

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

Name	Directorship	Principal activities	Involvement in business activities other than as a director
Chia Song Kun (Cont'd)	<ul style="list-style-type: none"> • QL Endau Fishmeal Sdn Bhd • QL Farms Sdn Bhd • QL Feed Sdn Bhd • QL Feedingstuffs Sdn Bhd • QL Fishery Sdn Bhd • QL Fishmeal Sdn Bhd • QL Foods Sdn Bhd • QL Fresh Choice Seafood Sdn Bhd • QL Green Energy Sdn Bhd (formerly known as <i>Pasifik Raya Sdn Bhd</i>) • QLGR • QL Marine Products Sdn Bhd • QL NatureCo Sdn Bhd • QL Oil Sdn Bhd • QL Palm Pellet Sdn Bhd • QL Palm Pellet System Sdn Bhd (formerly known as <i>Artisan Intelek Sdn Bhd</i>) • QL Plantation Sdn Bhd 	<ul style="list-style-type: none"> • Manufacturing of fishmeal • Trading in animal feed raw materials, layer and broiler farming, wholesale of frozen chicken parts and investment holding • Marketing and distribution of animal feed raw material and food grain • Investment holding, distribution of animal feed raw materials and food grain • Investment holding • Manufacturing and trading of fishmeal • Manufacturing of surimi and surimi-based products • Investment holding, processing and sale of frozen seafood • Coastal trawling and wholesale of marine products • Investment holding • Manufacturing of surimi and surimi-based products • Investment holding • Investment holding and oil palm cultivation and sale of fresh fruit bunches • Development and marketing of "Palm Pelletising System" • Dormant • Oil palm cultivation and marketing of palm oil products 	

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

Names	Directorship	Principal activities	Involvement in business activities other than as a director
Chia Song Kun (Cont'd)	<ul style="list-style-type: none"> • QL Tawau Biogas Sdn Bhd (formerly known as <i>Utusan Cenia Sdn Bhd</i>) • QL Tawau Palm Pellet Sdn Bhd • QL ZeroPoint Green Energy Sdn Bhd • Pilihan Mahir Sdn Bhd <p>Shareholders of QL:-</p> <ul style="list-style-type: none"> • CBG <p>Others:-</p> <ul style="list-style-type: none"> • Attractive Features Sdn Bhd • Indahgrains Logistics Sdn Bhd • INTI Supreme Sdn Bhd (formerly known as <i>INTI Supreme Holdings Sdn Bhd</i>) • Kermurni Development Sdn Bhd • Future Perspective Sdn Bhd 	<ul style="list-style-type: none"> • Dormant • Dormant • Dormant • Dormant • Investment holding • Investment holding • Warehouse management • Investment holding • Investment holding • Investment holding 	
Leong Yew Cheong	<p>Past directorship:-</p> <ul style="list-style-type: none"> • Vickers Hoskins (M) Sdn Bhd 	<ul style="list-style-type: none"> • Boiler manufacturer 	<ul style="list-style-type: none"> • Nil
Wong Wee Voo	<p>Present directorship:-</p> <ul style="list-style-type: none"> • Metalworks Engineering Sdn Bhd • Yoshi Engineering Services Sdn Bhd • English Language Meridian Sdn Bhd • Klinikard Sdn Bhd 	<ul style="list-style-type: none"> • Trading of building materials and engineering works • Dormant • Language centre • Dormant 	<ul style="list-style-type: none"> • Shareholder of Metalworks Engineering Sdn Bhd, Yoshi Engineering Services Sdn Bhd, English Language Meridian Sdn Bhd and Klinikard Sdn Bhd.

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

Name	Directorship	Principal activities	Involvement in business activities other than as a director
Chia Lik Khai	<p>Present directorship:- QL group of companies:-</p> <ul style="list-style-type: none"> • QL Palm Pellet Sdn Bhd • QL NatureCo Sdn Bhd • QL ZeroPoint Green Energy Sdn Bhd • QL Aquaculture Sdn Bhd (formerly known as Glamour Harmony Sdn Bhd) • QL Tawau Biogas Sdn Bhd (formerly known as Utusan Cenia Sdn Bhd) • QL Tawau Palm Pellet Sdn Bhd (formerly known as Rentak Prisma Sdn Bhd) • QL Palm Pellet System Sdn Bhd (formerly known as Artisan Intelek Sdn Bhd) • QLGR • QL Plantation Sdn Bhd • QL Biomass Sdn Bhd (formerly known as Tophill Corporation Sdn Bhd) • QL Green Energy Sdn Bhd (formerly known as Pasifik Raya Sdn Bhd) <p>Others:-</p> <ul style="list-style-type: none"> • Eita Resources Berhad 	<p>Principal activities</p> <ul style="list-style-type: none"> • Development and marketing of "Palm Pelletising System" • Investment holding • Dormant • Dormant • Dormant • Dormant • Dormant • Dormant • Investment holding • Oil palm cultivation and marketing of palm oil products • Cultivation of oil palm and sales of fresh fruit bunches • Coastal fish trawling and wholesale of marine products • Investment holding 	<ul style="list-style-type: none"> • Nil

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

Name	Directorship	Principal activities	Involvement in business activities other than as a director
Chia Seong Fatt	<p>Present directorship:-</p> <ul style="list-style-type: none"> • QL <p><i>QL group of companies:-</i></p> <ul style="list-style-type: none"> • Adequate Triumph Sdn Bhd • QL AgroBio Sdn Bhd • QL Agrofood Sdn Bhd • QL Agroventures Sdn Bhd • QL BioEnergy Sdn Bhd • QL Biomass Sdn Bhd (formerly known as <i>Tophill Corporation Sdn Bhd</i>) • QL Breeder Farm Sdn Bhd • QL Deep Sea Fishing Sdn Bhd • QL Feedmills Sdn Bhd • QLGR • QL Inter-Food Sdn Bhd • QL Marine Products Sdn Bhd • QL NatureCo Sdn Bhd • QL Oil Sdn Bhd • QL Plantation Sdn Bhd 	<p>Investment holding and provision of management services</p> <ul style="list-style-type: none"> • Property holding • Commercial production and supply of biologically digested feeding raw material • Investment holding, processing and sale of animal feeds and trading of raw materials for animal feeds, lubricants and foodstuffs • Layer farming • Dormant • Cultivation of oil palm and sales of fresh fruit bunches • Poultry breeding and farming and cultivation of oil palm • Deep sea fishing • Investment holding • Investment holding • General trading business, manufacturing and selling of meehoon and noodle • Manufacturing of surimi and surimi-based products • Investment holding • Investment holding and oil palm cultivation and sale of fresh fruit bunches • Oil palm cultivation and the processing and marketing of palm oil products 	<ul style="list-style-type: none"> • Shareholder of QL, Farsathy and Total Icon Sdn Bhd

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

Name	Directorship	Principal activities	Involvement in business activities other than as a director
Chia Seong Fatt (Cont'd)	<ul style="list-style-type: none"> • QL Tawau Biogas Sdn Bhd (formerly known as <i>Utusan Ceria Sdn Bhd</i>) • QL Tawau Feedmill Sdn Bhd • QL Tawau Palm Pellet Sdn Bhd (formerly known as <i>Rentak Prisima Sdn Bhd</i>) • QL Farms Sdn Bhd 	<ul style="list-style-type: none"> • Dormant • Manufacture and sales of animal feed and providing chicken parts processing services • Dormant • Trading in animal feed raw materials, layer and broiler farming, wholesale of frozen chicken parts and investment holding 	
	<p>Shareholders of QL:-</p> <ul style="list-style-type: none"> • Farsathy • Ruby Technique Sdn Bhd 	<ul style="list-style-type: none"> • Investment holding • Investment holding 	
	<p>Others:-</p> <ul style="list-style-type: none"> • Arena Dijaya Sdn Bhd • M.B. Agriculture (Sabah) Sdn Bhd • M.B. Agriculture (Sandakan) Sdn Bhd • Success Portfolio Sdn Bhd • Highglobal Properties Sdn Bhd 	<ul style="list-style-type: none"> • Rearing livestock • Livestock farming • Rearing livestock for sale and cultivation of oil palm • Livestock farming • Dormant 	

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

Name	Directorship	Principal activities	Involvement in business activities other than as a director
Low Teng Lum	Present directorship:- <ul style="list-style-type: none"> • Guinness Anchor Berhad • Guinness Anchor Marketing Sdn Bhd • Ramaha Corporation (M) Sdn Bhd • Malayan Breweries (Malaya) Sdn Bhd • Malayan Breweries Marketing Sdn Bhd • Guinness Sabah Sdn Bhd • Guinness Sarawak Sdn Bhd 	<ul style="list-style-type: none"> • Production, packaging, marketing and distribution of beverages, primarily alcoholic • Marketing and promotion of beverages, primarily alcoholic in Malaysia • Property holding and land development • Dormant • Dormant • Dormant • Dormant 	<ul style="list-style-type: none"> • Nil
Mohd Yusof bin Hussian	Past directorship:- <ul style="list-style-type: none"> • Bumiputra Commerce Finance Bhd • CIMB Labuan Limited • Commerce Assurance Berhad • SME Bank Berhad • IRM Group Berhad Present directorship:- <ul style="list-style-type: none"> • Myny Jaya Consultancy Sdn Bhd • CIMB Aviva Assurance Bhd • CIMB Aviva Takaful Bhd • Proton Commerce Sdn Bhd • INTI Universal Holdings Sdn Bhd 	<ul style="list-style-type: none"> • Auto finance • Offshore banking • General insurance • Development Financial Institution • Manufacturing of resin • Consultancy work • General insurance • Syariah insurance • Auto finance • Education 	<ul style="list-style-type: none"> • Shareholder of Myny Jaya Consultancy Sdn Bhd

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

7.2.4 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and benefits paid and proposed to be paid for services rendered to our Group for the FYE 30 April 2010 and proposed for the FYE 30 April 2011 are as follows:-

Director(s)	Remuneration Band (RM)	
	FYE 30 April 2010	Proposed for FYE 30 April 2011
Chia Song Kun	-	0 – 50,000
Leong Yew Cheong	*450,001 – 500,000	600,001 – 650,000
Wong Wee Voo	*350,001 – 400,000	400,001 – 450,000
Chia Lik Khai	-	0 – 50,000
Chia Seong Fatt	-	0 – 50,000
Low Teng Lum	-	0 – 50,000
Mohd Yusof bin Hussian	-	0 – 50,000

Note:-

* Includes bonuses in respect of the FYE 30 April 2010, which were paid in the FYE 30 April 2011.

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

7.3 BOARD PRACTICES

7.3.1 Directorship

As at the LPD, the details of the date of expiration of the current term of office for each of the Directors and the period for which the Directors have served in that office are as follows:-

Name	Date of appointment	Designation	Date of expiration of the current term of office	No. of years in office
Chia Song Kun	4 March 2011	Non-Independent Non-Executive Chairman	1 st Annual General Meeting ("AGM") ^(a)	< 1 year
Leong Yew Cheong	26 October 2010	Managing Director	1 st AGM	< 1 year
Wong Wee Voo	26 October 2010	Executive Director	1 st AGM	< 1 year
Chia Lik Khai	26 October 2010	Executive Director	1 st AGM	< 1 year
Chia Seong Fatt	4 March 2011	Alternate Director to Executive Director, Chia Lik Khai	1 st AGM	< 1 year
Low Teng Lum	27 October 2010	Independent Non-Executive Director	1 st AGM	< 1 year
Mohd Yusof bin Hussian	4 March 2011	Independent Non-Executive Director	1 st AGM	< 1 year

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

Note:-

(a) *The 1st AGM will be held latest by 7 October 2011.*

7.3.2 Audit Committee

Our Audit Committee comprises the following members:-

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

The main functions of the Audit Committee include inter-alia, the review of audit plans and audit reports with our external auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of the financial statements, and nomination of the external auditors.

7.3.3 Remuneration Committee

Our Remuneration Committee comprises the following members:-

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

The main functions of the Remuneration Committee include inter-alia, the recommendation to our Board on the remuneration of the Directors, assisting our Board in assessing the responsibility and commitment undertaken by our Board members and assisting our Board in ensuring the remuneration of the Directors are reflective of the responsibility and commitment of the Directors concerned.

7.3.4 Nomination Committee

Our Nomination Committee comprises the following members:-

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

The main functions of the Nomination Committee include the inter-alia, the review of all nominations for the appointment or re-appointment of members of the Board and to determine the selection criteria, and is therefore tasked to review the structure, size and composition of our Board, and to ensure that all our Directors undergo appropriate introduction and training programme.

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

7.4 KEY MANAGEMENT AND TECHNICAL PERSONNEL

7.4.1 Key management and technical personnel's shareholding

As at the LPD, the direct and indirect interests of our key management and technical personnel in our issued and paid-up share capital before and after the IPO are as follows:-

Key management/ technical personnel	Designation	Nationality	Before the IPO		After the IPO	
			Direct No. of Shares	Indirect %	Direct No. of Shares	Indirect %
Leong Yew Cheong	Managing Director	Malaysian	46,474,412	20.83	-	-
Wong Wee Voo	Executive Director	Malaysian	31,536,085	14.13	-	-
Chia Lik Khai	Executive Director	Malaysian	-	-	(a)200,000	0.08
Tee Seng Chun	General Manager	Malaysian	11,616,370	5.21	-	-
Gan Chih Soon	Operations Manager	Malaysian	10,947,070	4.91	-	-
Lai Yee Kein	Design Manager	Malaysian	10,342,915	4.64	-	-
Chan Van Chee	Financial Controller	Malaysian	-	-	(a)80,000	0.03
Wong Phoon Heng	Production Manager	Malaysian	-	-	(a)80,000	0.03

Note:-

(a) Assumes that the eligible persons will subscribe for his/her entitlements under the pink form allocation.

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7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)**7.4.2 Profiles**

Save for the profiles of Leong Yew Cheong, Wong Wee Voo, Chia Lik Khai, Tee Seng Chun and Gan Chih Soon which are disclosed in **Section 7.1.2** of this Prospectus, the profiles of the key management and technical personnel of our Group are as follows:-

(i) Chan Van Chee

Chan Van Chee, a Malaysian aged 38, is our Financial Controller. She obtained her Association of Chartered Certified Accountants ("ACCA") qualification in 1998. She is also a member of the ACCA and Malaysian Institute of Accountants.

Over the years, she has held various accounting and finance positions in KC Chia & Noor, Shamsir Jasani Grant Thornton, Lion Corporation Berhad, Oriental Nichinan Design Engineering Sdn Bhd and Atos Origin Services (M) Sdn Bhd. Prior to joining us in March 2010, she was attached to a management consultancy providing business solutions. She is presently responsible for the finance and accounting functions of our Group.

(ii) Lai Yee Kein

Lai Yee Kein, a Malaysian, aged 35, is our Design Manager. He graduated from Universiti Pertanian Malaysia (UPM) with a Bachelor of Mechanical Engineering (Honors) in 1999. He obtained his professional membership as a corporate member with the Institute of Engineers, Malaysia (IEM) and was registered as professional engineer with the Malaysian Board of Engineers in 2008.

He started his career when he joined Vickers Hoskins (M) Sdn Bhd as a Project Engineer in 1999 and was mainly involved in the designing, testing and commissioning of boilers. He was subsequently promoted to Assistant Design Manager in 2006. He subsequently left the company and joined us as our Design Manager in May 2006. He is presently responsible for overseeing our design engineering and quality control division. He is also in charge of conducting in-house technical trainings on boiler design and engineering design codes to our clients.

(iii) Wong Phoon Heng

Wong Phoon Heng, a Malaysian, aged 56, is our Production Manager. He obtained his Malaysian Certificate of Education from Anglo Chinese School, Kampar, Malaysia in 1973.

He attended a technician apprenticeship at Southern Malaysia Tin Dredging (M) Berhad in 1974 to 1982. In 1983, he joined Pipeline Engineering Sdn Bhd as a Project Supervisor and was mainly responsible for overseeing piping and palm oil mill mechanical works at site. He later joined Wembley Industries Sdn Bhd in 1985 as a Project Executive and was subsequently promoted to Assistant Production Manager in 1996. During his tenure at the company, he was mainly responsible for heading and supervising the onsite installation of boilers, materials requisition and production planning as well as supervising the productions process of boilers and pressure vessels. In 1996, he joined Vickers Hoskins (M) Sdn Bhd as the Assistant Production Manager and was subsequently promoted to Production Manager in 2006. He then left the company and joined us in May 2009. He is presently responsible for our production operations, which include amongst others, production planning, scheduling, controlling and directing our production activities.

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

7.5 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT IN OTHER PRINCIPAL BUSINESS ACTIVITIES

As at the LPD, save as disclosed in **Section 7.2.3** of this Prospectus, all of our Group's executive directors and key management are employees of our Group and are not involved in the operations of other businesses/corporations outside our Group.

Our Executive Directors' involvement in other businesses and corporations disclosed under **Section 7.2.3** of this Prospectus do not require their daily involvement as those businesses/companies are either dormant or managed by well qualified and experienced managers. As such, their involvement in such other businesses or corporations will neither affect their contribution to our Group nor negatively impact their ability to act as the Directors of our Group.

7.6 DECLARATIONS FROM OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

As at the LPD, none of our Promoters, Directors and key management and technical personnel is or was involved in any of the following events, whether within or outside Malaysia:-

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

7.7 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationships (as defined under Section 122A of the Act) or associations between or amongst our Directors, Promoters and substantial shareholders and key management and technical personnel:-

- (a) Chia Lik Khai, our Executive Director, is also a Director of QLGR, which in turn is a substantial shareholder of Boilermech. He is also the son of Chia Song Kun and the nephew of Chia Seong Fatt;
- (b) Chia Song Kun, our Non-Independent Non-Executive Chairman, has substantial shareholding in CBG and QL. CBG is a substantial shareholder of Boilermech by virtue of its substantial shareholdings held in QL; and
- (c) Chia Seong Fatt is the Alternate Director to Executive Director, Chia Lik Khai. He has substantial beneficial shareholding in Farsathy under the family trust via the trust arrangement with Equity Trust (Malaysia) Berhad*. Farsathy is a substantial shareholder of Boilermech by virtue of its substantial shareholdings held in QL.

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

Note:-

- * *Equity Trust (Malaysia) Berhad is a trust company registered under the Trust Companies Act, 1949 and holds the entire shareholdings in Farsathy on trust for the beneficiaries of a family trust.*

7.8 BENEFITS PAID OR INTENDED TO BE PAID

Save for the salaries, bonuses, allowances and dividend, there have been no amounts and benefits that have been or are intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the two (2) years preceding the date of this Prospectus.

7.9 SERVICE AGREEMENTS

As at the LPD, none of our Directors and key management and technical personnel has any existing or proposed service agreements with our Group. Presently, the employment of our Directors, key management and technical personnel are based on only standard employment contracts.

7.10 MANAGEMENT AND EMPLOYEES

As at the LPD, our Group has a total workforce of fifty eight (58) employees, of which one (1) is a foreign employee. We do not experience any significant seasonal fluctuation in our number of employees. We do not employ a significant number of temporary staff.

The category of our employee structure for the past three (3) FYE 30 April 2010 and as at the LPD is as follows:-

Category of employee	← No. of employees →			
	As at 30 April 2008	As at 30 April 2009	As at 30 April 2010	As at the LPD
Executive Directors and management	6	6	8	10
Sales and marketing	-	2	5	6
Project management and planning	8	12	19	19
Design, QC and engineering	4	4	6	9
Production	3	4	4	7
Finance, human resource and administration	3	4	6	7
Total	24	32	48	58

Our Directors have confirmed that our foreign employee has a valid working permit and is not in breach of any immigration laws.

None of our employees are members of any union nor have there been any major industrial disputes in the past.

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

7.11 TRAINING AND DEVELOPMENT

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

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

Some of the external training programmes which we have participated since 2009 are as follows:-

Year	Training	Organiser
2009	Usage of Accounting System	CTE Computer Centre Sdn Bhd
2009	International Conference on Oil Palm Biomass	Asif International (M) Sdn Bhd
2009	Kebenaran Bertulis dan Kelulusan Bertulis Jabatan Alam Sekitar Perak	Jabatan Alam Sekitar Negeri Perak
2009	Boiler Design, Operations and Maintenance	Institute of Engineers Malaysia
2009	Chemistry, Processing Technology and Bio-energy	MPOB
2010	Lean Manufacturing	Federation of Malaysian Manufacturer
2010	Palm Oil Milling Technology	IHMS Sdn Bhd
2010	Best Practices in the Palm Oil Milling Industry	IHMS Sdn Bhd
2010	Kursus Integriti Kontraktor Industri Pembinaan	CIDB Malaysia
2010	Boiler/Steam Plant-Operations and Maintenance	Institution of Engineers Malaysia
2010	International Conference on Oil Palm Biomass	Asif International (M) Sdn Bhd
2010	National Seminar on Palm Oil Milling, Refining, Environment and Quality	MPOB
2010	Safety & Health at Work Place	Department of Safety & Health, Melaka

Management succession plan

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

8. APPROVALS AND CONDITIONS**8.1 APPROVALS FROM RELEVANT AUTHORITIES**

Bursa Securities had vide their letter dated 14 February 2011, approved our admission to the Official List of the ACE Market and the listing of and quotation for the entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities.

The approval from Bursa Securities is subject to the following conditions:-

No.	Details on conditions imposed	Status of compliance
1.	Submission of the following information in respect to the moratorium on the shareholdings of promoters to the Bursa Depository:- (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	To be complied. The information will be submitted to Bursa Depository upon allotment of Shares.
2.	Approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied.
3.	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Notes 15 of the ACE Market Listing Requirements;	To be complied.
4.	Furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid-up share capital of Boilermech on the first day of listing;	To be complied.
5.	Boilermech to appoint new Chairman and to furnish Bursa Securities a letter of undertaking by the said Chairman pursuant to Annexure GN15-C and GN15-D of the ACE Market Listing Requirements;	Complied.
6.	Any directors of the Company that have not attended the Mandatory Accreditation Programme, must do so prior to listing of the Company; and	Complied.
7.	Boilermech to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Admission is completed.	To be complied.

The ECU of the SC had, vide its letter dated 8 December 2010, approved our resulting equity structure pursuant to the IPO under the equity requirements for public companies. The approval from ECU of the SC is subject to the following conditions:-

No.	Details on conditions imposed	Status of compliance
1.	Boilermech is to allocate the following:- (a) 9,000,000 Boilermech shares, representing 3.49% of the enlarged issued and paid-up share capital of Boilermech, by way of proposed offer for sale to Bumiputera investors approved by MITI; and (b) 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 Bumiputera investors approved by MITI. In the event that Boilermech/MITI is unable to allocate the shares to potential Bumiputera investors, the unsubscribed shares shall be offered to Bumiputera public investors via balloting.	To be complied. To be complied. Noted.

8. APPROVALS AND CONDITIONS (Cont'd)

No.	Details on conditions imposed	Status of compliance
2.	Boilermech is to allocate 8,000,000 new Boilermech shares to public investors, of which 4,000,000 shares will be allocated to Bumiputera public investors via balloting; and	To be complied.
3.	Pursuant to the above, Boilermech/OSK is required to inform the SC upon completion of the Proposed Listing.	To be complied.

The MITI had vide their letter dated 8 February 2011 approved the IPO.

8.2 MORATORIUM ON OUR SHARES

In compliance with paragraph 3.19 of the ACE Market Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of shares held by our Promoters as follows:-

- (i) The moratorium applies to the entire shareholdings held by our Promoters for a period of six (6) months from the date of admission to the ACE Market of Bursa Securities ("6-Month Moratorium");
- (ii) Upon the expiry of the 6-Month Moratorium, our Promoters shall hold under moratorium at least 45% of the nominal issued and paid-up ordinary share capital of our Company for another period of six (6) months; and
- (iii) Thereafter, our Promoters may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight-line basis) of the Shares held under moratorium.

Details of the shareholders of Boilermech whose shares are subjected to the moratorium are as follows:-

Promoters	After the Offer for Sale and during the 6-Month Moratorium		After 6-Month Moratorium	
	No. of Shares	%	No. of Shares	%
QLGR	90,381,818	35.03	57,988,369	22.48
Leong Yew Cheong	40,474,412	15.69	25,968,112	10.07
Wong Wee Voo	27,536,085	10.68	17,666,968	6.85
Tee Seng Chun	11,616,370	4.50	7,452,985	2.89
Gan Chih Soon	10,947,070	4.24	7,023,567	2.72
Total	180,955,755	70.14	116,100,000	45.01

The moratorium, which has been fully accepted by the aforesaid shareholders, is specifically endorsed on the share certificates representing the shareholdings of the aforesaid shareholders to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our registrars' instructions in the prescribed forms, ensure that trading of these Shares are not permitted during the moratorium period.

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

"The shares comprised herein are not capable of being sold, transferred or assigned for a period determined by the Bursa Securities ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Bursa Securities during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

9.1 RELATED PARTY TRANSACTIONS AND/OR CONFLICT OF INTEREST

Save as disclosed below, for the past three (3) FYE up to 30 April 2010 and the six (6) months FPE 31 October 2010, our Group does not have any material existing and/or proposed related party transactions entered and to be entered into which involves the interest, direct or indirect, of our Directors, substantial shareholders and/or key management and/or persons connected to them as defined under the ACE Market Listing Requirements:-

Transacting parties	Nature of relationship	Nature of transaction	Transaction value for				*Forecast for FYE 2011 (RM'000)
			FYE			FPE 31 October 2010 (RM'000)	
			2008 (RM'000)	2009 (RM'000)	2010 (RM'000)		
QL Marine Products Sdn Bhd ("QLMP")	QLMP is a subsidiary company of QL, which is one of our substantial shareholders.	Sale of one (1) unit of boiler to QLMP	-	1,646	141	-	-
QL Endau Fishmeal Sdn Bhd ("QLEF")	QLEF is a subsidiary company of QL, which is one of our substantial shareholders.	Sale of one (1) unit of boiler to QLEF	-	-	217	1,181	1,181
PT Pipit Mutiara Indah ("PTPM")	PTPM is a subsidiary company of QL, which is one of our substantial shareholders.	Sale of one (1) unit of boiler to PTPM	-	-	-	127	1,665
QL Plantation Sdn Bhd ("QLP")	QLP is a subsidiary company of QL, which is one of our substantial shareholders.	Sale of one (1) unit of boiler to QLP	-	-	140	2,071	3,060
QL	QL is one of our substantial shareholders.	Management fee	-	-	-	-	63
Charp Ngea Engineering Sdn Bhd ("CNESB")	Foong Peng Foo is a substantial shareholder and director of CNESB, and was formerly a substantial shareholder of BSB. However, he ceased to be a substantial shareholder of BSB on 6 October 2010.	Purchase of instruments and equipment from CNESB	-	315	394	182	182
DNSB	DNSB was formerly a substantial shareholder of BSB. DNSB ceased to be a substantial shareholder of BSB in January 2008.	Provision of fabrication works for pressure vessels by DNSB	*5,152	-	-	-	-

Notes:-

* These transactions are estimates, and hence are provisional in nature and are subject to change.

Provision of fabrication works for the pressure vessels carried out until 28 January 2008, being the date DNSB divested its equity interest in BSB.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

All the above transactions are conducted in the ordinary course of business, carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and will not be detrimental to our minority shareholders.

We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

After our Listing, we will procure a mandate from our shareholders, if necessary, for all our recurrent related party transactions of revenue and trading nature or those necessary for our day-to-day operations. Further, the interested persons shall abstain from voting on the resolution(s) pertaining to the respective transactions.

9.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

As at the LPD, there is no transaction that was unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which our Group was a party in respect of the past three (3) financial years and the subsequent financial period, thereof, immediately preceding the date of this Prospectus.

9.3 OUTSTANDING LOANS

As at the LPD, there are no outstanding loans (including guarantees of any kind) made by our Company and/or subsidiary to/for the benefit of the related parties for the past three (3) financial years and the subsequent financial period thereof immediately preceding the date of this Prospectus.

9.4 INTERESTS IN A SIMILAR BUSINESS

As at the LPD, none of our substantial shareholders, directors and/or key management and technical personnel of our Group are interested, directly or indirectly in any other similar assets, businesses or interest in Malaysia.

9.5 INTERESTS IN OTHER BUSINESS WHICH ARE OUR CUSTOMERS OR SUPPLIERS

As at the LPD, save as disclosed in **Section 9.1** of this Prospectus, none of our substantial shareholders, directors and/or key management and technical personnel of our Group are interested, directly or indirectly in any other businesses and corporation which are our Group's customers and suppliers.

Any future transactions which involve the interests of our Directors, substantial shareholders, key management and/or persons connected to them will be transacted at arm's length, and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders. In addition, our Audit Committee will supervise the terms of all our related party transactions, and our Board will report such transactions, if any, in our annual reports.

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9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

9.6 PROMOTION OF ANY MATERIAL ASSETS ACQUIRED / TO BE ACQUIRED

None of our Directors and substantial shareholders have any interest, direct or indirect, in any promotion of, or in, any material asset, within the three (3) most recent completed financial years and the subsequent financial period thereof immediately preceding the date of this Prospectus, acquired or disposed of by, or leased to us or our subsidiary, or is proposed to be acquired or disposed of by or leased to us or our subsidiary.

9.7 DECLARATION BY ADVISERS

OSK confirms that there is no equity and/or financial relationship with our Group that has resulted or may result in a potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent to our Group for the Listing.

Messrs Crowe Horwath has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Reporting Accountants for the Listing.

Messrs Naqiz & Partners has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Solicitors for the Listing.

Messrs Frost & Sullivan has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for the Listing.

Messrs Raine & Horne International Zaki + Partners Sdn Bhd has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Valuer for the Listing.

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10. FINANCIAL INFORMATION (Cont'd)**10.1 HISTORICAL FINANCIAL INFORMATION****10.1.1 Proforma consolidated income statements**

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 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 →			Proforma unaudited *FPE 31 October 2009 (RM'000)	Audited FPE 31 October 2010 (RM'000)
	2008 (RM'000)	2009 (RM'000)	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
Selling and marketing expenses	6,238	8,101	21,454	10,354	14,106
Administrative expenses	(351)	(531)	(827)	(337)	(819)
Other 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.

(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.

10. FINANCIAL INFORMATION (Cont'd)

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 subject 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.

10.1.2 Proforma consolidated balance sheets

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
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

10. FINANCIAL INFORMATION (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)
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

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10. FINANCIAL INFORMATION (Cont'd)

10.2 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath international

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Fax +6 03 2166 1000
www.crowehorwath.com.my
info@crowehorwath.com.my

28 March 2011

The Board of Directors
Boilermech Holdings Berhad
Lot 875 Jalan Subeng 8,
Taman Perindustrian Subang,
47500 Subang Jaya,
Selangor Darul Ehsan.

Dear Sirs

**BOILERMECH HOLDINGS BERHAD ("BOILERMECH" OR "THE COMPANY")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

We have reviewed the proforma consolidated financial information of Boilermech and its subsidiary ("Boilermech Group" or "the Group") for the financial years ended 30 April 2008 to 2010 and the six-month financial period ended 31 October 2010, together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the accompanying statements (initialled by us for the purpose of identification only) prepared for the purpose of inclusion in the prospectus of Boilermech to be dated 14 April 2011.

It is our responsibility to form an opinion on the proforma consolidated financial information as required by the Prospectus Guidelines issued by the Securities Commission and to report our opinion to you.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information with the audited financial statements, considering the evidence supporting the adjustments, and discussing the proforma consolidated financial information with the Directors of the Group.

As the proforma consolidated financial information has been prepared for illustrative purposes only, such information may not, because of its nature, reflect the actual financial position, results and cash flows of the Group. Further, such information does not purport to predict the future financial position, results and cash flows of the Group.

In our opinion,

- (a) the proforma consolidated financial information has been properly prepared on the bases set out in the accompanying notes to the proforma consolidated financial information and such bases are consistent with the accounting policies of the Boilermech Group unless otherwise stated;
- (b) the financial statements used in the preparation of the proforma consolidated financial information were prepared in accordance with Financial Reporting Standards in Malaysia; and

10. FINANCIAL INFORMATION (Cont'd)



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

We understand that this letter will be used solely for the purpose stated above. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

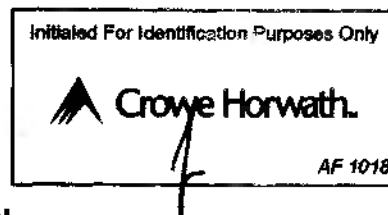
Yours faithfully

A handwritten signature in cursive script that reads "Crowe Horwath".

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

A handwritten signature in cursive script that reads "James Chan Kuan Chee".

James Chan Kuan Chee
Approval No: 2271/10/11 (J)
Chartered Accountant

10. FINANCIAL INFORMATION (Cont'd)**BOILERMECH GROUP****PROFORMA CONSOLIDATED FINANCIAL INFORMATION****1. PROFORMA GROUP AND BASIS OF PREPARATION****1.1 Proforma Group**

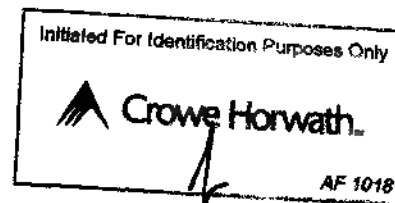
The proforma consolidated financial information of Boilermech Holdings Berhad ("Boilermech") and its subsidiary ("Boilermech Group" or "the Group"), comprising the financial information of the following companies, is presented for the purpose of illustration only:-

- (a) Boilermach
- (b) Boilermech Sdn. Bhd. ("BSB")

The relevant financial periods for the purpose of this report ("Relevant Financial Period") are as follows:-

Company	Relevant Financial Period
Boilermech	Financial period from 8 April 2010 (date of incorporation) to 31 October 2010 ("FPE 2011").
BSB	Financial years ended ("FYE") 30 April 2008 to 2010 and Financial Period from 1 May 2010 to 31 October 2010 ("FPE 2011").

Boilermech was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 8 April 2010 under the name of Boilermech Holdings Sdn. Bhd. Boilermech was converted into a public limited company on 14 May 2010 and assumed its present name, Boilermech Holdings Berhad.

10. FINANCIAL INFORMATION (Cont'd)**BOILERMECH GROUP****PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****1. PROFORMA GROUP AND BASIS OF PREPARATION (CONT'D)****1.1 Proforme Group (Cont'd)**

The proforma consolidated financial information of the Boilermech Group is prepared on the assumption that the Boilermech Group had been in existence throughout the FYE 2008 to 2010 and FPE 2011. The proforma consolidated financial information comprises the following:-

- Section 2 - Proforma Consolidated Statements of Comprehensive Income for the Relevant Financial Period;
- Section 3 - Proforma Consolidated Statements of Financial Position as at 31 October 2010; and
- Section 4 - Proforma Consolidated Statement of Cash Flow for the FPE 2011.

1.2 Basis of Preparation

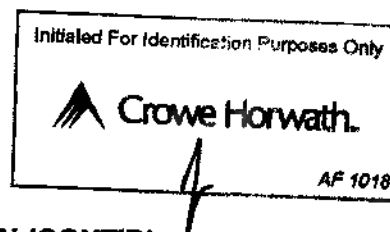
The proforma consolidated financial information of Boilermech Group for the FYE 2008, 2009 and 2010 is prepared on the assumption that the Boilermech Group had been in existence throughout the FYE 2008, 2009 and 2010 based on the audited financial statements of BSB for the Relevant Financial Period.

The proforma consolidated financial information has been prepared in accordance with Financial Reporting Standards in Malaysia consistent with those previously adopted in the preparation of the audited financial statements of BSB for the FYE 2010, and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

Prior to 1 May 2007, the BSB prepared its financial statements using Private Entity Reporting Standards. The change of accounting standards did not have any material financial effects on the financial statements of the BSB.

From 1 May 2007, the BSB had adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") which are effective for the relevant financial years for the preparation of these financial statements except for the Amendments to FRS 117.

10. FINANCIAL INFORMATION (Cont'd)

**BOILERMECH GROUP****PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****1. PROFORMA GROUP AND BASIS OF PREPARATION (CONT'D)****1.2 Basis of Preparation (Cont'd)**

The Company has adopted in advance of its effective date the amendment made to FRS 117-Leases in the current financial year in relation to the classifications of leasehold land as finance lease which is only effective for financial periods beginning on or after 1 January 2010. The Company's leasehold land which is in substance a finance lease has been classified as Property, Plant and Equipment and measured accordingly.

During the FPE 2011, Boilermech undertook the following transactions:-

(a) Acquisition

On 21 October 2010, the Company entered into a Share Purchase Agreement with the vendors of BSB for the acquisition of 500,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of BSB, for a total consideration of RM22,309,998 based on the net assets ("NA") of BSB as at 31 August 2010. The purchase consideration was satisfied by the issuance of 223,099,980 new ordinary shares of RM0.10 each in the Company ("Boilmerch Shares" or "Shares") at par. The Acquisition was completed on 21 October 2010.

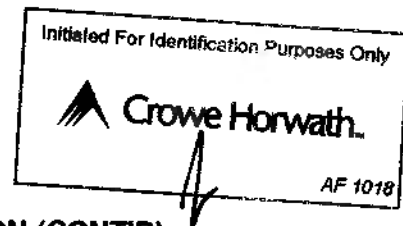
The proforma consolidated statements of financial position together with the accompanying notes thereto, have been prepared solely for illustrative purposes, to show the effects of the following scheme had the scheme been implemented and completed on 31 October 2010:-

(b) Public Issue

Pursuant to the Public Issue, the Company shall issue 34,900,000 new Shares at an issue price of RM0.33 per Share to be allocated in the following manner:

- (i) 19,250,000 Issue Shares will be allocated by way of private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry;
- (ii) 8,000,000 Issue Shares will be made available for application by the Malaysian Public; and

10. FINANCIAL INFORMATION (Cont'd)



BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1. PROFORMA GROUP AND BASIS OF PREPARATION (CONT'D)

1.2 Basis of Preparation (Cont'd)

(b) Public Issue (Cont'd)

- (iii) 7,650,000 Issue Shares will be made available for application by eligible directors, employees and business associates/persons of the Group who have contributed to the success of the Group.

Upon completion of the Public Issue, the issued and paid-up share capital of Boilermach will increase from RM22,310,000 comprising 223,100,000 Shares to RM25,800,000 comprising 258,000,000 Shares. The Company shall list its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Malaysia Securities Berhad.

10. FINANCIAL INFORMATION (Cont'd)

Initialed For Identification Purposes Only

 Crowe Horwath

AF 1018

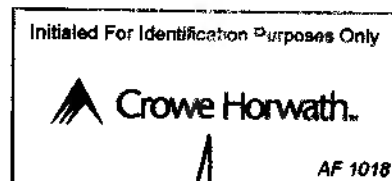
BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF BOILERMECH

	AUDITED FYE 2008 RM'000	AUDITED FYE 2009 RM'000	AUDITED FYE 2010 RM'000	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 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 ("GP")	6,121	7,247	21,286	10,294	13,884
Other income	117	854	168	60	222
Selling and marketing expenses	6,238	8,101	21,454	10,354	14,106
Administrative expenses	(351)	(531)	(827)	(337)	(819)
Other expenses	(1,578)	(1,483)	(2,367)	(1,103)	(2,106)
Profit from operations	(399)	(372)	(3,865)	(504)	(944)
Finance costs	3,910	5,715	14,395	8,410	10,237
Profit before taxation ("PBT")	(5)	(47)	(299)	(137)	(124)
Depreciation	3,905	5,668	14,096	8,273	10,113
Interest expense	160	346	957	365	500
Interest income	5	47	299	137	124
Earnings before interest, amortisation, depreciation and taxation	(115)	(284)	(24)	(13)	(104)
Depreciation	3,955	5,777	15,328	8,762	10,633
Interest expense	(160)	(346)	(957)	(365)	(500)
Interest income	(5)	(47)	(299)	(137)	(124)
PBT	115	284	24	13	104
Income tax expense	3,905	5,668	14,096	8,273	10,113
Profit after taxation ("PAT")	(1,051)	(1,490)	(1,756)	(1,031)	(2,864)
Other comprehensive income, net of tax	2,854	4,178	12,340	7,242	7,249
- Fair value changes of available-for- sale financial assets	-	-	-	-	(5)
- Revaluation of property	-	-	-	-	8,482
- Income tax expense to component of other comprehensive income	-	-	-	-	(1,620)
	-	-	-	-	4,857
Total comprehensive income for the financial year/period	2,854	4,178	12,340	7,242	12,106

10. FINANCIAL INFORMATION (Cont'd)



BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF BOILERMECH

	AUDITED FYE 2009 RM'000	AUDITED FYE 2009 RM'000	AUDITED FYE 2010 RM'000	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
GP 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%
Interest coverage (times)	782.0	121.6	48.1	61.4	82.6
Assumed number of shares in issued of RM 0.10 each ('000) *	223,100	223,100	223,100	223,100	223,100
Gross earnings per share ("EPS") (sen)	1.75	2.54	6.32	3.71	4.53
Net EPS (sen)	1.28	1.87	5.53	3.25	3.25

Note:-

* - The number of shares assumed in issue is the number of issued and paid-up share capital of RM0.10 each immediate prior to the Public Issue.

10. FINANCIAL INFORMATION (Cont'd)

BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BOILERMECH AS AT 31 OCTOBER 2010

	Note	Audited as at 31 October 2010 RM'000	Adjustment for Public Issue RM'000	Public Issue RM'000	Adjustment for Utilisation of Proceeds RM'000	After Proforma I and Utilisation of Proceeds RM'000	Proforma I	Proforma II
ASSETS								
NON-CURRENT ASSETS								
Property, plant and equipment	3.3	19,349		19,349	3,000	22,349		22,349
Other Investment		23		23		23		23
		<u>19,372</u>		<u>19,372</u>		<u>22,372</u>		<u>22,372</u>
CURRENT ASSETS								
Inventories		10,069		10,069		10,069		10,069
Amount owing by contract customers		9,104		9,104		9,104		9,104
Trade receivables		39,121		39,121		39,121		39,121
Other receivables, deposits and prepayments		1,734		1,734		1,734		1,734
Short-term deposits with a licensed bank		2,000		2,000		2,000		2,000
Cash end bank balances	3.4	7,805	11,517	19,322	(7,837)	11,485		11,485
		<u>69,833</u>		<u>81,350</u>		<u>73,513</u>		<u>73,513</u>
TOTAL ASSETS		<u>89,205</u>		<u>100,722</u>		<u>95,885</u>		<u>95,885</u>

10. FINANCIAL INFORMATION (Cont'd)

BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BOILERMECH AS AT 31 OCTOBER 2010 (CONT'D)

	Note	Proforma I		Proforma II	
		Audited as at 31 October 2010 RM'000	Adjustment for Public Issue RM'000	Public Issue RM'000	Adjustment for Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	3.5	22,310	3,490	25,800	25,800
Share premium	3.8	-	8,027	8,027	7,417
Revaluation Reserve		4,882		4,882	4,882
Fair value reserve		(27)		(27)	(27)
Merger deficit	3.7	(21,810)		(21,810)	(21,810)
Retained profits	3.8	19,740		19,740	18,013
TOTAL EQUITY		25,075		36,592	34,255
NON CURRENT LIABILITIES					
Long-term borrowings	3.9	4,475		4,475	1,975
Deferred taxation		1,614		1,614	1,614
		6,089		6,089	3,589

10. FINANCIAL INFORMATION (Cont'd)

BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BOILERMECH AS AT 31 OCTOBER 2010 (CONT'D)

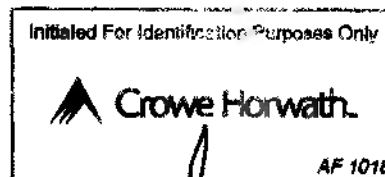
	Note	Proforma I		Proforma II	
		Audited as at 31 October 2010 RM'000	Adjustment for Public Issue RM'000	Public Issue RM'000	Adjustment for Utilisation of Proceeds RM'000
CURRENT LIABILITIES					
Amount owing to contract customers		33,067		33,067	33,067
Trade payables		16,721		16,721	16,721
Other payables and payables		3,109		3,109	3,109
Short-term borrowings		434		434	434
Current tax liabilities		4,710		4,710	4,710
		<u>58,041</u>		<u>58,041</u>	<u>58,041</u>
TOTAL LIABILITIES		<u>64,130</u>		<u>64,130</u>	<u>61,630</u>
TOTAL EQUITY AND LIABILITIES		<u>89,205</u>		<u>100,722</u>	<u>95,685</u>
<i>Assumed number of ordinary shares in issue of RM0.10 each ('000)</i>					
		223,100		258,000	258,000
<i>Net assets ("NA") (RM'000)</i>					
		25,075		36,592	34,255
<i>NA per ordinary share (sen)</i>					
		11.24		14.18	13.28

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10. FINANCIAL INFORMATION (Cont'd)



BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BOILERMECH AS AT 31 OCTOBER 2010 (CONT'D)

3.1 Proforma I

Proforma I incorporates the effects of the Public Issue of 34,900,000 new Boilermech Shares, at an Initial Public Offering ("IPO") price of RM0.33 per Boilermech Share, payable in full on application.

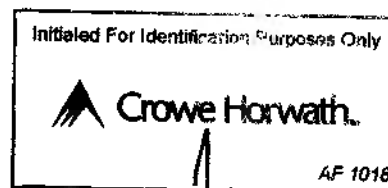
3.2 Proforma II

Proforma II incorporates the effects of Proforma I and the Utilisation of Proceeds. The proceeds will be utilised as follows:-

	RM'000
Business expansion plans	4,000
Repayment of term loan	2,500
Working capital	3,317
Estimated listing expenses *	1,700
	11,517

Note:

* - The total estimated listing expenses for the issue of new Shares is RM1,700,000 of which RM610,000 will be written off against the share premium account under Section 60 of the Companies Act, 1965. The balance of the estimated listing expenses of RM1,090,000 will be expensed off against the statements of comprehensive income and this represents a one-off expenditure pursuant to the IPO. During the FPE 2011, the listing expenses of RM363,000 has been expensed off against the statements of comprehensive income.

10. FINANCIAL INFORMATION (Cont'd)**BOILERMECH GROUP****PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BOILERMECH AS AT 31 OCTOBER 2010 (CONT'D)****3.3 PROPERTY, PLANT AND EQUIPMENT**

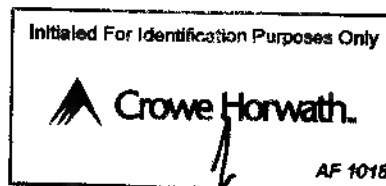
The details of property, plant and equipment are illustrated below:-

	At cost RM'000	At valuation RM'000	Accumulated depreciation RM'000	Net book value RM'000
Leasehold land	-	11,000	(31)	10,969
Building	-	5,900	(35)	5,865
Computers	241	-	(170)	71
Furniture, fittings and office equipment	278	-	(81)	197
Machinery	1,915	-	(552)	1,363
Motor vehicles	1,558	-	(674)	884
As at 31.10.2010/As per Proforma I	3,992	16,900	(1,543)	19,349
Business expansion plans	3,000	-	-	3,000
As per Proforma II	6,992	16,900	(1,543)	22,349

3.4 CASH AND BANK BALANCES

	RM'000
As at 31 October 2010	7,805
Add: Proceeds from Public Issue	11,517
As per Proforma I	19,322
Utilisation of Proceeds	
- estimated listing expenses	(1,337)
- business expansion plans	(4,000)
- repayment of term loan	(2,500)
As per Proforma II	11,485

10. FINANCIAL INFORMATION (Cont'd)



BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BOILERMECH AS AT 31 OCTOBER 2010 (CONT'D)

3.5 SHARE CAPITAL

The movements in the issued and paid-up share capital of Boilermech are as follows:-

	Number of Ordinary Shares '000	Amount of Share Capital RM'000
As at 31 October 2010	223,100	22,310
Public Issue	34,900	3,490
As per Proforma I/II	258,000	25,800

3.6 SHARE PREMIUM

The movements in the share premium account are as follows:-

	RM'000
As at 31 October 2010	-
Public Issue	8,027
As per Proforma I	8,027
Estimated listing expenses *	(610)
As per Proforma II	7,417

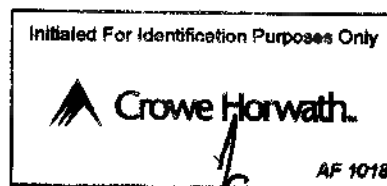
Note:

* - The total estimated listing expenses for the issue of new Shares is RM1,700,000 of which RM610,000 will be written off against the share premium account under Section 60 of the Companies Act, 1965. The balance of the estimated listing expenses of RM1,090,000 will be expensed off against the statements of comprehensive income and this represents a one-off expenditure pursuant to the IPO. During the FPE 2011, the listing expenses of RM363,000 has been expensed off against the statements of comprehensive income.

3.7 MERGER DEFICIT

The merger deficit arose from the acquisition of Boilermech using the merger method of accounting.

10. FINANCIAL INFORMATION (Cont'd)



BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BOILERMECH AS AT 31 OCTOBER 2010 (CONT'D)

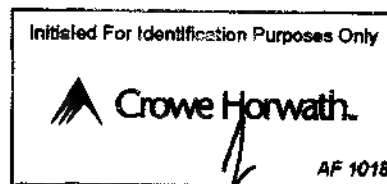
3.8 RETAINED PROFITS

	RM'000
As at 31 October 2010/As per Proforma I	19,740
Estimated listing expenses	(727)
Business expansion plans	(1,000)
As per Proforma II	<u>18,013</u>

3.9 LONG-TERM LIABILITIES

	RM'000
As at 31 October 2010/As per Proforma I	4,475
Utilisation of Proceeds	(2,500)
As per Proforma II	<u>1,975</u>

10. FINANCIAL INFORMATION (Cont'd)



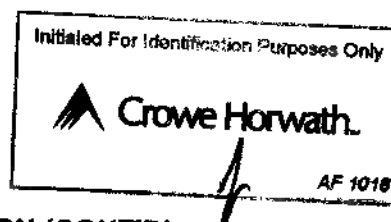
BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOW OF BOILERMECH FOR THE FPE 2011

	Note	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		8,273	10,113
Adjustments for:-			
Depreciation of property, plant and equipment		365	500
Impairment loss on trade receivables		-	1,425
Interest expense		137	124
Gain on disposal of equipment		(20)	-
Interest income		(13)	(104)
Unrealised gain on foreign exchange		-	(14)
Write-back of impairment loss on trade receivables		-	(1,254)
Operating profit before working capital changes		8,742	10,790
Increase in amount owing to contract customers		(1,738)	(3,700)
Decrease/(Increase) in inventories		5,556	(651)
Increase in trade and other receivables		(5,363)	(4,726)
Increase in trade and other payables		1,102	3,022
Increase/(Decrease) in amount owing to contract customers		2,349	(1,303)
CASH FROM OPERATIONS		10,648	3,432
Interest paid		(137)	(124)
Income tax paid		(660)	(601)
NET CASH FROM OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD		9,851	2,707

10. FINANCIAL INFORMATION (Cont'd)



BOILERMECH GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOW OF BOILERMECH FOR THE FPE 2011 (CONT'O)

	Note	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
BALANCE BROUGHT FORWARD		9,851	2,707
CASH FLOW FOR INVESTING ACTIVITIES			
Proceeds from disposal of equipment		95	-
Purchase of property, plant and equipment		(1,815)	(1,224)
Interest received		13	104
NET CASH FOR INVESTING ACTIVITIES		(1,707)	(1,120)
CASH FLOWS FOR FINANCING ACTIVITIES			
Repayment of hire purchase obligations		(52)	(95)
Repayment of term loan		(107)	(136)
Dividend paid		(1,000)	(8,000)
NET CASH FOR FINANCING ACTIVITIES		(1,159)	(8,231)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,985	(6,644)
EFFECTS ON FOREIGN EXCHANGE, NET		-	23
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		11,544	16,426
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	4.1	18,529	9,805

The Proforma Consolidated Cash Flow Statement of Boilermech has been prepared before taking into account the proceeds from the Public Issue and Utilisation of Proceeds.

10. FINANCIAL INFORMATION (Cont'd)

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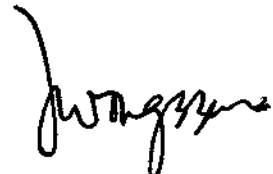
BOILERMECH GROUP**PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOW OF BOILERMECH FOR THE FPE 2011 (CONT'D)****4.1 CASH AND CASH EQUIVALENTS**

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Short-term deposits with a licensed bank	10,119	2,000
Cash and bank balances	8,410	7,805
	<u>18,529</u>	<u>9,805</u>

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated
28 MAR 2011

On behalf of the Board,


Leong Yew Cheong

Wong Wee Voo

10. FINANCIAL INFORMATION (Cont'd)**10.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS, RESULTS OF OPERATIONS AND PROSPECTS**

The following management's discussion and analysis of our Group's financial conditions and results of operations should be read in conjunction with the proforma consolidated financial information and the accompanying notes for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 included in Section 10.1 and 10.2 of this Prospectus.

The discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involves risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

10.3.1 Overview of our financial results

We are principally involved in the following activities:-

- (i) Design, manufacture, installation and commissioning of biomass boilers; and
- (ii) Repairs and refurbishment services as well as provision of engineering solutions for biomass boiler.

Please refer to Section 5 of this Prospectus for our Group's detailed business overview.

Revenue

Our core revenue stream is derived from the design, manufacture, installation and commissioning of biomass boilers. The sales of our new biomass boilers contributed more than 90% of our total revenue for the past three (3) financial years and the six (6) months financial period under review. The remaining revenue is derived from our repairs and refurbishment services as well as provision of engineering solutions for biomass boilers.

Our total revenue has been predominantly driven by MB and MRST demand from palm oil mills, and accounted for approximately 85.43%, 86.87%, 89.31% and 95.06% of our total revenue for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 respectively. Apart from the palm oil milling industry, we have also diversified our customer base to cover other agricultural based processing industries such as sugar milling, rubber based manufacturing, food processing and palm oil refineries.

Our revenue is also segmented between local and overseas markets, of which the local market contributed approximately 65.56%, 60.03%, 44.16% and 51.14% of our total revenue for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 respectively. For the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010, Indonesia was our largest overseas market, accounting for approximately 32.85%, 29.01%, 41.00% and 36.40% of our total revenue respectively. Building on our established track record and reputation as well as leveraging on our technical expertise, we have extended our market presence to Ivory Coast, Sri Lanka, Thailand and the Solomon Islands. Our geographical expansion thus far have been mainly focused on moving in tandem with our existing customers and business contacts who are seeking expansion outside South East Asia.

10. FINANCIAL INFORMATION (Cont'd)

We recognise our revenue in the following manner:-

(i) MB

Revenue for boiler manufacturing contracts is recognised based on the percentage of completion method. Under this method, we estimate the percentage of completion of the project based on the actual contract cost incurred over the total estimated/budgeted cost of the contract.

(ii) MRST

Revenue for our MRST operations are generally recognised based upon delivery of goods and/or customers' acceptance on services performed. However, we also recognise MRST revenue based on percentage of completion method for boiler repairs and refurbishment works that require a longer completion period and involves replacement of substantial boiler parts and provision of engineering solutions.

The selling price for our products and services is dependent on the following major factors:-

- (i) the technical specification of the boiler;
- (ii) the cost of raw materials and boiler components as well as labour and installation costs;
- (iii) the location site of the boiler installation (which may necessitate additional transportation charges such as freight and other handling costs); and
- (iv) competition from other boiler manufacturers.

The main factors affecting our revenue are as follows:-

- (i) the level of production activity and rate of installation (which depends, on amongst others, customers' site readiness);
- (ii) number of contracts secured; and
- (iii) the prevailing economic and market demand conditions for boilers.

For further information on the factors affecting the revenue of our Group, please refer to **Section 10.3.3** of this Prospectus.

Cost of sales

The analysis of our cost of sales for the financial years under review is as follow:-

	FYE 30 April					
	2008		2009		2010	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Materials and equipment	29,035	78.76	42,119	79.86	58,981	76.11
Labour and installation cost	4,867	13.20	5,032	9.54	10,206	13.17
Transportation cost	1,268	3.44	2,904	5.50	4,463	5.76
Total direct cost	35,170	95.40	50,055	94.90	73,650	95.04
Indirect production overheads	1,696	4.60	2,689	5.10	3,847	4.96
Cost of sales	36,866	100.00	52,744	100.00	77,497	100.00

10. FINANCIAL INFORMATION (Cont'd)

	FPE 31 October			
	2009		2010	
	(RM'000)	(%)	(RM'000)	(%)
Materials and equipment	27,933	78.07	33,853	72.21
Labour and installation cost	3,778	10.56	7,082	15.11
Transportation cost	2,427	6.78	3,017	6.43
Total direct cost	34,138	95.41	43,952	93.75
Indirect production overheads	1,642	4.59	2,930	6.25
Cost of sales	35,780	100.00	46,882	100.00

Our cost of sales comprises cost of materials and equipment, labour and installation cost, transportation cost and indirect production overheads as explained below:-

(i) Materials and equipment

Cost of materials and equipment accounted for a significant portion of our total cost of sales, having contributed approximately 78.76%, 79.86%, 76.11% and 72.21% for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 respectively. The major components of our raw materials are steel tubes, plates and instruments and equipment. For further information on the principal raw materials used by our Group, please refer to **Section 5.8.5** of this Prospectus.

For the past three (3) financial years and the six (6) months financial period under review, we have procured these raw materials particularly steel-based raw materials based on the pricing, availability/ lead time for delivery and quality of the raw materials from our group of suppliers. We are not overly dependent on any particular supplier and believe that we are able to source our raw materials from alternative suppliers, if the need arises. For further details on the availability and fluctuations in the prices of raw materials, please refer to **Section 4.1.4** of this Prospectus.

We generally procure our raw materials once we have secured the boiler contract. However, we also purchase certain sizes of steel plates and tubes in advance, in anticipation of securing new boiler contracts (particularly those under tender) and when suppliers are able to offer raw materials at favourable prices.

The key factors affecting our cost of materials and equipment are set out as follows:-

- (i) the demand and supply conditions for our main raw materials, in particular steel tubes and plates, and instruments and equipment; and
- (ii) our ability to secure competitive pricing from our suppliers.

For the past three (3) financial years under review, we recorded an upward trend for our total cost of raw materials. In the six (6) months FPE 31 October 2010, our cost of raw materials was approximately RM33.85 million as compared to RM27.93 million recorded in the previous corresponding six (6) months FPE 31 October 2009. The increase in the total cost of raw materials in the said financial years and period under review was mainly attributable to the increase in the number of contracts secured and the level of production activity.

10. FINANCIAL INFORMATION (Cont'd)**(ii) Labour and installation cost**

Our labour and installation cost relates to the supply of labour for the following:-

- (i) the fabrication works for boiler pressure vessels and tubes forming at our factory premises; and
- (ii) the installation and commissioning of the boiler system at site.

For the past three (3) financial years under review, our labour and installation cost has been on an upward trend which is consistent with the increase in the level of production activity and the number of boilers installed and commissioned at site. For the six (6) months FPE 31 October 2010, we recorded a higher labour and installation cost of RM7.08 million as compared to RM3.78 million reported in the previous corresponding financial period. The substantial increase was mainly due to the increase in the number of boilers installed and commissioned in the six (6) months financial period under review. In the six (6) months FPE 31 October 2010, we installed and commissioned twenty four (24) boilers as compared to nine (9) boilers in the previous corresponding financial period.

(iii) Transportation cost

Our transportation cost relates to the carriage, freight charges and handling costs incurred in delivering the boilers to the location site.

Our transportation cost was on an increasing trend for the past three (3) FYE 30 April 2010. For the six (6) months FPE 31 October 2010, we reported higher transportation cost of approximately RM3.02 million as compared to RM2.43 million recorded in the previous corresponding financial period. The upward trend in our transportation cost for the financial years and period under review was mainly attributable to the increase in the number of boilers delivered to our overseas installation sites and is in line with the increase in revenue derived from overseas markets.

(iv) Indirect production overheads

Our indirect production overheads relate to the design, production management and supervisory cost, project management cost, depreciation and general upkeep of plant, machinery and factory premises and consumables.

Other income

Our other income mainly comprises gain on disposal of motor vehicles, sales of scrap material, gains on foreign exchange and interest income. Our other income represents approximately 0.27%, 1.42%, 0.17% and 0.37% of our Group's total revenue for the past three (3) financial years and the six (6) months FPE 31 October 2010 respectively.

For the FYE 30 April 2009, we reported a higher other income as compared to the rest of the financial years and the six (6) months financial period under review. The substantial increase in other income was primarily due to the gains in foreign exchange of approximately RM0.56 million and fixed deposit interest income amounting to approximately RM0.28 million.

10. FINANCIAL INFORMATION (Cont'd)**Operating expenses**

Operating expenses	FYE 30 April					
	2008		2009		2010	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Selling and marketing expenses	351	15.08	531	22.26	827	11.72
Administrative expenses	1,578	67.78	1,483	62.15	2,367	33.53
Other expenses	399	17.14	372	15.59	3,865	54.75
Total	2,328	100.00	2,386	100.00	7,059	100.00

Operating expenses	FPE 31 October			
	2009		2010	
	(RM'000)	(%)	(RM'000)	(%)
Selling and marketing expenses	337	17.34	819	21.17
Administrative expenses	1,103	56.77	2,106	54.43
Other expenses	503	25.89	944	24.40
Total	1,943	100.00	3,869	100.00

Our operating expenses comprise selling and marketing expenses, administrative expenses and other operating expenses, and in aggregate only represents approximately 4% to 7% of our total revenue for each of the financial years and the six (6) months financial period under review.

Our selling and marketing expenses mainly comprise sales and marketing staff cost, entertainment and travelling costs, exhibitions and advertisement expenses as well as agency commission cost. It constituted approximately 0.82%, 0.89% and 0.84% of our total revenue for the past three (3) FYE 30 April 2010 respectively. In the six (6) months FPE 31 October 2010, we reported higher selling and marketing expenses amounting to approximately RM0.82 million as compared to RM0.34 million recorded in the previous corresponding financial period. The increase was mainly attributable to the increase in our marketing staff cost and agency commission cost arising from our business expansion efforts.

Our administrative expenses mainly comprise directors' fees and remuneration, administration staff cost, audit fee, general repairs, telecommunication and utilities expenses. It constituted approximately 3.67%, 2.47%, 2.40% and 3.47% of our revenue for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 respectively.

Our other operating expenses mainly comprise loss on foreign exchange, allowance for doubtful debts and depreciation. Other operating expenses constituted approximately 0.93%, 0.62% and 3.91% of our revenue for the past three (3) FYE 30 April 2010. For the FYE 30 April 2010, we recorded a higher other operating expenses as compared to the rest of the financial years under review. The substantial increase in our other operating expenses was mainly attributable to the increase in depreciation charges and allowance of doubtful debts of approximately RM2.19 million. The allowance of doubtful debts is provided based on an assessment of the recoverability of trade receivables. Please refer to **Section 10.5.9** of this Prospectus for our policy on allowances for doubtful debts.

10. FINANCIAL INFORMATION (Cont'd)

In the six (6) months FPE 31 October 2010, we recorded higher other operating expenses of approximately RM0.94 million as compared to RM0.50 million reported in the previous corresponding financial period. The increase was mainly due to the sum incurred in relation to the listing exercise totalling approximately RM0.36 million, allowance of doubtful debts of approximately RM0.17 million and the increase in depreciation charges.

Order book**MB**

Orders for new boilers are secured based on boiler manufacturing contracts. New boiler manufacturing contracts secured by us for the past three (3) FYE 30 April 2010 and up to the LPD are as follows:-

	FYE 30 April			From 1 May 2010 to the LPD (RM'000)
	2009 (RM'000)	2009 (RM'000)	2010 (RM'000)	
New boiler manufacturing contacts	91,968	91,825	132,698	119,007
No. of boilers	35	33	53	38
Average contract value	2,628	2,783	2,504	3,132

Up to the LPD, we have completed the physical delivery of 122 boilers of which we have installed and commissioned 89 boilers. As at the LPD, our outstanding order book recognisable as revenue is approximately RM194.2 million.

MRST

The nature of our business for our MRST operations is such that we receive orders from our customers based on purchase orders with specifications such as the type of boiler component and part required, quantity, the type of repairs and technical requirements. Most of our customers' orders are usually fulfilled within one (1) month except for certain boiler repairs and refurbishment works that require a longer completion period.

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10. FINANCIAL INFORMATION (Cont'd)**10.3.2 Our results of operations****Detailed analysis of revenue and operating profit**

The following tables set out the segmental analysis of our Group's revenue, gross profit and gross profit margins by principal activities and markets for the respective financial years under review:-

(i) Revenue

Our revenue stream from our principal activities for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 are as follows:-

Principal activities	FYE 30 April					
	2008		2009		2010	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
MB	38,961	90.63	55,196	92.00	88,929	90.02
MRST	4,026	9.37	4,795	8.00	9,854	9.98
Total revenue	42,987	100.00	59,991	100.00	98,783	100.00

Principal activities	FPE 31 October			
	2009		2010	
	(RM'000)	(%)	(RM'000)	(%)
MB	43,833	95.14	57,440	94.53
MRST	2,241	4.86	3,326	5.47
Total revenue	46,074	100.00	60,766	100.00

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10. FINANCIAL INFORMATION (Cont'd)

The breakdown of our Group's revenue by end user industries for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 are as follows:-

End user industries	FYE 30 April					
	2008		2009		2010	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Palm oil milling industry	36,725	85.43	52,113	86.87	88,218	89.31
Agricultural based processing industry						
Sugar milling	2,331	5.43	2,140	3.57	9,031	9.14
Rubber based manufacturing	108	0.25	2,045	3.41	980	0.99
Food processing	-	-	1,646	2.74	358	0.36
Palm oil refineries	3,823	8.89	2,047	3.41	196	0.20
	6,262	14.57	7,878	13.13	10,565	10.69
Total revenue	42,987	100.00	59,991	100.00	98,783	100.00

End user industries	FPE 31 October			
	2009		2010	
	(RM'000)	(%)	(RM'000)	(%)
Palm oil milling industry	40,898	88.77	57,762	95.06
Agricultural based processing industry				
Sugar milling	4,328	9.39	744	1.22
Rubber based manufacturing	543	1.18	908	1.49
Food processing	137	0.30	1,181	1.94
Palm oil refineries	168	0.36	171	0.29
	5,176	11.23	3,004	4.94
Total revenue	46,074	100.00	60,766	100.00

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10. FINANCIAL INFORMATION (Cont'd)

The breakdown of our Group's revenue by geographical markets for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 are as follows:-

Geographical markets	FYE 30 April					
	2008		2009		2010	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Local	28,185	65.56	36,009	60.03	43,623	44.16
Overseas:-						
Indonesia	14,121	32.85	17,404	29.01	40,504	41.00
Ivory Coast	-	-	59	0.10	13,456	13.62
Thailand	53	0.12	4,391	7.32	985	1.00
Cambodia	-	-	-	-	55	0.05
Solomon Islands	-	-	2,046	3.41	66	0.07
Sri Lanka	617	1.44	(1)	-	-	-
Others ⁽²⁾	11	0.03	82	0.13	94	0.10
Total overseas	14,802	34.44	23,982	39.97	55,160	55.84
Total revenue	42,987	100.00	59,991	100.00	98,783	100.00

Geographical markets	FPE 31 October			
	2009		2010	
	(RM'000)	(%)	(RM'000)	(%)
Local	23,423	50.84	31,075	51.14
Overseas:-				
Indonesia	14,899	32.34	22,115	36.40
Ivory Coast	7,518	16.32	3,214	5.29
Thailand	226	0.49	2,536	4.17
Cambodia	-	-	1,344	2.21
Solomon Islands	-	-	438	0.72
Sri Lanka	-	-	-	-
Others ⁽²⁾	8	0.01	44	0.07
Total overseas	22,651	49.16	29,691	48.86
Total revenue	46,074	100.00	60,766	100.00

Notes:-

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

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10. FINANCIAL INFORMATION (Cont'd)**(ii) Gross profit and gross profit margins**

The breakdown of our Group's gross profit and gross profit margins by principal activities for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 are as follows:-

Principal activities	FYE 30 April					
	2008		2009		2010	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
MB	4,683	76.51	5,084	70.15	16,492	77.48
MRST	1,438	23.49	2,163	29.85	4,794	22.52
Gross profit	6,121	100.00	7,247	100.00	21,286	100.00
Gross profit margin for:-						
MB	12.02%		9.21%		18.55%	
MRST	35.72%		45.11%		48.65%	
Overall gross profit margin (%)	14.24%		12.08%		21.55%	

Principal activities	FPE 31 October			
	2009		2010	
	(RM'000)	(%)	(RM'000)	(%)
MB	9,301	90.35	12,678	91.31
MRST	993	9.65	1,206	8.69
Gross profit	10,294	100.00	13,884	100.00
Gross profit margin for:-				
MB	21.22%		22.07%	
MRST	44.31%		36.26%	
Overall gross profit margin (%)	22.34%		22.85%	

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10. FINANCIAL INFORMATION (Cont'd)

Commentary on financial performance***FYE 30 April 2008 compared to FYE 30 April 2007*****Revenue**

For the FYE 30 April 2008, our total revenue grew from approximately RM36.82 million recorded in the previous financial year to RM42.99 million, representing an increase of approximately 16.76%. Revenue recognised from our MB operations accounted for approximately 90.63% of our total revenue. The remaining revenue of approximately 9.37% was derived from our MRST operations.

In the financial year under review, our MB operations reported revenue of approximately RM38.96 million, which represents a growth of approximately 9.54% as compared to the revenue of RM35.14 million achieved in the previous financial year. The slight increase in revenue was primarily attributable to the increase in revenue recognised for boilers undergoing fabrication and number of boilers delivered, installed and commissioned. In particular in the FYE 30 April 2008, we recognised revenue for the delivery of nine (9) boilers to the site (compared to seven (7) boilers in the previous year) and recognised revenue for the installation and commissioning of thirteen (13) boilers (compared to ten (10) boilers in the previous year).

During the financial year, our MRST operations achieved higher revenue of approximately RM4.03 million as compared to the RM1.68 million recorded in the previous financial year. The increase in the MRST was mainly due to the general increase in boiler repairs as well as increase in demand for boiler components and parts.

Gross profit, gross profit margin and PBT

For the FYE 30 April 2008, our gross profit increased from RM5.01 million reported in the previous financial year to approximately RM6.12 million in line with the improvements of our revenue.

In the financial year under review, we achieved a higher overall gross profit margin of 14.24% as compared to 13.61% recorded in the previous financial year. The increase in our overall gross profit margin was primarily due to the higher gross profit margin recorded from the installation and commissioning of two (2) boiler units of higher technical specifications in Indonesia. As disclosed in **Section 5.1** and **Section 5.4** of this Prospectus, each of the boilers supply steam to generate 7.0 megawatts of electrical power.

In the FYE 30 April 2008, we obtained a higher PBT of approximately RM3.91 million as compared to RM2.68 million reported in the previous financial year. The growth in our PBT was mainly due to the overall increase in gross profit as disclosed above, which was slightly offset by the increase in our operating expenses.

PAT

We reported a higher PAT of approximately RM2.85 million as compared to RM1.99 million recorded in the previous financial year.

10. FINANCIAL INFORMATION (Cont'd)***FYE 30 April 2009 compared to FYE 30 April 2008*****Revenue**

For the FYE 30 April 2009, our total revenue improved by 39.54% from approximately RM42.99 million in the previous financial year to RM59.99 million. Revenue from our MB operations remained as our core revenue driver, accounting for approximately 92.0% of our total revenue. Our MRST operations contributed the balance 8.0% to our total revenue.

During the financial year, we recorded higher revenue of RM55.20 million for our MB operations, representing a growth of 41.68% as compared to RM38.96 million in the previous financial year. The substantial increase in our revenue was principally attributable to the following:-

- (a) the increase in revenue recognition for the number of boiler deliveries to site for installation and commissioning. We recognised revenue for the delivery of nineteen (19) boilers to the site as compared to nine (9) boilers delivered in the previous financial year; and
- (b) management's effort to diversify our geographical reach resulting in sales from new territories such as Thailand and the Solomon Islands.

In the financial year under review, we recorded higher revenue from our MRST operations of approximately RM4.80 million as compared to RM4.03 million achieved in the previous financial year.

Gross profit, gross profit margin and PBT

The improvements in our revenue resulted in the increase in our gross profit by 18.46% from RM6.12 million in the previous financial year to RM7.25 million. Despite our improvements in revenue, we achieved a lower overall gross profit margin of 12.08% as compared to 14.24% recorded in the previous financial year. The decline in our overall gross profit margin was mainly due to the increase in costs of steel based raw materials in the first half of 2008. We absorbed some of this cost increase, which resulted in the decline of our MB gross profit margin in the FYE 30 April 2009. However, this decline was slightly mitigated by the increase in our gross profit margin from our MRST operations.

In the FYE 30 April 2009, we recorded a higher PBT of approximately RM5.67 million as compared to RM3.91 million reported in the previous financial year. The growth in our PBT was mainly due to increase in the gross profit, gain in foreign exchange and higher interest income.

PAT

We achieved a higher PAT of approximately RM4.18 million as compared to RM2.85 million recorded in the previous financial year.

FYE 30 April 2010 compared to FYE 30 April 2009**Revenue**

For the FYE 30 April 2010, our revenue grew by 64.66% from RM59.99 million recorded in the previous financial year to RM98.78 million. Revenue from our MB and MRST operations accounted for approximately 90.02% and 9.98% of our total revenue respectively.

10. FINANCIAL INFORMATION (Cont'd)

In the financial year under review, we recorded higher revenue of RM88.93 million from our MB operations as compared to RM55.20 million in the previous financial year. The substantial increase in revenue from our MB operations was mainly due to the following:-

- (a) the increase in the level of production activity and the increase in revenue recognised for new boilers delivered to site. We recognised revenue for the delivery of thirty six (36) boilers as compared to nineteen (19) boilers delivered in the previous financial year; and
- (b) increase in revenue contribution from the Indonesian and Ivory Coast markets.

We achieved higher revenue of RM9.85 million from our MRST operations as compared to RM4.80 million recorded in the previous financial year. The substantial growth in our MRST revenue was mainly due to our management's decision to focus on major boiler repairs and refurbishment services that require us to provide engineering solutions/expertise. These major repairs and refurbishment services accounted for approximately RM5.71 million, representing 57.97% of our revenue from MRST operations.

Gross profit, gross profit margin and PBT

Our gross profit rose substantially from RM7.25 million in the previous financial year to RM21.29 million in the financial year under review. In line with our increase in gross profit, our overall gross profit margin increased from 12.08% achieved in the previous year to 21.55%. The significant increase in our overall gross profit margin was primarily due to the increase in our gross profit margins for our MB operations from 9.21% in the previous financial year to 18.55%. The substantial improvement in gross profit and margins were mainly due to the delivery of two (2) high value boiler units of higher technical specifications and steam evaporation capacity. In particular, the two (2) boiler units were delivered to Indonesia with an overall gross profit margin in excess of 40%.

For the FYE 30 April 2010, we recorded a higher PBT of RM14.10 million as compared to RM5.67 million achieved in the previous financial year. The increase in PBT was mainly due to the increase in our overall gross profit which was slightly offset by the increase in our operating expenses namely allowances for doubtful debts, loss in foreign exchange and administrative expenses.

PAT

In the FYE 30 April 2010, we achieved a higher PAT of RM12.34 million as compared to RM4.18 million reported in the previous financial year. The significant increase in PAT was mainly due to the overall increase in PBT and the lower effective tax rate. The lower effective tax rate for FYE 30 April 2010 was primarily due to tax allowances claimed under AIE for the FYE 30 April 2010 and the overprovision of tax in the FYE 30 April 2009 which was written back in FYE 30 April 2010 amounting to approximately RM0.98 million.

FPE 31 October 2010 compared to FPE 31 October 2009**Revenue**

For the FPE 31 October 2010, our total revenue increased by approximately 31.89% from approximately RM46.07 million recorded in the previous corresponding financial period to RM60.77 million. Revenue recognised from our MB operations accounted for approximately 94.53% of our total revenue. The remaining revenue of approximately 5.47% was derived from our MRST operations.

10. FINANCIAL INFORMATION (Cont'd)

During the FPE 31 October 2010, we achieved higher revenue of RM57.44 million from our MB operations, representing a growth of 31.04% as compared to RM43.83 million recorded in the previous corresponding financial period. The increase in our revenue was primarily attributable to the increase in revenue recognised for boilers undergoing fabrication and number of boilers delivered, installed and commissioned at site.

In the financial period under review, we recorded higher revenue from our MRST operations of approximately RM3.33 million as compared to RM2.24 million achieved in the previous corresponding financial period.

Gross profit, gross profit margin and PBT

In the six (6) months FPE 31 October 2010, our gross profit increased from approximately RM10.29 million reported in the previous financial period to approximately RM13.88 million. In the six (6) months financial period under review, we achieved an overall gross profit margin of approximately 22.85%, which was fairly consistent with the overall gross profit margin recorded in the previous corresponding financial period. This was mainly because of the higher gross profit margin recognised from the delivery, installation and commissioning of our overseas boiler projects which were slightly offset by the decline in our gross profit margin for our MRST operation.

During the six (6) months FPE 31 October 2010, we recorded a higher PBT of approximately RM10.11 million as compared to RM8.27 million reported in the previous corresponding financial period. The increase was mainly due to the increase in our revenue and gross profit which was slightly offset by the increase in our operating expenses, particularly our selling and marketing expenses as well as our administrative expenses.

PAT

We reported PAT of approximately RM7.25 million in the FPE 31 October 2010, which was fairly consistent with the PAT recorded in the previous corresponding financial period. This was mainly attributable to the higher effective tax rate of 28% compared to 13% recorded in the previous financial year.

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10. FINANCIAL INFORMATION (Cont'd)

10.3.3 Significant factors affecting our profits

Our Group's financial condition and results of operations have been, and will continue to be affected by, amongst others, the following factors:-

- (a) Demand and supply conditions for our products and services as set out in **Part 1.3** and **Part 1.11** of **Section 6** of this Prospectus.
- (b) Pricing of contracts and ability to manage project cost

Our ability to secure good pricing from our customers will have an impact on our profitability. Our ability to negotiate favourable contract margins is in turn dependent on our reputation, quality and reliability of our boilers, the technical specifications of the boilers and the level of competition for each boiler contract.

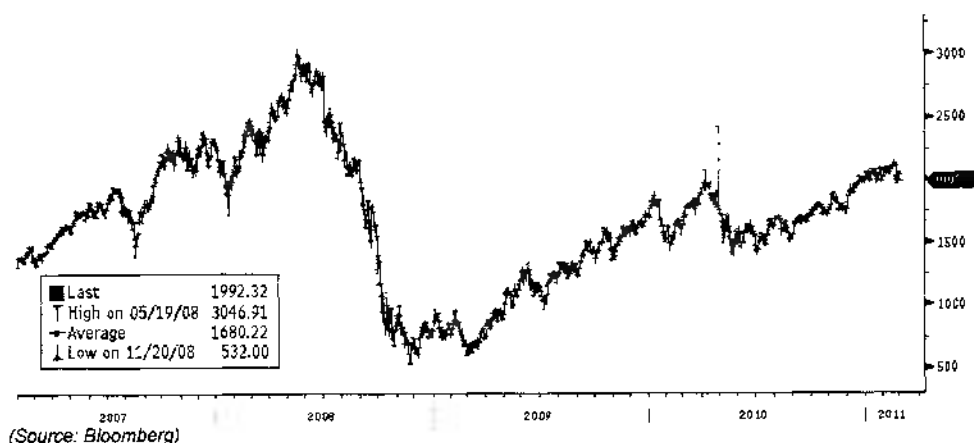
In addition, if we are unable to manage project cost efficiently or if there is a delay in executing the project resulting in cost overruns, our profitability will also be adversely affected. Any delay in the progress or completion of the project will also delay the recognition of revenue for that project.

Notwithstanding the above, the Board believes that we are in a good position to manage cost and our overall profitability given the capability of our experienced management team in leading, supervising and efficiently executing contracts.

- (c) Fluctuations in the prices of raw materials

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

Nevertheless, raw materials such as steel tubes and plates, amongst others, are subject to fluctuations in prices, driven by market volatility, market supply and demand conditions and governmental regulations. For illustration on the fluctuations in steel prices, we set out below the prices of steel from 1 January 2007 to the LPD:-



Given that steel is a major component of our raw materials, fluctuation in the prices of steel will to a certain extent affect our gross profit margin as experienced previously by our Group particularly in the FYE 30 April 2009 when most of our raw materials were purchased at relatively high prices in the first half of 2008.

10. FINANCIAL INFORMATION (Cont'd)

In general, the cost of raw materials (particularly steel based raw materials) can be passed through to our customers as the costs of these raw materials are imputed in the boiler manufacturing contract to avoid reductions in our profit margins. Nonetheless, in the event that the prices of steel based raw materials increase significantly, we may absorb part of the price increase to remain competitive with other boiler manufacturers. Please refer to **Section 4.1.4** of this Prospectus for further details.

(d) Impact of foreign exchange

We have business transactions in foreign currencies in the normal course of our business, which include purchases of raw materials and the export of our products and services. Please refer to **Section 4.1.3** of this Prospectus for further details on our Group's exposure to foreign exchange fluctuations.

However, our Board is of the view that the above risk is to a certain extent mitigated by the fact that our management constantly monitors the market trends for the prices of overseas imported raw materials and foreign exchange fluctuations. In addition, as and when the need arises, our management also hedges our overseas boiler manufacturing contracts denominated in USD against foreign exchange fluctuations via a foreign exchange facility maintained with our principal banker as disclosed under **Section 10.5.4** of this Prospectus.

(e) Tax considerations

Fluctuation in effective tax rates will have an impact on our profits. The statutory tax rate and the effective tax rate of the Group for the past three (3) financial years and the six (6) months FPE 31 October 2010 are as follows:-

	FYE 30 April			FPE 31 October 2010
	2009	2009	2010	
Effective tax rate (%)	27%	26%	13%	28%
Statutory tax rate (%)	26%	25%	25%	25%

Our overall effective tax rates were 27%, 26% and 13% respectively for the past three (3) FYE 30 April 2010. In the past three (3) financial years, we recorded the lowest effective tax rate in the FYE 30 April 2010. The lower effective tax rate for FYE 30 April 2010 was primarily due to tax allowances claimed under AIE for the FYE 30 April 2010 and the overprovision of tax in the FYE 30 April 2009 which was written back in FYE 30 April 2010. The overprovision of tax in FYE 30 April 2009 was due to tax allowances claimable under AIE for the FYE 30 April 2009 amounting to approximately RM0.98 million.

In the six (6) months FPE 31 October 2010, we recorded an effective tax rate of 28% as we have not imputed the tax allowances claimable under AIE. We will only be able to assess our qualification for tax allowances under AIE at the end of the full financial year.

10.3.4 Exceptional and extraordinary items

There were no exceptional and extraordinary items for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 under review.

10. FINANCIAL INFORMATION (Cont'd)**10.3.5 Government/ economic/ fiscal/ monetary policies**

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in **Section 4.1.11** of this Prospectus.

There is no government, economic, fiscal or monetary policies or factors that have materially directly impacted our historical profits for the past three (3) FYE up to 30 April 2010 and the six (6) months FPE 31 October 2010.

10.4 CAPITALISATION AND INDEBTEDNESS

The following table summarises our cash and cash equivalents, capitalisation and indebtedness as at 31 October 2010 to show the effects of the IPO on the assumptions that the transactions had been effected on that date:-

	Proforma audited as at 31 October 2010 (RM'000)	After Public Issue and utilisation of proceeds (RM'000)
Cash and cash equivalents	9,805	13,485
INDEBTEDNESS		
Short Term (Due within 12 months)		
Term loan	273	273
Hire purchase	161	161
Long Term (Due after 12 months)		
Term loan	4,213	1,713
Hire purchase	262	262
Total indebtedness	4,909	2,409
CAPITALISATION		
Total shareholders' equity	25,075	34,255
Total capitalisation	25,075	34,255
Total capitalisation and indebtedness	29,984	36,664

The contingent liabilities of our Group are set out in **Section 10.5.8** of this Prospectus.

10.5 LIQUIDITY AND CAPITAL RESOURCES**10.5.1 Working capital**

We finance our growth and operations through a combination of shareholders' funds, cash generated from operating activities and borrowings from financial institutions.

Our principal sources of liquidity as at 31 October 2010 are set out below:-

	RM'000
Cash and bank balances	7,805
Deposits with licensed banks	2,000
Net cash flows from operations	2,707
Bank borrowings	4,909

10. FINANCIAL INFORMATION (Cont'd)

As at 31 October 2010, we have total current assets of approximately RM69.83 million and current liabilities of approximately RM58.04 million, representing net working capital of approximately RM11.79 million and a current ratio of 1.20 times. Our current assets mainly comprise inventories, trade receivables, other receivables as well as cash and cash equivalents.

Our Board is of the opinion that we will have adequate working capital for a period of twelve (12) months from the date of this Prospectus after taking into consideration the following:-

- (a) our cash and cash equivalents of approximately RM9.81 million as at 31 October 2010;
- (b) the proceeds arising from the Public Issue and the banking facilities available; and
- (c) our capacity to obtain further institutional financing based on gearing ratio of 0.07 times (based on our proforma consolidated balance sheets as at 31 October 2010 after incorporating the effects of the Public Issue and the utilisation of the proceeds arising from the Public Issue).

10.5.2 Cash flow

The details of the cash flows during the six (6) months FPE 31 October 2010 are as follows:-

	FPE 31 October 2010 (RM'000)
Net cash from operating activities	2,707
Net cash used in investing activities	(1,120)
Net cash used in financing activities	(8,231)
Net decrease in cash and cash equivalents	(6,644)
Cash and cash equivalents at the beginning of the financial period	16,426
Effects of foreign exchange rate changes on cash and cash equivalents	23
Cash and cash equivalents at the end of the financial period	9,805

Net cash from operating activities

During the six (6) months FPE 31 October 2010, we generated cash flow from operating activities totalling RM2.71 million. The net cash inflow was mainly due to our operating profits generated in the financial period, which was partly off-set by the increase in our amount owing by contract customers of approximately RM3.7 million and the increase in our trade and other receivables of approximately RM4.73 million.

Net cash used in investing activities

Our Group's net cash used in investing activities of RM1.12 million for the six (6) months FPE 31 October 2010 was principally attributable to the extension and improvement works on our existing factory premises of approximately RM0.82 million and the purchase of machineries and equipment totalling approximately RM0.38 million.

Net cash used in financing activities

Our Group's net cash used in financing activities of RM8.23 million for the six (6) months FPE 31 October 2010 was mainly attributable to the payment of dividends to shareholders amounting to RM8.0 million.

10. FINANCIAL INFORMATION (Cont'd)

Moving forward, our Group will utilise the proceeds from the Public Issue for our capital expenditure and business expansion, details of which are disclosed in **Section 3.9** of this Prospectus.

There are no legal or economic restrictions on the ability of our subsidiary to transfer funds to our Company in the form of cash dividends.

Additional disclosure in relation to our cash flow

In the FYE 30 April 2008, our Group recorded a negative cash flow from operating activities amounting to RM45,000. The negative operating cash flow was mainly attributable to the increase in inventories of approximately RM4.33 million and the increase in trade and other receivables totalling approximately RM11.90 million, which was partially offset by the increase in amount owing to contract customers amounting to RM8.89 million and the increase in trade and other payables of approximately RM3.98 million.

The above movement in working capital was attributable to the increase in the purchase of raw materials in anticipation of our Group securing more boiler manufacturing contracts, as well as the increase in billings towards the end of the financial year which were yet to be collected as at 30 April 2008.

10.5.3 Borrowings

As at 31 October 2010, total outstanding bank borrowings in the form of term loan and hire purchase amounted to approximately RM4.91 million. The borrowings can be further analysed as follows:-

	As at 31 October 2010 (RM'000)
Long Term (Due after twelve (12) months)(Interest bearing)	
Term Loan	4,213
Hire Purchase	262
Short Term (Due within twelve (12) months)(Interest bearing)	
Term Loan	273
Hire Purchase	161
Total interest-bearing borrowings	4,909
Gearing ratio of our Group as at 31 October 2010 ⁽¹⁾	0.20
Gearing ratio after the IPO and utilisation of proceeds ⁽²⁾	0.07

Notes:

- (1) Based on our Group's proforma shareholders' funds as at 31 October 2010 of RM25.08 million.
 (2) Based on our Group's proforma shareholders' funds as at 31 October 2010 of RM34.26 million upon completion of the Public Issue and after the utilisation of proceeds as set out in **Section 3.9** of this Prospectus.

Our Group has no borrowings in foreign currency.

10. FINANCIAL INFORMATION (Cont'd)

In addition, our Group has not defaulted on payments on either interest and/or principal sums in respect of any borrowings throughout the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 immediately preceding the date of this Prospectus. Our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which could materially affect our financial position or business operations or the investment by holders of our securities.

10.5.4 Types of financial instruments used

We presently hedge our overseas boiler manufacturing contracts denominated in USD against foreign exchange fluctuations vide a foreign exchange facility maintained with our principal banker. We use this facility to hedge our overseas boiler manufacturing contracts denominated in USD of up to RM60 million, being the total credit limit of the hedging facility. As at the LPD, we have taken position of approximately RM35 million to hedge against the fluctuations of the USD.

The details of our outstanding commitments can be summarised as follows:-

<u>Currency</u>	<u>Contract Rates</u>	<u>Total notional amount</u> <u>(RM'000)</u>	<u>Maturity within one (1)</u> <u>year</u> <u>(RM'000)</u>
USD	RM3.04 to RM3.15	RM34,995	RM34,995

Apart from our foreign exchange facility, we do not have nor do we use any other financial instruments as at the LPD.

10.5.5 Material capital expenditure

Save as disclosed below, there are no other material capital expenditures and divestitures made by us for the past three (3) FYE 30 April 2010 and up to the LPD:-

	← FYE 30 April →			1 May 2010 up to the LPD (RM'000)
	FYE 2008 (RM'000)	FYE 2009 (RM'000)	FYE 2010 (RM'000)	
<u>Expenditures</u>				
Leasehold land	-	(1)6,805	-	-
Building	-	(1)1,800	(2)1,396	(2)822
Motor vehicles	221	52	1,505	84
Machineries	-	-	1,482	585
Furniture and fittings, office equipment and others	5	87	174	105
Total expenditures	226	8,744	4,557	1,596
<u>Divestitures at net book value</u>				
Motor vehicles	-	-	345	-
Furniture and fittings, office equipment and others	-	72	-	-
Total divestitures	-	72	345	-

Notes:-

- (1) The purchase of our existing factory premises.
(2) Extension and improvement works on our existing factory premises.

10. FINANCIAL INFORMATION (Cont'd)

As at the LPD, we do not have any material capital expenditure and divestments currently in progress, within or outside Malaysia.

10.5.6 Material commitment

As at the LPD, our Group has not incurred or known to have incurred any material commitment for capital expenditure that may have a material and adverse impact on our financial position.

10.5.7 Material litigation

As at the LPD, we are not engaged in any material litigation or arbitration, either as plaintiff or defendant, which has or might have material effects on our business and financial position, and our Directors do not know of any proceeding pending and threatened, and of any fact likely to give rise to any proceeding which might materially and adversely affect our business and financial position.

10.5.8 Contingent liabilities

As at the LPD, our Directors are not aware of any contingent liabilities which, upon becoming enforceable might materially and adversely affect our business and financial position.

10.5.9 Key financial ratios

The table below sets out the key financial ratios of our Company for the past three (3) FYE up to 30 April 2010 and the six (6) months FPE 31 October 2010:-

	← FYE 30 April →			FPE 31 October 2010
	2008	2009	2010	
Trade receivables turnover period (days) ⁽¹⁾	98	100	90	83
Trade payables turnover period (days) ⁽²⁾	73	92	78	64
Inventories turnover period (days) ⁽³⁾	24	63	54	38

Notes:-

- (1) Average of opening and closing trade receivables over revenue.
(2) Average of opening and closing trade payables over cost of sales.
(3) Average of opening and closing inventories over cost of sales.

Trade receivables and allowance for doubtful debts

The normal credit terms granted to our customers is 30 days to 90 days. However, we may extend a longer credit period to our customers on a case-by-case basis, which are assessed and approved after taking into consideration, *inter-alia*, the background and credit-worthiness of the customer, payment history of the customer and our relationship with the customer.

As our revenues are derived principally from project based contracts, we typically assess the allowance of doubtful debts on a project by project basis for receivables which have been outstanding for more than one (1) year. Prior to FYE 30 April 2010, we did not provide any allowance for doubtful debts. However, we have since adopted a more prudent approach in our assessment of trade receivables in line with the recent increase in the number of boiler contracts secured and the increase in revenue growth during the financial years under review.

10. FINANCIAL INFORMATION (Cont'd)

For the FYE 30 April 2010, we provided allowance for doubtful debts of RM2.19 million. These allowances were mainly in relation to outstanding trade receivables owed by three (3) overseas customers involved in the palm oil milling industry and two (2) local customers, one (1) in the palm oil milling industry and the other, a rubber based manufacturer.

As at 31 October 2010, the trade receivables of our Group (after allowance for doubtful debts of approximately RM2.36 million) amounted to approximately RM39.12 million which can be analysed as follows:-

	←-----Within credit period----->			90 days to 365 days	Over 365 days	Retention sum for completed projects	Total
	0-30 days	31-60 days	61-90 days				
Trade receivables (RM'000)	11,313	7,028	3,500	14,044	2,699	2,899	41,481
Less: Allowance for doubtful debts (RM'000)	-	-	-	(60)	(1,791)	(509)	(2,360)
	11,313	7,028	3,500	13,984	908	2,390	39,121
% of total trade receivables	29%	18%	9%	36%	2%	6%	100%
Subsequent collections (RM'000)	10,813	5,135	3,042	10,700	404	785	30,879

The trade receivables as at 31 October 2010 exceeding 90 days totalled approximately RM16.74 million. Out of this amount, we made allowances for doubtful debts of approximately RM1.85 million and collected approximately RM11.1 million as at 24 March 2011. The balance of approximately RM3.79 million of the outstanding trade receivables exceeding 90 days comprise the following:-

- (a) RM2.34 million, which relates to advance billings/downpayments for which no material work has commenced and there is no material impact to the income statement. The advance billings relates to upfront deposit payments payable by our customers upon signing of the boiler manufacturing contract; and
- (b) RM1.45 million, which relates to billings for completed projects of approximately RM1.15 million and actively on-going projects of approximately RM0.30 million. We believe that these trade receivables are recoverable in full after taking into consideration, inter-alia, the background of the customer, past collection trend and our relationship with the customer.

For the retention sum of RM2.9 million, we have collected approximately RM0.8 million as at 24 March 2011.

10. FINANCIAL INFORMATION (Cont'd)**Trade payables**

The normal credit term granted by our suppliers ranges from thirty (30) days to ninety (90) days. Our Group's trade payables turnover period during the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 were 73 days, 92 days, 78 days and 64 days respectively.

Our Group believes in prompt payment to our suppliers in order to take advantage of good pricing and to ensure timely delivery whilst maintaining good supplier relationship.

Our trade payables as at 31 October 2010 are set out below:-

Credit period	←————Within credit period————→			Exceed credit period over 90 days	Total
	0-30 days	31-60 days	61-90 days		
Trade payables (RM'000)	6,959	4,386	5,258	118	16,721
% of total trade payables	42%	26%	31%	1%	100%

As at the LPD, 99.72% or RM16.7 million of the total trade payables as at 31 October 2010 has been paid.

As at the LPD, we are not aware of any actions, legal or otherwise, that have been taken against us by our suppliers.

Inventories

Our inventory levels for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 under review were RM4.6 million, RM13.5 million, RM9.4 million and RM10.1 million respectively. The inventory turnover period was 24 days, 63 days, 54 days and 38 days for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 respectively. We recorded a low inventory turnover in respect of FYE 30 April 2008, which was attributable to low stock levels held at the beginning of the financial year totalling RM292,700. For the FYE 30 April 2009, we recorded the highest inventory turnover period as compared to the rest of the financial years under review. The high inventory turnover was mainly attributable to the high stock level of steel based raw materials held by our Group towards the end of FYE 30 April 2009 to cater for the anticipated increase in boiler manufacturing contracts in the following financial year.

Although reviews are made periodically by management on damage, obsolete and slow moving stock, we have not previously made any allowances for obsolete stock as our inventories comprise mainly durable steel plates and tubes. In the FYE 30 April 2009, we wrote off inventories amounting to RM123,578 which was due to the difference between the physical stock sighting and the book value. On the other hand there was a write back of inventories amounting to RM71,132 in FYE 30 April 2010. This mainly arose from incorrect record keeping for certain sizes of steel tubes and parts. While we view this seriously by seeking to ensure better record keeping and instituting control measures such as quarterly stock checks, we view the variances to be within an acceptable range. The variance in FYE 30 April 2009 constituted only 0.91% of the closing inventory of RM13.54 million and 0.23% of the cost of sales. The variance in FYE 30 April 2010 constituted 0.75% of the closing inventory of RM9.42 million and 0.09% of the cost of sales for the year.

10. FINANCIAL INFORMATION (Cont'd)

10.6 TREND INFORMATION

Based on our track record for the past years under review, including our segmental analysis of revenue and profitability, our Board observes and anticipates the following trend:-

- (i) We recorded increasing revenue growth for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 under review. Moving forward, we are confident of growing our revenue levels in view of our outstanding secured order book, our continuous sales and marketing efforts to secure new boiler contracts and the demand for our MRST services.

Our main cost of sales component being the price of raw materials and equipment has generally fluctuated based on market demand and supply conditions for steel plates and tubes. However, we believe that we are able to mitigate some of the adverse impact of raw material cost fluctuations as raw material cost is imputed in our sales contract. At the same time, we take pro-active steps towards monitoring purchases and our inventory levels as well as strive to secure favourable pricing of the materials needed for production.

Other components of cost of sales such as labour and installation cost, transportation cost and indirect production overheads will vary based on the availability of workers, the number of overseas contracts secured and our ability to supervise and manage these costs on a project by project basis.

- (iii) Our main components of administrative and other operating expenses include employee salaries, depreciation charges, marketing expenses and allowance for doubtful debts. Such expenses are generally expected to move in tandem with the growth of our business, as we increase our expenditure on recruitment, step-up sales and marketing activities and/or incur further expenses to improve our production process and/or expand our factory.
- (iv) We achieved an overall gross profit margin of 14.24%, 12.08%, 21.55% and 22.85% for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010 under review respectively. Although we achieved high gross profit margin in FYE 30 April 2010 and the six (6) months FPE 31 October 2010, we believe that our gross profit margin moving forward may normalise to between 15% to 20% depending on our ability to secure high value contracts with high technical specifications and our ability to manage project cost efficiently.

Save as disclosed above, including our management's discussion and analysis of financial conditions and results of operations, **Section 4**, **Section 5** and **Section 6** of this Prospectus, our Board believes that there are no other significant known trends, uncertainties, demand, commitments or events that are reasonably likely to have a material favourable or unfavourable impact on our financial performance, position and operations of our Group, or that would cause financial information disclosed in this Prospectus to be not indicative of our future operating results and financial condition.

10.7 DIVIDEND POLICY

The declaration of interim dividends and the recommendation of final dividend are subject to the discretion of our Board, and any final dividend for the year is subject to our shareholders' approval. It is our intention to pay dividends to shareholders in the future depending upon a number of factors, including our financial performance, capital expenditure requirements, general financial conditions and any other factors considered relevant by our Board. Actual dividend proposed and declared may vary depending on our financial performance and cash flow and may be waived if the payment of the dividends would adversely affect our cash flow and operations.

11. ACCOUNTANTS' REPORT*(Prepared for inclusion in this Prospectus)*

28 March 2011

The Board of Directors
Boilermech Holdings Berhad
 Lot 875 Jalan Subang 8,
 Taman Perindustrian Subang,
 47500 Subang Jaya,
 Selangor Darul Ehsan.

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Dear Sirs,

**BOILERMECH HOLDINGS BERHAD ("Boilermech" OR "the Company")
 ACCOUNTANTS' REPORT**

1. PURPOSE OF REPORT

This report has been prepared by Messrs. Crowe Horwath (formerly known as Messrs. Horwath), an approved company auditor and a public accountant registered in Malaysia, for inclusion in the Prospectus of Boilermech in connection with the listing of Boilermech on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in Note 2.2 of this report.

2. INTRODUCTION**2.1 THE COMPANY**

Boilermech was incorporated in Malaysia as a private limited company on 8 April 2010 under the name of Boilermech Holdings Sdn. Bhd. Boilermech was converted into a public limited company on 14 May 2010 and assumed its present name. The principal activity of the Company is that of investment holding. Details of its subsidiary are set out in paragraph 3 below.

2.2 LISTING SCHEME

In conjunction with and as an integral part of the listing of Boilermech on the ACE Market of Bursa Securities, the Company had undertaken the following transactions:-

(1) Acquisition

On 21 October 2010, the Company entered into a Share Purchase Agreement with the vendors of Boilermech Sdn. Bhd. ("BSB") for the acquisition of 500,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of BSB, for a total consideration of RM22,309,998 based on the net assets ("NA") of BSB as at 31 August 2010.

11. ACCOUNTANTS' REPORT (Cont'd)

**2. INTRODUCTION (CONT'D)****2.2 LISTING SCHEME (CONT'D)****(1) Acquisition (Cont'd)**

The purchase consideration was satisfied by the issuance of 223,099,980 new ordinary shares of RM0.10 each in the Company ("Boilermech Shares" or "Shares") at an issue price of RM0.10 per Share. The Acquisition was completed on 21 October 2010.

(2) Public Issue

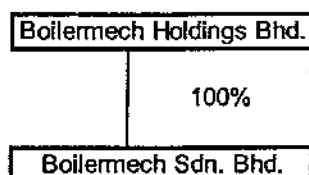
Pursuant to the Public Issue, the Company shall issue 34,900,000 new Shares ("Issue Shares") at an issue price of RM0.33 per Share to be allocated in the following manner:

- (i) 19,250,000 Issue Shares will be allocated by way of private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry;
- (ii) 8,000,000 Issue Shares will be made available for application by the Malaysian Public; and
- (iii) 7,650,000 Issue Shares will be made available for application by eligible directors, employees and business associates/persons of the Group who have contributed to the success of the Group.

Upon completion of the Public Issue, the issued and paid-up share capital of Boilermech will increase from RM22,310,000 comprising 223,100,000 Shares to RM25,800,000 comprising 258,000,000 Shares. The Company shall list its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Malaysia Securities Berhad.

11. ACCOUNTANTS' REPORT (Cont'd)**3. GROUP STRUCTURE**

The Group structure of Boilermech at the date of this report is as follows:-



A summary of the details of the subsidiary as at the date of this report is as follows:-

Name of Company	Date of Incorporation	Country of Incorporation	Fully Issued and Paid-up share Capital	Effective Equity Interest	Principal Activities
Boilermech Sdn. Bhd. ("BSB")	10 May 1980	Malaysia	500,000	100%	Manufacturing, repairing and servicing of boilers.

4. RELEVANT FINANCIAL PERIOD

The relevant financial periods for the purpose of this report ("Relevant Financial Period") and the auditors of the respective companies for the Relevant Financial Period are as follows: -

<u>Company</u>	<u>Relevant Financial Period</u>	<u>Auditor</u>
Boilermech Holdings Bhd.	Financial period from 8 April 2010 (date of incorporation) to 31 October 2010 ("FPE 2011")	Messrs. Crowe Horwath
Boilermech Sdn. Bhd. ("BSB")	Financial Year Ended ("FYE") 30 April 2008, 2009 and 2010 and financial period from 1 May 2010 to 31 October 2010 ("FPE 2011")	Messrs. Crowe Horwath

The financial statements of BSB for the FYE 2008 and 2009 were previously prepared under Private Entity Reporting Standards and were audited by another firm of auditors without any audit qualification.

For the purpose of the Company's listing exercise, the financial statements of BSB for the FYE 2008 and 2009 have been re-prepared in accordance with Financial Reporting Standards in Malaysia. We have audited these financial statements and a set of financial statements were issued for the FYE 2008, 2009 and 2010. Our audit reports on the financial statements are set out in Appendix I and did not contain any audit qualification.

The auditors' report on the financial statements of FPE 2011 is set out in Appendix II and did not contain any audit qualification.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES****5.1 BASIS OF PREPARATION**

Boilermech was incorporated in Malaysia as a private limited company on 8 April 2010 under the name of Boilermech Holdings Sdn. Bhd. Boilermech was converted into a public limited company on 14 May 2010 and assumed its present name, Boilermech Holdings Berhad.

Boilermech Group ("the Group") only existed during the FPE 2011, upon completion of the acquisition by Boilermech of BSB on 21 October 2010. Hence, there are no consolidated financial statements of the Group for FYE 2008, 2009 and 2010. For the purpose of this report, the audited financial statements of BSB for FYE 2008, 2009 and 2010 are also presented where BSB had existed.

The financial information as presented in Section 6.1 and Section 6.2 respectively, are based on the respective audited financial statements, modified as appropriate, for the purpose of this report.

The financial statements of the subsidiary, BSB have been consolidated using the merger method of accounting of the consolidated financial statements. Accordingly, the results of the Group incorporated the results of BSB from 1 May 2010 to 31 October 2010.

The unaudited consolidated financial statements of the Group for the financial period from 1 May 2009 to 31 October 2009 is prepared on the assumption that the Group had been in existence throughout the financial period from 1 May 2009 to 31 October 2009 ("FPE 2010") and is solely prepared for comparison purposes to the audited consolidated financial statements of the Group for the FPE 2011.

The consolidated financial statements of the Group is prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") in Malaysia.

Prior to 1 May 2007, the BSB prepared its financial statements using Private Entity Reporting Standards. The change of accounting standards did not have any material financial effects on the financial statements of the BSB.

From 1 May 2007, the Group had adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") which are effective for the relevant financial years for the preparation of these financial statements except for the Amendments to FRS 117.

The Group has adopted in advance of its effective date the amendment made to FRS 117- Leases in the current financial year in relation to the classifications of leasehold land as finance lease which is only effective for financial periods beginning on or after 1 January 2010. The Group's leasehold land which is in substance a finance lease has been classified as Property, Plant and Equipment and measured accordingly.

11. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.1 BASIS OF PREPARATION (CONT'D)

- (a) During the financial period, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 (Revised) Presentation of Financial Statements

FRS 123 (Revised) Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Vesting Conditions and Cancellations

Amendments to FRS 7, FRS 139 and IC Interpretation 9

Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Annual Improvements to FRSs (2009)

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.1 BASIS OF PREPARATION (CONT'D)**

(a) The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's consolidated financial statements, other than the following:

- (i) FRS 7 requires additional disclosures about the Group's financial instruments. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the Group's consolidated financial statements for the FPE 2011.

- (ii) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the statement.

FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This new disclosure is made in Note 6.1.33(b) to the consolidated financial statements.

11. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.1 BASIS OF PREPARATION (CONT'D)

- (iii) The adoption of FRS 139 (including the consequential amendments) has resulted in the following changes to accounting policies relating to recognition and measurements of financial instruments.

	Note	AUDITED FPE 2011 RM'000
<u>Fair value reserve</u>		
Fair value of non-current quoted shares	(aa)	22

- (aa) Prior to 1 May 2010, investments in non-current quoted shares were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, these quoted investments are designated as available-for-sale financial assets and are measured at their fair values at the end of each reporting period. The adjustment to the previous carrying amounts is recognised to the fair value reserve.

- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
FRS 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2010
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.1 BASIS OF PREPARATION (CONT'D)**

(b) FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.1 BASIS OF PREPARATION (CONT'D)**

(b) FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities within Equity Instruments	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

- (i) The revised FRS 3 introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial period but may impact the accounting for future transactions or arrangements.
- (ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial period but may impact the accounting for future transactions or arrangements.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES**

This report is prepared on a basis consistent with the accounting policies adopted by the Group as disclosed in Section 5.3 below. There were no changes in the significant accounting policies adopted by the Group during the Relevant Financial Period other than the adoption of all the new and revised FRS issued by the MASB which are relevant to its operations.

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Critical Accounting Estimates And Judgements**

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

11. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(iii) *Impairment of Non-financial Assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) *Construction Contracts*

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

- *Contract Revenue*

Construction contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

- *Contract Costs*

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

(v) *Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) Critical Accounting Estimates And Judgements (Cont'd)****(vi) *Impairment of Trade and Other Receivables***

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) *Revaluation of Properties*

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers. The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalization rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(viii) *Impairment of Available-for-sale Financial Assets*

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) Critical Accounting Estimates And Judgements (Cont'd)***(ix) Classification of Leasehold Land*

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(x) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair values of these assets and liabilities would affect profit and equity.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 31 October 2010.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

The acquisition of BSB by the Company has been accounted for as a business combination amongst entities under common control. Accordingly, the financial statements of the Group have been consolidated using the merger method of accounting.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Basis of Consolidation (Cont'd)**

Under the merger method of accounting, the result of the subsidiary is presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit or credit difference is classified as a non-distributable reserve.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiary to ensure consistency of accounting policies with those of the Group.

The gain or loss on the disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets.

(c) Functional and Foreign Currencies**(i) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

11. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments

Financial instruments are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

11. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- *Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Financial Instruments (Cont'd)***(ii) Financial Liabilities*

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities.

(iii) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(e) Property, Plant and Equipment

Property and equipment, other than leasehold land and buildings, are stated at cost less accumulated depreciation and impairment losses, if any.

Leasehold land and buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Leasehold land and buildings are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

11. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment (Cont'd)

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	60 years
Building	3.33%
Computers	20%
Furniture, fittings and office equipment	10 - 20%
Machinery	20%
Motor vehicles	20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Impairment****(i) Impairment of Financial Assets**

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

11. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Impairment (Cont'd)

(ii) *Impairment of Non-Financial Assets*

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statement of comprehensive income, a reversal of that impairment loss is recognised as income in the statement of comprehensive income.

(g) **Assets Under Hire Purchase**

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5.3(e) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the statement of comprehensive income over the periods of the respective hire purchase agreements.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(h) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(i) Amounts Owning By/To Contract Customers

The amounts owing by/to contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

(j) Income Taxes

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'O)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(j) Income Taxes (Cont'd)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(k) Borrowing Costs

All borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(m) Employee Benefits***(i) Short-term Benefits*

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(n) Related Parties

A related party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
 - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

11. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) Revenue Recognition****(i) Sale of Goods**

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of sales tax, returns and trade discounts.

(ii) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) Construction Contracts

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

(iv) Interest Income

Interest income is recognised on an accrual basis.

(p) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

11. ACCOUNTANTS' REPORT (Cont'd)

**6. FINANCIAL INFORMATION**

Boilermech was incorporated in Malaysia as a private limited company on 8 April 2010 under the name of Boilermech Holdings Sdn. Bhd. Boilermech was converted into a public limited company on 14 May 2010 and assumed its present name, Boilermech Holdings Berhad.

Boilermech Group ("the Group") only existed during the FPE 2011, upon completion of the acquisition by Boilermech of BSB on 21 October 2010. Hence, there are no consolidated financial statements of the Group for FYE 2008, 2009 and 2010. For the purpose of this report, the audited financial statements of BSB for FYE 2008, 2009 and 2010 are also presented where BSB had existed.

The financial information of Boilermech Group and BSB as presented in Section 6.1 and Section 6.2 respectively, are based on the audited financial statements, modified as appropriate, for the purpose of this report.

The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

All information are extracted from the audited financial statements except for those in italics which are prepared based on calculations, representations and/or explanations provided by the management of Boilermech Group.

11. ACCOUNTANTS' REPORT (Cont'd)



6.1 BOILERMECH GROUP

6.1.1 STATEMENT OF COMPREHENSIVE INCOME OF THE BOILERMECH GROUP

	Note	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 # RM'000
Revenue	6.1.5	46,074	60,766
Cost of sales		(35,780)	(46,882)
Gross profit ("GP")		10,294	13,884
Other income		60	222
		10,354	14,106
Selling and marketing expenses		(337)	(819)
Administrative expenses		(1,103)	(2,106)
Other expenses		(504)	(944)
Finance costs		(137)	(124)
Profit before taxation ("PBT")		8,273	10,113
Depreciation		365	500
Interest expense		137	124
Interest income		(13)	(104)
Earnings before interest, amortisation, depreciation and taxation		8,762	10,633
Depreciation		(365)	(500)
Interest expense		(137)	(124)
Interest income		13	104
PBT	6.1.6	8,273	10,113
Income tax expense	6.1.7	(1,031)	(2,864)
Profit after taxation ("PAT")		7,242	7,249
Other comprehensive income, net of tax			
- Fair value changes of available-for-sale financial assets		-	(5)
- Revaluation of property		-	6,482
- Income tax expense to component of other comprehensive income	6.1.8	-	(1,620)
		-	4,857
Total comprehensive income for the financial period		7,242	12,106

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.1 STATEMENT OF COMPREHENSIVE INCOME OF THE BOILERMECH GROUP (CONT'D)

	Note	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 # RM'000
<i>GP margin (%)</i>		22.34	22.85
<i>PBT margin (%)</i>		17.96	16.64
<i>PAT margin (%)</i>		15.72	11.93
<i>Effective tax rate (%)</i>		12.46	28.32
<i>Interest coverage (times)</i>		61.4	82.6
<i>Assumed number of shares in issued of RM0.10 each ('000)</i>		223,100	223,100
<i>Gross earning per share ("EPS") (RM)</i>		0.04	0.05
<i>Net EPS (RM)</i>		0.03	0.03

Note:

- # - *The financial statements of the subsidiary, namely Boilermech Sdn. Bhd. has been consolidated using the merger method of accounting. Accordingly, the results of the Group incorporated the results of Boilermech Sdn. Bhd. from 1 May 2010 to 31 October 2010.*

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.2 STATEMENT OF FINANCIAL POSITION OF THE BOILERMECH GROUP**

	Note	AUDITED 31.10.2010 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	6.1.9	19,349
Other investment	6.1.10	23
		<u>19,372</u>
CURRENT ASSETS		
Inventories	6.1.11	10,069
Amount owing by contract customers	6.1.12	9,104
Trade receivables	6.1.13	39,121
Other receivables, deposits and prepayments		1,734
Short-term deposits with a licensed bank	6.1.14	2,000
Cash and bank balances	6.1.15	7,805
		<u>69,833</u>
TOTAL ASSETS		<u>89,205</u>

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.2 STATEMENT OF FINANCIAL POSITION OF THE BOILERMECH GROUP (CONT'D)

	Note	AUDITED 31.10.2010 RM'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	6.1.16	22,310
Revaluation reserve	6.1.17	4,862
Fair value reserve	6.1.18	(27)
Merger deficit	6.1.19	(21,810)
Retained profits		19,740
TOTAL EQUITY		25,075
NON-CURRENT LIABILITIES		
Long-term borrowings	8.1.20	4,475
Deferred taxation	6.1.23	1,614
		6,089
CURRENT LIABILITIES		
Amount owing to contract customers	6.1.12	33,067
Trade payables	6.1.24	16,721
Other payables and accruals		3,109
Short-term borrowings	6.1.25	434
Current tax liabilities		4,710
		58,041
TOTAL LIABILITIES		64,130
TOTAL EQUITY AND LIABILITIES		89,205
<i>Number of shares in issued of RM0.10 each ('000)</i>		<i>223,100</i>
<i>Net tangible assets ("NTA")</i>		<i>25,075</i>
<i>Trade receivables turnover ratio (days)</i>		<i>118</i>
<i>Trade payables turnover ratio (days)</i>		<i>66</i>
<i>Gearing ratio (times)</i>		<i>0.20</i>

11. ACCOUNTANTS' REPORT (Cont'd)



6 AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.3 STATEMENT OF CASH FLOWS OF THE BOILERMECH GROUP

	Note	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 # RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		8,273	10,113
Adjustments for:-			
Depreciation of property, plant and equipment		365	500
Impairment loss on trade receivables		-	1,425
Interest expense		137	124
Gain on disposal of equipment		(20)	-
Interest income		(13)	(104)
Unrealised gain on foreign exchange		-	(14)
Write-back of impairment loss on trade receivables		-	(1,254)
Operating profit before working capital changes		8,742	10,790
Increase in amount owing by contract customers		(1,738)	(3,700)
Decrease/(Increase) in inventories		5,556	(651)
Increase in trade and other receivables		(5,363)	(4,726)
Increase in trade and other payables		1,102	3,022
Increase/(Decrease) in amount owing to contract customers		2,349	(1,303)
CASH FROM OPERATIONS		10,648	3,432
Interest paid		(137)	(124)
Income tax paid		(660)	(601)
NET CASH FROM OPERATING ACTIVITIES		9,851	2,707
BALANCE CARRIED FORWARD		9,851	2,707

11. ACCOUNTANTS' REPORT (Cont'd)



6 AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

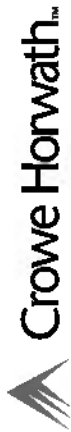
6.1.3 STATEMENT OF CASH FLOWS OF THE BOILERMECH GROUP (CONT'D)

	Note	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 # RM'000
BALANCE BROUGHT FORWARD		9,851	2,707
CASH FLOW FOR INVESTING ACTIVITIES			
Proceeds from disposal of equipment		95	-
Purchase of property, plant and equipment	6.1.26	(1,815)	(1,224)
Interest received		13	104
NET CASH FOR INVESTING ACTIVITIES		(1,707)	(1,120)
CASH FLOWS FOR FINANCING ACTIVITIES			
Repayment of hire purchase obligations		(52)	(95)
Repayment of term loan		(107)	(136)
Dividend paid		(1,000)	(8,000)
NET CASH FOR FINANCING ACTIVITIES		(1,159)	(8,231)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,985	(6,644)
EFFECTs ON FOREIGN EXCHANGE, NET		-	23
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		11,544	16,426
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	6.1.27	18,529	9,805

Notes:

- # - The financial statements of the subsidiary, namely Boilermech Sdn. Bhd. have been consolidated using the merger method of accounting. Accordingly, the results of the Group incorporated the results of Boilermech Sdn. Bhd. from 1 May 2010 to 31 October 2010.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.4 STATEMENT OF CHANGES IN EQUITY OF THE BOILERMECH GROUP

	Share capital RM'000	Non-Distributable			Distributable Retained profits RM'000	Total RM'000
		Revaluation reserve RM'000	Fair value reserve RM'000	Merger deficit RM'000		
Balance at 8.4.2010	22,310	-	-	-	12,491	34,801
- data of incorporation #	-	-	(22)	-	-	(22)
- effect of adopting FRS 139	5.1.(a)(iii)	-	-	-	-	-
- as restated	22,310	-	(22)	-	12,491	34,779
Merger deficit	-	-	-	(21,810)	-	(21,810)
Total comprehensive income for the financial period	-	4,882	(5)	-	7,249	12,106
Balance at 31.10.2010	22,310	4,882	(27)	(21,810)	19,740	25,075

Notes:

- # - The financial statements of the subsidiary, namely Boilermech Sdn. Bhd. have been consolidated using the merger method of accounting. Accordingly, the results of the Group incorporated the results of Boilermech Sdn. Bhd. from 1 May 2010 to 31 October 2010.

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11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.5 REVENUE**

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Trading and services	2,241	3,326
Manufacturing	43,833	57,440
	46,074	60,766

6.1.6 PROFIT BEFORE TAXATION

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Profit before taxation is arrived at after charging/(crediting)		
Audit fee:		
- statutory	9	9
- non-statutory	-	18
Depreciation of property, plant and equipment	365	500
Directors' fee	2	10
Directors' non-fee emoluments	334	443
Fair value gain on other investment	-	5
Impairment loss on trade receivables	-	1,425
Interest expense:		
- hire purchase	6	11
- letters of credit	-	5
- term loan	131	108
Listing expense	-	363
Rental expense:		
- forklifts	25	50
- motor vehicles	15	24
Staff costs	1,184	2,192
Gain on disposal of equipment	(20)	-
Loss/(Gain) on foreign exchange:		
- realised	(264)	138
- unrealised	-	(14)
Interest income	(13)	(104)
Write-back of impairment loss on trade receivables	-	(1,254)

The estimated monetary value of non-cash benefits provided to certain directors of the Group during the financial period amounted to RM15,000 (31.10.2009 - RM1,800).

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.7 INCOME TAX EXPENSE

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Income tax:		
- for the financial period	1,608	2,568
- (over)/underprovision in the previous financial year	(577)	302
	1,031	2,870
Deferred taxation (Note 6.1.23)		
- for the financial period	-	(6)
	1,031	2,864

A reconciliation of income tax expense applicable to profit before taxation at the statutory tax rates to income tax expense at the effective tax rate of the Group is as follows:-

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Profit before taxation	8,273	10,113
Tax at the applicable statutory tax rate of 25%	2,068	2,528
Tax effects of:-		
Non-taxable income	(11)	(25)
Non-deductible expenses	239	218
Effective of tax incentive	(789)	-
Utilisation of deferred tax assets previously not recognised	-	(134)
Deferred tax assets not recognised during the financial period	116	-
(Over)/Underprovision of income tax in the previous financial period	(577)	302
Differential in tax rate	(15)	(25)
Income tax expense for the financial period	1,031	2,864

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.8 INCOME TAX EXPENSE ON COMPONENTS OF OTHER COMPREHENSIVE INCOME

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Deferred taxation on the revaluation surplus of property	-	1,620

6.1.9 PROPERTY, PLANT AND EQUIPMENT

	At 1.5.10 RM'000	Additions RM'000	Reclassification RM'000	Revaluation RM'000	Depreciation charge RM'000	At 31.10.10 RM'000
Net book value						
Leasehold land	6,579	-	-	4,460	(70)	10,969
Building	1,680	-	2,218	2,022	(55)	5,865
Computers	62	26	-	-	(17)	71
Furniture, fittings and office equipment	193	22	-	-	(18)	197
Machinery	1,201	354	-	-	(192)	1,363
Motor vehicles	1,032	-	-	-	(148)	884
Capital work-in-progress	1,396	822	(2,218)	-	-	-
	12,143	1,224	-	6,482	(500)	19,349

	At cost RM'000	At valuation RM'000	Accumulated depreciation RM'000	Net book value RM'000
At 31.10.2010				
Leasehold land	-	11,000	(31)	10,969
Building	-	5,900	(35)	5,865
Computers	241	-	(170)	71
Furniture, fittings and office equipment	278	-	(81)	197
Machinery	1,915	-	(552)	1,363
Motor vehicles	1,558	-	(674)	884
	3,992	16,900	(1,543)	19,349

- (a) The leasehold land and building of the Group have been pledged to a licensed bank as security for banking facilities granted to the Group.
- (b) Included in the assets of the Group at the end of the reporting period were motor vehicles with a total net book value of RM668,000 which were acquired under hire purchase terms.

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

- (c) During the financial period, the Group's leasehold land and building were revalued by an independent professional valuer, Mr James Tan Keen Meng, a registered valuer with Raine & Horne International Zaki + Partners Sdn. Bhd. based on the cost method and comparison method of valuation. The surpluses arising from revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.
- (d) If the leasehold land and building were measured using the cost model, the carrying amounts would be as follows:-

	AUDITED FPE 2011 RM'000
Leasehold land	6,521
Building	3,828
	<hr/> 10,349 <hr/>

6.1.10 OTHER INVESTMENT

	AUDITED FPE 2011 RM'000
Quoted shares in Malaysia, at fair value	23
	<hr/>
Market value of quoted shares	23
	<hr/>

Upon adoption of FRS 139 during the financial period, the Group designated its investment in quoted shares that were previously measured using the cost model as available-for-sale financial assets and are measured at fair value.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.11 INVENTORIES

	AUDITED FPE 2011 RM'000
At cost:-	
Raw materials	10,069

None of the inventories is stated at net realisable value.

6.1.12 AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	AUDITED FPE 2011 RM'000
Costs incurred on contracts to date	73,213
Attributable profits	14,484
	<u>87,697</u>
Progress billings	(111,660)
	<u>(23,963)</u>
The amounts owing comprise the following:-	
Amount owing by contract customers	9,104
Amount owing to contract customers	(33,067)
	<u>(23,963)</u>

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.13 TRADE RECEIVABLES**

	AUDITED FPE 2011 RM'000
Trade receivables	38,582
Retention receivables	2,899
	<hr/>
	41,481
Less: Allowance for impairment loss	(2,360)
	<hr/>
	39,121
	<hr/>
Allowance for impairment loss:-	
At 1.5.2010	(2,189)
Addition for the financial period	(1,425)
Write-back during the financial period	1,254
	<hr/>
At 31.10.2010	(2,360)
	<hr/>

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of the trade receivables at the end of the reporting period is as follows:-

	AUDITED FPE 2011 RM'000
United States Dollar	10,670
	<hr/>

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.14 SHORT-TERM DEPOSITS WITH A LICENSED BANK**

The effective interest rate of the short-term deposits at the end of the reporting period was 1.75% per annum. The short-term deposits have a maturity period of 14 days.

6.1.15 CASH AND BANK BALANCES

The foreign currency exposure profile of the cash and bank balances at the end of the reporting period is as follows:-

	AUDITED FPE 2011 RM'000
United States Dollar	4,545

6.1.16 SHARE CAPITAL

The movements in the authorised share capital of Boilermech are as follows:-

	Par Value RM	AUDITED 31.10.2010 Number of Shares (^000)	Share Capital RM'000
Ordinary Shares			
At 8.4.2010			
- date of incorporation	0.10	1,000	100
Increase during the financial period	0.10	499,000	49,900
At 31.10.2010		500,000	50,000

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.16 SHARE CAPITAL (CONT'D)

The movements in the issued and paid-up share capital of Boilermech are as follows:-

	Par Value RM	AUDITED 31.10.2010 Number of Shares ('000)	Share Capital RM'000
Ordinary Shares			
At 8.4.2010			
- date of incorporation	0.10	^	*
Allotment during the financial period	0.10	223,100	22,310
At 31.10.2010		223,100	22,310

Note:

- * - Represents RM2.
- ^ - Represents 20 shares.

The Company was incorporated with an authorised share capital of RM100,000 comprising 1,000,000 ordinary shares of RM0.10 each, of which 20 ordinary shares of RM0.10 each were subscribed for on the date of incorporation.

During the financial period,

- (a) the Company increased its authorised share capital from RM100,000 to RM50,000,000 by the creation of 499,000,000 new ordinary shares of RM0.10 each; and
- (b) the Company increased its issued and paid-up share capital from RM2 to RM22,310,000 by the allotment of 223,099,980 new ordinary shares of RM0.10 each for the acquisition of BSB. The new ordinary shares issued during the financial period rank pari passu in all respects with the existing ordinary shares of the Company.

6.1.17 REVALUATION RESERVE

The revaluation reserve represents the increase in the fair value of leasehold land and building of the Group (net of deferred tax, where applicable).

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.18 FAIR VALUE RESERVE**

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

6.1.19 MERGER DEFICIT

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of a subsidiary upon consolidation under the merger accounting principles.

6.1.20 LONG-TERM BORROWINGS

	AUDITED FPE 2011 RM'000
Hire purchase payables (Note 6.1.21)	262
Term loan (Note 6.1.22)	4,213
	<u>4,475</u>

6.1.21 HIRE PURCHASE PAYABLES

	AUDITED FPE 2011 RM'000
Minimum hire purchase payments:	
- not later than one year	183
- later than one year but not later than five years	292
	<u>475</u>
Less: Future finance charges	(52)
Present value of hire purchase payables	<u>423</u>

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.21 HIRE PURCHASE PAYABLES (CONT'D)

	AUDITED FPE 2011 RM'000
The net hire purchase payables are repayable as follows:-	
Non-current (Note 6.1.20):	
- later than one year but not later than five years	262
Current (Note 6.1.25):	
- not later than one year	161
	423

The hire purchase payables bore a weighted average effective interest rate of 5.51% per annum at the end of the reporting period.

6.1.22 TERM LOAN

	AUDITED FPE 2011 RM'000
Non-current (Note 6.1.20):	
- repayable between one to two years	285
- repayable between two to five years	944
- repayable after five years	2,984
	4,213
Current (Note 8.1.25):	
- repayable within one year	273
	4,486

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.22 TERM LOAN (CONT'D)**

The term loan is repayable in 180 monthly instalments of RM40,722 commencing on February 2009.

The term loan bore an effective interest rate of 4.80% per annum at the end of the reporting date and is secured by:-

- (a) a first legal charge over the leasehold land and building as disclosed in Note 6.1.9 to this report;
- (b) a fixed and floating charge over the assets of the Group, both present and future; and
- (c) a joint and several guarantee of the certain directors of the Group.

6.1.23 DEFERRED TAXATION

	AUDITED FPE 2011 RM'000
At 1.5.2010	-
Recognised in profit or loss (Note 6.1.7)	(6)
Recognised in other comprehensive income (Note 6.1.8)	1,620
	<hr/>
At 31.10.2010	1,614
	<hr/>

The deferred taxation is attributable to the following:-

	AUDITED FPE 2011 RM'000
Fair value gain on property	1,614
	<hr/>

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.24 TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 30 to 90 days.

The foreign currency exposure profile of the trade payables at the end of the reporting period is as follows:-

	AUDITED FPE 2011 RM'000
United States Dollar	1,760

6.1.25 SHORT-TERM BORROWINGS

	AUDITED FPE 2011 RM'000
Hire purchase payables (Note 6.1.21)	161
Term loan (Note 6.1.22)	273
	<u>434</u>

6.1.26 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	UNAUDITED FPE 2010 RM'000	AUDITED FYE 2010 RM'000
Cost of property, plant and equipment purchased	2,375	1,224
Amount financed through hire purchase	(560)	-
	<u>1,815</u>	<u>1,224</u>

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.27 CASH AND CASH EQUIVALENTS**

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Short-term deposits with a licensed bank	10,119	2,000
Cash and bank balances	8,410	7,805
	18,529	9,805

6.1.28 DIRECTORS' REMUNERATION

- (a) The aggregate amount of emoluments received and receivable by Directors of the Group during the financial period are as follows:-

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Directors' of the Group:		
- Executive:		
- fees	2	10
- remuneration	307	410
- contribution to Employees' Provident Fund ("EPF")	27	33
	336	453
Benefits-in-kind	2	15

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.28 DIRECTORS' REMUNERATION (CONT'D)**

- (b) The details of emoluments for the directors of the Group received/receivable for the financial period in bands of RM50,000 are as follows:-

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Executive directors:-		
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	1	1
RM250,001 - RM300,000	-	1

6.1.29 RELATED PARTY DISCLOSURES

- (a) Identities of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if a group or a company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel are the directors of the Group.

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.29 RELATED PARTY DISCLOSURES (CONT'D)**

- (b) During the financial period, the Group carried out the following transaction with the related parties during the financial period:-

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Purchase of equipment from a company in which a director has a substantial financial interest	230	182
Sales to companies in which a shareholder has a substantial financial interest	-	116

Key management personnel compensation:-

	UNAUDITED FPE 2010 RM'000	AUDITED FPE 2011 RM'000
Directors' of the Group:		
- fees	2	10
- remuneration	307	410
- benefits-in-kind	2	15
	311	435
- EPF	27	33
Total	338	468
Other short-term employee benefits	107	161
	445	629

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.30 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL PERIOD**

- (a) On 21 October 2010, the Company entered into a Share Sale And Purchase Agreement with the vendors of BSB for the acquisition of 500,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of BSB, for a total consideration of RM22,309,998 based on a willing buyer willing seller basis after taking into consideration the net assets 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 purchase consideration was fully satisfied by the issuance of 223,099,980 new shares of RM0.10 each in the Company at par. The Acquisition was completed on 21 October 2010.

- (b) BSB has on 23 December 2010 accepted a banking facility of Total Gross Foreign Exchange Contract Limit of up to RM60 million from HSBC Malaysia Bank Berhad.

6.1.31 FOREIGN EXCHANGE RATE

The principal closing foreign exchange rate used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the reporting date is as follows:-

	AUDITED FPE 2011 RM
United States Dollar	3.11

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 BOILERMECH GROUP (CONT'D)****6.1.32 SEGMENTAL INFORMATION**

Segmental information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment transactions were carried out on terms and conditions not materially different from those obtainable in transactions with independent third parties.

Business segments

The Group has the following main business segments:-

- | | | |
|-------|----------------------|-------------------------------------|
| (i) | Manufacturing | Manufacturing of boilers. |
| (ii) | Trading and services | Repairing and servicing of boilers. |
| (iii) | Others | Investment holding. |

Geographical segments

The Group has presence in the following principal geographical areas:-

- | | | |
|------|----------|--|
| (i) | Malaysia | Manufacturing, repairing and servicing of boilers. |
| (ii) | Overseas | Manufacturing, repairing and servicing of boilers. |

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of assets.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.32 SEGMENTAL INFORMATION (CONT'D)

(a) By Business Segments

AUDITED FPE 2011	Manufacturing RM'000	Trading and services RM'000	Others RM'000	Total RM'000	
REVENUE					
External sales	57,440	3,326	-	60,766	
Inter-segment sales	-	-	-	-	
	57,440	3,326	-	60,766	
Results					
Segment results	10,019	1,205	(591)	10,633	
Interest income				104	
Depreciation				(500)	
Finance costs				(124)	
Profit before taxation				10,113	
Income tax expense				(2,864)	
Profit after taxation				7,249	
AUDITED FPE 2011					
	Manufacturing RM'000	Trading and services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
ASSETS					
Segment assets *	46,386	1,839	-	-	48,225
Unallocated assets					40,980
Total assets					89,205
LIABILITIES					
Segment liabilities *	32,787	280	-	-	33,067
Unallocated liabilities					24,739
Total liabilities					57,806

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.32 SEGMENTAL INFORMATION (CONT'D)

(a) By Business Segments (Cont'd)

AUDITED FPE 2011	Manufacturing RM'000	Trading and services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
OTHER INFORMATION					
Capital expenditure	1,224	-	-	-	1,224
Depreciation of property, plant and equipment	500	-	-	-	500
Impairment loss on trade receivables	1,418	7	-	-	1,425
Unrealised gain on foreign exchange	(14)	-	-	-	(14)
Write-back of impairment loss on trade receivables	(683)	(571)	-	-	(1,254)

UNAUDITED FPE 2010	Manufacturing RM'000	Trading and services RM'000	Others RM'000	Total RM'000
REVENUE				
External sales	43,833	2,241	-	46,074
Inter-segment sales	-	-	-	-
	43,833	2,241	-	46,074
Results				
Segment results	7,768	994	-	8,762
Interest income				13
Depreciation				(365)
Finance costs				(137)
Profit before taxation				8,273
Income tax expense				(1,031)
Profit after taxation				7,242

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.32 SEGMENTAL INFORMATION (CONT'D)

(a) By Business Segments (Cont'd)

AUDITED FYE 2010	Manufacturing RM'000	Trading and services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
ASSETS					
Segment assets *	36,296	2,165	-	-	38,461
Unallocated assets					41,163
Total assets					79,624
LIABILITIES					
Segment liabilities *	34,108	261	-	-	34,369
Unallocated liabilities					29,823
Total liabilities					64,192
OTHER INFORMATION					
Capital expenditure	2,375	-	-	-	2,375
Depreciation of property, plant and equipment	365	-	-	-	365
Gain on disposal of equipment	(20)	-	-	-	(20)

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.32 SEGMENTAL INFORMATION (CONT'D)

(b) By Geographical Segments

REVENUE	Local RM'000	Overseas RM'000	Others RM'000	Eliminations RM'000	Group RM'000
AUDITED FPE 2011	31,075	29,691	-	-	60,766
UNAUDITED FPE 2010	23,423	22,651	-	-	46,074

AUDITED FPE 2011	Malaysia RM'000	Dversea RM'000	Group RM'000
Segment assets #	29,162	19,063	48,225
Unallocated assets	-	-	40,980
	29,162	19,063	89,205
Capital expenditure	1,224	-	1,224

AUDITED FYE 2010	Malaysia RM'000	Dversea RM'000	Group RM'000
Segment assets #	23,954	14,508	38,462
Unallocated assets	-	-	41,162
	23,954	14,508	79,624
Capital expenditure	2,375	-	2,375

- Segment assets comprise total current and non-current assets, less tax refundable.

* - Segment liabilities comprise total current and non-current liabilities, less tax payable and deferred tax liability.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and price risk), credit risk, liquidity and cash flow risks, and capital risk management. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risks

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

The Group's exposure to foreign currency is as follows:-

	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
AUDITED			
FPE 2011			
Financial assets			
Trade receivables	10,670	28,451	39,121
Other receivables and deposits	-	1,604	1,604
Short-term deposits with a licensed bank	-	2,000	2,000
Cash and bank balances	4,545	3,260	7,805
	15,215	35,315	50,530

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
AUDITED			
FPE 2011			
Financial liabilities			
Trade payables	1,760	14,961	16,721
Other payables and accruals	-	3,109	3,109
Hire purchase payables		423	423
Term loan	-	4,486	4,486
	1,760	22,979	24,739
Net financial assets/Currency exposure			
	13,455	12,336	25,791

	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
AUDITED			
FYE 2010			
Financial assets			
Trade receivables	6,354	26,703	33,057
Other receivables and deposits	-	3,126	3,126
Short-term deposits with a licensed bank	-	14,000	14,000
Cash and bank balances	1,849	577	2,426
	8,203	44,406	52,609

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
AUDITED FYE 2010			
Financial liabilities			
Trade payables	3,839	12,029	15,868
Other payables and accruals	-	814	814
Hire purchase payables	-	518	518
Term loan	-	4,622	4,622
Dividend payable	-	8,000	8,000
	3,839	25,983	29,822
Net financial assets/Currency exposure	4,364	18,423	22,787

Sensitivity analysis for foreign currency risk

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	Effect on profit after taxation RM'000	Effect on equity RM'000
AUDITED FPE 2011		
United States Dollar:		
- strengthened 5%	673	673
- weakened 5%	(673)	(673)

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risks (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 6.1.33(a)(iii) to the financial statements.

Sensitivity analysis for interest rate risk

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	Effect on profit after taxation RM'000	Effect on equity RM'000
AUDITED		
FPE 2011		
Increase of twenty-five basis points	(7)	(7)
Decrease of twenty-five basis points	7	7

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risks (Cont'd)

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to price risks by maintaining a portfolio of equities with different risk profiles.

Equity price sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments as at the end of the reporting period, with all other variables held constant:-

	Effect on profit after taxation RM'000	Effect on equity RM'000
AUDITED FPE 2011		
Increased of 5%	1	1
Decreased of 5%	(1)	(1)

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk(Cont'd)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables (including amount owing by subsidiaries) by geographical region is as follows:-

	Audited FPE 2011 RM'000	Audited FYE 2010 RM'000
Overseas	13,040	12,814
Malaysia	26,081	20,243
	39,121	33,057

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CDNT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

The ageing analysis of the Group's trade receivables as at 31 December 2010 is as follows:-

	Gross amount RM'000	Individual impairment RM'000	Collective impairment RM'000	Carrying amount RM'000
AUDITED				
FPE 2011				
Not past due	24,009	-	-	24,009
Past due 0 - 30 days	3,537	-	-	3,537
Past due more than 30 days	13,935	(2,360)	-	11,575
	41,481	(2,360)	-	39,121
AUDITED				
FYE 2010				
Not past due	24,945	-	-	24,945
Past due 0 - 30 days	1,848	-	-	1,848
Past due more than 30 days	8,453	(2,189)	-	6,264
	35,246	(2,189)	-	33,057

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables

Trade receivables that are past due but not impaired

The Company believes that no impairment allowance is necessary in respect of these trade receivables other than approximately RM2.4 million provided. They are substantially companies with good collection record and no recent history of default.

11. ACCOUNTANTS' REPORT (Cont'd)



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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk

Liquidity risk arise mainly from general funding and business activities. The Group practises prudent liquidity risk management by maintaining sufficient cash balances and the available of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 2 Years RM'000		2 - 5 Years RM'000		More Than Years RM'000
					1 - 2 Years RM'000	2 - 5 Years RM'000			
Trade payables	-	16,721	16,721	16,721	-	-	-	-	-
Other payables and accruals	-	3,109	3,109	3,109	-	-	-	-	-
Hire purchase payables	5.51	423	475	183	155	137	-	-	-
Term loan	4.80	4,486	4,486	273	285	944	2,984	-	-
		24,739	24,791	20,286	440	1,081	2,984	-	-

AUDITED
FPE 2011

Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Muar • Penang

11. ACCOUNTANTS' REPORT (Cont'd)



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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 2 Years RM'000	2- 5 Years RM'000	More Than Years RM'000
AUDITED							
FYE 2010							
Trade payables	-	15,868	15,868	15,868	-	-	-
Other payables and accruals	-	814	814	814	-	-	-
Hire purchase payables	5.51	518	581	206	165	210	-
Term loan	4.80	4,622	4,622	282	289	953	3,098
Dividend payable	-	8,000	8,000	8,000	-	-	-
		29,822	29,885	25,170	454	1,163	3,098

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	AUDITED FYE 2010 RM'000	AUDITED FPE 2011 RM'000
Hire purchase payables	518	423
Term loans	4,622	4,486
Trade payables	15,868	16,721
Other payables and accruals	814	3,109
Dividend payable	8,000	-
	<u>29,822</u>	<u>24,739</u>
Less: Short-term deposits with a licensed bank	(14,000)	(2,000)
Less: Cash and bank balances	(2,426)	(7,804)
Net debt	<u>13,396</u>	<u>14,935</u>
Total equity	<u>12,991</u>	<u>24,567</u>
Debt-to-equity ratio	<u>1.03</u>	<u>0.61</u>

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services to commensurate with the level of risk. The management sets the amount of capital in proportion to risk. There were no changes in the approach to capital management during the financial period/year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

(c) Classification Of Financial Instruments

	AUDITED FYE 2010 RM'000	AUDITED FPE 2011 RM'000
Financial assets		
<u>Available-for-sale financial assets</u>		
Other investment, at fair value	50	23
<u>Loans and receivables financial assets</u>		
Trade receivables	33,057	39,121
Other receivables and deposits	3,126	1,604
Short-term deposits with a licensed bank	14,000	2,000
Cash and bank balances	2,426	7,805
	52,609	50,530

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments (Cont'd)

	AUDITED FYE 2010 RM'000	AUDITED FPE 2011 RM'000
Financial liabilities		
<u>Other financial liabilities</u>		
Hire purchase payables	518	423
Term loans	4,622	4,486
Trade payables	15,868	16,721
Other payables and accruals	814	3,109
Dividend payable	8,000	-
	29,822	24,739

(d) Fair Value Estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 October 2010 and 30 April 2010.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 BOILERMECH GROUP (CONT'D)

6.1.33 FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair value of quoted investments is estimated based on their quoted market prices as at the end of the reporting period.
- (iii) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD

6.2.1 STATEMENTS OF COMPREHENSIVE INCOME OF THE BOILERMECH SDN BHD

	Note	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Revenue	6.2.5	42,987	59,991	98,783
Cost of sales		(36,866)	(52,744)	(77,497)
Gross profit ("GP")		6,121	7,247	21,286
Other income		117	854	168
		6,238	8,101	21,454
Selling and marketing expenses		(351)	(531)	(827)
Administrative expenses		(1,578)	(1,483)	(2,367)
Other expenses		(399)	(372)	(3,865)
Finance costs		(5)	(47)	(299)
Profit before taxation ("PBT")		3,905	5,668	14,096
Depreciation		160	346	957
Interest expense		5	47	299
Interest income		(115)	(284)	(24)
Earnings before interest, amortisation, depreciation and taxation		3,955	5,777	15,328
Depreciation		(160)	(346)	(957)
Interest expense		(5)	(47)	(299)
Interest income		115	284	24
PBT	6.2.6	3,905	5,668	14,096
Income tax expense	6.2.7	(1,051)	(1,490)	(1,756)
Profit after taxation ("PAT")		2,854	4,178	12,340
GP margin (%)		14.2%	12.1%	21.5%
PBT margin (%)		9.1%	9.4%	14.3%
PAT margin (%)		6.6%	7.0%	12.5%
Effective tax rate (%)		26.9%	26.3%	12.5%
Interest coverage (times)		782.0	121.6	48.1
Number of shares (RM 1 each)('000)		500	500	500
Gross earning per share ("EPS")(RM)		7.81	11.34	28.19
Net EPS (RM)		5.71	8.36	24.68

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.2 STATEMENTS OF FINANCIAL POSITION OF THE BOILERMECH SDN BHD

	Note	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	6.2.8	562	8,888	12,143
Other investment	6.2.9	50	50	50
		612	8,938	12,193
CURRENT ASSETS				
Inventories	6.2.10	4,621	13,545	9,418
Amount owing by contract customers	6.2.11	1,417	6,897	5,404
Trade receivables	6.2.12	17,275	15,651	33,057
Other receivables, deposits and prepayments		507	560	3,126
Short-term deposits with a licensed bank	6.2.13	-	1,771	14,000
Fixed deposits with a licensed bank	6.2.14	4,681	-	-
Cash and bank balances	6.2.15	1,191	9,773	2,426
		29,692	48,197	87,431
TOTAL ASSETS		30,304	57,135	79,624

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.2 STATEMENTS OF FINANCIAL POSITION OF THE BOILERMECH SDN BHD (CONT'D)

	Note	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
EQUITY AND LIABILITIES				
EQUITY				
Share capital	6.2.16	500	500	500
Retained profits	6.2.17	4,973	9,151	12,491
TOTAL EQUITY		5,473	9,651	12,991
NON-CURRENT LIABILITY				
Long-term borrowings	6.2.18	110	4,622	4,674
CURRENT LIABILITIES				
Amount owing to contract customers	6.2.11	14,018	22,819	34,370
Trade payables	6.2.21	9,371	17,074	15,868
Other payables and accruals		44	370	814
Short-term borrowings	6.2.22	56	393	466
Dividend payable		-	-	8,000
Current tax liabilities		1,232	2,206	2,441
		24,721	42,862	61,959
TOTAL LIABILITIES		24,831	47,484	66,633
TOTAL EQUITY AND LIABILITIES		30,304	57,135	79,624
<i>Number of shares (RM 1 each) ('000)</i>		<i>500</i>	<i>500</i>	<i>500</i>
<i>Net tangible assets ("NTA")</i>		<i>5,473</i>	<i>9,651</i>	<i>12,991</i>
<i>Trade receivables turnover ratio (days)</i>		<i>147</i>	<i>95</i>	<i>122</i>
<i>Trade payables turnover ratio (days)</i>		<i>93</i>	<i>118</i>	<i>75</i>
<i>Gearing ratio (times)</i>		<i>0.03</i>	<i>0.52</i>	<i>0.41</i>

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CDNT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.3 STATEMENTS OF CASH FLOWS OF THE BOILERMECH SDN BHD

	Note	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation		3,905	5,668	14,096
Adjustments for:-				
Allowance for doubtful debts		-	-	2,189
Depreciation of property, plant and equipment		160	346	957
Interest expense		5	47	299
Inventories written off		-	124	-
Plant and equipment written off		-	72	-
Unrealised loss on foreign exchange		-	-	216
Dividend income		(3)	(3)	(1)
Gain on disposal of equipment		-	-	(87)
Interest income		(115)	(284)	(24)
Writeback of inventories		-	-	(71)
Operating profit before working capital changes		3,952	5,970	17,574
(Increase)/Decrease in amount owing by contract customers		(265)	(5,480)	1,493
(Increase)/Decrease in inventories		(4,328)	(9,048)	4,198
(Increase)/Decrease in trade and other receivables		(11,897)	1,571	(22,454)
Increase/(Decrease) in trade and other payables		3,980	8,029	(570)
Increase in amount owing to contract customers		8,879	8,801	11,551
CASH FROM OPERATIONS		321	9,843	11,792
Interest paid		(5)	(47)	(299)
Income tax paid		(361)	(516)	(1,521)
NET CASH (FOR)/FROM OPERATING ACTIVITIES/BALANCE CARRIED FORWARD		(45)	9,280	9,972

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.3 STATEMENTS OF CASH FLOWS OF THE BOILERMECH SDN BHD (CONT'D)

	Note	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
BALANCE BROUGHT FORWARD		(45)	9,280	9,972
CASH FLOWS FOR INVESTING ACTIVITIES				
Proceeds from disposal of equipment		-	-	432
Purchase of property, plant and equipment	6.2.23	(171)	(1,904)	(4,047)
Purchase of leasehold land		-	(6,805)	-
Purchase of other investment		(50)	-	-
Dividend received		3	3	1
Interest received		115	284	24
NET CASH FOR INVESTING ACTIVITIES		(103)	(8,422)	(3,590)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES				
Drawdown of term loan		-	5,000	-
Repayment of term loan		-	(122)	(256)
Repayment of hire purchase obligations		(43)	(64)	(129)
Dividend paid		-	-	(1,000)
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(43)	4,814	(1,385)
Effect of foreign exchange rate changes on cash and cash equivalents		-	-	(115)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(191)	5,672	4,882
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		6,063	5,872	11,544
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	6.2.24	5,872	11,544	16,426

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.4 STATEMENTS OF CHANGES IN EQUITY OF THE BOILERMECH.SDN BHD

	Note	Share Capital RM'000	Retained Profits RM'000	Total RM'000
Balance at 1.5.2007		500	2,119	2,619
Profit after taxation for the financial year		-	2,854	2,854
Balance at 30.4.2008/1.5.2008		500	4,973	5,473
Profit after taxation for the financial year		-	4,178	4,178
Balance at 30.4.2009/1.5.2009		500	9,151	9,651
Profit after taxation for the financial year		-	12,340	12,340
Dividends	7	-	(9,000)	(9,000)
Balance at 30.4.2010		500	12,491	12,991

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.5 REVENUE

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Services and trading	4,026	4,795	4,144
Contracts	38,961	55,196	94,639
	42,987	59,991	98,783

6.2.6 PROFIT BEFORE TAXATION

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Profit before taxation is arrived at after charging/ (crediting):-			
Allowance for doubtful debts	-	-	2,189
Audit fee:			
- statutory	12	16	18
- non-statutory	-	-	18
Depreciation of property, plant and equipment	160	346	957
Directors' fee	12	12	28
Directors' non-fee emoluments	506	572	943
Interest expense:			
- advances from shareholders	-	33	-
- bank overdraft	-	5	-
- hire purchase	5	8	21
- letter of credit	-	-	59
- term loan	-	1	219
Plant and equipment written off	-	72	-
Loss/(Gain) on foreign exchange:			
- realised	239	(567)	278
- unrealised	-	-	216
Rental expense:			
- forklifts	-	45	53
- motor vehicles	5	16	32
- office	49	8	-
- plant and machinery	36	-	-
Staff costs	1,473	1,993	2,423
Dividend income	(3)	(3)	(1)
Gain on disposal of equipment	-	-	(87)
Interest income	(115)	(284)	(24)
Inventories written off/(written back)	-	124	(71)

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 BOILERMECH SDN BHD (CONT'D)****6.2.6 PROFIT BEFORE TAXATION (CONT'D)**

The estimated monetary value of non-cash benefits provided to certain directors of BSB are as follows:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Benefits-in-kind	4	4	14

6.2.7 INCOME TAX EXPENSE

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Current taxation:			
- for the financial year	1,024	1,490	2,739
- under/(over)provision in the previous financial year	27	-	(983)
	1,051	1,490	1,756

The statutory tax rate was reduced from 27% to 26% for year of assessment 2008, and to 25% for years of assessment 2009 and 2010, as announced in the Malaysian Budget 2007 and 2008, respectively.

The corporate tax rate on the first RM500,000 of chargeable income is 20%. The tax rate applicable to the balance of the chargeable income is as follows:-

	FYE 2008	FYE 2009	FYE 2010
Statutory tax rate	26%	25%	25%

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 BOILERMECH SDN BHD (CONT'D)****6.2.7 INCOME TAX EXPENSE (CONT'D)**

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of BSB is as follows:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Profit before taxation	3,905	5,668	14,096
Tax at the applicable statutory tax rates	1,015	1,417	3,524
Tax effects of:-			
Non-taxable gain	-	-	(19)
Non-deductible expenses	75	147	407
Effective of tax incentive	-	-	(1,345)
Utilisation of previously unrecognised deferred tax assets	(36)	(49)	-
Deferred tax assets not recognised during the financial year	-	-	197
Under/(Over)provision in the previous financial year:			
- current taxation	27	-	(983)
Differential in tax rate	(30)	(25)	(25)
	1,051	1,490	1,756

No deferred tax assets are recognised on the followings items:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Deferred tax assets:-			
Receivables	-	-	547
Unrealised foreign exchange loss	-	-	54
	-	-	601
Deferred tax liability:-			
Accelerated capital allowances	-	-	(404)
	-	-	197

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.8 PROPERTY, PLANT AND EQUIPMENT

Net Book Value	At 1.5.2007 RM'000	Additions RM'000	Depreciation charge RM'000	At 30.4.2008 RM'000
Computers	103	4	(30)	77
Furniture, fittings and office equipment	81	1	(10)	72
Machinery	63	-	(16)	47
Motor vehicles	198	221	(97)	322
Renovation	51	-	(7)	44
	496	226	(160)	562

Net Book Value	At 1.5.2008 RM'000	Additions RM'000	Written Off RM'000	Depreciation charge RM'000	At 30.4.2009 RM'000
Leasehold land	-	6,805	-	(113)	6,692
Building	-	1,800	-	(60)	1,740
Computers	77	41	(1)	(38)	79
Furniture, fittings and office equipment	72	46	(27)	(11)	80
Machinery	47	-	-	(16)	31
Motor vehicles	322	52	-	(108)	266
Renovation	44	-	(44)	-	-
	562	8,744	(72)	(346)	8,888

Net Book Value	At 1.5.2009 RM'000	Additions RM'000	Disposal RM'000	Depreciation charge RM'000	At 30.4.2010 RM'000
Leasehold land	6,692	-	-	(113)	6,579
Building	1,740	-	-	(60)	1,680
Computers	79	26	-	(43)	62
Furniture, fittings and office equipment	80	148	-	(35)	193
Machinery	31	1,482	-	(312)	1,201
Motor vehicles	266	1,505	(345)	(394)	1,032
Capital work-in-progress	-	1,396	-	-	1,396
	8,888	4,557	(345)	(957)	12,143

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Cost RM'000	Accumulated depreciation RM'000	Net Book Value RM'000
At 30.4.2008			
Computers	151	(74)	77
Furniture, fittings and office equipment	100	(28)	72
Machinery	79	(32)	47
Motor vehicles	487	(165)	322
Renovation	63	(19)	44
	880	(318)	562
At 30.4.2009			
Leasehold land	6,805	(113)	6,692
Building	1,800	(60)	1,740
Computers	190	(111)	79
Furniture, fittings and office equipment	108	(28)	80
Machinery	79	(48)	31
Motor vehicles	539	(273)	266
	9,521	(633)	8,888
At 30.4.2010			
Leasehold land	6,805	(226)	6,579
Building	1,800	(120)	1,680
Computers	215	(153)	62
Furniture, fittings and office equipment	256	(63)	193
Machinery	1,561	(360)	1,201
Motor vehicles	1,558	(526)	1,032
Capital work-in-progress	1,396	-	1,396
	13,591	(1,448)	12,143

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 BOILERMECH SDN BHD (CONT'D)****6.2.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

The leasehold land and building of BSB have been pledged as security for banking facilities.

At the end of the reporting period, the motor vehicles with the following net book value were acquired under hire purchase terms:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Motor vehicles	201	175	783

6.2.9 OTHER INVESTMENT

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Quoted shares, at cost:-			
At 1 May	-	50	50
Addition	50	-	-
At 30 April	50	50	50
Market value of quoted investment in Malaysia	40	30	29

6.2.10 INVENTORIES

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Raw materials, at cost	4,621	13,545	9,418

None of the inventories is stated at net realisable value.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.11 AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Costs incurred on contracts to date	19,689	44,979	80,821
Attributable profits	2,531	4,726	14,927
	22,220	49,705	95,748
Progress billings	(34,821)	(65,627)	(124,714)
	(12,601)	(15,922)	(28,966)
The amounts owing comprise the following:-			
Amount owing by contract customers	1,417	6,897	5,404
Amount owing to contract customers	(14,018)	(22,819)	(34,370)
	(12,601)	(15,922)	(28,966)

6.2.12 TRADE RECEIVABLES

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Trade receivables	15,744	13,503	32,522
Retention receivables	1,531	2,148	2,724
	17,275	15,651	35,246
Less: Allowance for doubtful debts	-	-	(2,189)
	17,275	15,651	33,057
Allowance for doubtful debts:-			
At 1 May	-	-	-
Charge for the financial year	-	-	(2,189)
At 30 April	-	-	(2,189)

BSB's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 BOILERMECH SDN BHD (CONT'D)****6.2.12 TRADE RECEIVABLES (CONT'D)**

The foreign currency exposure profile of the trade receivables is as follows:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
United States Dollar	434	2,976	6,354

6.2.13 SHORT-TERM DEPOSITS WITH A LICENSED BANK

The effective interest rate per annum and maturity periods of the short-term deposits at the end of the reporting period is as follows:-

	FYE 2008	FYE 2009	FYE 2010
Effective interest rate	-	0.01%	1.36%
Maturity period	-	1 day	14 - 31 days

The foreign currency exposure profile of the short-term deposit is as follows:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
United States Dollar	-	1,771	-

6.2.14 FIXED DEPOSITS WITH A LICENSED BANK

The effective interest rate per annum and maturity periods of the fixed deposits at the end of the reporting period is as follows:-

	FYE 2008	FYE 2009	FYE 2010
Effective interest rate	3.27%	-	-
Maturity period	1 - 15 months	-	-

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 BOILERMECH SDN BHD (CONT'D)****6.2.15 CASH AND BANK BALANCES**

The foreign currency exposure profile of the cash and bank balances is as follows:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
United States Dollar	39	5,632	1,849

6.2.16 SHARE CAPITAL

	FYE 2008 Number Of Shares ('000)	FYE 2009 Number Of Shares ('000)	FYE 2010 Number Of Shares ('000)	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Ordinary Shares of RM1 Each:- Authorised	500	500	500	500	500	500
Issued And Fully Paid-Up	500	500	500	500	500	500

6.2.17 RETAINED PROFITS

Subject to the agreement of the tax authorities, at the end of the reporting period, BSB has tax-exempt income available for the purpose of paying tax-exempt dividends and tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its retained profits approximately as follows:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Tax-exempt income	-	3,853	9,232
Tax credit under Section 108	609	642	-

BSB has elected for the irrevocable option for the single tier tax system during the FYE 2010. Therefore, BSB will be able to distribute dividends out of its entire retained profits under the single tier tax system.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.18 LONG-TERM BORROWINGS

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Hire purchase payables (Note 6.2.19)	110	73	334
Term loan (Note 6.2.20)	-	4,549	4,340
	110	4,622	4,674

6.2.19 HIRE PURCHASE PAYABLES

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Minimum hire purchase payments:			
- not later than one year	63	73	206
- later than one year but not later than five years	124	82	375
	187	155	581
Less: Future finance charges	(21)	(18)	(63)
Present value of hire purchase payables	166	137	518

The net hire purchase payables are repayables as follows:-

Non-current (Note 6.2.18):			
- later than one year but not later than five years	110	73	334
Current (Note 6.2.22):			
- not later than one year	56	64	184
	166	137	518

The weighted average effective interest rate per annum for the hire purchase payables is as follows:-

	FYE 2008	FYE 2009	FYE 2010
Effective interest rate	5.98%	6.23%	5.51%

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.20 TERM LOAN

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Non-current (Note 6.2.18):			
- repayable between one to two years	-	285	289
- repayable between two to five years	-	921	953
- repayable after five years	-	3,343	3,098
	-	4,549	4,340
Current (Note 6.2.22):			
- repayable within one year	-	329	282
	-	4,878	4,622

The term loan is repayable in 180 monthly instalments of RM40,722 commencing on February 2009.

The outstanding term loan at the end of the reporting period is subjected to an effective interest rate per annum as follows:-

	FYE 2008	FYE 2009	FYE 2010
Effective interest rate	-	3.05%	4.30%

The term loan is secured by:-

- (a) a first legal charge over a leasehold land and building of BSB;
- (b) fixed and floating charges over the assets of BSB, both present and future; and
- (c) a joint and several guarantee of the directors of BSB.

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 BOILERMECH SDN BHD (CONT'D)****6.2.21 TRADE PAYABLES**

The normal trade credit terms granted to BSB ranged from 30 to 90 days.

The foreign currency exposure profile of the trade payables is as follows:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Indonesian Rupiah	21	-	-
United States Dollar	129	4,127	3,839

6.2.22 SHORT-TERM BORROWINGS

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Hire purchase payables (Note 6.2.19)	56	64	184
Term loan (Note 6.2.20)	-	329	282
	56	393	466

6.2.23 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Cost of property, plant and equipment purchased	226	1,939	4,557
Amount financed through hire purchase	(55)	(35)	(510)
Cash disbursed for purchase of property, plant and equipment	171	1,904	4,047

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 BOILERMECH SDN BHD (CONT'D)****6.2.24 CASH AND CASH EQUIVALENTS**

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Short-term deposits with a licensed bank	-	1,771	14,000
Fixed deposits with a licensed bank	4,681	-	-
Cash and bank balances	1,191	9,773	2,426
	5,872	11,544	16,426

6.2.25 CAPITAL COMMITMENT

Authorised capital expenditure not provided for in the financial statements:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Capital work-in-progress:			
- contracted but no provided for	-	-	371

6.2.26 FOREIGN EXCHANGE RATES

The applicable closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the reporting period are as follows:-

	FYE 2008 RM	FYE 2009 RM	FYE 2010 RM
100 Indonesian Rupiah	0.03	-	-
United States Dollar	3.16	3.56	3.19

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BOILERMECH SDN BHD (CONT'D)

6.2.27 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identities of related parties

For the purposes of these financial statements, parties are considered to be related to BSB if a group or a company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where BSB and party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of BSB either directly or indirectly. The key management personnel are the Directors of BSB.

(b) During the financial year, BSB carried out the following transactions with the related parties during the financial years:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Provision of fabrication works by former shareholder	5,152	-	-
Purchase of equipment from a company in which a director has a substantial financial interest	-	315	394
	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Directors' of the Company:			
- fee	12	12	28
- remuneration	452	511	842
- benefit-in-kind	4	4	14
	468	527	884
- contribution to Employees' Provident Fund ("EPF")	54	61	101
	522	588	985

11. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 BOILERMECH SDN BHD (CONT'D)****6.2.28 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) Quoted Investments

The fair values of quoted investments are estimated based on quoted market prices for these instruments.

(b) Long-Term Bank Loan

The carrying amounts approximated their fair values as this instrument bears interest at variable rates.

(c) Hire Purchase Obligations

The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar types of instruments.

(d) Cash And Cash Equivalents And Other Short-Term Receivables/Payables

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

7. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIOD FOR BSB

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Paid:-			
In respect of the financial year ended 30 April 2010:			
- Interim tax-exempt dividend of 200% per ordinary share	-	-	1,000
Payable:-			
In respect of the financial year ended 30 April 2010:			
- Interim tax-exempt dividend of 1,600% per ordinary share	-	-	8,000
	-	-	9,000

11. ACCOUNTANTS' REPORT (Cont'd)



8. SUBSEQUENT EVENTS

There were no significant subsequent events between the date of the latest financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

9. AUDITED FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements have been prepared in respect of the financial period subsequent to 31 October 2010 for Boilermech and its subsidiary.

Yours faithfully

A handwritten signature in cursive script that reads "Crowe Horwath".

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in cursive script that reads "James Chan Kuan Chee".

James Chan Kuan Chee
Approval No : 2271/10/11 (J)
Chartered Accountant



Crowe Horwath AF 1018
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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS BOILERMECH SDN. BHD.

(Incorporated in Malaysia)
Company No: 58098 - U

Report on the Financial Statements

We have audited the financial statements of Boilermech Sdn. Bhd., which comprise the balance sheets as at 30 April 2008 and 2009, and the income statements, statements of changes in equity and cash flow statements of the Company for the following financial years then ended:

- i) 30 April 2008
- ii) 30 April 2009

(the above is hereinafter referred to as "the Relevant Financial Years")

and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 36.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BOILERMECH SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)
Company No: 58098 - U

Auditors' Responsibility (Cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 April 2008 and 2009, and of its financial performance and cash flows for the Relevant Financial Years then ended.

A handwritten signature in black ink that reads "Crowe Horwath".

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur

03 SEP 2010



Crowe Horwath AF 1018
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOILERMECH SDN. BHD.

(Incorporated in Malaysia)
Company No.: 58098 - U

Report on the Financial Statements

We have audited the financial statements of Boilermech Sdn. Bhd., which comprise the balance sheet as at 30 April 2010, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 45.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOILERMECH SDN. BHD. (CONT'D)

(Incorporated in Malaysia)
Company No.: 58098 - U

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 April 2010 and of its financial performance and cash flows for the financial year then ended.

Other Matters


The financial statements of the Company for the preceding financial year were audited by another firm of auditors whose report dated 8 October 2009, expressed an unqualified opinion on those statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Crowe Horwath
Firm No: AF 1018
Chartered Accountants


James Chan Kuan Chee
Approval No: 2271/10/11 (J)
Chartered Accountant

Kuala Lumpur
03 SEP 2010



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS BOILERMECH HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 897694 - T

APPENDIX II

Crowe Horwath AF 1018
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Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of BoILERMECH Holdings Berhad and its subsidiary (collectively, "the Group"), which comprise the Group's consolidated statement of financial position at 31 October 2010 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 70.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

It is our responsibility to form an independent opinion, based on our audit, on the consolidated financial statements and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS
BOILERMECH HOLDINGS BERHAD (CONT'D)**

(Incorporated in Malaysia)
Company No: 897694 - T

Opinion

In our opinion, the consolidated financial statements have been properly drawn up in accordance with Financial Reporting Standards, FRS 134: Interim Financial Reporting so as to give a true and fair view of the financial position of the Group as of 31 October 2010 and of its financial performance and cash flows for the financial period then ended.

Other Matters

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial period ended 31 October 2009 as well as the related notes have not been audited nor reviewed.

This report is made solely to the Board of Directors of Boilermech Holdings Berhad for the purpose of its proposed listing on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read "Crowe Horwath".

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

18 MAR 2011

Kuala Lumpur

12. VALUATION CERTIFICATE*(Prepared for inclusion in this Prospectus)***VALUER'S LETTER ON THE PRDPERTY**

Our Ref. : VPJ 10.699.SC
Date : 28 March 2011

The Board of Directors,
Boilermech Holdings Berhad
Lot 875, Jalan Subang 8
Taman Perindustrian Subang
47620 Subang Jaya
Selangor Darul Ehsan

Raine & Horne 

**Raine & Horne International
Zaki + Partners Sdn. Bhd.**

(Company No. 99440-T)

124B, 2nd Floor, Jalan SS 24/2,
Taman Megah, 47301 Petaling Jaya,
Selangor Darul Ehsan.
Telephone : 03-7880 6542
Fax : 03-7880 6544
Email : rhizppj@streamyx.com

Dear Sirs,

CERTIFICATE OF VALUATION OF AN INDUSTRIAL PREMISES COMPRISING TWO UNITS OF SINGLE STOREY DETACHED FACTORY WITH DNE BEING ANNEXED TO A THREE STOREY OFFICE BUILDING AND A GUARO HOUSE HELD UNOER TITLE NO. HSM 230, PT 875, LOCALITY OF SUNGAI PENAGA, MUKIM OF DAMANSARA, DISTRICT OF PETALING, STATE OF SELANGOR DARUL EHSAN BEARING POSTAL ADDRESS LOT 875, JALAN SUBANG 8, TAMAN PERINDUSTRIAN SG. PENAGA, 47620 SUBANG JAYA, SELANGOR OARUL EHSAN. ("SUBJECT PRDPERTY")

This Valuation Certificate has been prepared for the inclusion in the Prospectus of Boilermech Holdings Berhad ("Boilermech") in connection with the admission of Boilermech to the ACE Market of Bursa Malaysia Securities Berhad ("Proposed Listing").

In accordance with the instructions from Boilermech, we have assessed the Market Value of the Subject Property as set out in the Schedule below for the purpose of the Proposed Listing.

The valuation has been carried out in accordance with the "Asset Valuation Guidelines" issued by the Securities Commission and the Malaysia Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia ("Malaysia Valuation Standards"), and with the necessary professional responsibility and due diligence.

The basis of valuation is the Market Value of the Property as at 30th August 2010. The Comparison Method and Cost Method of Valuation were adopted in arriving at the Market Value.

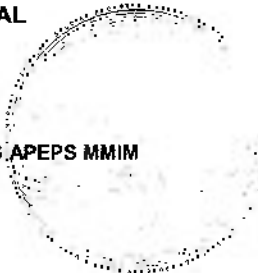
Market Value, as defined under the Malaysia Valuation Standards, is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Subject to the foregoing, we are of the opinion that the Market Value of the Property in its existing conditions, free from encumbrances with good registrable titles is **RM16,900,000.00 (Ringgit Malaysia: Sixteen Million And Nine Hundred Thousand Dnly)**.

Yours faithfully,
For & on behalf of
**RAINE & HDRNE INTERNATIONAL
ZAKI + PARTNERS SDN BHD**



JAMES K.M. TAN MSM MRICS APEPS MMIM
Registered Valuer
Reg No. V423
B. AppSc PRM CDipAF



Perunding Harta Tanah Antarabangsa • International Property Consultants

PENANG

IPOH

KELANG

PETALING JAYA

SUBANG JAYA

SEREMBAN

MELAKA

KUANTAN

JOHOR BAHRU

KUCHING

K. KINABALU



PENILAI
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Raine & Horne 

www.raineandhorne.com.my

12. VALUATION CERTIFICATE (Cont'd)**Identification of Property**

Interest valued : Two (2) units of single storey detached factories with one being annexed to three storey office building and a guard house.
 Tenure : 99-years leasehold interest expiring on 2nd September 2068
 Registered Owner: Boilermech Sdn Bhd
 Express Condition: Perusahaan
 Restriction
 In-Interest : Tanah yang diberi milik ini tidak boleh dipindah milik, dipajak, atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri.
 Land Area : 228,691 sq. feet (The land area surrendered for road widening is approximately 9,027.23 sq. feet.) Therefore, the estimated net land area is about 219,663.77 sq. feet.
 Built-up Area : Three (3) storey office building

1) Main Floor Area	8,153 sq. feet
2) Ancillary Floor Area	180 sq. feet
3) Factory Building A	51,200 sq. feet
4) Factory B - Main Floor Area	12,000 sq. feet
- Ancillary Floor Area	4,888 sq. feet
5) Sub-station, refuse chamber and guard house	1,076 sq. feet
*6) A Single Storey Office (Building C)	1,230 sq. feet

Planning Details : Certificate of Fitness was issued on 26th August 2010
 Existing Use : Industrial
 Occupancy Status: Owner occupied.

* We wish to draw attention that the Building C was mentioned in Approved Master Layout Plan bearing Reference No. MPSJ 260/36/146 dated 3rd February 2010. However, in the approved building plans the Building C was not shown.

Based on our latest update inspection on 13th January 2011, we noted it has been demolished.

General Description

Briefly the subject property is located along Jalan Subang 8 within an industrial area known as Taman Perindustrian Sungai Penaga. It is one of the prime industrial schemes adjacent to the self contained township of UEP Subang Jaya. The subject property is located approximately 5 kilometres to the east of the Subang Jaya Town Centre.

The material buildings erected on site are as follows:-

1) A Single Storey Detached Factory Annexed With A Three Storey Office Building (Factory Building A)

The building is generally constructed of reinforced concrete frame to the office building and steel portal framed supporting steel purlins to the factory. Part of the structure supports a crane girder and column beam with capacity of 10 tonnes and 15 tonnes respectively. Roof is of reinforced concrete flat roof concealed behind parapet walls to office building and metal deck roofing sheets on the steel trusses to the factory.

2) A Single Storey Detached Factory (Factory Building B)

The building is generally constructed of steel portal framed supporting steel purlins to the factory. Roof is of metal deck roofing sheets on steel trusses to the factory. Internal walls are of metal claddings.

3) Sub-station, Refuse Chamber And Guard House

The building is generally constructed of reinforced concrete framed. Roof is of reinforced concrete flat roof concealed behind parapet wall. Ceiling are cement plastered.

4) A Single Storey Office – Building C

The building is generally constructed of reinforced concrete framed. Roof is of metal cladding.

* (Please refer as explained above)

The subject site was demarcated with plastered brickwalls surmounted with metal railing. The entrance to the subject site is secured with metal sliding gates hinged onto plastered brick pillars.

12. VALUATION CERTIFICATE (Cont'd)**Date of Valuation**

For the purpose of this valuation exercise, the material date of valuation is 30th August 2010.

Method of Valuation

In arriving at the Market Value of the subject properties, we have adopted our main approach, the Comparison Method of valuation. In addition to the foregoing approach, we also adopted the Cost Approach in this valuation exercise.

i) Comparison Method of Valuation

This method of valuation seeks to determine the value of the property being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Due considerations are given for such factors including location, plot size and shapes, accessibility, infrastructure available, improvements made if any, surrounding developments, facilities and amenities available.

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Address	Lot 549, Jalan Subang 2, Taman Perindustrian Sungai Penaga	No. 2614, Jalan Subang 7, Taman Perindustrian Sungai Penaga	Lot 850, Jalan Subang 7, Taman Perindustrian Sungai Penaga	No. 64689 (Lot 284), Jalan Subang 7, Temen Perindustrian Sungai Penaga	PT 891, Jalan Subang 9, Taman Perindustrian Sungai Penaga	PT 11743, Jalan Subang Indah, Taman Perindustrian Sungai Penaga
Type	Vacant industrial land	Vacant industrial land	Vacant industrial land	Vacant industrial land	A Single Storey Warehouse	Vacant industrial land
Tenure	Freehold	Leasehold interest for a term of 99 years expiring on 27 th March 2090	Leasehold interest for a term of 99 years expiring on 12 th October 2061	Leasehold interest for a term of 99 years expiring on 31 st May 2092	Leasehold interest for a term of 99 years expiring on 20 th October 2065	Leasehold interest for a term of 99 years expiring on 27 th January 2093
Date of Transaction	26 Dec 2008	14 July 2008	27 March 2008	15 July 2008	10 March 2010	21 December 2009
Land Area	130,817 sq. feet	120,530 sq. feet	127,872 sq. feet	130,686 sq. feet	119,791 sq. feet	98,011 sq. feet
* Net Land Area	126,102 sq. feet	115,815 sq. feet	123,157 sq. feet	124,793 sq. feet	110,455 sq. feet	94,511 sq. feet
Price on net land area	RM5,230,754.00 @ RM41.48 psf	RM5,363,608.00 @ RM46.31 psf	RM6,781,748.00 @ RM55.06 psf	RM6,600,000.00 @ RM52.88 psf	RM7,600,000.00	RM6,000,000.00 @ RM63.48 psf
Remarks	This comparable is located within the same vicinity but more preferred area compared to the subject property, as it is near to the commercial area.	This comparable is located near to the subject property.	This comparable is located within the same vicinity but more preferred area compared to the subject property.	This comparable is located near to the subject property.	This comparable is located within the same vicinity, near to the subject property.	This comparable is located within the same vicinity but more preferred area compared to the subject property, as it is near to the commercial area.
Factors Taken into Consideration	Positive adjustment for time; Negative adjustment for location, tenure and land size	Positive adjustment for time; No adjustment for location; Negative adjustment for tenure and land size.	Positive adjustment for time and tenure; Negative adjustment for location and land size.	Positive adjustment for time; No adjustment for location; Negative adjustment for tenure and land size.	No adjustment for location; Positive adjustment for tenure and time; Negative adjustment for land size.	Positive adjustment for time; Negative adjustment for location, tenure and land size
Adjusted Value RM PSF on net land area	RM38.00	RM46.00	RM59.00	RM53.00	RM57.00	RM57.00

* Estimated net land area after taking off for road widening.

Source – Jabatan Penilaian dan Perkhidmatan Harta (Valuation and Property Services Department, Ministry of Finance Malaysia)

For the **Comparison Method of valuation**, our analysed values of transacted properties are in the range of RM38.00 per sq. foot to RM59.00 per sq. foot. In reconciling our opinion of Market Value, we have placed a greater emphasis on Comparables 2, 4 and Comparable 5 which are located much closer in distance to the Subject Property. After considering all factors of the above, we are of the opinion that the fair Market Value of the land element is RM50.00 per sq. foot.

ii) Cost Method

This approach seeks to ascertain the value of the property through the summation of the value components of the land and cost of building. In determining the value of the land, the analysed apportionment value attributable to the land is adopted as described in the foregoing approach, whilst making due allowances to factors of location, plot, size, accessibility and other relevant factors.

12. VALUATION CERTIFICATE (Cont'd)

In determining the cost of building, current estimates on constructional costs to erect equivalent building are adopted. Taking into consideration of similar accommodation in terms of size, construction, finishes contractors' overheads, fees and profits. Appropriate adjustments are then made for factors of obsolescence and existing physical condition of the building.

The estimated **construction cost** from our market survey based on Davis Langdon & Seah Construction Cost Handbook Malaysia 2009 adopted before depreciation for the offices annexed to industrial premises and factory building are in the range of RM110 per sq. foot - RM130 per sq. foot and RM70 per sq. foot – RM110 per sq. foot respectively. For this valuation, we have adopted a depreciation of about 25% (estimated life span of building) in the **Cost Method of Valuation**.

The Breakdown Building Cost are as bellows:

	Building	Estimated Construction Cost (RM/sf)	Cost After Depreciation (RM/sf)
1)	Three (3) storey office building Main Floor Area Ancillary Floor Area	120.00 45.00	90.00 45.00
2)	Factory A	95.00	70.00
3)	Factory B Main Floor Area Ancillary Floor Area	70.00 25.00	50.00 25.00
4)	Sub-station, refuse chamber & guardhouse	50.00	50.00
5)	Circulation area	-	5.50

In arriving at our opinion of the Market Value, we have adopted the **Comparison Method** of valuation as there are sufficient comparable data to support our analysis of values.

Market Value

In our opinion the Market Value of HSM 230, PT 875, Locality of Sungai Penaga, Mukim of Damansara, District of Petaling, State of Selangor Darul Ehsan bearing postal address Lot 875, Jalan Subang 8, Taman Perindustrian Sg. Penaga, 47620 Subang Jaya, Selangor Darul Ehsan held under a 99 years leasehold title with an unexpired leasehold interest of about 58 years together with the buildings erected thereon with vacant possession and free from all encumbrances is **RM16,900,000.00 (Ringgit Malaysia: Sixteen Million And Nine Hundred Thousand Only)**.

13. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)

BOILERMECH HOLDINGS BERHAD

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



Date: 31 March 2011

The Shareholders of Boilermech Holdings Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Boilermech Holdings Berhad ("Boilermech" or "Company"), I wish to report that after due enquiries in relation to the interval between 31 October 2010, being the date to which the last audited financial statements of the Company and its subsidiary ("Group") have been made up and up to the date of this letter, being a date not earlier than fourteen (14) days before the issue of this Prospectus, that:-

- (i) the business of our Group has, in the opinion of the Board of Directors of Boilermech, been satisfactorily maintained;
- (ii) in the opinion of the Board of Directors of Boilermech, no circumstances have arisen since the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Prospectus, there are no contingent liabilities have arisen by reason of any guarantee or indemnity given by our Group;
- (v) the Board of Directors of Boilermech are not aware of any default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group since the last audited financial statements of our Group; and
- (vi) save as disclosed in the Accountants' Report set out in **Section 11** of this Prospectus, there have been no material changes to the published reserves or any unusual factors affecting the profits of our Group since the last audited financial statements of our Group.

Yours faithfully

For and on behalf of the Board of Directors of
BOILERMECH HOLDINGS BERHAD

LEONG YEW CHEONG
Managing Director



14. ADDITIONAL INFORMATION**14.1 SHARE CAPITAL**

- (i) No shares will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) As at the date of this Prospectus, none of our Group's capital is under option or agreed conditionally or unconditionally to be put under option.
- (iii) Save for the Issue Shares reserved for our eligible Directors and employees as disclosed in **Section 3.7** of this Prospectus, there is currently no scheme involving our employees in the capital of our Group.
- (iv) As at the date of this Prospectus, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by our Memorandum and Articles of Association.
- (v) Save as disclosed in **Section 7.1.1** of this Prospectus, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company.

14.2 ARTICLES OF ASSOCIATION

The following provisions are reproduced from our Articles of Association ("Articles"). The words, terms and expressions appearing in the following provision shall bear the same meanings used in the Articles unless they are otherwise defined here or the context otherwise requires:-

14.2.1 Transfer of Shares

The provisions in the Articles in respect of the arrangements for transfer of the securities and restrictions on their free transferability are as follows:-

Article 26 – Transferor's rights

"The instrument of transfer of any securities shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered in the Record of Depositors in respect thereof."

Article 27 – Refusal to register transfers

"The Depository may refuse to register any transfer of Deposited Securities that does not comply with the Central Depositories Act and the Rules, no securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind."

Article 28 – Closing of registers

"The registration of transfers may be closed at such times and for such periods as the Directors may from time to time determine, provided it shall not be closed for more than thirty (30) days in any year. The Company shall give Bursa Securities prior written notice of the period of the intended suspension or closure and the purposes thereof, which notice shall be at least ten (10) Market Days or such number of days as may be prescribed by Bursa Securities. In relation to the suspension or closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors."

14. ADDITIONAL INFORMATION (Cont'd)**Article 29 – Transfer of securities by way of book entry**

"The transfer of any listed securities or class of listed securities of the Company which have been deposited with the Depository, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act, and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities."

Article 30 – Instrument of transfer

"Subject to the provisions of the Central Depositories Act and the Rules, every instrument of transfer shall be in writing and in the form approved in the Rules and shall be presented to the Depository with such evidence (if any) as the Depository may require to prove the title of the intending transferor and that the intended transferee is a qualified person."

Transmission of Securities**Article 31 – Transmission**

"In the case of the death of a Member, the legal personal representative or representatives, the executors or administrators of the deceased, shall be the only person recognised by the Company as having any title to his securities. Any person becoming entitled to securities in consequence of the death or bankruptcy of a Member may, subject to the Rules and Article 32 hereof, transfer the securities to himself or to some other person nominated by him as the transferee but nothing herein contained shall release the estate of a deceased from any liability in respect of any shares which had been held by him."

Article 32 – Death or bankruptcy of a member

"Any person becoming entitled to securities in consequence of the death or bankruptcy of a Member, may, upon such evidence being produced as may from time to time properly be required by the Rules and subject as hereinafter provided, elect either to be registered himself as holder of the securities or to have some other person nominated by him registered as the transferee thereof, but the Depository shall in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the securities by that Member before his death or bankruptcy. Provided always that where the securities is a deposited securities, a transfer of the securities may be subject to the Rules carried out by the person(s) becoming so entitled."

Article 33 – Person entitled to receive and give discharge for dividends

"A person entitled to securities by transmission shall be entitled to receive, and may give a discharge for, any dividends or other moneys payable in respect of the securities, but he shall not be entitled in respect of it to receive notice of or to attend or vote at meetings of the Company or, save as aforesaid, to exercise any of the rights or, privileges as a Member unless and until he shall become a Member in respect of the securities. If the person becoming entitled elects to have the securities transferred to him, the aforesaid notice shall be given to the Depository and subject to the Rules, a transfer of the securities may be carried out by the person becoming so entitled."

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14. ADDITIONAL INFORMATION (Cont'd)**Article 34 – Transmission of securities**

"Where :-

- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the Registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities."

14.2.2 Remuneration of our Directors

The provisions in the Articles dealing with the remuneration of the Directors are as follows:-

Article 86 – Directors' remuneration

"The fees payable to the Directors shall from time to time be determined by the Company in general meeting, and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine provided always that:-

- (a) fees payable to Directors who hold a non executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to Directors who hold an executive office in the Company may not include a commission on or percentage of turnover;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an Alternate Director shall be such amount as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

The Directors may also be paid all travelling, hotel, and other expenses properly incurred by them in attending and returning from meeting of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company. Any Director who is appointed to any executive office including the office of Chairman or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary percentage of profits or otherwise as the Directors may determine but not a commission on or percentage of turnover. Any such extra remuneration payable to a non-executive Director shall not include a commission on or a percentage of profits or turnover."

Article 126 – Remuneration of managing director and/or executive director

"A Managing Director and/or Executive Directors shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, commission, or participation in profits or partly in one way and partly in another) as the Directors may determine, such remuneration shall not include a commission on or a percentage of turnover."

14. ADDITIONAL INFORMATION (Cont'd)

14.2.3 Voting and borrowing powers of our Directors

The provisions in the Articles dealing with the voting and borrowing powers of the Directors of the Company including voting powers in relation to proposals, arrangements or contracts in which they are interested are as follows:-

Article 92 – Director's borrowing powers

"The Directors may exercise all the powers of the Company to borrow or raise money for the purpose of the Company's or any of its related corporations' businesses on such terms as they think fit and may secure the repayment of the same by mortgage or charge upon the whole or any part of the Company's undertaking and property (both present and future) including its uncalled or unissued capital and may issue bonds, debentures and other securities whether charged upon the whole or part of the assets of the Company or otherwise but the Directors shall not borrow any money or mortgage or charge any of the Company's or any of the subsidiary companies' undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party."

Article 105 – Quorum

"The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be two (2)."

Article 107 – Directors' power to vote

"Subject to these Articles, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes subject to Article 110, the Chairman of the meeting shall have a second or casting vote. Where two (2) Directors form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a second or casting vote."

Article 108 – Restriction on voting

"A Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a discussion is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested."

Article 109 – Disclosure of interests by directors

"Every Director shall comply with the provisions of Sections 131 and 135 of the Act in connection with the disclosure of his shareholding and interest in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company."

14. ADDITIONAL INFORMATION (Cont'd)**14.2.4 Changes in capital or variation of class rights**

The provisions in the Articles as to changes in the share capital and variation of class rights, which are as stringent as those provided in the Act, are as follows:-

Article 8 – Rights of preference shareholders

"Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are or will be liable, to be redeemed and the Company shall not issue preference shares ranking in priority to the preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited accounts, and attending general meetings of the Company and shall also have the right to vote at any meeting convened in each of the following circumstances:-

- (a) when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months;
- (b) on a proposal to reduce the Company's share capital;
- (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- (d) on a proposal that affects rights attached to the preference shares;
- (e) on a proposal to wind up the Company; and
- (f) during the winding up of the Company."

Article 10 – Modification of class rights

"Subject to the provisions of Section 65 of the Act, all or any of the rights, privileges or conditions for the time being attached or belonging to any class of shares for the time being forming part of the share capital of the Company may from time to time be modified, affected, varied, extended or surrendered in any manner with the consent in writing of the holders of not less than three-fourths (3/4) of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the Members of that class. To every such separate meeting all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) Members of the class holding or representing by proxy, one-third (1/3) of the share capital paid or credited as paid on the issued shares of the class, and every holder of shares of the class in question shall be entitled on a poll to one (1) vote for every such share held by him. To every such special resolution the provisions of Section 152 of the Act shall with such adaptation as are necessary apply."

Article 45 – Power to increase capital

"The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe."

14. ADDITIONAL INFORMATION (Cont'd)**Article 47 – Issue of securities**

"Notwithstanding the foregoing and subject to the Act and the Listing Requirements, the Company must ensure that it shall not issue any shares or convertible securities if the nominal value of the those shares or convertible securities, when aggregated with the nominal value of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten per cent (10%) of the nominal value of the issued and paid-up capital of the Company, except where the shares or convertible securities are issued with the prior approval of the shareholders in general meeting of the precise terms and conditions of the issue."

Article 48 – Company may alter its capital in certain ways

"The Company may by ordinary resolution:-

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; or
- (b) sub-divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association and the Act; provided that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the resulting shares one or more of such share may, by the resolution by which such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares; or
- (c) cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled."

Article 49 – Capital raised by the creation of new shares

"Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered as part of the original capital, and shall be subject to the provisions herein contained with reference to payment of calls and instalments, transfer and transmission, forfeiture, lien, surrender and otherwise. Unless otherwise provided in accordance with these Articles the new shares shall be Ordinary Shares."

Article 50 – Reduction of capital

"The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner authorised and subject to any conditions prescribed by the Act."

14.3 MATERIAL LITIGATION

As at the LPD, we are not engaged in any material litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

14. ADDITIONAL INFORMATION (Cont'd)

14.4 MATERIAL CONTRACTS

Save as disclosed below, neither we nor our subsidiary have entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Prospectus:-

- (i) Sale and Purchase Agreement dated 21 October 2010 between Boilermech and the Vendors for the purchase by Boilermech of the entire issued and fully paid-up share capital of BSB comprising 500,000 ordinary shares of RM1.00 each, for a purchase consideration of RM22,309,998, to be fully satisfied by the issuance of 223,099,980 new Boilermech Shares to the Vendors at an issue price of RM0.10 per Boilermech Share;
- (ii) Underwriting Agreement dated 28 March 2011 between our Company and the Underwriter for the underwriting of 15,650,000 Issue Shares under the IPO, for an underwriting commission at the rate set out in **Section 3.12(ii)** of this Prospectus; and
- (iii) Placement agreement dated 28 March 2011 between our Company and OSK as the Placement Agent for the placement of 32,750,000 Issue Shares to identified Bumiputera investors approved by MITI for a placement commission at the rate set out in **Section 3.12(iii)** of this Prospectus.

14.5 PUBLIC TAKE-OVERS

During the last FPE up to 31 October 2010 and the subsequent period up to the LPD, there were no:-

- (i) Public take-over offers by third parties in respect of our Shares; and
- (ii) Public take-over offers by our Company in respect of other corporations' securities.

14.6 CONSENTS

- (i) The written consents of the Adviser, Sponsor, Underwriter and Placement Agent, Solicitors, Principal Bankers, Share Registrar, Issuing House, Company Secretaries and Bloomberg to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their name, the Accountants' Report and letter relating to the proforma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (iii) The written consent of the Independent Market Researcher to the inclusion in this Prospectus of their name, the executive summary of its Independent Market Research Report and extracts of the said report in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

14. ADDITIONAL INFORMATION (Cont'd)

14.7 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of twelve (12) months from the date of this Prospectus:-

- (i) our Memorandum and Articles of Association;
- (ii) the Accountants' Report dated 28 March 2011 as included in **Section 11** of this Prospectus;
- (iii) the Reporting Accountants' letters relating to the proforma consolidated financial information of our Group dated 28 March 2011 referred to in **Section 10.2** of this Prospectus;
- (iv) the executive summary of the Independent Market Research Report dated 28 March 2011 as included in **Section 6** of this Prospectus;
- (v) the Valuation Certificate dated 28 March 2011 as included in **Section 12** of this Prospectus;
- (vi) the Directors' Report dated 31 March 2011 as included in **Section 13** of this Prospectus;
- (vii) the letters of consent referred to in **Section 14.6** of this Prospectus;
- (viii) the audited financial statements of our Company and subsidiary for the past three (3) FYE 30 April 2010 and the six (6) months FPE 31 October 2010; and
- (ix) the material contracts referred to in **Section 14.4** of this Prospectus.

14.8 RESPONSIBILITY STATEMENTS

- (i) OSK, 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 relating to the Public Issue and Offer for Sale.
- (ii) This Prospectus has been seen and approved by our Directors, Promoters and Selling Shareholders and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

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15. PROCEDURES FOR APPLICATION AND ACCEPTANCE

15.1 OPENING AND CLOSING OF APPLICATION

Applications will be accepted from 10.00 a.m. on 14 April 2011 and will remain open until 5.00 p.m. on 21 April 2011 or for such further period or periods as our Directors, Promoters, Selling Shareholders and OSK in their absolute discretion may mutually decide.

In the event the closing date for the Applications is extended, you will be notified of the change in a widely circulated daily Bahasa Malaysia and English daily newspaper in Malaysia prior to the original closing date of the application. Following this, the dates for the balloting of the applications for the Issue Shares, allotment of the Issue Shares and Listing would be extended accordingly. **Late Applications will not be accepted.**

15.2 METHODS OF APPLICATION

Applications for the Issue Shares may be made using any of the following ways:-

- (a) Application Forms; or
- (b) Electronic Share Applications; or
- (c) Internet Share Applications.

15.3 PROCEDURES FOR APPLICATION

The Applications shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.

FULL INSTRUCTIONS FOR THE APPLICATION OF THE ISSUE SHARES AND THE PROCEDURES TO BE FOLLOWED ARE SET OUT IN THE APPLICATION FORMS. YOU ARE ADVISED TO READ THE APPLICATION FORMS AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

15.3.1 Application by the Malaysian Public

Applications for the 8,000,000 Issue Shares made available for the Malaysian Public must be made on the **White Application Forms** provided OR by way of Electronic Share Application OR Internet Share Application. A corporation or institution cannot apply for shares by way of Electronic Share Application or Internet Share Application. The amount payable in full on application is RM0.33 per Issue Share.

15.3.2 Application by eligible Directors, employees and business associates/persons who have contributed to the success of our Group

Applications for the 7,650,000 Issue Shares made available for eligible Directors, employees and business associates/persons who have contributed to our success must be made on the **Pink Application Forms** provided only and not by way of other Application Forms or by way of Electronic Share Application or Internet Share Application. Applicants using the Pink Application Forms may still apply for the Issue Shares offered to the Malaysian Public using the **White Application Form**, Electronic Share Application or Internet Share Application. The amount payable in full on application is RM0.33 per Issue Share.

15.3.3 Application by placees under the private placement

Selected investors being allocated the Issue Shares and/or Offer Shares under this method will be contacted directly by the Placement Agent. Selected investors may still apply for the Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

You must have a CDS Account before you can submit your application by way of Application Forms or by way of Electronic Share Application or by way of Internet Share Application.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for the IPO Shares in this exercise.

15.4 APPLICATIONS USING APPLICATION FORMS

15.4.1 Types of Application Forms

The following relevant Application Forms issued with their notes and instructions enclosed with this Prospectus are deemed to form an integral part hereof:-

- (i) **White** Application Forms for application by the Malaysian Public; and
- (ii) **Pink** Application Forms for applications by our eligible Directors, employees and business associates/persons who have contributed to the success of our Group.

White Application Forms together with copies of this Prospectus may be obtained, subject to availability, from OSK, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and MIH.

The submission of an Application Form does not necessarily mean that your application will be successful.

You may submit only one (1) Application Form and your application must be for 100 Shares or multiples thereof. Multiple applications will not be accepted. We wish to caution you that if you submit multiple applications in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to ten (10) years under Section 182 of the CMSA.

Your application for the Issue Shares must be made on the respective Application Form accompanying this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and on this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed therein shall constitute an integral part of this Prospectus. Our Directors may at their absolute discretion reserve the right not accept applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

IF YOU ARE AN INDIVIDUAL OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, YOUR NAME AND NATIONAL REGISTRATION IDENTITY CARD ("NRIC") NUMBER MUST BE EXACTLY THE SAME AS STATED IN:-

- (i)
 - (a) YOUR NRIC;
 - (b) ANY VALID TEMPORARY IDENTITY DOCUMENT AS ISSUED BY THE NATIONAL REGISTRATION DEPARTMENT FROM TIME TO TIME; OR
 - (c) YOUR RESIT PENGENALAN SEMENTARA ("JPN KP 09") ISSUED PURSUANT TO PERATURAN 5(5), PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; AND
- (ii) THE RECORDS OF BURSA DEPOSITORY.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

IF YOU ARE A MEMBER OF THE ARMED FORCES OR POLICE, YOUR NAME AND YOUR ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE, MUST BE EXACTLY THE SAME AS THAT STATED IN YOUR AUTHORITY CARD AND YOUR ADDRESS MUST BE THE ADDRESS OF YOUR RESPECTIVE CAMP, BASE OR STATION.

IF YOU ARE A CORPORATION OR INSTITUTION, THE NAME AND THE CERTIFICATE OF INCORPORATION NUMBER MUST BE EXACTLY THE SAME AS THAT STATED IN THE CORPORATION'S OR INSTITUTION'S CERTIFICATE OF INCORPORATION AND THE ADDRESS MUST BE THE REGISTERED ADDRESS.

We, together with MIH will not issue any acknowledgement of the receipt of your Application Form or application monies.

15.4.2 Terms and conditions for application using Application Forms

Your applications by way of Application Forms shall be made on, and subject to, the following terms and conditions:-

- (i) If you are an individual, you must be a Malaysian citizen residing in Malaysia, with a CDS Account and a Malaysian address (White Application Forms only).

If you are an individual, you must have a CDS Account and a correspondence address in Malaysia (Pink Application Forms only).

- (ii) If you are a corporation or institution incorporated in Malaysia, you must have a CDS Account and be subject to the following:-

- (a) if you have a share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and
(b) there is a majority of Malaysian citizens on the board of directors or trustee.

If you are a corporation or institution incorporated outside Malaysia, you must have a CDS Account and provide a correspondence address in Malaysia (Pink Application Forms only).

- (iii) If you are a superannuation, co-operative, foundation, provident or pension fund, you must be established or operating in Malaysia and must have a CDS Account.
- (iv) Applications will not be accepted from trustees, any person under eighteen (18) years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations or institutions referred to in **Section 15.4.2 (ii)** and **Section 15.4.2 (iii)** above or the trustees thereof.
- (v) EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE BY EITHER:-
- (a) BANKER'S DRAFT OR CASHIER'S ORDER PURCHASED WITHIN MALAYSIA ONLY AND DRAWN ON A BANK IN KUALA LUMPUR; OR
- (b) MONEY ORDER OR POSTAL ORDER (FOR APPLICANTS FROM SABAH AND SARAWAK ONLY); OR
- (c) GUARANTEED GIRO ORDER ("GGO") FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD; OR

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

(d) ATM STATEMENT OBTAINED FROM ANY OF THE FOLLOWING FINANCIAL INSTITUTIONS:-

- AFFIN BANK BERHAD;
- ALLIANCE BANK MALAYSIA BERHAD;
- AMBANK (M) BERHAD;
- CIMB BANK BERHAD;
- EON BANK BERHAD;
- HONG LEONG BANK BERHAD;
- MALAYAN BANKING BERHAD;
- PUBLIC BANK BERHAD; OR
- RHB BANK BERHAD.

AND MUST BE MADE OUT IN FAVOUR OF "MIH SHARE ISSUE ACCOUNT NO. 513" AND CROSSED "A/C PAYEE ONLY" (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT.

APPLICATIONS ACCOMPANIED BY MODE OF PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES OR INAPPROPRIATE BANKER'S DRAFTS, CASHIER'S ORDERS, MONEY ORDERS OR POSTAL ORDER, ATM STATEMENT OR GGO WILL NOT BE ACCEPTED. DETAILS OF REMITTANCES MUST BE COMPLETED IN THE APPROPRIATE BOXES PROVIDED IN THE APPLICATION FORMS.

- (vi) YOU MUST STATE YOUR CDS ACCOUNT NUMBER IN THE SPACE PROVIDED IN THE APPLICATION FORM AND YOU SHALL BE DEEMED TO HAVE AUTHORISED BURSA DEPOSITORY TO DISCLOSE INFORMATION PERTAINING TO YOUR CDS ACCOUNT TO MIH AND/OR OUR COMPANY. IF YOU DO NOT PRESENTLY HAVE A CDS ACCOUNT, YOU MAY OPEN ONE BY CONTACTING ANY ONE OF THE ADAs LISTED IN **SECTION 15.10** OF THIS PROSPECTUS.
- (vii) YOUR NAME AND ADDRESS MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER'S DRAFT, CASHIER'S ORDER, ATM STATEMENT, MONEY ORDER OR POSTAL ORDER, OR GGO FROM BANK SIMPANAN MALAYSIA BERHAD.
- (viii) Our Board reserve the right to require you, if your Application is successful, to appear in person at the registered office of MIH within fourteen (14) days of the date of the notice issued to you to ascertain the regularity or propriety of your Application. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (ix) MIH, acting on the authority of our Directors reserves the right to reject your Application if it does not conform to these instructions or if it is illegible or if it is accompanied by remittances improperly drawn.
- (x) MIH, acting on the authority of our Directors reserves the right not to accept your Application or to accept it in whole or in part only without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the Issue Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (xi) Where your Application is not accepted or accepted in part only, the full amount or the balance of the Application monies, as the case may be, will be returned without interest and shall be despatched to you within ten (10) Market Days from the date of the final ballot of the Application lists by registered post or ordinary post at your address last maintained with Bursa Depository or where the application is not accepted because you have not provided a CDS Account, to the address per the National Registration Identity Card or "Resit Pengenalan Sementara ("JPN KP 09")" or any valid temporary identity document as issued by the National Registration Department from time to time or the Authority Card in the case of armed forces or police personnel, at your own risk.
- (xii) You shall ensure that your personal particulars stated in the Application Form are identical with the records maintained by Bursa Depository. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your registered or correspondence address registered with Bursa Depository.

MIH, acting on the authority of our Directors and Selling Shareholders reserves the right to bank in all Application monies from unsuccessful applicants and partially successful applicants, which would subsequently be refunded without interest and shall be despatched to you within ten (10) Market Days from the date of the final ballot of the Application Lists by registered post or ordinary post at your address registered with Bursa Depository, at your own risk.

- (xiii) Your completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents, must be despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

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
 P.O. Box 8269
 Pejabat Pos Kelana Jaya
 46785 Petaling Jaya

or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, so as to arrive not later than 5.00 p.m. on 21 April 2011, or such other later date or dates as our Directors, Promoters, Selling Shareholders and OSK in their absolute discretion may mutually decide.

- (xiv) **PLEASE DIRECT ALL YOUR ENQUIRIES IN RESPECT OF THE WHITE APPLICATION FORM TO MIH.**

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15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**15.5 APPLICATIONS USING ELECTRONIC SHARE APPLICATION****15.5.1 Steps for Electronic Share Application through a Participating Financial Institution's ATM**

- (i) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account.
- (ii) You must have a CDS Account.
- (iii) You are to apply for the Issue Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in **Section 15.5.3** of this Prospectus under the Terms and Conditions for Electronic Share Application. You are to enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your Electronic Share Application requires you to do so:-
 - Your Personal Identification Number ("PIN");
 - MIH Share Issue Account No. 513;
 - Your CDS Account Number;
 - Number of Issue Shares applied for and/or the Ringgit Malaysia amount to be debited from the account; and
 - You are to confirm several mandatory statements.

15.5.2 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:-

- AFFIN BANK BERHAD; OR
- AMBANK (M) BERHAD; OR
- BANK MUAMALAT MALAYSIA BERHAD; OR
- CIMB BANK BERHAD; OR
- EON BANK BERHAD; OR
- HSBC BANK MALAYSIA BERHAD; OR
- MALAYAN BANKING BERHAD; OR
- OCBC BANK (MALAYSIA) BERHAD; OR
- PUBLIC BANK BERHAD; OR
- RHB BANK BERHAD; OR
- STANDARD CHARTERED BANK MALAYSIA BERHAD (at selected branches only).

A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

15.5.3 Terms and conditions for Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the "**Steps**"). For illustration purposes, the procedures for Electronic Share Application at ATMs are set out in **Section 15.5.1** of this Prospectus. The Steps set out the actions that you must take at the ATM to complete an Electronic Share Application. You are advised to read and understand the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Application set out below before making an Electronic Share Application.

You must be an individual with a CDS Account to make an Electronic Share Application.

15. PROCEEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

You must have an existing bank account with, and be an ATM cardholder of, one (1) of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of that Participating Financial Institution. An ATM card issued by one (1) of the Participating Financial Institutions cannot be used to apply for the Issue Shares at an ATM belonging to other Participating Financial Institutions. Upon completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of your Electronic Share Application. The Transaction Record is only a record that you have completed a transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by us or MIH. The Transaction Record is for your retention and should not be submitted with any Application Form.

Upon the closing of the offer for the Application for the Issue Shares, on 21 April 2011 at 5.00 p.m. ("**Closing Date**"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' applications for the Issue Shares to MIH as soon as practicable but not later than 12.00 p.m. of the second (2nd) business day after the Closing Date and Time.

You will be allowed to make an Electronic Share Application for the Issue Shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which you have an account and its branches, subject to you making only one (1) Application. If you have a bank account with a Participating Financial Institution and have been issued an ATM card, you will be allowed to apply for shares via an ATM of that Participating Financial Institution which is situated in another country or place outside of Malaysia, subject to you making only one (1) Application.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN COS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE FOREGOING CONDITIONS.

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained herein as well as the terms and conditions set out below:-

- (i) Your Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.
- (ii) You are required to confirm the following statement (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:-
 - You have attained eighteen (18) years of age as at the Closing Date of the Share Application;
 - You are a Malaysian citizen residing in Malaysia;
 - You have read the relevant Prospectus and understood and agreed with the terms and conditions of this Application;
 - This is the only Application that you are submitting; and
 - You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to MIH and other relevant authorities.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Your Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institution. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia, including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to MIH or any other relevant regulatory bodies.

- (iii) YOU CONFIRM THAT YOU ARE NOT APPLYING FOR THE ISSUE SHARES AS A NOMINEE OF ANY OTHER PERSONS AND THAT ANY ELECTRONIC SHARE APPLICATION THAT YOU MAKE IS MADE BY YOU AS THE BENEFICIAL OWNER. YOU SHALL ONLY MAKE ONE (1) ELECTRONIC SHARE APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE ISSUE SHARES, WHETHER AT THE ATMS OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS OR VIA INTERNET SHARE APPLICATION.
- (iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.
- (v) You agree and undertake to subscribe for or purchase and to accept the number of Issue Shares applied for as stated on the Transaction Record or any lesser number of Issue Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate any lesser number of the Issue Shares or not to allot or allocate any Issue Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated key or button on the ATM) of the number of Issue Shares applied for shall signify, and shall be treated as, your acceptance of the number of Issue Shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles of Association.
- (vi) MIH, on the authority of our Board reserves the right to reject or accept any Electronic Share Application in whole or in part only on a non-discriminatory basis without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the Issue Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.
- (vii) MIH shall inform the relevant Participating Financial Institution of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. Where your Electronic Share Application is unsuccessful, the relevant Participating Financial Institution will credit the full amount of the Application monies, in Ringgit Malaysia (without interest or any share of revenue or benefit arising therefrom) into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. You may check your accounts on the fifth (5th) Market Day from the balloting day.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (viii) If your Electronic Share Application is successful in part only, the relevant Participating Financial Institution will credit the balance of the application monies (without interest or any share or revenue or benefit arising therefrom) into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. We will, however, hold in reserve a number of Applications to replace any successfully balloted Applications that are subsequently rejected. If your Application held in reserve, is subsequently rejected, your Application monies without interest will be refunded (without interest or any share revenue or benefit arising therefrom) to you by MIH by way of cheques issued by MIH and despatched by ordinary post or registered post. The cheques will be issued to you within ten (10) Market Days from the day of the final ballot. Should you encounter any problems in you Applications, you may refer to the Participating Financial Institution.
- (ix) You request and authorise us:-
- to credit the Issue Shares allotted or allocated to you into your CDS Account; and
 - to issue share certificate(s) representing such Issue Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (x) Acknowledging that your Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control and the control of MIH or the Participating Financial Institutions or Bursa Depository, irrevocably agree that if:-
- we or MIH do/ does not receive your Electronic Share Application; or
 - data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or MIH,
- you shall be deemed not to have made an Electronic Share Application and you shall not claim whatsoever against us, MIH, the Participating Financial Institutions or Bursa Depository for the Issue Shares applied for or for any compensation, loss or damage.
- (xi) All your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct and we, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (xii) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to your registered address last maintained with Bursa Depository.
- (xiii) By making and completing an Electronic Share Application, you agree that:-
- in consideration of us agreeing to allow and accept the making of any Application for Issue Shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- we, the Participating Financial Institutions, Bursa Depository and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown, failure of transmission or communication facilities, or to any cause beyond our/ their control;
 - notwithstanding the receipt of any payment by us or on our behalf, the acceptance of your offer to subscribe for and purchase the Issue Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allotment for prescribed securities, in respect of the Issue Shares;
 - you irrevocably authorises Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Issue Shares allotted or allocated to you; and
 - you agree that, in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or the Electronic Share Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that our Company irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (xiv) Our Board reserves the right to require you, if your Application is successful, to appear in person at the registered office of MIH within fourteen (14) days of the date of the notice issued to you to ascertain the regularity or propriety of your Application. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (xv) MIH, acting on the authority of our Board reserves the right to reject your Application, if it does not conform to these instructions.
- (xvi) A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

15.6 APPLICATIONS USING INTERNET SHARE APPLICATION**15.6.1 Steps for Internet Share Application**

The exact steps for Internet Share Application in respect of the Issue Shares are as set out on the internet financial services website of the Internet Participating Financial Institutions.

For illustration purposes only, we have set out below possible steps for an application for the Issue Shares via Internet Share Application. The steps set out the actions that you must take at the Internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

- (i) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an account.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ii) Login to the internet financial services facility by entering your user identification and PIN/ password.
- (iii) Navigate to the section of the website on applications in respect of initial public offerings.
- (iv) Select the counter in respect of the Issue Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (vi) At the next screen, complete the online application form.
- (vii) Check that the information contained in the online application form such as the share counter, NRIC number, CDS Account number, number of Issue Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- (viii) By confirming such information, you will undertake that the following mandatory statements are true and correct:-
 - you have attained eighteen (18) years of age as at the closing date of the share application;
 - you are a Malaysian citizen residing in Malaysia;
 - you have, prior to making the Internet Share Application, received and/or had access to a printed/ electronic copy of this Prospectus, the contents of which you have read and understood;
 - you agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the Issue Shares;
 - the Internet Share Application is the only application that you are submitting for the Issue Shares;
 - you authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the Issue Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
 - you give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;
 - YOU ARE NOT APPLYING FOR THE ISSUE SHARES AS A NOMINEE OF ANY OTHER PERSON AND THE APPLICATION IS MADE IN YOUR OWN NAME, AS THE BENEFICIAL OWNER AND SUBJECT TO THE RISKS REFERRED TO IN THIS PROSPECTUS; AND

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- you authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the Public Issue, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Applications services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of the application money for the Public Issue.
- (x) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment of the application of the Public Issue is being made.
- (xi) Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- (xii) You are advised to print out the Confirmation Screen for reference and retention.

15.6.2 Terms and Conditions for Internet Share Application

Your application for the Issue Shares may be made through the internet financial services website of the Internet Participating Financial Institutions.

YOU ARE ADVISED NOT TO APPLY FOR THE ISSUE SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Institution

Internet Share Applications may be made through the internet financial services websites of the following Internet Participating Financial Institutions:-

- Malayan Banking Berhad at www.maybank2u.com.my; or
- CIMB Investment Bank Berhad at www.eipocimb.com; or
- CIMB Bank Berhad at www.cimbclicks.com.my; or
- Affin Bank Berhad at www.affinOnline.com; or
- RHB Bank Berhad at www.rhbbank.com.my; or
- Public Bank Berhad at www.pbebank.com.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN AND THE STEPS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR INTERNET SHARE APPLICATIONS IN RESPECT OF THE ISSUE SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions as set out below:-

- (i) In order to make an Internet Share Application, you must:-
- be an individual with a CDS account and in the case of a joint account, an individual CDS account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS account registered in the joint account holder's name;
 - have an existing account with access to internet financial services facilities with an Internet Participating Financial Institution. You must have ready your user identification ("User ID") and Personal Identification Numbers ("PIN")/ password for the relevant internet financial services facilities; and
 - be a Malaysian citizen and have a Malaysian address.

You are advised to note that a User ID and PIN/ password issued by one of the Internet Participating Financial Institutions cannot be used to apply for the Issue Shares at internet financial service websites of other Internet Participating Financial Institutions.

- (ii) An Internet Share Application shall be made on and shall be subject to the terms of this Prospectus and our Memorandum and Articles of Association.
- (iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given is true and correct:-
- you have attained eighteen (18) years of age as at the date of the application for the Issue Shares;
 - you are a Malaysian citizen residing in Malaysia;
 - you have, prior to making the Internet Share Application, received and/or have had access to a printed/ electronic copy of this Prospectus, the contents of which you have read and understood;

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- you agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the Issue Shares;
 -
 - the Internet Share Application is the only application that you are submitting for the Issue Shares;
 - you authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the Issue Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
 - you give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;
 - **YOU ARE NOT APPLYING FOR THE ISSUE SHARES AS A NOMINEE OF ANY OTHER PERSON AND THE APPLICATION IS MADE IN YOUR OWN NAME, AS THE BENEFICIAL OWNER AND SUBJECT TO THE RISKS REFERRED TO IN THIS PROSPECTUS; AND**
 - you authorise the Internet Participating Financial Institution to disclose transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the Public Issue, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (iv) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the internet financial services website displaying the Confirmation Screen.

For the purposes of this Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of Issue Shares applied for which can be printed out by you for your records.

Upon the display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in **Section 15.6.2(iii)** of this Prospectus.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the Issue Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the internet financial services website through which the Internet Share Application is made shall be rejected.
- (vi) You irrevocably agree and undertake to subscribe for and to accept the number of Issue Shares applied for as stated on the Confirmation Screen or any lesser number of Issue Shares that may be allotted or allocated to you in respect of the Internet Share Application. In the event that we decide to allot or allocate any lesser number of such Issue Shares or not to allot or allocate any Issue Shares to you, you agree to accept our decision as final.

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of Issue Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:-

- your acceptance of the number of Issue Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
 - your agreement to be bound by our Memorandum and Articles of Association.
- (vii) You are fully aware that multiple or suspected multiple Internet Share Applications for the Issue Shares will be rejected. MIH on the authority of our Board reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the Issue Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.
- (viii) If your Internet Share Application is unsuccessful or successful in part only, MIH shall inform the relevant Internet Participating Financial Institution of the unsuccessful or partially successful Internet Share Application within two (2) Market Days after the balloting date. Where your Internet Share Application is unsuccessful, the relevant Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies, in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH.

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15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

If your Internet Share Application is successful in part only, the relevant Internet Participating Financial Institution will credit the balance of the application monies in Ringgit Malaysia (without interest or any share or revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH. We will, however, hold in reserve a number of applications to replace any successfully balloted applications that are subsequently rejected. If your application held in reserve is subsequently rejected, your application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by MIH by way of cheques issued and despatched by ordinary post or registered post. The cheque will be issued to you within ten (10) Market Days from the day of the final ballot.

For applications that are held in reserve and which are subsequently unsuccessful (or partly successful), the Internet Participating Financial Institution will credit into your account the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) within two (2) Market Days after the receipt of confirmation from MIH.

Except where MIH is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institution to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, you are strongly advised to consult the Internet Participating Financial Institution through which the application was made in respect of the mode or procedure of enquiring on the status of the Internet Share Application in order to determine the status or exact number of Issue Shares allotted or allocated, if any, before trading of our Issue Shares on Bursa Securities.

- (ix) Internet Share Applications will be closed at 5.00 p.m. on 21 April 2011 or such other date(s) as our Directors, Promoters, Selling Shareholders and OSK may in their absolute discretion mutually decide. An Internet Share Application is deemed to be received only upon its completion that is when the Confirmation Screen is displayed on the internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.
- (x) You irrevocably agrees and acknowledge that the Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond our control and the control of MIH or the Internet Participating Financial Institutions and the Authorised Financial Institution. If, in any such event, we, MIH and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or the payment therefor, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against us, MIH or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to the Issue Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (xi) All your particulars in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Share Application shall be deemed to be true and correct, and we, MIH, the relevant Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application is liable to be rejected. The notification letter on successful allotment or allocation will be sent to your registered address last maintained with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

- (xii) By making and completing an Internet Share Application, you are deemed to have agreed that:-
- in consideration of us making available the Internet Share Application facility to you through the Internet Participating Institution acting as our agents, the Internet Share Application is irrevocable;
 - you have irrevocably requested and authorised us to register the Issue Shares allotted or allocated to you for deposit into your CDS Account;
 - neither us nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIH or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in **Section 15.6.2(x)** of this Prospectus or to any cause beyond their control;
 - you shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by MIH, us and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institution;
 - the acceptance of your offer to subscribe for the Issue Shares for which your Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by us or on our behalf and not otherwise, notwithstanding the receipt of any payment by us or on our behalf;
 - you are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application;
 - in making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, OSK and any other person involved in the Public Issue shall not be liable for any information not contained in this Prospectus which you may have relied on in making the Internet Share Application; and

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- the acceptance of your Internet Share Application and the contract resulting therefrom under the Public Issue shall be governed by and construed in accordance with the laws of Malaysia, and the applicant irrevocably submits to the jurisdiction of the courts of Malaysia.
- (xiii) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:-
- Affin Bank Berhad (www.affinOnline.com) - No fee will be charged for application by their account holders;
 - CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or via Malayan Banking Berhad;
 - CIMB Bank Berhad (www.cimbclicks.com.my) - RM 2.00 for applicants with CDS Accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS Accounts with other ADAs;
 - Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;
 - RHB Bank Berhad (www.rhbbank.com.my) – RM2.50; and
 - Public Bank Berhad (www.pbebank.com.my) – RM2.00.

15.7 APPLICATIONS AND ACCEPTANCES

MIH, acting on the authority of our Board reserves the right not to accept your Application, if it does not strictly comply with the instructions, or to accept your Application in part only without assigning any reason therefor.

The submission of an Application Form does not necessarily mean that the Application will be successful.

YOUR APPLICATION MUST BE FOR 100 ORDINARY SHARES OR MULTIPLES THEREOF.

In the event of an over-subscription, acceptance of Applications shall be subject to a ballot to be conducted in the manner approved by our Directors and on a fair and equitable basis. We will give due consideration to the desirability of distributing our Shares to a reasonable number of Applicants with a view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market for our Shares.

Pursuant to the ACE Market Listing Requirements, we are required to have at least 25% of our enlarged issued and paid-up share capital that must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each, upon admission to the Official List of 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. In the event thereof, your monies paid in respect of your Applications will be returned without interest if the said permission for listing and quotation is not granted. Applicants will be selected in a manner determined by our Directors.

In the event of an under-subscription of Issue Shares by our eligible Directors, employees and business associates/ persons who have contributed to the success of our Group, such Issue Shares will be made available for Application by the Malaysian Public. Likewise, in the event of an under-subscription of Issue Shares by the Malaysian Public, such Issue Shares will be made available for Application by our eligible Directors, employees and business associates/ persons who have contributed to our success.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

IF YOUR APPLICATION IS REJECTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED BY REGISTERED POST OR ORDINARY POST TO YOU WITHIN TEN (10) MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS AT YOUR ADDRESS LAST MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES HAVING BEEN PRESENTED FOR PAYMENT.

15.8 CDS ACCOUNTS

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Shares as Prescribed Securities. In consequence thereof, the share issued/ offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the Securities Industry (Central Depository) Act, 1991 and Rules of Bursa Depository.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act 1991, all dealings in our Shares will be by book entries through CDS Accounts. Thus, we will not issue any share certificates to you.

Only if you have a CDS Account can you make an Application by way of an Application Form. If you apply using an Application Form, you should state your CDS Account number in the space provided in the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS Account to MIH or us and any relevant regulatory bodies, as the case may be. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an Application for our Shares.

Only if you have a CDS Account can you make an Application by way of an Electronic Share Application. If you apply using an Electronic Share Application, you shall furnish your CDS Account number to the Participating Financial Institution by way of keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so.

Only if you have a CDS Account can you make an Application by way of an Internet Share Application. In certain cases, you can only make an Internet Share Application if you have a CDS Account opened with the Internet Participating Financial Institution. Arising therewith, your CDS Account number would automatically appear in the e-IPO online application form.

If you fail to comply with these specific instructions or there are inaccuracies in the CDS Account number, arising from use of invalid, third party or nominee accounts, your application may be rejected. If you are successful in your Application but fail to state your CDS Account number, MIH, acting on the authority of our Board, reserves the right to reject your Application. MIH, acting on the authority of our Board also reserves the right to reject any incomplete and inaccurate Application. We may also reject your Application if your particulars provided in the Application Forms, or in the case of Electronic Share Application or Internet Share Application, if the records of the Participating Financial Institutions at the time of making the Electronic Share Application or Internet Share Application, differ from those in Bursa Depository's records, such as your identity card number, name and nationality.

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15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

15.9 NOTICE OF ALLOTMENT

If your Application is successful or partially successful, we will credit our Shares allotted to you to your CDS accounts. We will despatch a notice of allotment to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. For Electronic Share Applications or Internet Share Applications, the notice of allotment will be despatched to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. This is the only acknowledgement of acceptance of your Application as we will not be issuing any share certificate to you.

You must inform Bursa Depository of your updated address promptly by adhering to certain rules and regulation of Bursa Depository, failing which we shall send the notification letter on your allotment to your address last maintained with Bursa Depository.

You may also check the status of your application by logging on to MIH website at <http://www.mih.com.my> or by calling your ADA at the telephone number as stated in Section 15.10 of this Prospectus or MIH at (03)-7841 8000 or (03)-7841 8289, between five (5) to ten (10) Market Days (during office hours only) after the balloting date.

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