

Company No. 496665-W

## PROSPECTUS



### ACOUSTECH BERHAD

(Company No. 496665-W)  
(Incorporated in Malaysia under the Companies Act, 1965)

**PUBLIC ISSUE OF  
12,000,000 NEW ORDINARY SHARES OF RM1.00 EACH  
AT AN ISSUE PRICE OF RM1.60 PER ORDINARY SHARE  
PAYABLE IN FULL ON APPLICATION  
IN CONJUNCTION WITH THE LISTING AND QUOTATION OF  
THE ENTIRE ISSUED AND PAID UP SHARE CAPITAL OF  
ACOUSTECH BERHAD ON THE  
SECOND BOARD OF THE KUALA LUMPUR STOCK  
EXCHANGE**

Adviser and Managing Underwriter



#### SOUTHERN INVESTMENT BANK BERHAD

(Company No. 169955-T)  
*(formerly known as Perdana Merchant Bankers Berhad)*

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING IN SECTION 4.0 HEREOF.**

This Prospectus is dated 27 September 2001

**THE DIRECTORS AND PROMOTERS OF ACOUSTECH BERHAD (ACOUSTECH) HAVE SEEN AND APPROVED THIS PROSPECTUS AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION GIVEN AND CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.**

**SOUTHERN INVESTMENT BANK BERHAD, THE ADVISER AND MANAGING UNDERWRITER ACKNOWLEDGE THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC ISSUE AND ARE SATISFIED THAT THE PROFIT FORECAST (FOR WHICH THE DIRECTORS OF ACOUSTECH ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THE PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.**

**THE SECURITIES COMMISSION (SC) HAS APPROVED THE PUBLIC ISSUE OF 12,000,000 NEW ORDINARY SHARES OF RM1.00 EACH AT AN ISSUE PRICE OF RM1.60 PER ORDINARY SHARE AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE AFOREMENTIONED PUBLIC ISSUE.**

**THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF ACOUSTECH AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.**

**THE VALUATION APPROVED OR ACCEPTED BY THE SC SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE CORPORATE PROPOSALS SUBMITTED TO AND APPROVED BY THE SC, AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT ASSETS FOR ANY OTHER PURPOSES.**

**THE KUALA LUMPUR STOCK EXCHANGE (KLSE) ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE SECOND BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF ACOUSTECH OR OF ITS ORDINARY SHARES.**

**A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC AND LODGED WITH THE REGISTRAR OF COMPANIES, MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.**

**INDICATIVE TIMETABLE**

<b>MILESTONES</b>		<b>DATE</b>
OPENING OF THE PUBLIC ISSUE	:	27 September 2001
CLOSING OF THE PUBLIC ISSUE	:	16 October 2001*
TENTATIVE BALLOTING DATE	:	22 October 2001
TENTATIVE ALLOTMENT DATE	:	5 November 2001
TENTATIVE LISTING DATE	:	12 November 2001

\* or such period or periods as the Directors of Acoustech in their absolute discretion may decide.

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## **ABBREVIATIONS**

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In this Prospectus, except where the context required otherwise, the following abbreviations shall apply throughout:

### **Authorities:**

ADA	Authorised Depository Agent
ADA Code	ADA (Broker) Code
CDS	Central Depository System
Central Depository or MCD	Malaysian Central Depository Sdn Bhd
FIC	Foreign Investment Committee
KLSE	Kuala Lumpur Stock Exchange
MIH	Malaysian Issuing House Sdn Bhd
MITI	Ministry of International Trade and Industry
ROC	Registrar of Companies, Malaysia
SC	Securities Commission

### **Companies:**

Acoustech Group or Group	Acoustech and its subsidiary and associated companies
Acoustech or Company	Acoustech Berhad
BA	Boston Acoustics
DPSB	Dian Pujangga Sdn Bhd
FPC	Formosa Prosonic Chemicals Sdn Bhd
FPH	Formosa Prosonic Holdings Sdn Bhd
FPIB	Formosa Prosonic Industries Berhad
FPT	Formosa Prosonic Technics Sdn Bhd
GGSEC	Guangzhou Guoguang-Shinhint Electronic Co. Ltd
HTL	Hot Track Limited
KNSB	Konsep Neraca Sdn Bhd
MPCSB	Musashi Paint Corporation Sdn Bhd
Musashi Japan	Musashi Paint Co. Ltd. of Japan

## **ABBREVIATIONS**

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### **Listing Scheme:**

Listing on Second Board of the KLSE	Admission to the Official List and the listing and quotation of the enlarged issued and paid-up share capital of Acoustech comprising 78,000,000 Acoustech Shares on the Second Board of the KLSE
Bumiputera Allottee(s)	Bumiputera shareholder(s) whose shareholding in Acoustech was approved by the MITI via its letter dated 16 March 2001
Employee Share Allocation	2,400,000 Acoustech Shares reserved for eligible employees, directors and business associates of the Acoustech Group pursuant to the Public Issue
FPC Acquisition	Acquisition of 100% of the issued and paid-up share capital of FPC comprising 11,000,000 ordinary shares of RM1.00 each for RM19,700,399 satisfied by an issue of 16,567,647 new Acoustech Shares at approximately RM1.1891 per share which was completed on 31 July 2001
FPT Acquisition	Acquisition of 100% of the issued and paid-up share capital of FPT comprising 33,300,000 ordinary shares of RM1.00 each for RM58,779,442 satisfied by an issue of 49,432,351 new Acoustech Shares at approximately RM1.1891 per share which was completed on 31 July 2001
Public Issue	The public issue of 12,000,000 new Acoustech Shares at an issue price of RM1.60 per ordinary share payable in full on application
Public Issue Price	The public issue price of RM1.60 per Acoustech Share
Public Issue Share(s)	The 12,000,000 new Acoustech Shares to be issued pursuant to the Public Issue.

### **Financial Terms:**

Acoustech Share(s)	Ordinary share(s) of RM1.00 each in Acoustech
EPS	Earnings per share
FY	Financial year end/ending 31 March
MI	Minority interest
NTA	Net tangible assets
PAT	Profit after tax

**ABBREVIATIONS**

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PBT	Profit before tax
PE	Price earnings multiple
<b><u>Currency:</u></b>	
HKD	Hong Kong Dollar
RM and sen	Ringgit Malaysia and sen respectively
USD	United States of America Dollar
<b><u>Others:</u></b>	
Board	Board of Directors of Acoustech
MMSS	Multimedia speaker systems
MNC	Multi-National Corporations
OEM	Original equipment manufacturer
PC	Personal computer
Pnom	Power Nominal
Pmax	Power Maximum
SIBB	Southern Investment Bank Berhad
SU	Speaker unit
UK	United Kingdom
US	United States of America

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**1. CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Huang Huai-Son	22F-3 No. 82 Wu Fu 2 Road Kaohsiung Taiwan, Republic of China.	Executive Director	Taiwanese
Chen Po Hsiung	No. 32, Jalan USJ 5/1L Taman Seafeld Jaya 47600 Petaling Jaya Selangor Darul Ehsan	Executive Director	Taiwanese
Ropli Bin Ishak	1406, Kg. Nibong Atas Jalan Panji Alam 21100 Kuala Terengganu Terengganu	Executive Director	Malaysian
Su Cheng Tao	8, Jalan 12/8 40000 Shah Alam Selangor Darul Ehsan	Non- Executive Director	Taiwanese
Chang Song Hai	23 Lane 240, Min An Road, Hsin Chuan Taipei Hsien Taiwan, Republic of China	Non- Executive Director	Taiwanese
Soon Kwai Choy	47 Lorong Burhanuddin Helmi 7 Taman Tun Dr. Ismail 60000 Kuala Lumpur	Independent Non- Executive Director	Malaysian
Dato' Nik Abdul Aziz bin Mohamed Kamil	6 Jalan 4/5C 43650 Bandar Baru Bangi Selangor Darul Ehsan	Independent Non- Executive Director	Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Soon Kwai Choy	Chairman of the Committee	Independent Non- Executive Director
Huang Huai-Son	Member of the Committee	Executive Director
Dato' Nik Abdul Aziz bin Mohamed Kamil	Member of the Committee	Independent Non- Executive Director

**1. CORPORATE DIRECTORY (Cont'd)**

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**COMPANY SECRETARY**

Lim Hooi Mooi  
(MAICSA: 0799764)  
Suite 1701, 17<sup>th</sup> Floor  
Wisma Hamzah-Kwong Hing  
No. 1, Leboh Ampang  
50100 Kuala Lumpur  
Tel No: 03-20321300

**REGISTERED OFFICE**

Suite 1701, 17<sup>th</sup> Floor  
Wisma Hamzah-Kwong Hing  
No. 1, Leboh Ampang  
50100 Kuala Lumpur  
Tel No: 03-20321300

**MANAGEMENT OFFICE**

Head Office:  
Lot 236,238 & 240, Taman Ria  
Kawasan Perindustrian LPK  
08000 Sungai Petani  
Kedah Darul Aman  
Tel No: 04-4428020

Branch Office:  
No.2, Jalan 1  
Bandar Sultan Suleiman  
Taiwanese Industrial Park  
42000 Port Klang, Selangor Darul Ehsan  
Tel No: 03-31761145

**PRINCIPAL BANKERS**

RHB Bank Berhad  
Persiaran Raja Muda Musa  
42000 Port Klang  
Selangor Darul Ehsan

Maybank Berhad  
60-64, Persiaran Raja Muda Musa  
42000 Port Klang  
Selangor Darul Ehsan

Bumiputra Commerce Bank Berhad  
Business Centre Shah Alam  
Level 2, Bangunan UMNO  
Lot 5.5, Persiaran Perbandaran  
Seksyen 14  
Shah Alam  
Selangor Darul Ehsan

**SHARE REGISTRAR**

Malaysian Share Registration Services  
Sdn Bhd  
7<sup>th</sup> Floor Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur  
Tel No: 03-20268099

**1. CORPORATE DIRECTORY (Cont'd)**

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<b>ISSUING HOUSE</b>	Malaysian Issuing House Sdn Bhd 27th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No: 03-26932075
<b>SOLICITORS FOR THE PUBLIC ISSUE AND FOR ACOUSTECH</b>	Tan & D. H. Chan 18-D, Jalan USJ 10/1E UEP Subang Jaya 47620 Petaling Jaya Selangor Darul Ehsan Tel No: 03-56328227
<b>VALUER</b>	Raine & Horne International Zaki + Partners Sdn Bhd International Property Consultants Valuers and Real Estate Agents Perpetual 99 Jalan Raja Muda Abdul Aziz 50300 Kuala Lumpur Tel No: 03-26980911
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	BDO Binder Public Accountants 15 <sup>th</sup> Floor Wisma Hamzah-Kwong Hing No. 1, Leboh Ampang 50100 Kuala Lumpur Tel No: 03-20722755
<b>ADVISER AND MANAGING UNDERWRITER</b>	Southern Investment Bank Berhad 11 <sup>th</sup> Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-20724188
<b>UNDERWRITERS</b>	Southern Investment Bank Berhad 11 <sup>th</sup> Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-20724188  Hwang-DBS Securities Berhad Level 2,3,4,7&8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No: 04-2636996
<b>LISTING SOUGHT</b>	Second Board of the Kuala Lumpur Stock Exchange

## 2. INFORMATION SUMMARY

**The Information Summary is only a summary of the salient information about the Company and investors should read and understand the full text of this Prospectus prior to making an investment decision**

### 2.1 History and Business

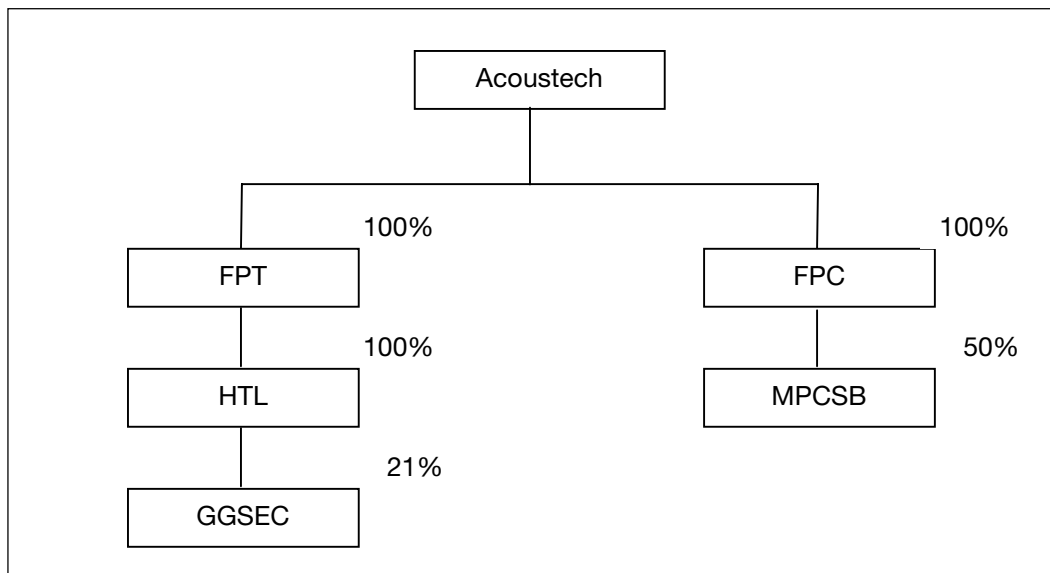
Acoustech was incorporated in Malaysia as a private limited company, under the Companies Act, 1965, on 18 October 1999 under the name of Strategic Benefits Sdn Bhd. The Company changed its name from Strategic Benefits Sdn Bhd to Acoustech Sdn Bhd on 27 November 1999. On 23 December 1999, the Company was converted to a public limited company and assumed its present name. The Company is principally an investment holding company, while the principal activities of its subsidiary and associated companies are as follows:

<b>Subsidiary companies</b>	<b>Date/Place of incorporation</b>	<b>Effective equity interest</b>	<b>Issued and paid-up share capital</b>	<b>Principal activities</b>
FPT	16 June 1992, Malaysia	100%	RM33,300,000	Manufacturer of multimedia speaker systems and speaker units
FPC	8 December 1989, Malaysia	100%	RM11,000,000	Manufacturer of specialised chemical paints
HTL	5 July 2000, British Virgin Islands	100%	USD2	Investment holding company
<b>Associate companies</b>	<b>Date/Place of incorporation</b>	<b>Effective equity interest</b>	<b>Issued and paid-up share capital</b>	<b>Principal activities</b>
MPCSB	21 May 1996, Malaysia	50%	RM4,000,000	Marketing of specialised chemical paints and related consultancy services
GGSEC	31 December 1993, China	21%	HKD2,000,000	Manufacturer of OEM multimedia speaker systems, headphones and flat panel speakers

The Group specialises in two major areas, namely the manufacture of OEM multimedia speaker systems for PCs, speaker units for incorporation into audio reproduction systems, and the manufacture of specialised chemical paints for application on various types of surfaces such as plastic, metal, wood and others.

## 2. INFORMATION SUMMARY (Cont'd)

The corporate structure of Acoustech Group is as follows:



### 2.2 Shareholdings of Directors, Promoters, Substantial Shareholders and Key Management of Acoustech

#### 2.2.1 Directors and Promoters

The direct and indirect interests of the Directors and Promoters in the issued share capital of Acoustech after the Public Issue will be as follows:

Name	Designation	<-----Direct----->		<-----Indirect----->	
		No. of shares <sup>2</sup>	%	No. of shares	%
Huang Huai-Son	Executive Director/Promoter	8,486,366	10.88	-	-
Ropli Bin Ishak	Executive Director/Promoter	12,392,569	15.89	-	-
Chen Po Hsiung	Executive Director/Promoter	6,029,878	7.73	30,123 <sup>1</sup>	0.04
Chang Song Hai	Non-Executive Director	-	-	15,738,791 <sup>3</sup>	20.18
Su Cheng Tao	Non-Executive Director	1,115,378	1.43	-	-
Soon Kwai Choy	Independent Non-Executive Director	-	-	-	-
Dato' Nik Abdul Aziz bin Mohamed Kamil	Independent Non-Executive Director	3,711,137	4.76	-	-

<sup>1</sup> Indirect interest by virtue of his wife's shareholding

<sup>2</sup> Excludes Public Issue Shares to be offered under the Employee Share Allocation

<sup>3</sup> Deemed interest by virtue of his substantial shareholding in FPH

## 2. INFORMATION SUMMARY (Cont'd)

### 2.2.2 Substantial Shareholders

The direct and indirect interests of the substantial shareholders in the issued share capital of Acoustech after the Public Issue will be as follows:

Substantial shareholders	Designation/ Principal activities	No. of ordinary shares held after the Public Issue <sup>2</sup>			
		<-----Direct----->		<-----Indirect----->	
		No. of shares	%	No. of shares	%
FPH	Investment Holding	15,738,791	20.18	-	-
Ropli Bin Ishak	Executive Director	12,392,569	15.89	-	-
Huang Huai-Son	Executive Director	8,486,366	10.88	-	-
Chen Po Hsiung	Executive Director	6,029,878	7.73	30,123 <sup>1</sup>	0.04

<sup>1</sup> Indirect interest by virtue of his wife's shareholding

<sup>2</sup> Excludes Public Issue Shares to be offered under the Employee Share Allocation

### 2.2.3 Key Management

Acoustech was incorporated as an investment holding company with key management being directly employed by each respective subsidiary company. The direct and indirect interests of the key management in the issued share capital of Acoustech after the Public Issue will be as follows:

Key management	Designation	No. of ordinary shares held after the Public Issue <sup>1</sup>			
		<-----Direct----->		<-----Indirect----->	
		No. of shares	%	No. of shares	%
Koh Meng Ching	Factory Manager of FPT	118,758	0.15	-	-
Chao Kuo Lung	Technical Adviser of FPC	30,123	0.04	-	-
Yee Kim Ark	Technical Marketing Manager of MPCSB	30,123	0.04	30,123 <sup>2</sup>	0.04
Yee Kim Ngee	Technical Marketing Manager of MPCSB	30,123	0.04	30,123 <sup>2</sup>	0.04
Hsin Tsai Ying	Administration Manager of FPC	30,123	0.04	6,029,878 <sup>3</sup>	7.73
Yeap Kee Hock	Production Manager of FPC	15,061	0.02	-	-
Beh Kwee Hee	Assistant Production Manager of FPC	15,061	0.02	-	-

<sup>1</sup> Excludes Public Issue Shares to be offered under the Employee Share Allocation

<sup>2</sup> Yee Kim Ark and Yee Kim Ngee are brothers

<sup>3</sup> Indirect interest by virtue of her husband's shareholding

## 2. INFORMATION SUMMARY (Cont'd)

### 2.3 Financial Highlights

#### Proforma Income Statements

The table below has been extracted from the Accountants' Report in Section 11 of this Prospectus and should be read in conjunction with the notes thereto. A summary of the proforma consolidated financial results of the Acoustech Group for the five (5) years ended 31 March 2001 prepared on the assumption that the current structure of the Group had been in existence throughout the years under review, is as follows:

	←-----Financial year ended 31 March-----→				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	42,225	114,378	207,158	194,686	275,022
Profit before interest, depreciation and taxation	5,689	16,852	18,532	19,253	19,907
Depreciation	(808)	(969)	(1,230)	(1,292)	(2,058)
Interest expense	(274)	(410)	(1,051)	(608)	(1,116)
Interest income	45	316	243	289	432
Operating profit	4,652	15,789	16,494	17,642	17,165
Share of profit of an associated company	-	-	-	-	601
Share of profit of a joint venture company	-	-	106	431	524
Profit before taxation	4,652	15,789	16,600	18,073	18,290
Taxation <sup>1</sup>	(1,430)	(4,205)	830	(4,788)	(3,557)
Profit after taxation	3,222	11,584	17,430	13,285	14,733
Minority interests	-	-	-	-	-
Extraordinary items (EI)	-	-	-	-	-
Profit after taxation, MI and EI	3,222	11,584	17,430	13,285	14,733
No. of ordinary shares assumed in issue ('000)	66,000	66,000	66,000	66,000	66,000
Gross EPS (sen)	7.05	23.92	25.15	27.38	27.71
Net EPS (sen)	4.88	17.55	26.41	20.13	22.32

<sup>1</sup> adjusted for under or over provision of taxation where relevant

Note: There were no extraordinary items for the financial years disclosed above.

## **2. INFORMATION SUMMARY (Cont'd)**

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### Commentary on the financial highlights

- (1) The substantial increase in revenue and PBT in FY1998 was mainly attributable to the proforma Group securing a major overseas customer, namely Boston Acoustics Ltd for multimedia speaker systems.
- (2) The revenue and PBT for FY1999 improved due to the impact of the depreciation of the RM against the USD on the proforma Group's export sales which were denominated in USD.

Despite the increase in revenue, gross profit margin decreased from 16.2% in FY1998 to 10.5% in FY1999. The reduction was mainly caused by the increase in the cost of imported raw materials for various products subsequent to the weakening of the RM against other major foreign currencies, such as the USD and Japanese Yen, and the increase in sub-contractors' cost for the production of certain components.

- (3) The slight decrease of 6% in revenue in FY2000 compared to FY1999 was largely due to the higher revenue for FY1999 arising from overseas sales at a favourable USD exchange rate prior to the currency peg in 1998. However, the PBT increased by 9% due to higher demand for higher margin products.
- (4) For FY2001, revenue increased by 41% due to increased in orders for multimedia speaker systems. The corresponding PBT however increased by 1% due to the sale of lower margin products, higher depreciation charge and interest expense.

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**2. INFORMATION SUMMARY (Cont'd)****Proforma Consolidated Balance Sheet of Acoustech As At 31 March 2001**

The table below has been extracted from the Accountants' Letter in Section 10.11 of this Prospectus and should be read in conjunction with the notes thereto. A summary of the proforma consolidated balance sheet of Acoustech for the year ended 31 March 2001, prepared on the assumption that the current structure of the Group had been in existence throughout the year under review, is as follows:

	(Audited) As at 31 March 2001 RM'000	(I) After Acquisitions RM'000	(II) After (I) and Public Issue RM'000	(III) After (II) and utilisation of proceeds from the Public Issue RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	-	32,061	32,061	36,261
<b>INVESTMENT IN AN ASSOCIATED COMPANY</b>	-	3,408	3,408	3,408
<b>INVESTMENT IN A JOINT VENTURE COMPANY</b>	-	646	646	646
<b>CURRENT ASSETS</b>				
Inventories	-	15,899	15,899	15,899
Trade receivables	-	69,388	69,388	69,388
Other receivables, deposits and prepayments	-	4,824	4,287	4,287
Fixed deposits with licensed banks	-	8,295	8,295	8,295
Cash and bank balances	*	12,625	31,825	19,226
	*	111,031	129,694	117,095
<b>CURRENT LIABILITIES</b>				
Trade payables	-	27,341	27,341	27,341
Other payables and accruals	8	5,540	7,003	5,541
Short term borrowings	-	16,506	16,506	14,871
Taxation	-	1,342	1,342	1,342
	8	50,729	52,192	49,095
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	(8)	60,302	77,502	68,000
	(8)	96,417	113,617	108,315
<b>SHARE CAPITAL</b>	**	66,000	78,000	78,000
<b>SHARE PREMIUM</b>	-	-	5,200	5,200
<b>RESERVES</b>	(8)	23,673	23,673	23,673
<b>SHAREHOLDERS' EQUITY</b>	(8)	89,673	106,873	106,873
<b>DEFERRED TAXATION</b>	-	1,442	1,442	1,442
<b>TERM LOAN (SECURED)</b>	-	5,302	5,302	-
	(8)	96,417	113,617	108,315
<b>Net Tangible (Liabilities)/Assets [(NTL) /NTA] (RM'000)</b>	(8)	89,673	106,873	106,873
<b>Number of shares ('000)</b>	**	66,000	78,000	78,000
<b>(NTL) / NTA per share (RM)</b>	(4,100.00)	1.36	1.37	1.37

\* Represents RM2.00

\*\* This represents the 2 subscribers' shares of RM1.00 each.

## **2. INFORMATION SUMMARY (Cont'd)**

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Please refer to Section 10.11 of this Prospectus for further information on the proforma consolidated balance sheet of Acoustech as at 31 March 2001.

### **2.3.1 Audit Qualification in the Audited Accounts for the Past Five (5) Financial Years**

The Reporting Accountants are the auditors of the Company and its subsidiaries since the date of incorporation, and reported without qualification throughout the years under review.

### **2.4 Summary of Material Investment Consideration**

An investment in the shares listed/to be listed on the KLSE involves a number of risks including but not limited to market, industry, liquidity, credit, operational, legal and regulatory risks that could be substantial and are inherent in the business of the Group.

Investors should rely on their own evaluations and to carefully consider the risk factors before buying any of the Public Issue Shares. Investors should consider the following risk factors, as extracted from Section 4.0 of this Prospectus, which are not exhaustive:

- (i) There is no prior market of Acoustech Shares which would ensure that the Public Issue Price will correspond to the price at which Acoustech Shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for Acoustech Shares will develop and continue upon or subsequent to its listing.
- (ii) Upon completion of the Public Issue, the substantial shareholders, FPH, Huang Huai-Son, Chen Po Hsiung and Ropli Bin Ishak will collectively hold approximately 55% of Acoustech's enlarged issued and paid-up share capital. It is therefore likely that the said shareholders will be able to effectively control the outcome of certain matters, which require the vote of the Company's shareholders.
- (iii) Business risks inherent in the manufacturing industry, which include labour and raw materials supply, changes in general economic, business and credit conditions.
- (iv) The dependence on key Directors, personnel and any single large customer, the loss of which could affect the Company's continuing ability to compete in the industry.
- (v) Competition from other companies that are involved in the manufacture of multimedia speaker systems and the specialised chemical paint industry.
- (vi) Adverse development in political and economic conditions in Malaysia could have unfavourable impact on the financial prospects of the Group such as changes in interest rates, foreign exchange rates, methods of taxation, tariffs and duties.

## 2. INFORMATION SUMMARY (Cont'd)

- (vii) Legal uncertainties concerning the Company's business or operations or contractual agreements such as changes or amendments to laws and regulations that governs Acoustech's business.
- (viii) This Prospectus contains financial forecast for the financial year ending 31 March 2002 that is based on a set of bases and assumptions of which, in the opinion of the Directors of Acoustech are deemed to be reasonable but nevertheless are subject to uncertainties, such as demand and supply factors of Acoustech's products.

Please refer to Section 4 "Risk Factors", of this Prospectus for further information concerning the abovementioned risk factors, which should be considered by prospective investors. Investors are advised to carefully consider the risks factors, together with other information contained in this Prospectus before subscribing for the Public Issue Shares.

### 2.5 Proforma Consolidated Profit and Dividend Forecast

#### 2.5.1 Profit Forecast

	<b>Financial year ending 31 March 2002 RM'000</b>
Revenue	251,839
Consolidated profit before taxation	22,452
Taxation	(6,113)
Consolidated profit after taxation	16,339
<b>Gross EPS (sen)</b>	
-Based on the weighted average number of ordinary shares in issue of 71,000,000 assuming completion of the Public Issue by 5 November 2001	31.62
-Based on the enlarged share capital of 78,000,000	28.78
<b>Gross PE Multiple (times)</b> <b>(based on the Public Issue Price of RM1.60 per share)</b>	
-Based on the weighted average number of ordinary shares in issue of 71,000,000 assuming completion of the Public Issue by 5 November 2001	5.06
-Based on the enlarged share capital of 78,000,000	5.56
<b>Net EPS (sen)</b>	
-Based on the weighted average number of ordinary shares in issue of 71,000,000 assuming completion of the Public Issue by 5 November 2001	23.01
-Based on the enlarged share capital of 78,000,000	20.95
<b>Net PE Multiple (times)</b> <b>(based on the Public Issue Price of RM1.60 per share)</b>	
-Based on the weighted average number of ordinary shares in issue of 71,000,000 assuming completion of the Public Issue by 5 November 2001	6.95
-Based on the enlarged share capital of 78,000,000	7.64

## 2. INFORMATION SUMMARY (Cont'd)

Further notes and assumptions on the profit forecast are set out in Section 10.6 of this Prospectus.

### 2.5.2 Dividend Forecast

	<b>Financial year ending 31 March 2002</b>
Tax exempt dividend per ordinary share (sen)	5.0
Net dividend yield <i>(based on the Public Issue Price of RM1.60 per share)</i>	3.13%
Net dividend cover (times)	4.19

Further notes and assumptions on the dividend forecast are set out in Section 10.10 of this Prospectus.

### 2.6 Proforma Consolidated NTA

	<b>NTA RM'000</b>	<b>No of Acoustech Shares (‘000)</b>	<b>NTA per ordinary share RM</b>
Audited as at 31 March 2001	(8)	*	(4,100)**
Proforma Group NTA after acquisitions	89,673	66,000	1.36
Proforma Group NTA after acquisitions and Public Issue	106,873 <sup>^</sup>	78,000	1.37

\* 2

\*\* *The losses were mainly due to audit and secretarial expenses incurred for both financial period and year ended 31 March 2000 and 31 March 2001 respectively*

<sup>^</sup> *After deducting estimated listing expenses of RM2.0 million*

The proforma consolidated balance sheet is set out in Section 10.11 of this Prospectus.

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**2. INFORMATION SUMMARY (Cont'd)**


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**2.7 Principal Statistics Relating to the Public Issue**

The following statistics relating to the Public Issue are derived from the full text of this Prospectus and should be read in conjunction with the text.

**2.7.1 Share Capital**

<b>Authorised</b>	<b>RM</b>
100,000,000 ordinary shares of RM1.00 each	<u>100,000,000</u>
<b>Issued and fully paid-up</b>	
Existing 66,000,000 ordinary shares of RM1.00 each	66,000,000
To be issued pursuant to the Public Issue: 12,000,000 ordinary shares of RM1.00 each	12,000,000
Enlarged share capital	<u>78,000,000</u>

**PUBLIC ISSUE PRICE PER ORDINARY SHARE** **RM1.60**

**2.7.2 Class of Securities**

There is only one (1) class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another. The Public Issue Shares, upon allotment and issue, will rank pari passu in all respect with the other existing issued and paid-up ordinary Acoustech Shares including voting rights and the rights to all dividends, and other distributions that may be declared subsequent to the date of allotment of the said Public Issue Shares.

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## 2. INFORMATION SUMMARY (Cont'd)

### 2.8 Utilisation of Proceeds of the Public Issue

The Public Issue is expected to raise total gross proceeds of RM19,200,000 which will be utilised for the following purposes:

Utilisation	RM'000
Purchase of land and factory building for the purpose of a new chemical paint factory in Johor	4,200
Working capital	4,000
Retirement of borrowings for the construction of new corporate office/factory in Sungai Petani	9,000
Estimated listing expenses	2,000
<b>Total</b>	<b>19,200</b>

Further information on the utilisation of Public Issue proceeds is disclosed in Section 3.8 of this Prospectus.

### 2.9 Material Litigations, Contingent Liabilities and Capital Commitments

#### (i) Material Litigations

As at 17 September 2001 (being the latest practicable date which such amounts could be calculated prior to the printing of this Prospectus), neither Acoustech nor its subsidiaries are engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of Acoustech or its subsidiaries and the Directors do not know of any proceedings pending or threatened against Acoustech or its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of Acoustech or its subsidiaries.

#### (ii) Contingent Liabilities

As at 17 September 2001 (being the latest practicable date which such amounts could be calculated prior to the printing of this Prospectus), the Board is of the opinion that the Group has no contingent liabilities that upon materialisation would have a substantial impact on the profit or net assets of the Group.

#### (iii) Capital Commitments

Save as disclosed below, as at 17 September 2001 (being the latest practicable date which such amounts could be calculated prior to the printing of this Prospectus), the Board is of the opinion that the Group has no capital commitments that would have a substantial impact on the profit or net assets of the Group.

	<b>Amount RM'000</b>
Property plant and equipment authorised and contracted for	4,399

### **3. DETAILS OF THE PUBLIC ISSUE**

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This Prospectus is dated 27 September 2001. A copy of this Prospectus has been registered by the SC and has been lodged with the ROC, both of whom take no responsibility for its contents.

An application shall be made to the KLSE for admission to the Official List of the Second Board of the KLSE and dealing in and quotation of the entire issued and paid-up ordinary shares of Acoustech, including the Public Issue Shares. These Acoustech Shares will be admitted to the Second Board of the KLSE and official quotation will commence after receipt of confirmation from 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 application will be conditional upon permission being granted by the KLSE to deal in and for quotation of all the issued shares of the Company. Accordingly, monies paid in respect of any application accepted will be returned if the said permission is not granted.

#### **3.1 Opening and Closing Dates of the Application**

The Application Lists will open at 10.00 a.m. on 16 October 2001 and will remain open until 8.00 p.m. on the same day or for such period or periods as the Directors of Acoustech in their absolute discretion may decide.

#### **3.2 Critical Dates in respect of the Public Issue**

Opening of the Public Issue	:	27 September 2001
Closing of the Public Issue	:	16 October 2001*
Tentative Balloting Date	:	22 October 2001
Tentative Allotment Date	:	5 November 2001
Tentative Listing Date	:	12 November 2001

*\* or such period or periods as the Directors of Acoustech in their absolute discretion may decide*

#### **3.3 Purposes of the Public Issue**

The purposes of the Public Issue are as follows:

- (i) To enable Acoustech to gain access to the capital market for funds to finance its future expansion and growth;
- (ii) To obtain listing and quotation of Acoustech's entire issued and paid-up share capital of 78,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE;
- (iii) To provide an opportunity for eligible employees, directors and business associates of Acoustech Group as well as the Malaysian public to participate directly in the equity and continuing growth of the Group; and
- (iii) To enable the Company to enhance Bumiputera equity participation in the Company so as to comply with the aspirations of the National Development Policy.

### 3. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

#### 3.4 Number and Class of Securities to be issued

	<b>RM</b>
<b>Authorised Share Capital</b>	
100,000,000 ordinary shares of RM1.00 each	<u>100,000,000</u>
<b>Issued and Fully Paid-up Share Capital</b>	
Existing 66,000,000 ordinary shares of RM1.00 each	66,000,000
To be issued pursuant to the Public Issue:	
12,000,000 ordinary shares of RM1.00 each	12,000,000
Enlarged issued and fully paid up share capital	<u>78,000,000</u>
<b>Public Issue Price Per Ordinary Share</b>	<b>RM1.60</b>

The Public Issue Price of RM1.60 per ordinary share is payable in full upon application.

There is only one (1) class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another. The Public Issue Shares, upon allotment and issue, will rank pari passu in all respect with the other existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

At any general meeting of the Company, 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 a representative or proxy or attorney of a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held in the Company. A proxy may but need not be a member of the Company.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the 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 the Articles of Association of the Company.

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### **3. DETAILS OF THE PUBLIC ISSUE (Cont'd)**

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#### **3.5 Details of the Public Issue**

The Public Issue shall be subject to the terms and conditions of this Prospectus and upon acceptance, the Public Issue Shares will be allocated in the following manner:

(i) ***Bumiputera Allocation***

3,600,000 Acoustech Shares representing 4.62% of the enlarged issued and paid-up share capital of Acoustech have been reserved for Bumiputera Allottee(s) to restore the minimum 30% Bumiputera shareholding requirement;

(ii) ***Eligible Employees, Directors and Business Associates***

2,400,000 Acoustech Shares representing 3.08% of the enlarged issued and paid-up share capital of Acoustech have been reserved for eligible employees, directors and business associates of the Acoustech Group, and

(iii) ***Malaysian Public***

6,000,000 Acoustech shares of RM1.00 each representing 7.69% of the enlarged issued and paid-up share capital of Acoustech will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operations and institutions.

The Public Issue Shares reserved for the eligible employees, directors and business associates stated in paragraph (ii) above and the Public Issue Shares made available to the Malaysian public stated in paragraph (iii) above have been fully underwritten by the Managing Underwriter and Underwriter as set out in Section 3.11 of this Prospectus. The Public Issue Shares stated under paragraph (i) above will not be underwritten.

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### **3. DETAILS OF THE PUBLIC ISSUE (Cont'd)**

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#### **3.6 Basis of Arriving at the Public Issue Price**

The Public Issue Price of RM1.60 per ordinary share was entirely determined and agreed upon by the Company and SIBB as the Adviser and Managing Underwriter based on various relevant factors after taking into account the following:

- (i) The proforma Group NTA per share as at 31 March 2001 of RM1.37 where the Public Issue Price of RM1.60 per share represents a premium of RM0.23 or 17% above the proforma Group NTA per share as at 31 March 2001;
- (ii) The forecast net PE multiple of 7.64 times based on the forecast consolidated net EPS of approximately 20.95 sen (based on the enlarged share capital of 78,000,000 ordinary shares) for the financial year ending 31 March 2002;
- (iii) The forecast net dividend yield of 3.13% for the financial year ending 31 March 2002; and
- (iv) The prospects of Acoustech Group as outlined in Section 5.9 herein.

Shareholders should note that the market price of Acoustech shares upon listing on the KLSE are subject to the vagaries of market forces and other uncertainties which may affect the price of Acoustech shares being traded.

#### **3.7 Minimum Subscription**

Acoustech is required to have, upon listing, a minimum number of 1,000 shareholders holding not less than 1,000 shares each in order to satisfy the objectives of the public offering. Employees of the Company, its subsidiary companies and parent company are not excluded from the minimum number of public shareholders. However, the Company should ensure that at least 750 shareholders are public shareholders (excluding directors, substantial shareholders and persons connected or associates of directors and substantial shareholders) who are not employees of Acoustech Group.

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### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

#### 3.8 Utilisation of Proceeds of the Public Issue

The Public Issue is expected to raise a total gross proceeds of RM19,200,000, which is expected to be utilised within 12 months from the date of listing. A summary of the utilisation of proceeds is as follows:

	Note	RM'000	Time frame for utilisation		
			Financial year ending 31.03.2002 RM'000	Financial year ending 31.03.2003 RM'000	Financial year ending 31.03.2004 RM'000
Purchase of land and factory building for the purpose of a new chemical paint factory in Johor	(i)	4,200	2,880	1,320	-
Retirement of borrowings for the construction of new corporate office/ factory in Sungai Petani	(ii)	9,000	9,000	-	-
Working capital	(iii)	4,000	4,000	-	-
Estimated listing expenses	(iv)	2,000	2,000	-	-
<b>Total Proceeds</b>		19,200	17,880	1,320	-

Brief details on the utilisation of proceeds are as follows:

(i) **Purchase of land and factory building for the purpose of a new chemical paint factory in Johor**

The Acoustech Group plans to allocate approximately RM4.2 million for its expansion plans in Johor by purchasing a piece of industrial land with factory building. The payment of RM4.2 million is proposed to comprise the following:

Description	Cost RM
Land and factory building	2,880,000
Plant and machinery	760,000
Factory and lab equipment	560,000
<b>Total</b>	4,200,000

A potential site measuring approximately 40,000 square feet which is located in Johor has already been identified and negotiations are currently underway to purchase the site.

### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

(ii) **Retirement of borrowings for the construction of new corporate office/factory in Sungai Petani**

An amount of RM9.0 million will be set aside to repay borrowings for the construction of the new corporate office cum factory in Sungai Petani. The construction of the new corporate factory cum office was completed on March 2000. The borrowings were principally utilised for the following items in the construction of the factory in Sungai Petani:

Description	Cost RM
Site clearance, earthworks including cutting and filling and variation works	21,000
Preliminaries	188,000
Building works	6,498,740
Electrical and telephone installations	710,000
Fire Protection System	585,000
Air conditioning Installation	680,000
Professional fees	270,857
Miscellaneous	46,403
<b>Total</b>	<b>9,000,000</b>

(iii) **Working capital**

The Group intends to allocate RM1.0 million for its general working capital needs. The balance of RM3.0 million is to replenish internal funds used to purchase machinery for the Sungai Petani factory, which was utilised ahead of the proposed Public Issue.

(iv) **Estimated listing expenses**

The Company shall bear all expenses estimated at RM2.0 million which covers brokerage and underwriting commission, registration fee relating to the Public Issue Shares together with all other expenses and fees incidental to the listing and quotation of the entire issued and paid-up share capital of Acoustech Group on the Second Board of the KLSE.

The details of the estimated listing expenses are as follows:

Description	Cost RM
Professional fees	600,000
SC processing fee	69,000
KLSE initial listing fee	5,000
Prospectus lodgement fee with ROC	500
Prospectus registration fee with SC	5,000
Issuing House fee	60,000
Advertisement of prospectus	180,000
Printing of application forms, share certificates and prospectus	200,000
Underwriting commission	184,800
Brokerage fee	96,000
Miscellaneous	599,700
<b>Total</b>	<b>2,000,000</b>

### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

#### 3.9 Financial Impact from the Utilisation of Proceeds

The RM9.0 million of the Public Issue proceeds is earmarked for the repayment of borrowings which is expected to result in interest savings of RM630,000 for the financial year ending 31 March 2002 assuming an interest rate of 7% per annum. Additionally, the purchase of land and factory building for the purpose of a new chemical paint factory in Johor is expected to enhance the future earnings potential of Acoustech Group. The Public Issue will also raise an additional RM4.0 million for working capital which is expected to improve the liquidity and cash flow position of the Group.

The cashflow from the utilisation of proceeds are as follows:

Cash-flow for financial year ending 31 March	2002 RM'000	2003 RM'000	2004 RM'000	Total RM'000
<b>Inflow</b>				
Proceeds from the listing	19,200	-	-	19,200
<b>Outflow</b>				
- Purchase of land and factory building for the purpose of a new chemical paint factory in Johor	2,880	1,320	-	(4,200)
- Retirement of borrowings for the construction of new corporate office/ factory in Sungai Petani	9,000	-	-	(9,000)
- Working capital	4,000	-	-	(4,000)
- Estimated listing expenses	2,000	-	-	(2,000)
<b>Total</b>	<b>17,880</b>	<b>1,320</b>	<b>-</b>	<b>0</b>

#### 3.10 Brokerage and Underwriting Commission

The underwriters mentioned under Section 1.0 of this Prospectus have conditionally agreed to underwrite all the 8,400,000 Public Issue Shares to be made available to the Malaysian public and any ordinary shares not subscribed for by the eligible employees, directors and business associates of Acoustech Group. The underwriting commission payable by the Company relating to the Public Issue Shares to be underwritten amounts to RM184,800.

Brokerage is payable by the Company in respect of the Public Issue Shares at the rate of 1.0% of the Public Issue Price of RM1.60 per ordinary share in respect of successful applications which bear the stamp of SIBB, 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.

### **3. DETAILS OF THE PUBLIC ISSUE (Cont'd)**

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#### **3.11 Underwriters**

The names of the underwriters are as follows:

Managing Underwriter	:	Southern Investment Bank Berhad
Underwriter	:	Hwang-DBS Securities Berhad

The underwriters shall have the right to terminate the Underwriting Agreement, details of which are referred to in Section 14.7 (i) of this Prospectus, by notice in writing in the event that the Company is not granted permission by the KLSE for the listing and quotation of all the Acoustech Shares and upon such termination the liabilities hereto of the Company and the underwriters shall become null and void and none of the parties shall have a claim against each other.

Even upon fulfilment of all relevant conditions precedent, the underwriters may at any time before the Closing Date by notice in writing to the Company terminate its obligations under the Underwriting Agreement if in its reasonable opinion there shall have been such a change in the national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates as would in the underwriters' opinion be likely to prejudice materially the making or success of the issue of the Public Issue Shares (whether in the primary market or in respect of dealings in the secondary market) or in the event of a national disorder, outbreak of war or the declaration of a state of emergency within Malaysia and thereafter the underwriters concerned and the Company shall be released and discharged from their respective obligations hereunder.

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#### **4. RISK FACTORS**

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**Applicants for the Public Issue Shares should carefully consider the following (which are not exhaustive) risk factors in addition to all other information contained elsewhere in this Prospectus, before applying for the Public Issue Shares:**

##### **4.1 No prior market for Acoustech Shares**

Prior to this Public Issue, there has been no public market for Acoustech Shares. There can be no assurance that an active market for Acoustech Shares will develop upon its listing on the Second Board of the KLSE, or if developed, that such market will be sustained. The Public Issue Price of RM1.60 per share for the Public Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, the Group's earning potential, the growth prospects, the proforma NTA of the Company and the potential dividend yield.

There can be no assurance that the Public Issue Price will correspond to the price at which Acoustech Shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for Acoustech Shares will develop and continue upon or subsequent to its listing.

##### **4.2 Control by Major Shareholders**

Upon completion of the Public Issue, the substantial shareholders, FPH, Huang Huai-Son, Chen Po Hsiung and Ropli Bin Ishak will collectively hold approximately 55% of Acoustech's enlarged issued and paid-up share capital. It is therefore likely that the said shareholders will be able to effectively control the outcome of certain matters which require 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, except for matters which involve the interests of the substantial shareholders.

##### **4.3 Business Risks**

The Group's operations are subject to certain risks inherent in the manufacturing industry. The risks include changes in the foreign currency exchange rate, potential fluctuation in the supply and the cost of labour and raw materials, technological changes, changes in general economic, business and credit conditions. The same risks are also applicable to all other players in the same industry. Although the Acoustech Group seeks to limit these risks through, inter alia, continuous research and development, expansion of clientele base and creation of a large pool of highly qualified staff, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group's business.

###### **(i) Foreign Exchange Rate Exposure**

The Acoustech Group is subject to foreign exchange fluctuations through the import of raw materials and export of finished goods. For the financial year ended 31 March 2001, approximately 95% of the total sales of the Group were directly and indirectly exported and denominated in USD. In September 1998, the Malaysian government imposed capital market restrictions and fixed the exchange rate of USD1 to RM3.80.

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

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As a result, export-oriented manufacturing companies in Malaysia benefited enormously, as its products became more competitive. However, there can be no assurance that the removal of the capital control regime will not affect the performance of the Acoustech Group.

(ii) **Supplier Base and Raw Materials**

The availability of raw materials will invariably have an impact on the performance of manufacturing based companies. The Acoustech Group sources its raw materials both locally and overseas. However, there can be no assurance that any shortages in raw materials will not have any impact on the performance of the Acoustech Group.

The Group currently sources certain types of raw materials from a small pool of foreign suppliers due to the nature of the raw materials which are not readily available in the local market and are only supplied by specialist suppliers overseas. The Group's suppliers have been consistently servicing the Group for long periods. However, no assurance can be given on the ability of these suppliers to continue to service the needs of the Group.

(iii) **Research and Development**

Rapid technological developments can render the present technology utilised by the Group obsolete and result in the inability of the Group to compete effectively. Realising that technology is a vital component in product development and manufacturing, the Group provides for continuous research and development to ensure that its products maintain a high standard and quality suitable for its clients' brand names. The research and development undertaken also encompasses improvement to product design, material and finished goods development.

(iv) **Competition**

Unless required, the MNC clients of the Group would generally not switch manufacturers midway through production as this will affect their planning and scheduling. Therefore, it is generally considered difficult for competitors to solicit the Groups' existing clients. Additionally, the untested reliability of a new market player may not be appealing to the MNCs and hence, the barriers to entry could be formidable. As such, intense competition exists amongst other market players in securing new customers.

The Group believes that the following measures employed will help maintain its competitive advantage:

- Efficiency of operations, evidenced by FPT obtaining the ISO9002 certification.
- Constant transfer of technological know-how and research and development with technical partners in relation to the specialised chemical paints industry.
- Participation in trade shows.

No assurance is given that Acoustech will be able to maintain its existing competitive advantage and market share in the future.



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

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(v) **Contracts**

It is generally considered an industry practice that OEM manufacturers would not normally enter into long term contractual arrangements with clients given the vagaries of the production process and the procedures involved in procurement and production. The Acoustech Group will typically receive a full year's indicative order with monthly breakdowns from clients prior to production. Clients will confirm their requirements approximately one to two months in advance for material planning and production scheduling. In the event that any client terminates an order for a particular month, the Group will be entitled to claim from the customer. However, termination of orders by clients is considered rare and costly. The Group also does not have any long term contract with its suppliers. Except for the chemical paints division, most of the raw materials are readily available locally. Raw materials are only sourced upon confirmation from clients for production orders.

#### **4.4 Dependency on the Directors and members of senior management**

The Group believes that its success will depend to a significant extent upon the skill, experience, ability, competence and continued efforts of its existing directors and members of senior management. The loss of any of the Group's directors or members of senior management could adversely affect the Group's ability to compete in the market place. It has been the Group's policy to train its personnel so as to groom younger members of management to gradually take over from senior members as part of its employee career advancement programme. The Group's future success will also depend upon its ability to attract new and retain existing skilled personnel. Conscious of the importance of skilled personnel, the Board endeavours to provide continuous training, ensure conducive working environment and at the same time ensuring due attention to staff welfare.

#### **4.5 Dependence on Key Customers**

In its effort to penetrate the multimedia speaker systems market, Acoustech has largely depended on a single customer, BA for the Group's revenue over the past three (3) years. For the financial year ended 31 March 2001, BA amounted approximately 59% of the Group's total revenue. Until recently, the constraints in manufacturing capacity had rendered it difficult for Acoustech to accept new clients for the past two (2) years. Subsequent to the establishment of the Sungai Petani factory in March 2000, the Group was only then able to accept more multimedia speaker system orders. Presently, the Group has secured at least two (2) letters of intent from other established multimedia speaker system brands. The Directors anticipate that Acoustech's dependence on a single customer in the multimedia speaker system division will reduce to below 30% by the end of 2003. Other customers, for example FPIB Group, have also contributed significantly to Acoustech's total revenue. For the financial period ended 31 March 2001, sales to FPIB Group amounted to approximately 28% of the Group's revenue. There is a risk of failure in this relationship with BA and FPIB Group should BA and/or FPIB Group decide to discontinue placing orders with Acoustech. For the financial year ended 31 March 2001, FPC's single largest customer, Formosa Prosonic Manufacturing Sdn Bhd (FPM) accounted for approximately 16% of FPC's revenue. In order to reduce any dependence on key customers, the Group plans to develop a more well-diversified portfolio of customers in the future.

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

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##### **4.6 Risk associated with borrowings**

Significant fluctuations in interest rates may pose an impact on the Group's existing indebtedness. Acoustech Group proposes to utilise part of the proceeds from the Public Issue to retire RM9,000,000 of borrowings arising from the construction of the new corporate office cum factory in Sungai Petani. By utilising the proceeds to reduce bank borrowings, the gearing of the Group would likewise be reduced, thereby mitigating, to an extent, the risks associated with borrowings.

##### **4.7 Sensitivity to Global Economic Climate**

Acoustech's major customers are MNCs involved in computer multimedia speaker systems and audio-video electrical and electronic equipment. Such products are distributed globally and therefore, to a certain extent, will be affected by the global demand of the respective products. During the Asian economic downturn in 1997 and 1998, the Malaysian manufacturing sector, especially the electrical and electronics sector performed admirably through its contribution from aggressive exports. The Group was not considered to be significantly affected during that period as the Group's customers are mainly in US, Europe and Japan. However, with the threat of a possible continued slow-down in consumer demand within the US, Europe and Japan, there is a risk that the demand for Acoustech's products distributed in the PC, electrical and electronic industry will also be similarly affected in 2001.

There can be no assurance that any future global economic crisis or depression in regional economies will not have any impact on the performance of the Acoustech Group, whether positive or otherwise.

##### **4.8 Profit Forecast**

This Prospectus contains a profit forecast of the Acoustech Group for the financial year ending 31 March 2002 which is based on assumptions that are subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of profit forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the assumptions and uncertainties underlying the profit forecast that are contained herein.

Although the Group seeks to limit the abovementioned risks, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group's business. Save as disclosed in the Prospectus and apart from normal commercial risk, the Board is of the view that the Group is not vulnerable to any specific factors or events.

## 5. INFORMATION ON THE ACOUSTECH GROUP

### 5.1 Incorporation and Principal Activities

Acoustech was incorporated in Malaysia as a private limited company, under the Companies Act, 1965, on 18 October 1999 under the name of Strategic Benefits Sdn Bhd. The Company changed its name from Strategic Benefits Sdn Bhd to Acoustech Sdn Bhd on 27 November 1999. On 23 December 1999, the Company was converted into a public limited company and assumed its present name.

Acoustech is an investment holding company, whose subsidiary and associated companies are primarily involved in the manufacture of OEM multimedia speaker system as well as speaker units and the manufacture of specialised chemical paints.

The Company has three (3) subsidiary companies, namely FPT, FPC, HTL and two (2) associated companies, namely GGSEC and MPCSB.

### 5.2 Changes in Share Capital

#### (i) Authorised Share Capital

The authorised share capital of Acoustech is RM100,000,000 comprising of 100,000,000 ordinary shares of RM1.00 each.

#### (ii) Issued and Paid-up Share Capital

The present issued and paid-up share capital of the Company is RM66,000,000 comprising 66,000,000 ordinary shares of RM1.00 each. Upon completion of the Public Issue, the issued and paid-up share capital of Acoustech will increase to RM78,000,000 comprising 78,000,000 ordinary shares of RM1.00 each. Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:

Date of allotment	No of ordinary shares	Par value RM	Consideration	Total issued & paid-up share capital RM
18.10.1999	2	1.00	Subscribers' shares	2
31.07.2001	65,999,998	1.00	Issued at RM1.1891 per share for the acquisition of 100% equity interest in both FPT (49,432,351 shares issued) and FPC (16,567,647 shares issued)	66,000,000

## 5. INFORMATION ON THE ACOUSTECH GROUP

### 5.3 Restructuring Scheme

As an integral part of its listing exercise on the Second Board of the KLSE, Acoustech undertook a restructuring exercise which was approved by the MITI and FIC on 31 May 2000 and 21 April 2000 respectively and SC on 22 December 2000 and 23 July 2001. The scheme involved the following:

#### (i) Revaluation of Landed Properties by the Subsidiary Companies

Messrs. Raine & Horne International Zaki + Partners Sdn Bhd, an independent registered professional valuer, undertook a valuation of the landed properties of the Acoustech Group on 24 December 1999 and 27 April 2000 based on the comparative and cost methods. The resultant revaluation surplus arising from the valuations are as follows:

Company	Open market value RM	SC's approved valuation RM	Revaluation surplus* RM
FPT	11,604,489	9,585,000	168,368
FPC	2,600,000	2,230,000	306,229

\* Based on the audited net book value as at 31 March 2000

The revaluation surplus of RM168,368 for FPT and RM306,229 for FPC as approved by the SC is based on the net book value of FPT and FPC's landed properties as at 31 March 2000. Based on the net book value of FPT and FPC's landed properties as at 31 March 2001, the revaluation surplus amounts to RM443,183 and RM342,043 for FPT and FPC respectively. The revaluation surplus of FPT and FPC's landed properties as at 31 March 2001 will be incorporated into the respective accounts of FPT and FPC for the financial year ending 31 March 2002.

Further information on the landed properties, together with their respective open market values and the incorporation of the revaluation surplus are set out in Section 9.2.

#### (ii) Acquisition of FPT and FPC

On 31 July 2001, Acoustech entered into two (2) conditional sale and purchase agreements with the vendors of FPT and FPC to acquire the entire issued and paid-up share capital of FPT and FPC. The purchase consideration was arrived at based on the respective audited NTA of FPT and FPC as at 31 March 2000 of RM58,779,442 and RM19,700,399 respectively after adjusted for the revaluation surpluses. The purchase consideration is computed as follows:

## 5. INFORMATION ON THE ACOUSTECH GROUP

	Audited as at 31 March 2000	
	FPT RM	FPC RM
Share capital	33,300,000	11,000,000
Unappropriated profits	25,311,074	8,394,170
Audited NTA	58,611,074	19,394,170
Revaluation surplus as at 31 March 2000	168,368	306,229
Adjusted NTA	58,779,442	19,700,399
% acquired	100	100
Purchase consideration (RM)	58,779,442	19,700,399
No. of ordinary shares of RM1.00 each acquired	33,300,000	11,000,000
No. of new Acoustech Shares issued at RM1.1891 per share	49,432,351	16,567,647

The acquisitions were completed on 31 July 2001 and the total purchase consideration of RM78,479,841 was satisfied by the issue of 65,999,998 new Acoustech Shares which will rank pari passu in all respects with the existing Acoustech Shares.

### (iii) Public Issue

In conjunction with the flotation of Acoustech, the Company will undertake a Public Issue of 3,600,000 new Acoustech Shares to Bumiputera Allottees and 8,400,000 new Acoustech Shares to the public at a Public Issue Price of RM1.60 per ordinary share payable in full on application.

The Public Issue Shares will be allocated in the following manner:

		No. of Public Issue Shares	% of the enlarged share capital
(i)	Bumiputera Allottee(s) approved by MITI	3,600,000	4.62
(ii)	Available for application by eligible employees, directors and business associates of Acoustech Group	2,400,000	3.08
(iii)	Available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions	6,000,000	7.69
	Total	12,000,000	15.39

### (iv) Listing and Quotation

The listing and quotation of the entire issued and paid-up share capital of Acoustech Group comprising 78,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE.

## 5. INFORMATION ON THE ACOUSTECH GROUP

### 5.4 Business Overview

#### 5.4.1 Group Structure

The subsidiary and associated companies of Acoustech Group are set out in the table below:

Name	Date and country of incorporation	Issued and paid-up capital	Effective equity interest	Principal activities
FPT	16 June 1992, Malaysia	RM33,300,000	100%	Manufacturer of multimedia speaker systems and speaker units
FPC	8 December 1989, Malaysia	RM11,000,000	100%	Manufacturer of specialised chemical paints
HTL	5 July 2000, British Virgin Islands	USD2	100%	Investment holding company
MPCSB	21 May 1996, Malaysia	RM4,000,000	50%	Marketing of specialised chemical paints and related consultancy services
GGSEC	31 December 1993, China	HKD2,000,000	21%	Manufacturer of OEM multimedia speaker systems, headphones and flat panel speakers

#### 5.4.2 Principal Products and Services

##### FPT

FPT is principally engaged in the manufacture of high end OEM multimedia speaker systems for the PC industry as well as speaker units for various types of speaker systems for well known MNCs such as JVC, Philips, RCA, Sony, Sharp, Matsushita, Panasonic, Kenwood and BA. Since the commencement of business, FPT has been a manufacturer of speaker units. However in 1998, FPT expanded its business to manufacture multimedia speaker systems in a significant proportion to capture the growing opportunities in the global multimedia PC market. Apart from multimedia speaker systems, FPT is also involved in the manufacture of indoor and water resistant outdoor marine speakers.

Through its associated company, GGSEC, other multimedia related computer peripherals are also manufactured by the Group such as computer headphones and headsets, microphones and flat panel speakers.

## 5. INFORMATION ON THE ACOUSTECH GROUP

### (i) **Multimedia Speaker Systems**

The composition of a multimedia speaker system will include satellite speakers which functions to deliver the audio pitch and a subwoofer box which delivers the matching bass output. The satellite speakers are movable components and may comprise a set of two (2) or five (5) units in each system. Each sub-woofer speaker also contains an amplifier that can be plugged directly into a PC or a hi-fi set for direct audio channelling.

In producing high-end multimedia speaker systems, FPT employs sophisticated sound technology capable of mapping detailed audio images for different ranges of speaker systems. A complete multimedia speaker system will operate as an active system where the volume and volume mixture level can be activated and adjusted on the satellite speakers independently of the audio system or the PC which reads and processes the audio data. The range of products manufactured by the FPT are as follows:

<b>Range of products</b>	<b>OEM customers</b>	<b>Markets*</b>
<b>Multimedia speakers systems</b>		
BA265 speaker system	BA	Europe, Japan, Asia, US
BA635 Analogue Subwoofer System	BA	Europe, Japan, Asia, Australia, UK, US
BA735/745 Digital Subwoofer System, or the MediaTheater™ Surround Speaker System	BA	Europe, Japan, Asia, Australia, UK, US
BA790 Digital Subwoofer System	BA	Europe, Japan, Asia, Australia, UK, US
BA7500/7800 Digital Subwoofer System	BA	Europe, Japan, Asia, Australia, UK, US
Labtec Multimedia Speaker series	Labtec Inc	Europe, Japan, Asia, Australia, UK, US
Thompson Audio Multimedia Speaker series	Thompson Audio Ltd	Europe, Japan, Asia, Australia, UK, US
BA4800 Digital Subwoofer System	BA	Europe, Japan, Asia, Australia, UK, US
<b>Indoor/Outdoor Marine Speakers</b>		
Voyager© 2, Voyager© 3, Voyager© Pro and the Grand Voyager© indoor / outdoor/marine Speaker Box	BA	US

\* OEM customers through their own distribution network on-sell the products to wholesale and retail customers in these markets

## 5. INFORMATION ON THE ACOUSTECH GROUP

### (ii) *Speaker Units*

Speaker units form the core component for all audio devices and is the component which generates and produces sound as output heard by the human ear in the sound reproduction process. Speaker units are suitable to be incorporated into speaker boxes, desktop audio devices, digital recorders, audio-video systems, mini-disc systems, as well as audio speaker systems. A list of FPT's clients that employ the Group's speaker units are as follows:

OEM Customers-Direct/Indirect	Power range of speaker unit	
	Pnom (watt)	Pmax (watt)
Acoustic Energy Ltd	40	80
Boston Acoustic Inc	36	72
Dai-ichi Electronics (Malaysia) Sdn Bhd	10	20
Daimik Electronic Industrial Co. Sdn Bhd	40	80
Eastern Asia Industries Sdn Bhd	25	50
Exzone Plastics Manufacturers Sdn Bhd	25	50
JVC Electronics Malaysia Sdn Bhd	75	150
Kenwood Corporation	50	100
Kyoei Corporation	15	30
Luster Industries Sdn Bhd	5	10
New Advance Electric Co. Ltd.	12	20
Sharp Roxy Corporation Malaysia Sdn Bhd	60	120
Sony Technology Malaysia Sdn Bhd	50	100

### FPC

FPC's principal products are specialised chemical paints for application on all kinds of surface such as plastic, metal and wood. FPC's products are solvent and water based paints and thinners with gasoline chemical mixture used mainly in the plastic, electrical and electronics, automobile, metal and wood-based industries. Specialised chemical paints are also produced for products which require durable finish on the surface.

The technological know-how of FPC in specialised paint production stems from its joint-venture cooperation with Musashi Japan, which has an established history in chemical paint manufacturing. The joint-venture collaboration was formalised through a Technical Assistance Agreement in December 1996. The Technical Assistance Agreement grants FPC the non-exclusive right to use the patents and trademarks of Musashi, Japan's PLA-ACE™, POP-SUEDE™ and MUSASHI™ product lines. The framework of the said agreement enables the transfer of technology, technical assistance and technical support. Musashi Japan generally produces chemical paints suitable for automobile audio equipment and accessories catering to large Japanese automobile companies such as Toyota and Honda.



**5. INFORMATION ON THE ACOUSTECH GROUP**

The applications of FPC's products vary depending on the surface and the function of the paint. Additionally, there are chemical paints manufactured by FPC which are water-based chemicals, non-toxic as well as environmentally friendly. The general usage of FPC's paints on different products are illustrated as follows:

Paint type	Application	Types of products
Plastic product paint	Reproduction of gloss and distinctive finish	Hi-fi equipment, television casings, speaker frames, automobile audio accessories, telecommunication casings and frames
Metal product paint	Prevent corrosion	Audio-video and PC central processing unit casings, bicycle frames, toys and speaker mesh
Polyurethane product paint	Prevent chemical erosion, insulate against heat and moisture	Cameras, helmets for motorcycles, rubber-based substrate, interior panels

The production of FPC's paints are based on specific formulations depending on the intended usage and the underlying substrate on which the paint is to be applied onto. Some of FPC's product lines based on the PLA-ACE™ formulation with different chemical attributes are as follows:

(i) **PLA-ACE™ Thinners:**

Product code	Period	Description
2726	Spring-autumn type standard	A thinner that can be used for all seasons. It excels in dissolving and has broad applications
27265	Winter type standard	Winter type standard thinner
2723	Winter type standard	A winter type standard thinner and is for solvent countermeasure
2780	Summer type standard	Standard type (for summer), automatic spray

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**5. INFORMATION ON THE ACOUSTECH GROUP**


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Product code	Type of surface	Description
2724	Polystyrene	For cleaning the material
2753	Acrylonite butadiene styrene	For cleaning the material
214	Not applicable	Non-blushing thinner for blushing countermeasure

(ii) **PLA-ACE™ Coating paints:**

Trademark	Item name	Application
PLA-ACE 716	Coating for plastics (Clear/ various colours)	Polystyrene, acrylics, acrylonite butadiene styrene, hard PVC, noryl, flame retardant resin for coating whole surface
PLA-ACE 713	Wood grain coat (Various ink colours)	Polystyrene, acrylics, acrylonite butadiene styrene, hard PVC, noryl, flame retardant resin for printing wood grain.
PLA-ACE PP	Exclusive coating for polypropylene (1 liquid type- various colours)	Exclusive polypropylene resins

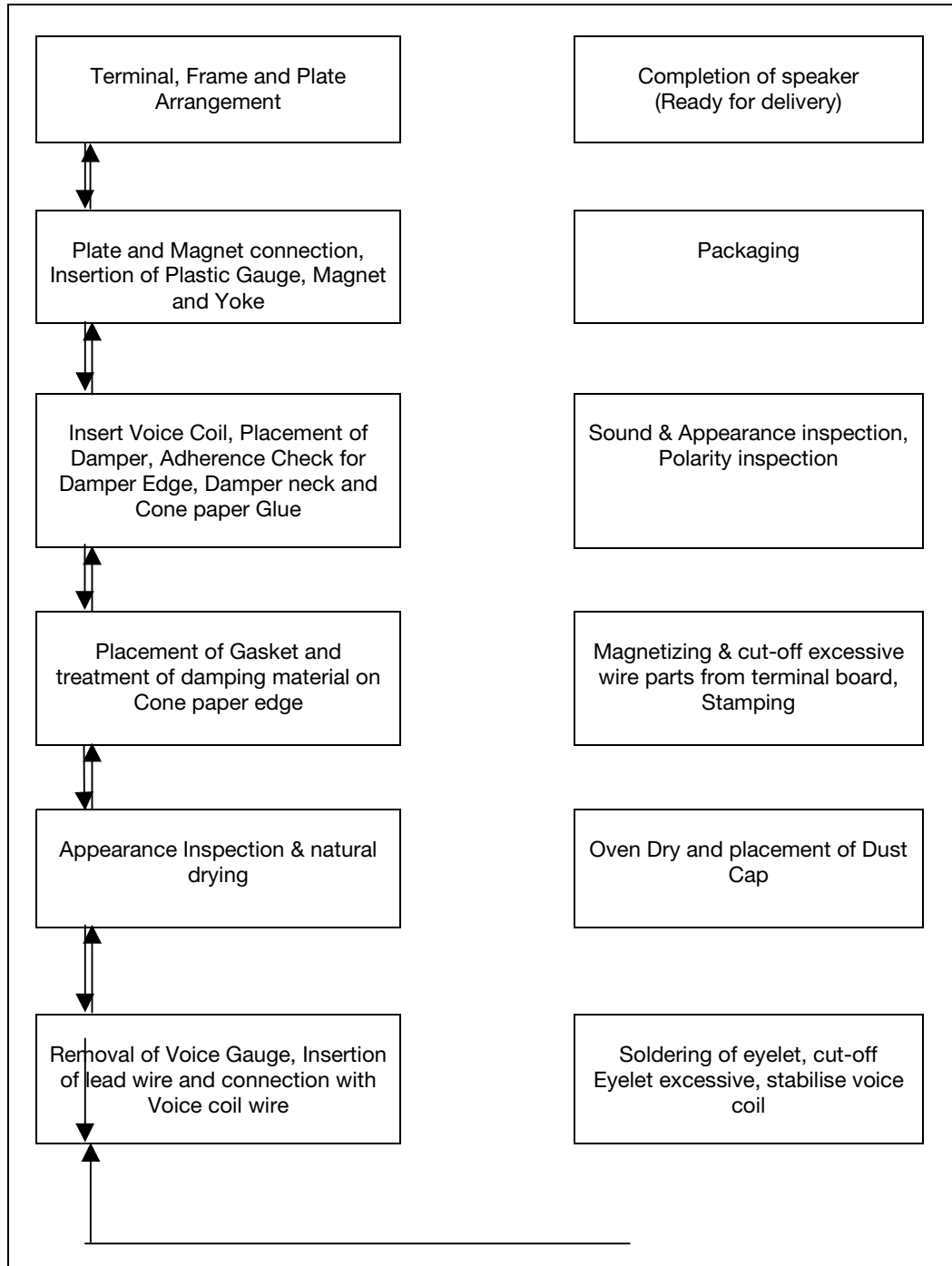
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**5. INFORMATION ON THE ACOUSTECH GROUP**

**Production Process**

**FPT**

The flow chart below illustrates the summarised production process of the speaker unit:



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## 5. INFORMATION ON THE ACOUSTECH GROUP

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### Production Process

(i) **Base production**

The first stage of the speaker unit production commences with the three components- the terminal, frame and plate arranged for connection with the magnet. Once the magnet is inserted with the plastic gauge, the base unit will be conveyed for insertion of other refined parts.

(ii) **Part Insertion**

The insertion of refined parts are carried out manually. The voice coil which is the core component for sound production within the cone is inspected before placement into the base cone. A damper is then laid above the voice coil and the damper edge and neck is visually inspected for conformity for size and fitting. A paper-based cone for the placement of glue is then inserted for the next process where glue is mechanically applied around the cone with the gasket adhered permanently on the cone surface.

(iii) **Appearance Inspection and Removal**

A manual inspection for appearance for alignment will be made. The unit will then be dried for a few hours for the parts to settle and solidify. Once dried, the harnessed voice gauge is removed and the lead wire is inserted with the voice coil wire. The eyelets where the lead wire is attached will be soldered and excessive parts cut off for stabilising the voice coil. The unit will next be delivered for a second round of drying through an oven before the external dust cap is harnessed onto the unit.

(iv) **Magnetisation and Removal**

The almost complete unit will then be magnetised and all excessive parts such as the wire on the terminal board will be manually removed. The unit will be stamped to remove the outer metal frame.

(v) **Sound Inspection**

The complete unit will then be conveyed for sound and polarity inspection. The performance of each unit will be measured through a computer system which will judge defects in audio output. Each unit will also be measured for adherence to standards in a sound compartment which will also examine the appearance of each unit.

(vi) **Packaging and Delivery**

After the inspection and quality test, the units will be either packaged directly for delivery to clients, or in the case of speaker units to be incorporated into multimedia speaker systems, a further process will be undertaken. For multimedia speaker systems, the additional process will involve the insertion of the external speaker box with added components such as wire mesh applied onto the unit. Additional tests and devices will be applied to complete the speaker system. With the completed unit and speaker system, the products are then despatched for delivery to clients.

## 5. INFORMATION ON THE ACOUSTECH GROUP

### FPC

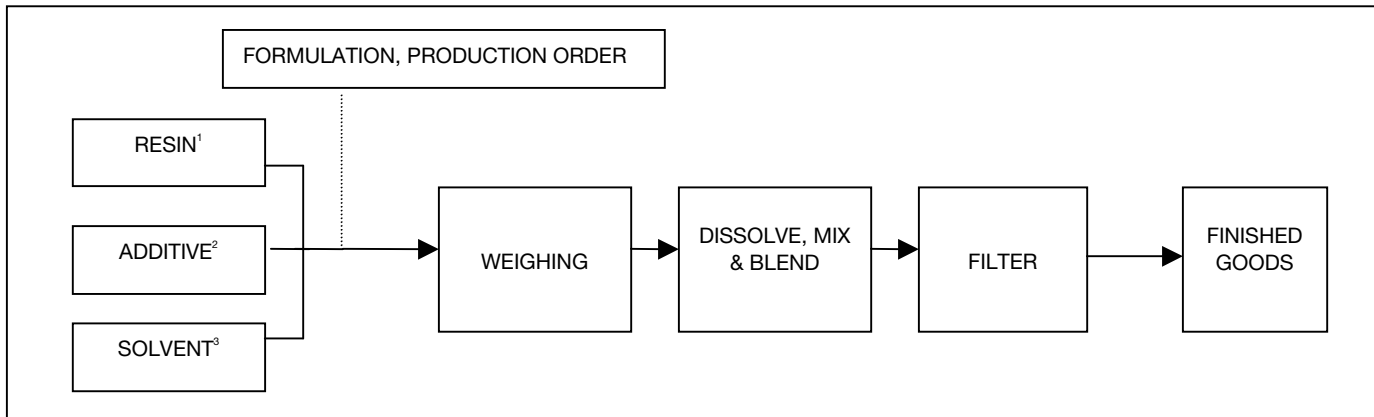
The manufacturing process begins when a colour assignment is received and when confirmation of system and colour requirements are made with the eventual MNCs or end-client. The system requirement for the formulae of paint will depend on the colour, texture, gloss, opacity, adhesion and strength of resistance to chemicals as well as durability requirement. Initial tests to stimulate the actual environment which the paint will be eventually exposed to will be carried out in the laboratory to assess conformity with the system requirements. Once the tests are completed the colour matching process will be carried out to match the colour requirement of the client. This will include trial runs on the customers' products to ensure that the paint can be suitably applied at the customers' premises. With the colour approved by the customer, the production of the paint will be undertaken once the quality control check of the raw materials is cleared.

### Production Process

For the production of specialised paints there are three different processes which must be undertaken. A summary of a typical manufacturing process, namely the clear, enamel and colour-matching process is illustrated as follows:

(i) **Clear Process**

In the clear process, additives, solvents and the necessary resin in specific compositions are weighed before being mixed. The mixture will then be placed in a high speed stirrer to mix, dissolve and blend the different components.

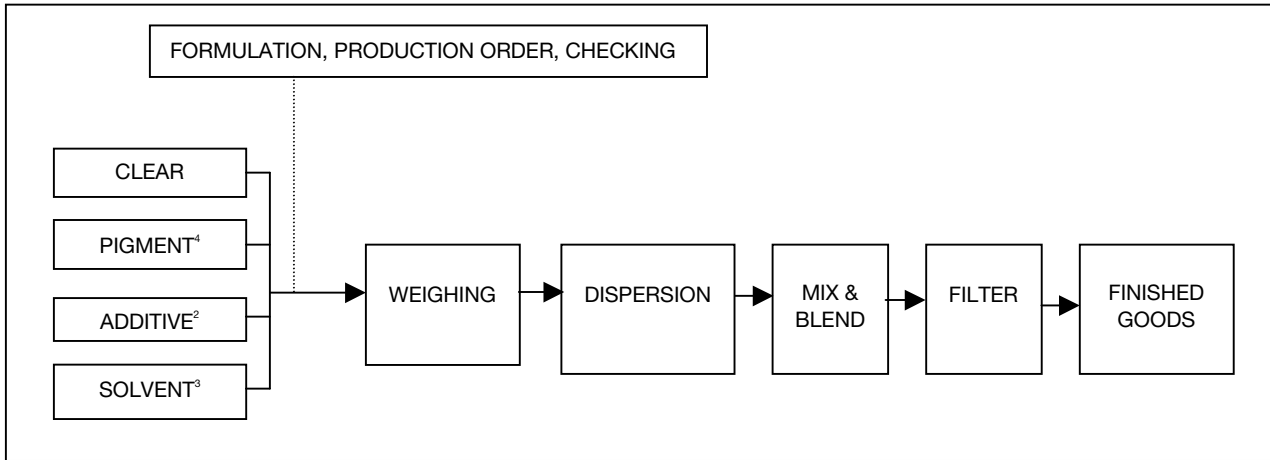


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**5. INFORMATION ON THE ACOUSTECH GROUP**

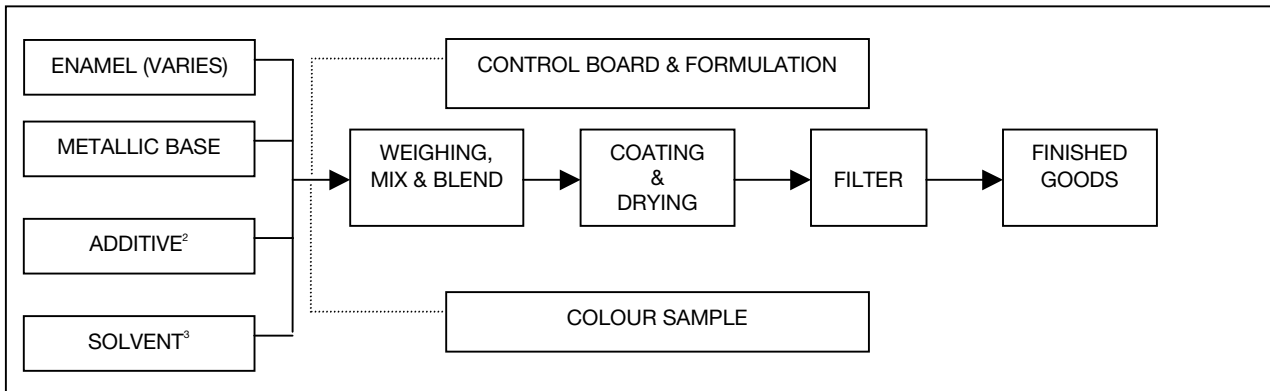
**(ii) Enamel Process**

Once the clear process is complete, pigments will be introduced into the mixture which will appear as a homogeneous paste. If necessary, additional additives and solvents will also be added. The process will then involve the dispersion of the mixture before being filtered.



**(iii) Colour Matching Process**

In the colour matching process, the paste from the enamel process is subjected to addition of metallic base components to produce the desired colour and in the case of functional paints, the desired application. Once the weighing, mixing and blending process is complete, the paint will undergo a coating and drying stage to produce a balanced paint in terms of concentrate, colour and texture. The final filtration process is carried out to remove impurities. As a final product, the paint is then inspected prior to packing and delivery.



**Notes:**

- <sup>1</sup> Resin : Acrylic resin, epoxide resin, polyurethane resin, amino resin, melamine resin, silicone
- <sup>2</sup> Additive : Disparion, dioctyl, orthophalates, paint additive, extender, hardener, plating agent, cellulose nitrates, mating agent, silicone oil, silica
- <sup>3</sup> Solvent : Heptane, ethyl acetate, butyl acetate, cellosolve acetate, ethyl cellosolve, butyl cellosolve, P.M.A., buthyl carbito, primary amyl acetate, methanol, iso propyl alcohol, normal buthyl alcohol, methyl methoxy butanol, isobutanol, acetone, methyl ethyl ketone, butyl hexane, toluene, xylene
- <sup>4</sup> Pigment : Colour pigment, aluminium paste, cadmium compound, burnock, carbon black, titanium oxides, paint pigment

## 5. INFORMATION ON THE ACOUSTECH GROUP

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### 5.4.4 Principal Markets and End-Users

#### **FPT**

FPT's speaker systems are targeted at OEM manufacturers with BA being the principal customer for its multimedia PC speaker systems. BA's speaker system is distributed through wholesale and retail channels including Best Buy, Circuit City and Gateway Computers Ltd, a reputable global PC company listed on the US National Association of Securities Dealers Automated Quotation (NASDAQ). End-users of hi-fi speaker systems are also typically customers of branded audio and video entertainment systems such as Sony, Kenwood and JVC.

Speaker units are an essential component for the audio and video entertainment systems and its demand closely correlates with the demand for consumer electrical and electronics products. The US, Europe and Asia are the principal markets for FPT's speaker units where the speaker units are distributed under such brand names as BA, AE, JVC, Philips, RCA, Sony, Sharp, Matsushita, Panasonic and Kenwood. Such brands are marketed worldwide and command a significant market share in the consumer electrical and electronics sector.

#### **FPC**

FPC's main target clients belong to the car audio, home audio-video, telecommunications, camera and PC industry. Users of FPC's paints include brands such as Sharp, Sony, Kenwood, JVC, Yamaha, Onkyo, Aiwa, Konica, Minolta and Canon. FPC sells its chemical paints to OEMs which applies the paints on various products such as television, camera and audio component casings. Although FPC has the technology to produce both passive as well as functional paints, the present demand situation in Malaysia is largely for passive paint used for coating to give the outer surface an aesthetic appearance. Passive paints distributed by FPC include acrylic lacquer for acrylonite butadiene styrene (ABS), polycarbonate, polystyrene and polyphenylenoxide as well as polyurethane for ABS, polycarbonate, steel and nickel plate surface and aluminium die cast. Functional paints, apart from its aesthetic features are also capable for other usages such as to facilitate electricity conduction or to absorb light for reflective purpose.

In November 2000, FPC introduced and commenced distribution of the following functional paints:

- (i) Environmental friendly water based paint for plastic materials and surface
- (ii) UV paint for plastics-paints that hardens and scratch proofs the surface
- (iii) High shining polyurethane paints for polystyrene surface

## 5. INFORMATION ON THE ACOUSTECH GROUP

### 5.4.5 Method of Distribution and Output

#### FPT

For its OEM manufacturers, FPT's products are packaged and distributed to customers' premises for immediate incorporation into the finished product. Thereafter, depending on the client's arrangement with their respective customers, the finished product will either be packaged directly or will undergo further packaging with other components to complete the audio and video entertainment system.

The annual output of FPT's main products are as follows:

Products	←-----Financial years ended 31 March -----→				
	1997	1998	1999	2000	2001
<b>Multimedia models</b>	-	MM30	BA635 MM30	BA735, BA635 MM30, V M1 – M3, BA7500 BA4800, BA265	BA735, BA635 MM30, V M1 – M3, BA7500, BA4800, BA265
<b>Multimedia speakers systems ('000 set)</b>	N/A	381	1,309	1,094	3,207
<b>Audio speaker units ('000 units)</b>	6,056	7,450	10,375	11,080	13,914

\* FPT only commenced production of multimedia speaker systems in 1998

#### FPC

FPC markets its chemical paints in collaboration with Musashi Japan, via a locally incorporated company, MPCSB. MPCSB employs two (2) technical sales experts from Japan to assist its clients in understanding the nature and quality of its paints as well as providing after sales services. The technical experts also help to train local sales personnel to enhance the employees' technical knowledge so as to provide better sales support and technical assistance to existing and potential customers. The technical experts and FPC's marketing department work closely to develop different specifications of paints for new and better application on client's existing products.

FPC principally sells its paints to component manufacturers and OEMs which manufacture plastic and metal parts for brand owners. FPC has to liaise directly with MNC brand owners since the paint specification will have to ultimately comply with the product requirements of brand owners. Generally, OEM manufacturers are therefore the direct customers of FPC whereas MNC brand owners are the indirect customers of FPC.



**5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)**

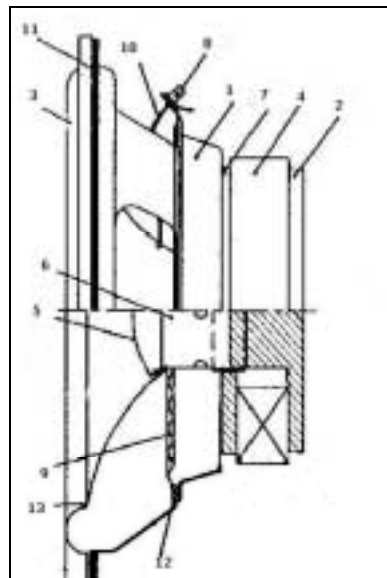
The annual output of FPC's products are as follows:

Products ( <sup>'000 kilograms</sup> )	←-----Financial year ended 31 March----->				
	1997	1998	1999	2000	2001
<b>Thinner</b>	204	208	285	498	577
<b>Plastic</b>	227	315	403	572	680
<b>Metal</b>	34	23	19	25	13

**5.4.6 Source and Availability Of Raw Materials**

**FPT**

Major components of a speaker unit include amongst others moulded speaker parts, wood parts, voice coil, magnet, plate, outer cap, solder wire, cushion, gasket, glue, opp tape and stretch film. Most of these components are sourced and purchased locally. However, certain components such as moulded speaker parts and magnets are imported due to the high quality requirement of these components for the speaker unit. Only 10% of FPT's raw materials are imported from overseas, namely from Taiwan, China and Hong Kong. A typical representation of major raw materials which make up a speaker unit which also forms the core component of a multimedia speaker system is illustrated below:



- Components of a speaker unit**
- 1 - Frame
  - 2 - Yoke
  - 3 - Cone Paper
  - 4 - Magnet
  - 5 - Dust Cap
  - 6 - Voice Coil
  - 7 - Plate
  - 8 - Terminal
  - 9 - Damper
  - 10 - Lead Wire
  - 11 - Packing
  - 12 - Gasket
  - 13 - Damp Dose

## **5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)**

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### **FPC**

The raw material for chemical paints consists mainly of pigments, additives, flattening agent, aluminium paste, acrylic resin, solvent and hardeners. Resins are used to hold the pigments and additives and to develop a layer of film on the surface coat whereas solvents are used to dissolve and disperse the components in the chemical formula. Different combinations of resins can be used to develop different requirements for hardness and durability. Approximately 80% of these raw materials are imported from Taiwan, Korea, Singapore and Japan due to the specific nature of the ingredient and the mixing formulae which must be undertaken from its overseas technical partner, Musashi Japan. FPC has a Technical Assistance Agreement with Musashi Japan for the exchange of technical know-how and therefore do not expect that there will be any disruption in the supply of its major raw material components. The Group has not faced any difficulties in sourcing its main raw materials as they are relatively easy to source and readily available.

In total, there are more than 50 local suppliers and 20 foreign suppliers that have been consistently providing the Group with raw materials. The established relationship with a diversified group of suppliers lessens the threat of over-dependence on any one supplier or on any supplier which may be later deemed unreliable.

#### **5.4.7 Patents, Trademarks, Licenses**

##### **FPT**

FPT, as an OEM, currently does not have any registered patents, trademarks, licenses nor any franchises. However, the Company has applied for a trademark registration on 4 October 1999 in respect of the trademark "Formosa Prosonic Technics Sdn Bhd". As at 17 September 2001, the trademark application is still pending approval from the Registrar of trademarks.

##### **FPC**

FPC, as an OEM, at present, does not have any patents, trademarks, licenses or any franchises. However, the Company has applied for a trademark registration on 4 October 1999 in respect of the trademark "Formosa Prosonic Chemicals Sdn Bhd". As at 17 September 2001, the trademark application is still pending approval from the Registrar of trademarks.

FPC has been enjoying close working relationship with Musashi Japan since its inception in 1992. In December 1996, the working relationship between both companies was formalised via a Technical Assistance Agreement. The agreement is in force until December 2001 and is renewable for another three (3) years to December 2004. The Technical Assistance Agreement grants FPC the non-exclusive right in Malaysia to use Musashi Japan's patents and trademarks namely PLA-ACE™, POP-SUEDE™ and MUSASHI™ in connection with the manufacture of paints for plastic and metal primers.

## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### 5.4.8 Material Research And Development

#### FPT

FPT presently has a team of engineers working closely in research and development. The research and development team is required to collaborate with its clients' technical representatives from companies such as Boston Acoustics Ltd, Sony Corporation, Kenwood USA Corporation and Victor Company of Japan, Ltd (JVC) to ensure that the multimedia speaker systems and speaker units produce the sound quality and output which satisfy specific model requirements. Presently, the Acoustech Group has a team of four (4) engineers seconded to Boston Acoustics Ltd in Massachusetts, US to collaborate in the research and design department.

#### FPC

A significant part of the research and development effort in FPC is conducted in Musashi Japan. Research and development of chemical paints is not conducted in Malaysia mainly because the industry is considered to be in the infancy stage as compared with Japan and therefore lack the market size and sample for effective study. Additionally, due to the lack of availability of certain raw materials locally, the setting-up of a research and development department will not be practical at this present time. With the technical arrangement with Musashi Japan, FPC has access to Musashi Japan's technical information pertaining to the manufacturing of chemical paints and thinners including any advances to its research and development especially for PLA-ACE™, POP-SUEDE™ and MUSASHI™ product lines.

### 5.4.9 Employees

As at 17 September 2001, the Acoustech Group, excluding GGSEC, has a total workforce of 769 employees. The breakdown of the category employees is as follows:

Category of employee	Local				Foreign	Total
	Bumiputera	Chinese	Indian	Others		
Management & professional staff	-	10	1	-	6	17
Technical & supervisory (Executive)	13	33	7	-	-	53
Clerical & related occupations	38	28	-	-	5	71
General workers	6	1	4	-	-	11
Factory workers:						
- skilled	2	5	2	-	2	11
- unskilled	212	6	152	9	227	606
Total	271	83	166	9	240	769

## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

Every year, management and technical-staff will undergo continuous learning and technical development programs conducted either in-house or through external public seminars. Training modules will cover areas such as upgrading of technical knowledge, productivity enhancement, computer related skills as well as supervisory skills for higher management.

Under the technical assistance program, employees of FPC regularly receive technical training from Musashi Japan as well as updated research on industry developments.

The number of employees in Acoustech Group which have attended in-house training and/or public seminars are as follows:

	Course	Number of employees which attended training	
		For financial year ended 31 March 2001	For period ended 15 June 2001
(i)	In-house	404	23
(ii)	Public Seminar	4	2
		408	25

None of the employees belong to any union. The relationship between the management and employees is considered good and the majority of the staff have been with the Group for over five (5) years. The Group places great emphasis on training to constantly improve employee knowledge of products and manufacturing process. New recruits will undergo orientation programmes to familiarise themselves with technical issues related to operating machineries in the factory.

### 5.4.10 Key Achievements and Awards

Since FPT's inception in 1992, the operations of FPT has been constantly improved to ensure a high success rate for its production output. After two (2) years in operation, FPT successfully obtained the ISO9002 certification in 1994.

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## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### 5.4.11 Distribution Network

The eventual products of the Group are distributed globally as speaker systems and multimedia speaker systems. Some of the established brands in which the Group's products are incorporated, or in the case of chemical paints employed onto, are as follows:

Brands with FPT's speaker units	Multimedia speaker systems	Brands with FPC's chemical paint
<ul style="list-style-type: none"> <li>• JVC</li> <li>• Philips</li> <li>• RCA</li> <li>• Sony</li> <li>• Sharp</li> <li>• Matsushita</li> <li>• Panasonic</li> <li>• Kenwood</li> </ul>	<ul style="list-style-type: none"> <li>• BA multimedia speaker system</li> <li>• BA Indoor/Outdoor Marine Speakers</li> <li>• Labtec Inc</li> <li>• Thompson Audio</li> </ul>	<ul style="list-style-type: none"> <li>• Sharp</li> <li>• Sony</li> <li>• Kenwood</li> <li>• JVC</li> <li>• Yamaha</li> <li>• Onkyo</li> <li>• Aiwa</li> <li>• Konica</li> <li>• Minolta</li> <li>• Canon</li> </ul>

Speaker units are distributed as a part of the speaker systems within mini hi-fi and mini-compo units. A complete audio and video entertainment system may also include a single or double cassette player, compact disc player, video compact disc player, amplifier or graphic equalizer. Established entertainment system brands are distributed through department stores and electrical outlets throughout the world. The multimedia speaker system is commonly distributed as a computer accessory bundled together with the PC and purchased through vendors, computer outlets or by mail order from brand owners. At present the BA indoor and outdoor marine speakers are only distributed in the US.

FPC's paints are indirectly distributed as the final chemical paint coating on PC central processing units, electrical and electronic products such as car audio, home audio-video, telecommunications and camera equipment. FPC's distribution network is far ranging as the eventual clients of FPC are established MNCs with internationally recognised brands distributed worldwide.

The distribution of Acoustech's products are therefore carried out indirectly by Acoustech's clients which undertakes the necessary marketing and promotion of products.

### 5.4.12 Location of Production Facilities and/or Principal Place of Business

The location of principal assets, production facilities, and place of business of Acoustech Group are as follows:

**Head Office :**

Acoustech Berhad  
Lot 236,238 & 240, Taman Ria  
Kawasan Perindustrian LPK  
08000 Sungai Petani  
Kedah Darul Aman  
Tel No: 04-4428020

**Branch Office:**

No.2, Jalan 1  
Bandar Sultan Suleiman  
Taiwanese Industrial Park  
42000 Port Klang, Selangor Darul Ehsan  
Tel No: 03-31761145  
03-31763376

## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### 5.5 Information on Subsidiary and Associated Companies

#### 5.5.1 Subsidiary Companies

##### FPT

##### *History*

FPT was incorporated in Malaysia on 16 June 1992 as a private limited company under the Companies Act, 1965 with an initial issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. The company commenced its operations in April, 1993. Its issued and paid-up share capital was subsequently increased to RM33,300,000 comprising 33,300,000 ordinary shares of RM1.00 each. Presently, FPT has a wholly owned subsidiary company, HTL, which in turn owns a 21% equity stake in GGSEC, an associated company with operations in the People's Republic of China.

##### *Principal Activities*

FPT manufactures multimedia speaker systems and speaker units.

##### *Share Capital*

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

Date of allotment	No of ordinary shares	Par value RM	Consideration	Total issued & paid-up share capital RM
16.06.1992	2	1.00	Subscribers' shares	2
20.04.1993	2,750,000	1.00	Cash	2,750,002
30.08.1996	1,293,840	1.00	Cash	4,043,842
30.08.1996	1,956,158	1.00	Otherwise than cash	6,000,000
23.09.1996	856,760	1.00	Bonus issue	6,856,760
23.09.1996	2,559,918	1.00	Cash	9,416,678
31.12.1998	11,583,322	1.00	Bonus issue	21,000,000
30.03.1999	10,000,000	1.00	Cash	31,000,000
30.09.1999	2,300,000	1.00	Cash	33,300,000

## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### Income Statements

The audited income statements of FPT for the past five (5) years ended 31 March 2001 are set out below:

	←----- Financial year ended 31 March-----→				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	36,035	105,378	193,366	173,201	249,692
Profit before depreciation, interest and taxation	3,813	14,479	15,654	13,334	13,398
Depreciation	(577)	(729)	(955)	(1,028)	(1,794)
Interest expense	(223)	(360)	(1,002)	(582)	(1,095)
Interest income	27	231	214	129	211
Profit before taxation	3,040	13,621	13,911	11,853	10,720
Share of profit of an associated company	-	-	-	-	601
	3,040	13,621	13,911	11,853	11,321
Taxation	(916)	(3,615)	787	(3,000)	(1,395)
Share of tax of an associated company	-	-	-	-	(65)
	(916)	(3,615)	787	(3,000)	(1,460)
Profit after taxation	2,124	10,006	14,698	8,853	9,861
Number of ordinary shares in issue ('000)	9,417	9,417	31,000	33,300	33,300
Weighted average number of ordinary shares ('000)	18,366	21,000	21,000	32,150	33,300
Net earnings per share (sen)	11.56	47.65	69.99	27.54	29.61

Notes:

1. Taxation has been adjusted for over or under provision in the relevant year
2. The EPS has been calculated based on the weighted average number of shares in issue
3. There were no extraordinary items for the financial years under review
4. The investment in the associated company has been accounted for using the equity method

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## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### Commentary on the profit track record

- (1) For FY1998, revenue increased tremendously by 192% mainly due to FPT securing a very substantial amount of orders with a major customer. PBT increased by 348% due to the depreciation of the RM against the USD during the second half of the financial year as sales were denominated in USD. The gross profit margin remained the same as that in FY1997.
- (2) Revenue increased by 83% in FY1999 mainly due to more orders for different models from FPT's major customer. PBT only increased by 2% as the benefits of the currency depreciation was passed on to clients in the form of discounts. Higher interest cost was incurred by the company in FY1999 as more short-term borrowings were used for working capital purposes.
- (3) The decrease in revenue of 10% for FY2000 compared with FY1999 was largely due to higher revenue for FY1999 arising from overseas sales at a favourable USD exchange rate prior to the currency peg in FY1998. The decrease in PBT for FY2000 is mainly due to higher foreign exchange gain in FY1999 after the currency peg in 1998.
- (4) For FY2001, revenue increased significantly by 44% on the back of stronger demand for multimedia speaker systems from the US. However, operating profit only increased slightly due the sale of predominanalty lower margin products. The profit before tax was also slightly lower due to higher depreciation charges and interest expense.

### **Substantial Shareholders (with a shareholding of 5% and above) as a 17 September 2001**

Name	<-----No. of shares----->		<---% interest--->		Country of incorporation/ Nationality
	Direct	Indirect	Direct	Indirect	
Acoustech	33,300,000	-	100.00	-	Malaysia
FPH	-	33,300,000 <sup>1</sup>	-	100.00	Malaysia
Ropli Bin Ishak	-	33,300,000 <sup>2</sup>	-	100.00	Malaysian

<sup>1</sup> By virtue of its shareholding of more than 15% in Acoustech

<sup>2</sup> By virtue of his shareholding of more than 15% in Acoustech

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## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### FPC

#### *History*

FPC was incorporated in Malaysia on 8 December 1989 as a private limited company under the Companies Act, 1965 with an initial issued and paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. Its issued and paid-up share capital was subsequently increased to RM11,000,000 comprising 11,000,000 ordinary shares of RM1.00 each. Presently, FPC does not have any subsidiary company but owns a 50% equity stake in MPCSB, an associated company in Malaysia.

#### *Principal Activities*

FPC is a manufacturer of specialised chemical paints for plastic, metal and wood surfaces.

#### *Share Capital*

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

<b>Date of allotment</b>	<b>No of ordinary shares</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Total issued &amp; paid-up share capital RM</b>
08.12.1989	2	1.00	Subscribers' shares	2
22.02.1991	537,638	1.00	Cash	537,640
25.03.1992	1,342,360	1.00	Cash	1,880,000
23.09.1996	1,772,496	1.00	Bonus issue	3,652,496
23.09.1999	1,242,904	1.00	Cash	4,895,400
30.09.1999	2,104,600	1.00	Bonus issue	7,000,000
30.09.1999	4,000,000	1.00	Cash	11,000,000

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## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### Income Statements

The audited income statements of FPC for the past five (5) years ended 31 March 2001 are set out below:

	<----- Financial year ended 31 March----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	6,190	9,000	13,792	21,485	25,330
Profit before depreciation, interest and taxation	1,876	2,373	2,878	5,924	6,512
Depreciation	(231)	(240)	(275)	(264)	(264)
Interest expense	(51)	(50)	(49)	(26)	(21)
Interest income	18	85	29	160	221
Profit before taxation	1,612	2,168	2,583	5,794	6,448
Share of profit of a joint venture company	-	-	106	431	524
	1,612	2,168	2,689	6,225	6,972
Taxation	(514)	(590)	40	(1,639)	(1,928)
Share of tax of a joint-venture company	-	-	3	(149)	(169)
	(514)	(590)	43	(1,788)	(2,097)
Profit after taxation	1,098	1,578	2,732	4,437	4,875
Number of ordinary shares in issue ('000)	4,895	4,895	4,895	11,000	11,000
Weighted average number of ordinary shares ('000)	6,379	7,000	7,000	9,000	11,000
Net earnings per share (sen)	17.21	22.54	39.03	49.30	44.32

Notes:

1. Taxation has been adjusted for over or under provision in the relevant year
2. The EPS has been calculated based on the weighted average number of shares in issue
3. There were no extraordinary items for the financial years under review
4. Investment in the joint-venture company has been accounted for under the equity method

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## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### Commentary on the profit track record

- (1) For FY1998, revenue increased by 45% due to higher sales of a new product. PBT increased by 34% due to higher contribution from a new product and lower manufacturing costs with improvements in production process.
- (2) For FY1999, revenue increased significantly by 53% due to greater demand from local manufacturers which resorted to switching to locally produced paints as imports became more expensive with the depreciation of the USD against the RM. PBT only increased by 24% due to higher costs in imported raw materials.
- (3) For FY2000, revenue continued to increase by 56% as a result of increased marketing activity and greater provision of after sales support. PBT increased sharply by 131% as manufacturing costs decreased with improvements to the production process as well as improvements to profit margins.
- (4) For FY2001, revenue increased by 18% on the back of increased orders for passive paints and the sale of FPC's functional paints which is being produced and sold in higher quantities. With higher marketing expenses, profit before tax only increased by 12%.

### **Substantial Shareholders (with a shareholding of 5% and above) as at 17 September 2001**

Name	<----No. of shares----->		<---% interest-->		Country of incorporation/ Nationality
	Direct	Indirect	Direct	Indirect	
Acoustech	11,000,000	-	100.00	-	Malaysia
FPH	-	11,000,000 <sup>1</sup>	-	100.00	Malaysia
Ropli Bin Ishak	-	11,000,000 <sup>2</sup>	-	100.00	Malaysian

<sup>1</sup> By virtue of its shareholding of more than 15% in Acoustech

<sup>2</sup> By virtue of his shareholding of more than 15% in Acoustech

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## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### HTL

#### *History*

HTL was incorporated in the British Virgin Islands on 5 July 2000 as a limited liability company. It presently has an issued and paid-up share capital of USD 2 comprising 2 ordinary shares of USD 1.00 each. HTL owns a 21% equity stake in GGSEC, an associated company with operations in the People's Republic of China.

#### *Principal Activities*

HTL is an investment holding company.

#### *Share Capital*

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

<b>Date of allotment</b>	<b>No of ordinary shares</b>	<b>Par value USD</b>	<b>Consideration</b>	<b>Total issued &amp; paid-up share capital USD</b>
10.11.2000	2	1.00	Subscribers' shares	2

### 5.5.2 Associated Companies

#### **MPCSB**

#### *History*

MPCSB was incorporated in Malaysia on 21 May 1996 as a private limited company under the Companies Act, 1965 with an initial issued and paid-up capital of RM2 comprising 2 ordinary shares of RM1.00 each. MPCSB was formerly known as Jet Discovery Sdn Bhd until it changed to its present name on 10 October 1996. Its issued and paid-up share capital was subsequently increased to the present issued and paid-up share capital of RM4,000,000. Presently, MPCSB does not have any subsidiary or associated companies.

#### *Principal Activities*

MPCSB is principally involved in the marketing of specialised chemical paints and related consultancy services which complements the Group's chemical paint business as it helps to ensure that there is a marketable clientele for FPC.

**5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)****Share Capital**

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

<b>Date of allotment</b>	<b>No of ordinary shares</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Total issued &amp; paid-up share capital RM</b>
21.05.1996	2	1.00	Subscribers' shares	2
6.10.1998	399,998	1.00	Cash	400,000
30.08.2001	600,000	1.00	Bonus issue	1,000,000
30.08.2001	3,000,000	1.00	Cash	4,000,000

**GGSEC****History**

GGSEC was incorporated in the People's Republic of China on 31 December 1993 under the Law of the People's Republic of China on Chinese Foreign Equity Joint Venture with an initial issued and paid-up capital of HKD2,000,000 comprising 2,000,000 ordinary shares of HKD1.00 each. Presently, it does not have any subsidiary or associated company.

**Principal Activities**

GGSEC is principally engaged in the manufacture of OEM multimedia speaker systems as well as headphones and flat panel speakers. The multimedia speaker systems produced by GGSEC is used by its international clientele that includes Labtec Inc. of USA and Thomson Audio.

**Share Capital**

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

<b>Date of allotment</b>	<b>No of ordinary shares</b>	<b>Par value HKD</b>	<b>Consideration</b>	<b>Total issued &amp; paid-up share capital HKD</b>
31.12.1993	2,000,000	1.00	Subscribers' Shares	2,000,000

## **5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)**

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### **5.6 Industry Overview**

#### **Overview of the Malaysian Economy**

The economic outlook for 2001 continues to be favourable. Growth is expected to be sustained by the stronger performance of the private sector which will provide the primary stimulus for growth. The Government will, however, continue to support the private sector in ensuring that growth in economic activities is sustained. In addition to the fiscal stimulus, the Government will continue to support economic growth through measures that promote expansion in domestic demand, development of new sources of growth which will strengthen the nation's competitiveness and resilience whilst improving further the quality of life.

The international economic environment is expected to continue to be conducive with world growth remaining strong at 4.2% (2000: 4.7%). The slower growth anticipated for US (3.2%), is expected to be mitigated by continued growth of Malaysia's other major trading partners of Japan (1.8%) and the European Union (3.4%). Regional growth is expected to moderate but remain strong at 6% (2000: 6.5%). Growth in world trade is expected to continue to be robust at 7.8%. Given the external outlook, real GDP growth for Malaysia is forecast at 5-6% in 2001.

As at June 2001, Malaysia's trade balance registered forty-four (44) consecutive months of continued trade surplus since November 1997. In June 2001, a trade surplus of RM3.3 billion was achieved as compared to that of RM4.7 billion in the corresponding month last year. For the first half of 2001, Malaysia's external trade surplus was RM25.8 billion coming from imports of RM143.3 billion and exports of RM169.1 billion. Malaysia's largest export earner, electrical and electronic products, which accounted for 56.3% of total export earnings for the first six (6) months of 2001, generated an export of RM95.1 billion.

The manufacturing output is forecast to sustain double-digit growth of 12% in 2001. Despite concerns that the growth of export-oriented industries may slacken due to the prospects of a slowdown in the expansion of the US economy and sales of PCs, output of Malaysia's export oriented industries are expected to expand by 12.3% given the continued growth in demand anticipated from Malaysia's other trading partners. The projection takes into account the continued strong global demand for electronic products given the rapid growth in information and communications technology (ICT) infrastructure and the wireless communication sector.

*(Source: Economic Report 2000/2001, Statistics Department)*

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## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### Overview of the Multimedia Speaker Industry

#### (i) **Multimedia Speakers Usage**

With development in various uses of the PC, multimedia-enabled applications have become a common feature within PCs which in turn require different peripheral devices to exploit different functions. Some of these devices developed are as follows:

Hardware	Software
Digital cameras	Multimedia playback *
Digital camcorders *	Multimedia communications *
Video capture devices *	Video-Conferencing *
TV Tuner cards *	Streaming technology *
Multimedia creation *	
Video production *	
Video-conferencing kits *	
2D/3D Animation *	

\* *These devices usually require the use of multimedia speaker systems*

The expansion in usage of the internet as an information channelling device has further harnessed the potential of audio output from PCs via multimedia speaker systems. It is now possible to listen to internet radios and or watch news clips from different web sites which supply such services. However, the ability to receive audio feed is only possible if a set of multimedia speaker systems is connected to the computer. Further, it is possible for users to undertake video or audio editing through available software that in turn also require a set of speaker systems. From watching videos to playing music, the PC is now capable of a host of other desktop functions apart from the common word processing or spreadsheet application. With upgrades to Digital Versatile Disc (DVD) and with a high-end multimedia speaker system, the PC is even capable of turning into a mini-theatre.

#### (ii) **Supply and Demand Conditions**

Demand for multimedia speaker systems correlates closely with the expansion in the PC industry since the majority of speaker systems are manufactured to form part of the PC hardware set-up. It is now common to have a multimedia speaker system as a packaged hardware together with other peripherals such as the computer monitor, keyboard and mouse. The growth in the PC market is interlinked with technological developments such as faster PCs and PCs with wider scope for application. Although worldwide growth for PCs may experience a decline in 2001, with the general perception that the US is expected to be more severely affected than other regions, demand conditions are expected to remain favourable over the longer term since existing PC hardwares will become obsolete through the introduction of new technological developments, necessitating replacement with newer models. Equally promising is the replacement market for home audio entertainment systems where consumers upgrade existing models when new and better models are released.

## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

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### (iii) **Industry Players and Competition**

There are few OEM manufacturers in Malaysia that produces multimedia speaker systems in significant volumes. The more broad based categories of speaker unit brand manufacturers which have manufacturing facilities in Malaysia are as follows:

- Onkyo in Kulim;
- Pioneer in Alor Setar; and
- Philips in Gurun.

Other OEM companies include Dai Hwa Holdings Berhad, Capetronic Consumer Electronics Holdings Berhad and Foremost Holdings Berhad. Additionally, there may be several other smaller OEM manufacturers that produce speaker units for other products such as slim speakers (for mobile phones, walkie-talkies, facsimile, small television sets), fixed resistors and wire harnesses.

The competitive advantage of the Group is considered to be its ability to directly and indirectly secure, retain and service well-known brand names such as Boston Acoustics, Sharp, Sony, Kenwood, Philips and JVC.

### (iv) **Future Growth of the Industry**

The growth of the PC as a functional, communication and educational hardware has been revolutionary for the past decade. The increased usage of the internet as a communication and information channel is likely to spur further growth in the telecommunications and PC sector which in turn will bring about a positive demand for peripheral devices. Although the global outlook for technology related products such as semiconductors and microprocessors has remained depressed for the first half of 2001, the long-term outlook is considered to be positive once the present stock overhang in the technology sector is cleared in the near term. With continuous improvements and technological developments underpinning growth in the information and communications technology (ICT) sector, new markets will emerge in the PC and PC peripheral segment as existing PCs and PC peripherals will be developed to accommodate new technologies and to replace older versions.

### (v) **Industry Reliance and Vulnerability to Imports**

The performance of FPT is generally not dependent on the performance of the domestic economy since FPT is an OEM manufacturer with an international market. There is also no threat in imports as FPT's products are not supplied locally but distributed through international channels. The diverse markets in which the eventual clients of FPT supply to also minimises the adverse impact of a downturn in any regional economy. FPT is however principally reliant on the PC and PC peripheral market and any shift in growth prospects in the global PC market will have an impact on the performance of the company.



## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

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(vi) **Relevant Laws and Regulations governing the industry**

*Industrial Co-ordination Act, 1975*

Under this Act, manufacturing companies with shareholders' funds in excess of RM2.5 million or with at least 75 full time employees must apply for a manufacturing licence from the Ministry of International Trade and Industry. FPT is in compliance with the governing laws and regulations pertaining to the manufacturing industry.

### Overview of Industrial Paints

(i) **Industrial Paints Industry**

In general, chemical paints can be divided into two (2) broad categories, namely passive paints and functional paints. Passive paints are paints used for cosmetic purposes applied on the surface of products to enhance outward appearance and is a generic term used for a wide range of surface coating products such as varnishes, lacquers, powder coating, solid and water based solution. Further, paints are also used for protecting the underlying product from corrosion, decay, rust and can even act as an insulating layer against electricity shock. In general, industrial paints can be employed on four different types of surfaces namely, plastic, metal, wood, polyurethane and silk-screening products.

Functional paints are paints used to coat a surface for functional purposes such as:

- facilitate a surface for conducting electricity
- absorb light for reflective glow in the dark
- fire-retarding / heat-retarding
- reducing glare through absorption properties

Functional paints are employed for specific purposes depending on the usage. These specialised paints are typically used in electrical and electronics parts for electric conductive surfaces, plastic components and surfaces for heat retarding and automotive accessories for reducing glare.

(ii) **Supply and Demand Conditions**

The performance of FPC is generally not dependent on the performance of the domestic economy since FPC is an OEM manufacturer that caters to MNCs which in turn services international markets. FPC's products are supplied to diverse industries in the electrical and electronics sector. The performance of FPC will therefore grow in tandem with the growth of this sector. There is also considered to be no significant threat from imports as the know-how in the mixing process for the raw materials is integral in producing tailor made and suitable paints for clients.

With offices in Sungai Petani and Port Klang to help clients customise the specification of the chemical paint requirement, FPC is in an advantageous position to exploit the market and service local clients more effectively than foreign competitors with import substitutes.

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**5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)**

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**(iii) Industry Players and Competition**

The competitive advantage that FPC has over all its competitors is its capability to produce both passive paints as well as functional paints for profitable commercial exploitation. There is presently only one (1) known local player in the market, Durachem Sdn Bhd and one (1) Singapore-based company, Tanabe Chemical (Singapore) Pte Ltd with sizeable operations. It is anticipated that competition among paint manufacturers will increase once the use of functional paints receive higher acceptance and demand. The market for sophisticated paints within the electrical and electronics industry remains huge and untapped. With FPC's established presence as a reliable and quality chemical paint manufacturer, FPC is considered to have the expertise, network and ability to tap the paint market, sustain present growth and withstand local competition.

**(iv) Future Growth of FPC**

Generally, positive increments in the manufacturing industry will directly influence and increase the demand for FPC's specialised chemical paints. The demand for specialised chemical paints is expected to increase as new or better products are constantly launched to cater for the new and replacement markets within the sector. For the eight (8) month period ended August 2000, the chemical industry, which is considered to be a representative proxy of the growth in use of chemical paints, recorded a significant increase of 14.5%, largely fuelled by strong growth in the manufacturing sector. The management is of the opinion that the prospects for growth should remain strong.

*(Source: Economic Report 2000/2001)*

**(v) Relevant laws and regulations governing the industry**

*Industrial Co-ordination Act, 1975*

Under this Act, manufacturing companies with shareholders' funds in excess of RM2.5 million or with at least 75 full time employees must apply for a manufacturing licence from the Ministry of International Trade and Industry. FPC is in compliance with the governing laws and regulations pertaining to the manufacturing industry.

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## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### 5.7 Major Customers

For the financial year ended 31 March 2001, the top ten (10) customers of the Acoustech Group are listed below:

#### 5.7.1 FPT

	Major Customers	Products	% Group revenue	Length of relationship (years)
1	Boston Acoustics	MMSS	59.2	5
2	FPIB	Speaker Unit	24.1	10
3	Formosa Prosonic Manufacturing Sdn Bhd	Speaker Unit	2.8	7
4	Formosa Prosonic USA Inc.	Speaker Unit	1.7	4
5	Nakamichi Corporation Berhad	Speaker Unit	1.2	3
6	Kawaguchi Manufacturing Sdn Bhd	Speaker Unit	0.6	3
7	Eastern Asia Ind Sdn Bhd (Eaw Woods)	Speaker Unit	0.5	9
8	Luster Industries Sdn Bhd	Speaker Unit	0.2	6
9	Eully Plastics Industries Sdn Bhd	Speaker Unit	0.1	2
10	Sharp Roxy Corporatation (M) Sdn Bhd	Speaker Unit	0.1	9

Acoustech has largely depended on a single customer, namely BA, for the Group's revenue over the past three (3) years. To mitigate the risk of over dependence, the Group has secured at least two (2) letters of intent from other established multimedia speaker system brands. The Group will however continue to seek other MMSS brands as clients or joint venture partners for the manufacture of related MMSS products.

#### 5.7.2 FPC

	Major Customers	Products	% Group revenue	Length of relationship (years)
1	Formosa Prosonic Manufacturing Sdn Bhd	Chemical paint	1.5	10
2	Kawaguchi Manufacturing Sdn Bhd	Chemical paint	0.7	7
3	Itami Plastic Corporation Sdn Bhd	Chemical paint	0.6	5
4	Ryoka (M) Sdn Bhd	Chemical paint	0.5	4
5	Yoshikawa Plastic Corporation	Chemical paint	0.4	3
6	Luster Industries Sdn Bhd	Chemical paint	0.3	7
7	Eurimage Plastic Sdn Bhd	Chemical paint	0.3	4
8	Teck See Plastic Sdn Bhd	Chemical paint	0.3	4
9	Sykt Sin Kwang Plastic Sdn Bhd	Chemical paint	0.3	4
10	Eully Plastics Industries Sdn Bhd	Chemical paint	0.2	7

## 5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)

### 5.8 Major Suppliers

For the financial year ended 31 March 2001, the top ten (10) suppliers of the Acoustech Group are listed below:

#### 5.8.1 FPT

	Major suppliers	Products	% Group purchases	Length of relationship (years)
1	FPIB	Amplifier/Volume control	26.2	3
2	Formosa Prosonic Manufacturing Sdn Bhd	Plastic parts	16.3	7
3	Supermade Mfg (M) Sdn Bhd	Transformer/Cable	6.3	5
4	Feiti (M) Sdn Bhd	Frame/Outer cap/Plate/Yoke	6.0	8
5	Nada Indah Sdn Bhd	Damper/Cone paper/Dust cap	3.5	6
6	Aerotronic Sdn Bhd	Voice coil	2.8	4
7	Anhui Lujiang Int Trade Co	Magnet	2.6	4
8	Elkat Electronics (M) Sdn Bhd	Speaker cord assembly	2.4	5
9	Eternal Power Sdn Bhd	Cone paper/Dust cap	2.2	9
10	Everise Industries Sdn Bhd	Terminal/Voice Coil	2.1	8

#### 5.8.2 FPC

	Major suppliers	Products	% Group purchases	Length of relationship (years)
1	Musashi Paint Co. Ltd	Pigment/ Additives	5.2	8
2	C.L.P. Industries Sdn Bhd	Solvent	0.6	10
3	Globell Chemical Co Pte	Aluminium paste	0.3	3
4	Chemsuccess Resources Sdn Bhd	Solvent	0.2	2
5	Great Century Paint Co. Ltd	Pigment/ Additive/ Flating agent/ Aluminium paste/ Acrylic resin/Solvent/Hardener	0.1	10
6	Prima Packaging Sdn Bhd	Pail	0.1	10
7	Maha Chemical	Aluminium Paste	0.1	4
8	Merck (M) Sdn Bhd	Pigment	0.1	10
9	Bayer (M) Sdn Bhd	Pigment	*	10
10	Arobenz Chemicals Sdn Bhd	Solvent	*	5

\* less than 0.1%

## 5. INFORMATION ON THE ACOUSTECH GROUP *(Cont'd)*

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### 5.9 Prospects and Future Plans

With the emergence of new technologies such as MP3 (a storage format for audio files) and other audio downloading technologies such as DVD-Audio and digital audio radio (DAR), there will be a consequential need for high fidelity speakers to realise and maximise the quality of audio delivery. As an example, the home theatre system is one such recent innovative audio visual system with surround sound technology developed with the capability to replicate and capture the movie theatre experience.

The prospect for growth in demand for multimedia speaker systems is also consequential upon the continued development of better and more affordable PCs. With the increase in broadband access through the internet and other such applications which enable higher capacity delivery of information, the PC is now capable of online news viewing and receiving music and/or radio feed. The significance in the advancement of the information and communications technology (ICT) sector is noted even locally as the Malaysian government has recently emphasised the need to embrace the knowledge economy framework (K-economy) which is purposed to transform the nation into a competitive and resilient economy via development of computer infrastructure, research and development in technical and knowledge skills. With this, the requisite development and demand for computer peripheral hardware will similarly rise to complement the increase in ICT usage. *(Source: Economic Report 2000/2001)*

This apart, there is still considered to be room for further product development for multimedia speaker systems since the product may still be considered infant in its design and technology. The possibilities for improvement include lighter, smaller frames which reduces space usage and higher-end fidelity systems which is presently restricted by the size of the speaker system.

In order to sustain profitability and enhance its competitive position, the Group has formulated the following strategic plans to be carried out:

(i) ***Increase Client Base and Geographical Coverage***

Since the re-engineering exercise undertaken by the management of the Group in 1998 to extend its manufacturing capabilities from speaker units to producing multimedia speaker systems, the Group has demonstrated its ability to supply BA's sizeable orders and at the same time consistently deliver the high quality requirement of stocks. This move has proven successful and has enabled the Group to establish a foothold in the lucrative PC peripheral market.

## 5. INFORMATION ON THE ACOUSTECH GROUP (*Cont'd*)

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With the success in obtaining repeat orders and technical tie-ups established with BA, FPT has established the necessary track record and competitive advantage as an established speaker unit manufacturer to secure other clients in the multimedia speaker system market. The Group has thus far secured two (2) additional reputable multimedia speaker system brands for collaboration in developing and marketing new products. The management is targeting this segment of the audio speaker system industry and will therefore participate in trade shows and exhibitions to expand its exposure in the PC peripheral industry. Apart from multimedia usage, there are also plans to explore other potential applications of computer speaker systems in the ICT sector and therefore expand the variety of speaker systems to be produced.

In the chemical paints division, FPC intends to extend its present operating premises in Port Klang to tap the markets in the northern and southern regions. A branch operation in Penang has been set-up to service the electrical and electronic manufacturers based in Kawasan Perusahaan LPK whilst a manufacturing facility in Johor is to be set up to service the southern region.

These branches will enable FPC to reduce the time taken to carry out the colour matching process and help secure an order at a much quicker pace as compared with the existing method of conducting the same process in Port Klang before despatching to these regions. Additionally these branch operations will have the capability to produce sample colour matches for its potential clients as well as provide product mixing facilities for the smaller volume market. FPC is also poised to capture the lead as a premier manufacturer of functional paints in the country with plans to aggressively market and promote the use of functional paints through existing sales agents and technical representatives. At the same time, FPC will continue research on formulae to develop other active applications and extend its product coverage in the market.

### (ii) **Research and Development**

To position the Group as an innovative manufacturer, Acoustech intends to invest in research and development in collaboration with existing MNC clients. Enhancement in research and development will include improvements to product design, material and finished goods development. One of the milestones achieved by FPT is in the production of the Voyager© series speaker system which was engineered to be water resistant and suitable for outdoor usage and even for marine purposes. The durability of the Voyager© series speaker system was the result of extensive material development. Amongst other products being developed and refined is the flat panel speaker systems heralded as an innovative design with compact features with a theme to minimise on space utilisation. With such extensive background in technological and creative innovation, FPT intends to further improve on materials used to cut material cost and at the same time improve the strength and quality of the final product.

**5. INFORMATION ON THE ACOUSTECH GROUP (Cont'd)**

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Presently spearheaded by Lin Mao Yen, the Engineering Manager of the Research and Development Department, FPT has an experienced team of engineers and technical personnel to carry out the necessary market research, product design and materials innovation to enhance existing products and develop new and better models. The continued effort to build technological know-how will be advantageous in marketing for additional clients.

*(iii) Product Diversification*

One of the principal products which FPC has yet to fully exploit is the marketing of active paints which has been targeted as one of the main areas for diversification. With the multitude of functional capabilities such the ability of the paint to conduct electricity efficiently, absorb light for reflective use in the dark and the ability to have fire-retardant or heat-retardant features, the Group has identified the electrical and electronics, plastic, automotive and shipping industries as potential beneficiaries of this chemical paint technology. Once the distribution channels are established in strategic parts of Peninsular Malaysia, FPC intends to create a new market for this product and at the same time increase its market share for existing products in the industry. FPC also foresees growth potential in the automotive industry since FPC's chemical paints are also suitable for car accessories, dashboards and other plastic or metal surfaces.

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## 6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT

### 6.1 Directors and Promoters

The particulars of the Directors and Promoters of Acoustech as at 22 September 2001 are as follows:

Name	Position	Nationality	←-----Direct-----→		←-----Indirect-----→	
			No. of shares	%	No. of shares	%
Huang Huai-Son	Director/Promoter	Taiwanese	8,486,366	10.88	-	-
Chen Po Hsiung	Director/Promoter	Taiwanese	6,029,878	7.73	30,123*	0.04
Ropli Bin Ishak	Director/Promoter	Malaysian	12,392,569	15.89	-	-
Chang Song Hai	Director	Taiwanese	-	-	15,738,791 <sup>^</sup>	20.18
Su Cheng Tao	Director	Taiwanese	1,115,378	1.43	-	-
Soon Kwai Choy	Director	Malaysian	-	-	-	-
Dato' Nik Abdul Aziz bin Mohamed Kamil	Director	Malaysian	3,711,137	4.76	-	-

<sup>^</sup> Deemed interest by virtue of his substantial interest in FPH  
 \* Indirect interest by virtue of his wife's shareholding

### 6.2 Substantial Shareholders

Based on the Register of Substantial Shareholders as at 17 September 2001 (being the latest practicable date prior to the printing of this Prospectus), the substantial shareholders (with 5% or more shareholding, directly or indirectly) of the Company after the Public Issue are as follows:

Name	Nationality/ Place of incorporation	←-----Direct-----→		←-----Indirect-----→	
		No. of shares	%	No. of shares	%
FPH	Malaysia	15,738,791	20.18	-	-
Huang Huai-Son	Taiwanese	8,486,366	10.88	-	-
Ropli bin Ishak	Malaysian	12,392,569	15.89	-	-
Chen Po Hsiung	Taiwanese	6,029,878	7.73	30,123 <sup>1</sup>	0.04

<sup>1</sup> Indirect interest by virtue of his wife's shareholding

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## 6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

### 6.2.1 Profile of FPH

FPH is a private limited company incorporated in Malaysia. Its principal activity is that of an investment holding company.

#### **Board of Directors**

The particulars of the Directors of FPH as at 17 September 2001 are as follows:

Director	Nationality	←-----Direct-----→		←-----Indirect-----→	
		No. of shares	%	No. of shares	%
Chang Chen Hsi	Taiwanese	3,216,340	13.82	-	-
Jhang Tzu Hsiung	Taiwanese	1,608,170	6.91	-	-
Shih Chao Yuan	Taiwanese	1,713,067	7.36	-	-
Chen Sheng Jung	Taiwanese	441,000	1.90	-	-

#### **Substantial Shareholders**

The substantial shareholders (with shareholding of 5% and above) of FPH as at 17 September 2001 are as follows:

Shareholder	Nationality	←-----Direct-----→		←-----Indirect-----→	
		No. of shares	%	No. of shares	%
Chang Chen Hsi	Taiwanese	3,216,340	13.82	-	-
Chuang Jieh Ching	Taiwanese	3,216,340	13.82	-	-
Mutsunori Kawai	Japanese	3,216,340	13.82	-	-
Jhang Tzu Hsiung	Taiwanese	1,608,170	6.91	-	-
Chang Song Hai	Taiwanese	1,686,340	7.25	-	-
Shih Chao Yuan	Taiwanese	1,713,067	7.36	-	-
Chiang Teh Liang	Taiwanese	1,608,170	6.91	-	-
Wang Ching Sou	Taiwanese	1,608,170	6.91	-	-

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## 6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

### 6.2.2 Profile of DPSB

DPSB is a private limited company incorporated in Malaysia. Its principal activity is that of an investment holding company.

#### **Board of Directors and Shareholders**

The particulars of the Directors and shareholders of DPSB as at 17 September 2001 are as follows:

Shareholder	Nationality	←-----Direct----→		←-----Indirect----→	
		No. of shares	%	No. of shares	%
Dato' Zainal Abidin bin Hj Ahmad	Malaysian	1	50.00	-	-
Rosnah Laily Bt Idris	Malaysian	1	50.00	-	-

### 6.3 Directorship and Major Shareholdings in all other public companies for the past two years

Except for Mr Chang Song Hai who hold approximately 8.32% in FPIB as at 22 September 2001, none of the other Promoters or Directors of Acoustech has any directorships or large shareholdings in other public listed companies in Malaysia for the past two years.

### 6.4 Knowledge and experience of Promoters

Please refer to profiles of Huang Huai-Son, Chen Po Hsiung and Ropli Bin Ishak in Section 6.6 of this Prospectus.

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## 6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

### 6.5 Changes in Shareholdings for Substantial Shareholders/Promoters of Acoustech for the past three (3) years

Acoustech was incorporated in Malaysia on 18 October 1999. The changes in the substantial shareholders/promoters of Acoustech for the past three (3) years are as follows:

Shareholders	As at 18.10.1999 <---shareholdings--->		As at 31.03.2000 <---shareholdings--->		As at 17.09.2001 <---shareholdings--->	
	No. of shares	%	No. of shares	%	No. of shares	%
Koo Kow @ Khoo Eng Hong	1	50.00	1	50.00	-	-
Ho Chong Seng	1	50.00	1	50.00	-	-
FPH	-	-	-	-	15,738,791	20.18
Huang Huai-Son	-	-	-	-	8,486,366	10.88
Ropli bin Ishak	-	-	-	-	12,392,569	15.89
Chen Po Hsiung	-	-	-	-	6,029,878	7.73

### 6.6 Profile of Directors

**Huang Huai-Son**, aged 55, Executive Director/Promoter, was appointed to the Board of Acoustech on 3 September 2001. He has accumulated various skills and experience of 27 years in the manufacturing industry. Mr. Huang was involved with Foster Electric Co. Ltd., Taiwan, a company involved in the manufacture of speaker units, for over 15 years until his resignation as a Vice President in 1987. Additionally, Mr. Huang is presently the advisor of New Advance Electric Co. Ltd., Taiwan, a company specialising in the business of home theatre and multimedia speaker systems. For the past two (2) years preceding the date of this prospectus, Mr. Huang did not have any substantial shareholdings and/or held directorships in any public company.

**Ropli Bin Ishak**, aged 38, Executive Director/Promoter, was appointed to the Board of Acoustech on 3 September 2001, FPT on 30 March 1999 and FPC on 30 September 1999. Encik Ropli obtained his bachelor degree in electrical engineering (power) in 1984 from Institut Teknologi Mara. His working experience began in 1985 when he joined Perusahaan Otomobil Nasional Berhad as a Technical Executive. He left the company in 1989 to become the Senior Manager of the business and trade division in Sony Electronics (M) Sdn Bhd. En Ropli left in 1998 to join FPT as a General Manager of Corporate Management and Planning Department. Presently, he is also a director of several private limited companies. For the past two (2) years preceding the date of this prospectus, Encik Ropli did not have any substantial shareholdings and/or held directorships in any public company.

**6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)**

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**Chen Po Hsiung**, aged 57, Executive Director/Promoter, was appointed to the Board of Directors of Acoustech on 3 September 2001 and FPC on 10 November 1999. He obtained his Diploma in Mechanical Engineering from Air Asia Jet Engine Training Centre, Taiwan in 1971. Upon his graduation in 1971, Mr. Chen joined Air Asia (Aircraft Co.) as a Technician. In 1980, he joined Great Century Paints Co. Ltd as a General Manager until his resignation in 1991. He was appointed as the General Manager of FPC in 1991 where his experience in the aircraft industry as well as in the chemical industry has contributed to the success story of FPC. Mr. Chen also manages the daily operations of FPC. For the past two (2) years preceding the date of this prospectus, Mr. Chen did not have any substantial shareholdings and/or held directorships in any public company.

**Chang Song Hai**, aged 55, Non-Executive Director, was appointed to the Board of Directors of Acoustech on 22 September 2001. Mr. Chang has been involved in the plastic moulding industry for more than 36 years. Since 1963, he has been the Managing Director of Song Hai Plastic Industrial Co. Ltd., Taiwan, a company involved in the plastic moulding business. Presently, Mr Chang is also a substantial shareholder in FPIB. For the past two (2) years preceding the date of this prospectus, Mr Chang did not have any other substantial shareholdings and/or held directorships in any public company.

**Su Cheng Tao**, aged 54, Non-Executive Director, was appointed to the Board of Directors of Acoustech on 18 September 2001. He has more than 23 years of experience in the manufacturing industry. He started his career with Capetronics Group in Taiwan where he served for more than 10 years, gaining experience and expertise in manufacturing of plastic components. Mr Su joined FPIB Group in 1988 where he served as General Manager in Formosa Prosonic Manufacturing Sdn Bhd. For the past two (2) years preceding the date of this prospectus, Mr. Su did not have any substantial shareholdings and/or held directorships in any public company.

**Soon Kwai Choy**, aged 49, Independent Non-Executive Director was appointed to the Board of Directors of Acoustech on 3 September 2001. He is currently the Managing Director of Ceanet Advanced Technologies Sdn Bhd. He has held several senior executive positions in various major Malaysian corporations and was admitted as a member of the Association of Chartered Certified Accountants (ACCA) (UK) in 1979 and a member of the Malaysian Institute of Accountants (MIA) since 1980. He was the Past President of the Confederation of Asian and Pacific Accountants and currently Honorary Council member of the ACCA (UK). For the past two (2) years preceding the date of this prospectus, Mr. Soon did not have any substantial shareholdings and/or held directorships in any public company.

**Dato' Nik Abdul Aziz bin Mohamed Kamil**, aged 58, Independent Non-Executive Director, was appointed to the Board of Directors of Acoustech on 3 September 2001. Dato' Nik has over 25 years working experience in the human resource management/industry with attachments ranging from Petroliam Nasional Berhad (PETRONAS), Malaysian LNG Sdn Bhd, Bank Bumiputera Malaysia Berhad, Rothmans of Pall Mall (Malaysia) and National Electricity Board. The pinnacle of Dato' Nik's distinguished career in PETRONAS was his appointment as the Managing Director/ CEO (PERMATA), in 1996. He left PETRONAS in 1997 to set up his own business, NA & Associates Sdn Bhd, a company involved in human resource training and skills management.

## 6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (*Cont'd*)

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For the past two (2) years preceding the date of this prospectus, Dato' Nik did not have any substantial shareholdings and/or held directorships in any public company.

FPH's interest in the Acoustech Group is represented by Mr. Chang Song Hai and Mr. Su Cheng Tao.

### 6.6.1 Directors' Remuneration and Benefits

The aggregate fees, remuneration and emoluments paid to the Directors for services rendered in all capacities to the Company and its subsidiary companies was RM579,454 for financial year ended 31 March 2001. The amount payable to the Directors of the Company, for services rendered in all capacities to the Company and its subsidiary companies is estimated at RM670,000 for the financial year ending 31 March 2002.

### 6.7 Profile of Key Management

#### FPT

**Lin Mao Yen**, aged 43, is the Engineering Manager for FPT's Research and Development Department. Mr. Lin started his career with Foster Electric Co. Ltd., a company involved in manufacture of speaker units in 1985 as an Engineer responsible for research and development. Mr. Lin then joined New Advanced Electric Co. Ltd., a company involved in the manufacture of speaker units, as an Engineer in 1988. In 1992, Mr. Lin resigned to take up a position as the FPT's Engineering Manager.

**Huang Chin Sheng**, aged 43, is presently the Production Manager of FPT. He obtained his Degree in Mechanical Engineering from the Koashiung Tai Yung Institute in Taipei in 1977. Mr. Huang started his career with Foster Electric Co. Ltd. in 1980 and held the position of Supervisor when he resigned in 1986. Thereafter, he joined New Advanced Electric Co. Ltd. Mr. Huang then joined FPT in 1992 as a Production Manager. His responsibilities include production line planning and scheduling and monitoring.

**Ting Tin Kong**, aged 37, is the Assistant Sales Manager for FPT. He graduated with a Degree in Electrical Engineering from Fong Chia University, Taiwan in 1985. Thereafter he joined Sharp-Roxy in Johor as a Production Supervisor until his resignation in 1988. He joined Swiynn Sdn Bhd as a Production Supervisor for 5 years and only later in 1993, he joined FPT as an Engineer. He was promoted to Assistant Manager in 1997 and is now responsible for technical marketing and sales to such MNCs as Sony, JVC and Kenwood. Additionally, Mr. Ting also assists in the marketing and sales of multimedia speaker systems as well as product costing and quotation for customers.

**6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)**

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**Ng Sey Yap**, aged 28, is the Assistant Sales Engineer for FPT. He graduated with a Higher National Diploma in Electronic and Electrical Engineering from the Workers Institute of Technology in Selangor in 1996. Mr. Ng started his career with Casio (M) Sdn Bhd as a Technician in 1997 and had a short stint with Malaysia Electric Company (MEC). Thereafter, he resigned to join FPT as an Assistant Sales Engineer the same year. Mr. Ng's responsibilities include product costing and quotation, analysis of market program, sample preparation, coordination of schedules and delivery of prototype speaker units and systems.

**Chew Boon Hua**, aged 31, is the Assistant General Manager of FPT's factory in Port Klang. Mr Chew graduated from the National Cheng Kung University, Taiwan in 1993 with a Degree in Business Administration. Shortly upon his return to Malaysia, he joined Formosa Prosonic Manufacturing Sdn Bhd and served as a Production Executive until his promotion to the position as Assistant Manager in 1997. He was further promoted to the position as Production Manager in 1999 before joining FPT in May 2001 to manage FPT's factory operations in Port Klang. Mr Chew's responsibilities include production planning and scheduling, capacity analysis, assembly processing and monitoring.

**Koh Meng Ching**, aged 33, is the Factory Manager of FPT in the Sungai Petani. He obtained his Diploma in Accounting from YMM College in Johor Bahru, Malaysia in 1988. In 1992, he obtained his certificate in Electrical Engineering from Colombia Electrical College, Klang, Selangor. He started his career with Capetronics (M) Sdn Bhd in 1990 as a Production Supervisor. In 1991, he was transferred to the Purchasing Department of Capetronics (M) Sdn Bhd and subsequently joined FPT as a production executive in 1993. Mr. Koh's responsibilities include production planning and scheduling, capacity analysis, assembly processing and monitoring.

**FPC**

**Yee Kim Ark**, aged 37, is the Technical Marketing Manager of MPCSB. He obtained his Diploma in Accounting from the London Chamber of Commerce and Industry in 1984 from Sim Yong Institute, Penang, Malaysia. Mr. Yee joined Durachem Sdn Bhd. in 1984 as a Technical and Marketing Executive until his resignation in 1990. Equipped with his exposure and experience in Durachem, he then joined FPC as a Technical and Marketing Executive. Within a year, Mr. Yee was promoted to his present position of Technical and Marketing Manager and responsible for the northern region of Malaysia.

**Tan Wei Hoe**, aged 31, is the Financial Controller for the Acoustech Group. He obtained his Association of Chartered Certified Accountants (ACCA) professional qualification in 1994. He started his career as a Finance Executive in Tele Dynamics Sdn Bhd, a company involved in the distribution of Toshiba office automation equipment before joining Coopers & Lybrand, a public accounting firm, as a Semi-Senior in the Corporate Care Department being mainly involved in insolvency and liquidation assignments. Mr. Tan then moved to Perdana Merchant Bankers Berhad in 1996 before joining FPC as Financial Controller in 1999. Mr. Tan is an associate member of the ACCA and the Malaysian Institute of Accountants (MIA).

**6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)**

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**Chao Kuo Lung**, aged 42, is the Technical Adviser of FPC's Technical Department. He obtained his Degree in Chemical Engineering from Lung Hua Technology College of Taiwan in 1977. He joined Great Century Paints Co. Ltd. in 1987 as a Technical Manager until his resignation in 1993. Mr. Chao then joined FPC as its Technical Adviser.

**Yeap Kee Hock**, aged 34, is the Production Manager for FPC. He has over 7 years experience in the chemical paints industry having joined FPC in 1992 as a Technician. In 1995, Mr. Yeap was promoted to the position of Technical Executive. He was promoted to his present position in 1997 and presently manages the production planning, scheduling and production control in FPC.

**Yee Kim Ngee**, aged 32, is the Technical Marketing Manager in MPCSB. He has over 9 years experience in FPC since he joined FPC as a technician in 1991 as a Lab Technician. In 1992 he was transferred to the Sales Division as the Technical Marketing Manager. In 1997, he was promoted to his present position as the Sales Manager for MPCSB and is responsible for the central and southern region of Malaysia.

**Hsin Tsai Ying**, aged 48, is the Administration Manager of FPC. She obtained her diploma in Business Administration from the Institute of Kok Lee in Taiwan in 1972. Ms. Hsin joined Great Century Paints Co. Ltd. in 1985 as a Purchasing cum Administration Officer until her resignation in 1990. In 1991, Ms. Hsin joined FPC as a Purchasing cum Administration Manager.

**Beh Kwee Hee**, aged 32, is the Assistant Production Manager for FPC. Mr. Beh obtained his Bachelor Degree in Engineering from the National Taiwan University in Taipei, Taiwan in 1994. Shortly thereafter, he joined Eclat Chemical Co., Ltd. in Taiwan as a Production Engineer. Upon his return to Malaysia in 1996, he joined FPC as a Technician and was subsequently promoted to the position of Production Executive. He was promoted to the position of Assistant Production Manager in January 2001.

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## 6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

### 6.7.1 Shareholdings of the Key Management Team

Name	Age	Nationality	Designation	No. of ordinary shares held after Public Issue <sup>1</sup>			
				Direct	%	Indirect	%
Koh Meng Ching	33	Malaysian	Factory Manager	118,758	0.15	-	-
Chao Kuo Lung	42	Malaysian	Technical Adviser	30,123	0.04	-	-
Yee Kim Ark	37	Malaysian	Technical Marketing Manager	30,123	0.04	30,123 <sup>2</sup>	0.04
Yee Kim Ngee	32	Malaysian	Technical Marketing Manager	30,123	0.04	30,123 <sup>2</sup>	0.04
Hsin Tsai Ying	48	Taiwanese	Administration Manager	30,123	0.04	6,029,878 <sup>3</sup>	7.73
Yeap Kee Hock	34	Malaysian	Production Manager	15,061	0.02	-	-
Beh Kwee Hee	32	Malaysian	Assistant Production Manager	15,061	0.02	-	-

<sup>1</sup> Excludes Public Issue Shares to be offered under the Employee Share Allocation

<sup>2</sup> Yee Kim Ark and Yee Kim Ngee are brothers

<sup>3</sup> Indirect interest by virtue of her husband's shareholding

### 6.8 Management Agreement and Service Contracts

None of the key management personnel has any existing or proposed service agreements with the Company or any of its subsidiaries.

### 6.9 Family Relationship between Directors and Key Management

Except for Mr. Chen Po Hsiung who is the husband of Ms. Hsin Tsai Ying and Mr Yee Kim Ngee who is the brother of Mr Yee Kim Ark, there are no other family relationships between Directors and the management staff mentioned in Sections 6.6 and 6.7.

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## 6. INFORMATION ON DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(Cont'd)*

### 6.10 Declarations from Directors and Key Management

No directors, senior executive officer or person nominated to become a director or senior executive officer is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he/she was a partner or any corporation in which he/she was or is a director or key personnel; or
- (ii) a conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (iii) being the subject of any order, judgement or ruling of any court, tribunal or government body of competent jurisdiction permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practise activity.

### 6.11 Audit Committee

Acoustech had set up an Audit Committee on 17 September 2001 which comprise the following Board members:

Name	Designation	Directorship
Soon Kwai Choy	Chairman of the Committee	Independent and Non-Executive Director
Huang Huai-Son	Member of the Committee	Executive Director
Dato' Nik Abdul Aziz bin Mohamed Kamil	Member of the Committee	Independent and Non-Executive Director

The main functions of the Audit Committee include the review of audit plans and audit reports with the auditors, the review of the auditors' evaluation of internal accounting controls, the review of the scope of internal audit procedures, the review of balance sheet and profit and loss accounts and the nomination of auditors.