

**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Tuan Haji Su'ut Haji Suhaili <i>(Independent Non-executive Chairman)</i>	1496, BDC, Lorong E5 Taman Satria Jaya, BDC Stampin 93350 Kuching	Director	Malaysian
Lee Choon Chin <i>(Managing Director)</i>	187, 3 <sup>rd</sup> Floor, Lorong Datuk Abang Abdul Rahim 7, 93450 Kuching	Director	Malaysian
Jee Hon Chong <i>(Executive Director)</i>	140, Lorong 13, Arang Road, 93250 Kuching	Director	Malaysian
Yong Lin Lin <i>(Executive Director)</i>	No. 42, Lot 9270, Jalan Manggis, Off Jalan Mendu, 93350 Kuching	Director	Malaysian
Zaidi bin Ahmad <i>(Non-executive Director)</i>	No. 199 Jalan Hj Hashim Jaafar, Petra Jaya, 93050 Kuching	Chief Executive Officer	Malaysian
Ahmad Tarmizi bin Sulaiman <i>(Non-executive Director)</i>	1492, Lot 224, Lorong E5B, Taman Satria Jaya, BDC Stampin, 93350 Kuching	Chief Executive Officer	Malaysian
Zainal Abidin bin Ahmad <i>(Non-executive Director)</i>	No. 199, Jalan Hj Hashim Jaafar, Petra Jaya, 93050 Kuching	Director	Malaysian
Datu Voon Chen Hian @ Voon Chen Kok <i>(Independent Non-executive Director)</i>	251, Lorong Stampin 20 Jalan Stampin, 93350 Kuching	Director	Malaysian
Datuk Dr. Stalin Hardin <i>(Independent Non-executive Director)</i>	6, Jalan Bukit Hantu 93200 Kuching	Director	Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Datuk Dr. Stalin Hardin	Chairman	Independent Non-executive Director
Ahmad Tarmizi bin Sulaiman	Member	Non-executive Director
Tuan Haji Su'ut Haji Suhaili	Member	Independent Non-executive Chairman

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**CORPORATE DIRECTORY (Cont'd)**

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<b>COMPANY SECRETARIES</b>	:	Wan Suleiman Wan Sadi (LS00593) No. 275A, Lot 2911 Jalan Matang 93050 Kuching, Sarawak
	:	Fiona Anne Wong Lai Mann (MIA 12106) Room 308, 3 <sup>rd</sup> Floor, Wisma Bukit Mata Kuching Jalan Tunku Abdul Rahman 93100 Kuching, Sarawak
	:	Leong Oi Wah (MAICSA 7023802) Room 308, 3 <sup>rd</sup> Floor, Wisma Bukit Mata Kuching Jalan Tunku Abdul Rahman 93100 Kuching, Sarawak
<b>REGISTERED OFFICE AND MANAGEMENT OFFICE</b>	:	187, Lorong Datuk Abang Abdul Rahim 7 93450 Kuching, Sarawak
<b>TELEPHONE NUMBER</b>		082-486684
<b>REGISTRAR AND TRANSFER OFFICE</b>	:	Signet Share Registration Services Sdn Bhd Tingkat 11, Tower Block Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur
<b>ISSUING HOUSE</b>	:	Malaysian Issuing House Sdn Bhd 27 <sup>th</sup> Floor, Menara Multi-Purpose Capital Square No.8, Jalan Munshi Abdullah 50100 Kuala Lumpur
<b>PRINCIPAL BANKERS</b>	:	RHB Bank Berhad Jalan Pending Branch Ground Floor, Crown Towers 88, Jalan Pending 93450 Kuching Sarawak.
		United Overseas Bank (Malaysia) Bhd Ground Floor, Bangunan Yayasan Sarawak Jalan Masjid 93400 Kuching Sarawak
		Hock Hua Bank Berhad 305-306, Lebuhan Chan Bee Kiew Jalan Padungan 93100 Kuching Sarawak

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**CORPORATE DIRECTORY (Cont'd)**

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- AUDITORS AND REPORTING ACCOUNTANTS** : PricewaterhouseCoopers  
9<sup>th</sup> Floor, Bangunan BINAMAS  
Jalan Padungan  
93100 Kuching  
Sarawak
- SOLICITORS** : Alvin Chong & Partners Advocates  
Lot 176 (2<sup>nd</sup> Floor)  
Jalan Song Thian Cheok  
93100 Kuching  
Sarawak
- Sio & Ting Advocates  
No.5, 2<sup>nd</sup> Floor  
Jalan Song Thian Cheok  
93100 Kuching  
Sarawak
- ADVISER AND MANAGING UNDERWRITER** : Arab-Malaysian Merchant Bank Berhad  
22<sup>nd</sup> Floor, Bangunan Arab-Malaysian  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur
- UNDERWRITERS** : Arab-Malaysian Merchant Bank Berhad  
22<sup>nd</sup> Floor, Bangunan Arab-Malaysian  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur
- Arab-Malaysian Securities Sdn Bhd  
15<sup>th</sup> Floor, Bangunan Arab-Malaysian  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur
- Sarawak Securities Sdn Bhd  
619-623, Section 62  
Jalan Padungan 93100  
Kuching, Sarawak
- VALUER** : Henry Butcher, Lim, Long & Chieng (Sarawak) Sdn Bhd  
(236250-X)  
290, 1<sup>st</sup> Floor, Jalan Datuk Wee Kheng Chiang  
93450 Kuching  
Sarawak
- MARKET RESEARCH COMPANY** : ACNielsen (Malaysia) Sdn Bhd (10909-V)  
19/F Merana MPPJ, Jalan Tengah  
46200 Petaling Jaya  
Selangor Darul Ehsan
- LISTING SOUGHT** : Second Board of the KLSE

## 1. SUMMARY INFORMATION

**THE INFORMATION SET OUT IN THIS SECTION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE WEIDA GROUP. INVESTERS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN WEIDA**

### 1.1 History and Business

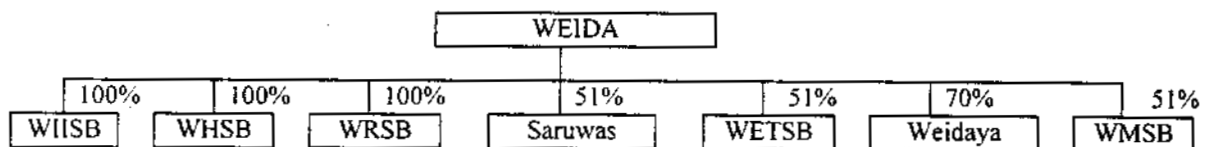
Weida was incorporated in Malaysia as a public company under the Companies Act, 1965 on 3 February 2000 as Weida (M) Bhd.

Weida is an investment holding company whilst its subsidiary companies are principally involved in the following activities:-

Subsidiaries	Equity interest	Principal activities
WIISB	100%	Manufacturing of HDPE engineering products
WRSB	100%	Trading of HDPE engineering products, fittings and other engineering products
WHSB	100%	Investment holding and construction of water supply and other specialised systems involving the use of HDPE products
Saruwas	51%	Provision of consultancy services including survey, design and project management services
WMSB	51%	Trading of HDPE engineering products and the provision of specialised installation services in Peninsula Malaysia.
WETSB	51%	Marketing and sales of sewage treatment package manufactured by WIISB under the brand name of POLYPASS
Weidaya	70%	Trading of HDPE septic tanks and provision of specialised installation services

Apart from the abovesaid subsidiary companies, Weida Group has one associated company, namely; Weidasar Sdn Bhd (40% owned by WIISB) is principally involved in general trading and project management. Save from the above, Weida Group does not have any other subsidiary or associated companies.

The corporate structure of the Weida Group is as follows:-



The Weida Group is an integrated group involved in the manufacture and sales of HDPE products and the provision of one-stop services for the infrastructure, property and agriculture industries specialising in water and sewage systems and aquaculture products. The HDPE products manufactured by the Group include water storage tanks, sewerage systems, septic tanks, smooth and corrugated pipes, inland and open sea aquaculture cages, rural sanitation products and other HDPE products. The Group is also involved in turnkey contracting and provides project management services to customers in water supply, sewage system and aquaculture. Detailed information on the History and Business of the Weida Group is set out in Section 7 of this Prospectus.

**1. SUMMARY INFORMATION (Cont'd)****1.2 Financial Statistics for the Past Five (5) Years Ended 31 March 2000 and Three (3) Month Period Ended 30 June 2000**

The table below sets out a summary of the proforma consolidated income statements of Weida Group for the five (5) financial years ended 31 March 2000 and three (3) month period ended 30 June 2000 and are provided for illustrative purposes based on the audited accounts of its subsidiary companies, prepared on the assumption that the current group structure has been in existence throughout the period under review:-

	←————— Financial Years Ended 31 March —————→					Three (3) month period ended 30 June 2000 RM'000
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	
Revenue	20,568	34,923	39,293	42,268	58,053	14,622
Other operating income	23	87	308	2,503	202	231
Changes in inventories and work-in-progress	832	197	2,821	982	2,429	1,273
Raw materials and consumables used	(3,622)	(5,302)	(14,952)	(13,629)	(17,624)	(4,159)
Purchase of finished goods	(7,671)	(12,187)	(7,323)	(4,712)	(8,591)	(3,772)
Work performed and capitalised	-	-	-	(244)	711	887
Staff cost	(1,443)	(2,605)	(4,758)	(4,841)	(6,966)	(2,028)
Depreciation	(477)	(702)	(2,002)	(2,734)	(3,263)	(842)
Other operating expenses	(2,777)	(3,947)	(7,418)	(9,760)	(14,442)	(3,933)
Profit from operations	5,433	10,464	5,969	9,833	10,509	2,279
Finance cost	(93)	(317)	(1,205)	(1,903)	(1,857)	(424)
PBT	5,340	10,147	4,764	7,930	8,652	1,855
Less: Tax	(1,325)	(2,807)	(1,347)	(372)	(1,218)	(392)
PAT	4,015	7,340	3,417	7,558	7,434	1,463
EI	-	-	-	-	-	-
PAT after EI	4,015	7,340	3,417	7,558	7,434	1,463
MI	-	(39)	51	(21)	(327)	(15)
PAT after EI and MI	4,015	7,301	3,468	7,537	7,107	1,448

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

No. of ordinary shares assumed in issue ('000)*	22,993	22,993	22,993	22,993	22,993	22,993
Gross EPS (sen)	23.22	44.13	20.72	34.49	37.63	32.27**
Net EPS (sen)	17.46	31.75	15.08	32.78	30.91	25.19**
Fully diluted gross EPS ***(sen)	13.35	25.37	11.91	19.83	21.63	18.55**
Fully diluted net EPS*** (sen)	10.04	18.25	8.67	18.84	17.77	14.48**
Gross dividend rate (%)	-	-	-	-	-	-

\* *The assumed issued and paid-up share capital of RM22.993 million is based on the issued and paid-up share capital after the Acquisitions but before the Allotment of Shares, Rights Issue and Public Issue.*

\*\* *Annualised*

\*\*\* *Based on Weida's enlarged issued and paid-up share capital of RM40 million after Public Issue*

**Notes:-**

- a) *The above results are arrived at after making adjustments for inter-company transactions;*
- b) *The proforma consolidated income statement have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited income statements of subsidiary companies;*
- c) *The tax charges have been arrived at after adjusting for over and under provision for tax to the prior financial years for which the tax charges were agreed with the tax authorities;*
- d) *The gross EPS has been calculated based on the PBT divided by the 22.993 million ordinary shares assumed to be in issue.*
- e) *The net EPS has been calculated based on the PAT after MI and EI divided by the 22.993 million ordinary shares assumed to be in issue.*
- f) *As WRSB has a different financial year end, the audited revenue and PBT of this company for the years ended 30 June were time apportioned to arrive at the consolidated revenue and PBT for the year ended 31 March.*
- g) *Growth in PBT is in line with the increase in revenue except for the financial year ended 31 March 1998 when profits declined mainly due to the increase in imported raw material cost as a result of the depreciation of Ringgit Malaysia against US Dollars, increase in financing cost as a result of expansion undertaken in late 1997 and increase in interest rates, higher start up cost at the newly set up Nilai operation as well as more competitive pricing during the recession.*
- h) *There were no audit qualification throughout the profit record period*

**1. SUMMARY INFORMATION (Cont'd)****1.3 Summary of Proforma Consolidated Balance Sheets As At 30 June 2000**

The Proforma Consolidated Balance Sheets of Weida as set out below have been prepared for illustrative purposes only to show the effects of the Allotment of Shares, Acquisitions, Rights Issue and Public Issue on the assumption that these transactions were completed on 30 June 2000:-

	Audited Balance Sheets as at 30.6.2000 RM'000	Proforma I After Allotment of Shares and Acquisitions RM'000	Proforma II After Proforma I and Rights Issue RM'000	Proforma III After Proforma II and Public Issue RM'000
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	-	40.799	40.799	47.199
Investment in associated company	-	40	40	40
	<u>-</u>	<u>40.839</u>	<u>40.839</u>	<u>47.239</u>
<b>INTANGIBLE ASSETS</b>				
Goodwill on consolidation	-	155	155	155
Deferred expenditure				
- share issue expenses	385	385	385	-
	<u>385</u>	<u>540</u>	<u>540</u>	<u>155</u>
<b>CURRENT ASSETS</b>				
Inventories and work-in-progress	-	12.645	12.645	12.645
Properties held for resale	-	416	416	416
Contract work-in-progress	-	2.982	2.982	2.982
Debtors, deposits and prepayments	11	17.045	17.045	17.045
Deposits, bank and cash balances	* -	8.378	10.155	15.670
	<u>11</u>	<u>41.466</u>	<u>43.243</u>	<u>48.758</u>
<b>CURRENT LIABILITIES</b>				
Provision for liabilities	-	400	400	400
Creditors and accruals	473	15.032	11.737	11.352
Tax	-	3.239	3.239	3.239
Dividend payable	-	4.000	4.000	4.000
Borrowings	-	7.955	7.018	7.018
Bank overdrafts	-	5.316	5.316	5.316
	<u>473</u>	<u>35.942</u>	<u>31.710</u>	<u>31.325</u>
Net current (liabilities)/assets	<u>(462)</u>	<u>5.524</u>	<u>11.533</u>	<u>17,433</u>
	<u>(77)</u>	<u>46.903</u>	<u>52.912</u>	<u>64,827</u>

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

	Audited Balance Sheets as at 30.6.2000 RM'000	Proforma I After Allotment of Shares and Acquisitions RM'000	Proforma II After Proforma I and Rights Issue RM'000	Proforma III After Proforma II and Public Issue RM'000
<b>CAPITAL AND RESERVES</b>				
Share capital	* -	24.193	33.900	40.000
Share premium	-	150	635	6,760
Revaluation and other reserves	-	8.190	8,190	8.190
(Accumulated loss)/retained earnings	(77)	22,189	22,189	21,879
Merger deficit	-	(16.983)	(16.983)	(16.983)
	<u>(77)</u>	<u>37,739</u>	<u>47,931</u>	<u>59,846</u>
MI	-	893	893	893
	<u>(77)</u>	<u>38.632</u>	<u>48.824</u>	<u>60.739</u>
<b>NON CURRENT LIABILITIES</b>				
Deferred tax	-	564	564	564
Borrowings	-	7,707	3,524	3,524
	-	8,271	4,088	4,088
	<u>(77)</u>	<u>46.903</u>	<u>52.912</u>	<u>64.827</u>
NTA	(462)	37,199	47,391	59,691
Net tangible (liabilities)/assets per share (RM)	<u>(231.000)</u>	<u>1.54</u>	<u>1.40</u>	<u>1.49</u>
	<i>* RM2.00</i>			

Notes to the Proforma Consolidated Balance Sheets are set out in Section 10.7 of this Prospectus.

**1.4 Principal Statistics Relating to the Public Issue****(i) Share Capital**

	<b>RM</b>
<b>Authorised</b>	
100,000,000 ordinary shares of RM1.00 each	<u>100,000,000</u>
<b>Issued and fully paid-up</b>	
33,900,000 ordinary shares of RM1.00 each	33,900,000
<b>To be issued pursuant to the Public Issue</b>	
6,100,000 ordinary shares of RM1.00 each	6,100,000
	<u>40,000,000</u>

**(ii) Public Issue price per ordinary share** **RM2.15**



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

## (iii) Consolidated Profit Forecast

*Financial Year Ending 31 March 2001*

	Aggregated RM'000	Pre- acquisition RM'000	Consolidated RM'000
Revenue	65,981	3,101	62,880
PBT Before MI	11,019	1,387	9,632
Tax	(2,291)	(412)	(1,879)
PAT Before MI	8,728	975	7,753
MI	(873)	(437)	(436)
PAT after MI	7,855	538	7,317
Weighted Average Number of Ordinary Shares in Issue ('000)*			30,686
EPS (sen)			23.84
Price Earning Multiple Based on the Issue Price of RM2.15 per Share (times)			9.02
Enlarged Number of Ordinary Shares in Issue ('000)			40,000
Fully diluted net EPS (sen)			18.29
Fully diluted Price Earning Multiple Based on the Issue Price of RM2.15 per Share (times)			11.76

\* *The EPS has been calculated based on the consolidated PAT after MI of RM7,317,000 and the weighted average number of Shares in issued during the financial year ending 31 March 2001, on the basis that the Public Issue will be completed in February 2001*

Further notes and assumptions on the Profit Forecast are set out in Section 10.4 of this Prospectus.

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

## (iv) Dividend Forecast

*Financial Year Ending 31 March 2001*

Gross dividend per Share (sen)	5.0
Gross dividend yield (%) (based on the issue price of RM2.15 per Share)	2.33
Net dividend cover (times)	5.08

Details of the dividend forecast are set out in Section 10.6 of this Prospectus.

## (v) Proforma Group NTA

*Financial Year Ended 30 June 2000*

Proforma Group NTA (RM'000) (after deducting estimated listing expenses of RM1,200,000 from reserves)	59,691
Proforma Group NTA per share (RM) (based on the enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each)	1.49

**1.5 Utilisation of Proceeds from the Allotment of Shares, Rights Issue and Public Issue**

The gross proceeds from the Allotment of Shares, Rights Issue and Public Issue amounting to RM24.507 million will accrue entirely to the Company and will be utilized as follows:-

	RM'000
Construction of office buildings, showroom and acquisition of machinery	6,400
Acquisition of subsidiaries	758
Working capital for Weida Group	7,734
Repayment of the Group's borrowings	8,415
Payment of estimated listing expenses	1,200
<b>Total</b>	<u>24,507</u>

Details of the proposed utilisation of proceeds are set out in Section 3.8 of this Prospectus.

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**1. SUMMARY INFORMATION (Cont'd)****1.6 Information on Directors, Promoters, Substantial Shareholders and Key Management****1.6.1 Directors**

Name	Designation	No. of ordinary shares held after Public Issue			
		Direct	%	Indirect	%
Tuan Haji Su'ut Haji Suhaili	Independent Non-executive Chairman	10,000	0.03	-	-
Lee Choon Chin	Managing Director	1,412,273	3.53	9,333,323*	23.33
Jee Hon Chong	Executive Director	360,568	0.90	-	-
Yong Lin Lin	Executive Director	430,682	1.08	-	-
Zainal Abidin bin Ahmad	Non-executive Director	6,453,704	16.13	-	-
Ahmad Tarmizi bin Sulaiman	Non-executive Director	10,000	0.03	-	-
Zaidi bin Ahmad	Non-executive Director	10,000	0.03	-	-
Datu Voon Chen Hian @ Voon Chen Kok	Independent Non-executive Director	10,000	0.03	-	-
Datuk Dr. Stalin Hardin	Independent Non-executive Director	10,000	0.03	-	-

Note:-

\* Deemed interest by virtue of his substantial interest in Weida Management Sdn Bhd & his spouse's (Liew Kee Moi) direct interest in Weida.

**1.6.2 Promoters**

Name	Designation	No. of ordinary shares held after Public Issue			
		Direct	%	Indirect	%
Lee Choon Chin	Managing Director	1,412,273	3.53	9,333,323*	23.33
Zainal Abidin bin Ahmad	Non-executive Director	6,453,704	16.13	-	-
AISB	NA	6,897,914	17.24	-	-

Note:-

\* Deemed interest by virtue of his substantial interest in Weida Management Sdn Bhd & his spouse's (Liew Kee Moi) direct interest in Weida.

**1.6.3 Substantial Shareholders**

Name	No. of ordinary shares held after Public Issue			
	Direct	%	Indirect	%
Weida Management Sdn Bhd	8,737,357	21.84	-	-
AISB	6,897,914	17.24	-	-
ASSAR	***2,767,644	6.92	-	-
Zainal Abidin bin Ahmad	6,453,704	16.13	-	-
Tiara Senja Sdn Bhd	3,866,224	9.67	-	-
Lee Choon Chin	1,412,273	3.53	9,333,323*	23.33
Liew Kee Moi	595,966	1.49	10,149,630**	25.37

Note:-

\* Deemed interest by virtue of his substantial interest in Weida Management Sdn Bhd & his spouse's (Liew Kee Moi) direct interest in Weida.

\*\* Deemed interest by virtue of her spouse's (Lee Choon Chin) substantial interest in Weida Management Sdn Bhd & her spouse's direct interest in Weida.

\*\*\* Held through HSBC Trustee (Malaysia) Berhad

**1. SUMMARY INFORMATION (Cont'd)****1.6.4 Key Management**

Name	Designation	No. of ordinary shares held after Public Issue			
		Direct	%	Indirect	%
Ir. Lai Lim Hon	Technical Director/ Head of R & D	185,284	0.46	-	-
Ir. Ong Boon Yaw	Project Engineer	10,000	0.03	-	-
Tok Jiak Yong	General Manager	360,568	0.90	-	-
Chong Kwan Wai	General Manager (Sabah)	10,000	0.03	-	-
Phua Kok Hui	General Manager (Peninsula Malaysia)	10,000	0.03	-	-
Thong Wai Kook	Sales Manager	10,000	0.03	-	-
Liew Kok Chiang	Sales Manager	10,000	0.03	-	-
Song Chyn	Factory Manager (Sarawak)	10,000	0.03	-	-
Jee Cheng Kong	Factory Manager (Sabah)	220,341	0.55	-	-
Lim Wei Wui	Factory Manager (Peninsula Malaysia)	10,000	0.03	-	-
Jeffery Goh Tan Ku	Finance Manager	10,000	0.03	-	-
Wang Tin Ngee	Group Accountant	10,000	0.03	-	-

Further details on the directors, substantial shareholders and key management are set out in Section 8 of this Prospectus.

**1.7 Material Litigations, Contingent Liabilities and Capital Commitments**

The Company and its subsidiaries are not engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company and its subsidiaries and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and/or adversely affect the position or business of the Company and its subsidiaries.

As at 15 December 2000, the Company and its subsidiaries have no material contingent liabilities or capital commitments.

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

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**1.8 Summary of the Material Risk Factors**

The following are some of the main risk factors (which may not be exhaustive) as extracted from Section 2 of this Prospectus, which applicants of the Issue Shares should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Issue Shares. Please refer to Section 2 of this Prospectus for full details.

- i. Prior to this Public Issue, there has been no public market for Weida shares, and as such, there can be no assurance regarding the future development of the market for the shares.
- ii. Adverse political, economic and regulatory conditions could materially and adversely affect the financial prospects of the Group.
- iii. Availability of raw materials and effects of foreign currency fluctuation on the price of the raw materials may have material impact on the profitability of the Group.
- iv. Amongst the business risks inherent in the manufacturing industry are; shortage of engineers, technicians, shortage of labour, entry of new players and collection risk of companies.
- v. Competition from other companies that are involved in the similar products and services as Weida.
- vi. The Group's continued success will depend significantly upon the abilities and continue efforts of its existing Directors and senior management. Hence, the loss of any key member in the Group could affect the Group's continued ability to compete.
- vii. This Prospectus contains financial forecast for the financial year ending 31 March 2001 that is based on assumptions, which the Directors of Weida deem to be reasonable but nonetheless are subject to uncertainties.

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## **2. RISK FACTORS**

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Applicants for the Public Issue Shares should carefully consider the following in addition to the other information contained elsewhere in the Prospectus before applying for the Public Issue Shares:-

**(i) No Prior Market For Weida Shares**

Prior to this Public Issue, there has been no public market for Weida shares. There can be no assurance regarding the future development of the market for the Weida shares. There is no assurance that the Issue price will correspond to the price at which Weida's shares will trade on the Second Board of the KLSE and that an active market for Weida's shares will develop and continue upon or subsequent to its listing.

The Issue Price of RM2.15 per share has been determined after taking into consideration a number of factors, including but not limited to the Group's financial and operating history and condition, the future prospects of the Group and the industry in which the Group is involved, the NTA of the Group and the prevailing market conditions at the time of the issue of the Prospectus.

**(ii) Political, Economic and Regulatory Conditions**

Adverse developments in the political, economic and regulatory conditions in Malaysia and other countries which the Weida Group has business links, directly or indirectly could materially and adversely affect the financial prospects of the Group. Other uncertainties include risks of war, riots, expropriation, nationalisation or nullification of existing contracts, changes in interest and foreign exchange rates, methods of taxation and currency controls.

**(iii) Availability of Raw Materials and Effects of Foreign Currency Fluctuation on the Price of the Raw Materials**

The main raw material in Weida's HDPE products is resins. As such, its availability is of significance to the Group. Lack of resins will result in non-production which will adversely effect the profitability of the Group. At present, the raw materials are readily available from petro chemical companies in Malaysia and overseas. Over the years, Weida has established sound relationship with these suppliers to enable the Group to have constant supply of the raw materials.

The Group purchase most of its raw materials overseas, thus it involves the use of foreign currency, mainly in the currency of the USD. However, due to currency control presently practiced in the country, Weida is able to shelter itself against currency fluctuations.

**(iv) Business Risks**

The Weida Group is subject to certain risks inherent in the manufacturing industry. These include, but not limited, to shortage of skilled designers, engineers and technicians, changes in general economic and business conditions, shortage of labour, increases in the cost of labour, entry of new players, fluctuations in foreign exchange, non-collectivity of debts, business and collection risk, competition from other plastic manufacturers in the industry and threat of substitute products.

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**2. RISK FACTORS (Cont'd)**

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The Group seeks to limit these risks through, inter-alia, maintaining good business relationships with its customers and suppliers, providing better incentives and benefits to motivate and retain staff, expansion of market share, increase in the product range and customer base, tightening of credit control and focusing on research and development for product innovation and creativity. In addition, barriers into the industry is high as it is capital intensive and the manufacturing concern requires specialised technical expertise which can only be achieved through years of research and development. HDPE products are flexible, versatile, corrosion resistant, relatively light and chemically inert. Where the products are of seamless construction, no jointing by welding or with bolts and nuts are necessary. These superior characteristics make them perfect substitutes for other materials. Nonetheless, no assurance can be given that such measures will completely eliminate the Group's business risks.

**(v) Competition**

Whilst the Group has grown significantly in the past 5 years and is the market leader in Sabah and Sarawak (*Source :ACNielsen Survey Research Malaysia, 1997*), no assurance is given that it will be able to maintain its existing market share in the future as the Group faces competition from other manufacturers.

However, the Weida Group believes that it has the edge over its competitors due to the diversity of its products, its economy of scale in production, its research and development facilities and its technological skills acquired through years of research and development.

**(vi) Dependency on Key Management**

The Group believes that its continued success will depend to a significant extent, upon the abilities and continuing efforts of its existing Directors and senior management. The losses of any of the key members of the Group's Directors and senior management could adversely affect the Group's continued ability to compete in the areas of businesses it is in. The Group's future success will depend on its ability to attract and retain qualified and experienced personnel. Based on the long and dedicated service of many of its Directors and staff, the Group is confident that they will continue serving the Group for many years to come.

**(vii) Profit Forecast**

This prospectus contains certain forecast for the Weida Group that is based on assumptions, which the Directors deem to be reasonable, but which nevertheless are subject to uncertainties and contingencies. Because of the subjective judgment and inherent uncertainties of forecast and because events and circumstances do not occur as expected, there can be no assurance that the forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the assumptions and uncertainties underlying the forecast that are contained in this prospectus.

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**3. PARTICULARS OF THE PUBLIC ISSUE**


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**3.1 Preliminary**

A copy of this Prospectus has been registered by the SC and has been lodged with the Registrar of Companies, Malaysia, who takes no responsibility for its contents.

An application will be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List and for dealing in and quotation for the entire issued and fully paid-up ordinary shares of Weida, including the Public Issue Shares which are the subject of this Prospectus, on the Second Board of the KLSE. These ordinary shares will be admitted to the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been fully credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the applications will be conditional upon permission being granted by the KLSE to deal in and quotation for all the issued shares of the Company on the Second Board of the KLSE. Monies paid in respect of any application accepted will be returned without interest if the said permission is not granted. Admission to listing is not being sought on any other stock exchange.

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

**3.2 Timing of Events**

The Application List for the Issue Shares will open at 10:00 a.m. on 18 January 2001 and will remain open until 8:00 p.m. on the same day or for such period or periods as the Directors of Weida in their absolute discretion may decide.

The directors anticipate the balloting of applications to be carried out in January 2001. Subsequently, the allotment of shares to the successful applications will be made in February 2001 and thereafter, the listing of the Shares on the Second Board of the KLSE also in February 2001.

**3.3 Share Capital**

	<b>RM</b>
<b>Authorised share capital:</b>	
100,000,000 ordinary shares of RM1.00 each	<u>100,000,000</u>
<b>Issued and fully paid-up share capital:</b>	
33,900,000 ordinary shares of RM1.00 each	33,900,000
<b>To be issued as fully paid-up share capital pursuant to the Public Issue:</b>	
6,100,000 ordinary shares of RM1.00 each	6,100,000
	<u>40,000,000</u>
<b>Issue Price per ordinary share</b>	<b>RM2.15</b>



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

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#### 3.4 Class of Shares

There is only one class of shares in the Company, namely ordinary shares of RM1.00 each. The Public Issue Shares, upon allotment and issue, will rank *pari passu* in all respects with the existing issued ordinary shares of the Company, including voting rights and will be entitled to all dividends and distributions, the entitlement date of which is subsequent to the date of allotment of the said issued Shares.

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

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

#### 3.5 Purposes of the Public Issue

The purposes of the Public Issue are as follows:-

- (a) to enable Weida to gain access to the capital market and to obtain funds for future expansion and growth of the Weida Group;
- (b) to provide an opportunity for the eligible employees of Weida Group and the Malaysian general public to participate in the equity and continuing growth of the Group;
- (c) to enable Weida to comply with the National Development Policy on Bumiputera participation in the equity of Weida; and
- (d) to facilitate the listing and quotation for Weida's entire issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE.

#### 3.6 Details of the Public Issue

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

- (a) 2,000,000 Shares have been reserved for directors, eligible employees and business associates of Weida Group; and
- (b) 4,100,000 Share will be made available to the Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

All the Public Issue Shares under paragraphs (a) and (b) have been fully underwritten. Any Shares as stipulated in paragraph (a) not subscribed for by the directors and eligible employees of Weida Group will be offered to the Malaysian public.

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

#### 3.7 Basis of arriving at the Public Issue Price

The issue price of RM2.15 per Public Issue Share was entirely determined and agreed upon by Arab-Malaysian as Adviser and Managing Underwriter and Weida after taking into account, inter-alia, the following factors:-

- (a) The proforma consolidated NTA per Share as at 30 June 2000 of RM1.49. The Public Issue price of RM2.15 per Share represents a premium of RM0.66 or 44.30% to the proforma consolidated NTA per Share as at 30 June 2000;
- (b) The forecast net PE multiple of 9.02 times based on the forecast consolidated net EPS of approximately 23.84 sen (based on weighted average number of Shares in issue) for the financial year ending 31 March 2001 and the Public Issue price of RM2.15 per Share;
- (c) The forecast gross dividend yield of 2.33%; and
- (d) The prospects of the Weida Group as outlined in Section 6 herein.

The Directors of Weida and Arab-Malaysian are of the opinion that the Public Issue price is fair and reasonable after careful consideration of the abovementioned factors.

However, shareholders should also note that the market price of Weida shares upon listing on the KLSE are subject to the vagaries of the market forces and other uncertainties which may affect the price of Weida shares being traded.

#### 3.8 Utilisation of Proceeds from the Allotment of Shares, Public Issue and Rights Issue

All proceeds from Allotment of Shares, Public Issue and Rights Issue after deducting the related expenses, will accrue to Weida. The forecast total gross proceeds of the Allotment of Shares, Public Issue and Rights Issue is RM 24.51 million. Weida will bear all other expenses incidental to the listing and quotation of Weida's shares on the Second Board of the KLSE, which are forecast to be RM1.2 million.

Weida intends to use these proceeds in the following manner:-

	Total Proceeds RM'000	Within six (6) months* RM'000	Within eighteen (18) months* RM'000
i. Construction of office buildings, showroom and acquisition of machinery	6,400	500	5,900
ii. Acquisition of subsidiaries	758	758	-
iii. Working capital for Weida Group	7,734	7,734	-
iv. Repayment of the Group's borrowings	8,415	8,415	-
v. Payment of estimated listing expenses	1,200	1,200	-
<b>Total</b>	<b>24,507</b>	<b>18,607</b>	<b>5,900</b>

\* from the date of listing of Shares on the KLSE

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

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares are fully underwritten. Brief details on the utilisation of proceeds are as follows:-

**(i) Construction of Office Buildings, Showroom and Acquisition of Machinery**

RM5,500,000 will be utilised for the acquisitions of new machineries and upgrading of old machinery in line with the Group's expansion plans and new products development. The remaining RM900,000 of the proceeds will be utilised for construction of an office building cum showroom in Kuching and an office building in the Kota Kinabalu factory to cater for the increase in business activities.

**(ii) Acquisition of Subsidiaries**

RM758,000 of the proceeds will be utilised for the acquisitions of the following subsidiaries:-

	<b>Cash Consideration</b>
	<b>RM</b>
Saruwas	102,000
WETSB	51,000
WMSB	255,000
Weidaya	350,000
	<u>758,000</u>

**(iii) Working Capital for Weida Group**

RM7.734 million will be utilised for the working capital for the Group.

**(iv) Repayment of the Group's Borrowings**

RM5.120 million from the proceeds will be set aside to repay term loan taken by WIISB to finance the construction of the office building and factory in Kuching. Details of the loan to be repaid are as follow:-

Company	Financial Institution	Type of facility	Interest	Amount As At 15 December 2000
WIISB	Bank Pembangunan Malaysia	Term Loan	6.5%	RM 5.120 million

RM3.295 million will be utilised to repay an interest free loan due to a director of Weida, namely Mr. Lee Choon Chin, for the acquisition of machinery, construction of staff quarter and infrastructure work at the Kuching factory. The RM8.415 million reduction in bank borrowings is expected to result in savings in interest expenses of approximately RM500,000 per annum for the Weida Group.

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

#### (v) Payment of Listing Expenses

Details of the estimated listing expenses amounting to approximately RM1,200,000 are as follows:-

	<b>RM</b>
Securities Commission's perusal fee, initial and annual listing fees	87,000
Estimated professional fees	400,000
Advertising and printing of prospectus and application forms and envelopes	100,000
Issuing house fee	50,000
Registration and lodgement of prospectus	5,500
Underwriting commission & management fee	394,000
Brokerage	131,150
Miscellaneous	32,350
<b>Total</b>	<b><u>1,200,000</u></b>

#### 3.9 Brokerage and Underwriting Commission

Brokerage is payable by Weida at the rate of 1% of the Public Issue price of RM2.15 per ordinary share in respect of successful applications which bear the stamp of Arab-Malaysian, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

The Underwriters, namely: Arab-Malaysian, Arab-Malaysian Securities Sdn Bhd and Sarawak Securities Sdn Bhd have agreed to underwrite the 2,000,000 Shares to be issued to the directors, eligible employees and business associates of Weida Group and the 4,100,000 Shares to be issued to the Malaysian public at RM2.15 per Share. Underwriting commission totaling RM327,875 is payable by Weida at the rate of 2.5% of the total underwritten Shares of 6,100,000 at RM2.15 per Share to the respective Underwriters. Management fee of RM65,575 is charged by the Managing Underwriter based on the rate of 0.5% of the value of the said underwritten Shares.

The underwriters shall be entitled to terminate the Underwriting Agreement prior to the closing date if the success of the Public Issue is jeopardized by:-

- a) The coming into force of any laws or governmental regulations or directives which seriously affect the business of the Group;
- b) Any material breach by the Company of its representations, warranties, obligations or undertakings under the Underwriting Agreement ;
- c) Any material and adverse change in the condition (financial or otherwise) of the Group from that described in the Prospectus;
- d) Admission of Weida shares to the Second Board of the KLSE is withdrawn; and
- e) A change in national or international monetary policy, financial, political or economic conditions or exchange control conditions or exchange legislation or regulations or currency exchange rates or an occurrence as a result of an act or acts of God as would in its reasonable opinion materially prejudice the success of the offering of the underwritten shares.

#### 4. APPROVALS AND CONDITIONS

##### 4.1 Conditions on approvals

SC on 24 July 2000, MITI on 9 May 2000 and FIC on 20 April 2000 approved the listing of Weida. The approvals from the aforesaid authorities were subjected to, inter alia, the following conditions:-

	Details of Conditions Imposed	Status of Compliance
<b>FIC</b>	(i) Weida should have at least 30% Bumiputera equity interest upon listing;	Met.
	(ii) Saruwas, WETSB and WMSB should have at least 30% Bumiputera interest with immediate effect; and	Met
	(iii) To obtain approval from MITI and SC for the listing.	Met
<b>MITI</b>	(i) Weida should have at least 30% Bumiputera equity interest upon listing; and	Met
	(ii) To obtain approval from FIC for the listing.	Met
<b>SC</b>	(i) The Prospectus should content all information on the industry risks faced by Weida group including fluctuation on the raw-material cost and actions to be taken to mitigate the risk;	Inserted in Section 2 (iii) of the Prospectus.
	(ii) The substantial shareholders of Weida are not allowed to sell, transfer or assign the moratorium shares of 18,000,000 within one year from the date admission of the Company's Shares on the KLSE. In subsequent years, the substantial shareholders are allowed to sell the maximum of one-third per year; and	Inserted in Section 4.2 of the Prospectus
	(iii) To comply with the guidelines on the Company's obligations as stated in the Policies and Guidelines on Issue/ Offer of Securities particularly in Chapter 7, 10 and 25 of the guidelines.	To be complied by the Company
	(iv) The utilisation of proceeds raised from the Allotment of Shares, Rights Issue and Public Issue are subject to the following:-	
	(a) Approval from the SC should be sought for any changes to the utilisation of proceeds other than for principal business purposes of Weida;	To be complied by the Company
	(b) Shareholders' approval is required for changes of equal to or more than twenty five percent (25%) of the total utilisation of proceeds already determined. However, should these changes are less than twenty five percent (25%), appropriate announcement should be made to the shareholders of Weida;	To be complied by the Company
	(c) Any extension of time on the period of utilisation already determined by Weida should be approved by the Board of Directors of Weida through resolution and make announcement to the KLSE; and	To be complied by the Company
	(d) Appropriate disclosure on the status of utilisation is required to be made in the quarterly report and in the annual report of Weida until all the proceeds have been fully utilised.	To be complied by the Company

**4. APPROVALS AND CONDITIONS (Cont'd)****4.2 Moratorium on Shares**

Under the Policies and Guidelines on Issue/ Offer of Securities issued by the SC and as a condition of the SC's approval for listing, the substantial shareholders of Weida will not be allowed to sell, transfer or assign their shareholdings amounting to 45% of the enlarged issued and paid-up share capital of Weida for one (1) year from the date of admission of Weida to the Official List of the Second Board of the KLSE. Thereafter, they are allowed to sell, transfer or assign only up to a maximum of one-third per annum (on a straight-line basis) of their respective shareholdings in the Company under moratorium.

The existing substantial shareholders of Weida who are subjected to the moratorium are as follows:-

Shareholders	Weida ordinary shares held after the Public Issue		Weida ordinary shares under moratorium	
	No. of ordinary shares	% of enlarged share capital	No. of ordinary shares	% of enlarged share capital
Weida Management Sdn Bhd	8,737,357	21.84	6,061,989	15.15
AISB	6,897,914	17.24	4,785,197	11.96
Zainal Abidin bin Ahmad	6,453,704	16.13	4,471,550	11.18
Tiara Senja Sdn Bhd	3,866,224	9.67	2,681,264	6.71
	25,955,199	64.88	18,000,000	45.00

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**5. INDUSTRY OVERVIEW**

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The Weida Group is an integrated group involved in the manufacturing of HDPE engineering products and providing one-stop services for the infrastructure, property and agriculture industries specialising in water and sewerage systems and aquaculture and farm implements. The performance of the Group will be dependent, to some extent, on the performance of the plastic industry, the manufacturing sector as well as the overall Malaysian economy. In addition, as the Group supplies its products to the property, infrastructure and agriculture sectors, the performance of the Group will be dependent on the performance of these sectors.

**5.1 The Malaysian Economy**

The Malaysian economy rebounded strongly in 2000 after recovering from the sharp output decline in 1998 and early 1999 following the financial crisis. The economic recovery, initially led by the strong performance of external demand has become broad-based, driven by the increase in aggregate domestic demand following the impact of expansionary fiscal and accommodative monetary policies. Based on performance in first six (6) months of 2000 and the sustained growth for the remaining of the year, the real GDP is expected to register a growth of 7.5% in 2000.

Inflation, as measured by the Consumer Price Index is expected to remain low at 1.9% (1999:2.8%) after taking into account the recent domestic price increases for petrol, diesel and liquefied petroleum gas.

The economic outlook for 2001 continue to be favourable. Growth is expected to be sustained by the stronger performance of the private sector which will provide the primary stimulus for growth. The Government will continue to support economic growth through fiscal stimulus and measures that promote expansion in domestic demand, development of new sources of growth and strengthening the nation's competitiveness. As such, the real GDP growth for Malaysia is forecast at 7% in 2001.

*(Source: Economic Report 2000/2001)*

**5.2 The Plastic Industry**

The plastic industry in Malaysia started in the early 1950s but only experienced rapid growth in the 1970s due to robust economic growth in the country. Its most rapid development phase was in the 1980s, due mainly to the rapid expansion of the electrical, electronics, automotive and construction industries. The influx of foreign investments, particularly, in the electrical and electronics industries have created a huge demand for plastic parts and components.

In the 1990s, the plastics industry became more matured in terms of skills and technologies, manufactured products, marketing strategies and management. During this period, the plastics industry faced greater challenges with the introduction of regional and global trade liberalisation. This new development would act as a catalyst to spur the plastics industry to achieve higher productivity, adopt state-of-the-art processing technology and higher economic of scale in its operations.

In view of the unfavourable economic environment, the plastic industry has registered a negative growth of about eight (8) percent in 1998. However, with a turnaround in 1999, the plastic industry is expected to resume its sustainable growth of 10% from 2000 onwards.

It is estimated that currently there are about 1,300 companies involved in the manufacture of plastic products of which about 70% are small-and-medium scaled operations, providing job opportunity for about 90,000 workers.

*(Source: Malaysia Plastic Digest, April to June 1999 & January to March 2000)*

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**5. INDUSTRY OVERVIEW (Cont'd)**

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The main barriers to entry into the HDPE industry are the substantial capital investment, intensive research and development programs and the availability of technological expertise. The industry is generally capital intensive for big scale manufacturers. Substantial financial resources are required for the start-up operation and for the upgrading of plant and machinery and investment in the latest technologies and design. A new entrant into the industry will have to establish itself and to gain acceptance and confidence of the consumers which can only be achieved through time and continuous improvement on the quality and the reliability of the products.

In line with the recovery of the Malaysian regional economy, the plastic industry is also expected to stage a strong recovery due to its strengths and the efforts of both the private and government sectors to promote the industry. The future growth of the plastics industry will focus on engineering applications and advances materials, owing to the rapid technology development.

The future prospects of plastics would be in the electrical and electronics, telecommunication, packaging, automotive, aerospace, aviation, military and construction sectors. In particular, the applications of plastics in the construction sector are supplementary to the traditional materials like glass, metal and woods. With the rising labour costs and consumer expectations, the demand for faster and cheaper construction with lesser maintenance popularise the use of plastics as replacement alternatives for traditional materials.

*(Source : Malaysian Plastics Digest, April to June 1999 & January to March 2000)*

**5.3 The Manufacturing Sector**

The manufacturing sector which turned around in 1999, continued to accelerate into 2000 registering 15 consecutive months of double-digit growth since June 1999, allowing it to spearhead growth in the economy. Output growth of domestic-oriented industries accelerated to 21.5% reflecting the improving economic situation, rising incomes and fiscal stimulus. Of significance was the strong expansion in the output of chemicals and plastic products, driven by demand from electronics as well as transport equipment industries. The pick-up in low and medium-cost housing construction starts and the resumption of several infrastructure projects as well as accelerated Government expenditure will assist in boosting the production of construction related products.

Manufacturing sector is forecast to sustain double-digit growth of 12% in 2001. Output of the domestic-oriented industries is expected to increase by 11.7% , underpinned by the revival of a number deferred infrastructure projects and expected increase in domestic consumption that will contribute to the output expansion in both the construction-related materials and transport equipment industries.

*( Source: Economic Report 2000/2001)*

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**5. INDUSTRY OVERVIEW (Cont'd)**

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**5.4 The Construction/Infrastructure Sector**

The performance of the construction/ infrastructure sector is expected to turn around with value added growing by 3.15 in 2000 (1999:-5.6%). The growth is due mainly to the implementation of several large public and privatised infrastructure projects and new investment in the residential sector, in particular, low and medium-cost houses to meet underlying demand. Civil engineering activities are expected to continue to recover and strengthen given the fiscal stimulus and resumption of referred projects. The share of the construction sector to overall GDP is estimated at 3.4%.

The construction/ infrastructure sector is projected to grow more strongly at 5.5%, on account of higher investment by the private sector, particularly in the privatised infrastructure projects, and higher budgetary allocations for education, health and social amenities. Sustained economic growth and continued expansion in incomes are also expected to continue to underpin demand and growth of construction activities. The share of the sector to real GDP is envisaged to be maintained at 3.4%.

*(Source: Economic Report 2000/2001 )*

**5.5 The Agriculture Sector**

Based on the Third National Agricultural Policy (1998 - 2010), the agriculture sector is expected to grow at 2.4% a year (although it's contribution to national GDP will continue to decline from 13.5% in 1995 to only 7.1% in 2010). Contributions from rubber, cocoa and sawlogs are expected to decline, however, the contributions from oil palm and food are expected to increase. The food products sub-sector is expected to grow at 3.8% a year with better performance expected from vegetables, fruit, livestock and fisheries. Food products in the agricultural GDP are expected to increase from 26.2% in 1995 to 32.3% in 2010. Deep-sea fishing and aquaculture will be encouraged into a commercial and integrated basis so that the fisheries resources can be conserved and harvested on a sustainable yield basis. In view of this, the supporting infrastructure such as processing facilities and cold rooms for storage purpose will be improved. The government will urge on consortium to process fish and venture into deep-sea fishing.

The fish and fish products industry comprises marine capture fisheries, aquaculture and downstream processing. In 1995, marine capture and aquaculture produced 1.3 million tonnes of fish valued at RM3.2 billion, or 1.5% of the national GDP. About 90% of the output was from marine capture, which increased only 4.4% a year from the early nineties. The smaller aquaculture sector expanded 19.0% a year, and ornamental fish production grew from 70 million pieces (valued at RM9 million) to 253 million pieces (RM50 million) in the time. Export earnings from fisheries increased from RM607 million to RM848 million.

Aquaculture is developing well and there are ample water bodies in the country to use for fish rearing. Unfortunately, there are problems with expansion, such as expensive feed, lack of storage facilities and avenues to market. The Industrial Master Plan realizes the problems faced and has proposed a series of measures to overcome them like training manpower for deep-sea fishing, improving infrastructure like landing sites, cold rooms, auction halls and funding. Among the strategies proposed are to expand aquaculture and increase marine capture, strengthen key supporting industries and improve infrastructure, enhance research and development efforts in aquaculture.

*(Source : Malaysia Agricultural Directory & Index 1999/2000)*

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## 5. INDUSTRY OVERVIEW (Cont'd)

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### 5.6 Outlook

The outlook for infrastructure-based products continues to be good as the country continues in its drive towards development by accelerating its expenditure on infrastructure projects. Low and medium cost housing which is given strong emphasis offers huge market for the Group's products.

Sarawak and Sabah have long coastline where much of the population remains relatively spread out giving rise to demand for essential utilities like water and sewerage services. As a result, the management anticipates the increase of demand for Weida's water tanks and sewerage products.

There is a tremendous potential for growth in the usage of HDPE products in Malaysia. Currently, many are still using the conventional metal storage tanks and the concrete sewage tanks. However, given that HDPE storage tanks and sewage tanks are superior to metal or concrete tanks due to its qualities of being corrosion resistant, durable, leakage-proof, lightweight, hygienic and weather resistant, the HDPE storage and sewage tanks are expected to replace many metal and concrete tanks in the future.

With the favourable outlook of the agriculture sector in particular aquaculture, the demand for aquaculture cages and related fishing products is expected to increase.

### 5.7 Industry Players and Competition

The Weida group of companies are involved in the manufacturing and distribution of HDPE engineering products in Malaysia focusing on water supplies and sewerage systems and agriculture implements. The Directors are of the opinion that there are not many players in exactly the same line of business as Weida which produces a diversified range of HDPE products. Furthermore, Weida has the advantage of having a nationwide presence in Sarawak, Sabah and Peninsular Malaysia which equipped with manufacturing and sales activities.

With a work force of more than 350 people in which there are eight (8) qualified engineers, Weida has strong human resources to give it a competitive edge over other players in various aspects of manufacturing as well as in marketing.

In Sarawak and Sabah, there are six (6) key manufacturers of products similar to Weida, namely, Rotomould Sdn Bhd, Polyflow Pipes Sdn Bhd, Tomher Sdn Bhd, Wajar Pipes Sdn Bhd and High-Poly Pipes Sdn Bhd. There are also other smaller players, which are coming into the industry.

In Peninsular Malaysia where Weida is a relatively new player, the Directors are of the opinion that since its entry in 1997, Weida has steadily penetrated into the existing as well as new market. These are achieved due to the group's overall competitive advantages as well as to the increasing substitution of conventional materials by HDPE products.

Compared to other key manufacturers, the Directors are of the opinion that Weida has the most diversified product range. This together with the coming expansion plans are expected to further elevate Weida's market position.

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**5. INDUSTRY OVERVIEW (Cont'd)**

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**5.8 Relevant Laws and Regulations Governing the Industries**

There are no specific legislation or regulation, which Weida Group has to comply with in the course of its operations. Environmentally, HDPE is friendly and non-polluting. There is no pollution caused by production process as the materials are fully recyclable. As such, both domestically and internationally, government policies and legislations favour the use of Polyethylene as a material for various products.

The United States of America by the Food and Drugs Authority, an authority in United States that gives certification on the types of materials that are suitable to be in contact with water and food for the purpose of safeguarding customers/public health, has approved that polyethylene is safe to be used as a medium of storage for drinking water and food. Many countries legislate against the materials such as asbestos concrete, and in certain cases, PVC, to be used as materials for pipelines and metal storage tanks due to both corrosion as well as the inherent risk of bursting, thus, Polyethylene is usually the best alternative material for these products.

**5.9 Demand and Supply Condition**

Both the Sabah and Sarawak economics are expected to remain buoyant in the future. Sarawak is expected to record a GDP growth of 6.5% in 2000. Out of the total expenditure of RM3.353 billion, RM2.275 billion has been allocated for development. Out of which, RM223 million has been allocated to public utilities, RM578 million and RM277 million have been allocated to commerce and industries, agriculture and land development respectively. Sabah's GDP growth is anticipated to rise with the continued strength of the national economy as well as under various new programmes installed by the Government, with industrialization being placed at the main thrust.

*(Source: Sarawak State 2000 Budget dated 15 November 1999)*

As HDPE products are widely used in more advanced countries, acceptance in Malaysia will continue to rise. As the country matures, there will be an increase trend to use both Weida's basic items as well as the more valued products. Given the emerging economy like Malaysia, products associated with basic infrastructure developments are in demand. In many applications, HDPE products are better substitutes to conventional materials, which aggravated its demand.

**5.10 Substitute Products**

Presently, the threat of substitute products or services is low given the nature of HDPE products. As HDPE products are versatile and durable in nature, they are likely to substitute wood, metal and concrete products. When further combined with special additives and/or with composite technology, the level of strength and durability of the resulting products are of even higher standards.

HDPE products are corrosion resistant, relatively light, chemically inert and seamless in construction. These superior characters make them substitutes for certain products made of other material such as concrete or metal. HDPE products can be moulded into many shapes and sizes, which gives them an edge over many other products in the market. Furthermore, during the manufacturing process, defected products can be recycled to reduce wastage thus reducing production cost to enable the products to be competitively priced. As the HDPE products are light weight and seamless in shape, they ease transportation, installation and maintenance.

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**5. INDUSTRY OVERVIEW (Cont'd)**

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**5.11 Industry's Reliance and Vulnerability to Imports**

The performance of the Group is generally dependent on the performance of the domestic economy since most of the Group's products are sold locally. Nonetheless, a large part of the Group's revenue is attributed to storage tanks, pipes and sewage system, which are necessity items. Thus, the Group does not expect to be materially affected by the adverse impact of an economic downturn. In addition, the Group's wide range of products is also supplied to different industries, namely, property, infrastructure and aquaculture and more are expected to come from its R&D. Accordingly, the diverse markets serviced by the Group are expected to mitigate the adverse impact caused by poor performance of certain industries. The cutting edge that the Group has over its overseas counterparts is its local presence, logistic advantage and strategic alliances. Furthermore, the Group has tied up with companies in Australia and Japan to advance its technical know how and strengthen its market position.

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**6. FUTURE PROSPECTS AND PLANS OF THE WEIDA GROUP**


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**6.1 Future Prospects****(a) Overview of the Economy**

The Malaysian economy rebounded strongly in 2000 after recovering from the sharp output decline in 1998 and early 1999 following the financial crisis. The economic recovery, initially led by the strong performance of external demand has become broad-based, driven by the increase in aggregate domestic demand following the impact of expansionary fiscal and accommodative monetary policies. Based on performance in first six (6) months of 2000 and the sustained growth for the remaining of the year, the real GDP is expected to register a growth of 7.5% in 2000.

*(Source: Economic Report 2000/2001)*

In East Malaysia, GDP growth in Sarawak exceeded the national aggregate growth, achieving 13% per annum growth rate in the 2<sup>nd</sup> quarter of 2000, recovering from the slowdown experienced during the recession, where GDP growth shrunk to 3.8% in 1998 and 5.3% in 1999.

The economic growth is further strengthen through the price stability and high employment the country is currently enjoying, with inflation rate of 1.5% (Peninsula Malaysia), 0.4% (Sarawak) and 1.6% (Sabah), significantly reduced from the high average of 5% during the downturn. National unemployment rates remain low at 3% and expected to be further reduced with the improving economy.

*(Source: Monthly Statistical Bulletin, Department of Statistics, Sarawak)*

Given the emerging economy like Malaysia products associated with basic infrastructure developments and agriculture are in demand. Products from Weida group are targeted at these sectors which are expected to improve, hence, these will augur well for Weida.

**(b) Product and Business Diversity**

Weida has a diversified range of products to serve the needs of many sectors of industries, such as construction/infrastructure, agriculture and aquaculture sectors, where some or all of which will be the centre of economic development and industrialization. Its technical strength, consisting of experienced engineers in R&D is another strong factor which contribute to the group's capability to diversify, to introduce HDPE products as substitute products for wood, metal and concrete products, and to meet the needs of changing market trends.

**(c) Established Track Record**

Weida has an established track record of being a reputable company for over 12 years in terms of reliability, services and innovation.

The group's product brand names such as "Polystor", "Polysept", "Polypass", "Weidaline", "Weidacage" etc are well known brand names among users and the authorities. The company holds registered trademarks, design and various approvals, which are evidence of the acceptance of the products.

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**6. FUTURE PROSPECTS AND PLANS OF THE WEIDA GROUP (Cont'd)**

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Over years, the group has also established very sound business relationship with the market where customers, suppliers, authorities, bankers, etc form an integral part of its success and its future prospects.

**(d) Integrated Total Solution Approach**

Weida undertakes the role of a total solution provider where it provides the clients with a complete package comprising feasibility study, survey designs, manufacturing and project implementation.

The management views the future prospects of major business trends to be of an integrated solution approach.

The integrated organization with the resources available to Weida in its technical expertise, commercial networking and strategic alliances has enabled such business approach to succeed.

**(e) Strategic Alliances**

At both commercial and technical fronts, Weida has forged strategic alliances, which have a positive impact on future prospects and development.

Weida has established a close relationship with reputable manufacturers in Japan and Australia, namely, Dailite Company Ltd, Japan and LINPAC Mouldings Pty Ltd, Australia, respectively, to advance its technical know how and strengthen its market position. Although no formal agreements were signed between Weida and these manufacturers, they have established mutual trust and respect which have benefited both parties. Together with these manufacturers, Weida also conducts training and visitations in order to exchange market information, product and raw material knowledge with these manufacturers.

**6.2 Future Plans**

In order to sustain its profitability and to enhance its competitive position in the industry, the Group has the following future plans :-

**(a) Widen Geographical Coverage**

The Group now operates three manufacturing and marketing facilities in Kuching, Kota Kinabalu and Kuala Lumpur. The Group intends to make further inroads into the Peninsula Malaysian markets in order to reduce the Group's dependency on the Sabah and Sarawak market.

To further expand its coverage of the Peninsula Malaysian market, the Group plans to open three (3) more marketing offices in Peninsula Malaysia in the next five years, namely in East Coast, Southern and Northern regions.