2. PARTICULARS OF THE INITIAL PUBLIC OFFERING

This Prospectus is dated 30 June 2003.

A copy of this Prospectus has been registered with the SC and lodged with the CCM who takes no responsibility for its contents.

The approval of the SC obtained vide its letter dated 15 November 2002 shall not be taken to indicate that the SC recommends the IPO and that investors should rely on their own evaluation to assess the merits and risks of the IPO.

Application will be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of PJSB on the Second Board of the KLSE. These shares will be admitted to the Official List on the Second Board of the KLSE and official quotation will commence upon 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 applications for the IPO Shares will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire enlarged issued and fully paid-up shares on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the IPO will be returned if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC).

The KLSE assumes no responsibility for the correctness of any statements made or opinions or report 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 the Company or of its Shares.

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

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the IPO Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

2. PARTICULARS OF THE INITIAL PUBLIC OFFERING *(Cont'd)*

2.1 Share Capital

	RM
AUTHORISED SHARE CAPITAL	
100,000,000 ordinary shares of RM1.00 each	100,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL :	
• 43,500,000 ordinary shares of RM1.00 each	43,500,000
To be issued pursuant to:	
• Public Issue of 6,500,000 new ordinary shares of RM1.00 each	6,500,000
Enlarged Share Capital	50,000,000
To be offered pursuant to:	
• Offer For Sale of 6,500,000 ordinary shares of RM1.00 each	6,500,000
ISSUE/OFFER PRICE PER SHARE	**1.70**

There is only one class of shares in the Company, namely, ordinary shares of RM1.00 each, all of which rank pari passu with one another. The IPO Shares will rank pari passu in all respects with the other existing issued ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of the IPO Shares.

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

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorized representative shall have one vote for each ordinary share held.

2.2 Basis Of Arriving At The Issue/Offer Price

The Issue/Offer Price of RM1.70 per ordinary share was determined and agreed upon by the Company and AmMerchant Bank as Adviser and Managing Underwriter based on various factors including the following:-

(a) The Group's financial operating history and conditions and financial position as outlined in Sections 4 and 11of this Prospectus;

(b) The prospects of the industry in which the PJSB Group operates as outlined Sections 4.7 and 12 of this Prospectus;

(c) The forecast net PE Multiple of 6.78 based on the forecast net EPS of 25.08 sen based on the enlarged issued and paid-up share capital of 50,000,000 ordinary shares of RM1.00 each in PJSB;

(d) The forecast gross dividend yield of 2.94% based on the enlarged issued and paid-up share capital of 50,000,000 ordinary shares of RM1.00 each in PJSB;

(e) The Proforma Consolidated NTA of PJSB as at 31 December 2002 of RM1.28 per share based on the enlarged issued and paid-up share capital of 50,000,000 ordinary shares of RM1.00 each in PJSB; and

(f) Comparison with other companies involved in sewerage industry as set out in Section 4.7.4 of this Prospectus.

The Directors of the PJSB Group and AmMerchant Bank are of the opinion that the Issue/Offer price is fair and reasonable after careful consideration of the abovementioned factors.

2.3 Details of the Initial Public Offering

The Public Issue and Offer Shares are payable in full on application upon such terms and conditions as set out in this Prospectus. A total of 13,000,000 Public Issue and Offer Shares will be allocated and allotted in the following manner:-

(i) Eligible Directors and Employees of the Group

2,500,000 Public Issue Shares will be reserved for the eligible employees and Directors of the PJSB Group and PJSI as well as the business associates (which include the suppliers, sales agents and customers) of the PJSB Group. The shareholders/directors of PJSI who are entitled to subscribe for the Rights Issue shares which are renounced to them will also be eligible for the pink form allocations.

(ii) Malaysian Public

4,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(iii) Placees

6,500,000 Offer Shares will be reserved for placees via private placement.

The Offer Shares under paragraph (iii) above are not required to be underwritten and are therefore not underwritten. PJSB had on, 23 June 2003, signed the Placement Agreement with the Placement Agent for the placement of the Offer Shares available for application under paragraph (iii) above. All the Public Issue Shares in respect of (i) and (ii) above have been fully underwritten.

Any Public Issue Shares in respect of (i) above which are not taken up by eligible Directors and employees of the PJSB Group and PJSI and the business associates of the PJSB Group will be made available for application under the public offer and/or private placement. Any Public Issue Shares under (ii) above which are not taken up will be made available for application to the placees under the private placement if the private placement is oversubscribed and vice versa.

2.4 Opening and Closing of Application Lists

The Application Lists for the IPO will open at 10.00 a.m. on 17 July 2003 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors and Promoters of PJSB together with the Managing Underwriter in their absolute discretion may decide. Late applications will not be accepted.

2.5 Critical dates of the IPO

Events	Tentative Date
Opening Date of the IPO	30 June 2003
Closing Date of the IPO *	17 July 2003
Tentative Balloting Date	24 July 2003
Tentative Allotment Date	11 August 2003
Tentative Listing Date	20 August 2003

* *The Closing Date of the IPO may be extended for further period or periods as the Directors and Promoters together with the Managing Underwriter in their absolute discretion may decide.*

2.6 Purposes of the IPO

The purposes of the IPO are as follows:

(a) To provide the opportunity for the Directors and eligible employees of the PJSB Group and PJSI, the business associates of the PJSB Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group;

(b) To enable the PJSB Group to gain access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the Group;

(c) To provide additional funds to meet the present and future working capital requirement of the PJSB Group; and

(d) To obtain listing of and quotation for the entire enlarged issued and paid-up share capital of PJSB on the Second Board of the KLSE.

2.7 Utilisation of Proceeds of the Renounceable Rights Issue and Public Issue

The Renounceable Rights Issue and the Public Issue are expected to raise gross proceeds of approximately RM5,240,000 and RM11,050,000 respectively which shall accrue to the Company. The estimated RM1,800,000 in respect of expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of PJSB on the Second Board of the KLSE shall be borne by the Company.

The gross proceeds arising from the Renounceable Rights Issue and the Public Issue estimated to be approximately RM16,290,000 would be utilised by the Group in the following manner:-

		RM'000
(i)	Working capital	12,865
(ii)	Repayment of Bank Borrowings	1,625
(iii)	Finance estimated listing expenses	1,800
Total Utilisation of Proceeds		16,290

Notes:

- **Finance Estimated Listing Expenses**

The estimated listing expenses for the listing of and quotation for the enlarged share capital of 50,000,000 ordinary shares of RM1.00 each in PJSB on the Second Board of the KLSE are as follows:

	RM
Authorities Fees	
SC processing fee	55,000
KLSE's initial listing fee (estimated)	5,000
KLSE's annual listing fee (estimated)	2,000
SC registration and ROC lodgement fee	5,500
Advisers Fees	
Professional advisory fees [1]	710,500
Miscellaneous Fees	
Printing and advertising of Prospectus	350,000
Fees for the Issuing House, Registrars, Market Researchers and Translators	320,000
Underwriting and brokerage fees	331,500
Contingencies [2]	20,500
Total	**1,800,000**

Notes:

(1) Include fees for the Advisors, Reporting Accountants, Solicitors, Placement Agent and other professional advisors.

(2) Any unutilised amount shall be used for working capital purposes of the Company.

- **Repayment of Bank Borrowings**

As mentioned in section 9.4(ii) of this Prospectus, as at 31 May 2003, the total bank borrowings of the Group amounted to approximately RM33.897 million. Such borrowings includes term loans, trusts receipts, letters of credit, banker's acceptance and hire purchase financing utilised for the core business of the Group. PJSB shall set aside RM1.625 million from the proceeds for the repayment of the bank borrowings of the Group.

- **Working Capital**

RM12,865,000 is set aside from the proceeds to part-finance the working capital requirements of the PJSB Group in relation to, inter alia, the needs of their new manufacturing facility. PJSB Group started production in their new factory in Sungai Petani in May, 2003. The working capital relates to the Group's day-to-day operating expenditure needs and other preliminary expenses to be incurred on the Group's manufacturing activity. As a manufacturing company, adequate working capital would give PJSB the flexibility in its cash management.

The gross proceeds of the Offer for Sale of RM11.050 million shall accrue to the Offerors and no part of the proceeds of the offer for Sale is receivable by PJSB. The Offerors shall bear expenses such as underwriting, placement fees, brokerage, stamp duty, registration and share transfer fees relating to the Offer Shares.

2.8 Financial and Cashflow Impact from Utilisation of Proceeds

The utilisation of the Public Issue proceeds by the Group is expected to have a financial impact on the Group as follows:

Profit for Financial Year Ending	**31.12.2003 [1] RM'000**
Consolidated PBT	17,419
Consolidated PAT	12,542

Note:

1. *Assuming the listing of PJSB is completed in the financial year ending 31 December 2003 and the net proceeds of the listing (after netting off the estimated listing expenses of RM1,800,000) will be received by PJSB in the financial year 2003.*

Cashflow Impact

The utilisation of the proceeds by the Group is expected to have a cashflow impact on the Group as follows:

Cashflow for Financial Year Ending	**[1]31.12.2003 RM'000**
Inflow	
Proceeds from the listing	16,290
Outflow	
Working capital	(12,865)
Repayment of bank borrowings	(1,625)
Listing expenses	(1,800)

Note:

1. *Assuming the listing of PJSB is completed in the financial year ending 31 December 2003 and the net proceeds of the listing (after netting off the estimated listing expenses of RM1,800,000) will be received and fully utilised by PJSB in the financial year 2003.*

2.9 Brokerage and Underwriting Commission

The Underwriters as mentioned in Section 1 of this Prospectus, have agreed to underwrite the 6,500,000 Public Issue Shares to be issued to the Malaysian public, the eligible employees and the Directors of the PJSB Group and PJSI and the business associates (which include suppliers, sales agents and customers) of the PJSB Group. Underwriting commission is payable by the Company at 2.0% of the total underwritten shares of 6,500,000 at the Issue Price of RM1.70 per share to the respective Underwriters.

Brokerage is payable in respect of the Public Issue Shares by the Company at the rate of 1.0% of the Issue Price of RM1.70 per share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2.10 Salient Terms of the Underwriting Agreement

The following are some of the Clauses of the Underwriting Agreement dated 23 June 2003 ("Agreement"), including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer:-

Clause 3.1

The obligations of each of the Underwriter and the Managing Underwriter under this Agreement are conditional upon the fulfilment and/or satisfaction of the following: -

(a) the Company receiving prior to the date of listing of and quotation for the Company's entire enlarged issued and paid-up share capital, the approval-in-principle of the KLSE for the listing and quotation of the entire issued and paid-up share capital of the Company on the Second Board of the KLSE which is unconditional or subject to such conditions which are acceptable to the Managing Underwriter;

(b) the approval from the SC in respect of the Prospectus and the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the Securities Commission Act 1993 of Malaysia in relation to the Public Issue and Offer For Sale and subsequent lodgement with the CCM of the Prospectus and such other documents as may be required on or before its circulation;

(c) there having been on or prior to the Listing Date, no material adverse change nor any development reasonably likely to result in any or prospective adverse change in the condition (financial or otherwise) of the PJSB Group, taken as a whole, which is material in the context of the Public Issue and Offer For Sale from that set forth in the Prospectus, nor the occurrence of any event which makes any of the representation, warranty, covenant, undertaking or obligation of the Company contained in Clause 4 and in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement which in the opinion (which opinion is final and binding) of the Managing Underwriter is untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting;

(d) the delivery to and the receipt by the Managing Underwriter prior to the date of the registration of the Prospectus with the SC of:-

   (i) a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue Shares, authorising the execution of this Agreement and the issuance of the Prospectus; and

   (ii) a certificate signed by duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 4;

(e) the delivery to the Managing Underwriter on the Closing Date or Extended Closing Date, if required, of such reports and confirmations from the board of directors of the Company as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the PJSB Group;

(f) the Managing Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 15;

(g) the issuance of and subscription for the Public Issue Shares pursuant to and in accordance with the provisions hereof and in the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any agency, legislative, executive or regulatory body or authority in Malaysia (including the KLSE);

(h) the Managing Underwriter having been satisfied that the Company has complied and the Public Issue is in compliance with the policies, guidelines and requirements of the SC, the KLSE and any other regulatory body and all revisions, amendments and/or supplements thereto; and

(i) all other necessary approvals and consents required in relation to the Public Issue and the Public Issue Shares including but not limited to governmental approvals having been obtained and are in full force and effect.

Clause 3.2

If any of the conditions set out in Clause 3.1 is not satisfied on or before the Closing Date or Extended Closing Date, as the case may be, the Underwriters shall thereupon be entitled to terminate this Agreement and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 15 incurred prior to or in connection with such termination, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches, and the Parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT any of the Underwriters may at its discretion with respect only to its own obligations waive compliance with any of the provisions of Clause 3.1.

Clause 11.1

Subject to prior consultation, any of the Underwriters or any of them acting through the Managing Underwriter shall be entitled to terminate this Agreement by notice in writing delivered to the Company prior to the Closing Date if the success of the Public Issue Shares are in the opinion of such Underwriter(s) (who have agreed herein to underwrite in aggregate the Underwritten Shares as indicated in the FIRST SCHEDULE) or any of them acting through the Managing Underwriter giving the aforesaid notice seriously jeopardised by: -

(a) the coming into force of laws or Governmental regulations or directives which seriously affects or will seriously affect the business of the Group; or

(b) any material breach by the Company of any of its representations, warranties, obligations or undertakings under this Agreement; or

(c) any material and adverse change in the condition (financial or otherwise) of the Group from that described in the Prospectus.

Clause 11.2

On delivery of such a notice, this Agreement shall become null and void and of no further force and effect and each Parties' rights and obligations hereunder shall cease and none of the Parties (except for the liability of the Company in respect of payment of costs and expenses referred to in Clause 15 incurred prior to or in connection with such termination) shall have a claim against each other. Thereafter the Underwriters and the Company shall confer with a view to deferring the Public Issue Shares or amending its terms and/or entering into a new Underwriting Agreement PROVIDED THAT the Company or the Underwriters shall not be under any obligation to enter into such new agreement.

Clause 12

The Underwriters shall have the right to terminate this Agreement by notice in writing served by the Managing Underwriter on behalf of the Underwriters on the Company in the event that the approval-in-principle of the KLSE for the admission of the Company to the Official List of the KLSE or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE is withdrawn or not procured 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 save that each Party shall return any moneys paid to the other or others under this Agreement within forty-eight (48) hours of the receipt of such notice to terminate.

Clause 13.1

Notwithstanding anything herein contained, the Underwriters and/or the Managing Underwriter (as the case may be) may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if: -

(a) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clauses 3 and 4, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or

(b) there is failure on the part of the Company to perform any of its obligations herein contained; or

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

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

(e) any Governmental requisition or other occurrences of a similar nature whatsoever which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospect of the PJSB Group or the success of the Public Issue; or

(f) there shall have occurred, or happened any of the following circumstances: -

    (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

    (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of government, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); or

(g) any event or series of events beyond the reasonable control of the Underwriters by reason of *force majeure* (including without limitation acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have, a material adverse effect on the business or operations of the PJSB Group or the success of the Public Issue or the effect of making any material part of the Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting thereof;

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

Clause 13.2

The Underwriters acting through the Managing Underwriter shall further have the right to terminate this Agreement if the Company fails to cause the Prospectus to be issued within three (3) months from the date of this Agreement or in the event that the application made by the Company to KLSE for the listing of and the quotation for the Underwritten Shares on the Second Board of the KLSE shall not have been approved or shall have been rejected as the case may be.

Clause 13.3

In the event that a supplemental prospectus is issued with the SC's approval subsequent to the issue of the Prospectus, the Underwriters may at any time before the allotment of the Public Issue Shares, terminate its obligations under this Agreement if in his reasonable opinion, there shall have been events which have occurred detailed in Clause 13.1 above.

Clause 13.4

Upon the delivery of such notice referred to in Clause 13.1 by the Underwriters, the following shall take place within seventy-two (72) hours of the receipt of such notice: -

(a) the Company shall make payment of the Underwriting Commission to the Underwriters;

(b) the Company shall make payment of costs and expenses as provided in Clause 15 incurred prior to or in connection with such termination; and

(c) each party shall return all other moneys (in case of the Underwriters, after deducting the Underwriting Commission due and owing to the Underwriters hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder);

and thereafter, the Underwriters shall be released and discharged from their obligations hereunder whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities under Clause 4 and under Clause 15 for the payment of costs and expenses already incurred prior to or in connection with such termination and under Clause 15.1(a) for the payment of any taxes, duties or levies, and for any antecedent breach.

Clause 13.5

The Underwriters and the Company may confer with a view to deferring the Public Issue or amending its terms or the terms of this Agreement and enter into a new underwriting agreement accordingly, but neither the Underwriters nor the Company shall be under any obligation to make a fresh agreement.

Clause 15.1

The Company shall: -

(a) bear and pay all costs, charges and expenses of an incidental to the listing of and quotation of the entire issued and paid-up share capital of the Company on the Second Board of the KLSE including the costs, charges and expenses relating to the Public Issue Shares (including the Underwriting Commission), the issue and allotment of the Underwritten Shares to the successful applicants thereof (including, if applicable, the Underwritten Shares or any part thereof to the Underwriters or their nominee(s) including but without limitation, to (i) the costs, charges and expenses incurred in the transfer of the Public Issue Shares, (ii) the charges payable to the Central Depository, (iii) the stamp costs, if any, incurred thereof), (iv) the printing and/or typing of the Prospectus, any announcement to the KLSE or the public and other documents relating to any thereof and their stamping and registration so far as necessary and the fees of the auditors to the Company in connection with their report included in the Prospectus, (v) all costs and expenses in connection with the printing and publishing of advertisements of the Underwritten Shares, (vi) all fees and expenses in relation thereto including the cost of crediting the shares from the Public Issue, into the respective Account of successful applicant, (vii) the costs, charges and expenses that may be incurred in connection with the negotiation, preparation and execution of this Agreement and the stamping hereof, and (viii) the costs, charges and expenses that may be incurred by the Underwriters in splitting the share certificates in respect of the shares applied for by them hereunder into such denominations as may be required by the Underwriters.

(b) The Company also agrees to pay all fees, costs, expenses and commissions incurred or payable in connection with the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE which includes the costs of the preparation of this Agreement.

2.11 Moratorium on Shares

Under the Policies and Guidelines on Issue/Offer of Securities issued by the SC ("SC Guidelines"), the Promoters of PJSB will not be allowed to sell, transfer, or assign their shareholdings amounting to 45% of the enlarged issued and paid-up capital of PJSB for one (1) year from the date of admission of PJSB to the Official List of the Second Board of KLSE.

The following existing shareholders of PJSB who are subjected to the moratorium by the SC are as follows:-

Name	Shareholding After Listing	% of enlarged issued and paid-up capital	No. of shares under Moratorium	% of enlarged issued and paid-up capital
PJSI	27,647,243	55.30	19,586,366	39.17
Tan Sri Dato' Haji Ahmad bin Johan	(1) 3,009,729	6.02	2,098,202	4.20
Tuan Haji Mokhsen bin Ibrahim	(1) 1,189,028	2.38	815,432	1.63
	31,846,000	63.70	22,500,000	45.00

Note:

(1) Inclusive of their respective entitlements under the pink form allocation.

The restriction, which is fully accepted by the substantial shareholders and/or Promoters, is specifically endorsed on the share certificates representing the respective shareholdings of the substantial shareholders and/or Promoters which are under moratorium to ensure that PJSB's registrars do not register any transfer not in compliance with the restriction imposed by the SC. The Promoters have provided an undertaking that they shall not sell, transfer or assign their respective shareholdings under moratorium in accordance with the SC Guidelines. The shareholders of PJSI have also provided an undertaking that they shall not sell, transfer or assign their respective shareholdings in PJSI during the moratorium period.

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

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

2.12 Approvals from Authorities

The Listing Scheme was approved by the following authorities as follows:-

Authorities		Date
SC	➢	15 November 2002
FIC	➢	10 September 2002
MITI	➢	30 August 2002

Details of the conditions imposed by all the relevant authorities and status of compliance are set out in Section 6.1 of this Prospectus.

3. RISK FACTORS

In evaluating an investment in the Public Issue and Offer Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:-

(i) No Prior Market for PJSB's Shares

Prior to this IPO, there has been no public market for PJSB's shares. There can be no assurance that an active market for PJSB's shares will develop and continue to develop upon or subsequent to its listing on the Second Board of the KLSE or, if developed, that such a market will be sustained. The Issue/Offer Price of RM1.70 for the Public Issue and Offer Shares has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and condition, its prospects and the prospects of the industry in which the Company operates, the management of the Company, the market prices for shares of companies engaged in business similar to that of the Company and the prevailing market conditions at the time of the listing of PJSB. There can be no assurance that the Issue/Offer Price will correspond to the price at which PJSB's shares will trade on the Second Board of the KLSE upon or subsequent to its listing.

(ii) Business Risks

The PJSB Group is subject to certain general risks inherent in the wastewater industry, cleansing and UST business. Factors that could adversely affect the business of the Group include material and labour shortages; rising cost of raw materials and labour; availability and rising cost of financing; fluctuations in demand for STP and UST and changes in governmental legislation and priorities.

The Company had experienced material shortages and rising cost of raw materials in the 1990s when there was a world shortage of fibreglass and due to the RM fluctuation since mid 1997. To mitigate this problem, the Company had entered into a long term understanding with Central Glass in Japan through their agent Composite Materials Supply Pte Ltd and sought for alternative sources such as Kean Guan Enterprise and FRP Services (Asia) Pte Ltd for fibreglass.

The Company's factory in Sungai Petani faced labour shortages in the 1990s when factories in Penang offered better wages to lure workers from surrounding areas including Sungai Petani. The Company thus increased the daily rates of its workers to compete with the factories in Penang and launched the One Village One Product or SKSP project as an alternative labour source. As part of the effort to improve the design and construction of the sewerage systems, the Sewerage Services Department together with IWK drafted the Second Edition of the "Guidelines for Developer" whereby new design and criteria were imposed on prefabricated systems. Nonetheless, the Company which has a full fledged design team with mature and experienced specialist adapted to the changes rapidly and the criterias were quickly adapted into PJSB's design to meet the approval of the IWK and JPP.

Acknowledging the fact that the Group is operating in an ever-changing business environment, the Group always keeps abreast with the latest development in the industry and has taken considerable steps to minimise these business risks which include, inter alia, the following:-

- The Group has built an experienced, dedicated and dynamic management team for its operations and engaged reputable project engineers and advisers for its operations.

- As part of its expansion plan, the Group established a sales team to take on the Group's sales activities to ensure better quality control and timely delivery to its purchasers which would ultimately result in lower costs and higher profit margin.

- Due to the cyclical nature of wastewater industry, cleansing and UST business as well as its high dependence on the economic and political conditions in the country, the Group will continue to serve both the private and public sectors, offer a wide range of sewerage treatment system products and services and focus on the Group's product development to suit the ever changing consumer requirements and needs. The Group's maintenance work with the existing customers and refurbishment projects have also served to mitigate the business risk associated with the cyclicality of the industry.

Although the Group has taken considerable steps to mitigate these risks, there are other external factors which could result in adverse developments in the economy and in particularly, the domestic wastewater treatment industry. Hence, there is no assurance that any change in these factors will not have any material adverse impact on the PJSB Group's business.

(iii) <u>Investment Activities Risk</u>

As at 31 May 2003, being the latest practicable date prior to the printing of the Prospectus, the Company is not involved in any investment activities.

(iv) <u>Financial Risks</u>

Borrowings

Save as disclosed in Section 9.4 of this Prospectus, the Group does not have any other borrowings and indebtedness in the form of borrowings, including bank overdraft and liabilities under acceptances, hire purchase or commitments or guarantees. As at 31 May 2003 (being the latest practicable date prior to the printing of this Prospectus), the Group's total borrowings amounted to approximately RM33.897 million.

Some of the Group's working capital requirements are met partially by borrowings and internally generated funds. Given that the Group has borrowings and the payment of the loan interest is dependent on interest rate, future fluctuations of the interest rate could have material effects on the Group's interest and principal repayment.

Restrictive Covenants

Pursuant to credit facility agreements entered into by PJSB with banks or financiers, it is bound by certain positive and negative covenants, which may limit PJSB's operating and financial flexibility. The aforesaid covenants are of a nature, which are commonly contained in credit facility agreements in Malaysia. Any act by PJSB falling within the ambit or scope of such covenants will require the consent of the relevant bank/ financier. Breach of such covenants may give rise to a right by the bank/ financier to terminate the relevant credit facility and/ or enforce any security granted in relation to that credit facility. The Board of Directors is aware of such covenants and shall take all precautions necessary to prevent any such breach. As at todate, the Group has not breached the covenants contained in its credit facility agreements.

Capital Commitment

Save as disclosed in Section 9.4(iv) of this Prospectus, the PJSB Group does not have any material commitment, which may have a substantial impact on the result or the financial position of the Group.

(v) <u>Foreign Currency Risk</u>

While the direct labour and overheads and some of the raw materials are sourced locally, all the FRP materials and most M&E equipment are imported by the Group and paid in USD and Japanese Yen. The exchange rate between RM and Yen is subject to the exchange rate fluctuation. As an example, in 1992, the Japanese Yen conversion was approximately ¥100 to RM2.045 and it soared up to approximately ¥100 to RM2.405 in 1993. To mitigate this, in 1995 the Company purchased the fibreglass and resin in RM. However following the currency control regulation by Bank Negara Malaysia and the pegging of RM to the USD since 1998, purchases had been in USD and Yen. With the current stable exchange rate pegged to the USD, the Group is able to plan its product cost with a higher degree of certainty.

However, no assurance is given that future changes in capital control policies of the government will not have an adverse and material effect on the Group's financial position.

(vi) Industry Life-Cycle

Wastewater industry, cleansing and UST business are cyclical in nature and dependent on the building industry of the country. While the cleansing and UST businesses are gradually catching up, the FRP sewage treatment systems are always in great demand, especially in the government sector. Since the private construction sector was badly affected due to the financial crisis, the government construction sector's rapid implementation acts as a stimulus to stir other industries related to the building industry. This proves to be beneficial to the Group and its achievements in 2001 and 2002 were exceptional due to its right strategy to concentrate on government projects.

The demand from the government sector is expected to be higher in the years to come. Firstly, compared to the RM0.7 billion allocated for the sewerage sector in the 7MP, the government had allocated RM1.6 billion for sewerage sector under 8MP. On going sewerage works involve schools, institutes of higher learning, staff quarters for the military, police and civil servants, low cost housing and hospitals. These projects have been contributing to the Group's past and present achievement and are expected to boost the Group's future performance. Secondly, the government has entered into a Concession Agreement with IWK to plan, construct, operate and maintain sewage facilities in 143 local authority areas of every state in Malaysia. Many of the estimated 6,000 existing sewage treatment plants under IWK in these areas need refurbishment, up grading or complete replacement. For this purpose, the government has allocated the Sewerage Services Department and IWK with funds of more than RM300 million and RM100 million respectively. PJSB has been awarded some of these projects currently.

The growth of the sewage and wastewater treatment industry is still at its early stage. Rapid development has been seen following the privatisation programme. As such, there are ample business opportunities for environmental services and products, which will grow in tandem with the population and the advancement of the nation.

(Source: ACNielsen Market Research Report for PJSB)

PJSB Group thereafter is in the position to also provide its services and products to cater for this needs. With its wide scope of products and services, PJSB Group is not totally dependent on its traditional market, which is cyclical in nature and dependent on the building industry of the country.

This can be evidenced by the sustainable revenue and profits of the Group even during the recent economic downturn. The Group will continue to review its development strategies in response to the ever-changing economic conditions and market demands.

Nonetheless, no assurance could be given that any change to these factors would not have any material adverse impact on the Group's business.

(vii) Dependence on Contractors/Suppliers

As mentioned in Section 4.10 of this Prospectus, PJSB Group is not solely dependent on any major contractors/suppliers as the Group has established a wide network of contractors and suppliers. Such network is established through long-term relationships with most of its contractors over the past twelve (12) years.

The Group adopts various measures to minimize risk of dependency on certain contractors and/or suppliers as follows: -

(a) The Group adopts an open tender system in selecting contractors and suppliers. The selection is made after due consideration of their experience, track record and qualification; and

(b) The Group ensures that contractors are not awarded contracts more than they are capable to undertake. Under such circumstances, the Group continuously reviews and evaluates the work in progress and performance quality of each of the projects awarded to ensure prompt completion and reasonable quality attained.

(viii) Dependence on Key Personnel

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and key management. In 1999, despite the resignation of the Chief Executive Officer of PJSB and a few senior managers, the business operations of the PJSB Group was not interrupted due to the prompt appointment of a new Chief Operating Officer and the creation of the executive committee of directors ("EXCO") comprising of the directors to oversee the operations of the Group. In ensuring the continuity of management, the Group will strive to continue attracting and retaining skilled personnel to support its business operation and has made efforts to train its staff. As a result of this, the Group has enjoyed the support of management staff with long term service.

The PJSB Group is headed by an experienced, dedicated and dynamic management team with almost all of its key personnel having been in the industry for more than seven (7) years since 1995. They are trained and possess relevant knowledge and experience for the right business opportunities, which can provide synergy and growth to the Group.

The success of the Group's business was achieved through the deliberate and careful planning of the Directors with the support of the Group's key management team.

(ix) Dependence on the Government Central Contract

PJSB had been awarded the central contract by the Government of Malaysia from 1993 to 1995 and from 1997 to 2002 to supply STP to the Government. On 30 December 2002, the Ministry of Finance have issued a circular directing all government ministries and agencies to formalise the contract for the supply of STP with PJSB for a period of two(2) years from 2003 to 2004. This will substantiate the Group's expected shares in the government sector.

Although, most of the orders may come from the government sector, PJSB would not be overly affected should the Central Contract is not extended beyond the period. The board of PJSB is of the view that the long established and good relationship with the government agencies since 1993 will enable the Company to continue providing services to the government agencies. The government sector will still remain as the major sector of the Group due to its root deep rapport and supporting services rendered in the past 10 years.

PJSB Group is one of the major players in the sewerage industry with its fully equipped setup and a network of branches and agents to provide sales and after sales services. Together with its warranty and guaranteed performance for its products, PJSB has gained confidence from most of its purchasers who become regular customers, including the Government of Malaysia. As a self contain and well developed sewerage company, PJSB provides designing, fabricating and installing FRP systems, constructing RC plants, refurbishing, up grading, replacement and maintaining STP. Being the pioneer and a leader in FRP sewerage systems for more than 15 years with progressive track records is enough evidence to its performance.

(x) Insurance coverage on assets

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operation. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets and development projects on a continuous basis.

For the PJSB Group's operations, all assets such as inventory, office equipment and furniture and fitting are sufficiently insured under fire and other insurance policies.

(xi) Competitive Risks

PJSB faces competition from both local plastic and FRP fabricators in the pre-fabricated category of products such as the SUPERSEPT, SATS and HI-KLEEN models of up to 5,000 PE capacities. However, plastic is not expected to pose a serious threat to the FRPs as the concept is relatively new in the market having only exerted its presence since 1995. Although the use of plastic is cheaper and much simpler for production, its strength, durability and resistance to bio-chemical reaction is limited as compared to FRP.

The Group also believes that it has the edge over its competitors due to the wide range of its products, its nationwide branches, its economy of scale in production, its R&D capabilities, its technological skill acquired through years of R&D and most importantly its management's extensive experience and understanding of the sewerage industry. The Group has taken pro-active measures to mitigate the competitive risks which include, inter alia, to constantly review its development and marketing strategies in response to ever-changing economic conditions and market demands, and to adopt different development concepts and marketing strategies that will correctly position its products and services to serve the needs of the target market.

The Group also faces competition in terms of pricing of their products. The Group's pricing policy is dictated by prevailing market force and the sewerage treatment system design parameters and is not subjected to price controls by the government. This applies more to the RC system, which is very price competitive due to the low barriers to entry, compared to that of the prefabricated systems that have fairly standard prices. The Group is responsive to any change in the prices quoted by its competitors but nevertheless will not resort to unhealthy trade practices in order to secure an unfair advantage. Prices quoted to the Government under the central contract are negotiated and become valid for the duration of the contract period. Any variation in the prices is to be justified on the basis of price increase of the imported raw materials and other cost components.

The Group's venture into the manufacture of UST is a good testimony of the ability of the Group to take advantage of its manufacturing expertise with FRP to diversify its product line. Since the production of UST, the Group has delivered 645 units of UST to the market.

Nonetheless, no assurance could be given that any change to these factors would not have any material adverse impact on the Group's business.

(xii) Dependence on Particular Markets and Geographical Locations

The PJSB Group currently focuses on wastewater industry, cleansing and UST business in Malaysia, with clients in various states in the country. However, the Group will not be overly dependent on any particular markets and geographical locations in the near future as the Group has progressively expanded into the market throughout Peninsular Malaysia, Sabah and Sarawak.

In addition, the Group has diversified its business into other FRP related products such as UST to ensure a stable stream of revenue for the Group.

(xiii) Political, Economic, Regulatory and Environmental Considerations

Changes in political and economic conditions in Malaysia and other countries could materially affect the Group's financial prospects for instance the risk of war, expropriation, nationalisation, changes in interest rates and methods of taxation. The Group will continue to take effective measure such as prudent financial management and increase efficiency of its operations through an active R&D department to research on new products and new technology from fibreglass manufacturing process. The Group also strive to increase the sources of raw materials to reduce its dependency on a particular region/country. The Group will continue to support the SKSP project to increase its social recognition.

Due to the close link between the sewerage industry with the property market / construction sector, the financial prospects of the Group may similarly be affected by any legislation or regulation imposed on the said sectors. The Group will mitigate such risks by maintaining a strong design department to adapt to new regulations imposed by the authorities.

No assurance is given that any changes in the above conditions will not have a material and adverse effect on the Group's financial position.

(xiv) Control by Promoters

After the Public Issue and Offer For Sale, the Promoters, as set out in Section 5.1 of this Prospectus will collectively control 63.7% of PJSB's enlarged issued and paid up capital. As a result, these Promoters will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

(xv) Material Litigation

As at 31 May 2003, the PJSB Group is not engaged either as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of the PJSB Group and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of PJSB and its subsidiaries.

(xvi) Delay In Completion of RC Projects and FRP STPs

As mentioned in Section 4.5.15 of this Prospectus, sewerage treatment systems are subject to various regulatory approvals and are dependent on many external factors, such as weather condition, obtaining the regulatory approvals as scheduled, construction materials for RC plants in sufficient amounts, availability of raw materials for the manufacture of FRP products, favourable credit terms and satisfactory performance of contractors which may be appointed to complete the project etc. There can be no assurance that these factors will not lead to delays in completion of RC project or the manufacturing of FRP products. These delays may have a direct impact on the Group's future profitability.

(xvii) Related Party Transactions/ Conflict of Interest

As disclosed in Section 7.1 of this Prospectus, there are certain related-party transactions involving the Directors and substantial shareholders and/or persons connected with the Directors or substantial shareholders of PJSB. The Directors and substantial shareholders of PJSB have given written undertaking that all business transactions between the PJSB Group and the Directors and substantial shareholders and their related persons, shall be based on arms length basis and on commercial terms that shall not be disadvantageous to the Group.

As disclosed in Section 7.2 of this Prospectus, some of the Promoters, Directors and/or substantial shareholders of PJSB have interests in a company carrying on similar businesses as the PJSB Group. To mitigate any potential conflict of interest, the Promoters, Directors and substantial shareholders have provided written undertakings not to be involved in any new business in the future which will give rise to competition/ conflict with the current business of the PJSB Group.

(xviii) Forecasts

The Prospectus contains certain forecasts for the Group that are based on assumptions that are subject to uncertainties and contingencies. The Directors have considered the assumptions used in the preparation of forecasts to be reasonable. Given the subjective judgements and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecasts 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 description of the assumptions and uncertainties underlying the forecasts that are contained herein. Save as disclosed in the preceding paragraphs, to the best knowledge of the Directors, the Group is not vulnerable to any other major specific risk factors or events.

(xix) Disclosure Regarding Forward-Looking Statements

The Prospectus contains certain forward-looking statements i.e. those other than statements of historical facts. Although the Group believes that the expectations reflected in such statements are reasonable at this time, there can be no assurance that such expectations will prove to be correct and may not be materially different from the Groups' actual performance and plans.

(xx) Termination of Underwriting Agreement

The underwriting agreement dated 23 June 2003 relating to the Public Issue allows for the Underwriter to terminate the Underwriting Agreement if the Underwriter is of the reasonable opinion that the success of the IPO is likely to be materially and adversely affected by certain events, details of which are set out in the Section 2.10 of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if in the reasonable opinion of the Underwriter that the events detailed in Section 2.10 occurs. In such situation where the IPO could not be completed, all monies paid in respect of all applications will be returned without any interest.

(xxi) Delay In or Abortion of the Listing

The occurrence of any one or more of the following events may cause the delay in the listing:

(i) the identified investors fail to subscribe to the portion of the IPO Shares to be placed to them upon completion of the IPO, and at the point of listing;

(ii) the Underwriter exercising its rights pursuant to the Underwriting Agreement discharging themselves from their obligations thereunder;

(iii) the Company or the Underwriter fail to honour their obligations under the underwriting agreement; or

(iv) the Company is unable to meet the public spread requirement that is at least 25% of the issued and paid up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each.

Save as disclosed above, the occurrence of any one or more of the following events may also cause abortion of the Listing:

(i) the Company is unable to obtain underwriting for the listing in the case the Underwriter exercise its rights pursuant to the Underwriting Agreement discharging themselves from their obligations thereunder; or

(ii) the Company is unable to allocate the unsubscribe portion of the Issue Shares to be placed to the identified investors in the case that the identified investors fail to subscribe to the portion of the Issue Shares to be placed to them.

Although the Directors will endeavour to ensure compliance by PJSB of the various listing requirements, including inter-alia, the public spread requirements imposed by the SC and KLSE, for the successful Listing, no assurance can be given that the as above mentioned factors will not cause a delay in or abortion of the listing.