3. DETAILS OF PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 23 December 2003.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application has also been lodged with the ROC who takes no responsibility for its contents.

Approvals have been obtained from the SC and the KLSE on 10 April 2003 and 14 April 2003 respectively for the Restructuring and Listing Scheme of PTB. On 2 October 2003, PTB had obtained the approvals from the SC and KLSE for an extension of another six (6) months to implement the Restructuring and Listing Scheme. The entire issued and paid-up share capital of PTB will be admitted to the Official List on the MESDAQ Market and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful Applicants have been duly credited and notices of allotment have been despatched to all successful Applicants. The KLSE and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiaries or of its PTB Shares.

Under KLSE's trading rules, effective from the date of listing, trading in all KLSE listed securities can only be executed through an ADA who is also a KLSE member.

Pursuant to the MMLR, the Company needs to have at least 25% but not more than 49% of the issued and paid-up share capital in the hands of public shareholders and a minimum number of 200 public shareholders (including employees), upon admission to the MESDAQ Market. The Company is expected to achieve this at the point of listing. However, in the event that the above requirement is not met pursuant to this Public Issue, the Company may not be allowed to proceed with the Listing. In the event therefore, monies paid in respect of all applications will be returned without interest.

Pursuant to Section 14(1) of the Central Depositories Act, the KLSE has prescribed the PTB Shares as a prescribed security. In consequence thereof, the Public Issue Shares offered through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the Central Depositories Act and the Rules of the MCD.

Only an Applicant who has a CDS account can make an Application through an Application Form. The Applicant shall furnish his/her CDS account number in the space provided in the Application Form and he/she shall be deemed to have authorised MCD to disclose information pertaining to the CDS account to MIH or the Company. Where an Applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an application for the PTB Shares. Failure to comply with these specific instructions, as the Application Form requires or inaccuracy in the CDS account number may result in the Application being rejected. If a successful Applicant fails to state his/her CDS account number, MIH under the instruction of the Company will reject the Application. In the case of an Application by way of Electronic Share Application, only an Applicant who is an individual and has a CDS account can make an Electronic Share Application, and the Applicant shall furnish his/her CDS account to the participating financial institution by way of keying his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the PTB Shares by way of Electronic Share Application.

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

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

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

3.2 Tentative Timetable

Events	Date
Opening of Application for the Public Issue	23 December 2003
Closing of Application of the Public Issue	31 December 2003
Tentative date for balloting for the Public Issue	5 January 2004
Tentative date of allotment of the Public Issue Shares to successful Applicants	12 January 2004
Tentative Listing date on the MESDAQ Market of the KLSE	15 January 2004

Note:

The Applications will remain open from 10:00 a.m. on 23 December 2003 to 5:00 p.m. on 31 December 2003 or for such further period or periods as the Directors of PTB in their absolute discretion may decide in consultation with the Managing Underwriter. Should the closing date of the application for the Public Issue Shares be extended, the tentative dates for the balloting, despatch of Notices of Allotment and listing of PTB's entire enlarged issued and paid-up share capital on the MESDAQ Market of KLSE would be extended accordingly. Late applications for the Public Issue Shares will not be accepted.

In the event that the Directors of the Company and the Managing Underwriter decide to extend the closing date of the Application, appropriate press releases will be made to the local news agencies and an advertisement will be placed in one (1) Bahasa Malaysia and one (1) English newspapers.

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures.

3.3 Purposes of the Public Issue

The purposes of the Public Issue are as follows:

(i) To raise funds for the PTB Group's continued operation and expansion, which are elaborated in Section 3.7 below;

(ii) To obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of PTB on the MESDAQ Market. This will enhance the PTB Group's reputation and gain greater recognition both domestically and internationally;

3. DETAILS OF PUBLIC ISSUE

(iii) To provide the PTB Group with access to the capital market to raise funds for future expansion and growth of the PTB Group; and

(iv) To provide an opportunity to eligible employees and business associates of the PTB Group including the public investors to participate in the equity and continuing growth of the Group.

3.4 Share Capital

	RM
Authorised	
250,000,000 PTB Shares	25,000,000
Issued and fully paid-up	
97,500,000 PTB Shares	9,750,000
To be issued pursuant to the Public Issue	
32,500,000 PTB Shares	3,250,000
Enlarged issued and paid-up share capital	
130,000,000 PTB Shares	**13,000,000**

The Public Issue Price is payable in full upon application.

There is only one class of shares in the Company, being ordinary shares of RM0.10 each, all of which rank *pari passu* with one another. The Public Issue Shares, upon allotment and issue, will rank *pari passu* in all respect with the existing issued and paid-up ordinary shares of the Company, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the said Public Issue Shares.

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

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company, in person or by proxy, and on a show of hands, every person present who is a shareholder or proxy shall have one (1) vote, and on a poll every shareholder who is present in person or by proxy shall have one (1) vote for every share held by such shareholder. A proxy may but need not be a member of the Company.

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3. DETAILS OF PUBLIC ISSUE

3.5 Details of the Public Issue

The Public Issue of 32,500,000 PTB Shares at the Public Issue Price shall be subject to the terms and conditions of this Prospectus and, upon acceptance, the Public Issue Shares will be allocated and allotted in the following manner:

(i) Public Offer

(a) Eligible Employees and Business Associates

1,255,500 new PTB Shares representing approximately 0.97% of the enlarged issued and paid-up share capital of PTB will be reserved for eligible employees and business associates of the PTB Group. The Directors will not participate in the Pink Form Share Allocation Scheme. The entitlement granted to each employee and business associates is dependent on his/ her seniority, position, length of service and contribution to the Group. A brief description on the amount of PTB Shares to be allocated to each category of employees and business associates is as follows:

Category	Number of person	PTB Shares allocated Shares
Directors	-	-
Managers	3	64,000
Executives, engineers and officers	18	160,000
Supervisor, coordinator, technician & senior leader	10	33,500
Leader, driver and clerical workers	8	14,000
General and factory workers	23	24,000
Business associates	10	960,000
Total	72	1,255,500

(b) Public Investors

1,563,000 new PTB Shares representing approximately 1.20% of the enlarged issued and paid-up share capital of PTB will be made available for application by public investors.

(ii) Private Placement

29,681,500 new PTB Shares representing 22.83% of the enlarged issued and paid-up share capital of PTB will be made available for application under the Private Placement. The Placement Agent will allocate not more than 5% of the enlarged issued and paid-up share capital of PTB Shares to each of the identified placees and that the identified placees shall fall under the "Public" definition under Part 1 of the amended MMLR in order to form part of the minimum 25% public shareholding spread required under the MMLR.

Any Public Issue Shares not subscribed for under Section 3.5 (i)(a) above will be made available for subscription by the public investors under Section 3.5 (i)(b). Any further shares not subscribed for will be made available for Private Placement under Section 3.5 (ii) above. Similarly, any PTB Shares not subscribed for under Section 3.5 (ii) above will be made available for subscription by the public investors under Section 3.5 (i)(b).

3. DETAILS OF PUBLIC ISSUE

Any PTB Share not subscribed for under Section 3.5 (i) and (ii) pursuant to the Public Issue will be underwritten by the Managing Underwriter based on the terms and conditions as specified in the Underwriting Agreement.

The Public Issue Shares will be underwritten by the Managing Underwriter in compliance with the MMLR.

The basis of allocation shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of Applicants with a view of broadening the shareholding base of PTB to meet the public spread requirements and to establish a liquid and adequate market for PTB Shares.

There is no minimum level of subscription for the Public Issue.

3.6 Pricing of the Public Issue Shares

Prior to the Public Issue, there has been no public market for the PTB Shares. The Public Issue Price was determined and agreed upon by the Company and the Managing Underwriter based on various factors after taking into account of the following factors:

(i) The prevailing market conditions;

(ii) The financial and operating history and conditions of MHT and PPSB as outlined in Section 6 and Section 12 of this Prospectus;

(iii) The earnings potential of the Group; and

(iv) The future prospects of the Group as outlined in Section 6 of this Prospectus.

However, investors should note that the market price of PTB Shares upon listing is subject to vagaries of market forces and other uncertainties, which may affect the PTB's share price being traded. Investors should form their own views on the valuation of the Public Issue Shares before deciding to invest in the Public Issue Shares.

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3. DETAILS OF PUBLIC ISSUE

3.7 Utilisation of Proceeds

The gross proceeds from the Public Issue of RM9,750,000 shall accrue entirely to the Company and are intended to be utilised for the following:

Purpose	Proceeds raised RM'000	Note	Time frame for utilisation of proceeds: Financial year ending 31 December 2004 RM'000	Time frame for utilisation of proceeds: Financial year ending 31 December 2005 RM'000
R & D	1,000	(i)	500	500
Working capital	2,450	(ii)	2,450	-
Repayment of trade facilities	4,900	(iii)	4,900	
Estimated listing expenses	1,400	(iv)	1,400	-
TOTAL	**9,750**		**9,250**	**500**

Notes:

(i) R & D

The Group will allocate part of the proceeds from the Public Issue to fund its R & D activities for the development of new, innovative and creative products in line with the current and future technological advancements.

(ii) Working Capital

This will be utilised to finance its debtors and purchases and to improve the operational efficiency of the Group, such as increasing manpower capacity for its marketing and production activities, expansion in the export markets and broadening its customer base. The additional cash resources will strengthen the Group's liquidity position and act as a contingency for any future expansion without having to resort to costly means of obtaining funds.

(iii) Repayment of Trade Facilities

The Group will utilise part of the proceeds to repay the trade facilities in order to reduce the Group's gearing ratio and interest expense.

(iv) Estimated Listing Expenses

The estimated listing expenses of RM1.4 million consist of the following:

	RM'000
Professional fees	600
Fees of the authorities	40
Issuing house fee	70
Printing and advertising fees	100
Brokerage, underwriting commission and placement fees	488
Miscellaneous / Contingencies	102
Total	**1,400**

3.8 Financial Impact from the Utilisation of Proceeds

The proceeds from the Public Issue of RM9.75 million will enable the PTB Group to reduce the utilisation of its trade and overdraft facilities. As such, the interest savings pursuant to the repayment of the PTB Group's bank borrowings is approximately RM318,500 per annum, based on an assumed average interest rate of 6.5% per annum. The Directors of PTB are of the opinion that after taking into account of the cashflows estimate, forecast and projections, banking facilities available and the allocation of RM2.45 million for working capital from the proceeds raised pursuant to the Public Issue, the Company will have adequate working capital for its foreseeable requirements.

3.9 Brokerage and Underwriting Commission

Brokerage is payable by the Company in respect of the Public Issue Shares allocated via Public Offer at the rate of 1.0% of the Public Issue Price in respect of successful Applications bearing the stamp of SIBB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

SIBB, as the Managing Underwriter, has agreed to underwrite the Public Issue Shares. The underwriting commission of 1.5% of the Public Issue Price is payable by the Company to the Managing Underwriter. A Managing Underwriter's fee of 2.5% of the Public Issue Price is payable by the Company to the Managing Underwriter.

The Underwriting Agreement contained a force majeure clause to allow the Managing Underwriter to withdraw from its underwriting commitments in the event of adverse circumstances. The extract of the salient terms and conditions of the Underwriting Agreement between the Company and the Managing Underwriter stating the events that may affect the underwriting of the Public Issue Shares are set out in Section 3.10 of this Prospectus.

3.10 Salient Terms of the Underwriting Agreement

The following are the salient terms extracted from the Underwriting Agreement, including force majeure clauses which may allow the Managing Underwriter to withdraw from its obligations under the agreement after the opening of the offer:

Clause 2 - Underwriting

2.3 Conditions precedent

(a) The obligations of the Underwriters under the Underwriting Agreement are in all respects conditional upon:

(1) On or prior to the Closing Date, the SC and KLSE having approved the Prospectus to the listing of and quotation for the PTB Shares and the Underwriters being reasonably satisfied that such listing and quotation will be granted two (2) market days (or such other days as KLSE may permit) after KLSE has received all the necessary supporting documents and the receipt of confirmation from MCD that all CDS accounts of the successful Applicants have been duly credited and notices of allotment have been despatched to all successful Applicants; and

(2) the registration of this Prospectus with the Securities Commission and lodgement of this Prospectus with the Registrar of Companies before the date of issue of this Prospectus.

(b) If on the Closing Date any of the conditions described in clause 2.3(a) of the Underwriting Agreement are not satisfied then the Managing Underwriter may terminate the Underwriting Agreement by notice in writing to PTB is which event the provisions of clause 10.2 of the Underwriting Agreement will apply.

Clause 10 - Termination

10.1 Termination

If at any time prior to the Closing Date the Underwriters or any of them have notice of:

(a) any breach of the undertakings or obligations in the Underwriting Agreement by PTB; or

(b) any change rendering any of the warranties or representations in clause 3.1 of the Underwriting Agreement inaccurate in a material respect,

the Underwriters or any of them will be entitled to terminate the Underwriting Agreement by notice to PTB.

10.2 Consequences of termination

On delivery of the notice under clause 10.1 of the Underwriting Agreement, the Underwriting Agreement will terminate and thereafter each party's rights and obligations will cease and none of the parties will have any claim against each other, except for the liability of PTB under clauses 7.3, 10.3 and 12.2 of the Underwriting Agreement.

10.3 Indemnity

Without prejudice to the other rights and remedies of the Underwriters, PTB undertakes with the Underwriters and each of them that it will hold the Underwriters and each of them fully and effectually indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands which the Underwriters may incur or which may be made against them as a result of or in relation to any breach by PTB of the representations, warranties or agreements under the Underwriting Agreement and such indemnity will extend to include all costs, charges and expenses which the Underwriters or any of them may reasonably pay or incur in disputing or defending any such claim or action or other proceeding.

Clause 11 - Force majeure

11.1 Force majeure

It will be an event of force majeure if in the reasonable opinion of the Managing Underwriter that:

a) the success of the Listing is seriously jeopardised by the coming into force of any laws or Governmental regulations or directives which seriously affect or will seriously affect the business of PTB;

3. DETAILS OF PUBLIC ISSUE

b) *any change or any development involving a change in national or international monetary, financial, (including stockmarket conditions and interest rates) political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriters prejudice materially the success of the PTB Shares and their distribution or sale (whether in the primary or in respect of dealings on the secondary market);*

c) *any acts of government, acts of war, or acts of God which has or likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of Application, crediting of accounts and payments pursuant to the PTB Shares or pursuant to the underwriting hereof; or*

d) *the composite index of the KLSE not falling below the benchmark of 700 points on or prior to the Closing Date.*

11.2 Consequence of force majeure

(a) *In the event of a force majeure under clause 11.1 of the Underwriting Agreement, any Underwriter may, subject to prior consultation with PTB, at any time prior to the Closing Date:*

(1) *terminate the Underwriting Agreement by notice to PTB; or*

(2) *request that the Closing Date be extended to such reasonable date as the Underwriter may decide.*

(b) *Upon delivery of the notice under clause 11.2(a)(1) of the Underwriting Agreement), the Underwriting Agreement will terminate and thereafter each party's rights and obligations will cease and none of the parties will have any claim against each other except that PTB will remain liable in respect of its obligations under clauses 7.3, 10.3 and 12 of the Underwriting Agreement.*

(c) *Upon delivery of a request under clause 11.2(a)(2) of the Underwriting Agreement, PTB will procure that the Closing Date be extended as requested.*

(d) *The delivery of a request under clause 11.2(a)(2) of the Underwriting Agreement will not preclude the giving of further request under clause 11.2(a)(2) of the Underwriting Agreement or the giving of a notice under clause 11.2(a)(1) of the Underwriting Agreement.*

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4. RISK FACTORS

Prior to making an investment decision, Applicants for the Public Issue Shares should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus, before applying for the Public Issue Shares.

4.1 Risk Relating to the PTB Group

4.1.1 Competition and New Market Entrants

Presently, the competitiveness in the industry is relatively low as there are five (5) major competitors in the wires and cables compound market and six (6) major competitors in the automotive plastic component parts compound market. However, with the liberalisation of the Malaysian economy and the implementation of AFTA in 2003, competition has started to intensify as import duties are reduced or exempted for the imported substitutes.

In view of this, the PTB Group has structured its business plan towards:

(i) expanding and enhancing its range of products to meet the changing trend of customers' needs and requirements;

(ii) being innovative through its R & D activities by continuing to employ advanced technology in developing new, innovative and cost effective products;

(iii) establishing its brand name; and

(iv) implementing various marketing strategies to boost its sales.

Although no legislation is currently in place to deter new entrants into the market, any potential new market entrants are faced with barrier of entries such as lack of local personnel with specialised skills as well as technical and product development know-how. In addition, any new entrants would need to prove the quality of their products to gain market acceptance.

Whilst the PTB Group will continue to take effective measures to remain competitive and maintain its market position, no assurance can be given that the Group will be able to maintain its existing market share in the future.

4.1.2 Product Development and Performance

Due to the complexity of developing the correct chemical formulation for its products to meet each customer's needs and requirements, the product development of the PTB Group is subject to certain inherent risks including non-acceptance by its customers and defective products due to human errors. To mitigate this risk, the PTB Group will continuously improve its R & D efforts by employing more skilled engineers and chemists, upgrading its R & D facilities and continuing its collaboration with UTM to assist in its product development.

However, there is no assurance that its products will be defect-free or will absolutely meet the specified customers' needs and requirements. In addition, any unanticipated technical or other problems could result in increased costs or material delays in the development thereof.

There can also be no assurance that, despite rigorous testing by the Group and its current and potential customers, defects will not be found in the PTB Group's products after its delivery.

4.1.3 Trademarks and Technology Know-How

The PTB Group is currently selling its products under the brand names 'Plexlene', 'Plexlon' and 'Prolene', which have gained certain market recognition for its presence in the industry. However, there can be no assurance that all products bearing these brand names are the PTB Group's products as there may be some other manufacturers which may be selling their products under the same name. To mitigate this risk of imitation, the PTB Group has submitted its application for trademark to protect its current brand names to restrict the use of these brand names or else be subject to damages, fines and/ or imprisonment.

The success of the Group depends on its trade secrets and proprietary know-how. As such, it needs to protect the concepts, ideas, chemical formulation, production and documentation relating to its proprietary technology. However, there can be no assurance that others will not independently obtain access to the Group's trade secrets and know-how or independently develop products or technologies similar to those of the Group. Furthermore, although the employees of the PTB Group have to sign confidentiality agreements with the Group, there can be no assurance that such arrangements will adequately protect the Group's trade secrets.

4.1.4 Lack of Long-term Contracts

Currently, the PTB Group sales are based on order basis whereby orders are usually secured one (1) month ahead of production in order to produce the finished goods as required by the customers. There is no long-term contract entered between the PTB Group and its customers which is in line with the industry practice. However, the PTB Group believes that this does not pose a material threat to the Group's performance as most of its customers have long-term relationships with the PTB Group. Furthermore, the PTB Group has a niche market since it is one (1) of the few local compound manufacturers and is currently servicing ten (10) out of the twelve (12) wire and cable manufacturers.

To mitigate this risk, the PTB Group ensures that its products meet the requirement and needs of its customers by allowing its existing and potential customers to pre-test its products for quality and suitability of usage before receiving orders from them. This is to maximise its customers' satisfaction and minimise rejection rates of its products which will lead to continuous orders from its customers.

However, there is no assurance that the PTB Group will continue to be able to receive orders from its existing customers and new orders from new customers indefinitely. In the event that the PTB Group fails to secure future orders from its customers, this will have a material impact on the future financial performance of the Group.

4.1.5 Dependence on Key Personnel

The Group believes that its continuous success will depend, to some extent, upon the abilities and continual efforts of its Executive Directors, Mr Pua Kong Hoi, Mr Ho Kar Kok and Ms Teng Chee Kuan. The loss of any of the Group's Executive Directors or key senior management personnel may affect the performance of the Group. However, the said Executive Directors are also the promoters and substantial shareholders of the Group. As set out in Section 9.2 of this Prospectus, a minimum of 45% of the Promoters' shareholdings in PTB is subject to moratorium. As such, they do have long-term interests in their investments in the Group.

In addition, the Group's future success will also depend on its ability to attract and retain skilled personnel. It is the Group's practice to retain such skilled personnel where possible. Pursuant to the Listing exercise, all eligible employees of the Group will be given the option to participate in the Public Issue Shares through the Pink Form Share Allocation Scheme.

However, there is no assurance that these individuals will retain their employment with the Group and that the PTB Group will be able to retain additional or replacement personnel with the requisite experience and capabilities.

4.1.6 High Gearing/ Financial Risks

For the financial period ended 30 June 2003, the Group has outstanding total borrowings of approximately RM11.54 million representing a gearing of 1.47 times. As the Group is highly geared, it faces the risk of failing to meet its debt obligations when they fall due and be subject to litigations by its financiers which may disrupt the operation and financing activities of the Group in future. In addition, there can be no assurance that the principal bankers will not withdraw the financial facilities presently granted to the Group.

To mitigate this risk, the management of the PTB Group ensures that it does not rely too heavily on its borrowings to finance its future operations, improve its debtors' turnover and utilise fully the credit terms given by its suppliers. Furthermore, the Group will also ensure that it will be able to support its working capital and certain portions of its capital expenditure through internally-generated funds. Pursuant to the listing of PTB, certain portion of the proceeds from the Public Issue will be utilised to partly finance its future working capital requirements and to repay its borrowings as disclosed in Section 3.7 of this Prospectus. The PTB Group has also continuously maintained a cordial relationship with its principal bankers.

As disclosed in Section 2.9.4 and 12.4.4 of this Prospectus, the Directors of PTB are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profits or net assets value of the Group.

4.1.7 Future Capital Injections

The Directors of the PTB Group are of the opinion that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of liquidity will be sufficient to meet the Group's projected working capital and other cash requirements. However, there is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there is no assurance that it will be available or, if available, that it will be on terms satisfactory to the Group. The sale of additional equity or other convertible securities to non-existing shareholders will result in further dilution of the existing shareholders' shareholdings in PTB. Nonetheless, the management is committed to being cost effective and cost conscious.

4.1.8 Uncertainty of 5-Year Business Development Plan

The success of the Group's 5-year business development plan will depend upon:

(i) the acceptability of the PTB Group's products by the market;
(ii) its marketing strategies;
(iii) its R & D activities;
(iv) the ability to further develop and commercialise new products;
(v) the ability to hire and retain skilled management as well as financial, technical, marketing and other personnel; and
(vi) to be able to obtain financing when and as needed.

There is no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans.

4. RISK FACTORS

4.1.9 Borrowing Covenants Restrictions

In order to finance their operations and business activities, the subsidiaries of PTB, namely MHT and PPSB, have entered into several credit facilities and other financing agreements with the financial institutions. As these agreements usually contain, inter-alia, certain convenants restricting the operating and financing activities of the companies, the PTB Group is required to obtain prior consent from the financial institutions in the event that any of its acts falls within the ambit or scope of such covenants. Any breach of such covenants may prompt the financial institutions to terminate the relevant credit facilities and/ or enforce any securities granted in relation to that credit facility.

The Board acknowledged such covenants and shall undertake all measures to ensure that such covenants are adhered to.

4.2 Industry Specific Risks

4.2.1 China Economic Threat

With the entry of China into the WTO, many manufacturers are relocating their plants and factories from South East Asia to China. Malaysia is inevitably affected by such a paradigm shift which may also result in the deterioration of the local demand for the PTB Group's resin compounds. However, in recognition of this trend, the PTB Group had ventured into China to market and sell its products and to establish itself as a reputable supplier of resin compounds. Although the PTB Group will try its best effort to mitigate this risk, there is no assurance that the emergence of China as an economic giant will not affect the performance of the PTB Group as a whole.

4.2.2 Dependence on Certain Customers

The Group's current clientele base is quite limited due to its specialised industry with its top ten (10) customers accounting for approximately 78% of the Group's turnover for the eighteen (18) months period ended 30 June 2003. These customers, in turn, depend on TNB and Telekom for the sales of their finished goods. To mitigate this risk of over dependence, the Group broadens its customer base into foreign markets as well as penetrating into the automotive resin and other plastic related industries as well as the intermediate products market. The PTB Group intends to increase its export market sales for the wire and cable industry from the current 10% to 30%. In addition, the PTB Group also intends to penetrate into the export market for its intermediate products for resin compounds and resin compounds for automotive and plastic industries and is expected to contribute approximately 10% of its total sales for these products by the end of financial year ending 31 December 2003.

However, no assurance can be given that any future changes in the relationship between customers and its increased penetration into the export market will not have a material impact on the Group's business.

4.2.3 Dependence on Certain Suppliers

The Group's supplier base consist mainly those from the petrochemical, petroleum, chemical production, resin production and plastic industry. The major suppliers of raw materials for the PTB Group is PESB and Titan which supplies approximately 38% and 33% of the raw materials required by the PTB Group for the eighteen (18) months period ended 30 June 2003. As such, this over dependence might post a threat to the availability of raw materials for the PTB Group if PESB and/ or Titan fail to supply. To mitigate this risk, the PTB Group has its secondary source of raw materials from Singapore namely, The Polyethylene Corporation Pte Ltd and Exxon-Mobil Petrochemicals. The main reason the PTB Group continues to purchase most of its raw materials from PESB and Titan is due to its long-term business relationship with PESB and Titan. Therefore, the PTB Group is able to enjoy consistent supply from PESB and Titan at competitive prices.

Although the management of the PTB Group believes that they will not face difficulty in sourcing their raw materials from other suppliers, there can be no assurance that the PTB Group's operations will not be affected if there is interruption with the supply from PESB and Titan.

4.2.4 Political, Economic and Regulatory Considerations

Currently, imports for plastic resin compounds for the wire and cable industry is subject to an import duty of up to 30% for non-AFTA countries, which gives the PTB Group certain level of pricing advantage over imported products. The Government, in recognition of the quality of PTB Group's products, requires those cable and wire manufacturers seeking import duty waiver on their resin compounds imports to write to Titan to request for a NOL with regards to their proposed imports. Titan, as the raw materials supplier of the PTB Group will then seek confirmation from the Group as to whether the Group is capable of producing or supplying such proposed resin compounds imports. In the case where the PTB Group has such capabilities, the application for a NOL will be rejected and this will indirectly benefit the PTB Group as the wire and cable manufacturers will most probably opt for the cheaper resin compounds available, which in this case will be the PTB Group's products. However, there is no assurance that the Government will maintain such a restriction in the future.

Overall, any adverse developments in political, economic and regulatory conditions in Malaysia and its neighbouring countries where the PTB Group markets its products, could materially and adversely affect the financial prospects of the Group. Other political, economic and regulatory uncertainties include risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and methods of taxation.

While the PTB Group will maintain to take effective measures such as prudent financial management and efficient operating procedures, there is no guarantee that unfavourable political and economic factors will not significantly affect the Group.

4.2.5 Long Product Development Cycle

The time frame required from the development to the production of the PTB Group's resin compound products is long as it involves significant R & D activities, evaluation and quality checking processes by both the PTB Group and its customers which may go on for months or even years. This would require significant commitment of its manpower, capital and other resources. The failure in any of the product development plan would materially or adversely affect the business, operating results and financial condition of the Group.

The PTB Group is constantly seeking ways and solutions to reduce the product development time span by employing more skilled engineers and chemists as well as purchasing new and sophisticated R & D facilities to speed up its product development process but there can be no assurance that this risk can be mitigated in the future.

4.2.6 Fluctuation in Foreign Exchange Rates

The PTB Group's exposure to the fluctuation in foreign exchange rates risk is quite minimal as only 10% of its products are currently exported. However, in view of its future plans to increase its exported products, any material fluctuation in the exchange rates could have significant impact on the profitability of the Group. Presently, the Malaysian Ringgit is pegged to the USD which mitigates the risk related to the fluctuation in foreign exchange rates to a certain extent. Furthermore, exported sales are denominated in USD and with the advent of

AFTA, the Group intends to purchase its raw materials from foreign ASEAN suppliers which are also denominated in USD. The denomination of both sales and purchases of raw materials in USD provides a natural hedging on the foreign exchange rates fluctuations.

Although the Malaysian Ringgit is pegged to the USD, the USD is still free floating against other nations' currencies and there can be no assurance that future foreign exchange fluctuations will not adversely affect the PTB Group. There can also be no assurance that the exchange rate currently pegged at RM3.80: USD1.00 will be maintained in the future.

4.3 Other Risks

4.3.1 Marketability of PTB's Shares

It should be noted that there has been no public market for PTB's Shares prior to this Public Issue. The Public Issue Price of RM0.30 was agreed upon between the Directors of PTB and the Managing Underwriter after taking into consideration several factors as stipulated in Section 3.6 of this Prospectus. Nevertheless, the Public Issue Price should not be taken as an indication of the market price of PTB Shares after the Public Issue. There can be no assurance that there will be an active market for PTB Shares in the MESDAQ Market or that the market price of PTB Shares will not decline below the Public Issue Price.

4.3.2 Potential Investment in New Markets and Joint Ventures

As part of its long-term plans, the Group may consider opening its branches in the ASEAN market or joint venture operations with strategic partners in countries that provides investment incentives or not restricted by quotas and/ or tariffs and to capture the upside potential of the AFTA. These will expose the Group to certain risks including the diversion of its financial and management resources from its existing operations, the inability of the Group to assimilate with the new operations and personnel and the inability of the Group to generate sufficient revenues from such investment or joint venture to cover the cost of investment.

Although the Group does not have any intention to enter into any agreements or understanding to acquire businesses, products or technologies at this juncture, it believes that if the opportunities arise which are to the benefit of the shareholders, the Group will take into consideration of making such acquisitions. In order to reduce or mitigate the risks of such investments, the Group will ensure that each investment opportunity is carefully evaluated so as to make the right decision for the benefit of the Group and thus its shareholders.

Nevertheless, there can be no assurance that the Group will be able to successfully mitigate all risks inherent to these investments and that all investment will be of benefit to the Group and its shareholders.

4.3.3 Controlling Shareholders

Upon admission of PTB to the MESDAQ Market, the Directors, substantial shareholders and Promoters of the Group, in aggregate, will beneficially own approximately 75% of the enlarged issued and paid-up share capital of PTB. They will collectively have a significant influence over matters that require the passing of ordinary and special resolutions from PTB's shareholders resulting in resolutions being passed to the benefit of the substantial shareholders, unless they are required to abstain from voting by law and/ or relevant authorities.

To mitigate this risk, two (2) independent directors were appointed to the Board and an audit committee was set up to oversee the overall operations and corporate governance of the

Group. This is to ensure that all decisions made by the Board are to the benefit of the shareholders of PTB.

4.3.4 Underwriting Risks

The Underwriting Agreement stipulates that the Managing Underwriter has the right to terminate the Underwriting Agreement should the Managing Underwriter be of the view that the success of the Public Issue will be adversely affected due to certain events. The salient terms of the Underwriting Agreement are set out in Section 3.10 of this Prospectus.

There can be no assurance that the Managing Underwriter will not terminate the Underwriting Agreement based on the condition as set out in Section 3.10 of this Prospectus. If, as a result of the termination, the Public Issue cannot be completed, all monies in respect of all applications will be returned to the Applicants without interest.

4.3.5 Operational and Environmental Risks

In any manufacturing environment, there are inherent risks such as fire, industrial accidents and chemical spillages which would disrupt the Group's business operations and expose the Group to possible legal suits by its employees. To mitigate this risk, the Group has put in place various rules and regulations for its production workers to comply with the Department of Occupational Safety and Health Requirements and the Fire Rescue Department safety requirements to ensure that the possibility of fire outbreak is minimised. Since its incorporation, the PTB Group has not experienced any major health, safety or environmental accident.

In addition, the Group is aware of the importance of adequate insurance coverage to ensure minimal business disruption when any unwarranted events occur. As such, the Group regularly and continuously reviews and ensures that its assets are adequately insured. Currently, the total insurance coverage for the Group's inventories and total fixed assets is approximately RM20.2 million as compared to its net book value of these assets of approximately RM21.3 million as at 30 June 2003. However, there is no assurance that the assets will be adequately insured in the future.

4.3.6 Security and System Disruption

There has been no security or system disruption on the PTB Group's plant and machineries which has significantly affected its operation for the past twelve (12) months prior to the date of this Prospectus. Although the management of PTB do not foresee any major disruption to the security and system of the PTB Group's operation which will materially affect the manufacturing capabilities of the Group, there is no assurance that any security and system disruption will not materially affect the PTB Group's business. The management of the PTB Group has also mitigated this risk to a certain extent by having its manufacturing facilities located in more than one location to minimise the possible losses incurred due to this risk.

4.3.7 Disclosure Regarding Forward-Looking Statements

This Prospectus contains several forward-looking statements, that is, those other than statements of historical facts, such as statements regarding the PTB Group's expected future financial position, business strategy, plans and prospects, industry outlook. Although the Group believes that the expectations reflected in such statements are reasonable at the time this Prospectus is issued, there can be no assurance that such expectations will prove to have been correct and that these expectations are subject to uncertainties and contingencies. As such, there can be no assurance that such expectations can be achieved and actual results may be materially different from those expected. It should be noted that any differences in the expectations of the Group from its actual performance may adversely affect

4. RISK FACTORS

the result of the Group's financial and business performance and plans. Therefore, it is the investors' responsibilities to ascertain that they have read and understood the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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5. INDUSTRY OVERVIEW

5.1 The Malaysian Economy

The Malaysian economy rebounded strongly in 2002, recording a GDP growth rate of 4.1% which was expected to lead to an even better economic performance in 2003. However, for the first half of 2003, the Malaysian economy was negatively affected as a result of the uncertain state of the world economy as well as the uncertain threats of the Severe Acute Respiratory Syndrome (SARS) and the aftermath of the Iraq war. In response to this, the Malaysian Government unveiled a RM7.3 billion package which involves measures to boost consumption and ease the financial pain of tourism-related industries. To speed up the effect, money, in the form of bonus to civil servants and reduction in contribution to the Employees Provident Funds (EPF), is put directly into consumers' pockets, as an urgent move to boost consumption. With the SARS fear subsiding, there is a greater chance that the additional income will translate into spending rather than savings. Further relaxation in foreign equity and investment in the manufacturing sector such as 100% foreign ownership for new manufacturing projects, tax exemption for Pioneer Status companies, etc., has also been accorded. These measures had proven to be effective whereby the Malaysian economy achieved a growth rate of 4.5% in the first half of 2003.

Economic indicators show that industrial production surged sharply, while exports were growing moderately in May 2003. The manufacturing sector expanded by 5.9% in the first half of 2003 and is expected to record a growth rate of 6.5% for the year 2003, given the better world economic outlook and continuing recovery in the electronic sector. Private consumption is expected to expand at a faster pace of 5.2% in 2003 compared with 4.4% in 2002. The stronger performance is largely supported by higher disposal income arising from more buoyant domestic activities, favourable commodity prices, positive wealth effect on account of the rising stock market, lower contribution to the Employee Provident Fund (EPF), lower interest rates and a half-month bonus to civil servants.

With the impending liberalistion under AFTA, consumers are waiting for better deals that will be offered by dealers and manufacturers alike in view of the cheaper imported cars. This resulted in the overall downward trend for passenger cars sales in 2003. However, as announced in the Budget 2004, excise duty will be levied on imported cars once the import duties are reduced. As such, imported cars are not expected to be cheaper. With minimal price reduction in imported cars, the local automotive industry is expected to rebound in 2004.

The construction sector is envisaged to grow by 2.5% in 2003. The sustained performance is partly on account of renewed interest in residential housing, in particular affordable houses, and supported by incentives given by the Government and lower interest rates. Total public expenditure on infrastructure is expected to pick up in the second half of 2003 and help sustain construction activities in the public sector. The stock market has also leaped ahead with full confidence towards the end of the first half of 2003, as evident from recent oversubscriptions of several initial public listing on the KLSE, taking the cue from the rebound in other major markets and the improvement in domestic economic conditions.

Based on the above, the Malaysian economy is expected to achieve its targeted GDP growth of 4.5% for 2003.

Assuming a more upbeat global economy and calmer geopolitics around the globe, Malaysia's GDP growth in 2004 is projected to continue to expand strongly supported by the continuing robust domestic economic activities. The underlying strategic thrusts of macroeconomic management for 2004 are premised on a more dynamic and vibrant private sector supported by the enabling and conducive environment implemented through various measures over the years. Private investment and private consumption are expected to achieve a growth rate of 9.9% and 7.7% respectively in 2004 whilst the manufacturing sector will continue to be the main contributor of GDP growth and is expected to increase by 7.2%.

The Malaysian economy is, therefore, targeted to achieve a stronger GDP growth of 5.5% to 6% for 2004.

(Source: Economic Report 2003/2004 and The 2004 Budget dated 12 September 2003)

5.2 The Plastic Resins Industry

Resin compounds in Malaysia are mainly used in the manufacturing of wires and cables, as well as automotive plastic component parts. In 2002, about 25% of all wires and cables manufactured in Malaysia are produced for the telecommunications segment, with power cables another 55%. Fibre optic cables, also used for telecommunications purposes, take up another 10%. The remaining 10% is taken up by the manufacturing of control cables for machineries and ships, as well as consumer electrical durables.

The demand for cables and wires is very closely related to industrialisation and infrastructure spending. This is greatly dependent on gross capital formation in the country. Similarly, the production of automotive plastic component parts is a derived demand from the market for automobiles. This in return, is a function of interest rates and consumer spending.

The market for resin compounds used in the manufacturing of wires and cables in Malaysia is approximately RM70 million in 2002. In the case of resin compounds utilised in the production of automotive plastic component parts, it is about RM73.9 million. In terms of volume, more tonnage of resin compounds is used in the manufacturing of wires and cables, compared to the manufacturing of automotive plastic component parts. However, the unit price of resin compounds is higher for the automotive plastic component parts, hence leading to a higher market value for this end-user segment. There are currently no suitable substitutes to substitute resin compounds in the manufacturing of wires and cables, automotive plastic component parts and other plastic components. As such, the plastic resins industry is currently save from any threats of substitutable products.

In the broad-based plastic industry scene, the advancements in the Electronics and Electricals (E&E) and Information and Communication Technology (ICT) industry have facilitated and augmented the growth and development of the plastic industry with double digit growth of 27.5% in the first half of 2003.

On the pricing side, the prices of resin compounds, which declined in 2002 due to the global economic slowdown, recovered slightly in 2003. However, with the increase in competition and industrial overcapacity, especially from the neighbouring manufacturers based in Singapore and Thailand, the increase in prices could be minimal. In addition, with the implementation of AFTA, the import duty for imported resin compounds are reduced thus making imports more price competitive.

(Source: Economic Report 2003/2004 and Independent Market Research Report)

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5. INDUSTRY OVERVIEW

5.3 The Resin Compounds for the Wire and Cable Industry

5.3.1 Overview

In Malaysia, the manufacturing of wires and cables is closely associated with the implementation of development programs in power and telecommunications infrastructure which is mainly domestic-oriented. The majority of the domestic demand comes from corporations such as TNB, Sabah Electricity Corporation Board (SECB), Sarawak Electricity Supply Corporation (SESCO) and Telekom.

In conjunction with the rapid infrastructure development and growing population of the country, Telekom has been installing a few hundred kilometres of cables per annum for telecommunication purposes. Next-generation Internet usage also demands the installation of fibre optics that is able to perform in the digital realm.

Under the Eighth Malaysia Plan (2001-2005), both the transmission and distribution systems will be further strengthened to enhance reliability and efficiency. For the period from 2001 to 2005, the transmission network capacity is projected to grow at CAGRs of 2.6% to 9.8%. Similarly, the distribution network will be expanded and upgraded to improve coverage, reliability and customer services. Its capacity is expected to increase by CAGRs of approximately 14% over the period from 2000 to 2005.

With the revival of the Bakun hydroelectric project, which had earlier been shelved due to the Asian financial crisis in 1997, the demand for wires and cables are projected to increase. Between Bakun to Bintulu, there is a need for 160 kilometres of high voltage alternating current lines; while between Bakun and Tanjung Parih, the need is for 665 kilometres of high voltage direct current lines.

Furthermore, work had started on the Ipoh-Rawang electrified double-tracking rail link in 2000 and is scheduled to be completed by December 2004. In view of the need for high-speed trains to connect the Peninsular, the Government has plans to electrify the proposed double-tracking rail link between Seremban and Johor Bahru in the south and between Ipoh and Padang Besar in the north. Under Budget 2003, the Government allocated about RM1.04 billion for the project development, to be spent between 2003 and 2004. In addition, under the currently announced Budget 2004, the Government will be allocating a sum of RM13.8 billion for the economic, infrastructure and industrial sectors as well as rural electricity and water supply programmes. The impact of this factor on the consumption of electricity, and hence, wires and cables is expected to increase over the next five (5) years.

The Government is planning to gradually establish a shipbuilding and repair infrastructure. These activities would require the usage of a substantial amount of control wires and cables, and thus the demand for resin compounds is also expected to increase.

(Source: Independent Market Research Report & "The 2004 Budget Speech" by YAB Dato Seri Dr. Mahathir Bin Mohamad)

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5.3.2 Competition and Market Share

Currently, there are at least four (4) major domestic players and two (2) other foreign players in Malaysia, namely Borouge Private Limited and Dow Chemical (M) Sdn Bhd from USA. The following table shows the major market players with their respective market shares for the year 2002:

Company	2002 (%)
Polyethylene (M) Sdn Bhd	25.0
Borouge Private Limited	25.0
MHT Manufacturing Sdn Bhd*	19.0
Commercial Plastic Industries Sdn Bhd	11.0
Dow Chemical (M) Sdn Bhd	10.0
Daya Polymer Sdn Bhd	5.0
Others	5.0
TOTAL	**100.0**

Source: Independent Market Research Report

Note:

* The manufacturing of resin compounds for the wire and cable industry was previously under PPSB and has been transferred to MHT since 2002.

Market players in the resin compounds for wire and cable industry not only compete on the price of their products but also on the quality of its products. This is due to the fact that the wires and cables manufacturers actually give long-term warranty to their products to coincide with the necessity for long-lasting wires and cables used in the hostile environment and thus, need to ensure that the resin compounds used are of high quality. Customer service and support is also important to wires and cables manufacturers as timely delivery and technical support are crucial in ensuring that there is no delay in the production of wires and cables, which in contrast would result in heavy losses to the manufacturers.

(Source: Independent Market Research Report)

5.3.3 Future Prospects and Outlook

The sales for resin compounds for the wire and cable industry is anticipated to grow at a CAGR of 10.8% for the period 2002 to 2007, with revenues increasing from RM70 million in 2002 to RM116.9 million in 2007. For the year 2002 alone, growth was at around 10% as the manufacturers of the wires and cables replenish their inventory after fully utilising its excess inventory during the year 2000 and 2001. More telecommunications and power lines are expected to be used as the country industrialises further and thus spur the demand for resin compounds which are used in the manufacturing of wires and cables.

(Source: Independent Market Research Report)

5.4 The Resin Compounds for the Automotive Industry

5.4.1 Overview

The linkage between the automotive industry and the resin compounds industry is the automotive plastic component parts manufactured. The automotive industry uses wider range of PP applications than any other industry, all of which exploit the fundamental advantages of PP. The industry is the largest, most diversified user of plastics in the world. Of the some 30 families of different types of plastics, nearly all are used in thousands of automotive applications. Different polymers are chosen for their specific aesthetics and functional qualities. In the interior of the car, plastic materials have more or less gained an application saturation of approximately 80%. The modification of PP by the use of flame retardants, Stab and carbon black is done to create a new family of thermoplastic materials. These materials improve and extend the properties of PP and provide a cost effective alternative to many high cost engineering thermoplastics.

Sales of the automotive component parts recorded an increase of 10.6%, from RM4.7 billion in 2001 to RM5.2 billion in 2002. Of the total sales in 2002, about 1.4% consist of TPO and TPE-made plastic component parts. Both TPO and TPE are used in the injection moulding of bumper, wheel cap, grill, guard, air conditioning duct and other interior parts. On the average, about 10% of the value of a vehicle is accounted by plastic component parts. A car comprises approximately 4,000 component parts out of which about 13% is made up of plastic component parts.

With interest rates at record lows, consumers are interested in purchasing cars since it translates into lower financing costs, compared to the days before mid-1997. With automobiles having many plastic injection mould component parts as well as control cables and wires, they have a direct impact on the consumption of resin compounds.

Car component parts manufacturers are also focusing on using cheaper and lighter plastic alternatives to manufacture its products while maintaining the quality of the products. However, the substitution of metals with plastics has slowed down in recent years as automobile engineers struggled with performance, crashworthiness and cost issues. Demand for plastics is expected to grow in areas where it offers benefits other than cost and weigh reduction, such as fuel tanks (extra capacity and safety) and engine intake manifolds (improved engine performance).

(Source: Independent Market Research Report)

5.4.2 Competition and Market Share

Currently, there are at least 7 major market players in the market. The following table shows the major market players with their respective market shares for the year 2002:

Company	**2002 (%)**
Compounding and Coloring Sdn Bhd	50.0
PolyPacific Polymers Sdn Bhd	20.0
Plascable Polymer Sdn Bhd	16.0
Impact Color Sdn Bhd	3.0
Nippon Pigment (M) Sdn Bhd	2.0
Bold Vision Sdn Bhd	2.0
CITC (M) Sdn Bhd	2.0
Others	5.0
TOTAL	**100.0**

Source: Independent Market Research Report

In this industry, the resin compounds manufacturers for automotive components mainly compete on the price of their products. This is due to the fact that the automobile industry is intensely competitive and the local automotive assemblers put pressure on the automotive plastic component parts manufacturers to be more cost-competitive. This pressure is transmitted backwards through the value chain to reach the resin compound manufacturers. Quality is the second most important attribute, followed by customer service and support.

(Source: Independent Market Research Report)

5.4.3 Future Prospects and Outlook

Revenues increased strongly by 13% in 2002 as a low interest rate regime spurred car buying among consumers. This, in return, caused the increased production of automotive plastic component parts which, amongst others, used resin compounds. For 2003, revenue from this market is estimated to achieve a growth rate of 12%. However, the growth rate is projected to decelerate in the coming years as AFTA takes place and more imported automobiles with their component parts manufactured in the other AFTA countries enter the country. This would have an impact on the domestic automotive plastic component parts manufacturers, and hence, the consumption of resin compounds.

(Source: Independent Market Research Report)

5.5 China and Thailand Market for Resin Compounds

With the inclusion of China into the WTO, China has become the economic giant of not only Asia but globally. In 2000, nearly 400 of the Fortune 500 Companies had invested in over 2,000 projects in China. In 2002, about 56% of the US$95 billion of FDI inflows to Asia went to China, making it the largest recipient of FDI in the Asian region. Inevitably, the development in the manufacturing sector of China spurred the demand for wires and cables for communication, telecommunication, power, etc. This in turn, pushes up the demand for resin compounds to manufacture these wires and cables.

Due to the heavy investment by the Chinese Government in the nineties, China has now become one of the world's leading countries in terms of electrical power generating capacity and public telecommunications network. Along with these investments has been a change in the product structure of the wire and cable industry, with total production of power cables, telecommunications cables and optic fibre cables increasing, while that of control wires and cables for consumer electrical durables had decreased. By 1998, the wire and cable manufacturing industry amounted to about 1% of the GDP evidenced by the rapid usage of fiber optics, whereby in 2002, China had 1.58 million kilometers of optical trunk cable in operation.

The wire and cable manufacturing industry will grow further in anticipation of the construction of both inter-province and intra-province trunk line for telecommunication purposes and the construction of the East-West power transmission project, due to be completed in 2006, to guarantee the power supply in the rundown to the Olympic Games in 2008. In addition, the world's largest hydroelectric power plant, namely Three Gorges Dam, is currently under construction and when it is completed, extensive amount of cables would be needed to transport the power generated from the dam to across China.

As for the automotive industry in China, the industry recorded a sales growth of 20% in 2001 and 37.2% in 2002. With a population of approximately 1.3 billion, China has only 16 million cars on the road in 2002, indicating that there is still huge potential growth in the Chinese market. The Chinese Government also aims to develop its automobile industry in the near future to become a major international car manufacturer nation like Japan and South Korea. Following China's entry into the WTO, there will be tremendous opportunities for foreign companies in the automobile industry. By 2006, the tariff on completely build-up automobiles will be reduced to an average rate of 25%, while for automotive component parts, an average rate of 10%.

With the anticipated growth in the wire and cable industry and the automobile industry, the demand for polyolefins is projected to grow at 10% per annum over the next few years. This increase in demand will ensure China to be the largest polyolefin importer as its domestic output is not sufficient to meet the rapid increase in demand. Overall, China accounts for about 30% of global PE imports and 40% of global PP imports.

Thailand, known as the "Detroit of the East", has attracted more than 200 Japanese automotive component parts manufacturers to date. This is mainly due to the generous incentives offered to foreign manufacturers setting up their operations in Thailand and the efficient and strategically located port of Laem Chabang. With globalisation taking place, Thailand's automobile industry is on its way to become an important vehicle production centre of East Asia. One example is the production of one-tonne pickup truck. It is rapidly becoming the global production base for such vehicles outside the USA. Thailand managed to produce over 500,000 vehicles in 2002 alone.

Overall, there are over one thousand automotive component parts manufacturers in Thailand supplying around 80% and 60% of the component parts used in pickup truck and passenger cars respectively.

Currently, there is one major petrochemical group of companies in Thailand, namely Thai Petrochemical Industry Group of Companies, which is a totally integrated conglomerate with operations running from refining to resin compounds manufacturing. However, there is still insufficient production of synthetic resins and the derived resin compounds used for the automotive plastic component parts manufacturing in Thailand. The industry is forecasted to grow between 15% and 20% over the next three (3) years and between 5% to 10% in the following years.

(Source: Independent Market Research Report)

5.6 Government Regulations, Policies and Incentives

The Malaysian Government, through MIDA, is highly dedicated towards implementing policies and providing specific incentives for investments in the manufacturing sector especially in strategic industries such as the petrochemical industry, which includes the plastic resins industry. Some of these policies and incentives are as outlined below:

(i) Participation of Foreign Equity

Regardless of their level of exports, any applications for new manufacturing projects which are related to the promoted industries are allowed to be 100% foreign-owned. However, if the local Malaysian small and medium scale companies have the capabilities and expertise to implement the aforesaid manufacturing projects, this exemption will not apply.

(ii) More Focused Incentives for High Value-Added Industries

To encourage FDIs in high value-added industries that will increase Malaysia's competitiveness, the Government will provide a special package of incentives for those investors investing in these industries. With the availability of FDIs, these value-added industries will be able to grow at a faster rate than if it were to only rely on domestic investors. At the same time, existing companies are continuously encouraged to undertake expansion and diversification into high-valued industries and related services such as design activities. The petrochemical industry has been identified as one of the areas to be earmarked for further growth alongside value-added electronics as well as the Multimedia Super Corridor.

5. INDUSTRY OVERVIEW

(iii) Incentive for Strategic Projects

Tax incentives such as the five (5)-year Pioneer Status with the option for extension of another five (5) years is granted to those projects which are involved in the following:

(a) heavy capital investments with long gestation periods;

(b) have high levels of technology and are integrated;

(c) generate extensive linkages; and

(d) those which have significant impact on the economy.

Under the Pioneer Status, 100% of statutory income will be tax exempted for ten (10) years or 100% of the qualifying capital expenditure within a period of five (5) years will be allowed to be treated as Investment Tax Allowance, of which the company can offset against 100% of its statutory income for each year of assessment.

(iv) Reinvestment Allowance (RA)

All manufacturing companies that had operated for twelve (12) months or more and incur qualifying capital expenditure for projects of expansion, modernisation, upgrading facilities, diversification as well as automation, are given RA up to 60% of its qualifying capital expenditure which can be used to offset against 70% of its statutory income for the year of assessment. Any unutilised RA can be carried forward to subsequent years until fully utilised. The RA will be given for a period of fifteen (15) consecutive years beginning from the year the first reinvestment is made.

(Source: www.mida.gov.my)