3. PARTICULARS OF THE IPO

3.1 Introduction

This Prospectus is dated 28 June 2003. A copy of this Prospectus has been registered by the SC and lodged with the CCM and neither SC nor the CCM takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed Protasco Shares as a Prescribed Security. In consequence thereof, the Offer Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the rules of MCD.

On 20 December 2002, approval has been obtained from the SC in respect of the listing of Protasco on the Main Board of the KLSE. The approval of the SC shall not be taken to indicate that the SC recommends the IPO and/or the listing of Protasco on the KLSE. Investors should rely on their own evaluation to assess the merits and risks of any investment in the Company.

An application will be made to the KLSE within three (3) Market Days from the date of this Prospectus for admission to the Official List and for dealing in and quotation for the entire issued and fully paid-up share capital of Protasco, including the IPO Shares which are the subject of this Prospectus, on the Main Board of the KLSE. The Protasco Shares will be admitted to the Official List of the Main Board of the KLSE and official quotation of its ordinary shares will commence upon receipt of confirmation from the MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to successful applicants.

Acceptance of the applications will be conditional upon permission being granted to deal in and quotation for all the issued shares of the Company within six (6) weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided that the Company is notified by or on behalf of the KLSE within the six (6) weeks or such longer period as may be specified by the SC. Monies paid in respect of any application accepted will be returned without interest if the said permission is not granted.

The completion of the Retail Offering and the Institutional Offering are inter-conditional. If the Retail Offering and the Institutional Offering are not completed, monies paid in respect of any application for Shares will be returned to applicants without interests.

For applications using application forms, an applicant should state his CDS account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code. Where an applicant already has a CDS account, he should not complete the preferred ADA Code. For applications using the Electronic Share Application, an applicant must have a CDS account and the applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying in his CDS account number on the ATM Screen at which he enters his Electronic Share Application requires him to do so.

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

The distribution of this Prospectus and the sale of the IPO Shares are subject to Malaysian laws and the Company and its Adviser take no responsibility for the distribution of this Prospectus and the sale of the IPO Shares outside Malaysia. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any IPO Shares in any jurisdiction where such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restriction.

The SC and KLSE assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of Protasco or of its ordinary shares.

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

3.2 Opening and Closing of Application

Applications will be accepted from 10.00 a.m. on 28 June 2003 and will close at 8.00 p.m. on 11 July 2003 or such other date and time as the Directors of Protasco in their absolute discretion may decide. Late application will not be accepted.

3.3 Indicative Timetable

The indicative timing of events leading to the Listing is set out below:

Event	**Tentative Dates**
Opening of the IPO	28 June 2003
Closing of the IPO	11 July 2003
Tentative Price Determination Date	14 July 2003
Tentative date for balloting of application for the Issue Shares	17 July 2003
Tentative date for allotment of Protasco Shares to successful applications of the IPO Shares	4 August 2003
Tentative Listing Date	8 August 2003

Note:

The application for the IPO Shares will remain open until 8 p.m. on 11 July 2003 or such further date as the Directors their absolute discretion may decide. Should the closing date of the application be extended, the dates for the price determination, balloting, allotment of the IPO Shares and listing of and quotation for the entire issued and paid up share capital of Protasco on the Main Board of the KLSE would be extended accordingly.

3.4 Share Capital

	RM
Authorised	
600,000,000 Shares	300,000,000
Total	300,000,000
Issued and fully paid-up	
251,146,000 existing Shares	125,573,000
To be issued and fully paid-up pursuant to the Public Issue	
48,854,000 new Shares	24,427,000
Total	150,000,000

There is one (1) class of share in the Company, namely ordinary shares of RM0.50 each.

The IPO Shares, upon allotment and issue, will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights and dividends and distributions that may be declared subsequent to the date of allotment of the IPO Shares.

Subject to any shares that may be issued by the Company in the future, the shareholders of ordinary shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company, in accordance with its Articles of Association.

At every general meeting of Protasco, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder, shall have one vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

3.5 Public Shareholding Spread

Pursuant to the Listing Requirements of the KLSE, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each of which at least 750 shareholders are members of the public who are not employees of the Group at the point of listing. In the event that the above requirement is not met pursuant to the IPO, the company may not be allowed to proceed with its listing on the Main Board of the KLSE. In the event thereof, monies paid in respect of all Applications will be returned if the said permission is not granted.

3.6 Objectives of the IPO

The objectives of the IPO are as follows:

(i) To obtain a listing of and quotation for the entire issued and paid-up share capital of Protasco on the Main Board of the KLSE;

(ii) To enable Protasco to gain access to the capital market in order to tap external sources of equity funds and borrowings for future expansion and continued growth;

(iii) To provide an opportunity for the directors, employees and the public to benefit directly from the continuing growth of the Protasco Group by way of equity participation;

(iv) To enable Protasco to enhance Bumiputera equity participation in Protasco so as to comply with the aspirations of the National Vision Policy and National Development Policy and to comply with the equity conditions imposed by the MITI which required at least 30% of the shares of the company to be held by Bumiputera investors for the purpose of the listing;

(v) To enable Protasco to gain recognition and stature through its listing status for the future expansion of Protasco Group's operations; and

(vi) To raise proceeds for the items as stated in Section 3.12 below.

3.7 Details of the IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares will be allocated in the following manner subject to clawback and reallocation provisions as set out in Section 3.8 of this Prospectus:

(i) Public Issue

(a) Eligible Directors and Employees of the Protasco Group

Up to 15,000,000 of the Public Issue Shares have been reserved for eligible Directors and employees of the Protasco Group.

(b) Malaysian Public

5,000,000 of the Public Issue Shares will be made available for application by Malaysian public, to be allocated via ballot, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

(c) Bookbuilding

28,854,000 of the Public Issue Shares will be made available for application by Malaysian and/or foreign investors whereby attempt will be made to allocate 30% of the Public Issue Shares to Bumiputera investors.

(ii) Offer for Sale

(a) Bumiputera investors

9,000,000 Offer Shares will be available for application by Bumiputera investors nominated and approved by the MITI.

(b) Bookbuilding

10,600,000 of the Offer Shares will be made available for application by Malaysian and/or foreign investors whereby attempt will be made to allocate 30% of the Offer Shares to Bumiputera investors.

5,000,000 of the IPO Shares mentioned in Section 3.7(i)(a) and all of the IPO Shares mentioned in 3.7(i)(b) above have been fully underwritten at a managing and underwriting commission of 1.5% of the Retail Price per Protasco Share. Further details of the underwriting are set out in Section 3.14.

The underwriting of all of the IPO Shares mentioned in Section 3.7(i)(c) and 3.7(ii)(b) above at a maximum underwriting and selling commission of 3% of the Institutional Price will be entered into when the Institutional Price has been determined. The Offer Shares mentioned in Section 3.7(ii)(a) above need not be and will not be underwritten.

The Public Issue Shares to be issued pursuant to the Public Issue will rank pari passu in all respects with the existing Protasco Shares including voting rights and the rights to all dividends that may be declared in the future.

There is no minimum subscription to be raised from the Public Issue.

3.8 Clawback and Reallocation

Any of the Public Issue Shares under Section 3.7(i)(a) not taken up by the eligible Directors and employees of the Protasco Group will be made available for application by the Malaysian public of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The allocation of Protasco Shares under Section 3.7(i)(b) ("Public Ballot Portion") and Section 3.7(i)(c) and (ii)(b) ("Bookbuilding Portion") is subject to adjustment. In the event of over-application in the Public Ballot Portion, and a corresponding under-application in the Bookbuilding Portion, the IPO Shares may be clawed back from Bookbuilding Portion to Public Ballot Portion. If there is an under-application in the Public Ballot Portion, and a corresponding over-application in the Bookbuilding Portion, the IPO Shares may be clawed back from the Public Ballot Portion to Bookbuilding Portion.

The clawback and reallocation as set out in this Section shall not apply in the event of over-application in the Public Ballot Portion and Bookbuilding Portion.

3.9 Allocation to the eligible Directors and Employees of Protasco Group

The eligible directors and employees of Protasco Group are allocated an aggregate of 15,000,000 Public Issue Shares. The criteria of allocation of these Public Issue Shares to employees are as follows:

(i) Staff as at 31 May 2003 who has served the Group for more than 6 months; and

(ii) Staff grade.

Any of the 15,000,000 Public Issue Shares allotted based on the above criteria but not taken up will be re-offered to eligible directors and employees.

3.10 Basis of arriving at the Retail Price

The Retail Price of RM1.15 per Protasco Share was determined and agreed upon by the Directors of Protasco and CIMB, as the Adviser, after taking into consideration, inter-alia, the following factors:

(a) The Group's operating and financial history and conditions as outlined in Sections 6 and 12 of this Prospectus;

(b) The prospects of the road construction, rehabilitation and maintenance industry and the Group as outlined in Sections 5 and 6 of this Prospectus;

(c) The prevailing market conditions;

(d) The forecast net PE Multiples of 6.63 times, based on the forecast net EPS of 17.35 sen, computed using the enlarged issued and fully paid-up share capital of 300,000,000 Protasco Shares and the Retail Price of RM1.15 per Share; and

(e) The proforma consolidated NTA of Protasco as at 31 December 2002 of RM0.77 per Protasco Share.

Investors should note that the Retail Price is subject to the Final Retail Price.

3.11 Basis of arriving at the Final Retail Price and Refund Mechanism

The Institutional Price will be determined using a process known as "bookbuilding" wherein prospective investors will be invited to bid for portions of the Public Issue Shares and Offer Shares and the prospective investors will specify the number of shares they would be prepared to subscribe for at different prices.

The bookbuilding process is expected to commence on 28 June 2003 and close on 11 July 2003. Upon completion of the bookbuilding process, the Institutional Price will be fixed on the Price Determination Date, which is expected to be on or around 14 July 2003. Agreements will be executed between Protasco, CIMB (Lead Manager) and the respective investors to fix the final number of Protasco Shares to be sold at the Institutional Price.

Thereafter, the Final Retail Price will be the lower of:

(i) The Retail Price of RM1.15 per IPO Share; or

(ii) Not less than 90% of the Institutional Price.

Prospective investors should be aware that the Final Retail Price will not in any event be greater than the Retail Price of RM1.15 per Protasco Share or the Institutional Price. In the event that the Final Retail Price is lower than the Retail Price, a refund of the difference will be made to the applicants without any interest thereon.

The refund will be effected via remittances in the form of cheques, which will be despatched by ordinary mail to the address stated in the Application Form of the successful applicants at their own risks within twenty one (21) days from the final ballot of application for the Public Issue Shares.

The Final Retail Price will be announced in a Bahasa Malaysia and an English daily newspaper circulating generally throughout Malaysia within two (2) days after the Price Determination Date. In addition, all successful applicants will be informed via written notice of the Final Retail Price in the notices of allotment.

Investors should also note that the market price of Protasco Shares upon listing on the KLSE are subject to the vagaries of market forces and other uncertainties which may affect the price of these shares.

3.12 Proceeds of the IPO

The Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale amounting to RM22.540 million (assuming the Final Retail Price and Institutional Price is RM1.15 per IPO share) will accrue entirely to the Offerors. The Offerors shall bear the brokerage, stamp duty and share transfer fees relating to the Offer Shares, estimated at RM500,000.

The gross proceeds from the Rights Issue of RM1,300,997 will be utilised for working capital purposes by the Company.

The Public Issue is expected to raise total gross proceeds of RM56.182 million (assuming the Final Retail Price and Institutional Price is RM1.15 per IPO share), which will accrue entirely to the Company. The Company shall bear all expenses and fees incidental to the listing of and quotation for the entire issued and paid-up ordinary share capital of Protasco on the Main Board of the KLSE, estimated at RM3,200,000.

3. PARTICULARS OF THE IPO *(Continued)*

The gross proceeds accruing to the Company pursuant to the Public Issue will be utilised as follows:

Utilisation	**RM'000**	**Estimated Completion Date**
Repayment of bank borrowings [(i)]	50,000	2003
Working capital	2,982	2004
Listing expenses [(ii)]	3,200	2003
Total	56,182	

Notes:

(i) *The repayment of bank borrowings comprise the following:*

- *RM40,000,000 to RHB Bank Berhad. The term loan was utilised by KISB to part finance the acquisition of the Ikram land with buildings amounting to RM65.2 million from the Government. Assuming an interest rate of 6.75% per annum, the full repayment of the loan will result in interest savings of approximately RM225,000 per month for the Group.*

- *RM10,000,000 to RHB Bank Berhad to repay the revolving credit and bank overdraft facilities. Assuming an interest rate of 5% per annum, the full repayment of the borrowings will result in interest savings of approximately RM41,667 per month for the Group.*

(ii) *The estimated listing expenses amounting to RM3.2 million consist of the following:*

	RM'000
Estimated professional fees	*1,100*
SC fee and KLSE perusal and listing fee	*100*
Registration and Lodgment Fee	*6*
Printing of prospectus and advertisement	*350*
Issuing House's fee and disbursements	*100*
Underwriting commission	*1,194*
Brokerage	*250*
Miscellaneous expenses and contingencies	*100*
Total	*3,200*

In the event of the Final Retail Price and Institutional Price is different from the above assumption, the actual net proceeds to the Company from the Public Issue may be higher or lower than the expected proceeds of RM56.182 million. Any increase or decrease in the proceeds to the Company shall be addressed by making a corresponding increase or decrease, as the case may be, to Protasco's provision for working capital requirement and if necessary, the repayment of bank borrowings. Protasco's provision for utilisation of proceeds will also be amended to reflect any difference between Protasco's actual listing expenses and the estimated listing expenses of RM3.2 million set forth above.

3.13 Brokerage

Brokerage relating to the Public Issue Shares will be paid by the Company, at the rate of one percent (1%) of the Final Retail Price in respect of successful applications which bears the stamp of either CIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH.

Brokerage with respect to the Offer Shares is payable by the Offerors at the rate of one percent (1%) of the Final Retail Price.

3.14 Details of Underwriting Commission

The Managing Underwriter and Underwriter have agreed to underwrite 10,000,000 Public Issue Shares of which 5,000,000 Public Issue Shares are made available for application by the Malaysian public. The underwriting commission and managing underwriting commission relating to the said Shares are payable by Protasco at the rate of 1.0% and 0.5% respectively of the Retail Price for each of the 10,000,000 Protasco Share being underwritten, equivalent to a total underwriting commission of RM172,500.

The Managing Underwriter has further agreed to underwrite 39,454,000 IPO Shares, which are the subject matter of Bookbuilding. The underwriting and selling commission relating to the said IPO Shares are payable by Protasco at a maximum rate of 3% of the Institutional Price, equivalent to an underwriting and selling commission of approximately RM1,751,758 (assuming the Institutional Price is RM1.48 per IPO Share).

3.15 Details of Underwriting Agreement

An underwriting agreement dated 13 June 2003 ("Underwriting Agreement") was entered into between Protasco, CIMB and JF Apex Securities Berhad in connection with the underwriting of 10,000,000 Public Issue Shares ("Underwriting Shares").

Some of the salient terms of the Underwriting Agreement are as follows:

(i) The several obligations of the Underwriters under the Underwriting Agreement shall further be conditional upon the following being procured or satisfied either one (1) day after the Closing Date or one (1) day prior to the date of issuance of the Prospectus to the public, as the case may be:

 (a) the issue of the IPO Shares having been approved by the Board of Directors of the Company prior to the issuance of the Prospectus to the public;

 (b) the lodgement and acceptance for registration with the Company Commission of Malaysia and the SC respectively of the Prospectus together with copies of all documents required under Section 42 of the Act prior to the issuance of the Prospectus to the public;

 (c) the issuance of the Prospectus to the public (including advertisement of the Prospectus and all other procedures, requirements, letters and documents required under Chapter 3 of the KLSE Listing Requirements) have been complied with within three (3) months from the date of the Underwriting Agreement or such extension as consented by the Underwriters;

 (d) the KLSE agreeing in principle to the listing of and quotation for (on terms satisfactory to the Managing Underwriter) the entire issued and paid up share capital of the Company within three (3) months from the date of the Underwriting Agreement or such later date as consented by the Underwriters after the issuance of the Prospectus, or the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) Market Days (or such other days as the KLSE may permit) after the submission to the KLSE of the relevant documents required for such listing and quotation for the entire issued and paid up share capital of the Company have been accepted and the respective shares are deposited in or transferred to the securities account maintained by the entitled shareholders under the Securities Industry (Central Depository) Act, 1991;

(e) there having been, as at any time hereafter up to and including the Closing Date, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of the Company and its subsidiaries (which in the reasonable opinion of the Underwriters are or will be material in the context of the issue of the IPO Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect an extent which is or will be material in any of the representations, warranties and undertakings contained in Clauses 3.1 and 3.2 of the Underwriting Agreement if they are repeated on and as of the Closing Date;

(f) the issue, offering and subscription of the IPO Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including the KLSE);

(g) all necessary approvals and consents required in relation to the IPO including but not limited to governmental approvals having been obtained and are in full force and effects;

(h) the delivery to the Managing Underwriter prior to the date of registration of the Prospectus of (i) a copy certified as true copy by an authorised officer of the Company of all the resolutions of the directors of the Company approving the Underwriting Agreement, the Prospectus, the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus; (ii) a certificate dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 4.1(e) of the Underwriting Agreement;

(i) the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations dated on the Closing Date from the Board of Directors of the Company as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Company or its subsidiary.

(ii) The parties hereto hereby agree that:

(a) In the event any of the conditions set forth above in Sections 3.15 (i)(a), (b), (c), (f), (g) and (h) are not fully met, the Underwriters or any of the Underwriters shall, subject as mentioned below, thereupon be entitled but not bound to terminate the Underwriting Agreement by notice given to the Company not later than one (1) day prior to the dispatch of the Prospectus to the public; or

(b) In the event that the conditions as set forth above in Sections 3.15 (i)(d), (e) and (i) are not met, the Underwriters or any of the Underwriters shall, subject as mentioned below, thereupon be entitled but not bound to terminate the Underwriting Agreement by notice given to the Company not later than two (2) days after the Closing Date;

and upon such termination, the liabilities of the Company and the Underwriters shall become null and void and none of the parties shall have a claim against the other save that each party shall return any and all moneys paid to the other or others under the Underwriting Agreement within seventy two (72) hours of the receipt of such notice (except for monies paid by the Company for the payment of the expenses as provided in Clause 13). The Underwriters reserve the right to waive any of the conditions aforesaid and such waiver shall not prejudice the Underwriters' rights under the Underwriting Agreement.

(iii) The agreement of the Underwriters to underwrite the Underwritten Shares is entered into on the basis of the representations, warranties and undertakings being true and accurate in all material respects up to and including listing of the Company. Without prejudice to the other rights and remedies of the Underwriters, the Company undertakes with the Underwriters it shall hold each of the Underwriters harmless and keep each of them fully and effectually indemnified against any losses, claims, damages or liabilities to which the Underwriters may become subject under any statute, at common law or otherwise due to factors attributable to the fault of the Company, and reimbursing each of the Underwriters for any legal or other expenses (including the cost of any investigation and preparation) reasonably incurred by them in disputing or defending any claim or action or other proceeding in connection with any litigation, whether or not resulting in any liability, insofar as such losses, claims, damages, liabilities or litigation arising out of, or are based upon, any untrue material statement or a material fact contained in the Prospectus or any material omission to state therein a material fact required or necessary to be stated therein or to make the material statements therein misleading or any material misrepresentation or material breach of any of the aforesaid representation, warranties or undertakings by the Company and such indemnity shall extend to include all costs, charges and expenses which the Underwriters may reasonably pay or incur in disputing or defending any claim or action or other proceeding in respect of which indemnity may be sought against the Company under this sub-clause.

(iv) In the event of any material breach of the warranties or representations set out in the Underwriting Agreement or failure on the part of the Company to perform any of the obligations therein contained or any change rendering any of the said warranties or representations inaccurate materially or if any material information shall have been withheld and coming to the notice of the Underwriters prior to the Closing Date or there shall have been prior to the Closing Date such change in national or international monetary, financial, political or economic conditions or exchange control legislation or regulations or currency exchange rates or occurrence as a result of an act or acts of god which would materially prejudice the success of the offering of the underwritten shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) or in the event of national disorder, outbreak of war or the declaration of a state of national emergency, each of the Underwriters shall be entitled (but not bound) by notice to the Managing Underwriter to elect to treat such breach, failure or change as releasing or discharging it from its obligations hereunder PROVIDED THAT the Company shall remain liable for the payment of costs and expenses (each in proportion to their respective Underwritten Shares) referred to in Clause 13 in the Underwriting Agreement which are incurred prior to or in connection with such release.

3.16 Approximate Gap Between Price Determination Date and Trading of Protasco Shares

The IPO Shares offered in this IPO will not commence trading on the KLSE until approximately 24 days after the Price Determination Date. Investors will not be able to sell or otherwise deal in the IPO Shares (except by way of book entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on the KLSE.

3.17 Approvals and Conditions

The Acquisitions, Rights Issue and IPO were approved by the MITI on 13 August 2002 and 10 June 2003, EPU on 18 September 2002, the FIC on 30 August 2002 and 30 September 2002 and the SC on 20 December 2002, 6 January 2003 and 2 June 2003.

The conditions imposed by the authorities and status of compliance are set out below:

Approval from the SC

Conditions Imposed		**Status of Compliance**
(i)	In relation to the utilisation of proceeds from the Rights Issue and Public Issue:	
	(a) The approval of the SC is required for any revision in the utilisation of proceeds in the event that the revision involves utilisation other than for the core business of Protasco Group.	Will be complied with, if applicable.
	(b) The approval of the shareholders of Protasco is required for any revision of 25% or more of the original utilisation of proceeds. In the event that the proposed revision is less than 25%, appropriate disclosure must be made to the shareholders of Protasco.	Will be complied with, if applicable.
	(c) The timeframe for the utilisation of proceeds must be disclosed in the Prospectus.	Complied. The timeframe for the utilisation of proceeds is disclosed in Section 3.12 of this Prospectus.
	Any extension of time from the timeframe determined by Protasco for the utilisation of proceeds must be approved by way of a final resolution of the Board of Protasco and must be announced to the KLSE; and	Will be complied with, if applicable.
	(d) Appropriate disclosure on the status of utilisation of proceeds must be made in the quarterly results and annual report of Protasco until the completion of the utilisation of proceeds.	Will be complied with.
(ii)	The promoters, directors and major shareholders of Protasco are not allowed to be involved in any business which will be in conflict with the business interest of Protasco Group. Pursuant thereto, the promoters, directors and major shareholders must undertake that they shall not conduct or participate in any business that is similar/compete with the business of Protasco Group.	Complied. Appropriate disclosures have been made in Section 11 of the Prospectus.
(iii)	Pursuant to paragraph 10.12 of the SC Guidelines, a moratorium shall be imposed on the disposal of 67,500,000 ordinary shares of RM1.00 each, representing 45% of the total enlarged issued and paid-up capital held by the promoters/substantial shareholders. Promoters and substantial shareholders, shall not sell, transfer or assign their shareholdings under moratorium for one (1) year from the date of admission to the Official List of the Main Board of the KLSE. Thereafter, they are allowed to sell, transfer or assign only up to a maximum of one-third per annum (on a straight-line basis) of their respective shareholdings under moratorium.	Complied. Please refer to Section 3.17 below.

Conditions Imposed (Cont'd)		Status of Compliance
	Nevertheless, Protasco may adopt any amendments made on the SC Guidelines in relation to the moratorium disposal on sale when it is announced later, which is in line with the implementation of the third phase disclosure-based regulations.	
(iv)	Protasco is required to fulfil the conditions set out below with regard to its trade debtors prior to the publishing of the prospectus:	
	(a) To make full provisions for trade debtors ageing more than six (6) months after the credit period including retention sum in respect of contracts/ projects associated with road construction/ rehabilitation that exceeds six (6) months from the date of its final accounts. The reporting accountants of Protasco will need to issue a written confirmation on the aforementioned provisions;	Complied.
	(b) The Directors of Protasco will have to issue a written confirmation to verify that recovery can be made for amounts due from trade debtors (including retention sum) that have exceeded their credit period and full provisions have been made for amount owing from trade debtors ageing more than six (6) months after the credit period;	Complied.
	Protasco are also advised to improve its credit management system to avoid possible problems in debt collection.	
(v)	Protasco shall disclose in the Prospectus, the risk management plans to address major risks connected to the business operations of Protasco Group, risks associated to road construction industry and risks associated to customer concentration whereby JKR is its main customer.	Complied.
(vi)	Protasco will need to formulate and implement a management succession plan and details of such plan will have to be disclosed in the listing prospectus.	Complied.
(vii)	Protasco is not allowed to be involved in any activities that are not related to its core business for a period of at least three (3) years after Listing.	Will be complied with.
(viii)	Protasco and all relevant parties are required to issue a written confirmation of compliance to all terms and conditions stated in paragraphs 2 and 5 of the SC's letter upon completion of the listing exercise of Protasco.	Will be complied with.
(ix)	CIMB and Protasco are also reminded that any breach or non-compliance to the terms or conditions stated in the SC's letter dated 20 December 2002, shall be regarded as an offence under the Securities Commission Act 1993 ("SC Act") and punishable under the same SC Act.	Noted.

Conditions Imposed (Cont'd)		**Status of Compliance**
(x)	Exemption from complying with the requirement of Paragraph 5(iv) of the SC's approval letter dated 20 December 2002 (refer note (iv) above), specifically in respect of trade debts from Government agencies (where the amount is not disputed, doubtful or bad) and not for other trade debtors. However, the exemption is conditional upon full provision for doubtful debts being made immediately for amounts owing by the Government once Protasco is aware that the recoverability of those debts is in doubt.	Will be complied with.
(xi)	Exemption from an underwriting arrangement for the Bookbuilding Portion is only allowed if an appropriate underwriting arrangement is subsequently arranged for the Bookbuilding portion.	Will be complied with.

Approval from the MITI

Conditions Imposed		**Status of Compliance**
(i)	The approval of SC is obtained.	Complied. The approval of the SC was obtained on 20 December 2002, 6 January 2003 and 2 June 2003.
(ii)	The approval of FIC is obtained.	Complied. The approval of the FIC was obtained on 30 August 2002 and 30 September 2002.
(iii)	All 9,000,000 Bumiputera shares approved by MITI will be allocated by MITI upon obtaining the approval of SC.	Noted.
(iv)	MITI has agreed to recognise the following Bumiputera shareholdings:	

Shareholders	**No. of Protasco shares**	**% of enlarged capital**
Dato' Hasnur Rabiain bin Ismail	66,006,422	22.00
KBI	15,842,500	5.28
Total	81,848,922	27.28

as the existing Bumiputera shareholders and recognises the 27.28% Bumiputera shareholding of the enlarged capital of the Company conditional upon which 30% of the total approved portion can be sold within three (3) months after the Company is listed and the remaining 70% in stages with prior approval from MITI. — To be complied with.

3.18 Moratorium on Shares

The SC in approving the flotation of the Company on the Main Board of the KLSE has imposed a moratorium on the disposal of shares by the following promoters and major shareholders of the Company.

The shareholders and number of shares held by each of them to be placed under moratorium as imposed by the SC are as follows:

Name	No. of Shares held prior to moratorium	% of enlarged share capital	No. of Shares placed under moratorium	% of enlarged share capital
PHSB	26,830,196	8.94	26,830,196	8.94
Dato' Hasnur Rabiain bin Ismail	66,006,422	22.00	33,777,478	11.26
Sanida	64,607,354	21.54	64,607,354	21.54
KBI	15,842,500	5.28	9,784,972	3.26
Total	173,286,472	57.76	135,000,000	45.00

The major shareholders of Protasco will not be allowed to sell, transfer or assign their shareholdings in Protasco amounting in aggregate to 135,000,000 Shares, representing 45% of the enlarged issued and paid-up share capital of Protasco within one (1) year from the date of admission of Protasco to the official list of the Main Board of the KLSE.

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4. RISK FACTORS

Prior to making an investment decision, prospective investors should pay particular attention to the factors described below (which are not intended to be exhaustive) in addition to all other relevant information contained elsewhere in this Prospectus in evaluating the Company, its business and the IPO before making an application for the IPO Shares.

In the event of any of the following considerations and uncertainties materialising, the Company's business, business condition and/or results of operations could be materially and adversely affected.

4.1 Risks relating to the Business and Operations of Protasco Group

(i) Business Risks Inherent in the Road Construction, Rehabilitation, and Maintenance Industry

The Protasco Group is subject to risks inherent in the road construction, rehabilitation and maintenance industry. These include changes in general economic conditions such as, but not limited to, inflation, taxation, interest rates and exchange rates of foreign currencies, constraints in labour supply and changes in business and operating conditions such as, but not limited to, Government and statutory regulations, deterioration in prevailing market conditions, machinery breakdown, technological and facilities obsolescence, industrial disputes and labour shortage.

Although the Group seeks to limit these risks through, inter-alia, having contractual terms for project undertaken, continual upgrading of its facilities and services and prudent management policies, no assurance can be given that any change to these factors will not have a material adverse effect on the Group's business.

(ii) Concession for KISB and Roadcare

Pursuant to the privatisation agreement of 5 November 1996 as supplemented by two (2) supplemental agreements dated 22 April 1999 and 4 September 2002 respectively, the Government awarded a 15 year concession to KISB commencing on 1 January 1997.

On 22 December 2000, the Government awarded the privatisation of the Peninsular Federal Roads maintenance within the Concession Area to Roadcare.

The KISB concession, pursuant to the supplemental agreement dated 4 September 2002 ("the said supplemental agreementt") stipulates that if:

(a) KISB fails to pay the balance purchase price to the Government for the purchase of the IKRAM lands in accordance with the sale and purchase agreement dated 5 November 1996, including the interest stipulated therein, and KISB fails to remedy the default within one (1) year (or such extended period as may be agreed by the parties) from the date of receipt of notice of default by the Government; or

(b) KISB fails to pay the balance of the purchase price to IKRAM assets, including the interest stipulated therein, and KISB fails to remedy the default within thirty (30) days (or such extended period as may be agreed by the parties) from the date of receipt of notice of default by the Government; or

(c) KISB fails to deliver the bank guarantee for the amount equivalent to the advance payment and KISB fails to remedy the default within thirty (30) days (or such extended period as may be agreed by the parties) from the date of receipt of notice of default by the Government; or

(d) If KISB fails to carry out or perform its obligations as stated therein:

(i) amounting to six (6) work orders in any concession year, in the case of any work order or invoice (as the case may be) with the value of RM100,000 or above per work order; or

(ii) amounting to sixty (60) work orders received by it from the Government, or work orders or invoices from the Government with an aggregate value (as the case may be) of RM1 million, whichever is the earlier, in any concession year, in the case of any work order or an invoice (as the case may be) with a value of less than RM100,000 per work order,

then the Government may terminate the concession by giving notice to KISB. If the concession is terminated by the Government pursuant to the above, then in such event, the Government shall be under no further obligation under the agreement to use/consume the IKRAM services.

The said supplemental agreement further provides that:

(a) If the Government delays in paying all or any part of the fee in accordance with the said supplemental agreement, KISB shall allow the Government a further period of thirty (30) days to remedy this delay.

(b) If the Government fails to use and/or consume the IKRAM services for a total aggregate consideration of up to the agreed total fees upon the expiry of the concession period or such other extended period as the parties hereto may agree, the Government may elect to extend the concession period to such further period as shall be necessary to compensate KISB for the consequences of such default by the Government or pay KISB as shall be necessary to compensate KISB for the consequences of such default by the Government.

The Roadcare privatisation agreement stipulated that in the event either:

(a) the Company or the Government fail to remedy the relevant default within such period of ninety (90) days (or such other period as may be agreed by the parties hereto); or

(b) the Works (or any part of them) have been delayed or interrupted by reason of an Event of Force Majeure for a continuous period of more than six (6) months,

the affected party may, for so long as the relevant default or event is continuing, terminate the Concession at any time thereafter by giving notice to that effect to the other party.

Notwithstanding any provision in the privatisation agreement, the Government may terminate the agreement by expropriating the concession by giving not less than three (3) month's notice to that effect to Roadcare if it considers that such expropriation is in the national interest.

Although the Group has taken the necessary measures to ensure that all its duties and obligations under the two concession agreements are being complied fully, there can be no assurance that the concession agreements would not be terminated.

(iii) Customer Concentration

For the financial year ended 31 December 2002, the top 20 customers of Protasco Group accounts for nearly 82.5% of its total turnover. Sales to various divisions of JKR Malaysia amounted to approximately RM390 million representing around 54.5% of its total sales while no assurance is given that the Company will be able to maintain its existing customer and distributor base. However, it is pertinent to note that the Group has been able to chart continued growth evidenced by its past performance.

(iv) Substantial Shareholders

Four (4) substantial shareholders of the Company namely PHSB, Dato' Hasnur Rabiain bin Ismail, Sanida and Max 3 will collectively own a total of 57.95% of the issued and paid-up share capital of Protasco after the IPO. As a result, it is likely that the said substantial shareholders will be able to jointly control the outcome of certain matters requiring the voting of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

(v) Dependence on Key Personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any key member of the Board of Directors and senior management could adversely affect the Group's continued ability to compete effectively. One of the strength of the Group is the low turnover of skilled staff. Every effort is being made to groom younger members of the senior management to ensure a smooth transition in the management team, should changes occur.

(vi) Borrowings

The Group's total domestic long-term and short-term borrowings which include hire purchase and lease arrangements as at 31 May 2003 amounted to RM26.602 million and RM36.687 million respectively. The borrowings of the Group which are subjected to variable interest rates (excluding borrowings under Islamic financing, bankers' acceptance, hire purchase and leasing) amounted to RM50.1 million. As such, any increase in interest rates will increase the burden of the Group with respect to interest payments of the borrowings depending on the total outstanding borrowings as at the point in time. There can be no assurance that the performance of the Group would remain favourable in the event of adverse changes in the interest rate.

(vii) Adequacy of Insurance Coverage on the Group's Assets

As at 31 May 2003, the net book value of fixed assets, including land, is RM149.722 million and the value of stocks is RM0.672 million which have insurance coverage amounting to RM127.8 million and RM0.697 million respectively. Although the Group has taken the necessary measures to ensure that all its assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential loss arising therefrom.

(viii) Restrictive Covenants Under Credit Facility Agreements

The Protasco Group has outstanding borrowings (excluding hire purchase and lease arrangements) and bank guarantee of RM60.303 million and RM113.3 million respectively as at 31 May 2003 from the total credit facilities of RM260.122 million granted by various local financial institutions.

Certain credit facilities of the Group contain a number of significant covenants that, among other things, may restrict the ability of certain companies in the Group to dispose of assets, incur additional indebtedness, incur liens on property or assets, repay other indebtedness, pay dividends, enter into certain investments, transactions or capital expenditures, engage in mergers, acquisitions or consolidations, or engage in certain transactions with affiliates and otherwise restrict corporate activities and changes in shareholders and directors. However these restrictions may be waived upon the relevant companies in the Group receiving written consent from the relevant banks. In the event the waiver from the restrictions can not be procured from the relevant banks, such restrictions could adversely affect the ability of the affected companies in the Group to operate their business, finance their future operations or capital needs or engage in or take advantage of other business activities or opportunities that may be in the Group's interest. In addition certain credit facilities may also require the maintenance of specified financial ratios and tests, including certain net worth, leverage ratios, fixed charge coverage ratio, certain net income ratios, and certain debt-to-debt plus net worth ratios. Other agreements governing the indebtedness may also contain such affirmative and negative covenants and financial ratios and tests. The ability of the affected companies to comply with such covenants, ratios and tests may be affected by events beyond their control.

A breach of any of these covenants or inability to comply with the required financial ratios and tests could result in a default under the credit facilities, the receivable facility and other agreements, as applicable. In the event of any such default, the lenders under these facilities may elect to declare all borrowings outstanding under these facilities, together with accrued interest and other fees, to be due and payable. In addition, any default under these facilities or agreements governing other indebtedness may lead to an acceleration of debt under other debt instruments that contain cross-acceleration or cross-default provisions. Some of the credit facilities and receivable facility contain cross-default provisions to other debt. If the affected companies are unable to repay any such borrowings when due, the lenders could proceed to act against their collateral. If the indebtedness under these facilities were to be accelerated, the collateral may not be sufficient to repay amounts due on other debt securities, if any, then outstanding.

(ix) Competition

HCM is registered as Class A Bumiputera contractor with Pusat Khidmat Kontraktor ("PKK"), Ministry of Entrepreneur Development and is a Class G7 contractor with the Construction Industry Development Board ("CIDB"). These registrations allow the Group to tender for government and private sector projects of unlimited size and amount. The Group faces competition from various competitors in the construction industry in securing projects and with the impending liberalisation of the services sector pursuant to the ASEAN Free Trade Agreement ("AFTA"), which will be gradually implemented from the year 2003, foreign construction companies will be allowed to compete for construction projects in the local market.

Under the liberalisation of AFTA, various industries will be facing greater competition including the manufacturing, retail and automobile sectors due to the impending reduction in various tariffs (Common Effective Preferential Tariff). The liberalisation of the Malaysian construction industry may have an adverse effects on the industry and hence, the Group's business.

However, the Company does not consider the liberalisation of AFTA will post a material threat to the Group due to its relationships with its existing clientele and its existing contracts, which includes the two long-term concession agreements.

Although the Group seeks to remain competitive by endeavouring to secure new contracts, no assurance can be given that the Group will be able to maintain its existing competitive edge and existing market share in the future.

(x) Rapid Technological Change

The Protasco Group is, to a certain extent, subject to the risks related to rapid technological change. The Group seeks to minimise these risks by actively and continuously pursuing technological innovation and industry best practices. For example, the Group purchased recycling machines with the latest technology. The Group also provides continuous staff development to align their skills and knowledge with the requirements of the latest technology in the industry in which the Group operates.

4.2 Risks relating to an Investment in Protasco Shares

(i) No Prior Market for Protasco Shares

Prior to this IPO, there was no public market for Protasco Shares. There can be no assurance that an active market for Protasco Shares will develop upon its listing on the Main Board of the KLSE or that such market, if developed, will be sustained.

Shares of some companies listed on the KLSE have experienced considerable price volatility in the past. Hence, Protasco Shares will be subject to price volatility which may have no direct correlation with the Company's net asset value, financial results or performance. Price volatility may also affect the ability of the shareholders to sell and the price at which Protasco Shares can be sold.

There can be no assurance that the price at which Protasco Shares will trade on the Main Board of the KLSE upon or subsequent to its listing will correspond to the Final Retail Price or Institutional Price.

(ii) Political, Economic and Legislative Considerations

Development in political and economic conditions in Malaysia and other countries where the Group is currently operating or where the Group may undertake projects in the future could materially affect the financial prospects of the Group. Other political and economic uncertainties include but are not limited to the risks of war, terrorism, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, changes in interest rates and methods of taxation.

The Group always endeavours to comply with the above legislation and all other relevant rules and regulations.

(iii) Achievability of Forward-Looking Statements

This Prospectus includes forward-looking statements i.e. those other than statements of historical facts. Although the Group believes that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will materialise. Any deviation of its actual performance from the expectations may have adverse effect to the Group's financial and business performance.

(iv) Profit Forecast

This Prospectus contains the consolidated profit forecast of the Protasco Group for the financial year ending 31 December 2003 that have been prepared based on assumptions which the Directors of Protasco believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. Owing to the subjective judgements and inherent uncertainties underlying the profit forecast and given that events and circumstances frequently do not occur as expected, there can be no assurance that the forecast contained herein will be achieved and actual results may be materially different from those forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the forecast contained herein.

(v) Failure or Delay on the Listing Exercise

The listing exercise is also exposed to the risk that it may fail or be delayed should the following events occur:

(a) The Bumiputera investors approved by the MITI fail to subscribe to the portion of Offer Shares allocated to them;

(b) The identified investors under the Institutional Offering fail to subscribe for the portion of the IPO Shares allocated to them;

(c) The eligible Directors and employees of the Protasco Group fail to subscribe to the portion of Public Issue Shares allocated to them; and

(d) The Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each, upon completion of the IPO and at the point of listing.

(vi) Malaysian Capital Market Risks

The Protasco Shares will be listed on the Main Board of the KLSE. The performance of shares on the KLSE is affected by external factors such as the performance of regional and international stock exchanges and the inflow and outflow of foreign funds.

Sentiments may also be affected by other external factors such as Malaysian economics and political conditions and overall market conditions as well as the growth potential of various sectors of the economy.

(vii) There Will be Delay Between Settlement and Trading of Protasco Shares

After the IPO Shares have been allocated to the investors' respective CDS Accounts in the MCD, which would occur at least three clear market days prior to the anticipated date for admission, it may not possible to recover monies paid in respect of these IPO Shares from the Company or the Offerors in the event that admission and the commencement of trading on the Main Board of the KLSE do not occur. Delays in the admission and the commencement of trading in shares on the KLSE have occurred previously. It is expected that there will be a delay from the pricing and the subsequent trading of the Shares of approximately 24 days. In order for the Company to return monies to investors in respect of IPO Shares following their allocation in the MCD, a reduction of the Company's capital would be necessary. This would require a special resolution of the Company and the approval of the courts in Malaysia. There can be no assurance that monies can be recovered within a short period of time or at all. If the KLSE does not admit the IPO Shares onto the KLSE, the market for the IPO Shares will be illiquid and it may not be possible to trade the IPO Shares. This may also have a material adverse effect to the value of the IPO Shares.

4. RISK FACTORS *(Continued)*

Save as disclosed above and apart from normal commercial risks, the Group is not vulnerable to any specific factors or events. Further, Protasco Group has set up a risk management plan to mitigate some of the risk factors mentioned above. For more details, please refer to Section 6.10 of this Prospectus.

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5. INDUSTRY OVERVIEW

5.1 Overview and Outlook of the Economy of Malaysia

The economy is envisaged to register stronger growth in 2002, after recovering from a downturn experienced in the last two quarters of 2001, following better export performance and continued pick up in domestic demand. Brighter external prospects due to the economic recovery of the United States and a rebound in global electronics demand, especially from the East Asian countries, have hastened Malaysia's export recovery, beginning early 2002. In the domestic sector, the multiplier effects of the fiscal stimulus measures have provided the impetus for continued economic expansion. Rising consumer confidence arising from improving employment prospects and higher commodity prices are expected to raise consumer spending further as the year progresses. The efforts to speed up the implementation of public sector projects as well as increased activity in the construction sector are expected to result in a stronger domestic demand in 2002.

Malaysia's macroeconomic fundamentals continued to strengthen in 2002. Inflationary pressures remained subdued during the year. While the rise in the Consumer Price Index ("CPI") was slightly higher at 1.8%, demand or core inflation was subdued, rising by a marginal 0.4%. The increase in CPI was largely due to one-off price adjustments, mainly for the transport and communication sub-group, and therefore did not indicate any underlying inflationary pressures. Labour market conditions remained favourable in 2002 to support the recovery in economic activity. The unemployment rate fell to 3.5% in 2002 due to a significant decline in retrenchments as well as higher demand for labour.

Given the positive impact of the filtering-through fiscal stimulus measures and the recovery in external demand, private sector has begun to resume its role to generate economic growth, though not as dynamic as before the 1997 financial crisis. Reflecting the continued expansionary fiscal stance, real public consumption increased substantially by 13.8%, while real public investment rose by 4.6%. Real private consumption picked up to expand by 4.2%, while the decline in private investment moderated to post moderate growth in the second half of 2002 as several industries in the manufacturing sector, such as electronics, chemical products and transport equipment, operated at high rates of capacity utilisation in response to stronger external demand. Reinforcing this development were new investments in high value-added services such as telecommunications and information technology. Malaysia also benefited from some diversion of foreign investment flows, particularly through outsourcing and relocation exercises as well as the setting up of operational headquarters, regional distribution centres and international procurement centres by several multi-national companies.

In response to the strong domestic and external demand conditions, all sectors in the economy expanded, with the main impetus to growth emanating from the services and manufacturing sectors. The services sector grew by 4.5% in 2002, supported by recovery in domestic demand, the expansion in trade-related activity and the growth in tourist arrivals. Strengthening domestic demand, together with the recovery in exports, led to a turnaround in the manufacturing sector, with value added expanding by 4.1%, compared with a contraction of 6.2% in 2001. Growth in the construction sector was sustained at 2.3% in 2002, while the mining sector grew by 4.5% due to increased production from new oil and gas fields, the increase in demand and favourable prices.

With the mild recovery intact in 2002 and expected to gather momentum in 2003, the world economy is projected to register output growth of 3.7% with trade expanding at 6.6%. Malaysian economy, with the stronger macroeconomic fundamentals already in place and complemented by more resilient corporate and financial sectors, is now poised to benefit from the much-improved global economic environment projected for 2003. Output expansion is anticipated in all sectors of the economy, with GDP envisaged to chalk 6%-6.5%, arising from a broader based economy with growth emanating from a more pronounced role of a revitalised and dynamic private sector. The construction sector is forecast to expand 4.5% while the agriculture and mining sectors are envisaged to improve by 3.4% and 2.5 %, respectively.

The Malaysian economy has remained resilient despite an external environment marked by heightened uncertainty and the impact of Severe Acute Respiratory Syndrome ("SARS") on regional economies in the final part of the first quarter of 2003. Real GDP growth of the Malaysian economy in the same quarter is within expectations. Economic activity expanded at an annual rate of 4% compared with 1.3% in the corresponding period last year. Expansion was positive in all sectors.

Tourist arrivals were sustained at a monthly average of one million arrivals but declined to 0.8 million in March 2003 due mainly to the onset of SARS. The SARS impact, with the issue of the World Health Organisation ("WHO") travel advisory beginning in mid-March, was more concentrated among tourist arrivals from Singapore and Hong Kong. It is largely anticipated that the SARS impact on tourism would be reduced in the second half of the year.

On the regional front, the SARS impact has been adverse on specific sectors including the retails, travel and tourism-related sectors. The recent downward revisions on regional outlook reflect the varying impact of SARS among countries in the region. In response, the Governments in the region have announced economic relief packages to mitigate the impact of SARS. It is largely expected that the regional growth would pick up in the second half of the year. In Malaysia, a stimulus package amounting to RM7.3 billion was introduced, incorporating 90 measures under 4 main strategies, aimed at alleviating the impact of SARS and strengthening economic activities. With economic fundamentals remaining strong and macroeconomic policy in place to support growth, Malaysia is well positioned to realise its underlying growth prospects.

(Source: Economic Report 2002/2003, Ministry of Finance; Bank Negara Malaysia Annual Report 2002 and Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2003, Bank Negara Malaysia issued on 28 May 2003)

5.2 Construction Industry Structure in Malaysia

Malaysia's past development plans had always focused on efforts to strengthen infrastructure facilities such as roads, ports, airports, energy, telecommunications, water supply and sewerage, in tandem with the country's overall economic and social development. Current plans, such as the Eighth Malaysian Plan 2001-2005 and the Third Outline Perspective Plan 2001-2010 ("OPP3") also continue to do so.

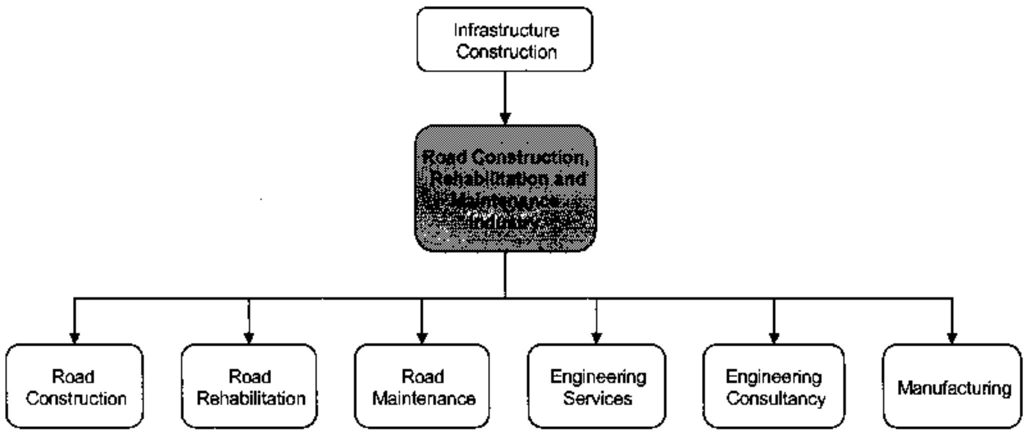
During the Seventh Malaysia Plan period (1996-2000), the Federal Government spent a total of approximately RM12.3 billion on road development. This accounted for about 59% of the Transport Sector's total expenditure of RM20.8 billion, which represented the largest portion of total Federal Government development expenditure of RM99 billion during the Seventh Malaysia Plan. A total of RM14 billion will be allocated to the development of new roads and the improvement and upgrading of existing roads during the Eighth Malaysia Plan. This represents 64% of the Transport Sector's allocation of RM21.8 billion and 12.7% of total Federal Government development expenditure of RM110 billion.

Approximately 63.6%, amounting to RM8.9 billion of the road development will be allocated to existing road improvements and upgrading in line with efforts to improve safety and driving comfort and to reduce travel time during the Eighth Malaysia Plan period.

5. INDUSTRY OVERVIEW *(Continued)*

The total road network in the country increased at an average annual growth rate of around 1.8% during the Seventh Malaysia Plan, from 61,380 kilometres in 1995 to 65,880 kilometres in 2000. Major road projects during the Eighth Malaysia Plan period will add approximately 1,026 kilometres to the country's road network. In addition, the completion of various privatisation projects will add about another 100 kilometres to privatised highways to the total road network.

The road construction, rehabilitation and maintenance industry which falls under the umbrella of the Infrastructure Construction Industry can be segmented as follows:



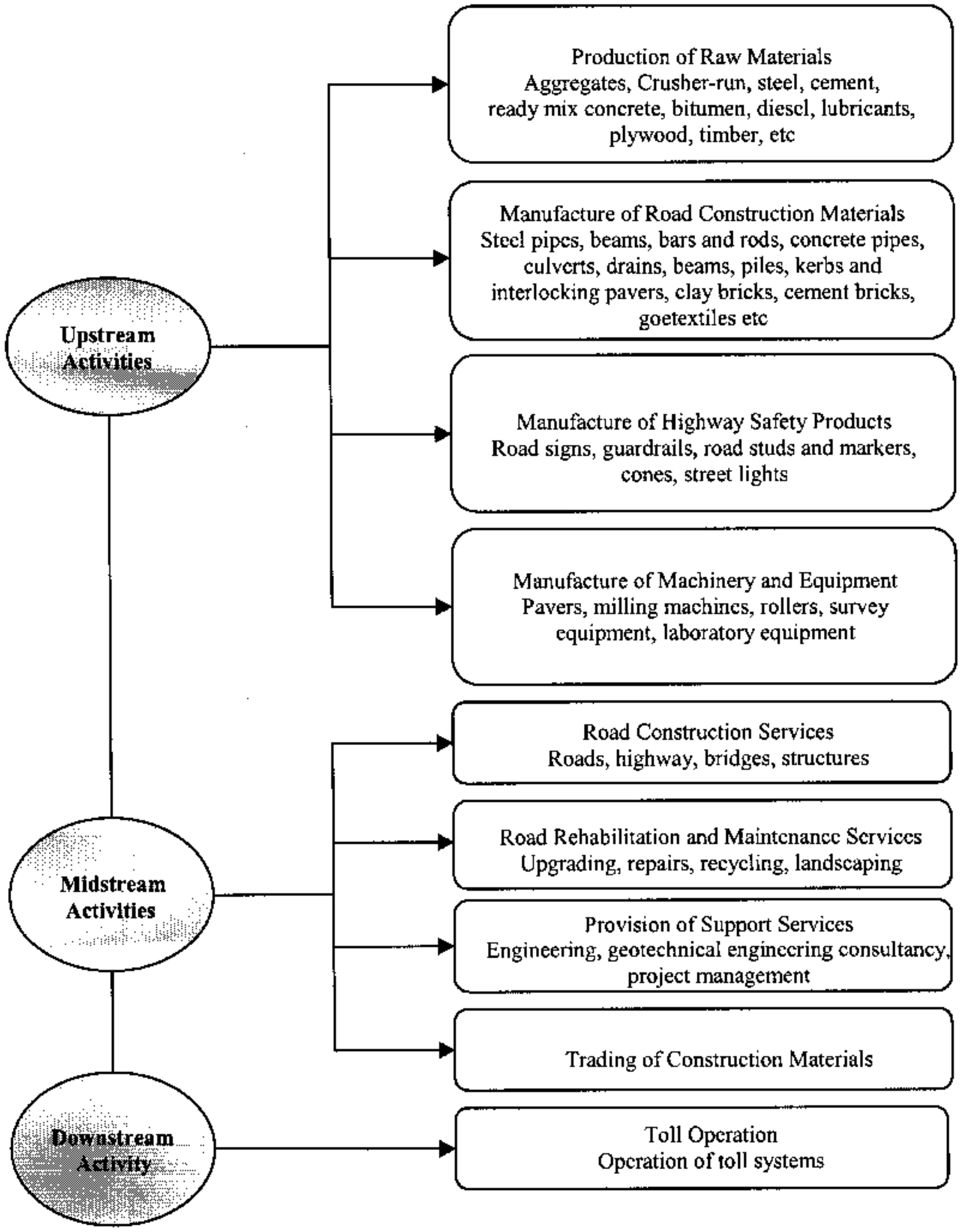
(Source: Assessment of the Road Construction, Rehabilitation and Maintenance Industry updated 20 June 2003 undertaken by Vital Factor Consulting Sdn Bhd)

Whilst road construction is focused on the construction on new roads and highways, road rehabilitation is primarily focused on rehabilitation of existing pavements such as upgrading, repairs and recycling. Road maintenance involves road repairs as well as maintenance of road shoulders, roadside furniture, drainage systems, bridges, culverts, landscaping and grass cutting.

Engineering services, engineering consultancy and manufacturing which constitute supporting services for the road construction, rehabilitation and maintenance industry include:

- Site investigation, soil testing, laboratory testing, instrumentation, monitoring, specialised geotechnical engineering works, pavement and structural evaluation;
- Consultancy in civil, structural and geotechnical engineering; and
- Manufacturing of road construction materials like pavement materials and road furniture.

5.3 Overview of Road Construction, Rehabilitation and Maintenance Industry in Malaysia



Road construction, rehabilitation and maintenance can be vertically extended to include upstream and downstream activities as illustrated in the chart above.

The wide linkages of the road construction, rehabilitation and maintenance industry illustrates its critical role to many dependent industries.

As road development continues to receive one of the highest Federal Government development allocation under the Eighth Malaysian Plan, the road construction, rehabilitation and maintenance industry will remain a catalyst for economic activities, employment and creation of wealth.

(Source: Assessment of the Road Construction, Rehabilitation and Maintenance Industry updated 20 June 2003 undertaken by Vital Factor Consulting Sdn Bhd)

5.4 Industry Life-cycle

The life-cycle of the road construction, rehabilitation and maintenance industry is in its mature stage. This is mainly substantiated by stable or low growth based on the followings:

(i) The total network of roads increased from 64,980.6 kilometres in 1997 to 78,521.7 in 2002 representing an average annual growth rate of 3.9%. In 2002, the total network of roads grew by 7.5% over the previous year.

(ii) The network of Federal roads increased from 15,710.6 kilometres in 1997 to 17,024.7 kilometres in 2002 representing an average annual growth rate of 1.6%. In 2002, the network of Federal roads grew by 0.9% over the previous year.

(iii) The network of State roads increased from 49,270.1 kilometres in 1997 to 61,497.0 kilometres in 2002 representing an average annual growth rate of 4.5%. In 2002, the network of State roads grew by 9.5% over the previous year.

(Source: Assessment of the Road Construction, Rehabilitation and Maintenance Industry updated 20 June 2003 undertaken by Vital Factor Consulting Sdn Bhd)

5.5 Barriers to Entry

Barriers to entry into the road construction, rehabilitation and maintenance are low to moderate, mainly predicated by the ease of entry into the industry in terms of capital costs required, government regulations, technical skills and track record.

5.5.1 Capital costs

To qualify for a G7 ranking with the CIDB where it would be eligible to tender for contracts of unlimited value, a company is required to have a minimum paid-up share capital of RM750,000.

To be eligible for registration as a Class A contractor with PKK of the Ministry of Entrepreneur Development, the company is required to have a paid-up capital of above RM600,000.

5.5.2 Track Record

As the Government continues to emphasize on the quality and safety of the nation's existing and growing road network system, the track record and quality of an operator's services will be significant factors when tendering for new contracts. Companies with reputable and reliable track records will have a greater competitive edge within the industry.

(Source: Assessment of the Road Construction, Rehabilitation and Maintenance Industry updated 20 June 2003 undertaken by Vital Factor Consulting Sdn Bhd)

5.6 Government Legislation, Policies and Incentives

With effect from 20 July 1995, it is mandatory under the Act of Parliament Act 520 (Act 520) for all builders, contractors and sub-contractors, whether local or foreign, to register with the CIDB, before undertaking or executing any construction work in Malaysia.

The Certification of Registration issued by the CIDB is valid for a minimum period of one (1) year and a maximum term not exceeding three (3) years, unless cancelled, suspended or revoked earlier by Lembaga Pembangunan Industri Pembinaan Malaysia ("LPIPM").

Construction works as defined under Act 520 include the construction, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling, or demolition of:

(i) Any road, harbour works, railway, cableway, canal or aerodrome; and

(ii) Any drainage, irrigation or river control works.

The definition also includes works such as site clearance, soil investigation and improvement, earthmoving, excavation, laying of foundation, site restoration and landscaping.

There are three categories of registration as follows:

(i) Civil Engineering Construction;

(ii) Building Construction; and

(iii) Mechanical and Electrical.

The scope of registration is further classified into seven (7) grades and are differentiated by their respective tender capacities:

Grade	Tender Capacity (RM)
G1	Not exceeding 100,000
G2	Not exceeding 500,000
G3	Not exceeding 1 million
G4	Not exceeding 3 million
G5	Not exceeding 5 million
G6	Not exceeding 10 million
G7	No limit

In addition, all builders, contractors and sub-contractors must also register with PKK of the Ministry of Entrepreneur Development prior to undertaking any public construction works.

PKK classifies all registrations into two (2) main categories, namely:

(i) General Construction Works; and

(ii) Electrical Works.

The two (2) categories are further classified into eight (8) classes of various tender capacities:

Class	Tender Capacity (RM)
A	Above 10,000,000
B	Between 5,000,001 and 10,000,000
BX*	Between 5,000,001 and 10,000,000
C	Between 2,000,001 and 5,000,000
D	Between 500,001 and 2,000,000
E	Between 200,001 and 500,000
EX*	Between 200,001 and 500,000
F	200,000 and below

Note:

* *Class BX and EX are no longer available to new applicants. However, currently there are still companies holding valid Class BX and EX.*

Part VIII of the LPIPM Act 1994 and the Construction Industry (Collection of Levy) Regulations 1996 stipulates that all contractors and builders undertaking construction works above RM500,000 are required to pay a levy of 0.25% of the contract sum to CIDB.

Failure by contractors to comply with the requirement of Part VIII of the LPIPM Act 1994 and Construction Industry (Collection of Levy) Regulations 1996 is an offence under the law and may result in a fine of not exceeding RM50,000 or action will be taken on the contractor's registration, such as cancellation, suspension or revocation.

Upon completion of construction works, a Certificate of Practical Completion ("CPC") is issued. In the case of public construction works, the CPC is issued by the client, i.e., the Public Works Department or Ministry of Works upon completion of the construction works.

The issue of the CPC indicates the commencement of the Defects Liability Period, which is fixed at 6 or 12 months depending on the estimate of the contract sum at the time tender documents were prepared.

In the event of a defect detected within the Defects Liability Period, the contractor will be liable for the defective work and a Certificate of Completion of Making Defects is issued.

Currently, there are no specific incentives relating to the Road Construction, Rehabilitation and Maintenance Industry.

In January 1986, the Environmental Quality Act, 1974 was amended to include Section 34A, which is described as the Environment Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987. The amendment, enforced since April 1988, requires an Environmental Impact Assessment ("EIA") report to be prepared for prescribed activities, and submitted to the Director General of Environmental Quality for approval before the commencement of such activity.

The main pollutants of a waterway arising from a road construction project include suspended solids, organic and inorganic waste arising from a high biological oxygen demand or chemical oxygen demand. The concentration of such pollutants is regulated under the Regulations 25 and 29 of the Environmental Quality Act, 1974.

The impact of pollution arising from the traffic plying on a proposed road project has to be evaluated. Contaminants such as carbon monoxide, lead and hydrocarbons resulting from the burning of fossil fuels would have a direct impact on the air quality. The concentration of such emission is controlled by the Environmental Quality Act under Regulations 21 and 22 and the Environmental Quality (Clean Air) Regulations 1978.

(Source: Assessment of the Road Construction, Rehabilitation and Maintenance Industry updated 20 June 2003 undertaken by Vital Factor Consulting Sdn Bhd)

5.7 Competitive Industry and Major Players

Competition among road construction, rehabilitation and maintenance companies is intense, based on the following observations:

(i) As 31 March 2003, there were 38,944 companies registered with the CIDB under the category of civil engineering construction. Based on their track records, financial resources and personnel resources, these companies are classified by the CIDB into seven (7) categories, ranging from G1 to G7. The grades indicate the size of each company's tendering capacity. As at 6 June 2001, there were a total of 2,598 operators involved in road and pavement construction.

(ii) The intensity of competition based on the total number of 38,944 companies in civil engineering construction registered with CIDB is very high whilst competition amongst companies in road & pavement construction is still high with a total of 2,598 road and pavement specialists. The competitive intensity within the Grade 7 category in which the Protasco Group operates, although slightly lower, is still high with a total of 473 road and pavement specialists.

(iii) The intensity of competition based on the total number of 27,817 companies in civil engineering construction registered with PKK as at 31 May 2002 is very high.

(iv) The mobility of construction companies means that the industry is subjected to the full competitive forces from throughout Malaysia. However, usually, only larger companies have the economies of scale to undertake nationwide jobs.

Some of the key players within the road construction, rehabilitation and maintenance industry are:

(i) Bina Puri Holdings Berhad;

(ii) IJM Corporation Berhad;

(iii) PROPEL;

(iv) Setegap Berhad;

(v) Gamuda Berhad;

(vi) Road Builder (M) Holdings Berhad;

(vii) PATI Sdn Bhd;

(viii) Bumi Hiway (M) Sdn Bhd; and

(ix) Isyoda Corporation Bhd.

In terms of road maintenance, Protasco Group is currently servicing and maintaining approximately 5,550 kilometres of roads within a total road network under maintenance in Malaysia of 71,818 kilometres in 2002.

(Source: Assessment of the Road Construction, Rehabilitation and Maintenance Industry updated 20 June 2003 undertaken by Vital Factor Consulting Sdn Bhd)

5.8 Contribution to Economic Growth

The road construction, rehabilitation and maintenance industry plays a significant role in the general economic growth of Malaysia and the quality of life of all Malaysians.

During the Seventh Malaysia Plan period (1996-2000) ("Seventh Plan"), the Federal Government spent a total of approximately RM12.3 billion on road development. This accounted for about 59% of the transport sector's total expenditure of RM20.8 billion, which represented the largest portion of total Federal Government development expenditure of RM99 billion during the Seventh Plan.

The extensive linkages and dependencies amongst the various upstream, midstream and downstream industries create a multiplier effect which acts as a catalyst for increased economic activities as well as creation of wealth for the nation.

As Malaysia continues to be a player in the global market, the road construction, rehabilitation and maintenance industry plays a critical role in supporting the country's industrial growth, by providing an efficient road system for greater accessibility of goods and services. This would ultimately contribute towards generating higher export earnings and increasing the countries foreign reserves.

(Source: Assessment of the Road Construction, Rehabilitation and Maintenance Industry updated 20 June 2003 undertaken by Vital Factor Consulting Sdn Bhd)

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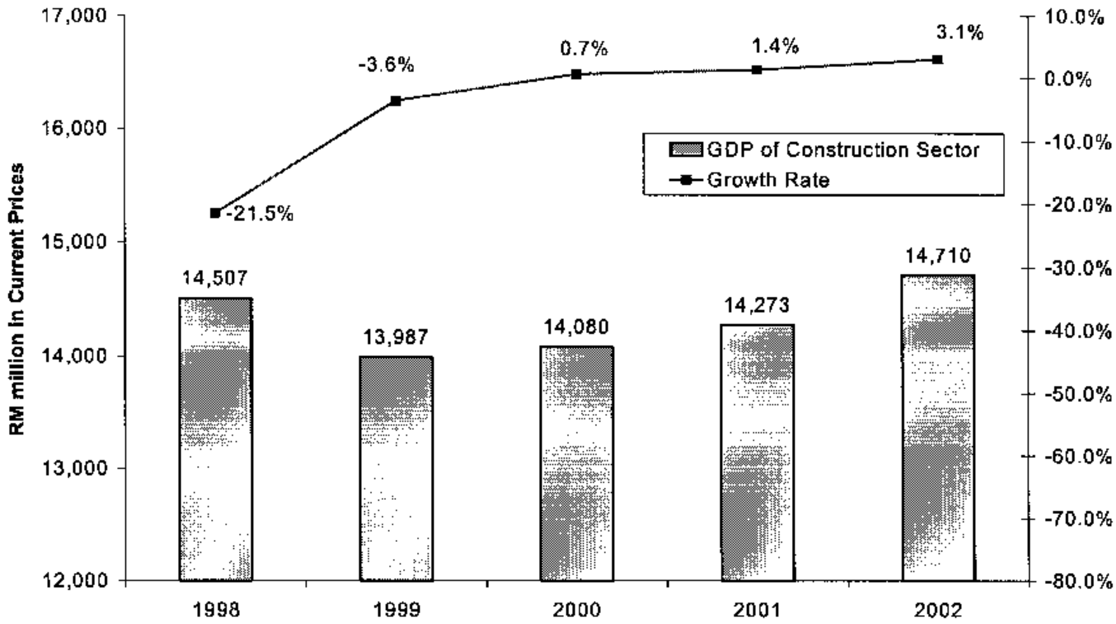
5.9 Industry Growth



(Source: Monthly Statistical Bulletin, February 2003, Bank Negara Malaysia)

The overall construction industry, which includes road infrastructure construction, has been experiencing growth from 2000 onwards. In 2000, it reversed its decline and recorded a modest 0.7% growth. This was then followed by two consecutive growth rates of 1.4% and 3.1% for 2001 and 2002, reaching RM14.7 billion in 2002 (Refer to chart above).

Growth in construction sector continued to be bolstered by projects implemented under the fiscal stimulus program and housing development. At the same time, the Government reviewed procedures, rules and guidelines as well as established a special task force to ensure that the implementation of public and privatised projects are carried out as scheduled and therefore, produce the intended impact. The construction sector continued to remain strong particularly the housing segment due to a number of factors including:

- Stable and low interest rate;
- Extension of the stamp duty exemptions for the purchase of houses for another six months to June 2002;
- Increase in the number of low-cost houses complemented by establishment of financing schemes for the lower income group;
- Continued implementation of privatised and public infrastructure projects; and
- Higher disposable incomes.

(Source: Economic Report 2002/2003, Ministry of Finance; Bank Negara Malaysia Annual Report 2002)

5.10 Industry Outlook

The outlook for the road construction, rehabilitation and maintenance industry is highly dependent on the Government.

As such, the outlook of the industry is encapsulated within the Eighth Malaysia Plan based on allocation of government funds and investments by the private sector as follows:

- RM5.1 billion will be allocated for the development of new roads;
- RM8.9 billion will be allocated for the improvement and upgrading of existing roads; and
- RM3.5 billion will be invested on roads by the private sector.

Growth within the Eighth Malaysia Plan will amount to 2.6% per annum based on the difference between the allocation of RM14.0 billion for the Eighth Malaysia Plan and the RM12.3 billion being the amount spent during the Seventh Malaysia Plan by the Government.

The following factor in local road construction, rehabilitation and maintenance activities provide further support for the growth forecast:

- In 2000, the value of civil engineering construction work was RM14.5 billion. The value of this sector grew at an average annual rate of 6.4% between 1994 and 2000.

(Source: Assessment of the Road Construction, Rehabilitation and Maintenance Industry updated 30 June 2003 undertaken by Vital Factor Consulting Sdn Bhd)

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