
2. PARTICULARS OF THE IPO (Cont'd)

This Prospectus is dated 3 December 2003.

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

The SC and KLSE have approved the IPO and the approvals shall not be taken to indicate that the SC and KLSE recommend the IPO.

The SC shall not be liable for any non-disclosure on the part of Opcom and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

The KLSE shall not be liable for any non-disclosure on the part of Opcom and takes no responsibility for the contents of this prospectus, makes no representation as to its correctness or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. Admission to the Official List is not to be taken as an indication of the merits of Opcom or of its securities.

Investors should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, investors who are in any doubt as to the action to be taken should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Pursuant to the Listing Requirements, at least 25% but not more than 49% of the issued and paid up share capital of the Company must be held by a minimum number of 200 public shareholders at the time of the admission to the MESDAQ Market. In the event that the above requirement is not met pursuant to the IPO, the Company may not be allowed to proceed with its listing on the MESDAQ Market. In the event thereof, monies paid in respect of all Applications will be returned if the said permission is not granted.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the IPO Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of MCD.

Following the above, in accordance with Section 29 of Securities Industry (Central Depositories) Act, 1991, all dealings in the securities of Opcom including the Public Issue Shares will be by book entries through CDS accounts. No share certificates will be issued to successful applicants.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications **must have a CDS Account.**

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

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

2. PARTICULARS OF THE IPO (Cont'd)

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

2.1 SHARE CAPITAL

	Number of ordinary share of RM0.20 each	Share capital (RM)
AUTHORISED SHARE CAPITAL	125,000,000	25,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL:	60,000,000	12,000,000
• New ordinary shares to be issued pursuant to Public Issue	26,000,000	5,200,000
ENLARGED SHARE CAPITAL	86,000,000	17,200,000

The Issue Price is RM0.80 per ordinary share payable in full upon application, subject to the terms and conditions of this Prospectus.

There is only one class of shares in the Company, namely, ordinary shares of RM0.20 each, all of which rank pari passu with one another. The IPO Shares shall rank pari passu in all respects with the existing issued Shares of the Company, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

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

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

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2. PARTICULARS OF THE IPO (Cont'd)**2.2 OPENING AND CLOSING OF APPLICATION LISTS**

The Application for the IPO will open at 10.00 a.m. on 3 December 2003 and will close at 5.00 p.m. on 10 December 2003 or for such further period or periods as the Directors and/or Promoters of Opcom together with the Managing Underwriter in their absolute discretion may decide. Late applications will not be accepted.

2.3 CRITICAL DATES OF THE IPO

Events	Tentative Date
Opening Date of the IPO	3 December 2003
Closing Date of the IPO *	10 December 2003
Tentative Balloting Date	12 December 2003
Tentative Allotment Date	18 December 2003
Tentative Listing Date	22 December 2003

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

2.4 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price of RM0.80 per ordinary share was arrived at based on various factors including the following:-

- (i) The Group's financial operating history and conditions and financial position as outlined in Section 9 of this Prospectus;
- (ii) The prospects of the industry in which the Group operates are outlined in Sections 4.4 and 4.7 of this Prospectus;
- (iii) The Group's technology, estimates of business growth potential and revenue prospects for the Group;
- (iv) The Proforma Consolidated NTA of Opcom as at 30 September 2003 of RM0.53 per share based on the enlarged issued and paid-up share capital of 86,000,000 ordinary shares of RM0.20 each in Opcom; and
- (v) Comparison with other companies involved in the local cable manufacturing industry as set out in Section 4.4.5 of this Prospectus.

The Directors and Promoters of the Group and AmMerchant Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

2. PARTICULARS OF THE IPO (Cont'd)**2.5 DETAILS OF THE IPO**

The Public Issue of 26,000,000 new ordinary shares at an issue price of RM0.80 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(i) Malaysian Public

1,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) Eligible Employees, Directors and/or Business Associates of the Group

8,000,000 Public Issue Shares will be reserved for the eligible employees and Directors of the Group as well as the business associates (which include the suppliers, sales agents and customers) of the Group.

7,875,000 Public Issue Shares have been allocated to both the eligible employees and Directors of the Group based on the following criteria as approved by the Company's Board of Directors: -

- (a) At least eighteen (18) years old;
- (b) Job position;
- (c) Length of service; and
- (d) Non-Malaysian citizens are eligible.

Details of the Directors' pink form allocation are as follows: -

Name of Directors	Designation	Pink Form Allocation
Dato' Mukhriz Mahathir	Chairman/Managing Director	1,375,000
Chhoa Kwang Hua	Executive Director	1,375,000
Lt. Jen. (B) Dato' Seri Panglima Zaini bin Hj Mohd Said	Independent Non-Executive Director	500,000
Tomio Alan Komatsu	Independent Non-Executive Director	500,000
Sven Jarne Sjöden	Non-Independent Non-Executive Director	500,000
Abdul Jabbar bin Abdul Majid	Independent Non-Executive Director	250,000

125,000 Public Issue Shares have been allocated to business associates of the Group.

(iii) Places

17,000,000 Public Issue Shares are reserved for private placement to investors, which have been identified.

2. PARTICULARS OF THE IPO (Cont'd)

All the IPO Shares available for application by the Malaysian public and the eligible employees, Directors and/or business associates of the Group have been fully underwritten. The IPO Shares available for application by identified placees are not underwritten. The Placement Agent has received irrevocable undertakings from the identified placees to take up the IPO Shares available for application under the private placement.

The MITI had vide its letter dated 21 August 2003 recognised Dato' Mukhriz Mahathir as a Bumiputera shareholder and hence, his shareholding of 42,000,000 shares in Opcom or 48.84% (excluding the pink form allocation) of the issued and paid-up share capital of Opcom upon listing would be recognized as Bumiputera shareholding.

In the event of an under-subscription of the IPO Shares by the Malaysian public, the unsubscribed IPO Shares will be made available to identified placees.

Any IPO Shares which are not taken up by eligible employees and Directors of the Group and/or the business associates of the Group will be made available for application by the Malaysian public and/or identified placees via private placement.

Any further IPO Shares which are not subscribed for/placed out will be made available for subscription by the Underwriters in the proportions specified in the Underwriting Agreement dated 21 November 2003.

2.6 PURPOSES OF THE IPO

The purposes of the IPO are as follows: -

- (i) To provide additional funds to meet the present and future working capital requirement of the Group;
- (ii) To enable the Group to gain access to the capital market to raise funds for future expansion, diversification, modernisation and/or continued growth of the Group;
- (iii) To provide the opportunity for the eligible employees and Directors of the Group and/or the business associates of the Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group;
- (iv) To enable the Group to gain recognition and certain stature through its listing status and further enhance its corporate reputation and assist the Group in expanding its customer base; and
- (v) To facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the MESDAQ Market.

2. PARTICULARS OF THE IPO (Cont'd)

2.7 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of approximately RM20.8 million which shall accrue to the Company.

The Company intends to utilise the proceeds raised in the following manner: -

	Timeframe for utilisation	Amount RM'000
(i) Capital Expenditure	24 months	11,554
(ii) Working capital	24 months	7,746
(iii) Finance estimated listing expenses	Immediate	1,500
Total proceeds		20,800

The Company will bear all expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of Opcom on the MESDAQ Market, which include underwriting commission, placement fees, brokerage, professional fees, authorities fees, advertising and other fees the aggregate is estimated to be RM1.5 million.

There is no minimum subscription to be raised from the IPO as the IPO Shares are fully underwritten.

Notes: -

(i) Capital Expenditure

The Group intends to invest RM9.3 million for the purchase of more advanced machineries for the production of its loose tube fiber optic cables. The Group expects such investment would increase the production volume from approximately 3,600 km cables per annum in 2003 to approximately 7,300 km cables per annum in 2008. The Group also intends to utilise approximately RM2.254 million for additions and/or replacement of its existing machineries for the production of slotted core fiber optic cables as well as accessories for fiber optic cables.

(ii) Working Capital

Of the total proceeds, RM7.746 million will be used as general working capital for the Group including the payment of creditors, salaries, purchase of raw materials/stock and operating expenses.

2. PARTICULARS OF THE IPO (Cont'd)**(iii) Finance Estimated Listing Expenses**

The estimated listing expenses for the listing of and quotation for the enlarged share capital of 86,000,000 ordinary shares of RM0.20 each in Opcom on the MESDAQ Market are as follows: -

Estimated listing expenses	Amount (RM)
Fees to authorities	40,500
Professional fees #	650,000
Underwriting and brokerage fees	152,000
Printing, advertising and other miscellaneous expenses @	657,500
Total	1,500,000

Notes: -

- # Include fees for the Adviser, Reporting Accountants, Solicitors and other professional fees
- @ Any unutilised amount shall be used for working capital purposes of the Group.

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2. PARTICULARS OF THE IPO (Cont'd)

2.8 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

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

(i) Interest savings

Without the proceeds from IPO for the future capital expenditure of RM 11.554 million, the Group is expected to incur a borrowing of approximately RM2.31 million. By financing the capital expenditure via the proceeds from IPO and based on the prevailing interest rate of 8.0%, it is expected to result in a total notional interest saving of approximately RM234,000.

(ii) Increase production volume

Part of the proceeds of RM9.3 million are earmarked for acquisition of machinery for the production of loose tube fiber cables which in turn would increase the total production volume of the plant. This would enable the Group to capitalise on the economies of scale and reduction in cost per unit of loose tube fiber optic cables produced.

(iii) Diversified product base

The additions of loose tube fiber optic cables and fiber optic cable accessories to the product base would enable the Group to capture a larger market in Malaysia as well as overseas. Such diversification of product base is expected to increase the total revenue and profit of the Group.

2.9 UNDERWRITING COMMISSION AND BROKERAGE

The Underwriters as mentioned in Section 1 of this Prospectus, have agreed to underwrite the 9,000,000 IPO Shares to be issued to the Malaysian public, the eligible employees, Directors and/or business associates of the Group. Underwriting commission is payable by the Company in respect of the Public Issue at the rate of 2.0% of the total underwritten shares of 9,000,000 at the IPO Price of RM0.80 per share to the respective Underwriters.

Brokerage is payable by the Company in respect of the Public Issue made available for application by the Malaysian public at the rate of 1.0% of the IPO Price of RM0.80 per share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2. PARTICULARS OF THE IPO (Cont'd)

2.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The following are some of the Clauses of the Underwriting Agreement dated 21 November 2003 ("Agreement") entered into between Opcom and the Managing Underwriter/Underwriters, including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer .

For the purpose of the following extract, the following definitions shall apply (extracted from the definitions of the Agreement)

'CA'	Companies Act, 1965 of Malaysia.
'Closing Date'	The last date for acceptance, application for and payment of the subscription moneys under the Issue Documents
'Consolidated Accounts Date'	30 September 2003
'Issue Documents'	The Prospectus and the Application Form
'Issue Price'	The price of RM0.80 per Share offered under the Public Issue
'Public Issue'	The public issue by the Company of 26,000,000 new Shares at the Issue Price payable in full on application on the terms as set out in the Prospectus
'Underwritten Shares'	Those Shares being offered under the Public Issue (other than the Shares allocated by way of private placement as described under Clause 2.1.4.2) which are to be wholly underwritten by the Underwriters
'Underwriting Commission'	The underwriting commission payable by the Company to the Underwriters referred to in Clause 10.1 (Fees and Commission) for the underwriting of Underwritten Shares
'Underwriting Commitment'	The commitment of the Underwriters to underwrite the Underwritten Shares as specified against its name in Schedule 2 (Underwriting Commitments) under the provisions of this Agreement

Applicable recitals and clauses (extracted from the Agreement) :-

"2.1.4 the whole of the Public Issue comprising 26,000,000 new Shares at an issue price of RM0.80 per Share shall be allocated for sale in the following manner:

2.1.4.1 1,000,000 new ordinary shares of RM0.20 each available for application by the Malaysian public;

2.1.4.2 17,000,000 new ordinary shares of RM0.20 each available for placement to selected investors; and

2. PARTICULARS OF THE IPO (Cont'd)

2.1.4.3 8,000,000 new ordinary shares of RM0.20 available for application by the eligible directors, employees and business associates of Opcom Holdings Berhad and its subsidiaries

10. Fees and Commission

- 10.1 In consideration of the Underwriters agreeing to underwrite the Underwritten Shares, the Company shall pay to the Underwriters an underwriting commission of 2% of the Issue Price for each Underwritten Share to the respective Underwriters. The amount of the underwriting commission of 2% payable to each of the Underwriters respectively is set out in column 5 of Schedule 2 (Underwriting Commitments). Such underwriting commission shall be payable to the Underwriters whether or not any allotment is made to the Underwriters or their respective nominees and whether or not the Underwriters become obliged to apply for any Underwritten Shares pursuant to Clause 9 (Underwriting Obligations). For the avoidance of doubt, any service tax chargeable in respect of the underwriting commission or fee shall be borne by the Company.
- 10.2 Subject to Clause 9 (Underwriting Obligations), the Underwriting Commission (or the balance of any such fee or commission which remains payable notwithstanding the deduction pursuant to Clause 9.2 (Underwriting Obligations)) shall be paid by the Company to the Managing Underwriter or the Underwriters (as the case may be) within 3 Market Days after the listing of the entire share capital of the Company on the MESDAQ Market provided always that so long as any moneys which are due from any of the Underwriters under Clause 9 (Underwriting Obligations) in respect of any Underwritten Shares shall remain unpaid that Underwriter shall not be entitled to receive payment of the Underwriting Commission but for the avoidance of doubt, the Management Fee shall be payable notwithstanding that such Underwriter is also the Managing Underwriter.
- 10.3 For the avoidance of doubt, any Underwriting Commission payable to the Managing Underwriter and/or any of the Underwriters shall remain payable to such Managing Underwriters and/or the Underwriters notwithstanding that this Agreement shall be terminated, cancelled or withdrawn or the obligations of the Managing Underwriter and/or the Underwriters shall be cancelled or terminated or withdrawn for any reasons whatsoever or the Company fails to proceed with the listing on the MESDAQ Market for any reasons whatsoever unless such termination or cancellation or withdrawal is due to the default of any of the Underwriters in which event the Defaulting Underwriter shall not be entitled to its Underwriting Commission but the Defaulting Underwriter shall be entitled to claim reimbursement of costs and expenses incurred under Clause 12 (Costs and Expenses). The default of the Defaulting Underwriter shall not affect the obligation of the Company to pay the Underwriting Commission to the non-defaulting Underwriter.

2. PARTICULARS OF THE IPO (Cont'd)

11. Representations, Warranties and Undertakings

11.1 As a condition of the agreement by the Underwriters to underwrite the Underwritten Shares and in consideration thereof, the Company represents, warrants and undertakes to the Underwriters that:

11.1.1 the Directors have made all reasonable enquiries to ensure all facts material for the Issue Documents have been disclosed and have verified the completeness and accuracy of all such information and to the best of their knowledge and belief, there are no material facts which have been omitted which would make any of the statements contained in the Issue Documents misleading, and the Company shall if reasonably required by any of the Underwriters supply that Underwriter with evidence as to its accuracy and where such information relates to opinions or expectations, the basis of such opinions or expectations.

11.1.2 the Issue Documents:

11.1.2.1 will comply in all material respects with the CA, the SCA, the MMLR and/or any other applicable law and any rules, regulations and guidelines and shall be in the form and substance satisfactory and acceptable to the SC, the KLSE and all other relevant authorities;

11.1.2.2 will contain all information which is material in the context of the Public Issue and such information as contained in the Issue Documents will be true, complete and accurate in all material respects;

11.1.2.3 will not omit to state or disclose any material facts or information required or necessary to be stated therein with regard to the Public Issue and all statements of fact and information so made and/or disclosed, in the light of the circumstances under which they are made or disclosed, are true, accurate and not misleading in any respect;

11.1.3 the issue of Shares under the Public Issue is in compliance with the terms of this Agreement and:

11.1.3.1 do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, the Memorandum and Articles of Association of the Company and/or any of its Subsidiaries or any existing law, regulation or listing requirements applicable to or affecting the Company and/or any of its Subsidiaries and/or the Public Issue; and

11.1.3.2 do not and will not infringe the terms of, or constitute a default under, any judgment, order, licence, permit, approval, consent, trust deed, agreement or other instrument or obligation to which the Company and/or any of its Subsidiaries is a party or by which the Company and/or any of its Subsidiaries or any part of the undertakings, assets, properties or revenues of

2. PARTICULARS OF THE IPO (Cont'd)

the Company and/or any of its Subsidiaries are bound or affected;

- 11.1.4 save as disclosed in the Issue Documents and as has been disclosed in writing to the Underwriters prior to the Agreement Date:
- 11.1.4.1 there is no litigation, arbitration, administrative or winding-up proceedings (including investigations or inquiries by the SC, the KLSE and all other relevant authorities), criminal charge or investigation current or pending, or to the knowledge of the Company (after due and careful enquiry), threatened against the Company or any of its Subsidiaries, the effect of which would materially and adversely affect the financial condition of the Company or the Group as a whole; and after making due and careful enquiries, the Company is not aware of any facts or circumstances likely to give rise thereto; and
- 11.1.4.2 neither the Company nor any of its Subsidiaries is in default or in breach of any agreement to which it is bound, or of the terms of any licence, permit, approval, directive, legislation or regulation of any relevant authority (including the SC, the KLSE and all other relevant authorities) applicable to or affecting it, the effect of which would materially and adversely affect the financial condition of the Company or the Group as a whole;
- 11.1.5 no circumstances or situations have arisen and/or are existing, which will or are likely to materially and adversely affect the financial condition or business of the Company or the Group as a whole, or the success of the Public Issue and/or the listing of the Company on the MESDAQ Market and in particular and without prejudice to the generality of the foregoing, the Company shall promptly and without any delay notify the Managing Underwriter which would then inform the Underwriters of any material change affecting any of the representations, warranties and undertakings or agreements at any time prior to the Closing Date and take such steps as may be reasonably requested by the Underwriters to remedy and/or publicise the same;
- 11.1.6 each of the Company and its Subsidiaries will carry on and operate its business and affairs in the ordinary and usual course with due diligence and efficiency and in accordance with sound financial and commercial standards and practices;
- 11.1.7 save as disclosed in the Issue Documents and as has been disclosed in writing to the Underwriters prior to the Agreement Date, neither the Company nor any of its Subsidiaries has entered into any contract or commitment of an unusual or onerous nature, which, in the context of the Public Issue, might be material for disclosure;
- 11.1.8 all necessary consents, waivers, approvals, authorisations or other orders of all regulatory authorities, required for or in connection with the execution of this Agreement and the issue of Shares under the Public Issue and any other matters contemplated hereby:-

2. PARTICULARS OF THE IPO (Cont'd)

- 11.1.8.1 have been or will be unconditionally obtained by its due date; or
- 11.1.8.2 if granted subject to conditions, such conditions will be fulfilled to the reasonable satisfaction of the Underwriters by its due date;
- 11.1.8.3 and are or will remain in full force and effect;
- 11.1.9 all information furnished or supplied or to be furnished or supplied to the Underwriters for the purpose of or in connection with the Public Issue is true, complete and accurate in all respects and nothing has been furnished or supplied or omitted from such information which would or may make any of the information untrue, incomplete, inaccurate or misleading, or which would or may reasonably be expected to affect the willingness of the Underwriters to underwrite the Underwritten Shares and where such information relates to opinions or expectations, the basis of such opinions, expectations or intention (including any profit or other forecast (if any)) are considered by the Directors of the Company to be reasonable based on relevant considerations and facts then made;
- 11.1.10 every statement of forecast, opinion, intention and expectation (including the profit forecast (if any)) made in the Issue Documents are truly, fairly, reasonably, and honestly held by the Directors and have been or will be made after due and careful enquiries and consideration and represent or will represent reasonable expectations based on facts known to the Company as at the date of such disclosure, and to the extent it is based on assumptions, those assumptions are reasonable;
- 11.1.11 the issue of Shares under the Public Issue or as the case may be, the execution and delivery by the Company, of the Issue Documents and this Agreement and the performance of the obligations to be assumed under this Agreement by the Company have been duly authorised by all necessary corporate action of the Company, including but not limited to the approval of the shareholders of the Company in a general meeting (if and to the extent it is required) and upon due execution of this Agreement, the obligations assumed in this Agreement will constitute the legally valid, binding and enforceable obligations of the Company in accordance with the terms of this Agreement;
- 11.1.12 each of the Company and its Subsidiaries is a company duly incorporated under the laws of its place of incorporation and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on business and is not in liquidation and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager or judicial manager of the Company or any of its Subsidiaries or of any of their respective assets or undertakings;
- 11.1.13 the Accounts have been prepared in accordance with the law and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and the Group as a whole for the financial years ended the Separate Accounts Dates and the ten (10) months ended the Consolidated Accounts Date as the case may be, and (so far as are

2. PARTICULARS OF THE IPO (Cont'd)

material for disclosure for the purpose of the Accounts) the Company and the Group have made adequate provisions for appropriate disclosures of all known material liabilities whether actual or contingent and all material capital commitments whether actual or contingent, of the Company and the Group as a whole as at such dates and have complied in all respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since the Consolidated Accounts Date there has been no material adverse change in the financial position of the Company, any of its Subsidiaries or the Group taken as a whole, save as may be disclosed in the Issue Documents, or prior to the Closing Date, in any public announcement or publicly available document or as has been disclosed to the Underwriters prior to the date of this Agreement;

- 11.1.14 other than indebtedness contested in good faith by the Company or any of its Subsidiaries as disclosed in the Issue Documents and to the best of the knowledge and belief of the Company, no outstanding indebtedness of the Company or any of its Subsidiaries has become or is likely to become payable by reason of default by the Company or any such Subsidiaries and no event has occurred or is, so far as the Company is aware, impending which with the lapse of time or the fulfilment of any condition or the giving of any notice may result in any such indebtedness becoming so payable;
- 11.1.15 all taxes (whether income tax, property tax or otherwise) of the Company and the Group, in particular but not limited to, all taxes which are material in the context of the Public Issue, for which the Company and/or the Group is liable or which ought to have been paid, have been duly paid or adequately provided for in the Accounts; all the returns, notices or information which are required to be made or given by the Company or the Group for taxation, have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant or appropriate authorities and there are no present circumstances (of which the Company is or ought reasonably to be aware) which are likely to give rise to any such dispute;
- 11.1.16 the records, statutory books and books of accounts of the Group are duly entered and maintained in accordance with all legal requirements applicable and contain true, full and accurate records of all matters required to be dealt with and all such books and all records and documents (including documents of title) which are their respective property are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the ROC or other relevant authorities have been duly and correctly delivered or made;
- 11.1.17 all the assets of the Group which are of an insurable nature have at all material times been and are at the Agreement Date adequately insured against fire and other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party;
- 11.1.18 there will be no variation between the Prospectus in the form attached to this Agreement as Appendix A and the Prospectus in the

2. PARTICULARS OF THE IPO (Cont'd)

form registered by the SC and lodged with the ROC without the prior written consent of the Underwriters; and

11.1.19 the recitals to this Agreement are true, complete and accurate.

11.2 The Company irrevocably and unconditionally, covenants and undertakes with the Underwriters to do the following:

11.2.1 to pay all and any stamp and other documentary taxes or duties, payable on, or in connection with, the creation, issue and distribution of the Shares to be issued under the Public Issue or the execution of this Agreement, including any interest and penalties resulting from delay or omission on the part of the Company;

11.2.2 to cause to be delivered to the SC for registration and the ROC for lodgement a copy of the Prospectus signed in accordance with, and having attached the documents required by the SCA;

11.2.3 to apply for and obtain the approval of the KLSE for the admission of the Company to the Official List and for the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market before the Closing Date and to comply with all requirements and provisions of the CA, the SCA, the MMLR and all other applicable laws, rules and regulations and the requirements of all other relevant authorities;

11.2.4 to comply with all the conditions, if any, imposed by the SC and KLSE and any other relevant authorities for the admission of the Company to the Official List and the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market;

11.2.5 to promptly and without any delay whatsoever notify the Managing Underwriter who shall thereafter inform the other Underwriters of any breach of any of the representations, warranties, undertakings and/or agreements or of any facts, information, situations or circumstances which the Company in its reasonable opinion believes may materially and adversely affect the financial conditions or the business of the Company and/or the Group as a whole, or the success of the Public Issue or the listing of the Company on the MESDAQ Market and without prejudice to the generality of the foregoing, to take such steps as may be reasonably requested by the Managing Underwriter and/or any of the Underwriters (as the case may be) to remedy and/or publicise the same, at any time prior to the Closing Date;

11.2.6 to give to the Underwriters any or all information which the Underwriters may reasonably require in respect of the accounts or affairs of the Company or the Group or in connection with the Public Issue or the other proposals contained in the Prospectus and the documents (if any) attached thereto;

11.2.7 to fix the Closing Date together with the consent of the Managing Underwriter; and

11.2.8 to do all other things and sign or execute such other documents as may reasonably be required by the Managing Underwriter and/or any of the Underwriters (as the case may be).

11.3 The commitment of the Underwriters to underwrite the Underwritten Shares is being made on the basis of the representations, warranties and undertakings

2. PARTICULARS OF THE IPO (Cont'd)

of the Company in this Clause 11 (Representations, Warranties and Undertakings) and with the intention that such representations, warranties and undertakings shall remain true and accurate in all respects up to and including the Closing Date, and in consideration of such commitment to underwrite, the Company irrevocably and unconditionally undertakes with the Underwriters that it shall:-

- 11.3.1 hold and keep each and all of the Underwriters fully and effectively indemnified and shall save them harmless against any and all damages, losses, liabilities, costs, claims, charges, proceedings, expenses, actions or demands (including but not limited to all costs, charges and expenses, including legal fees, paid or incurred in disputing or defending any such claim or action) which the Underwriters may incur or suffer or which may be brought against the Underwriters as a result of any misrepresentation by the Company or any breach on its part of such representations, warranties or undertakings or any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to deposit the Underwritten Shares allotted to the Underwriters or their nominee(s) pursuant to Clause 9.3 (Underwriting Obligations) into the Securities Accounts of the Underwriters (unless the Underwriters shall have been advised in writing of a change or termination of any of such representations, warranties or undertakings prior to the Closing Date, pursuant to Clause 11.3.2 below and the Underwriters shall have elected not to terminate this Agreement notwithstanding such advice) or any failure by the Company to perform its obligations in this Agreement which entitles the Underwriters to terminate this Agreement pursuant to the provisions of Clause 14 (Termination);
- 11.3.2 immediately notify the Managing Underwriter who shall thereafter inform the other Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect any of its representations, warranties or undertakings at any time prior to the Closing Date, which shall come to its notice or of which it becomes aware or which shall occur at any time prior to the Closing Date, but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters;
- 11.3.3 not publish any amendment or supplement to the Prospectus of which the Underwriters have not previously been notified in writing or to which the Underwriters or their legal advisers shall reasonably object but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters contained in this Agreement;
- 11.3.4 to notify in writing and discuss with the Underwriters any announcement proposed to be made to the public which would conflict in any material respect with any statement in the Prospectus but the giving of any such notice and any such discussion shall not affect or prejudice any of the rights of the Underwriters contained in this Agreement;
- 11.3.5 to the extent permitted by law, not make public any information which will or is likely to affect the market price of the Underwritten Shares without prior written notice to and the prior written consent of the Underwriters unless required to do so by law; and
- 11.3.6 if this Agreement is terminated by the Underwriters, indemnify the Underwriters against any damages, losses, liabilities, costs, claims,

2. PARTICULARS OF THE IPO (Cont'd)

charges, expenses, actions or demands which they may reasonably sustain or incur as a result of such termination.

- 11.4 If any action, proceeding, claim or demand shall be brought or asserted against any or all of the Underwriters and/or the Managing Underwriter in respect of which indemnity is sought from the Company, then the Underwriters and/or the Managing Underwriter (as the case may be) shall notify the Company in writing, and the Company shall have the option to the extent required by the Underwriters and/or the Managing Underwriter and permitted by law assume the defence thereof on behalf of and/or in the name of the Underwriters and/or the Managing Underwriter, including the employment of legal advisers selected by the Managing Underwriters and/or the Underwriters (as the case may be), and the Company shall bear all fees and expenses in relation to or arising from such employment. The Managing Underwriter and/or the Underwriters (as the case may be) shall have the right to severally protect and enforce its rights existing or arising from this Agreement and it shall not be necessary for the Managing Underwriter or any of the Underwriters to be joined as a party to any proceedings commenced by the said Underwriter for this purpose. The Underwriters and/or the Managing Underwriter shall have the right to select separate legal advisers to assume such legal defence and otherwise to participate in the defence of such action, proceeding, claim or demand on behalf of the other Underwriters, and the Company shall bear all fees and expenses in relation to or arising from the engagement of such separate legal advisers. For the avoidance of doubt, a reference to a legal adviser includes a firm of legal advisers and the legal practitioners in the firm.
- 11.5 At any time prior to the Closing Date, the Company shall at the request of the Managing Underwriter and/or the Underwriters furnish or deliver to the Managing Underwriter and/or the Underwriters (as the case may be) all information and documents which the Underwriters may reasonably request for, for the purpose of verifying the truth, completeness or accuracy of the representations, warranties and undertakings contained in this Agreement.
- 11.6 The representations, warranties and undertakings set out in this Clause 11 (Representations, Warranties and Undertakings) shall survive the execution of this Agreement and shall be deemed to be repeated on each day up to the date of delivery of the notice of allotment in respect of the Underwritten Shares subscribed for by the Underwriters as if made on each such day with reference to the facts and circumstances existing on each such day and the rights and remedies conferred upon the Underwriters by the representations, warranties, undertakings, agreements and indemnities shall continue in full force and effect notwithstanding completion of the subscription and issue of the Shares under the Public Issue or any investigation by or on behalf of the Underwriters.

14. Termination

- 14.1 Notwithstanding anything contained in this Agreement, the Underwriters and/or the Managing Underwriter (as the case may be) may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel and withdraw their Underwriting Commitment if:
- 14.1.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 11 (Representations, Warranties and Undertakings), which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to the Company; or

2. PARTICULARS OF THE IPO (Cont'd)

- 14.1.2 there is failure on the part of the Company to perform any of its obligations contained in this Agreement; or
- 14.1.3 there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Shares issued under the Public Issue; or
- 14.1.4 there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or
- 14.1.5 there shall have occurred, or happened any of the following circumstances:
 - 14.1.5.1 any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - 14.1.5.2 any change in law, regulation, directive, policy or ruling in any jurisdiction; or
 - 14.1.5.3 any event or series of events beyond the reasonable control of the Underwriters including (without limitation) acts of government, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Underwritten Shares;

which, in the reasonable opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue, or the listing of the Company on the MESDAQ Market or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

- 14.2 Upon any such notice(s) being given pursuant to Clause 14.1 (Termination), the Underwriters shall be released and discharged of their obligations without prejudice to their rights under this Agreement, and where the Underwriters have terminated or withdrawn their Underwriting Commitments pursuant to Clause 14.1 (Termination), this Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of this Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities under Clause 11 (Representations,

2. PARTICULARS OF THE IPO (Cont'd)

Warranties and Undertakings) and under Clause 12 (Costs and Expenses) for the payment of costs and expenses already incurred up to the date of or in connection with such termination and under Clause 8.3.2 (Prospectus and Listing) for the payment of any taxes, duties or levies, and for any antecedent breach.

21. Withdrawal or Non-Procurement of Approval for Listing by KLSE

The Underwriters shall have the right to terminate this Agreement by notice in writing served by the Managing Underwriter on behalf of the Underwriters on the Company in the event that the approval of the KLSE for the admission of the Company to the Official List or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market is withdrawn or not procured or procured but subject to conditions not acceptable to the Underwriters and upon such termination the liabilities of the Company and the Underwriters shall become null and void and none of the parties shall have a claim against each other save that the Underwriters shall, on making a joint decision, be entitled to the return of the payment consideration for those Underwritten Shares within 7 Market Days from the date of notice given by the Managing Underwriter to the Company and the Company shall, on receipt by the Underwriters of the payment consideration, be entitled to the return of those Underwritten Shares underwritten by the Underwriters.

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3. RISK FACTORS

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

3.1 Business Risks

The Group is subject to certain general risks inherent to the fiber optic cable industry. These may include shortage in skilled workforce, increase in cost of workforce and operating cost, fluctuating cost of raw materials, entry of new competitors, introduction of new technology and products, changes in general economic, business and credit conditions and changes in government policies.

The Group has taken steps to mitigate the risks through continuous effort to maintain its skilled workers and to enhance its range of products. The Group also embraces updated technology to continuously improve its products and services to meet customers' demand and expectations. Further, the Group provides consultation services to customers as after sales services to retain its customers.

3.2 New Investment Activity Risks

The Group may, if appropriate opportunities present themselves, invest in new ventures, acquire businesses or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. As such, there are potential risks that investments may have longer than expected gestation periods or may not be entirely successful. In this event, the Group may take time to recover or be unable to recover its initial investments.

The Group plans to mitigate this risk, together with other possible venture risks in the future by exercising due care in the evaluation of such ventures. Nevertheless, there can be no assurance that such ventures, if any, will yield positive returns to the Group. However, the Group will undertake a detailed evaluation and consider all related risks prior to undertaking any acquisitions and joint ventures.

3.3 Borrowings

Save as disclosed in Section 9.4 of this Prospectus, as at 30 September 2003, the Group does not have any other borrowings and indebtedness in the form of borrowings, including bank overdraft and liabilities under acceptances, hire purchase or commitments or guarantees. As at 30 September 2003 (being the latest practicable date prior to the printing of this Prospectus, the Group does not have any borrowings save for outstanding advances of RM18.6 million.

The Group's working capital requirements are met mainly from internally generated funds and if required, partially by borrowings in the form of overdraft or trade facilities. Given that the Group may incur borrowings in the form of overdraft/ trade facilities or other facilities and the payment of the facilities interest is dependent on interest rate, future fluctuations of the interest rate can have material effects on the Group's interest and principal repayment. However, this risk can be mitigated by having a fixed interest rate term as well as no interest payment for the current and next financial years, as in the case of the amount due to its Directors, which is presently the total borrowings of the Group.

3. RISK FACTORS (Cont'd)

3.4 New Products

The Group is presently involved in the manufacturing of slotted core fiber optic cables and indoor cables.

The local markets for the Group's fiber optic cables, are characterised by technological changes, evolving industry standards, swift changes in customer requirements. The Group's future depends substantially upon its ability to address the increasingly sophisticated needs of its customers by supporting existing and emerging hardware, software, database and networking platforms. In this respect, Malaysia has recently seen the launch of the 3G Spectrum which is to be rolled out by two major service providers within the next 10 to 15 years. The 3G Spectrum is expected to heighten the deployment of fiber optic cables including loose tube fiber optic cables. In view of this new demand, the Group is in the midst of planning to set up an additional production line for the production of loose tube fiber optic cables to cater for such new surge of demand.

The timely development of the new production line is a complex and uncertain process. Although the Group believes that it will have the funding to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate technological and market trends, or to successfully manage long development cycles. The Group may also experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of its loose tube fiber optic cables. The Group is currently working with its joint venture partner, i.e. Ericsson to develop and set up the new production line for loose tube fiber optic cables.

If the Group is not able to develop its loose tube fiber optic cables or to enhance its existing slotted core fiber optic cables on a timely and cost-effective basis, or if one or more of the Group's competitors introduce products that better address customer needs or for any reason gain market share, the Group's business, operating results and financial condition would be adversely affected.

Given its experience and track record of the Group as well as the expertise and experience of its joint venture partner, Ericsson, in the production of loose tube fiber optic cables, the Group expects to be able to develop the additional production line on a timely and cost-effective basis.

3.5 Industry Life-Cycle

The fiber optic cable industry is cyclical in nature and highly dependent on the economic conditions of the country. As seen in year 1999, the economic slowdown did not spare the fiber optic cable industry as the Group experienced a decrease in sales.

However, the Group was less susceptible to the cyclical effect as it had secured a long term contract for the supply of fiber optic cables for use by Telekom. This can be evidenced by the sustainable revenue and profits of the Group even during the economic downturn in 1999. Going forward, with the abovementioned secured sales and coupled with its effective marketing strategy as well as diversification into loose tube fiber optic cables, the Group is confident that it will continue to be resilient against the ever-changing economic conditions and market demands in Malaysia.

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

3. RISK FACTORS (Cont'd)

3.6 Dependence on Suppliers

The major raw materials or components of the fiber optic cables are fibers. Currently, the Group sources its supply of fibers (raw material) for the production of fiber optic cables mainly from two (2) suppliers. However, the Group is of the view that it is able to source its supply of fibers from other alternative suppliers.

The Group maintains up to 3 months' supply of fibers. However, due to the nature of fibers which is light and comprise 70-80% of the cost of the cables, they can be flown in and can be obtained at short notice. Much of the risk have also been passed to the suppliers, who maintain the fibers in their inventories, and supply the fibers to the Group on a three(3)-month rolling plan.

Another important raw material or component for the production of fiber optic cables is the thixotropic gel. Currently, the Group is sourcing the supply of thixotropic gel, which is required for the process of stranding (i.e. to assemble loose and ribbon fiber into slotted core), from a single overseas supplier although there are alternative thixotropic gel suppliers available. The Group relies on this single supplier as it is not possible to predict the chemical reaction that may arise from using an alternative gel. However, it is possible to find an alternative thixotropic gel supplier and to switch to another type of thixotropic gel if the need arises without much disruption to the manufacturing operations.

In any event, both the fiber and thixotropic gel are purchased in bulk and kept in storage and can last for an average of 2 – 3 months' production.

3.7 Dependence on A Major Customer

The Group has a business alliance with its affiliated company, i.e. OSB, to supply fiber optic cables to Telekom. On one part, pursuant to the recognition of OSB as an entrepreneur under the Telekom's Entrepreneurs' Development Programme ("TMB Programme"), OSB is currently supplying fiber optic cables to Telekom under a supply agreement in July 1997 and its subsequent variation orders/supplemental agreements ("TMB Contract"). Both the TMB Programme and TMB Contract are expiring in December 2004. On the other part, OCSB, ONSB and OSB have entered into a supply agreement in August 1997 for the supply of fiber optic cables by the Group to OSB in relation to the TMB Contract.

Based on the audited financial statements for the six (6) month period ended 30 September 2003, the supply of fiber optic cables for the TMB Contract accounted for approximately 98.26% of the Group's total revenue. The Group is of the view that such high percentage is naturally expected, as it is a known fact that Telekom is the major player in the telecommunications industry in Malaysia.

OSB has received a letter of award dated 17 November 2003 from Telekom for a new contract to supply fiber optic cables for a period of three (3) years commencing from the date of the signing of the supply agreement. OSB is expected to contribute an average of approximately 73% to Opcom's revenue for the next five (5) years pursuant to the new contract.

The Group intends to reduce its reliance on the TMB Contract in the future and this is seen with its plan to manufacture loose tube fiber optic cables for the domestic as well as the overseas market.

3. RISK FACTORS (Cont'd)

3.8 Foreign Currency Risk

Currently, all the fiber optic cables manufactured by the Group are being sold locally whilst approximately 90% of its raw materials are being imported. The raw material cost for the production of fiber optic cables accounts for approximately 50% of OCSB's cost of production. Transactions of these purchases are made in RM and USD. As such, the Group is exposed to foreign exchange risk in respect of the fluctuations in the RM or USD exchange rate against other foreign currencies. However, the Group undertakes hedging to mitigate such risks.

3.9 Dependence on Key Personnel

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing key management. The Group will strive to continue attracting and retaining skilled personnel to support its business operation and has made efforts to train its staff. As a result of this, the Group has enjoyed the support of its management staff with long-term service.

The Group is headed by an experienced, dedicated and dynamic management team. They are trained and possess relevant knowledge and experience for the right business opportunities, which can provide synergy and growth to the Group.

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

3.10 Dependence on protection of intellectual property rights

The Group owns the "OPCOM" trademarks. The "OPCOM" trademarks have been in use by the Group since the commencement of the Group's business back in 1995. The Group has registered the following domain names which it uses in connection with its business, with the MYNIC :-

www.opcom.com.my

www.opcomcables.com.my

The "OPCOM" trademarks have gradually made its name amongst the local fiber optic cables manufacturers as well as the telecommunication industry since its inception almost a decade ago. Currently, the Group has granted a non-exclusive right to use the "OPCOM" trademarks to its affiliated companies i.e. OSB and Opcom Properties Sdn Bhd. Third parties may challenge or dispute the Group's intellectual property rights in terms of, amongst others, title and third party intellectual property rights infringement and the Group could incur substantial costs in defending or prosecuting any claims relating to its intellectual property rights. Issues relating to intellectual property rights can be complicated and there can be no assurance that disputes will not arise or that any disputes in relation to the Group's intellectual property will be resolved in the Group's favour. Moreover, any such disputes could be time consuming, cause delays in introducing new or improved products and services or require that the Group discontinue using the challenged technology, and could have a material adverse effect on the Group's reputation, business, operating results and financial condition. In this respect, the Group is of the view that such disputes will not likely happen as it has not been an issue since the use of "OPCOM" trademarks then.

3. RISK FACTORS (Cont'd)

3.11 Disruption in automation and systems

The production of fiber optic cables are almost fully automated wherein the specifications/data of the batches of cables to be manufactured will be keyed-into the computer systems by trained production personnels. The manufacturing process would be almost fully automated save for certain stages of process, such as the feeding of raw materials and the packing of final products into the drums. Quality checks are imposed at certain stages in accordance with quality control management required under the ISO 9002 standard. However, it is noted that the production process may be interrupted by systems disruptions arising from the possibilities of disruptions of electricity supply or even machine breakdown. Such disruptions will cause wastage in the form of unfinished cables which would mostly be unmarketable. However, there may not be any wastage as longer lengths of unfinished cables can be converted into shorter lengths of cables which may be required by certain customers.

In the event of service disruptions, the Group does not foresee any material loss arising therefrom which may have major impact on the Group's financial performance. Moreover, the Group has not experienced any major system disruptions or any machine breakdown for the past few years, and will continue to ensure efficiency of the production process by taking the necessary preventive and maintenance measures.

3.12 Breakout of fire, energy crisis and other emergencies

Every business faces the risks of losses arising from emergencies such as breakout of fire and energy crisis (as mentioned in Section 3.11). The Group has taken note of such risks and has taken various steps to reduce such risks by having proper fire-fighting systems, dispersing the storing of the finished products in various warehouse/locations and carrying out periodical review on its security and maintenance by its Facility and Security Department's personnel. The Group has also taken insurance coverage to mitigate the financial losses from such happenings where possible. In the event of a temporary energy crisis, the shortfall in production volume can be made up by increasing the scheduled production volume.

3.13 Insurance Coverage on Assets

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

For the Group's operations, all assets such as the manufacturing plant, inventories, office equipment and furniture and fittings are sufficiently insured under fire and other insurance policies. The Group has purchased insurance policies, among others, for fire breakout as well as fire consequential loss. Although the Group has taken the necessary measures to ensure that all its assets are covered by insurance, there can be no assurance that the insurance coverage would be adequate to compensate for the replacement cost of the assets or any consequential loss arising therefrom. The Group has obtained confirmation from its insurance broker that the insurance policies' coverage is adequate and sufficient.

3. RISK FACTORS (Cont'd)

3.14 Competitive Risks

The Group faces competition from both local and foreign fiber optic cables manufacturers. However, these competition are not expected to pose a serious threat as there are only a few existing fiber optic cable manufacturers in Malaysia and the prices of imported fiber optic cables are relatively more expensive due to high transportation costs. The competition of the latter may be stronger in view of the implementation of ASEAN Free Trade Area ("AFTA") agreement. Under the AFTA agreement, tariffs on almost all products traded by ASEAN's leading trading nations will be reduced by 2003. AFTA is implemented using the Common Effective Preferential Tariff ("CEPT"). More than 1,000 products have been included in the CEPT.

The competitive edge in the fiber optic cables manufacturing industry is characterised by elements such as first mover advantage, economies of scale, dominant market share and market knowledge. As for new entrants, the fiber optic cable industry poses high barrier of entries to potential new entrants. The barriers include significant start-up capital expenditure, the necessary technical know-how as well as knowledge of the market.

The Group does not envisage any new entrants to the fiber optic cable manufacturing industry in the near future which may pose a stiff competition to its business. Further, the Group believes that it has the edge over its competitors due to its economies of scale in production, its good relationships with its existing customers and its technological know-how acquired through years of guidance from Opcom's joint-venture partner, Ericsson.

The Group has taken pro-active measures to mitigate the competitive risks which include, inter alia, to constantly review its development and marketing strategies in response to ever-changing economic conditions and market demands, and to adopt different development concepts and marketing strategies that will correctly position its products to serve the needs of the existing and target markets. In addition, the Group has diversified its business into other related products such as cable accessories to ensure a stable stream of revenue. The Group shall continue to explore opportunities to diversify its business into new related products to maintain its competitive edge. Nevertheless, no assurance can be given that any change to these factors would not have any material adverse impact on the Group's business.

3.15 Dependence on a Particular Market

The Group currently focuses on the telecommunications industry in Malaysia. However, the Group intends to mitigate this dependence by introducing new products and exporting them to the overseas market. Please refer to Section 4.7 for details on the future plans of the Group. Nevertheless, no assurance can be given that the Group will be able to expand into the new markets successfully.

3.16 Economic, Political and Regulatory Risks

Adverse developments in political, economic, regulatory and environment conditions in Malaysia and other countries where the Group may operate can materially and adversely affect the financial prospects of the Group. Political and economic uncertainties include (but are not limited to) risks of war, riots, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation, changes in import tariff policies and currency exchange controls.

3.17 Control by Promoters / some shareholders

After the IPO, the Promoters (as set out in Section 5.1 of this Prospectus) will collectively control 72.9% of Opcom's enlarged issued and paid up capital. As a result, these Promoters will be able to exercise influence over the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

3. RISK FACTORS (Cont'd)

3.18 Dependency on TNB's Entrepreneur's Development Programme ("EDP")

The Group is currently supplying its fiber optic cables to TNB which are underlined by TNB's EDP. Under the EDP, Dato' Mukhriz Mahathir, the Chairman/Managing Director of Opcom as well as the Director of OCSB has been granted the "Entrepreneur" status with OCSB as the "Entrepreneur's Company". Among other conditions of the EDP are the equity holding in OCSB must be held by majority Bumiputera and that the Entrepreneur remains involved directly and actively - as an owner and in the management of the factory - of OCSB.

In the event any of the conditions is not met, such status under the EDP may be revoked. Hence, the sales contract with TNB may no longer be realisable.

The Group noted the possibilities that the EDP status may no longer remain status quo upon listing of Opcom on the MESDAQ Market as it might be difficult to justify that it remains in the EDP after listing. The Group also noted that there are cable manufacturers have been able to maintain a good business relationship with TNB despite the fact that they are not in EDP. The Group is confident that as it matures alongside with its eventual listing, it will be able to maintain a good business relationship with TNB, and the Promoters/Directors of Opcom intend to take the Company to the next level (i.e listing), with or without the EDP.

3.19 Dependence on Technology Provider

Pursuant to the TCA and MAA, OCSB was dependent on the transfer of technology and the provision of technical assistance, services, management know-how from Ericsson in respect of the production for slotted core fiber optic cables. However, OCSB's dependency on Ericsson as a technology provider is now minimal because OCSB has been manufacturing slotted core fiber optic cables for a reasonably long period (since January 1996).

With the proposed production of loose tube fiber optic cables, OCSB expects to rely on Ericsson for its technology and technical services. Therefore, should the TCA and MAA fall through, OCSB would have to search for alternative technology providers in respect of the production of loose tube fiber optic cables. Although OCSB's dependency on Ericsson is not critical to its business (given that there are alternative technology providers), having to search for alternative technology may delay the commencement of the commercial production of loose tube fiber optic cables. However, OCSB has a good working relationship with Ericsson and expects to maintain this relationship in the future.

3.20 Material Litigation/Legal Uncertainties

Like most supply agreements, the Group's agreements with its customers contain provisions which expose the Group to potential product liability claims or liquidated damages claims. For instance the Supply Agreement dated 15 August 1997 between OCSB, ONSB and OSB for the supply of fiber optic cables to Telekom provides that in the event OCSB fail to supply fiber optic cables to Telekom within the stipulated time, OCSB shall pay liquidated damages. To date, the Group has not experienced any material product liability claims.

Save as disclosed above and in Sections 12.6 and 4.2.15, as at 31 October 2003, the Group is not engaged either as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of the Group.

3. RISK FACTORS (Cont'd)

3.21 Competing Technologies

The increasing demand for high bandwidth in metro networks is relentless, and service providers' pursuit of a range of applications, including metro network extension, enterprise LAN-to-LAN connectivity, wireless backhaul and Local Multipoint Distribution System supplement has created an imbalance. This imbalance is often referred to as the "last mile bottleneck." Service providers are faced with the need to turn up services quickly and cost-effectively at a time when capital expenditures are constrained. However, the last mile bottleneck is only part of a larger problem. Similar issues exist in other parts of the metro networks. "Connectivity bottleneck" better addresses the core dilemma. From a technology standpoint, there are several options to address this "connectivity bottleneck".

The first, most obvious choice, is fiber-optic cable. Without a doubt, fiber is the most reliable means of providing optical communications. However, certain installation considerations, delays and associated costs of laying fiber optic cables may make it less economically viable. Moreover, once fiber is deployed, it becomes a sunk cost and cannot be re-deployed if a customer relocates or switches to a competing service provider, making it extremely difficult to recover the investment in a reasonable timeframe.

Another option is radio frequency ("RF") technology. RF is a mature technology that offers longer range distances than Free Space Optics ("FSO"), but RF-based networks require considerable capital investments to acquire spectrum license. Yet, RF technologies may not scale reliably to optical capacities of 2.5 gigabits. When compared to FSO, RF may not make economic sense for service providers looking to extend optical networks.

The third alternative is wire and copper-based technologies, (i.e. cable modem, Tier1s or DSL). Although copper infrastructure is available almost everywhere and the percentage of buildings connected to copper is much higher than fiber, it may not be a viable alternative for solving the connectivity bottleneck. The biggest hurdle is bandwidth scalability.

The fourth and often most viable-alternative is FSO – a line-of-sight technology that uses lasers to provide optical bandwidth connections. The technology is an optimal solution, given its optical base, bandwidth scalability, speed of deployment (hours versus weeks or months), re-deployment and portability, and cost-effectiveness (on average, one-fifth the cost of installing fiber-optic cable). However, it cannot be deployed in non-line-of-sight applications and may not perform under certain adverse atmospheric conditions. Further, the range of transmission of FSO is much shorter than fiber optic cable.

The alternative technologies to address "Connectivity Bottleneck" offer service providers compelling alternatives for optical connectivity and complement to fiber optics.

The Group is of the view that fiber optic cables would be the preferred choice for most telecommunication applications in view of all the advantages that fiber optic cables can provide.

3.22 Trade Facilities

The Group has trade facilities with financial institutions which may contain certain covenants, representations, warranties, undertakings and/or conditions which may limit the Group's operating and financial flexibility. The aforesaid covenants, representations, warranties, undertakings and/or conditions are common to such trade facilities. A breach of such covenants, representations, warranties, undertakings and/or conditions may allow the financial institution to terminate the relevant trade facilities and/or enforce any security granted in relation to that trade facilities. The Board of Directors is aware of such covenants, representations, warranties, undertakings and/or conditions and will endeavour to take the necessary precautions to prevent any such breach.

3. RISK FACTORS (Cont'd)

3.23 Disclosure Regarding Forward-Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Group, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements express or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded that the plans and objectives of the Group will be achieved.

3.24 Related Party Transactions/ Conflict of Interest

As disclosed in Section 7 of this Prospectus, there are certain related-party transactions involving the Directors and/or substantial shareholders and/or persons connected with the Directors and/or substantial shareholders of Opcom. The Directors and substantial shareholders of Opcom have given an undertaking that all business transactions between the Group and the Directors and substantial shareholders and their related persons, shall be based on arms length basis and on commercial terms that shall not be disadvantageous to the Group.

As disclosed in Section 7.4 of this Prospectus, some of the Promoters, Directors and/or substantial shareholders of Opcom have interests in a company carrying on similar businesses as the Group. To mitigate any potential conflict of interest, the interested Promoter, Director and/or substantial shareholder of Opcom has given a written non-competition undertaking, details of which are set out in Section 7.4 of this Prospectus.

3.25 No Prior Market for Opcom's Shares

Prior to this Public Issue, there has been no public market for Opcom's shares. There can be no assurance that an active market for Opcom's shares will develop and continue to develop upon or subsequent to its listing on the MESDAQ Market or, if developed, that such a market will be sustained. The Issue Price of RM0.80 for the Public Issue and Offer Shares has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and condition, its prospects and the prospects of the industry in which the Company operates, the management of the Company, the market prices for shares of companies engaged in business similar to that of the Company and the prevailing market conditions at the time the application for listing of Opcom was submitted to the SC. There can be no assurance that the Issue Price will correspond to the price at which Opcom's shares will trade on the MESDAQ Market upon or subsequent to its listing.

3.26 Failure/Delay In The Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following event occurs:

- (i) The eligible directors, employees as well as business associates of the Group fail to subscribe the IPO Shares allocated to them;
- (ii) The underwriters of the IPO fail to honour their obligations under the underwriting agreements;
- (iii) The placees under the private placement fail to subscribe the IPO Shares allocated to them; and
- (iv) Opcom is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of Opcom must be held by a minimum of 200 public shareholders holding no less than 100 ordinary shares in Opcom each.