

## 2. PARTICULARS OF THE ISSUES

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### 2.1 INTRODUCTION

This Prospectus is dated 31 March 2004.

A copy of this Prospectus has been registered with the SC and lodged with the Registrar of Companies, and neither the SC nor the Registrar of Companies takes any responsibility for its contents.

The approval from the SC shall not be taken to indicate that the SC recommends the Issues. Investors are advised to make their own independent assessment of APB and should rely on their own evaluation to assess the merits and risks of any investment.

An application will be made to the MSEB within three (3) market days from the date of issuance of this Prospectus for admission to the Official List of the Main Board of the MSEB and for permission to deal in and the listing of and quotation for the entire enlarged issued and fully paid-up share capital of APB, including the Issue Shares which are the subject of this Prospectus, on the Main Board of the MSEB. These ordinary shares will be admitted to the Official List of the Main Board of the MSEB and official quotation will commence after the 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 all successful applicants.

Acceptance of the applications will be conditional upon permission being granted by the MSEB to deal in and for the quotation of the entire enlarged issued and fully paid-up share capital of the Company on the Main Board of the MSEB. Accordingly, monies paid in respect of any application accepted from the Issue Shares will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issuance 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 MSEB within the aforesaid timeframe. Admission to listing is not being sought on any other stock exchange.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965, the MSEB has prescribed APB as a prescribed security. In consequence thereof, the Issue 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.

Only an applicant who has a CDS account can make an application by way of an application form. In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form only if he/she presently has such an account and he/she shall be deemed to have authorised MCD to disclose information pertaining to the CDS account to the issuing house/Company for the purpose of crediting the Issue Shares allotted to him to his/her CDS account. Where an applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an application for the APB Shares. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the participating financial institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

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

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






This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation to buy or subscribe for any Issue 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 an offer or invitation. The distribution of this Prospectus and the sale of the Issue Shares are subject to Malaysian law and the Company takes no responsibility for the distribution of this Prospectus and/or sale of the Issue Shares outside Malaysia, which may be restricted by law in other jurisdictions. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions.

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

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

### 2.2 INDICATIVE TIMETABLES






#### 2.2.1 Indicative timetable for the Public Issue and the Special Issue

Date		Event
31 March 2004		Opening date / Issue date of Prospectus
12 April 2004		Closing date
14 April 2004		Tentative balloting date
23 April 2004		Tentative date for despatch of notice of allotment
26 April 2004		Tentative listing date

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

### 2.2.2 Indicative timetable for the Restricted Issue

Date		Event
31 March 2004		Issue date of Prospectus
12 April 2004 at 5:00 p.m.		Last day and time for acceptance and payment
12 April 2004 at 5:00 p.m.		Last day and time for excess share application and payment
23 April 2004		Tentative date for despatch of notice of allotment
26 April 2004		Tentative listing date

*These timetables are tentative and are subject to changes which may be necessary to facilitate implementation procedures. The Issues will close at the dates stated above or such other dates as the directors of APB in their absolute discretion may decide.*

### 2.3 SHARE CAPITAL

<b><u>AUTHORISED</u></b>	<b>RM</b>
175,000,000 APB Shares	175,000,000
25,000,000 ICPS	25,000,000
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<b><u>ORDINARY SHARES</u></b>	
<b>Issued and fully paid-up as at 30 March 2004</b>	
66,873,002 APB Shares	66,873,002
<b>To be issued pursuant to the Restricted Issue</b>	
2,802,000 new APB Shares	2,802,000
<b>To be issued pursuant to the Public Issue</b>	
2,000,000 new APB Shares	2,000,000
<b>To be issued pursuant to the Special Issue</b>	
16,200,000 new APB Shares	16,200,000
<b>To be issued pursuant to the Proposed Acquisition of ECSB</b>	
4,300,000 new APB Shares	4,300,000
<b>To be issued pursuant to the Proposed Acquisition of KRSB</b>	
4,300,000 new APB Shares	4,300,000
<b>Enlarged issued and paid-up share capital</b>	<b>96,475,002</b>
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<b><u>ICPS</u></b>	
Issued and fully paid-up as at 30 March 2004	25,000,000
<b>Issue price per Issue Share</b>	<b>1.00</b>

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

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### 2.4 CLASSES OF SHARES AND RIGHTS

There are currently two classes of shares in APB, namely ordinary shares of RM1.00 each and the 5.5% 2004/2009 Cumulative ICPS of RM1.00 each. The ICPS rank *pari passu* with one another but they rank ahead of the ordinary shares of RM1.00 each. The APB Shares arising after conversion of ICPS and Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company, including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

At any general meeting of the Company, each shareholder shall be entitled to vote at any general meeting of the Company, in person or by proxy or by attorney or duly authorised representative, 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. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of 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 the liquidation of the Company in accordance with the Articles of Association of the Company.

The holders of the ICPS in the Company shall have the same rights as ordinary shareholders as regards to receiving notices, reports, audited financial statements and attending general meetings of the Company. The holders of the ICPS shall also be entitled to a cumulative dividend of 5.5% and a return of capital in preference to holders of ordinary shares when the Company is wound up but shall not be entitled to any further participation in profit or assets. The holders of the ICPS shall also have the right to vote at any meeting convened for when the dividend or part of the dividend on the ICPS is in arrears for more than six (6) months, on a proposal to reduce the Company's share capital, a proposal for the disposal of the whole of the Company's property, business and undertaking, a proposal that affects the rights and privileges attaching to the ICPS, a proposal to wind up the Company and during the winding up of the Company.

### 2.5 PURPOSES OF THE ISSUES

The purposes of the Issue Shares are as follows:

- (i) To provide an opportunity for the NCK Shareholders and the Malaysian public to participate in the continuing growth of the Group by way of equity participation;
- (ii) To provide an avenue to the unsecured creditors of NCK to realise the value of the APB Shares received by them as part settlement of the amount owing by NCK;
- (iii) To enable the Company to meet its public shareholding spread requirement under the Listing Requirements of the MASEB;
- (iv) To enable the Company to meet its Bumiputera shareholding spread of 30% under the New Development Policy;
- (v) To obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of APB on the Main Board of the MASEB; and
- (vi) To enable the Company to gain access to the capital market for funds to finance its future expansion plans and continued growth.

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

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### 2.6 DETAILS OF THE ISSUES

The Issue Shares will be allocated in the following manner:

- (i) 2,802,000 Restricted Issue Shares representing 2.90% of the enlarged issued and paid-up share capital of APB are made available for application by the NCK Shareholders;
- (ii) 2,000,000 Public Issue Shares representing 2.07% of the enlarged issued and paid-up share capital of APB are made available for application by the Malaysian public, to be allocated via ballot, of which 30% is to be set aside strictly for Bumiputera citizens, companies, societies, co-operatives and institutions; and
- (iii) 16,200,000 Special Issue Shares representing 16.79% of the enlarged issued and paid-up share capital of APB have been reserved for Bumiputera investors approved by the MITI.

The Issue Price of RM1.00 per share is payable in full upon acceptance on the terms and conditions as set out in this Prospectus.

The 2,802,000 Restricted Issue Shares and 2,000,000 Public Issue Shares offered to the NCK Shareholders and the Malaysian public listed under paragraph 2.6(i) and 2.6(ii) above have been fully underwritten via the conditional Underwriting Agreement dated 25 March 2004 referred to in Section 2.10 of this Prospectus by the Underwriter as set out under the Corporate Directory of this Prospectus. The 16,200,000 Special Issue Shares in respect of paragraph 2.6(iii) above are not required to be underwritten and are therefore not underwritten.

### 2.7 BASIS OF ARRIVING AT THE ISSUE PRICE

The Issue Price of RM1.00 per share has been determined and agreed upon by APB and OSK as the Adviser based on various factors after taking into account the following:

- (i) the proforma consolidated NTA per share of RM0.84 of APB as at 30 September 2003 after the Issues, the utilisation of proceeds, proposed acquisition of ECSB and KRSB and before full conversion of ICPS;
- (ii) the forecast gross dividend yield of 2% for the financial year ending 30 September 2004; and
- (iii) prospects of the APB Group as outlined in Section 6.3 herein.

Investors should form their own views on the valuation of the securities and the reasonableness of the bases used.

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

### 2.8 UTILISATION OF PROCEEDS

The gross proceeds of the Issues of RM21.0 million will accrue to the APB Group and are expected to be utilised in the following manner:

	Note	RM'000	To be utilised by the financial year ending 30 September
Capital expenditure	(i)	4,860	2005
Repayment of bank borrowings	(ii)	3,481	2004
Repayment of hire purchase facilities	(iii)	1,913	2004
Estimated listing expenses	(iv)	2,000	2004
Working capital	(v)	8,748	2004
Total		<u>21,002</u>	

Any variation in the actual listing expenses from the estimated amount will be adjusted in the working capital

#### Notes:

(i) **Capital expenditure**

APB proposes to purchase overhead cranes, welding machine, blasting and painting equipment and tensile test, bend test and charpy test equipment amounting to RM4.86 million to increase its future production capacity and efficiency.

(ii) **Repayment of bank borrowings**

APB will utilise approximately RM3.48 million of the proceeds from the Issues to repay existing bank borrowings. The bank borrowings were mainly used to finance the purchase of machinery, the acquisition of land and the construction of factory cum office. The interest savings as a result of the repayment of the said borrowings is approximately RM278,000 per annum assuming the cost of borrowings is approximately 8% per annum.

(iii) **Repayment of hire purchase facilities**

APB proposes to utilise approximately RM1.91 million to repay hire purchase facilities utilised to acquire machinery, equipment and motor vehicles. The repayment of the hire-purchase facilities will result in interest savings of approximately RM153,000 per annum, assuming the cost of borrowings is 8% per annum.

(iv) **Estimated listing expenses**

A portion of the proceeds raised from the Issues will be utilised to cover the Group's listing expenses. The estimated listing expenses of approximately RM2.0 million include the professional fees, authorities' fees, underwriting and brokerage fees. The underwriting commission and brokerage fee relating to the Restricted Issue and the Public Issue will be borne by the Company.

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

The estimated listing expenses of RM2.0 million consist of the following:

	<b>RM'000</b>
Professional fees	1,050
SC's fees and MSEB's listing fees	130
Advertisement and printing of Prospectus and information circular to NCK Shareholders	450
Underwriting commission and brokerage fee	150
Issuing house's fee	100
Lodgement fees for Prospectus	5
Miscellaneous/contingencies	115
	<u>2,000</u>

(v) **Working capital**

The proceeds of approximately RM8.75 million allocated for working capital will be mainly utilised for working capital requirements such as purchase of raw materials, finance of future expansion, general and administrative expenses and to reduce its reliance on borrowings to fund daily operation. This utilisation is expected to improve the Group's liquidity and result in interest savings. Assuming the cost of borrowings is 8% per annum, it would result in interest savings of approximately RM700,000 per annum.

(vi) **The financial year-end of APB has been changed to 30 September with effect from the year ended 30 September 2003.**

## 2.9 BROKERAGE AND UNDERWRITING COMMISSION

### 2.9.1 Brokerage

Brokerage will be paid by the Company at the rate of 1.0% of the issue price of RM1.00 per share in respect of successful applications which bear the stamps of OSK, member companies of the MSEB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or the Issuing House.

### 2.9.2 Underwriting commission

OSK has conditionally agreed to underwrite the 2,802,000 Restricted Issue Shares and 2,000,000 Public Issue Shares which are made available for application by the NCK Shareholders and the Malaysian public respectively. Underwriting commission is payable by the Company at the rate of 2% of the issue price of RM1.00 per share.

## 2.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Pursuant to the underwriting agreement dated 25 March 2004 entered into between APB and OSK ("the Underwriter") ("Underwriting Agreement"), the Underwriter agreed to underwrite 2,802,000 APB Shares from the Proposed Restricted Issue ("Underwritten Restricted Shares") and the 2,000,000 APB Shares from the Proposed Public Issue ("Underwritten Public Shares") upon the terms and subject to the conditions therein contained. Underwriting commission payable by APB for the 2,802,000 Restricted Issues Shares and the 2,000,000 Public Issue Shares shall be at the rate of 2% of the issue price of RM1.00 per share and amounts to RM96,040 ("Underwritten Commission").

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

- (a) In consideration of the Underwriting Commission for the Underwritten Restricted Shares and the Underwritten Public Shares ("Underwritten Shares") payable to the Underwriter and relying upon each of the representations and warranties by the Company, the Underwriter

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

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- (b) The Company undertakes with the Underwriter that it shall promptly and without any delay notify and provide the Underwriter of any facts, information, situations or circumstances which will have a material adverse effect on the financial condition or business or operations of the Company, or which materially and adversely affect any of the Company's representations or warranties as stipulated in Clause 3 of the Underwriting Agreement at any time prior to the Closing Date and take such steps as may be reasonably requested by the Underwriter to remedy and/or publicise the same. Notwithstanding the clauses therein, the Underwriter may, at any time, be entitled to terminate their respective obligations under this Agreement with a notice in writing delivered to the Company, if in the reasonable opinion of the Majority Underwriter, there shall have occurred on or before the Closing Date, inter alia:
- (i) any breach of any material representation, warranty, covenant, undertaking or obligation of the Company in the Underwriting Agreement;
  - (ii) any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates which would seriously prejudice the success of the Issue and the distribution of the Issue Shares or the sale of any Underwritten Shares (whether in the primary or in respect of dealings on the secondary market);
  - (iii) the Kuala Lumpur Composite Index closes below 580 points at any market day;
  - (iv) the entire issued and paid-up share capital of the Company are not listed on the Main Board of MASEB within 46 months from the date of the Underwriting Agreement;
  - (v) any government requisition or other occurrence of any nature which would have a material adverse effect on the financial condition or business or operations of the Company; and
  - (vi) any event or series of events beyond the reasonable control of the Underwriter by reason of force majeure which will make the Underwriting Agreement or any part thereof incapable of performance.

Upon the delivery of such notice, the parties shall be released and discharged from their obligations within 72 hours of receipt of such notice but subject to the Company remaining liable for the payment of cost and expenses. Thereafter, the Underwriting Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.

- (c) The obligations of the Underwriter under the Underwriting Agreement are conditional, inter alia upon the fulfillment of the following:-
- (i) the MASEB having agreed in principle prior to or after the date of the Prospectus to the listing of and quotation for (on terms satisfactory to the Underwriter) the entire issued and paid-up share capital of the Company on the Main Board of the MASEB or the Underwriter being reasonably satisfied that such listing and quotation will be granted three (3) market days (or such other days as MASEB may permit) after the application for the Issue Shares have been accepted and the Issue Shares are deposited in or transferred to the relevant securities accounts maintained by the entitled shareholders under the Securities Industry (Central Depository) Act 1991;
  - (ii) the issuance of and subscription for the Issue Shares pursuant to and in accordance with the provisions of this Agreement and in the Prospectus 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 agency, legislative, executive or regulatory body or authority of Malaysia (including the MASEB);



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

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- (iii) the approval from the SC in respect of the Prospectus and registration of the Prospectus with the SC pursuant to the Securities Commission Act 1993 and subsequent lodgment of the Prospectus with the Registrar of Companies;
- (iv) all other necessary approvals and consents required in relation to the Issue and the Issue Shares including but not limited to governmental approvals having been obtained and are in full force and effect;
- (v) the issue of the Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting;
- (vi) there has been no event of default and no breach of any warranty representation, covenant, undertaking or obligation of the Company under the Underwriting Agreement from 25 March 2004 up to the Closing Date or the Extended Closing Date, as the case may be; and
- (vii) all shares issued pursuant to the Proposed Special Issue have been fully subscribed by the Bumiputera Investors approved by the MITI.

If any of the foregoing conditions are not satisfied on or before the Closing Date, the Underwriter shall be entitled to terminate this Agreement by notice in writing whereupon the Company shall be liable to the Underwriter for the payment of cost and expenses reasonably incurred by the Underwriter pursuant to this Agreement prior to termination and each party shall return all moneys (if any) paid to the other under this Agreement. Thereafter, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.

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### 3. RISK FACTORS

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**Notwithstanding the prospects of the APB Group, as outlined in this Prospectus, applicants for the Issue Shares should, in addition to the other information contained herein, carefully consider the following factors (which may not be exhaustive) which may have a significant impact on the future performance of the APB Group before applying for the Issue Shares.**

#### 3.1 BUSINESS DEVELOPMENT RISK

The success of the Restructuring Scheme and the future growth of the APB Group hinge on the contribution from the new businesses injected into the APB Group. Whilst, the operating subsidiary companies of the APB Group are expected to provide an immediate and stable source of future cashflow and earnings to the APB Group with the existing and potential contracts in the pipeline, the management of the APB Group intends to review and monitor regularly the progress of the development of new businesses to ensure a constant growth and continuity of its businesses. Notwithstanding that, there is no assurance that any change in the external factors will not have any adverse effect on the APB Group's businesses and the future growth of the APB Group.

#### 3.2 BUSINESS RISKS

The APB Group is subject to certain risks inherent in its business which include, amongst others, a general downturn in the global, regional and national economy, entry of new players, dependence on particular sectors, namely, the oil and gas industry, changes in law and tax legislation affecting the industry in Malaysia, changes in business and credit conditions, fluctuations in foreign exchange rates and raw material prices and technology advancement. Although the Group seeks to limit these risks through, *inter-alia*, continuous improvement of product quality in accordance with the customers' specifications and requirements, expansion and diversification of its suppliers and clientele base, implementation of effective costs control and prudent management policies, there can be no assurance that any change to these factors will not have a material adverse effect on the Group's businesses.

#### 3.3 DELAY IN THE ISSUE OF CERTIFICATE OF FITNESS TO THE SUBANG FACTORY

AMC's factory in Subang is currently operating without the certificate of fitness. AMC has submitted their application to Majlis Perbandaran Shah Alam for the certificate of fitness for the aforesaid factory which was ready in April 2003. The new factory has commenced operations since the first half of 2003 and it is operating in the same manner as AMC's factory in Kuantan which is design, engineering and fabrication of process equipment.

Under Section 28 of the Uniform Building By-laws 1984, AMC is liable to be prosecuted if the factory is occupied without a certificate of fitness.

Currently, the Subang factory represents about 12% of APB's total production capacity and the cost of investment of the Subang factory is approximately RM2.0 million. Most of the works undertaken at the Subang factory are on-site works where the bulk of the physical works is performed at the customers' sites. In the event that the authorities issue a stop work order, AMC can, without much disruption transfer the jobs affected, to the Kuantan factory, which has sufficient space to cater for the production capacity lost from the Subang factory. A large proportion of the workers are on sub-contract basis and they can be relocated to Kuantan over a short to medium term. In addition, most of the equipment and machinery in the Subang factory are moveable. As such, in the event the authorities were to issue a stop work order to the factory, the estimated cost to be incurred in relation to the aforesaid relocation and disruption is approximately RM100,000.

On 19 February 2004, MITI has licensed the Subang factory as a licensed manufacturer with effect from 23 August 2003.

Notwithstanding the above, the Directors of AMC are confident of obtaining the certificate of fitness from Majlis Perbandaran Shah Alam.

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

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#### **3.4 DEPENDENCE ON KEY PERSONNEL**

The APB Group believes that its continued success will depend to a significant extent upon the ability and continued efforts of its existing Directors and Senior Management team. These key personnel, with their extensive experience in engineering and fabrication of process equipment, air-conditioning and NDT services, are valuable assets to the Group. Nevertheless, in view that the Group is established based on the collective effort of the whole management team, the loss of any key members of the Group is not likely to adversely affect the Group's ability to compete in the industry. Further, the Group's operations do not depend on the efforts and experience of any single individual and its financial performance has been a direct result of the Group's commitment to quality products and services.

Notwithstanding that, the Group has introduced a management succession plan to ensure smooth transition in the management team so as to avoid any interruption in its business operations. Every effort is also made to strategically develop a continuing effective and dynamic management team and the establishment of a management system to ensure continuous improvement of its future programmes. Further information on the management succession plan is set out in Section 7.9 of this Prospectus. Although the Group has instituted the management succession plan to mitigate the risk, there can be no assurance that the Group will always be successful in developing an effective and dynamic management team.

#### **3.5 DEMAND FOR PROCESS EQUIPMENT**

A major portion of APB's customers are based in the oil, gas, petrochemical and oleochemicals industries. As such, the Group's business performance is indirectly affected by changes in the market demand in the oil, gas, petrochemical and oleochemicals industries. The revenue of the Group derived from these industries represents approximately 72% of the total Group's revenue for the financial year ended 30 September 2003. Demand in the oil, gas, petrochemical and oleochemicals industry will in turn be affected by various external factors, including worldwide demand and supply for oil, gas, petrochemical and oleochemicals industries. The APB Group believes that as the economy in the USA and Asia recovers, there will be an increase in demand for fuel and energy. However, there is no assurance that with the said recovery, the demand for the Group's products and services will increase.

This is mitigated by the fact that all processing plants require some form of process equipment, therefore the applications are equally diverse. From that perspective, the APB Group could easily diversify into servicing other end-user industries including pulp and paper mills, food and beverage processing industry, pharmaceutical industry, water treatment plants and other manufacturing based industries. The APB Group can also easily diversify into other non-process equipment related products such as erection of structural steel platforms, construction of steel bridges, plant piping works and construction of warehouses. However, no assurance can be given that the APB Group would be able to successfully diversify into the abovementioned sectors.

#### **3.6 DEPENDENCY ON CERTAIN CUSTOMERS**

The APB Group's businesses are project based. As such, its customers list is extensive depending on the contract secured by the Group. Since its inception, the APB Group has established long standing business relationships and rapport with its customers. The fact that the APB Group is able to maintain long standing relationships with the customers is testament to the Group's capabilities in producing quality work and achieving total customer satisfaction. In addition, ECSB would have the right to sell and Tenaga Nasional Berhad ("TNB") would be obliged to buy daily available capacity provided and electrical energy generated/dispatched by the Hydro Project under the Proposed Power Purchase Agreement, hence making TNB the sole customer of ECSB. Hence, there could be material adverse effect on the future revenue stream and ability to meet debt service obligation of ECSB if the aforesaid relationship is disrupted or terminated.

Notwithstanding the above, the Group is constantly making efforts to expand its customers-base by planning to diversify into other end-user industries and expand into other countries such as Vietnam and China and continue to enhance its product quality and services so that the Group is not heavily dependent on any one single customer.

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

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#### **3.7 FLUCTUATION IN RAW MATERIAL PRICES**

Generally, the Group has reduced its exposure to the risk of fluctuation of its raw material prices such as steel as there is no reliance on any single supplier. The management of APB has vast experience in purchasing raw materials and is well-versed with the market trends of the raw material prices and availability. The risk is mitigated by the fact that the lead time between confirmed job and ordering of material is short thus reduces the impact of fluctuation of the raw material prices. However, if there is an increase in raw material prices, the increase may be transferred in part or in full to its customers for certain projects. Whilst the management seeks to effectively control costs in the production process by relying on their extensive experience in the industry, no assurance can be given that any fluctuation in the raw material prices will not affect the future profitability of the Group.

#### **3.8 FOREIGN EXCHANGE FLUCTUATION**

For the financial year ended 30 September 2003, approximately 29% of the Group's raw materials were imported in USD. The total imported raw materials made up 15% of the Group's total revenue amounting to approximately RM39.2 million for the financial year ended 30 September 2003. The APB Group's operations are thus, subject to foreign exchange risks through import of raw materials. The imposition of currency controls via the pegging of the RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the Group's risk arising from foreign currency fluctuation.

Based on the Group's financial performance for the financial year ended 30 September 2003, foreign exchange risk is further mitigated by the APB Group, as approximately 34% of the Group's products are exported in USD which provides a natural hedge against the foreign exchange risk. However, there can be no assurance that the currency controls will remain and that future foreign exchange fluctuations arising from the lifting of the currency controls or the adjustment of the RM to USD peg will not adversely affect the financial results of the APB Group.

#### **3.9 FINANCING RISK**

The development and execution of the Hydro Project and the acquisition of thirty five (35) Mini Hydro Generating Stations are estimated to cost up to RM100 million, which will be financed through a composite of debts/internally sourced funds. In the event that ECSB and KRSB fail to raise sufficient funds and/or in a timely manner to meet the financing requirements, the respective development projects may be delayed and could result in the failure in meeting obligations prescribed under the Power Purchasing Agreement "PPA". Therefore, there can be no assurance that such risk, if it materialises, will not adversely affect the financial position of APB.

#### **3.10 DOMESTIC BORROWINGS**

The Group's total domestic long-term and short-term bank borrowings as at 28 February 2004 amounted to RM11.2 million and RM14.7 million respectively. These balances comprise of banker's acceptance balance, trust receipts, term loans and hire purchase and finance lease liabilities. All the loans of the Group are interest bearing. As such, any increase in interest rates will increase the burden of the Group with respect to interest payments of the loans depending on the total outstanding loans 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.

Notwithstanding that, part of the Group's domestic long-term and short-term bank borrowings will be repaid from the proceeds arising from the Issues. Therefore, this will reduce the interest expense of the Group.

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

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#### **3.11 COMPETITION**

As in other businesses, the APB Group faces competition from various competitors, both domestically and abroad. Whilst the APB Group seeks to diversify its businesses and expand its customers base, with the intensive competition from the participation of new entrants and the existing competitors in the industry, no assurance can be given that the Group will be able to maintain its existing market share in the future.

Notwithstanding that, being one of the market leaders in the process equipment fabrication industry in Malaysia, the Group is committed to achieve customers' satisfaction by meeting the specifications and requirements of the customers and is confident that it will be able to maintain its competitive edge backed by its long established reputation of more than twenty (20) years. The Group is constantly striving to improve its standards, product range and the quality of its products through continuous updating of internal quality control manuals in accordance to the general and international practice.

#### **3.12 CONTROL BY SUBSTANTIAL SHAREHOLDERS**

Pursuant to the Issues, the substantial shareholders and parties related to them namely, the Vendors of EJ, comprising Yap Kow @ Yap Kim Fah, Chi Hoo @ Chu Chi Hoo, Loh Siew Hooi, Lim Hong Liang, Cheong Boon Yu, Gan Chin Boon, Jaafar bin Padil, Lim Lye Hock, Johari Low bin Abdullah @ Low Han Hing, Loo Pak Soon, Tan Teng Khuan, Danau Restu, Rare Prestige, TTS Resources, Aspirasi Jitu and Ikram Pintas will effectively and collectively hold approximately 53.7% equity interest in APB. With this equity structure, unless they are required to abstain from voting by law and/or the relevant authorities, the aforementioned parties may be able to effectively control the outcome of certain matters requiring the vote of the Company's shareholders, including the constitution of the Board of Directors, the direction and future operation of the Group which includes decisions on acquisitions or disposals, business opportunities, declaration of dividends and issuance of additional or other securities. Details of the shareholdings of the Directors and substantial shareholders of APB are set out under Section 7 of this Prospectus.

#### **3.13 COVENANT ON BORROWINGS**

Pursuant to credit facility agreements entered into by the APB Group with banks or financiers, they are bound by certain positive and negative covenants which may limit the APB Group's operating and financial flexibility. The aforesaid covenants are of a nature which is commonly contained in credit facility agreements in Malaysia. Any act by the APB Group falling within the ambit or scope of such covenants will require the consent of the relevant bank/financier. Breach of such covenants may give rise to a right by the bank/financier to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Board of Directors is aware of such covenants and shall take all precautions necessary to prevent any such breach.

#### **3.14 EMERGENCY RISKS**

The emergency risks amongst others include fire breakout and energy crisis which can cause significant loss and interruption to the business of the APB Group. To mitigate such threats and risks, the management of the Group institutes fire detection and prevention systems in the offices and manufacturing plants to avoid or minimise the disastrous impact of the fire breakout which could jeopardise the operations. Further, as part of the risk management programmes, the workers are trained to adhere to fire prevention guidelines and policies to ensure a safe working environment. The Group has also insured adequately the factory to cover potential losses incurred as a result of fire breakout. In terms of energy crisis, the Group is currently identifying a suitable high power generator for factory use which can last for longer hours to ensure uninterrupted operations.

Notwithstanding the above preventive measures implemented by the Group, there can be no assurance that the emergency risks will not occur and have no adverse impact on the Group's operations.

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

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#### **3.15 ENVIRONMENTAL RISKS**

Like other steel fabrication industry, steel scraps are generated during the process of the process equipment fabrication. To ensure compliance with the requirements of the governmental enforcement and regulatory agencies, particularly the Department of Environment, Malaysia (Ministry of Science, Technology and the Environment), the Group regularly trade-in steel scraps for recycling purposes.

In addition, the APB Group is also involved in one of the critical stage of the manufacturing process, being painting of the finished products in accordance with the designs and plans specified by customers, to prevent corrosion and rustiness of the finished products. The said painting works are also required to be undertaken in accordance with the standards imposed by the local authorities, including the Department of Occupation Safety and Health and the Department of Environment as there is inevitable emission of polluted air due to usage of chemicals. With regard to this, the Group has built a covered work-yard for the necessary painting works done on the finished products to ensure compliance with the requirements of the said authorities.

#### **3.16 ADEQUACY OF INSURANCE COVERAGE ON ASSETS**

As at 28 February 2004, the Group has adequate insurance coverage on its business operations. Although the APB Group reviews the insurance policies on a regular basis to ensure there is adequate insurance coverage for its assets, there can be no assurance that the insurance coverage would be adequate for the replacement costs of its assets or any consequential loss arising therefrom.

#### **3.17 REVOCATION OR SUSPENSION OF LICENSE GRANTED**

Under the Sale and Purchase Agreement dated 3 November 2003 (as varied, amended and modified by the Supplemental Agreement dated 1 December 2003), both MESSB and Musteq Engineering Sdn Bhd undertake and covenant to procure the issuance of the generation license to ECSB, an associate company of APB, from the Director General of Electricity Supply, Jabatan Bekalan Elektrik for the undertaking and development of the "Project Penjanaan Kuasa Hidro Kecil", which involves the development of three (3) mini hydro electric power stations totaling 7.5MW in power generation under the Small Renewable Energy Power Program ("Hydro Project") as approved by the Ministry of Energy, Communications and Multimedia, Malaysia. Nevertheless, there is no assurance that the license will be issued or if being issued, will not be revoked or suspended on grounds prescribed in the license prior to its expiration, or renewed upon its expiration.

#### **3.18 NON-PROCUREMENT OF MHGS AGREEMENT**

Under the Sale and Purchase Agreement dated 3 November 2003 (as varied, amended and modified by the Supplemental Agreement dated 1 December 2003) PESB undertakes and covenants to procure the written consent of TNB to extend the tenure of the MHGS Agreement for a minimum period of twenty (20) years commencing upon the expiry of the MHGS Agreement, ie. 30 March 2004; and the novation of such extended MHGS Agreement in favour of KRSB wherein PESB and TNB shall novate all PESB's rights, interests, benefits, obligations and liabilities under the MHGS Agreement in favour of KRSB; or alternatively, procure that a new MHGS Agreement to be signed between TNB and KRSB on the terms and conditions acceptable to APB. Nevertheless, there is no assurance that the extension of the MHGS Agreement will be granted, or if granted, TNB would agree to novate the same in favour of KRSB. Further, there is also no guarantee that PESB would be able to procure the signing of a new MHGS Agreement between TNB and KRSB.

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

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#### **3.19 LEGAL SUITS FILED BY THE BUMIPUTERA INVESTORS**

As disclosed in Section 14.6 of this Prospectus, certain Bumiputera investors have filed for specific performance of the allocation of APB Shares to the Bumiputera investors pursuant to the Special Issue and an injunction to restrain APB from terminating or reducing the quantum of the allocation of APB Shares. The injunction filed also served to restrain APB from proceeding or implementing by revising the restructuring scheme of NCK until the disposal of the suit. The solicitors of APB are of the view that APB, being the defendant has a reasonable chance of success of opposing the injunction application and of defending the suit at trial.

In the event that the injunction is granted, APB will not be able to proceed with the implementation of the Restructuring Scheme. However, the legal suits are not expected to have any impact on the progress/implementation of the Restructuring Scheme. This bumiputera allottees (parties instigating the legal suits) have already been offered the respective APB Shares as approved by MITI and have also fully paid for them. APB's lawyers are in the process of getting the suits withdrawn.

#### **3.20 DELAY IN THE COMPLETION OF THE PROPOSED ACQUISITION OF ECSB AND PROPOSED ACQUISITION OF KRSB**

The Proposed Acquisition of ECSB and Proposed Acquisition of KRSB are subject to certain conditions pertaining to obtaining the necessary approvals from the appropriate authorities, including obtaining Court sanctions as the vendor of KRSB, namely PESB is currently under the purview of Section 176 of the Companies Act 1965. There is no assurance that the Proposed Acquisition of ECSB and the Proposed Acquisition of KRSB can be completed by the second quarter of year 2004, whereby any delay or non-completion of the acquisitions will preclude APB from capitalising the revenue generated from both ECSB and KRSB.

#### **3.21 POLITICAL, ECONOMIC AND REGULATORY CONDITIONS**

The Group imports raw materials from countries such as Singapore, Japan, Korea, China and Europe. Meanwhile, the Group's export markets consist of customers mainly from the European countries, the Asean countries, Japan, Korea, China, USA and the Middle East.

Any adverse developments in political, economic and regulatory conditions in Malaysia and the countries where the Group may source its supplies or market its products could materially and adversely affect the financial prospects of the Group. Political and economic uncertainties include (but are not limited to) global economic downturn, risks of war, expropriation, nationalisation, changes in interest rates and methods of taxation, currency exchange controls and introduction of new regulations which may be unfavourable to the Group's business. There can be no assurance that any change in any of these factors will not have a material adverse effect on the Group's business.

#### **3.22 PROFIT FORECAST**

This Prospectus contains the profit forecast for the APB Group for the financial year ending 30 September 2004 that has been prepared based on assumptions which are subject to uncertainties and contingencies. The Directors have considered the assumptions used in the preparations of the profit forecast to be reasonable. Due 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 realised and actual results may differ materially from those shown. Investors are deemed to have read and understood the description of the assumptions and uncertainties underlying the profit forecast contained herein.

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

#### 3.23 FORWARD LOOKING STATEMENTS

This prospectus includes forward-looking statements, which are based on assumptions that are subject to uncertainties and contingencies. The word “anticipates”, “believe”, “intends”, “plans”, “expects”, “forecast”, “predicts” and similar expressions as they relate to the Group or its business are intended to identify such forward-looking statements. The Group believes that, barring any unforeseen circumstances, the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effect on the Group’s financial and business performance.

#### 3.24 NO PRIOR MARKET FOR APB SHARES

Prior to the listing of APB, there has been no public market for APB Shares. Therefore, there can be no assurance that an active market for APB Shares may develop upon listing of APB Shares on the Main Board of the MSEC, or if developed, that such market will be sustained. The Issue Price per APB Shares to be issued pursuant to the Issues, has been determined after taking into consideration the proforma NTA per share of RM0.84 based on the proforma consolidated balance sheets of APB as at 30 September 2003 (before full conversion of the ICPS) assuming the Restructuring Scheme has been completed on that date.

The future market prices of APB Shares may depend on, *inter-alia*, the stock market sentiment, interest rates, future profitability of the APB Group and the industries in which the APB Group operates. There is however, no assurance that the Issue Price per APB Shares to be issued APB pursuant to the Issues will correspond to the price at which the APB Shares will be traded on the Main Board of the MSEC upon or subsequent to its listing or that an active market for the APB Shares will develop and continue to develop upon or subsequent to its listing. There is also no assurance that the market price of the new APB Shares to be issued pursuant to the Issues will remain at or above their Issue Price.

#### 3.25 FAILURE/DELAY IN THE LISTING OF APB

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

- (a) The Bumiputera Investors fail to acquire the Special Shares allocated to them;
- (b) The underwriter of the Restricted Issue and the Public Issue fails to honour their obligations under the underwriting agreement; and
- (c) APB is unable to meet the public spread requirements that is at least 25% of the issued and paid-up capital of APB must be held by a minimum number of 1,000 public shareholders holding no less than 100 APB Shares each at the time of listing of APB Shares on the Main Board of the MSEC.

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