

12. VALUERS' LETTER

(Prepared for the inclusion in this Prospectus)

24 June 2002

The Board of Directors
Brite-Tech Berhad
Lot 14 (PT 5015)
Jalan Pendamar 27/90
Section 27
40000 Shah Alam
SELANGOR DARUL EHSAN

Dear Sirs,

**RE : BRITE-TECH BERHAD ("BTB" OR "THE COMPANY")
VALUATION OF PROPERTIES BELONGING TO BTB AND ITS SUBSIDIARIES
("BTB GROUP")**

This letter has been prepared for inclusion in the Prospectus to be dated 28/6/2002 in connection with the proposed placement of 30,100,000 new ordinary shares of RM 0.10 each of the enlarged share capital in BTB to places which also constitute the public portion at an indicative placement price of RM 0.35 per share ("Proposed Placement") and proposed public issue of 7,400,000 new ordinary shares of RM 0.10 each in BTB at an issue price of RM 0.35 per share to the eligible employees and Malaysian public of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions ("Proposed Public Issue"), in conjunction with its listing on the MESDAQ Market of the Kuala Lumpur Stock Exchange.

In accordance with your instruction, we have assessed the Market Value of the landed properties as set out herein vide our valuation reports under reference V201/KLG/SC170221/B010, V201/KLG/SC170222/B011, V201/KLG/SC170223/B012, V01/JH/SL/SC/C58B171365/KAH, V01/JH/SL/SC/C59B181366/KAH, V01/JH/SL/SC/C60B191367/KAH, V01/JH/SL/SC/C61B201368/KAH, VA2001/SPT/0188(SC) and JLJS/V251/01. The valuation reports have been prepared based on the Guidelines on Asset Valuations issued by the Securities Commission and professional valuation standards prescribed by the Board of Valuers, Appraisers & Estate Agents Malaysia. We have valued the properties listed below using the comparison, investment and cost methods and are of the opinion that the market values of these landed properties, in their existing use, free from all encumbrances and with vacant possession are as follows :-

International Property Consultants • Chartered Valuation Surveyors • Registered Valuers & Real Estate Agents •
Project & Property Managers • Plant & Machinery Valuers • Auctioneers

Managing Director JORDAN LEE, KMN, Fism, Frics, Apeps, Inv, Mshiv, Sov. Chairman JAAFAR ISMAIL, Fism, Frics, Director LIM CHANG MEE, Fism, Frics, BA (Hons), B. Sc. (Hons)

THOO SING CHOON, Fsva, Inv, Aci, Arb, Fpcs, Area, P. TANGGA PERAGASAM, Mism, Frics, CHIN LAI SITT, Fism, Frics, Inv, LLB. (Hons), THYNG KIM KOK, Mism, Frics.

Headquarters: Kuala Lumpur: Ground & Level 6, Block G North, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur. Tel: 03-2555811 (12 lines) Fax No: 03-2555843

Other Offices: N. Sembilan: 9A, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus, Malaysia. Tel: 06-7638890 & 7638990 Fax No: 06-7637936
Perak : Suite 3 & 5, Tingkat Kedua, Labrooy House, Jalan Dato Sagor, 30000 Ipoh, Perak Darul Ridzuan. Tel: 05-2414626 (3 Lines) Fax No: 05-2556363
Johor : Suite 326, 3rd Floor, PanGlobal Plaza, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim. Tel: 07-2232299 Fax: 07-2245899
Pahang : 17, Jalan Gambut 2, 25000 Kuantan, Pahang Darul Makmur. Tel: 09-5555588 Fax No: 09-5142146
Melaka : No. 669 & 665A, Taman Melaka Raya, 75000 Melaka. Tel: 06-2835522 (3 Lines) Fax No: 06-2837635
Penang : Lot 2.01, 2nd Floor, Southern Bank Building, 21, Lebuh Pantai, 10300 Pulau Pinang. Tel: 04-2637749 & 2637750 Fax No: 04-2637644
Kuching : Lot 216 (2/F), Jalan Haji Taha, 93400 Kuching, Sarawak. Tel: 082-419200 & 419222 Fax No: 082-429315

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Other Colliers Offices: Australia, China, Hong Kong, India, Indonesia, Japan, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam, Austria, Belgium, Czech Republic, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Portugal, Republic of Ireland, Russia, Scotland, Slovenia, South Africa, Spain, Turkey, United Kingdom, The Americas Argentina, Canada, Mexico, Venezuela and United States Of America.

12. VALUERS' LETTER (Cont'd)

COLLIERS
JORDAN LEE & JAAFAR

PROPERTIES HELD FOR OWNER OCCUPATION

PROPERTY (TITLE DETAILS AND ADDRESS)	DESCRIPTION, AGE, TENURE AND METHODS OF VALUATION	MARKET VALUE FOR THE EXISTING USE
<p>Our Ref : V201/KLG/SC170223/B012 Date of valuation : May 15, 2001 Date of inspection : March 28, 2001 H.S.(D) 29637 P.T. No. 5015, Mukim of Damansara, District of Petaling, State of Selangor Darul Ehsan. No. 14, Jalan Pendamar 27/90, Section 27, 40000 Shah Alam, Selangor Darul Ehsan.</p>	<p>Industrial land built-upon with a three storey office block cum single storey factory building, a guard house, a refuse chamber, a pump house and a water tank. About 5½ years old Freehold Land Area : 42,880 square feet Gross built-up : 11,910 sq.ft. (office block) 8,295 sq.ft. (factory building) 49 sq.ft. (Guard house) 80 sq.ft. (Refuse chamber) 68 sq.ft. (pump house) 256 cu.ft. (water tank)</p>	<p>RM 3,200,000</p>
<p>Our Ref : V201/KLG/SC170222/B011 Date of valuation : May 15, 2001 Date of inspection : March 28, 2001 H.S.(M) 2273 P.T. No. 12144, Mukim of Kapar, District of Kelang, State of Selangor Darul Ehsan. No. 12, Jalan Sungai Rasau 27A, Kawasan 16, Sungai Rasa Light Industrial Area, 41300 Klang, Selangor Darul Ehsan.</p>	<p>Double storey semi-detached light industrial building. Freehold Land Area : 4,220 sq.ft. Gross built-up : 1,900 sq.ft. (illegal extension excluded)</p>	<p>RM 310,000</p>
<p>Our Ref : V01/JH/SL/SC/C59B181366/KAH Date of valuation : May 15, 2001 Date of inspection : May 15, 2001 H.S.(D) 169547 P.T.D. No. 85433, Mukim of Pelentong, District of Johor Bahru, Johor Darul Ta'zim. No. 18/18A, Jalan Molek 2/5, Taman Molek, 81100 Johor Bahru, Johor Darul Ta'zim.</p>	<p>An intermediate Double storey shophouse. Freehold Land Area : 222.9673 sq.m.(2,400 sq.ft.) Gross built-up : 3,072 sq.ft. (illegal extension excluded)</p>	<p>RM500,000</p>

12. VALUERS' LETTER (Cont'd)

COLLIERS
JORDAN LEE & JAAFAR

<p>Our Ref : V01/JH/SL/SC/C60B191367/KAH Date of valuation : May 15, 2001 Date of inspection : May 15, 2001 H.S.(D) 31573 P.T.D. No. 42295, Mukim and District of Kluang, Johor Darul Ta'zim. No. 9, Jalan Malinja 5, Taman Perindustrian Matahari, 86000 Kluang, Johor Darul Ta'zim.</p>	<p>Single storey detached factory incorporating a mezzanine floor. Freehold Land Area : 870.9660 sq.m.(9,375 sq.ft.) Gross built-up : 4,800 sq.ft. (Extension included as assumed approved) Comparison and Cost Methods</p>	<p>RM500,000</p>
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12. VALUERS' LETTER (Cont'd)

COLLIERS
JORDAN LEE & JAAFAR

PROPERTY HELD AS INVESTMENT

PROPERTY (TITLE DETAILS AND ADDRESS)	DESCRIPTION, AGE, TENURE AND METHODS OF VALUATION	BRIEF PARTICULARS OF TENANCIES	NET ANNUAL RENTS RECEIVABLE	MARKET VALUE
<p>Our Ref : V201/KLG/SC170221/B010 Date of valuation : May 15, 2001 Date of inspection : March 27, 2001 H.S.(D) 113412 P.T. No. 11419, Mukim of Damansara, District of Petaling, State of Selangor Darul Ehsan. No. 11, Jalan USJ 10/1G, 47620 UEP Subang Jaya, Selangor Darul Ehsan.</p>	<p>An intermediate three storey shop/office building Freehold Land area : 1,760 sq.ft. Gross built-up : 5,161 sq.ft.</p> <p>Comparison and Investment Methods</p>	<p>Presently let out to Messrs Menara Optometry Centre Sdn Bhd (Ground floor), Messrs Pantai Careplus Sdn Bhd (First floor) and Messrs Arah Dimensi Sdn Bhd (Second floor)</p>	<p>RM4,500 (Ground floor)</p> <p>RM1,800 (First floor)</p> <p>RM1,200 (Second floor)</p>	<p>RM 1,260,000</p>
<p>Our Ref : V01/JH/SL/SC/C58B17136 5/KAH Date of Valuation : May 15, 2001 Date of Inspection : May 15, 2001 H.S.(D) 23144 P.T.D. No. 38519, Mukim and District of Kluang, Johor Darul Ta'zim. No. 26, Jalan Desa 5/2, Taman Desa Kluang, 86000 Kluang, Johor Darul Ta'zim.</p>	<p>An intermediate double storey shophouse About 13 years old Freehold Land area : 143.0792 sq.m. (1,540 sq.ft.) Gross built-up : 2,156 sq.ft.</p> <p>Comparison and Cost Methods</p>	<p>Presently unoccupied</p>	<p>-</p>	<p>RM120,000</p>
<p>Our Ref : V01/JH/SL/SC/C61B20136 8/KAH Date of Valuation : May 15, 2001 Date of Inspection : May 15, 2001 H.S.(D) 14153 P.T.D. No. 32881, Mukim and District of Kluang, Johor Darul Ta'zim. No. 12, Jalan Intan 2/5, Taman Intan, 86000 Kluang, Johor Darul Ta'zim.</p>	<p>An intermediate double storey shophouse Freehold Land area : 143.0792 sq.m. (1,540 sq.ft.) Gross built-up : 3,080 sq.ft.</p> <p>Comparison and Cost Methods</p>	<p>Presently unoccupied</p>	<p>-</p>	<p>RM350,000</p>

12. VALUERS' LETTER (Cont'd)

COLLIERS
JORDAN LEE & JAAFAR


<p>Our Ref : VA2001/SPT/0188(SC) Date of Valuation : May 15, 2001 Date of Inspection : April 6, 2001 H.S.(M) 1117 Lot No. 4568, Mukim 14, District of Seberang Perai Tengah, Pulau Pinang. No. 1904, Jalan Bukit Minyak, 14000 Bukit Mertajam, Pulau Pinang.</p>	<p>An intermediate double storey shop/office building Freehold Land area : 1540 sq.ft. (143.12 sq.m.) Gross built-up : 308.7 sq.m.</p>	<p>Ground floor is presently let out to Messrs Avon Butik Kecantikan while the first floor is presently owner occupied.</p>	<p>RM700/- per month (Ground floor)</p>	<p>RM230,000</p>
<p>Our Ref : JLJS/V251/01 Date of Valuation : May 15, 2001 Date of Inspection : April 18, 2001 H.S.(M) 956 P.T. No. 723, Mukim of Setul, District of Seremban, Negeri Sembilan Darul Khusus Nilai Industrial Estate, Nilai, Negeri Sembilan Darul Khusus.</p>	<p>A plot of vacant industrial detached lot Leasehold Land area : 4,734 sq.m.</p>	<p>Presently unoccupied</p>	<p>-</p>	<p>RM815,000</p>

We certify that in our opinion the total Market Value of the above landed properties belonging to the Group on existing use basis in their existing condition using the methods stated, amounts to RM 7,285,000/-. (RINGGIT MALAYSIA : SEVEN MILLION TWO HUNDRED AND EIGHTY FIVE THOUSAND ONLY).

Yours faithfully

For and on behalf of

COLLIERS, JORDAN LEE & JAAFAR (S) SDN BHD
COLLIERS, JORDAN LEE & JAAFAR (PG) SDN BHD
COLLIERS, JORDAN LEE & JAAFAR (JH) SDN BHD
COLLIERS, JORDAN LEE & JAAFAR SDN BHD


CHOO SOOK FUN, MISM, MRICS
Chartered Valuation Surveyor
And Registered Valuer (V 206)



13. INDEPENDENT MARKET RESEARCH REPORT

(Prepared for the inclusion in this Prospectus)



Date:- 21th June 2002

This Report has been prepared for inclusion in the Prospectus to be dated 28 June 2002 pursuant to the proposed listing of BRITE-TECH BERHAD (“**BTB**”) on the MESDAQ Market of the Kuala Lumpur Stock Exchange (“**KLSE**”).

This report has been prepared with the intention to provide an overview of the industry as well as the operations of the company within the industry. **ACNielsen** had conducted the research as an independent third party, basing its report on publicly available information and economic trends to indicate the future direction of the industry.

A handwritten signature in black ink, appearing to read 'Lee Joo Lee', written over a horizontal line.

.....
Lee Joo Lee

ACNielsen (Malaysia) Sdn Bhd

Executive Director
Customised Research



Summary Report

1. BTB – History and Business

BTB was incorporated in Malaysia on 14th June 2001 under the Companies Act, 1965 as a public company under the name of **Brite-Tech Berhad (BTB)**.

The authorized share capital of the Company as at 31st December 2001 is RM25 million, comprising of 125,000,000 ordinary shares at par value of RM0.20 each and seeking approval from the relevant authorities to split the par value of RM0.20 per ordinary share to par value of RM0.10 per ordinary share.

The Group is an integrated water purification and wastewater treatment solutions provider offering a wide range of formulated treatment chemicals, treatment systems and equipment, analytical testing services for air, noise, water and wastewater as well as consultation engineering studies and the construction and commissioning of waste treatment plants. **BTB Group's** strength lies in the analysis of a customer's water purification and wastewater treatment requirements and the application of the company's test results, formulated chemical products, systems and equipment to provide a cost effective solution, essentially it is a one-stop center for water and wastewater treatment.

The Group commenced operations in 1981 with the establishment of BCSB as a supplier of products and services in the field of water treatment, pollution control and fuel treatment. In 1986, HCSB was established to venture into activities of water purification and wastewater treatment by supplying chemicals.

A notable point is that HCSB acquired the necessary technical knowledge in designing and construction of treatment plants and designed an unconventional treatment method for phenolic waste destruction within two years of its inception. This earned the company two contracts – Malaysian Airline System (MAS) to design and construct a phenolic waste treatment plant at Subang International Airport and Epson Precision in Sungei Way Free Trade Zone (Selangor) to design and construct an industrial treatment plant for wastewater containing heavy metals and detergent. These two companies later awarded HCSB renewable contracts to operate and maintain the plants, indicating a high level of satisfaction and confidence towards HCSB's capabilities. Currently, the MAS contract (1998 – 2001) is for the treatment plant in KLIA following the shifting of the airport.

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



In 1992, another MAS contract to dispose of phenolic waste marked the company's entry into the field of toxic waste disposal. In the following year, HCSB, in collaboration with the Technical Advisory Service Department of Jabatan Alam Sekitar of Universiti Pertanian Malaysia and Universiti Kebangsaan Malaysia, ventured into the business of Environmental Impact Assessment and Environmental Impact Study. HCSB was appointed as consultant to carry out Environmental Impact Study for I.C.I. Paints (M) Sdn Bhd and Environment Impact Assessment for the Soon Seng Group.

In 1995, HCSB has worked closely with a reputable company in USA – Kinetico Inc. Kinetico's products are customized water treatment systems from combination of technologies such as Ion Exchange, Membrane Separation, Filtration/Absorption Evaporation, Electrochemical Process, Integrated Controls and EPOC Micro-filtration Systems.

The principal activities of RCSB is to provide reagent, cleaning and industrial chemicals for various industries such as palm oil mills, Jabatan Bekalan Air and laundrettes among others and later to also provide rental of portable ion-exchange resin columns for industries using ultra-pure deionised water. Related chemicals for institutional housekeeping and maintenance were also part of its products.

Realizing the importance of prompt and accurate analytical testing of water and wastewater qualities, and as a step towards being an integrated solutions provider, the Group's first analytical testing laboratory, SLSB commenced operations in 1987, this was followed by SLJSB and SLPSB catering to the needs of the Central, Southern and Northern regions in Peninsular Malaysia.

2. Principal Products and Services

Being an integrated water purification and wastewater treatment solutions provider, **BTB Group's** business can be categorised into the following areas under its respective subsidiaries:

2.1 Water and Wastewater Treatment Chemicals

The Group, via BCSB, offers a complete range of formulated chemical products and services for boiler water treatment, cooling water treatment, as well as water

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

and wastewater treatment. CCSB, being 100% wholly owned by BCSB, is principally involved in production of water treatment chemicals and providing other related services.

Water and wastewater treatment chemicals are essential in the successful operation of the respective systems. BCSB supplies these chemical products to treatment systems built by both the Group and others. With the motto “Make Water Treatment Part of Productivity”, its aim is to assist industries in maintaining and upkeeping expensive equipment from water-related problems.

The following sets out in detail the principal programmes offered by BCSB to customers:

Boiler Water Treatment – the treatment programmes prevent corrosion inside boilers, reduce scaling and deposition, eliminate oxygen and acid attacks, halt dangerous metal embrittlement, increase system reliability and maximize energy output of boilers.

Cooling Water Treatment – these cost-efficient programmes are designed to reduce unscheduled shutdowns, conserve energy, save manpower costs and reduce operational cost.

Water and Wastewater Treatment – through innovative formulated chemical products, the programmes (comprising 3 steps: primary clarification, secondary clarification, dewatering and sludge handling) ensure environmental regulatory compliance of difficult parameters such as oil & grease, Chemical Oxygen Demand (COD) & Biochemical Oxygen Demand (BOD), suspended solids, heavy metals and colours. In the process, sludge generation is also reduced, resulting in cost reductions in disposal and hence, eventual overall cost savings.

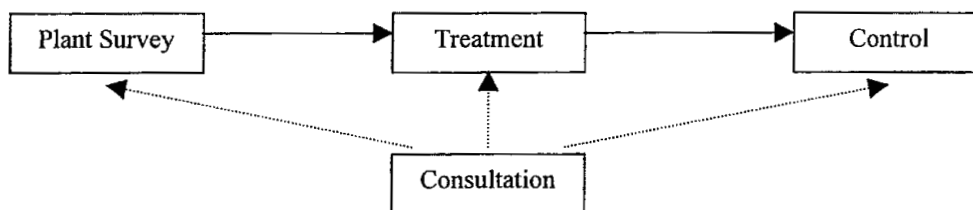
Water treatment chemical products sold by BCSB are market under the following brands:

Product Brands	Application
Besfloc	Water and wastewater treatment
Bestrol	Boiler water treatment
Besgard	Cooling water treatment
BT	Maintenance, cleaning and fuel treatment

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

On 27 June 2001, BCSB entered into a License Agreement with Pang Wee See, where Pang Wee See has agreed to grant licenses of utility innovation relating to the preparation of certain chemical solutions to BCSB for a nominal sum of RM1.00.

BCSB's engineering approach is illustrated below:



The initial stage of any investigation is to properly identify the problem. To do so, BCSB conducts a complete engineering study which includes water analysis, current plant water system and operating practice, method of chemical feed and control as well as history of the plant. The water samples and data are submitted to the Technical Department for analysis, interpretation and review. Subsequently, based on the findings, BCSB will offer a treatment proposal consisting of recommendations for proper chemical treatment, method and points of chemical feeding, tests and controls required and estimate of cost.

The chemical treatment recommended is specifically designed to provide optimum results of trouble-free operation. In order to accomplish this, the plant personnel are thoroughly instructed in the use of chemicals, making sample water tests, interpreting test results and dosage adjustment according to boiler or cooling water conditions.

BCSB's technical personnel would then make regular visits to the plant to check treatment controls, inspect equipment, make on-the-spot water analysis and submit a report to the plant engineer in which recommendations are also made, if necessary. Following that, BCSB's Technical Department reviews the report, makes periodic and comprehensive water analysis, furnishes technical advice and maintains a record of the treatment programme.

Above all, BCSB's technical personnel and chemists are always available for consultations to assist clients in solving difficult water-related problems.

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



2.2 Analytical Testing

The Group presently operates three testing laboratories, namely SLSB, SLJSB and SLPSB. The laboratories are strategically located respectively in Shah Alam, Johor Bahru and Bukit Mertajam, Pulau Pinang to cater for the central, Southern and Northern regions of Peninsular Malaysia.

The laboratories provide analytical and environmental monitoring services such as:

- ⇒ Water analysis
- ⇒ Effluent analysis
- ⇒ Soil analysis
- ⇒ Food analysis
- ⇒ Organic analysis
- ⇒ Environmental air and noise level monitoring for EIA studies
- ⇒ Water quality monitoring for EIA studies
- ⇒ Air emission monitoring
- ⇒ Isokinetic stack monitoring
- ⇒ Wastewater characteristic studies
- ⇒ Treatability studies
- ⇒ Research and Development (R&D)

The laboratories which utilize internationally recognized standard techniques are equipped with the latest instruments to cater for testing and monitoring services. The laboratories serve not only as independent third parties to provide accurate and prompt services to relevant industries as well as the Group itself, but also undertake R&D activities for the Group.

2.3 Systems and Equipment

BTB Group through its subsidiary, HCSB, provides consultation, engineering study, engineering design, construction, installation and commissioning of water purification and wastewater treatment systems. In addition, engineered and custom-built systems are also available for purifying and recycling water.

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



All these expertise are available to a customer either in a partial or complete package. HCSB's equipment can be provided to a customer either as a separate component or as part of a customised fully engineered water purification or wastewater treatment system or subsystem. HCSB generally does not make significant capital investments in plant and equipment, focusing instead on partnering with vendors which manufacture the components used in the company's system and equipment. HCSB then completes the final assembly of its systems and test its systems prior to final delivery to the customer, thus maintaining quality control.

The management strongly believes that in order to remain competitive and ahead of competitors, besides being able to provide an integrated solution to water and wastewater treatment problems, HCSB should continuously keep abreast of the development of treatment technologies and be able to incorporate suitable and proven technologies into HCSB's existing treatment systems and design. Consequently, HCSB would be able to construct major portions of the treatment systems locally.

Over the years, HCSB has worked closely with several specialized international water and wastewater treatment companies. This has resulted in HCSB learning new treatment systems and technologies which has enhanced its overall water and wastewater treatment capabilities and skills. HCSB has been appointed as an authorized Original Equipment Manufacturer (OEM) of Kinetico Inc. for the sales, lease, rental and service of Kinetico's products to be used in the treatment of water or wastewater for the metal finishing, product circuit board and semiconductor industries. Kinetico's products are customized water treatment systems from combination of technologies such as Ion Exchange, Membrane Separation, Filtration/Absorption Evaporation, Electrochemical Process, Integrated Controls and EPOC Micro-filtration Systems.

In line with the Group's vision, HCSB is planning to venture into the field of electrolytic treatment systems. These advanced treatment systems make use of electric current through electrodes to clarify various types of wastewater which will give less sludge generation, reduces or eliminates use of coagulant chemicals, more environmental friendly and incurs lower overall treatment costs.

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

**2.3.1 Contract Operations**

Besides the construction and installation of treatment plants, HCSB also provides services in operating and maintaining the plants under contracts of varying time periods. This service is offered to clients as part of a total solution to waste treatment. Responsibilities of the company under the contract cover the provision of labour and all treatment consumable such as chemicals, replacement parts, ion-exchange resins and filter media. The ultimate responsibility of the company lies in ensuring compliance of treated water with the rules and regulations set out by the relevant authorities. HCSB currently operates one industrial wastewater treatment facility in the central region and one in the southern region.

The contract operation capability of the Group is often offered to customers as part of a total solution.

2.3.2 Replacement Parts, Repair and Consumables

Other complementary products sold by HCSB are replacement parts and treatment consumables such as formulated treatment chemicals, membranes, pumps, ion exchange resins, filter media and system components. In addition, the company also provides maintenance and repair services to water treatment systems manufactured by both the company and others.

3. Industry Overview

The overall water and wastewater industry is fragmented and complex. The industry is fragmented because of the different services and products available in the market: systems and equipment (design / install / commissioning), formulated chemical products, analytical testing and environmental monitoring services, after sales service etc. Malaysia's total environmental market in 1997, which has been growing at an average rate of 15% to 20% annually, is estimated at between RM2.66 billion (USD700 million) and RM2.85 billion (USD750 million), with water and wastewater treatment market accounts for two-thirds of it. Hence, based on an average growth rate of 15% annually,

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



the water and wastewater treatment industry in Malaysia is estimated at about RM3.21 billion in 2001.

Most companies focus on a few specialised services and do not provide a complete range of solutions, unlike **BTB Group**. For example, some firms only offer laboratory analysis services and do not provide services in the installation and commissioning of treatment plants etc.

Approximately, there are currently 213 companies operating in the industry in Peninsular Malaysia. However, these are none as comprehensive as **BTB Group**, which is indeed a total solutions provider.

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Table 1: Service / Product Range of Water and Wastewater Treatment Firms in the Peninsular Malaysia

Product / Service	No. of Firms
Treatment Chemicals	58
Systems and Equipment (Design/Install/Commission)	90
Analytical & Environmental Monitoring Services	39
Laboratories Testing	26
TOTAL	213

Source: ACNielsen. The above estimation is based on companies with similar business category published in the *Yellow Pages 1999/2000* for KL/Selangor, and from trade interviews conducted with Department of Environment in each states in Peninsular Malaysia. Information is also sourced from Association of Environmental Consultants and Contractors of Malaysia (AECCOM).

3.1 Market Competition and Key Players

The water and wastewater treatment industry can be said to be one which is highly specialised, i.e. it is vital that players possess the relevant advanced technological know-how in order to keep ahead of competition and survive.

As a result, the local industry is not saturated, it has much space for growth and competition can be deemed as moderate. However, the industry is bound to become increasingly competitive with the entry of new players as a consequence of the Government's growing emphasis on environmental management. Based on rough estimation, there are currently approximately 213 players in the domestic wastewater treatment industry in Peninsular Malaysia, some of which hail from foreign companies with many years of experience.

Although **BTB Group** has a number of competitors, there are few which offer as comprehensive a range of services to clients as the true Malaysian-born company. In fact, **BTB Group** is the leading TOTAL WATER MANAGEMENT expert in Peninsular Malaysia and this essentially gives the Group a major competitive advantage over its business rivals. Furthermore, once its reliability and reputation is established, a relationship with the client is usually for the long-term.

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



4. Government Legislation, Policies and Incentives

The Environmental Quality Council (EQC) established under Section 4(1) of the Environmental Quality Act, 1974 and launched on April 12, 1977 is a body to advise the Minister of Science, Technology and the Environment on matters pertaining to the Act and also on any matter referred to it by the Minister. In addition, the Council also provides policy guidance to the Department of Environment (DOE) in the formulation of policies and strategies towards a more holistic approach to environmental management. Under the Environmental Quality Act 1974 and subsidiary regulations, the Department of Environment (DOE) requires premises or activities granted licences, approvals or written permissions to undertake compliance audit.

Also, in Malaysia, an Environmental Impact Assessment (EIA) is required under section 34A, Environmental Quality Act, 1974. EIA is essentially a planning tool for preventing environmental problems due to an action proposed by the public and private sectors.

Review of EIA Reports is carried out internally by the DOE for preliminary assessment reports and by an ad hoc Review Panel for detailed assessment reports. Recommendations arising out of the review are transmitted to the relevant project approving authorities for consideration in making a decision on the project.

Under Malaysian environmental requirements, a project proponent is required to obtain the following approvals from the Director General of Environmental Quality Council prior to setting up a factory or project implementation:

- ◆ EIA reports (for prescribed activities only);
- ◆ Site suitability evaluation (for non-prescribed activities);
- ◆ Written permission to construct;
- ◆ Written approval for installation of incinerator, fuel burning equipment and chimney; and
- ◆ Licence to use and occupy (for prescribed premises).

4.1 Ministry of Health

Apart from governing rules of the Department of Environment, companies operating in the water and wastewater treatment industry need to obtain a license from the Ministry of

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Health in order to use certain poisonous chemicals such as acid, caustic soda and hydrazine.

Since **BTB Group** is a total solutions provider in water and wastewater treatment, the Group has to obtain such license from the Ministry.

4.2 Incentives

Under the Budget 2001, the Government announced that recycling industries should be motivated to reduce environmental pollution. In line with this, the Government proposed that incentives in the form of Accelerate Capital Allowance be extended to companies that incur capital expenses on recycling activities. Import duties and sales tax exemptions on related machinery and equipment would also be made available. These incentives were recently approved by the Finance Ministry¹.

The Housing and Local Government Ministry hopes that companies will take advantage of these incentives and inculcate the habit of waste recycling among workers.

On a related note, the Government also proposed that energy generating companies utilising biomass which is environment-friendly and renewable be given tax exemptions for five years or Investment Tax Allowance of 60%, apart from import duties and sales tax exemptions on related machinery and equipment.

Other incentives available for pollution control and management are:

- Pioneer Status / Investment Tax Allowance (ITA) for companies under-taking reprocessing of certain wastes such as agricultural and chemical waste;
- Pioneer Status / ITA for companies storing, treating and disposing toxic and hazardous waste;
- Special capital allowance for companies which provide facilities to store, treat and dispose waste of its own factory.

These measures indicate the importance placed on anti-pollution and the conservation of environment by the Government, which in turn means better prospects for the **BTB Group**.

¹ The Star – 9/3/2001 pg.10 “Incentives for firms which recycle”

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



4.2.1 Eighth Malaysia Plan (2001-2005)²

During the Eighth Malaysia Plan (2001-2005) (8MP) period, emphasis will be placed on addressing environmental and resource management issues in an integrated and holistic manner. Steps will be taken to identify prudent, cost-effective and appropriate management approaches that yield multiple benefits in order to ensure that development is sustainable and resilient. Efforts will also be channelled at promoting environmental performance measurements and market-based instruments as well as engaging communities in addressing environmental and natural resource issues.

In order to further reduce and improve the discharge of wastewater, the Government will continue to upgrade existing sewage treatment plants and build 10 new plants and three central sludge treatment facilities to supplement the plants to be constructed by the private sector. *Standards that are more stringent will also be introduced, including the imposition of fees for wastewater discharge, to induce industries to install better wastewater treatment facilities.* **This Government initiative, being stated in the 8MP certainly will shed good prospects for BTB Group, as a total comprehensive solution provider in the water and wastewater treatment business.**

5. Malaysian Economy Post 2000 and Post September 11, 2001³

The year 2001 held promises of great economic recovery and strong growth in all the major economic sectors, similar to 2000. However, that was not the case. The global economic slowdown has finally made its mark in the Malaysian economy, with the country reporting another month of declining exports. Exports fell by 18.1% in August from a year ago and represent the largest decrease in exports for the past 5 years. This also represents decrease that occurred *before* the terrorist attacks on September 11, 2001 in US. Specifically, exports of electrical and electronic products, which make up 55.3% of total exports for the month of August 2001, fell by 25.4% from the same period last

² Eighth Malaysia Plan 2001-2005;

³ The Star, October 3, 2001 and The Edge, October 8-14, 2001.

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



year. However, the contraction of exports for Malaysia is still less severe than that of other Asian countries like South Korea, Taiwan and Singapore.

While the sharp decline in imports, falling by 24.9% from a year ago, has caused **Malaysia to record its 46th consecutive month of trade surplus since November 1997.** The trade surplus in August 2001 grew by 23% compared to the same period last year, however, this was mainly due to the large decrease in imports of intermediate and capital goods. Imports of these goods, which make up 86.5% of total imports for August fell by 27.7% from a year ago. As intermediate goods are used in the manufacturing sector and capital goods are a sign of investment activity, the trade numbers do not paint a very positive outlook for the rest of 2001. Therefore, the trade surplus is timely, as it should help cushion the domestic economy from weakening external demand.

In terms of purchasing power parity, per capita income is estimated to increase by 1.3% to USD8,944 in 2001 (2000: USD8,831; 1999: USD7,277). In terms of demand, growth in aggregate domestic demand is expected to be wide reaching, considering increase in both public and private expenditures. With the higher consumption, gross national savings are expected to decelerate to 36.6% of GNP in 2001 (2000: 39.5% of GNP; 1999: 41.1% of GNP), projected gross national savings for 2002 are expected to increase slightly to 37.4% of GNP.

In addition, as an added shield to the September 11, 2001 terrorist attacks, the Government has announced an additional RM4.3 billion (USD1.1 billion) stimulus package to boost the economy. This stimulus package is the latest measure used to prop up the economy, following the RM3 billion supplementary budget in March 2001 and the RM28 billion spending package from the 2001 budget.

According to the recently announced 2001 Bank Negara Malaysia Annual Report, Malaysia has been able to weather global economic slowdown to record a positive growth of the year at 0.4% and to contain unemployment at below 4%⁴.

Further to the fiscal measures implemented, Bank Negara Malaysia has also announced the reduction of its 3-month "intervention" rate by 50 basis points⁵, and also allowed banks to reduce savings deposit rates by up to 0.25% points. While increased spending

⁴ 2001 Bank Negara Malaysia Annual Report

⁵ Basis points refer to hundredths of a percentage point. This intervention rate is used by banks to calculate their base-lending rate.

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



and lower interest rates will assist Malaysia in limiting the impact of a global slowdown, its huge reliance on exports (particularly in the high technology sector) will potentially delay growth to the 2nd or 3rd quarter of 2002. Malaysia's foreign exchange reserves also remained strong, rising by RM538 million, ending 2001 with total reserves of RM117.2 billion⁶. These positive signs coupled with the government's expansionary economic policies are expected to push the country's growth up to 3.5% in 2002⁷.

6. Growth in the Manufacturing Sector

The manufacturing sector recorded a double-digit performance for 15 consecutive months since June 1999. The sector continued to spearhead growth of the economy in 2000, achieving a growth of 21% for the whole year after seven consecutive quarters of robust double-digit growth⁸. However, this sector is expected to decelerate significantly to 0.2% in 2001, attributable to a depressed global market for electronic products⁹.

Being a highly open economy, Malaysia was affected by the weak external economic environment, compounded by the effects of September 11, the overall output of the sector is estimated to decelerate to a growth of 0.2% in 2001. This has caused its contribution to GDP declined sharply to 0.1 percentage point to real GDP growth¹⁰ for the year. Looking forward, the sector is projected to expand by 6.5%, and contribute 2.1 percentage points to real GDP growth for year 2002.

According to the Department of Statistics, in January 2001, the manufacturing sector recorded total sales of RM25.7 billion, representing a 16.1% increase from RM23 billion in the corresponding month last year. This is the 23rd consecutive month of positive year-on-year growth since March 1999¹¹. A total of 1,043,569 people were engaged in the sector as at the end of January, representing 7.8% more than at the end of the identical month in 2000. There was also a corresponding increase in total salaries and wages paid¹².

⁶ The Edge, January 14, 2002.

⁷ 2001 Bank Negara Malaysia Annual Report

⁸ Economic Report 2001/2002

⁹ Ibid.

¹⁰ Economic Report 2001/2002

¹¹ The Star – 17/3/2001 Business Section Pg. 3 “January manufacturing sales up 16%”

¹² The Star – 17/3/2001 Business Section Pg. 3 “January manufacturing sales up 16%”

13. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



The Manufacturing Sector recorded a decline of 15.7% or RM4.4 billion in its sales value for December 2001 to RM23.6 billion as against that of RM28.0 billion registered in the same month of the preceding year. The sales value for the current month was 4.8% lower from that of RM24.8 billion reported in November 2001. The total employees in this sector reduced by 6.8% or 71,505 persons as at the end of December 2001, to a total of 977,048 persons as against that of 1,048,553 persons employed as at the end of December 2000. At the same time, the number of employees engaged as at the end of the 12th month of 2001 dropped by 0.8% or 7,563 persons from that of 984,611 persons employed as at the end of November 2001.

In 2000, the country's manufacturing sector attracted 943 investment applications worth a total of RM45.9 billion. The 943 applications received, representing a 21.5% increase over the figure for 1999, were mostly in the **electrical & electronics (E&E), chemicals & petrochemicals including natural gas, paper, printing & publishing, food and basic metal products sectors**. Investments in these five major sectors amounted to RM37.8 billion or about 82% of total proposed capital investments. Of the 943 applications received, 798 were approved with approved capital investments amounting to RM33.5 billion. About 72% (RM24 billion) of these investments were in large-scale projects of RM100 million and above. Foreign investments accounted for 429 projects (53.7%), while 359 were Malaysian-owned, with the balance 1.3% in equal ownership. The major sources of foreign investment were the US, Japan, the Netherlands, Singapore, Taiwan and Germany.

In 2001, the proposed investment applications to MIDA reduced markedly by 26.9% to 712 applications worth RM15.8 billion. Out of the 712 applications received, 28 are capital intensive projects with investments of RM100 million and above, amounting to a total Capital Investment of RM8.5 billion.

Of the applications received, they were mostly in **electronics & electrical (E&E) products, machinery manufacturing, chemicals and petroleum products (including natural gas), food and fabricated metal products sectors**. Investments in these five major sectors amounted to RM9.7 billion or about 61% of total proposed capital investments. As **BTB Group's** services clients operating in the five major expanding industry groups mentioned above, growth prospects for the company is enhanced.