

4. INFORMATION ON THE PJSB GROUP (Cont'd)

The Group has a wide range of FRP STPs ranging from 3 to 5,000 PE. Most of the competitors offer a product range of between 3 to 3,000 PE. The Group offers a wide range of system designs, besides having close collaboration with architects and other engineering consultants and the approving authorities in the construction industry, manufacturing, installations, operation management and maintenance of its STP with the added benefits of in-house nationwide network of branches and back-up services.

The promotion of SKSP project is a showcase of how the Group can mobilise its resources and transfer its technology to the rural population. The project was a resounding success since its inception. The Group took a significant step when it embarked on the project.

With these achievements, the Group has evolved to become a one stop centre in the provision of total solution package for sewage treatment system in the country.

There are currently a couple of competitors having foreign partners and specialise in process and engineering design, which match the technical prowess and product range of the Group. Price competition is thus necessarily keen and future sales of the Group will depend largely on competitive pricing and excellence in customer service.

Currently, the Group is well placed to maintain its market position and will endeavour to remain a major player in the industry by instituting the following measures and programmes:

- i) continuous development of in-house capability in the technical design, quality assurance and customer support service;
- ii) training and development of human resource; and
- iii) upgrading of production and process technology and capability.

4.5.15 Governing Laws And Regulations

Currently, the Group's operation are regulated by various laws and regulations in Malaysia including:

- Sewerage Services Act, 1993 provides, inter alia, that no person shall maintain or operate any sewerage system, undertake, provide or make available any sewerage service, carry out any connection or construct or install any part of a sewerage system, except under an in accordance with the terms of a licence issued under the Sewerage Services Act, 1993.
- Sewerage Services (Licensing) Regulation 1994 provides, inter alia, that a separate licence shall be required of a person who intends to carry out any of the work as stipulated under the Sewerage Services Act, 1993.
- Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 provides, inter alia, that no person shall undertake to carry out and complete any construction works unless he is registered with the Lembaga and holds a valid certificate of registration issued by the Lembaga.
- Guidelines for Developers on the Design and Installation of Sewerage Systems drawn up by Sewerage Services Department of the Ministry of Housing and Local Government ("JPP") provides the requirements of STP that have to be complied with PJSB.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

- Environment Quality Act 1974 is an Act relating to the prevention, abatement, control of pollution and enhancement of the environment and for the purpose connected therewith.
- DOE monitors effluent discharge from sewerage treatment plants operated by IWK to ensure they meet the prescribed environmental standards.
- Environment Quality (Sewage and Industrial Effluents) Regulation 1979 provides, inter alia, that a company is required to comply with the standard of effluent discharge.
- Malaysian Standards (MS 1228 : 1991) provides the Code of Practice for design and installation of sewerage systems, which generally covers the various minimum standards in the treatment and process of the systems.
- Uniform Building By-Laws 1984 deals with building of components sewerage system, construction and installation. The building of sewerage system must comply with the minimum standard of Building By-Law.

4.5.16 Environmental Concerns

The quality of wastewater treated by the public sewerage system in Malaysia is comparable to the standards set by the World Health Organisation (“WHO”). The independent close monitoring by IWK, JPP and DOE has been effective in ensuring that the local users adhere to the basic public health requirements as defined in the relevant Acts in force. However, there is still a substantial portion of the national population, especially those remotely located rural communities, which still do not have direct access to public sewerage system.

The Group is fully committed to the preservation of clean and pure water and undisturbed landscape. Its prefabricated STPs utilise the eco-friendly composite materials, which are perfectly suited for modern industrial, commercial and environmental applications. The Group intends to remain in the forefront of the environmental industry, developing new products, markets and solutions, which offers unlimited potential for the Group’s business growth. Through product innovation and new technology acquisition, the Group expects to meet the challenge of the future with unfailing commitment to perfection and with eyes firmly fixed on the increased prosperity of its hardworking employees and interest of the community at large. The public’s increase awareness in the environmental concern augurs well for the PJSB Group’s business prospects.

4. INFORMATION ON THE PJSB GROUP (Cont'd)**4.6 Subsidiaries and Associated Companies of PJSB**

PJSB has no associated companies. The subsidiaries of PJSB, all of which are incorporated in Malaysia are as follows:

Name	Date/Place of Incorporation	Authorised Capital RM	Issued & Paid-Up Share Capital RM	Effective Equity Interest %	Principal Activities
Subsidiary companies					
JFI	22.07.1979 Malaysia	5,000,000	4,000,000	100	Manufacture and sale of FRP STP, UST and other FRP products.
PJSS	14.04.1994 Malaysia	1,000,000	250,000	100	Provision of management expertise in wastewater treatment and as a subcontractor to design, install and maintain STP.
AJSB	23.04.1994 Malaysia	10,000,000	6,000,000	100	Investment holding, solid waste management, garbage collection, area cleansing and other related business.
PJSTS	2 July 1996 Malaysia	2	2	100	Dormant

Further details of the subsidiaries of PJSB are as follows:

4.6.1 JFI**(a) History and Business**

JFI was incorporated in Malaysia on 22 June 1979 under the Companies Act, 1965 as a private limited company. The principal activities of JFI are manufacture and sale of FRP STP, UST and other FRP products. JFI is wholly-owned by PJSB. As at 31 May 2003, JFI has a total workforce of 214 employees.

(b) Share Capital

The present authorised share capital of JFI is RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM4,000,000 comprising of 4,000,000 ordinary shares of RM1.00 each. The changes in the issued and paid-up share capital of JFI since its incorporation is as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Total Issued And Paid-up Share Capital (RM)
22.06.79	2	1.00	Subscribers' shares	2
10.01.85	380,000	1.00	Cash	380,002

4. INFORMATION ON THE PJSB GROUP (Cont'd)

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Total Issued And Paid-up Share Capital (RM)
09.09.94	1,619,998	1.00	Shares allotted for consideration other than cash	2,000,000
15.09.99	2,000,000	1.00	Capitalisation of retained profits of the company	4,000,000

(c) Subsidiary and Associated Companies

As at 31 May 2003, JFI does not have any subsidiary or associated company.

(d) Profit and Dividend Track Record

The audited profit and dividend track record of JFI for the past five (5) financial years ended 31 December 2002 are set out below:

	←-----Financial Year Ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	28,845	24,525	30,962	32,192	34,465
Profit before interest, taxation and depreciation	4,247	1,427	5,079	6,914	5,548
Depreciation	352	361	299	257	250
Interest expense	1,116	982	1,238	1,091	854
Profit before taxation	2,779	84	3,542	5,566	4,444
Taxation	(787)	33	(1,112)	(1,196)	(1,534)
Profit after taxation	1,992	117	2,430	4,370	2,910
No. of ordinary shares in issue ('000)	2,000	4,000	4,000	4,000	4,000
Net EPS (RM)	1.00	0.03	0.61	1.09	0.73
Gross dividend rate (%)	-	-	-	-	312.5

4.6.2 PJSS**(a) History and Business**

PJSS was incorporated in Malaysia on 14 April 1994 under the Companies Act, 1965, as a private limited company. The principal activity of PJSS is the provision of management expertise in wastewater treatment and as a subcontractor to design, install and maintain STP. PJSS is wholly-owned by PJSB. As at 31 May 2003, PJSS has 64 employees.

4. INFORMATION ON THE PJSB GROUP (Cont'd)**(b) Share Capital**

The authorised share capital of PJSS is RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM250,000 comprising of 250,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of PJSS since its incorporation is as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Total Issued And Paid-up Share Capital RM
14.04.94	4	1.00	Subscribers' shares	4
1.12.94	249,996	1.00	Cash	250,000

(c) Subsidiary and Associated Companies

As at 31 May 2003, PJSS does not have any subsidiary or associated company.

(d) Profit and Dividend Track Record

The audited profit and dividend track record of PJSS for the past five (5) financial years ended 31 December 2002 are set out below:

	<-----Financial Year Ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	18,708	10,844	4,489,	7,017	7,651
Profit before interest, taxation and depreciation	3,368	1,341	158	263	260
Depreciation	456	73	63	46	46
Interest expense	8	22	58	5	3
Profit before taxation	2,904	1,246	37	212	211
Taxation	(625)	-	(17)	334	(142)
Profit after taxation	2,279	1,246	20	546	69
No. of ordinary shares in issue	250	250	250	250	250
Net EPS (RM)	9.11	4.98	0.08	2.18	0.276
Gross dividend rate (%)	-	-	-	-	-

4. INFORMATION ON THE PJSB GROUP (Cont'd)**4.6.3 AJSB****(a) History and Business**

AJSB was incorporated in Malaysia on 23 April 1994 under the Companies Act, 1965, as a private limited company. The principal activities of AJSB are investment holding, solid waste management, garbage collection, area cleansing and other related business. AJSB is wholly-owned by PJSB. As at 31 May 2003, AJSB has one (1) employee.

(b) Share Capital

The authorised share capital of AJSB is RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM6,000,000 comprising of 6,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of AJSB since its incorporation is as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Total Issued And Paid-up Share Capital (RM)
23.04.94	4	1.00	Subscribers' shares	4
31.12.97	5,999,996	1.00	Cash	6,000,000

(c) Subsidiary and Associated Companies

As at 31 May 2003, AJSB has a wholly-owned subsidiary PJSTS and no associated company.

(d) Profit and Dividend Track Record

The audited profit and dividend track record of AJSB for the past five (5) financial years ended 31 December 2002 are set out below:

	<-----Financial Year Ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	-	-	-	777	1,917
Profit/(loss) before interest, taxation and depreciation	(4)	331	(7)	82	198
Depreciation	-	-	-	-	1
Interest expense	-	-	-	-	-
Profit/(loss) before taxation	(4)	331	(7)	82	197
Taxation	-	-	1	-	(70)
Profit/(loss) after taxation	(4)	331	(6)	82	127

4. INFORMATION ON THE PJSB GROUP (Cont'd)

	<-----Financial Year Ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
No. of ordinary shares in issue	6,000	6,000	6,000	6,000	6,000
Net EPS/(Loss per share) (RM)	-*	0.06	-*	0.01	0.02
Gross dividend rate (%)	-	-	-	-	-

* *Negligible amount***4.6.4 PJSTS****(a) History and Business**

PJSTS was incorporated in Malaysia on 2 July 1996 under the Companies Act, 1965, as a private limited company. PJSTS has not commenced operations since its incorporation. As at 31 May 2003, PJSTS has no employees.

(b) Share Capital

The authorised share capital of PJSTS is RM2.00 divided into 2 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM2.00 comprising of 2 ordinary shares of RM1.00 each. There has been no change in the issued and paid-up share capital of PJSTS since its incorporation.

(c) Subsidiary and Associated Companies

As at 31 May 2003, PJSTS does not have any subsidiary or associated company.

(d) Profit and Dividend Track Record

The audited profit and dividend track record of PJSTS for the past five (5) financial years ended 31 December 2002 are set out below:

	<-----Financial Year Ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	-	-	-	-	-
Profit/(loss) before interest, taxation and depreciation	-	-	(12)	(2)	(1)
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Profit/(loss) before taxation	-	-	(12)	(2)	(1)
Taxation	-	-	-	-	-
Profit/(loss) after taxation	-	-	(12)	(2)	(1)

4. INFORMATION ON THE PJSB GROUP (Cont'd)

	← Financial Year Ended 31 December →				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
No. of ordinary shares in issue (units)	-	-	2	2	2
Net loss per share (RM)	-	-	6,175	825	425
Gross dividend rate (%)	-	-	-	-	-

4.7 Industry Overview: The Sewerage And Wastewater Industry

The sewerage sector in Malaysia has lagged behind compared to other sectors in terms of infrastructure development as well as management of the services. The effort by the Federal Government in federalisation of the sewerage functions and the privatisation of the sewerage services has provided the means to accelerate the growth of the sewerage sector. Further, domestic sewage has been identified as the single major contribution of pollution to the environment in the country. A reliable and efficient sewerage system is undoubtedly the vital contributing factor towards the improvement in environmental health of the country.

The Malaysia's National Sewerage Plan is intended to accelerate implementation of sewage collection, treatment and disposal to safeguard public health and improve the condition of the environment. It was created after careful evaluation of sewerage strategies implemented in developed nations. The Government continued to provide basic sewerage facilities to improve the health and well being of the population. In this regard, various systems were adopted including centralized sewerage systems, individual septic tanks and pour-flush latrines. By the end of the Sixth Malaysian Plan period (1991-1995), the proportion of households covered increased from 42.3% in 1990 to 52.7% in 1995.

It was recognised in the Sixth Malaysia Plan that the threat of pollution of water sources, coastal waters and beaches was increasing due to population growth, the rapid rate of urbanisation and industrialisation as well as the inadequate provision of sanitary facilities. Environmental studies in 1994 have revealed that Malaysia's wastewater system had been poorly run and even considered unreliable. The poor wastewater system has led to widespread pollution of many of the country's rivers and coastal waters. In a study done on 119 rivers in 1995, the river water quality, as based on the Water Quality Index, on overall has declined and sewage contributed 65% of water pollution in terms of Biological Oxygen Demand. It was also estimated that only 52.7% of the households were connected to the network of sewerage system in 1995. Most of the properties were either connected to small septic tanks or have no facilities at all and few Malaysian cities and towns operated centralised municipal wastewater treatment systems.

The sewerage systems have been managed by the local authorities and constructed by the state governments through the State Economic Development Corporations ("SEDC"). However, due to capital and human resource constraints faced by most local authorities, only nine (9) out of a total of nineteen (19) planned feasibility studies on centralized sewerage systems for state capitals and major towns were completed during the Fifth Malaysia Plan.

With the growing population and the yet inadequate provision of centralised and decentralised sewerage systems and the increasing water pollution, the Government embarked on a national privatisation program for the country's sewerage system in 1993. The privatisation program, expected to cost RM6.27 billion over a period of 18 years, has been awarded to IWK.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

The Government introduction of the privatisation policy is aimed to achieve the following objectives:

- to relieve the financial and administrative burden on the Government;
- to facilitate economic growth;
- to promote achievement of the National Economic Policy targets;
- to improve the efficiency and productivity level of the country; and
- to reduce the size and presence of the public sector in the economy.

The Government's Water Privatisation Policy, introduced in 1983 and Sewerage Privatisation Policy, introduced in 1993 were also aligned with the overall government's objectives as stated.

The privatisation of sewerage system is aimed at upgrading the existing 1900 treatment plants, construction of new treatment facilities utilising new technologies with compact design and establishing a proper network of sewerage system.

In addition to the privatisation projects, the growth of the wastewater treatment industry is also attributable to the increasing demand from private developers of housing estates. It is mandatory for all new housing estates to construct wastewater treatment plants. In 1990 alone, there were 101 applications for the construction of wastewater treatment systems by building owners.

As indicated, the growth of sewerage and wastewater treatment industry is still at an early stage and has been accelerating especially after the privatisation programme. There are yet ample business opportunities in the municipal and industrial markets which will grow in line with the population growth, urbanisation and industrialisation of the country.

The Government under the 8MP (2001-2005) has provided a substantial allocation for infrastructure and utilities development. A total of RM27 billion has been allocated by the Government under the 8MP as compared to RM24.36 billion in the 7MP. Out of the total allocation for infrastructure in 8MP, the allocation for sewerage amounts to RM1.6 billion representing 9.6% of the total allocation.

(Sources: Sixth, Seventh and Eighth Malaysia Plan (1991-2005))

4. INFORMATION ON THE PJSB GROUP (Cont'd)

4.7.1 Types of Sewage Treatment Plants

Wastewater treatment processes utilised in STP can be generally classified into three categories i.e. Fixed Film Growth, Suspended Growth and Combined Process. The sewerage treatment systems introduced into the market include the following:-

- Septic Tank
- Oxidation Pond
- Trickling Filter
- Rotating Biological Contractor
- Aerated Lagoon
- Conventional Activated Sludge
- Extended Aeration System
- Oxidation Ditch
- Sequence Batch Reactor

In Malaysia, the design criteria for all the above systems are specified in the JPP guidelines to be followed by the specialist contractor in the design and construction of STPs. Construction of STP can be carried out by prefabricated material such as FRP, Steel Tank and plastics for smaller size or RC for bigger size plants. Under the JPP guidelines, STP below 5,000 PE are smaller systems which can be designed and constructed by using prefabricated material. For STPs with PE greater than 5,000, the plant must be constructed on site by using RC to accommodate the increased capacity.

4.7.2 Segments of Sewerage Treatment System

Sewerage treatment systems available in the market can be broadly categorised into two (2) segments, namely the prefabricated system and the RC system. The prefabricated system is manufactured in factories based on standard designs using either FRP, high density polyethylene or other plastics. They are normally delivered to the site for installation by the supplier's contractor. The prefabricated system is applicable for PEs of between 3 to 5,000. The RC systems, on the other hand, are constructed on site and requires extensive site preparation normally using concrete, reinforced with steel bars. The RC system is usually used for centralised sewerage treatment of large scale property development and is applicable for PE of 5,000 or more.

With escalating property values and growing emphasis on aesthetic value, developers are showing a growing preference for the compact and concealable prefabricated systems.

4.7.3 Nature of Industry

The systems used by companies in the industry have to be approved by the Sewerage Services Department of the Ministry of Housing and Local Government. Licences must be obtained from the said ministry before any business enterprise can participate in the provision of sewage treatment products and services. The specialised nature of the sewage treatment industry requires large initial capital outlays, high technology adoption, expertise, experience and reputation; the main barriers to entry into the manufacture of prefabricated FRP sewage treatment system. Currently, the sewerage industry is regulated by various authorities including the Sewerage Services Department under the Ministry of Housing and Local Government and Department of Environment, Ministry of Science and Technology. These departments, among others, have been entrusted with the responsibilities overseeing and regulating sewerage development in the country.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

The Sewerage Services Act, 1993 requires all proposals of sewerage systems to be approved by the Director General of Sewerage Services. As part of the effort to improve the design and construction of the sewerage systems, the Sewerage Services Department together with IWK released the Second Edition of the "Guidelines for Developers" on the design and installation of sewerage systems in August 1998.

(Source: Sewerage Services Report 1998, Sewerage Services Department, Ministry of Housing and Local Government)

4.7.4 Industry Players And Competition In The Industry

The system and process designers consist of the civil and structural engineering consultants who normally work together with the mechanical and electrical engineering consultants. They are engaged by building developers or turnkey main contractors to design centralised STP to the required specifications of the owner and developer. Design of plants below 5,000 PE is usually standard and proprietary to the producers of prefabricated plants. They complement the Group's wide range of services and are not seen as direct competitors.

The Group's direct competitors are the producers and suppliers of both prefabricated and RC STP. Currently, it is estimated that there are more than 20 companies registered with the Sewerage Services Department *(Source: DGSS Approved Products and Materials issued by JPP, February 2003)* but only about 15 players are actively involved in the production and supply of both treatment plants. Their products and services offering vary according to distribution channels, pricing and credit policies and market focus. The Group considers the following companies as current major players in the prefabricated sector: -

Company	Base	Products
Loyal Impact Sdn Bhd	Ipoh, Perak	Prefabricated system ranging from 9 PE to 5,000 PE
Weida Environmental Technology Sdn Bhd	Kuching, Sarawak	Prefabricated system from 3 PE to 2,000 PE
Goodwater Engineering Sdn Bhd	Ampang, Selangor	Prefabricated system from 6 PE to 3,000 PE
Dekad Tulin Engineering Sdn Bhd	Kuala Lumpur	Prefabricated system from 5 PE to 3,000 PE
Environmental Link Sdn Bhd	Jalan Ampang, Selangor	Prefabricated system from 5 PE to 3,000 PE
JH Fibreglass Industries Sdn Bhd	Ipoh, Perak	Prefabricated system for septic tank
Best Lindeteves Sdn Bhd	Shah Alam, Selangor	Prefabricated system from 15 PE to 35 PE
JO Associated Sdn Bhd	Balakong, Selangor	Prefabricated system from 5 PE to 30 PE

Source: DGSS Approved Products and Materials issued by JPP, February 2003

4. INFORMATION ON THE PJSB GROUP (Cont'd)

Other major players that specialise in RC system are given below:

Company	Base	Products
Johnson Fluid Engineering Sdn Bhd	Petaling Jaya, Selangor	All RC systems
Transwater Engineering Sdn Bhd	Pctaling Jaya, Selangor	All RC systems
Bioclear Sdn Bhd	Petaling Jaya, Selangor	All RC systems
Aquamech Corporation Sdn Bhd	Segambut, Selangor	All RC systems
Pumpen Engineering Sdn Bhd	Shah Alam, Selangor	All RC systems
Waste Water Engincering Sdn Bhd	Shah Alam, Selangor	All RC systems
Hazen Trading Water Treatment Sdn Bhd	Kuala Lumpur	All RC systems
Envitech Sdn Bhd	Petaling Jaya, Selangor	All RC systems
Pollution Engineering Sdn Bhd	Kuala Lumpur	All RC systems

Source: DGSS Approved Products and Materials issued by JPP, February 2003

While many of the major active players limit their scope as mere suppliers of products and do not specialise in sewage treatment or provide other engineering services, the Group invested heavily in expanding the supply and value chains by working closely with its customers to provide a comprehensive range of services or total solution package.

4.7.5 Supply And Demand Of Products

The market structure of STP is divided into two major segments, namely the prefabricated (or manufactured at factory) system and the RC (constructed on site) system. While the capacity of the prefabricated system is limited by JPP guidelines up to 5,000 PE, the RC system is preferred by developers of medium to large scale residential projects because of its large processing capacity which exceeds 5,000 PE. The most advanced RC system currently in use in Putrajaya with a processing capacity of 100,000 PE, which was completed in June 1999 and currently operated by the Group.

Both systems are not in direct competition as each of them serves a different market segment. Decision to choose either system rests squarely on the clients or the local authorities that are bound by the requirements set by the law. The clients may opt for the concealable and compact prefabricated system due to economic and aesthetic reasons. Similarly, out of economic consideration, the clients may also opt for the RC system.

As demand for STP is aligned to the demand of residential, commercial and industrial units in the construction and building industry, any anticipated increase in demand at present and into the future can be met based on the PJSB Group's current production capacity and future expansion plans.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

The awareness on wastewater management would open up many business prospects and opportunities in the wastewater industry particularly to the Group, with the emphasis and enforcement by the regulators on the design of proper wastewater treatment systems.

4.7.6 Outlook and Future Growth For The Industry

The development of the infrastructure and utilities sector will be further intensified in order to sustain the growth momentum of the economy. During the 8MP the government will embark on an extensive sewerage capital development program with the implementation of 13 sewerage works projects. This includes the upgrading of 10 STP and sewer networks and the provision of 3 new central sludge facilities to ensure the better delivery of services. The completion of these projects will provide sewerage services to an additional 1.8 million population.

The Government will continue to provide substantial allocation for infrastructure and utilities development. For 2001 to 2005 the government has allocated a total of RM27 billion for infrastructure and utilities, whereby RM5.6 billion will be allocated for utilities. It is anticipated that the government will allocate RM4 billion for water supply and the remaining RM1.6 billion for sewerage. Compared to the 7MP period, where RM2.38 billion and RM0.67 billion were spent on water supply and sewerage respectively, there are substantial increase in Government allocation for both utilities during the 8MP period.

(Source: ACNielsen Market Research Report for PJSB)

The stimulus package under OPP3 and Supplementary Budget post September 11, 2001 is poised to help sustain activity within the construction sector, having achieved 2.3% growth in 2001. On top of that in the 8MP, the Government initiatives pertaining to the sewerage industry are in line with the provision of assessable, adequate and quality of infrastructure and utility in order to promote a better quality of life for Malaysian.

The foreseeable strong future growth and outlook of the industry is also very much recognised by the increasing volume of new housing, commercial and industrial developments. In view of the country's rising population and water pollution, the efficiency and reliability of utilities infrastructure system such as the sewerage systems will be the main concern of the Government.

The privatisation of the sewerage services to IWK was initially thought as a demise to the producers of the small septic tanks because of anticipated gradual phasing out of individual septic tanks to be replaced by centralised RC sewage treatment system in Malaysia.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

4.7.7 Government Legislations, Policies And Incentives

As at the end of 2000, sophisticated sewage collection and disposal systems served up to more than 80% of the urban collection. This is inclusive of systems using septic tanks. Most of the existing systems are in poor condition and the lack of resources and expertise has caused rapid deterioration of the sewerage plant and equipment.

Previously, domestic sewerage development was dependent upon federal government grant and loans. However, various STPs are being implemented by the private sector as part of urban development. This posed problems such as lack of proper maintenance resulting in rapid deterioration of the treatment and disposal systems. This prompted the Federal Government to privatise sewerage services by signing a Concession Agreement with IWK on 9 December 1993, to plan, construct, operate and maintain sewerage within 143 local authority areas. Meanwhile, the Sewerage Services Department, government regulatory body, was formed to oversee the implementation of the NSP.

The Malaysian Government had stated in the Sixth Malaysia Plan that a higher priority would be accorded to sewerage development due to environmental concerns and increasing pollution of the nation's water resources. The discharge of untreated and partially treated domestic waste water which include sewage and sludge, industrial effluents as well as agricultural and animal wastes was identified as the primary cause for water pollution. To avoid possible contamination of water, the Government placed a greater emphasis on the implementation of sewerage projects for state capitals, major towns and cities, designated tourist resorts and towns above the water intake points. Various sewerage systems including the comprehensive centralised sewerage system and the decentralised sewerage system were introduced. The Malaysian Government has also instituted measures to enforce the Sewerage Industrial Effluent regulations which require developers of houses, hotels, tourist resorts and other developments to provide communal treatment plants and centralised sewerage systems in their respective project areas. Compliance with water quality standards developed in 1988 was necessary.

In the 7MP, the utilities sub sector was allocated a sum of RM5.1 billion or 7.6% of the total development allocation, of which 6.0% was for water resources projects while the remainder will be for energy projects. The allocation for the water resources sub sector will be for the improvement of water supply in the rural and urban areas, mainly for the installation of treatment plants as well as improvements in the distribution network.

Also, in the 7MP, the Government's allocation for sewerage development dropped to RM112.0 million as a result of the contribution from the private sector through privatisation projects. It was estimated that the private sector would invest a sum of RM1.8 billion in the sewerage and wastewater treatment projects between 1996 and 2000.

In the 8MP, the Government has allocated a total of RM27 billion for infrastructure and utilities, whereby RM5.6 billion will be allocated for utilities. Out of this amount, RM4.0 billion will be allocated for water supply and the remaining RM1.6 billion will be for sewerage.

In recent years, to further strengthen the country's efforts in anti-pollution, the DOE under the Ministry of Science, Technology and Environment has created tax incentives and other initiatives for industrial environmental management.

(Source: ACNielsen Market Research Report for PJSB)

4. INFORMATION ON THE PJSB GROUP (Cont'd)

Sewerage Services Department

The Sewerage Services Department, which was set up in 1993 under the Ministry of Housing and Local Government, is the regulatory office responsible for ensuring the design, commissioning, installation and construction of sewerage systems must meet the minimum standards set in the "Guidelines for Developers on the Design and Installation of Sewerage Systems" in which the said department prepared jointly with Indah Water Konsortium in compliance to the requirements of the various by-laws and Malaysian Standard 1228.

4.7.8 Linkages to Other Industries

The sewerage and wastewater treatment industry is closely linked to the construction and property development industry of the country.

Activity in the construction sector remains subdued largely due to the overhang from excess space of commercial buildings for office and retail and higher end condominiums. Nevertheless, due to more extensive civil engineering works associated with government projects as well as higher construction starts in low and medium cost housing projects, value added in the construction sector is expected to decline with smaller margin of 3.6% in 1999, against a contraction of 23% in 1998. Both volume and value of transactions for residential units have registered strong increases. During the first half of 1999, turnover volume increased by 20.2% to 76,410 transactions with value increasing by 26% to RM9.2 (January-June 1998: 63,573 transactions valued at RM7.3 billion). The increase is partly the result of the effort of the Real Estate Housing Developers Association (formerly known as Housing Developers Association of Malaysia), which together with the Government, launched a Home Ownership Campaign between 12 December 1998 to 12 January 1999. During the campaign period, buyers benefit from incentives such as exemption of stamp duty and lower financing cost.

The relaxation of lending guidelines by Bank Negara Malaysia in September 1998 for purchases of housing costing RM250,000 and below also encouraged demand and construction of low and medium cost residential houses. The number of houses completed during the first half of 1999 increased by 29.4% to 66,430 units, against 51,339 units during the second half of 1998. Housing starts rose by 49.5% from 56,604 houses to 84,639 units during the same period of comparison. Out of the total 84,639 residential housing starts in June 1999, two-third were within the low and medium priced categories, with low-cost houses and flats accounting for 36.1% (30,587 units) and medium-cost terraced units 31.1% (26,329 units). This is in line with the 29.9% increase in the number of approvals given in the first half of 1999 for development of units costing RM60,000-RM100,000. On the other hand, approved units for houses costing more than RM100,000 for January to June 1999 declined by 26.2% to 24,182 units, compared with 32,787 units for the same period in 1998. This indicated continued weak demand for higher priced residential properties during the period.

The strong pick up in construction activity related to low and medium cost houses reflects the policy emphasis of the government in providing adequate and affordable housing especially to the low-income group through various funds and schemes.

In line with aim to enhance the quality of life of Malaysians, the 8MP will focus on the provision of adequate and affordable housing for the lower and middle income group.

(Source: ACNielsen Market Research Report for PJSB)

4. INFORMATION ON THE PJSB GROUP (Cont'd)**4.7.9 Substitute Products/Services**

As the sewerage industry is closely regulated, there is no significant difference in the process design and capability of different systems and models available in the market. The infrastructure design of a centralised sewerage system involving the reticulation and treatment of sewage has been adopted for a long time and will not likely be radically changed. The major change that the industry has experienced was the introduction of FRP or composite materials that are prefabricated away from the installation site. Another area of improvement is the greater mechanical application to improve the process performance especially in the closed system in order to increase the operational efficiency by accelerating the decomposition process.

Although PJSB faces competition from local plastic sewage products, these products are not expected to pose serious threat to the FRPs as their strength, durability and resistance to bio-chemical reaction are limited as compared to FRPs.

4.7.10 Industry's Reliance On The Vulnerability of Imports

The larger scale RC system and small to medium large-scale prefabricated systems currently employed in Malaysia are supplied by local suppliers that have mastered the technology. Although there is no protection accorded by the government against foreign imports and influx of foreign designers from establishing a local practice, the local producers do not face such external threat, especially on prefabricated system, because the prohibitive shipment and transportation cost incurred. Based on the Group's experience in shipping its products to Sarawak and Sabah, the shipping cost was very significant and had to be passed down to customers. To counter this setback, the Group set up a branch factory in Kuching, Sarawak to produce the SUPER-SEPT and SATS models and are planning to produce the HI-KLEEN models in the near future.

The principal raw materials used by the Group in its production are fibreglass and resin. Currently, JFI imports fibreglass mainly from Japan and isophthalic resin from Australia. To date, there are no fibreglass manufacturers in Malaysia and JFI relies on imports for fibreglass. The supply of fibreglass from Japan represents approximately 95% of the Group's total supply of fibreglass in year 2002.

Although in the past the Group imports most of its M&E accessories from Japan, the Group has recently sourced M&E accessories locally. Details of the major suppliers of raw materials and M&E accessories are set out in Section 4.10.

4.8 Details of Major Licences and Permits

A list of major licences and permits held by PJSB Group are listed in Section 6.2.

4.9 Major Customers

PJSB Group's list of top ten (10) customers as at 31 December 2002 is shown in Section 4.5.13 above. Based on the list, many of the corporate customers placed orders for the HI-KLEEN models because the prefabricated FRP STP offered by the Group best suited their development projects requirement in term of capacity below 5,000 PE and space utilization.

Sales to customers in the Government sector commenced in 1993 after PJSB secured a five (5) year Central Contract with the Government of Malaysia. The Central Contract was renewed for another five (5) years from 1 September 1997 to 31 August 2002. 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. Under the Central Contract, PJSB undertook to supply and deliver any of its prefabricated sewerage system to all Government departments and statutory bodies at a predetermined price.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

PJSB's current turnover for 2002 has the following customer mix – approximately 65% government organizations and 35% private contractors, whereby 25% are contractors for the government and 10% are for private sector.

The table below highlights the annual sales performance of PJSB in the last five (5) years and sector analysis.

Year	Government Local Order * As a Percentage of Total Annual Sales %	Government Contractor * As a Percentage of Total Annual Sales %	Private Projects As a Percentage of Total Annual Sales %	Total Annual Sales RM million
1998	16	12	72	50.53
1999	34	26	40	40.81
2000	43	33	24	53.18
2001	52	30	18	61.37
2002	65	25	10	71.06

* The 'Government Local Order' column refers to the PJSB Group's contracts directly with the government organizations, whilst the 'Government Contractors' column refers to the Group's contracts with the private contractors for government work.

PJSB has established long-term relationship with most of the major suppliers and customers due to, among others, their efficiency and promptness in meeting the requirements of the customers. This has resulted in a high number of repeat sales with the wholesale customers despite the lack of long-term contracts with most of them such as Project Lebuhraya Utara Selatan ("PLUS") projects and Terengganu State Economic Development Corporation.

Amongst the long term customers of the PJSB Group are as follows: -

Major Customers	Services Provided	Aggregate Total Revenue from 1998-2003 RM million	Lengths of Relationship (Years)
Government of Malaysia (Central Government Contract)	Supply and deliver FRP STP to Government agencies	171	11
PLUS Expressway Berhad	Supply and deliver FRP STP	2.9	8
Malaysian Industrial Estates Berhad ("MIEL")	Supply and deliver FRP STP	4.5	11
Petronas Dagangan Berhad ("PDB")*	Design, Fabrication, Supply, Delivery, Installation, Testing, Calibration and Commissioning of UST for Petrol Stations	22.1	7
Putrajaya Holdings Sdn Bhd	Supply of FRP STP, construction and maintenance of RC STP	57	6

*Since 22 August 2002, PJSB had ceased to supply to PDB all job orders of the Group's UST pending the issuance of the UL certification to the Group.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

For the medium term, PJSB Group have secured major contracts with the following customers for the Group to have sustainable revenue for the next 1 to 3 years as follows: -

Name of Customers	Products/Services Provided by PJSB Group	Total Contract Value RM	Commencement Date	Completion Date
Government of Malaysia (Central Government Contract)	Supply and deliver FRP STP to Government agencies	As per Government requirements	1993, renewed in: - <ul style="list-style-type: none"> • 1995 for 6 months period from May to Oct 1995 • 1997 for 5 years from Sept 1997 to August 2002 • Contract to supply STP to government ministries and agencies effective from 30 December 2002 	August 2002 30 December 2004
Petronas Dagangan Berhad*	Design, Fabrication, Supply, Delivery, Installation, Testing, Calibration and Commissioning of UST for Petrol Stations	9,915,300	April 2001	April 2003 (subject to an extension for another year to 2004)
Indah Water Konsortium	Operation and maintenance of Putrajaya STP 1 ("STP1")	1,583,400.96	March 2002	March 2005
Unimas	Design, Build, Supply, Delivery, Installation, Testing and Commissioning of Sewage Treatment Plant for Universiti Malaysia Sarawak	7,726,000	September 2002	December 2003
TH Technologies Sdn Bhd	Supply, Delivery, Installation, Testing, Commissioning and Maintenance of Sewage Treatment Plant for Gemas	3,400,000	November 2002	September 2003
Pembinaan Jaya Zira Sdn Bhd	Design, Build, Installation, Testing and Commissioning of Sewage Treatment Plant for SMK Kampung Baru Sri Rusa, Port Dickson	314,431.04	March 2003	August 2003

**Since 22 August 2002, PJSB had ceased to supply to PDB all job orders of the Group's UST pending the issuance of the UL certification to the Group.*

4. INFORMATION ON THE PJSB GROUP (Cont'd)**4.10 Major Contractors/Suppliers**

It has been the Group policy not to be overly dependent upon a single supplier for the procurement of raw materials such as the fibreglass and resin. While the fibreglass raw materials and M&E accessories are imported, the others are locally sourced. The Group has also established a wide network of contractors mainly for civil and structural works as well as M&E works of its projects. The table below sets out the Group's major contractors/suppliers:

Major Contractors/Suppliers	Products/Services Provided	Aggregate Total Cost from 1998-2002 RM million	Lengths of Relationship (Years)
<u>PJSS</u>			
TCP Environmental Sdn Bhd	Civil and structural works	0.53	8
Pywater Bumi (M) Sdn Bhd	Civil and structural works	1.38	8
Amtrack (M) Sdn Bhd	Civil and structural works	0.44	6
Fitent Sdn Bhd	Civil and structural works	12.50	6
Smart Move (M) Sdn Bhd	Civil and structural works	0.56	3
Hong Bang Construction Sdn Bhd	Civil and structural works	1.47	3
<u>JFI</u>			
Sanwa International Inc. Tokyo	M&E accessories	20.12	13
P-Tech Engineering Sdn Bhd	M&E accessories	1.99	3
Eik Seng Machinery Sdn Bhd	M&E accessories	0.12	1
Kean Guan Enterprise	Fibreglass/Resin	34.34	13
Composite Materials Supply Pte Ltd, S'pore *	Fibreglass	28.19	8
FRP Services Asia Pte Ltd*	Fibreglass	1.42	2
Huntsman Chemical Co Aust. Pty Ltd	Resin for UST	0.72	3
<u>PJSB</u>			
Tenaga CP Sdn Bhd	Screen (F/S), surface aerator, secondary screen.	1.11	8
Sam Mc Coy Engineering Sdn Bhd	Clarifier, screen (F/S), grit classifier, grit separation, mixer, pump (Flygt)	1.19	8
Ipbaran Sdn Bhd	Surface Aerators, clarifiers, screen (F/S), filter.	0.74	7

* Appointed agents for manufacturer/supplier of fibreglass from Japan.

4. INFORMATION ON THE PJSB GROUP *(Cont'd)*

4.11 Business viability

The PJSB Group is a viable candidate to be listed on the Second Board of the KLSE for the following reasons:-

(a) A Total Solutions of Sewage Treatment Provider

PJSB Group is one of the leading producers of sewerage and wastewater treatment units in Malaysia. The products and services of PJSB Group are considered items of necessity for every housing or commercial development project as the treatment of wastewater and sewage play an important part in keeping the environment clean. The Group's total solutions package enable it to provide a complete range of services from design, technical support, production, sales and marketing, delivery, installation, testing, commissioning to after sales service. As a fully integrated sewage treatment specialist, the PJSB Group is able to effectively compete in the increasingly competitive environment.

The Group's business began in 1985 under PJSB, which started business by trading small pre-fabricated FRP septic tanks called SUPER-SEPT and SATS imported from Premier International Co. Ltd of Bangkok, Thailand. As PJSB's market grew, it began to evolve from trading company to a manufacturing concern. In 1989, PJSB manufactured the SUPER-SEPT and SATS systems at a factory in Sungai Petani, Kedah. In the same year, it entered into a technology transfer agreement with its Japanese partner, Yamasho Sangyo Co. Ltd to acquire the technology, know-how and information on raw materials and lamination technique in producing Activated Sludge Process Treatment System HI-STAR for sale and distribution in Malaysia, Thailand, Singapore and Brunei Darussalam. The HI-STAR system is manufactured and distributed in Malaysia under a new brand name HI-KLEEN. The HI-KLEEN together with SUPER-SEPT and SATS systems extended the Group's product range enabling it to serve a wider market.

In 1994, the production division of PJSB was transferred to a wholly owned subsidiary of PJSB, JFI. In 2001, PJSB acquired AJSB, an investment holding company involved in the trading of M&E equipments. With the completion of the acquisition of PJSS in 2003, the PJSB Group becomes a fully integrated sewerage specialist encompassing design, manufacturing, construction, trading and maintenance of sewerage treatment systems.

(b) Basic Public Utility Service

Sewerage treatment systems are an essential part of the public utilities that are growing in importance. The Government's emphasis on the environment sector has translated to the increase in Government spending on better sewerage treatment systems and more emphasis on operation and maintenance on existing systems. The Government has also introduced environmental regulation to preserve the environment especially water resources. According to the Government's Vision 2020 outlined in the First Statement, the country will "ensure...the water remains unpolluted...able to yield the needs of the nation's development". In the same vein, the Government is looking into the formulation of a National Water Policy to address the nation's water needs in the future to include wastewater treatment and managing demand for water.

As with other public utilities, sewage treatment plants are required to provide uninterrupted service to the public that rely on its services. Hence, sewerage service provider must have sufficient resources to manage the system with minimal disruption of its services.

The PJSB Group, an integrated sewerage specialist, provides full-fledge sewerage services to its customers that include continuous maintenance of its systems. The extensive experience of the Group in the industry and the long-standing relationship with its clients are critical in ensuring smooth operation and implementation of development project.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

(c) **Ownership and Management**

PJSB is a Bumiputera controlled company that had successfully evolved from a trading company to a manufacturing concern and now expanding into the services industry. The Company had shown its ability to compete in the market place being one of the pioneers in the FRP STPs in Malaysia and developing its business nationwide through creation of branches in most of the states in Malaysia. PJSB is an example of the Government's successful efforts through the National Economic Policy to increase the Bumiputera participation in the economy, particularly in the sewerage industry.

PJSB is headed by Tan Sri Dato' (Dr) Ahmad bin Johan, the Chairman of the Company. He has acquired extensive experience in the wastewater treatment industry and has been an honorary member of the Japan Wastewater Purifier Association since 1988, a member of the Composite Fabricator Association of America since 1995 and the Chairman of the Advanced Composites in Industrial Applications Steering Committee under MIGHT from 1996 to 1998.

Tan Sri Dato' (Dr) Ahmad bin Johan is supported by experienced, committed and entrepreneurial management team with many of them having been with the Company since its venture into the manufacture of STPs in 1989. They are well trained and possess relevant technical expertise and experience through on-the-job, in-house and external training. 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 management team.

(d) **Prospects of the Sewerage and Wastewater Treatment Industry**

The Sewerage and Wastewater Treatment Industry will continue to expand in line with the government's policy to safeguard public health and protect the nation's water sources. Spearheaded by the National Sewerage Plan, it has accelerated the implementation of sewerage collection, treatment and disposal. This is to tackle the primary cause for water pollution identified as the discharge of untreated and partially treated domestic wastewater. Various sewerage systems as those made by the PJSB Group were introduced to provide better sanitation and enhanced environmental management.

The future prospect of the PJSB Group is set to move in line with the growth trend of the industry, particularly with the government's steps to reduce water pollution and higher expectation by the population on sanitation. Government measures to enforce the Sewerage Industrial Effluent regulations and compliance with water quality standards developed in 1988 requires developers of housing and tourist resort projects to provide communal treatment plants and centralised sewerage systems in their respective developments. Further discussions on the prospects of the sewerage and wastewater treatment industry and PJSB Group are set out in Section 4.7 of the Prospectus.

(e) **Kontrak Perbendaharaan ("Central Contract") 1993-2004**

In 1993, the Malaysian Government via its "Surat Pekeliling Kontrak Perbendaharaan Bil.22 Tahun 1993" granted a Central Contract to the PJSB Group to supply and deliver FRP sewage treatment plants to Government agencies for a 2-year period from 1 May 1993 to 31 April 1995. Under the contract, PJSB's customers include Government agencies, ministries, statutory bodies and local councils such as JKR offices, Armed Forces, City Halls and public universities.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

The contract was renewed for 6 months starting from May to October 1995. Between November 1995 and August 1997, PJSB Group continued to supply to the Government agencies based on the earlier contract pending price revision. In 1997, the Contract was renewed with revised prices for 5 years starting from 1 September 1997 till 31 August 2002 via a contract number PERB.K&B/38/1993 entered between PJSB and the Government. On 30 December 2002, MOF has 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.

(f) **Diversified Customers**

PJSB has a diversified customer base due to the Group's ability to offer comprehensive total solutions package to its customers. This competitive advantage together with the supply of other value added services such as design, supervision of installation, assistance in acquiring certificate of fitness and operation and maintenance of the systems enable the Group to serve a wider market segment.

PJSB's current turnover for 2002 has the following customer mix – approximately 65% government organisations and 35% private contractors, whereby 25% are contractors for the government and 10% are for private sector. This mix is intentional to cushion heavy reliance on the private sector, which is often hard hit by recessions and economic downtrends. The Group expects this mix to continue in the next 2 to 3 years.

In the government organisations' segment, customers comprise of various Government agencies, ministries, statutory bodies and local councils such as JKR offices, Armed Forces, City Halls and public universities.

For the contractor for government work, which are privatised, customers are even more fragmented, with PJSB maintaining good contacts with a large number of these contractors. The list of some of the Government customers of the Group is set out in Section 4.5.3 of this Prospectus.

Private segment which represent 10% of the Group's total revenue in 2002 comprise of private contractors, developers, owners of houses, factories and resorts and any other building owners and contractors who require sewage treatment plants for their buildings.

Presently the Group is not dependent on a single customer. Details of the major customers of the Group are set out in Sections 4.5.13 and 4.9 of this Prospectus.

(g) **Established Products**

The PJSB Group has established a reputation among the authorities, developers and contractors for its high quality and reliable products. PJSB is one of the earlier producers of prefabricated STP in Malaysia. Some of PJSB's established STP products are HI-KLEEN, SUPER-SEPT and SATS.

(h) **Use of High Technology in Manufacturing**

PJSB uses a computerised filament winding machine to produce higher quality tanks with a larger storage capacity. The adoption of advanced filament winding technology resulted in a significant improvement in its structural strength and stability. The filament winding is a fully automated process, programmed by a computer with minimum human supervision. It is used to produce cylindrical body parts of the HI-KLEEN and UST tanks. This process involves the use of a filament-winding machine moving on tracks alongside the revolving mandrel (mould). All movement and timing are computer-programmed according to the design specification.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

The filament winding technology uses computer-controlled equipment, which provides a higher degree of accuracy and quality compared to the manual process used by PJSB's competitors.

(i) **Wide Distribution and After Sales Services Network**

PJSB's products are technical in nature, hence requires PJSB to sell directly to government ministries and/or its relevant departments and agencies including government owned companies, private contractors, developers and individual end-users through a nationwide network of branches and appointed agents in East Malaysia. As mentioned in Section 4.5.2 of this Prospectus, PJSB Group has set-up branches in the states of Kedah/Perlis, Penang, Perak/Wilayah Persekutuan, Kuala Lumpur/Selangor/Negeri Sembilan, Johor, Melaka, Terengganu, Kelantan, Pahang, Sarawak and agencies in the states of Sarawak, Sabah and Labuan to serve its customers nationwide.

By directly selling the products to the customers, PJSB has the advantage of:

- Offering a higher level of customer service through dedicated and well-trained sales and technical teams;
- More effective promotion for the Group's products and services through better trained sales staff with access to qualified design engineers; and
- Closer presence and therefore able to respond faster to its customers needs.

As a fully integrated sewerage specialist, PJSB offers a comprehensive total solutions package to its customers. This business practice has enabled the Group to develop a wide distribution and after sales network in the country. Qualified design engineers who are based at the head office back the sales & marketing personnel. When sales are concluded, they are supported by well trained and highly mobile and equipped engineering support teams who are based at respective branches for the installation works at sites and the preventive and corrective maintenance work.

(j) **In-house Capability in Technical Design and Quality Assurance**

The Group has acquired the design and management expertise in wastewater treatment systems with qualified design engineers to design RC STPs which is one of the STPs developed by the Group. It has a working collaboration with Perunding Hashim & Neh Sdn Bhd, a Malaysian engineering consulting firm and Hyder Consulting Sdn Bhd, a British-based wastewater designers. The Group also has an understanding with Aqua-Aerobics Systems, Inc, a manufacturer and supplier of wastewater treatment system and equipment from the USA and Environ Holdings Sdn Bhd, an environmental engineering company, to work in the RC sector. The PJSB Group works together with mechanical and electrical engineering consultants when providing design.

Among the RC plants designed and built by the Group are:-

- Putrajaya Phase I (100,000 PE) – completed in June 1999;
- Taman Mutiara, Kulim (20,000 PE) – completed in December 1999;
- Kulim Hi-Tech Phase II (14,600 PE) – completed in April 2002;
- Gurun Light Industrial Park (13,600 PE) – expected to be completed by end 2003; and
- Taman Mahsuri, Kulim (18,500 PE) – expected to be completed in May 2004.

PJSB had incorporated quality control in to their manufacturing operations and all their business operations. QC on raw materials is conducted either at the goods receiving department or at independent laboratories. This is to ensure that the incoming materials meet the technical specifications of manufacturers. The R&D team are also closely involved in the QC process, where feedbacks from the QC team are incorporated into their product development process.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

Factory visits are conducted to perform checks on the production QC procedure and required changes examined as part of the Group's R&D initiatives.

The Group is in the midst of renewing a UL certification for its single wall UST manufactured by the Group. UL certification is one of the international standards that were adhered to in determining the quality of the UST tanks. The Group is also negotiating to acquire the manufacturing rights to manufacture the double wall UST tanks.

(k) **SKSP Project**

In 1992, PJSB launched the SKSP project in Wang Tepus, Kubang Pasu, Kedah to produce FRP STPs in rural villages. The project is able to reduce the incidence of rural poverty while easing PJSB's labour requirements for production. For the project, PJSB supplies all raw materials and manufacturing equipment to the rural villagers participating in the project. The Company also manages all logistical requirements and quality control process to enable the SKSP project participants to focus on producing the FRP tanks. The project has seen its operation uninterrupted with over 34,600 FRP tanks and numerous components produced under the SKSP project with a total of RM4.42 million paid to the participants from its commencement up to May 2003. The SKSP project generates an average annual revenue of approximately RM15 million to the Group.

SKSP has successfully provided the rural villagers with additional source of income and employment which has increased their standard of living greatly.

(l) **Contribution to Economic Growth**

The PJSB Group has contributed and will continue to contribute directly and indirectly to Malaysia's economic growth in the following ways:-

- (i) Supporting the Malaysian Government's National Sewerage Plan intended to accelerate the implementation of sewage collection, treatment and disposal to safeguard public health. This is in line with the Government's aim to improve the condition of the gradually deteriorating environment. PJSB's efforts to introduce new systems and proper maintenance to aid the smooth installation of these treatment and disposal systems with a Malaysian made product.
- (ii) Creating employment and spurring the growth of the economic activities, particularly in the sewage and wastewater treatment industry including contracting and subcontracting works for installations, transport and material handling.
- (iii) Spurring the growth of the economic activities and the wealth of the rural villagers under the SKSP project.

Through the SKSP project, the Group has created employment opportunities in the industry. Villagers in the program act as "sub-contractors" who produce wastewater treatment tanks on a piece meal basis. This effort by PJSB enables the villagers to participate in the emerging environmental industry and acquire the business and technical skill in the process.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

4.12 Prospects of the PJSB Group

The Government under the 8MP has provided a substantial allocation for infrastructure and utilities development. A total of RM27 billion has been allocated by the Government under the 8MP as compared to RM24.36 billion in the 7MP. Out of the total allocation for infrastructure in 8MP, the allocation for sewerage amounts to RM1.6 billion. In view of the substantial allocation for sewerage by the government, the Group is positioning its strategies in order to secure a sizeable portion of the sewerage works. In addition, several strategies have also been adopted to enhance the prospect of the Group as follows:

(i) FRP STP

The Group has initiated the step towards increasing its production capacity and capability in anticipation of increased demand arising from the public sector spending. This is accomplished with the relocation of its manufacturing operations to a new and bigger factory in Kawasan Perusahaan Sungai Petani, Sungai Petani, Kedah which provides larger production area and space for the existing and new equipment. Upgrading and addition of production equipment are expected to reduce wastage and improve production cycle time resulting in higher yield and reduce manufacturing costs.

(ii) FRP UST

Demand for the FRP UST for petroleum and other fuel storage is increasing following the successful nationwide installations in several new petrol stations of Petronas Dagangan Malaysia. A new concept in Malaysia, FRP UST are common in Europe and the United States of America where legislation, enacted and enforced, requires all oil trading companies to use FRP or composite hulled tanks replacing the mild steel tanks. The Group foresees a similar legislation could be introduced in Malaysia. The introduction of such legislation requiring all oil trading companies to convert to FRP hulled tanks would augurs well for the Group to diversify its revenue and income stream from the STPs in the future. Despite the economic advantage, which the FRP tanks have over the mild steel alternative such as a longer warranty period (15 years for FRP compared to 5 years for mild steel), the trend was slow to pick up in Malaysia because many of the existing mild steel tanks belonging to the other oil trading companies have not reached their expiry period.

(iii) RC Sewerage Treatment System

The Group's successful delivery of the state of the art STP with processing capability of 100,000 PE to Putrajaya Holdings Sdn Bhd followed by two other major STPs of smaller scale at Kulim in Kedah had established the Group's reputation for technology know how in the design and construction of reinforced concrete sewage treatment system. The Group has assembled an experienced project management team who are capable of undertaking projects from medium to large-scale system ranging from 10,000 PE to 150,000 PE capacities. In line with its strategy diversifying from FRP sewage treatment tanks for future revenue growth, the Group is setting its sight to becoming a major player in the construction of RC sewage treatment system.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

4.13 Future Plans and Strategies of the PJSB Group

For its FRP STP products, the Group foresees incoming threat not only from the major producers of prefabricated system but also from the RC system builders which are encroaching into the domain of smaller system competing with the Group's SATS and HI-KLEEN models. In order to be more competitive and increase the revenue stream, the Group has moved into the RC system. The Group has to date bid for several major RC systems and are currently awaiting letters of awards. With the strong products features and widest range of prefabricated sewerage treatment systems offering specifications in full compliance with the Environment Quality Act, 1974, the future prospects of the PJSB Group is set to move in line with the growth of the industry.

The Group not only plans to provide the full sewerage services but also to go into the other areas of environmental services such as solid waste management and cleansing. Among the future plans of the Group are as follows:

(a) Double Wall FRP UST

Double wall FRP UST have been in use in countries such as the United States, which impose stringent requirements on underground petroleum storage. In Malaysia, the introduction of such regulations is to be expected, as the Government is increasingly concerned on environmental issues. Compared to single wall FRP USTs, double wall FRP USTs have 2 layers of protection, with the inner wall designed to store fuel. In the event of a breach in the inner wall, the outer wall will contain the fuel and prevent spillage. In between the 2 walls, there is an interstitial layer that is used to continuously monitor and detect leaks in the inner and outer wall. The Group is also negotiating to acquire the manufacturing rights to produce the double wall UST tanks.

(b) Projects on Refurbishment and Renewal

During the 8MP (2001–2005), the Government will embark on an extensive sewerage capital development program with the implementation of 13 sewerage work projects. These include the upgrading of 10 STPs and sewer networks and the provision of three new central sludge facilities to ensure the delivery of better service. The projects also include the implementation of the refurbishment works program on about 2,500 treatment plants, which is aimed to produce better quality effluent and improve the environment. For the 8MP period, the government has allocated a budget of about RM1.6 billion for water sewerage.

Over the years, PJSB has earned the trust and support of various government ministries and departments through the Group's capability of participating and delivering turnkey projects in good time. Therefore, the Group has great potentials in sharing government projects in sewage treatment plants, especially pertaining to refurbishment, upgrading and replacement of existing systems.

4. INFORMATION ON THE PJSB GROUP (Cont'd)

Thus far, PJSB has completed the following projects on refurbishment and renewal of STP:

Project Title	Client	Total Contract Value (RM)
Proposed refurbishment and upgrading of STP in Padang Hiliran, Kuala Terengganu	Jabatan Perkhidmatan Pembentungan	1,102,413.00
Proposed refurbishment and upgrading of STP in Rancha-Rancha, Labuan	Jabatan Perkhidmatan Pembentungan	1,198,275.00
Proposed refurbishment and upgrading of STP in Taman Damai Taha, Mentakab	Jabatan Perkhidmatan Pembentungan	484,822.06
Proposed refurbishment and upgrading of STP in Pangsapuri Koperasi Machap Baru, Machap	Jabatan Perkhidmatan Pembentungan	190,126.30
Proposed refurbishment and upgrading of STP in Taman Scremban Jaya, Rantau	Jabatan Perkhidmatan Pembentungan	1,198,275.00

(c) Human Resources Development

The management of the Group is of the opinion that its dedicated, efficient and trained employees are instrumental to its success. As mentioned in Section 4.5.7 of this Prospectus, the Group sent 40 factory personnel to Japan in 1992 for a 6-month period at the Yamasho Sangyo factory in Japan prior to the commencement of the HI-KLEEN production. Attendances in these technical seminars were intended to keep the personnel abreast with new technology and development of FRP products. From time to time, the Group also send its employees to attend internal and external training programs, seminars and conferences relevant to their work.

As to ensure all level of staff are properly trained, PJSB takes training and development seriously. PJSB plans to introduce new program on attitudinal training, computer related training, technical and other topics based on needs. As for JFI, the contribution to Human Resources Development Fund will be utilised to organise training to improve skills and all level of staff are required to be trained in respect of their roles and functions. In addition, the management of PJSB also provides informal training to all staff to upgrade their skills and expertise.