BSB, from a totat of 56 CFs for all newly registered large steam boilers, with capacity ranging from 10 to 250 tonnes per hours. These CFs have been issued for large steam boilers installed and commissioned in Malaysia. Based on data provided by DOSH, BSB was the second largest player in the large steam boiler segment of the industry in Malaysia in 2009, with a market share of 16.1%.

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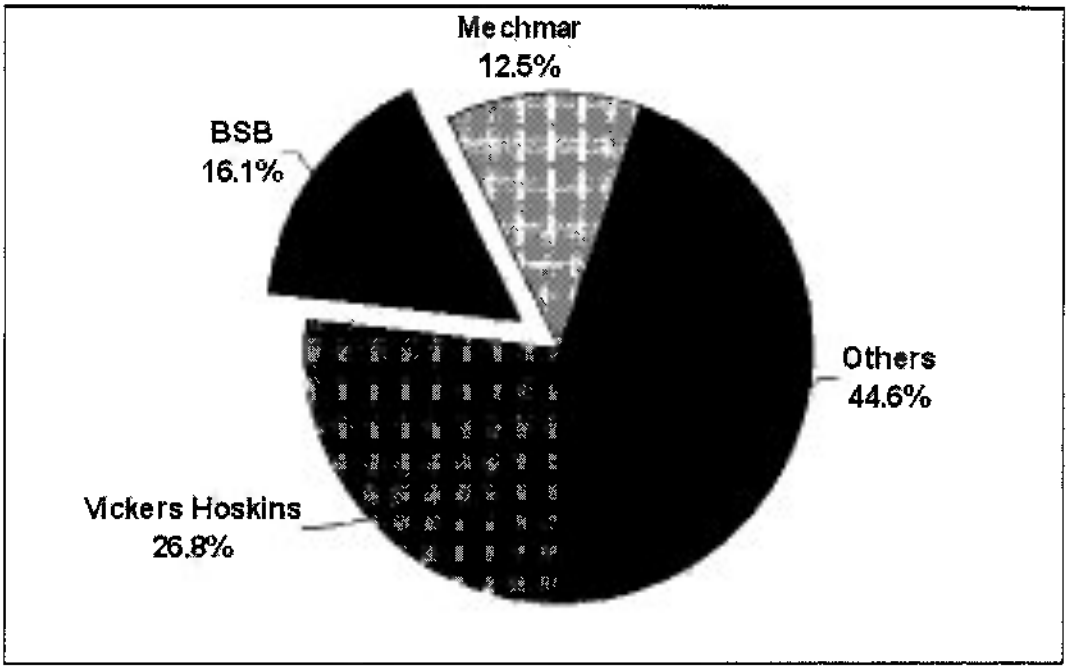
[1] The small steam boiler segment comprises boilers with steam capacity below 10 tonnes per hour.

[2] The large steam boiler segment comprises boilers with steam capacity between 10 to 250 tonnes per hour.

[3] Frost & Sullivan's definition of the total steam boiler industry for the purpose of this IMR report.

Market Share by Newly Registered Large Steam Boilers[a] (Malaysia), 2009



[a] Boiler capacity between 10 and 250 tonnes per hour

Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

1.14 OVERVIEW OF THE OIL PALM INDUSTRY IN MALAYSIA

1.14.1 Performance of the Oil Palm Industry

The palm oil industry is a major contributor to the national economy, having contributed 3.3% or RM17.0 billion to Malaysia's gross domestic production (GDP) in 2009, and RM49.6 billion in export revenue.

Key Statistical Information on the Oil Palm Industry (Malaysia), 2009

Contribution to GDP	
• Value contribution	RM17.0 billion
• Percentage contribution	3.3%
Export contribution	**RM49.6 billion**
Crude palm oil (CPO) production	**17,564,937 tonnes**
• Peninsular Malaysia	10,120,464 tonnes
• East Malaysia	7,444,473 tonnes

Total palm oil mills	**416**
• Peninsular Malaysia	249
• East Malaysia	167
Total palm oil mill capacity	**95,538,600 tonnes of FFB* per annum**
• Peninsular Malaysia	54,981,400 tonnes of FFB* per annum
• East Malaysia	40,557,200 tonnes of FFB* per annum
Total plantation area	**4,691,160 hectares**
• Peninsular Malaysia	2,489,814 hectares
• East Malaysia	2,201,346 hectares
Employment	**451,000 people**
Market Capitalization of selected public listed oil palm plantation companies[a] (as at 31 December 2009)	**RM123 billion**

* FFB – fresh fruit bunches

[a] Public listed oil palm plantation companies include Sime Darby Berhad, IOI Corporation Berhad, Kuala Lumpur Kepong Berhad, Genting Plantations Berhad, United Plantations Berhad, Kulim (M) Berhad, IJM Plantations Berhad, Hap Seng Plantations Holdings Berhad and Sarawak Oil Palms Berhad.

Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

1.14.2 Key Industry Trends and Development

Biomass

Natural resources such as agriculture and forestry are abundant in Malaysia. Thus, with the availability of feedstock, biomass technology is widespread, ranging from the conversion of solid fuels such as briquettes and charcoal production, to combustion in producing biogas in the oil palm, rubber, wood and sugar industries. Biomass production is regarded as a revenue generator for the agricultural sector.

Due to its availability in Malaysia, palm oil is a major source of feedstock for biomass energy production. Biomass is produced from EFB, palm press fibre, fronds and trunks. Biomass is used as boiler fuel for steam generation and electricity generation to feed the palm oil mill, allowing the mills to be self-sustaining. A minority of palm oil millers sell their surplus electricity to independent power producers for additional income. Biomass is an increasingly popular

application as it is not only cost effective for the industry, but also contributes to achieving zero waste energy over the longer term in Malaysia.

The palm oil industry has been recognized as a National Key Economic Area (NKEA) under the Economic Transformation Programme (ETP). One of the entry point projects (EPPs) is to build biogas (methane) capturing facilities at palm oil mills across Malaysia. By 2020, the project plans to gradually build biogas facilities across 400 mills, supply electricity to the national grid from 200 mills, utilize captured biogas in mill boilers and free up oil palm shell for sales in 267 palm oil mills. The project also recommends an increase in electricity tariff for Renewable Energy Purchasing Power Agreement (REPPA) from the present RM0.21 / kilowatt hour to a proposed RM0.35 / kilowatt hour.

The Government also has plans to impose a biofuel mandate, to take effect in June 2011. The proposed scheme will mandate B5 biofuels, a mixture of 5% biodiesel and 95% petroleum diesel, to be introduced in stages across Malaysia. The implementation of the mandate will benefit the palm oil industry, enabling producers to realize increased profits. According to the Plantation Industries and Commodities Minister, Malaysia has approved licensing for 56 biofuel producers, for a total capacity of 6.8 million tones. In addition, the Government has announced in the 2011 Budget that incentives for the renewable energy sources and energy efficiency activities industry such as Pioneer Status and Investment Tax Allowance will receive extension until 31 December 2015. Income generated from the trading of Certified Emission Reductions certificates will also receive extended tax exemptions until year 2012.

1.14.3 Future Outlook of the Oil Palm Industry

The Government has recognized the growth potential of the oil palm industry in boosting the nation's economic growth. Hence, the future of the industry has been clearly envisioned through plans set out in the ETP and the 10th Malaysia Plan.

The palm oil industry is one of the NKEAs of the ETP, which means the industry will receive prioritised support from the Government of Malaysia including funding, top talent and Prime Ministerial attention. It is the fourth largest contributor to the national economy, currently accounting for RM53 billion in GNI. In 2009, Malaysia's GNI registered at RM23,700 per capita. The development of the industry is driven by the private sector, focusing on upstream plantations.

The ETP aims to leverage on Malaysia's palm oil industry to increase its GNI contribution by RM125 billion to reach RM178 billion by 2020, whilst creating an additional 41,000 jobs. Of this 41,000 jobs, 40% will be high skilled labour earning an average monthly salary of RM6,000. The total cumulative funding requirement over the next 10 years is RM124 billion, which will be 98% funded by the private sector. The public sector will fund the remaining 2%.

The NKEA will focus on eight core EPPs that span across the value chain of the palm oil industry. The EPPs are divided into two main categories:- the upstream productivity and sustainability, and downstream expansion and sustainability.

- Upstream productivity and sustainability

(i) Accelerate the replanting of new crops to clear backlog of old, low yielding palms (more than 25 years)

(ii) Increase the national fresh fruit bunches (FFB) yield from the present 21 tonnes per hectare to 26.2 tonnes per hectare

(iii) Improve workers' productivity through the introduction or scale up of new techniques whilst reducing dependency on foreign labour

(iv) Increase national average oil extraction rate (OER) from 20.5% to 23% by 2020

(v) Build biogas (methane) capturing facilities at mills across Malaysia for own use and / or supply electricity to the national grid

- Downstream expansion and sustainability

(i) Shift Malaysia's focus of production from basic oleochemical products to higher value oleo derivatives, from the current 1% share to 40% by 2020

(ii) Emphasize early commercialisation of second generation biofuels

(iii) Expedite growth in food and health-based downstream segment

In addition, there are three key industry-wide enablers that must be implemented to support the visions of ETP. This includes increasing university graduates and industry related courses, extending the Brain Gain Malaysia programme to attract foreign specialists in leading global downstream companies, and involving the private sector plantation companies and Government agencies in collecting intelligence information on the industry.

The 10th Malaysia Plan has also set out strategies for the development of the palm oil industry. The Plan aims to increase the palm oil industry's output contribution to GDP to RM21.9 billion, with export earnings of RM69.3 billion during the Plan period (2011 to 2014). The following initiatives will be taken in order to achieve the target:

- Malaysia will be promoted as a global center for palm oil and a preferred destination for foreign direct investments (FDIs) for oleochemical based products, bulking facilities and research and development (R&D).
- Palm oil industrial clusters will be developed in order to promote downstream activities such as biofuel, oleochemicals, biofertilisers, specialty food products, biomass products, nutraceuticals and pharmaceuticals.
- Palm oil companies, especially smallholders, will be encouraged to adopt good agricultural practices, agronomic management and mechanisation.

The procurement of agricultural inputs for smallholders such as pesticides and fertilisers will be centralised to enable lower input costs.

1.15 OVERVIEW OF THE OIL PALM INDUSTRY IN INDONESIA

1.15.1 Performance of the Oil Palm Industry

Indonesia is the world's largest crude palm oil (CPO) producer followed by Malaysia, whereby its major CPO importers are China, India and Europe. In 2006, Indonesia produced approximately 17.4 million tonnes of CPO and this increased by 1.2 million tonnes or 6.3 percent, to 18.6 million tonnes in 2009.

Key Statistical Information on the Oil Palm Industry (Indonesia), 2009

Crude palm oil (CPO) production	**18.6 million tonnes**
Total plantation area	**7.5 million hectares**
Market Capitalization of selected public listed oil palm plantation companies* (as at 31 December 2009)	**RM19.9 billion (Rp57.1 trillion)**

* Public listed oil palm plantation companies include PT Astra Agro Lestari Tbk, PT Perusahaan Perkebunan London Sumatra Indonesia Tbk, PT Sampoerna Agro Tbk, PT Bakrie Sumatera Plantations Tbk, PT Tunas Baru Lampung Tbk and PT Gozco Plantations Tbk.

Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

1.15.2 Industry Growth Trends and Outlook

Indonesia Plantation Vision 2020

The Government of Indonesia plans to expand and develop its palm oil downstream industry with the objective of increasing the value of the oil palm industry in Indonesia, by providing more value-added finished products from palm oil. Examples of downstream products from palm oil are cooking oil, fatty acids and glycerine. This initiative also aims to increase the supply of renewable energy fuels in Indonesia and expand biomass electricity production. The plan will provide employment opportunities especially for the urban poor and rural population.

In order to achieve the vision of establishing palm oil as the nation's main crop, the Government's efforts include estate crops revitalization from 2007 to 2010, palm oil

intensification, providing field support, tertile seeds and funding, developing intrastructure and increasing R&D in this area and increasing sustainable development.

Biomass

The use of biomass as a source of energy is growing in Indonesia. Approximately 35% of the total energy consumed in Indonesia comes from biomass. Biomass is primarily sourced from palm oil, and wood and sugar industries. Due to the abundant availability of palm oil in Indonesia, this crop is often the preferred option for biomass.

State-owned plantation firms PT Perkebunan Nusantara (PTPN) III, IV and V have embarked on expansion plans to produce electricity from biomass generated power plants. Each factory, which will require between RM10.5 million to RM13.9 million (Rp30 billion to Rp40 billion) in investment, will produce electricity to be sold directly to state electricity company, PT PLN. Currently, PTPN IV has 50 factories in operation, each with the potential to generate 3MW of power from biomass, sourced from EFBs and other types of biomass waste.

Biofuel

Indonesia has recognized the importance of the provision and utilization of biofuel as an alternative source of energy with the issuance of the Presidential Instruction 1/2006. In addition, a policy decree officially known as Regulation No. 32/2008 mandates a minimum percentage of biotuel mixture in fuel sold in two major cities in Indonesia: Jakarta and Surabaya.

Indonesia currently produces both types of biofuel: biodiesel and bioethanol. The Government has introduced measures to support the development of biofuel, including the provision ot subsidies, assembling a biofuel monitoring and pricing team, diversification of raw materials, export and import sales regulation, and allocation of value added taxes for fuel products. In 2010, subsidies allocated for the distribution of biofuel amounted to RM0.70 (Rp2,000) per liter. As a result of the development of palm-based biofuels, the demand and development of the palm oil industry is expected to grow.

Environmental Concerns over Deforestation

The increased global demand for palm oil and Indonesia's urge to boost economic growth has fuelled deforestation in the country. There have been growing concerns over the clearing of rainforests to make way for palm oil plantations in Indonesia. The clearing and burning of forests release large amounts of greenhouse gases (GHG) into the atmosphere, making Indonesia the third-largest emitter of GHG in the world. The clearing of peatland and high conservation value forests also poses a threat to various species of flora and fauna.

In August 2010, Indonesia declared a two-year moratorium on deforestation under a deal with the Government of Norway, aimed at reducing GHG. This moratorium is set to take effect in 2011. Under the agreement, Norway will invest RM3.1 billion (USD1 billion) on forest conservation projects in Indonesia. During the suspension period, companies will be encouraged to develop their plantations on degraded lands instead of cleared forests and peatlands.

European Union Directive on Greenhouse Emissions

In June 2010, the European Union (EU) updated its 2009 Renewable Energy Directive, focusing on the sustainability criteria for biofuels. The Directive set out an overall EU target of 20% renewable energy in total energy consumption by 2020. Each member state is required to reach its own national target for the overall share of renewable energy.

Industries, governments and NGOs are to set up voluntary certification schemes for biofuels, in which independent auditors will be employed to inspect the whole production chain to certify that the biofuels sold are sustainable and not produced on natural forests, protected areas, peatlands and wetlands. Hence under this Directive, biofuels produced in palm oil plantations which were formerly forests or peatlands, will not be able to attain the Sustainable Biofuel Certificate. In addition, biofuels are required to achieve GHG of 35% compared to petrol and diesel.

The Directive does not restrict non-certified biofuels from being imported into the EU. Rather, the non-certified biofuels will not account for the individual national targets of renewable energy. Hence, biofuel manufacturers in EU member states are likely to be apprehensive in importing non-certified biofuels, directly affecting the exports of CPO which are used as feedstock in the production of biofuels. In addition, CPO producers have to bear the additional costs for obtaining independent certification in order to export their products to the EU market.

1.15.3 Future Outlook of the Oil Palm Industry

Indonesia is the largest CPO producer in the world with approximately 18.6 million tonnes of CPO output in 2009. The oil palm industry in Indonesia is still in the developing stage as compared to the mature phase of this industry in Malaysia. The availability of land, labour force and an increasing demand for biomass fuel are viewed as factors driving the country to further expand its oil palm industry.

According to the Indonesian Agricultural Plan 2010 – 2014, the Central Government has allocated RM2.9 billion (Rp8.17 trillion) to the Ministry of Agriculture, to develop Indonesia as a major global agricultural commodity exporter. Indonesia will push for the development of Papua (formerly known as Irian Jaya), where expansion works will be carried out on a 1.6 million hectare land located in the Merauke region.

The Government also plans to increase the export of CPO and its products by 25% over the period of the Plan. Under the Plan, the Government's efforts will involve:

- The development of CPO and its byproducts, biodiesel, cooking oil, and animal feed
- Exiting customs tariff policy
- Transportation advocacy
- Partnership development

During the Plan period, CPO production is expected to grow from 23.2 million tonnes in 2010 to 28.4 million tonnes in 2014, at a CAGR of 5.2%. This will be made possible through the development of key regions including North Sumatra, Riau, South Sumatra, South Borneo, Central Borneo, East Borneo and Papua. The forecasted growth represents a positive direction for the oil palm industry in Indonesia.

Targeted Annual CPO Production (Indonesia), 2010-2014

Year	Targeted Annual CPO Production (million tonnes)
2010	23.2
2011	24.4
2012	25.7
2013	27.7
2014	28.4
CAGR 2010 - 2014	5.2%

Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

1.16 FUTURE OUTLOOK AND PROSPECTS

1.16.1 Malaysia

Oil Palm Industry

The palm oil sector in Malaysia has grown to become a key component in the country's economy. In 2009, the industry contributed 3.3% or RM17.0 billion to Malaysia's GDP and accounted for RM49.6 billion in export revenue. Malaysia is currently the second largest producer and exporter of CPO in the world, exporting to 150 countries worldwide.

The Government of Malaysia has acknowledged the significance of the industry and its vast growth potential. The palm oil sector is recognized as one of the NKEAs in the ETP, aimed at

reaching a GNI of RM178 billion in 2020 whilst creating an additional 41,000 jobs. There are eight EPPs that span across the value chain of the palm oil industry, targeted at developing upstream productivity and sustainability, and improving downstream expansion and sustainability. The EPPs include clearing aged palms, increasing FFB yield, improving worker productivity, increasing the national average OER, building biogas capturing facilities at mills, shifting the focus of production to higher value oleo derivatives, emphasizing early commercialization of second generation biofuels and expediting growth in downstream activities.

The Government has also included strategies in the 10th Malaysia Plan that will benefit the palm oil industry, with the aim of increasing the industry's GDP output contribution to RM21.9 billion, with exports earnings of RM69.3 billion during the Plan period (2011 to 2014). The Plan includes promoting Malaysia as a palm oil hub and destination for FDIs, the development of palm oil industrial clusters to promote downstream activities, encouraging the adoption of apply good agricultural practices, and centralizing procurement to reduce costs.

The benefits of using palm oil as feedstock for biomass energy have also been recognized by the Government. In presenting Budget 2011, the Government announced the implementation of the B5 biofuel mandate taking effect in June 2011. Additionally, incentives for the renewable sources and energy efficiency activities industry such as Pioneer Status and Investment Tax Allowance will receive extensions until 31 December 2015.

These strategies present a positive outlook for the palm oil sector in Malaysia. The support from the Government to further develop the sector will be greatly beneficial to the industrial boiler industry, and in particular the biomass boiler segment, as palm oil serves as a major supply of feedstock for biomass energy. Increased production targets may be achieved through increasing the capacity of existing mills, or through the addition of new mills. These measures will lead to an increase in the demand for industrial boilers, as existing mills will generate repeat orders for either replacement boilers or additional boilers to cater to the increase in operating capacity, while newly established mills will generate new orders for boilers. Hence, developments in the palm oil industry will bring about a positive impact to the biomass boiler industry.

Agricultural Processing and Manufacturing Industry

The agricultural processing and manufacturing sector in Malaysia holds large potential for the industrial boiler industry. Industrial boilers are an integral part of various industry applications, ranging from power plants to palm oil mills and refineries to agricultural processing and manufacturing industries. These industries require large quantities of steam which can only be produced by industrial boilers, utilizing renewable energy such as biomass, and non-renewable energy such as coal, oil and gas.

The energy generated by boilers is used for heating/drying and power generation. As at October 2010, there were approximately 348 rubber based processing companies, 176 plywood mills, 10 cocoa grinding plants and 4 sugar mills in operation across Malaysia. While some of these industries generate waste which can be utilized as biomass, many factories within this industry also depend on non-renewable fossil fuel for their industrial boilers. The Government's move to gradually reduce fossil fuel subsidy over the coming years will likely have a positive impact on the adoption of biomass fuel in the agricultural processing and manufacturing sector in Malaysia.

The agricultural processing and manufacturing industries may benefit from utilizing renewable energy through the trading of certified emission reduction (CER) units accrued through the Clean Development Mechanism (CDM). CDM aims to reduce the global emissions of greenhouse gases (GHG) under the Kyoto Protocol. Malaysia is a party to the United Nations Framework on Climate Change and has ratified the Kyoto Protocol. Though Malaysia is a developing country and is not required to reduce GHG emissions, Malaysia can benefit from the investments in projects that lead to a reduction in GHG emissions. Projects that utilize renewable energy can register as CDM projects and generate CERs according to the amount of megawatts of electricity installed. The CERs can then be traded in the market for additional revenue. Hence, these initiatives will increase the demand for biomass boilers in generating renewable energy for use in the agricultural processing and manufacturing industries.

Biomass Power Generation

In Malaysia, the electricity supply industry is generally operated by 3 power utility companies, namely Tenaga Nasional Berhad (TNB), Sabah Electricity Sdn Bhd (SESB) and Sarawak Energy Berhad (SEB). They generate, transmit and distribute electricity from their infrastructure to their respective operating areas. TNB owns the grid system in Peninsular Malaysia while SESB and SEB own the grid systems in Sabah and Sarawak respectively.

The electricity supply industry is also complemented by several independent power producers (IPP). IPPs are private power producers which have their own power generation facilities to supply to the public utilities and/or end users. Among the IPPs in Malaysia are YTL Power Generation Sdn Bhd (gas-fired power plant in Terengganu and Johor), Powertek Bhd (coal-fired power plant in Johor) and Musteq Hydro Sdn Bhd (hydro power plant in Kelantan).

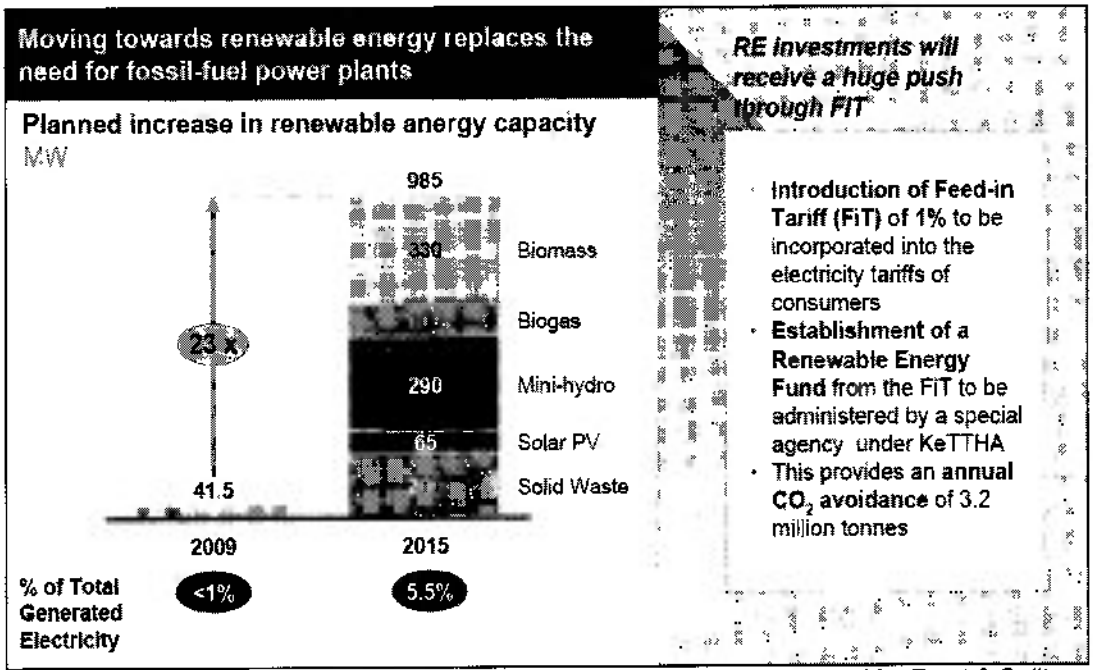
Over the years, electricity generation capacity from the IPPs has continued to increase and IPPs have taken a more significant role in the electricity supply industry, with the larger generation capacity. In 2009, IPPs formed the largest contributor of electricity generation capacity in the country. IPPs reported an installed generation capacity of approximately 14,245MW, or approximately 60.8% of the total generation capacity in Malaysia, followed by 30.1%, 5.3% and 3.9% from TNB, SEB and SESB respectively.

Currently, the majority of IPPs use fossil fuel based power generation plants to generate electricity. In view of the increasing environmental concerns regarding the production and consumption of non-renewable fossil fuel based energy such as coal, oil and natural gas, the need for renewable energy has gradually become one of the key focuses for the development of Malaysia's future energy needs. The Government has introduced several programs to encourage more participation in the area of renewable energy in accordance with the 10th Malaysia Plan to further strengthen the initiatives for energy efficiency and renewable energy.

Among these, the Government is increasingly focusing on the significance of the renewable industry by allocating an EPP under the ETP for its development. This EPP outlines the erection of biogas (methane) capturing facilities at palm oil mills across Malaysia. By 2020, the project plans to gradually build biogas facilities across 400 mills, supply electricity to the national grid from 200 mills, utilize captured biogas in mill boilers and free up oil palm shell for sales in 267 palm oil mills. The project also recommends an increase in electricity tariff for Renewable Energy Purchasing Power Agreement (REPPA) from the present RM0.21 / kilowatt hour to a proposed RM0.35 / kilowatt hour.

According to the 10th Malaysia Plan, the Government plans to introduce several incentives in line with the Renewable Energy Policy and Action Plan to achieve a renewable energy target of 985MW by 2015, accounting for 5.5% of Malaysia's total electricity generation mix.

Planned Increase in Renewable Energy Capacity (Malaysia), 2009 and 2015



Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

Some of the initiatives set out by the Government include:

- To support the development of renewable energy, a Feed-in Tariff (FiT) of 1% will be introduced to be incorporated into the electricity tariffs of consumers. This will allow electricity produced using renewable energy to be sold to utilities at a fixed premium price and for a specific duration.
- The Sustainable Energy Development Authority, under the Ministry of Energy, Green Technology and Water (KeTTHA) will administer the establishment of a Renewable Energy Fund from the FiT, in order to support the development of renewable energy.

The initiatives have a positive effect for the renewable energy industry as a whole. Of the 5.5% of renewable energy capacity in 2015, biomass is expected to be the largest contributor with a 33.5% target or 330MW, out of the total renewable energy target of 985MW. As the nation moves towards fulfilling this goal, stakeholders in the biomass based industries are expected to promote and convert to the use of biomass boilers, creating an increased demand for biomass boilers over the period of the 10th Malaysia Plan.

1.16.2 Indonesia

Oil Palm Industry

The palm oil sector in Indonesia has expanded rapidly to become a prime component of the nation's economy. Indonesia is currently the world's largest producer of CPO, with 18.6 million tonnes of CPO in 2009. Oil palm plantations have expanded at a rate of 275% from 1995 to 2009, triggered by high returns, easy availability of land, and the Government's provision of low-cost capital.

The Government of Indonesia has plans to expand and develop its palm oil downstream industry under the Indonesian Plantation Vision 2020. The initiative aims to increase the supply of renewable energy fuels in Indonesia and expand biomass electricity production. The Government has committed an investment amounting to RM2.9 billion (Rp8.17 trillion) for the Ministry of Agriculture under the Indonesian Agricultural Plan 2010 - 2014. This investment will be used to develop the agricultural industry in Indonesia, in achieving the status of a major global agricultural commodity exporter.

During the Plan period (2010 – 2014), CPO production is expected to grow from 23.2 million tonnes in 2010 to 28.4 million tonnes in 2014, at a CAGR of 5.2%. This will be made possible with the Government's plan to develop key regions such as North Sumatra, Riau, South Sumatra, South Borneo, Central Borneo, East Borneo and Papua. This represents a positive direction of the oil palm industry in Indonesia.

The Government's strategy to further develop the palm oil sector in Indonesia is expected to benefit the biomass boiler segment, as palm oil serves as a major supply of feedstock for

biomass. The development of key regions within the country will lead to increased production, achieved through increasing the capacity of existing mills, or through the erection of additional mills. The increase in production capacity of existing mills and the erection of new mills is expected to drive the demand for biomass boilers in Indonesia during the Plan period (2010 to 2014).

1.16.3 Central and South American Region

Oil Palm Industry

The oil palm crop thrives in the tropical countries of Honduras, Guatemala and Costa Rica in Central America and Colombia, Ecuador, Brazil and Venezuela in South America. These countries are prime location for oil palm cultivation as they are located in the equatorial rainforest climate zone with ample land available for mass plantation. In 2009, Colombia and Ecuador were ranked as the fifth and sixth largest producers of CPO globally behind Indonesia, Malaysia, Thailand and Nigeria. Colombia and Ecuador produced 765,000 tonnes and 448,000 tonnes of CPO respectively in that year.

The oil palm industry in Colombia was developed based on the Government's aim to stimulate domestic production of edible oils and fats. To this end, the Government introduced a shared risk strategy for plantation efforts in the 1950s, whereby the Government would invest the initial capital while offering private partners the option of buying over the business when it became profitable. The National Federation of Oil Palm Growers (Fedepalma) was established in 1962 with the aims of driving the growth of the palm oil industry on a national scale, increase competitiveness of the industry, commercialize oil palm products and to explore new frontiers in the oil palm business. Fedepalma was also instrumental in aiding the Government of Colombia in developing policies to encourage the plantation of oil palm. In the second half of the 1980s, this industry began exhibiting greater potential in becoming a key crop when many large plantations and smaller scale ventures were formed throughout the country. Presently, oil palm plantations are spread across more than 300,000 hectares of land across 76 municipalities in Colombia.

The prospects for the oil palm industry in Central and South America appear positive as this crop has become a key crop, with significant GDP contribution. The World Bank and the International Finance Corporation (IFC) have previously invested in public and private sector projects in Central America and South America, with the focus of driving primary production as well as downstream production of palm oil, and developing infrastructure for the industry. In June 2010, IFC has committed to drafting a global strategy for major palm oil producing countries such as Indonesia, Malaysia and countries in Central and South America. This strategy will aim to maximize the development outcome of the crop for local communities and minimize adverse social and environmental impact arising from this sector. As the oil palm plantation and milling sectors in Central and South America are expected to witness further

growth in the future, the biomass boiler industry is also expected to exhibit a similar growth trend.

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Annual CPO Production of Selected Countries (Central and South America), 2000 - 2009

Year	Annual CPO Production (tonnes)						
	Central America			South America			
	Honduras	Guatemala	Costa Rica	Colombia	Ecuador	Brazil	Venezuela
2000	101,000	65,000	137,000	524,000	218,000	108,000	70,000
2001	130,000	70,000	150,000	548,000	228,000	110,000	52,000
2002	126,000	86,000	128,000	528,000	238,000	118,000	55,000
2003	158,000	85,000	155,000	527,000	262,000	129,000	41,000
2004	170,000	87,000	180,000	632,000	279,000	142,000	61,000
2005	180,000	92,000	210,000	661,000	319,000	160,000	63,000
2006	195,000	125,000	189,000	714,000	352,000	170,000	66,000
2007	220,000	130,000	200,000	733,000	396,000	190,000	70,000
2008	273,000	185,000	202,000	778,000	418,000	220,000	90,000
2009	290,000	238,000	220,000	765,000	448,000	260,000	95,000
CAGR 2000 - 2009	**12.4%**	**15.5%**	**5.4%**	**4.3%**	**8.3%**	**10.3%**	**3.5%**

Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

1.16.4 African Continent

Oil Palm Industry

The oil palm is native to the tropical rain forest belt in the region of West Africa, which runs through Nigeria, Ivory Coast, Cameroon, Ghana, Liberia, Sierra Leone, Togo, Angola, the Democratic Republic of Congo and Republic of Congo. In this region, oil palm is typically cultivated by small holding farms, medium sized plantations and also in large scale estates. In 2009, Nigeria produced 860,000 tonnes of CPO and was ranked the fourth largest CPO producer globally, behind Indonesia, Malaysia and Thailand. The Ivory Coast was also ranked in eighth place, with an annual production of 325,000 tonnes of CPO in the same year.

Annual CPO Production of Selected Countries (Africa), 2000 - 2009

Year	Annual CPO Production (tonnes)	
	Nigeria	Ivory Coast
2000	740,000	278,000
2001	770,000	205,000
2002	775,000	265,000
2003	785,000	240,000
2004	790,000	270,000
2005	800,000	320,000
2006	815,000	305,000
2007	820,000	315,000
2008	830,000	290,000
2009	860,000	325,000
CAGR 2000 - 2009	**1.7%**	**1.8%**

Source: Extracted from the Independent Market Research report prepared by Frost & Sullivan

The United Nations Organisation for Industrial Development (UNIDO) launched a USD5 million program to boost the sustainable production of this crop in Cameroon and Nigeria in 2008. This program, which extends across a period of four years, aims to educate and train

farmers on efficient production and processing methods. The program targets to create up to a thousand new jobs for the local population over the subsequent four years.

Foreign conglomerates such as Wilmar International Limited, Olam International Limited and Sime Darby Plantation Sdn Bhd have begun investing in this region. In late 2007, Wilmar International Limted and Olam International Limited formed a joint venture company known as Nauvu Investments Pte. Ltd., with the aim of establishing new palm oil plantations, managing existing plantations and integrating agribusiness operations in West Africa. In 2009, Sime Darby Plantation Liberia Inc., a wholly owned subsidiary of Sime Darby Plantation Sdn Bhd, signed a 63 year concession agreement with the Government of the Republic of Liberia to develop oil palm and rubber plantations in areas such as Bomi, Grand Cape Mount, Gbarpolu and Bong.

The prospects for the oil palm industry in Africa appear promising as the various Governments in this region view this industry as a means of reducing poverty and providing sustainable economic growth for their respective countries. These Governments are promoting the increase in palm oil plantation, which includes the establishment of palm oil mills. Future growth in the palm oil milling sector is expected to positively impact the biomass boiler industry in this region.

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7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

7.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

7.1.1 Promoters and/or substantial shareholders' shareholdings

As at the date of this Prospectus, the direct and indirect interests of our Promoters and/or substantial shareholders in our issued and paid-up share capital before and after the IPO are as follows:-

Promoters/ Substantial Shareholders	Nationality/ Country of Incorporation	Before the IPO				After the IPO			
		<----------Direct---------->		<----------Indirect---------->		<----------Direct---------->		<----------Indirect---------->	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
QLGR[(a)]	Malaysia	90,381,818	40.51	-	-	90,381,818	35.03	-	-
QL[(a)]	Malaysia	-	-	[(b)]90,381,818	40.51	-	-	[(b)]90,381,818	35.03
CBG[(a)]	Malaysia	-	-	[(c)]90,381,818	40.51	-	-	[(c)]90,381,818	35.03
Farsathy[(a)]	Malaysia	-	-	[(c)]90,381,818	40.51	-	-	[(c)]90,381,818	35.03
Leong Yew Cheong[(a)]	Malaysian	46,474,412	20.83	-	-	40,474,412	15.69	-	-
Wong Wee Voo[(a)]	Malaysian	31,536,085	14.13	-	-	27,536,085	10.67	-	-
Tee Seng Chun	Malaysian	11,616,370	5.21	-	-	11,616,370	4.50	-	-
Gan Chih Soon	Malaysian	10,947,070	4.91	-	-	10,947,070	4.24	-	-

Notes:-

(a) Substantial shareholders of Boilermech.
(b) Deemed interested by virtue of its substantial shareholdings in QLGR pursuant to Section 6A of the Act.
(c) Deemed interested by virtue of its substantial shareholdings in QL pursuant to Section 6A of the Act.

Save as disclosed above, our Company is not aware of any other persons who directly or indirectly, jointly or severally, have control over our Company.

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

7.1.2 Profiles of Promoters and/or substantial shareholders

The profiles of our Promoters and/or substantial shareholders are set out as follows:-

(i) QLGR

QLGR was incorporated in Malaysia under the Act on 11 April 1981 as a private limited company under the name of Tong Her Marine Products Sdn Bhd. QLGR assumed its present name on 15 March 2010.

QLGR is a wholly-owned subsidiary of QL and is principally involved in investment holding.

As at the LPD, the authorised share capital of QLGR is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of QLGR is RM26,820,000 comprising 26,820,000 ordinary shares of RM1.00 each.

The Directors of QLGR are Liu Sin, Chia Seong Fatt, Chia Song Kun and Chia Lik Khai.

(ii) QL

QL was incorporated in Malaysia under the Act on 25 April 1997 as a public limited company under the name QL Resources Berhad. It was listed on the Main Market of Bursa Securities on 30 March 2000.

QL is principally involved in investment holding and provision of management services. Its subsidiaries are principally involved in integrated livestock farming, marine products manufacturing and crude palm oil milling.

As at the LPD, the authorised share capital of QL is RM500,000,000 comprising 2,000,000,000 ordinary shares of RM0.25 each. The issued and paid-up share capital of QL is RM208,000,000 comprising 832,000,000 ordinary shares of RM0.25 each.

The Directors of QL are YM Tengku Dato' Zainal Rashid bin Tengku Mahmood, Chia Song Kun, Chia Seong Pow, Chia Seong Fatt, Chia Song Kooi, Chia Song Swa, Chia Mak Hooi, Eddy Chieng Ing Huong and Teh Kim Teh.

The particulars of the substantial shareholders of QL and their respective shareholdings in QL as at the LPD are set out below:-

Name	Country of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
CBG	Malaysia	373,843,382	44.93	-	-
Farsathy	Malaysia	107,337,540	12.90	-	-

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

(iii) CBG

CBG was incorporated in Malaysia under the Act on 23 March 1984 as a private limited company under the name of C.B. Fishmeal Sdn Bhd and subsequently assumed its present name on 19 April 1999.

CBG is principally involved in investment holding.

As at the LPD, the authorised share capital of CBG is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of CBG is RM1,600,000 comprising 1,600,000 ordinary shares of RM1.00 each.

The Directors of CBG are Chia Song Kun, Chia Song Kang, Chia Song Pou, Chia Song Swa, Chia Song Kooi, Cheah Yaw Song, Chia Song Phuan, Chia Teow Guan and Chia Mak Hooi.

The particulars of substantial shareholders of CBG and their respective shareholdings in CBG as at the LPD are set out below:-

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Chia Song Kun	Malaysian	270,000	16.88	[(a)]66,000	4.13
Chia Song Kang	Malaysian	160,000	10.00	-	-
Chia Song Pou	Malaysian	128,000	8.00	-	-
Chia Song Swa	Malaysian	128,000	8.00	-	-
Chia Cheong Soong	Malaysian	128,000	8.00	-	-
Chia Song Kooi	Malaysian	128,000	8.00	-	-
Chia Song Phuan	Malaysian	160,000	10.00	-	-
Cheah Yaw Song	Malaysian	200,000	12.50	-	-
Chia Teow Guan	Malaysian	200,000	12.50	[(b)]32,000	2.00

Notes:-

(a) Deemed interested by virtue of his spouse's shareholdings in CBG pursuant to Section 6A of the Act.

(b) Deemed interested by virtue of his son's shareholdings in CBG pursuant to Section 6A of the Act.

(iv) Farsathy

Farsathy was incorporated in Malaysia under the Act on 28 August 1980 as a private limited company under its present name.

Farsathy is principally involved in investment holding.

As at the LPD, the authorised share capital of Farsathy is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Farsathy is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

The Directors of Farsathy are Chia Suan Hooi, Chia Seong Fatt and Chia Seong Pow.

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

The particulars of the substantial shareholders of Farsathy and their respective shareholdings in Farsathy as at the LPD are set out below:-

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Equity Trust Malaysia Berhad	Malaysia	[a]500,000	100.0	-	-
Chia Seong Fatt	Malaysian	-	-	[b]100,000	20.0
Chia Seong Pow	Malaysian	-	-	[b]100,000	20.0
Sim Ahi Yok (f)[c]	Malaysian			[b]55,000	11.0
Chia Chew Pew	Malaysian	-	-	[b]40,000	8.0
Koh Kwee Choo (f)[d]	Malaysian	-	-	[b]55,000	11.0
Chia Suan Hooi	Malaysian	-	-	[b]55,000	11.0
Chia Chew Seng	Malaysian	-	-	[b]35,000	7.0
Chia Chiew Yang	Malaysian	-	-	[b]25,000	5.0
Chia Chew Ngee	Malaysian	-	-	[b]25,000	5.0

Notes:-

(e) Equity Trust (Malaysia) Berhad is a trust company registered under the Trust Companies Act, 1949 and holds the entire shereholdings in Farsathy on trust for the beneficiaries of a family trust. Although Equity Trust (Melaysie) Berhed has en interest in the voting rights of Fersathy, it does not heve an economic or beneficiel interest in the said voting rights, and as such interest is held solely for the benefits of the beneficiaries under the family trust.

(b) Deemed es an indirect substantial shareholder of Fersethy by virtue ot their respective substantial beneficial interests in the shareholdings of Farsathy under the family trust via the trust arrangement with Equity Trust (Melaysie) Berhad, pursuant to Section 6A of the Act.

(c) Sim Ahi Yok is the spouse of Chia Seong Fatt.

(d) Koh Kwee Choo is the spouse of Chia Seong Pow.

(v) Leong Yew Cheong

Leong Yew Cheong, a Malaysian, aged 56, is our Managing Director. He was appointed to our Board on 26 October 2010. He is also a member of our Remuneration Committee. He holds a Bachelor of Science in Mechanical Engineering from the University of Huddersfield, United Kingdom. He brings with him approximately thirty one (31) years of experience in the boiler manufacturing industry and as such, has strong business contacts with customers operating in the palm oil industry and other end-user industries, as well as suppliers of spare parts and boiler components.

He began his career in 1980 when he joined Vickers Hoskins (M) Sdn Bhd as a project engineer and was responsible for the designing, installation and commissioning of boilers. During his tenure there, he held various positions within the company which includes amongst others, Operations Manager and General Manager. He played an instrumental role in achieving many key achievements/milestones for the company such as spearheading a team of engineers to design and install its first biomass boiler that utilises treated empty fruit bunches, rice husk and palm shell. He left the company in 2006 as an Executive Director and joined us in the same year.

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

He is presently responsible for overseeing the overall operations of our Group with the emphasis on strategic business planning and development. He is supported by a team of key management and personnel who are responsible for implementing and executing our Group's strategic plans.

(vi) Wong Wee Voo

Wong Wee Voo, a Malaysian, aged 59, is our Executive Director. He was appointed to our Board on 26 October 2010. He brings with him approximately twenty four (24) years of experience in the boiler industry.

His career started in early 1970s where he was first attached with Cold Storage Malaysia Berhad and subsequently with ICI Paints (Malaysia) Sdn Bhd. His exposure to the boiler industry began when he joined East Asiatic Group of companies in 1980 and was responsible for promoting and marketing insulation and refractory materials for boilers and furnaces. He left the company and took up the position of Sales Executive at Vickers Hoskins (M) Sdn Bhd in 1985. He assumed various positions within the company throughout his tenure there and was assigned to oversee the sales and marketing of boilers in Asia Pacific and the Central American region. He left the company as the Deputy General Manager (Sales) in 2005 and subsequently purchased BSB to venture into and operate in the business of design and manufacturing of boilers.

He is primarily responsible for the sales and marketing, and human resource and administrative functions of our Group.

(vii) Tee Seng Chun

Tee Seng Chun, a Malaysian, aged 47, is our General Manager. He graduated with a Bachelor of Engineering in Agriculture from Universiti Pertanian Malaysia (UPM) in 1988. He obtained his Steam Engineer Certificate (below 10,000 m^2 heating surface) from DOSH in 1993. He has also attended training for designing boiler thermal performance and circulation at Babcock Limited Co., United Kingdom in 1995. He brings with him approximately twenty two (22) years of experience and expertise in designing and executing numerous co-generation plants that runs on biomass fuel.

He started his career in 1988 when he joined Kuala Lumpur Kepong Berhad as a Cadet Engineer. In 1989, he left and took up the position of Assistant Mill Engineer at Austral Enterprises. Subsequently, he joined Vickers Hoskins (M) Sdn Bhd as a Project Engineer in 1994 and was involved in the installation, modification, upgrading and commissioning of boilers. He left the company as an Operations Manager in 2005 and joined us in the same year as our General Manager.

He is presently responsible for overseeing the operations of our Group with the focus on our design, production, business development and project management functions.

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

(viii) Gan Chih Soon

Gan Chih Soon, a Malaysian, aged 37 is our Operation Manager. He graduated with a Bachelor of Science in Mechanical Engineering from the University of Oklahoma, United States in 1996. He is also a graduate member with the Malaysian Board of Engineers since 1998.

He began his career with Vickers Hoskins (M) Sdn Bhd as a Project Engineer in 1997 and was mainly responsible for project planning and management. In 2001, he was promoted to Senior Engineer. Since then, he has led a team of engineers to install and commission boilers in countries such as Indonesia, Thailand, Papua New Guinea, Myanmar and Venezuela. He was subsequently promoted to Project Manager in 2003 and was mainly responsible for the overall design, material procurement, and site execution and commissioning of biomass boilers. He left the company in 2005 and joined us as our Operations Manager.

He is presently responsible for procurement, project management and execution.

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

7.1.3 Changes in the Promoters and substantial shareholders' shareholdings in our Company for the past three (3) years

The changes in our Promoters and substantial shareholders' respective shareholdings for the past three (3) years up to the date of this Prospectus are as follows:-

	Before tha IPO				After the IPO			
	<----------Direct---------->		<----------Indirect---------->		<----------Direct---------->		<----------Indirect---------->	
Promoters/ Substantial shareholdere	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shsres**	**%**
QLGR[(a)]	90,381,818	40.51	-	-	90,381,818	35.03	-	-
QL[(a)]	-	-	[(b)]90,381,818	40.51	-	-	[(b)]90,381,818	35.03
CBG[(a)]	-	-	[(c)]90,381,818	40.51	-	-	[(c)]90,381,818	35.03
Farsathy[(a)]	-	-	[(c)]90,381,818	40.51	-	-	[(c)]90,381,818	35.03
Leong Yew Cheong[(a)]	46,474,412	20.83	-	-	40,474,412	15.69	-	-
Wong Wee Voo[(a)]	31,536,085	14.13	-	-	27,536,085	10.67	-	-
Tee Seng Chun	11,616,370	5.21	-	-	11,616,370	4.50	-	-
Gan Chih Soon	10,947,070	4.91	-	-	10,947,070	4.24	-	-

Notes:-

(a) Substantial shareholders of Boilermech.
(b) Deemed interested by virtue of its substantial shareholdings in QLGR pursuant to Section 6A of the Act.
(c) Deemed interested by virtue of its substantial shareholdings in QL pursuant to Section 6A of the Act

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

7.2 DIRECTORS

7.2.1 Directors' shareholdings

As at the date of this Prospectus, the direct and indirect interests of our Directors in our issued and paid-up share capital before and after the IPO are as follows:-

		Before the IPO				After the IPO			
		<----------Direct---------->		<----------Indirect---------->		<----------Direct---------->		<----------Indirect---------->	
Directors	Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chia Song Kun	Malaysian	-	-	-	-	[(a)]200,000	0.08	-	-
Leong Yew Cheong	Malaysian	46,474,412	20.83	-	-	40,474,412	15.69	-	-
Wong Wee Voo	Malaysian	31,536,085	14.13	-	-	27,536,085	10.67	-	-
Chia Lik Khai	Malaysian	-	-	-	-	[(a)]200,000	0.08	-	-
Chia Seong Fatt	Malaysian	-	-	-	-	[(a)]100,000	0.04	-	-
Low Teng Lum	Malaysian	-	-	-	-	[(a)]200,000	0.08	-	-
Mohd Yusof bin Hussian	Malaysian	-	-	-	-	[(a)]200,000	0.08	-	-

Note:-

(a) Assumes that the eligible Directors will subscribe for their entitlements under the pink form allocation.

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7.2.2 Profiles

Save for the profiles of Leong Yew Cheong and Wong Wee Voo, which are set out in **Section 7.1.2** of this Prospectus, the profiles of our other Directors are as follows:-

(i) Chia Song Kun

Chia Song Kun, a Malaysian, aged 61, is our Non-Independent Non-Executive Chairman. He was appointed to our Board on 4 March 2011. He is also the Chairman of our Nomination Committee and Remuneration Committee and a member of our Audit Committee.

He graduated with a Bachelor of Science (Honours) degree majoring in Mathematics from University of Malaya in 1972 and obtained a Masters degree in Business Administration in 1988 from the same university.

He began his career in 1973 as a tutor in University of Malaya and subsequently joined University Teknologi MARA, Shah Alam, Selangor Darul Ehsan, as a lecturer where he served for eleven (11) years until 1984. He left the educational institution in 1984 to set up his own company, namely CBG to commence the business of distributing fishmeal and other feed-meal raw materials.

He was a founder member of Inti Universal Holdings Berhad (presently known as Inti Universal Holdings Sdn Bhd), one of the leading private colleges in Malaysia. On 5 July 2008, he was conferred the honorary degree of Doctor of Laws (Hon LLD) by the Honorary Awards Board of the University of Hertfordshire in recognition of his outstanding contribution to the development of business and education in Malaysia. He resigned as the director of Inti Universal Holdings Berhad on 30 September 2008.

He is also the founder and Managing Director of QL and in charge of the overall QL Group's operations. Together with the help of his family members, he has successfully nurtured, developed and transformed the QL Group into a diversified agricultural based group with an annual turnover of more than RM1.4 billion.

(ii) Chia Lik Khai

Chia Lik Khai, a Malaysian, aged 32, is our Executive Director. He was appointed to our Board on 26 October 2010. He graduated from the MBA program of Wharton Business School, University of Pennsylvania, United States where he focused on Entrepreneurship and Corporate Finance. He also received Master of Science and Bachelor of Science in Electrical Engineering from University of Michigan, Ann Arbor, United States. His graduate studies specialised in Communications Integrated Circuits design and advanced semiconductor.

Prior to joining QL in 2009, he was with McKinsey & Company in Shanghai, where he was an affiliate of Global Energy & Materials and High-Tech practice. During his tenure, he focused on serving global clients in renewable energy, consumer products and high-tech sectors on strategy, mergers and acquisitions as well as sales and marketing topics.

He also possesses extensive management experience in high-tech, telecommunications and internet commerce. He spent seven (7) years in the semiconductor industry with Agilent and Avago Technologies in Silicon Valley, where he assumed multiple roles as R&D staff, new Product Manager and Marketing Manager. In his capacity as Product Marketing Manager in Avago Technologies, he managed multiple wireless product lines and Greater China regional business.

He subsequently joined QL as Group Corporate Development Director and appointed as the Executive Director of a few subsidiaries of QL group in 2009. He is also a Non-Independent Non-Executive Director of Eita Resources Berhad. He was appointed as the Executive Director of QLGR on 17 September 2010.

He is presently responsible for overseeing the overall corporate planning and finance functions of our Group.

(iii) Chia Seong Fatt

Chia Seong Fatt, a Malaysian, aged 55, is the Alternate Director to Executive Director, Chia Lik Khai. He was appointed to our Board on 4 March 2011. He obtained his Bachelor of Science (Honours) degree majoring in Chemistry from University of London in 1979.

He practised as an industrial chemist for three (3) years before pursuing further studies in University of Malaysia. In 1984, he graduated from the aforementioned university with a Masters degree in Business Administration. He served for seven (7) years as Managing Director in Sri Tawau Farming Sdn Bhd, a company involved in layer farming. The company is an associated company of Lay Hong Berhad, a company listed on the Main Market of Bursa Securities.

In 1991, he was appointed as Managing Director of QL Farms Sdn Bhd, a subsidiary of QL Group, to take charge of its operations in Tawau. In January 1996, he was appointed as an Executive Director of QL Feedingstuffs Sdn Bhd and was responsible for the layer farming and crude palm oil milling operations. In view of the restructuring of QL Group, he has resigned as a director of QL Feedingstuffs Sdn Bhd. He was appointed as the Executive Director of QL on 3 January 2000 and is presently in charge of poultry farming and palm oil operations in Sabah and Indonesia. His vast experiences and knowledge in the palm oil industry and keen business acumen will benefit our Group in the business development aspects.

(iv) Low Teng Lum

Low Teng Lum, a Malaysian aged 57, is our Independent Non-Executive Director. He was appointed to our Board on 27 October 2010. He is also the Chairman of our Audit Committee and member of our Nomination and Remuneration Committees.

He obtained his qualifications from the Association of Chartered Certified Accountants and Institute of Chartered Secretaries and Administrators, both of the United Kingdom, in 1977. He attended the Applied Management Program of Swedish Institute of Management in 1990. In 1996, he obtained his Master in Public Administration from the John Fitzgerald Kennedy School of Government, Harvard University.

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

He is a Chartered Accountant of the Malaysian Institute of Accountants, fellow member of the Association of Chartered Certified Accountants ("ACCA"), and Associate member of the Institute of Chartered Secretaries and Administrators, Malaysian Institute of Taxation and Association of Corporate Treasurers, United Kingdom. He is also a member of the Malaysian Alliance of Corporate Directors and its training faculty.

He has been a member of the Taxation and Trade committees of the Malaysian International Chamber of Commerce and Industry since 2002 and 2005 respectively. He was a founding committee member of the Confederation of Malaysian Brewers which was formed in 2005.

Over the course of his career, he has held various accounting and financial positions in Arthur Young & Company (presently known as Ernst & Young), Guthrie Malaysia Holdings Berhad, Palmco Holdings Berhad, Guinness Anchor Berhad and General Corporation Berhad. During his 14-year tenure with Southern Steel Berhad, he was promoted from Finance Manager to General Manager (Commercial), Senior General Manager (Rod Division) and Chief Operating Officer (Steel Business Unit).

His qualifications and vast experience in finance, accounting and operational management will benefit our Group in the financial, strategic management and corporate governance aspects.

(v) Mohd Yusof bin Hussian

Mohd Yusof bin Hussian, a Malaysian aged 61, is our Independent Non-Executive Director. He was appointed to our Board on 4 March 2011. He is also a member of our Audit Committee and Nomination Committee.

He is a graduate of Universiti Teknologi MARA, fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Chartered Institute of Purchasing and Supply (UK) and Malaysian Institute of Accountants. He is also a Certified Financial Planner. He was formerly a member of the ACCA Malaysian Advisory Committee.

He started his career with Coopers & Lybrand from 1971 to 1976 as an external auditor. In 1976, he joined PTM Thompson Advertising Sdn Bhd, an affiliate of J. Walter Thompson Group in USA, as Finance and Administration Manager cum Company Secretary. He left the company and joined Shell Malaysia in 1986. During his tenure there, he held various positions within the company which includes amongst others, Internal Auditor, Treasurer, Finance and Services Manager and Procurement Contract Manager. He resigned as a Special Project Manager for the company in August 1999.

He is presently also an Independent Non-Executive Chairman of CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad, subsidiaries of CIMB Group Holdings Berhad *(formerly known as Bumiputra Commerce Holdings Berhad)*. He also holds directorships in INTI Universal Holdings Sdn Bhd and Proton Commerce Sdn Bhd, an associate company of Proton Holdings Berhad.

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

7.2.3 Principal business activities performed outside our Group and principal directorships In Malaysia

Save as disclosed below and the directorship held in our Company, none of our Directors have/had performed any principal business activities outside our Group for the past five (5) years up to the LPD in Malaysia:-

Name	Directorship	Principal activities	Involvement in business activities other than as a director
Chia Song Kun	**Past directorship:-**		• Shareholder of QL, CBG, Attractive Features Sdn Bhd and Kemumi Development Sdn Bhd
	• Eita Resources Berhad	• Investment holding	
	• INTI Universal Holdings Sdn Bhd	• Investment holding	
	Present directorship:-		
	• QL	• Investment holding and provision of management services	
	QL group of companies:-		
	• Pacific Vet Group (M) Sdn Bhd	• Investment holding	
	• QL AgroBio Sdn Bhd	• Commercial production and supply of biologically digested feeding raw materials	
	• QL Agrofood Sdn Bhd	• Investment holding, processing and sale of animal feeds and trading of raw materials for animal feeds, lubricants and foodstuffs	
	• QL Agroventures Sdn Bhd	• Layer and broiler farming	
	• QL BioEnergy Sdn Bhd	• Cultivation of oil palm and sales of fresh fruit bunches	
	• QL Biomass Sdn Bhd *(formerly known as Tophill Corporation Sdn Bhd)*	• Cultivation of oil palm and sales of fresh fruit bunches	
	• QL Deep Sea Fishing Sdn Bhd	• Deep sea fishing	
	• QL Endau Deep Sea Fishing Sdn Bhd	• Deep sea fishing	
	• QL Endau Marine Products Sdn Bhd	• Manufacturing of fishmeal and surimi	