

5. INFORMATION ON THE OPB GROUP

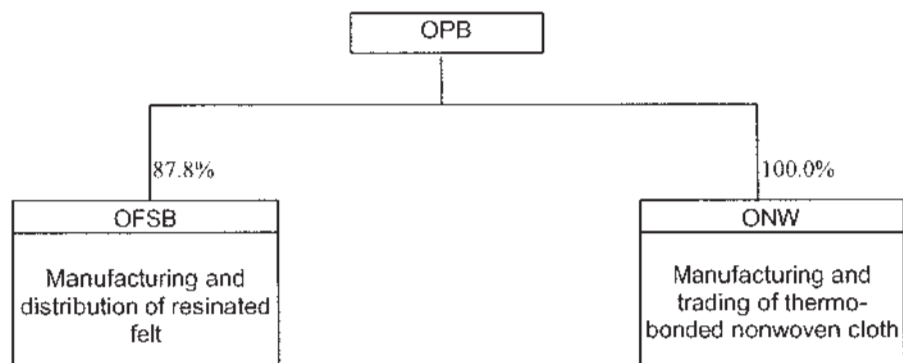
5.1 History

OPB was incorporated in Malaysia under the Act on 26 August 2002 as a private limited company under the name of Modernflex Sdn Bhd. On 12 November 2002, it changed its name to Oceancash Pacific Sdn Bhd. Subsequently, on 27 November 2002, it was converted to public company and assumed its present name. The Company was incorporated as an investment holding company to facilitate the listing of the OPB Group on the MESDAQ Market. The Company presently has an authorised share capital of RM25,000,000 comprising 250,000,000 OPB Shares, of which 172,222,000 OPB Shares have been issued and fully paid-up.

The OPB Group comprises OPB, as the investment holding company of two (2) subsidiaries, OFSB and ONW. The principal activities of the subsidiaries are set out below:

Subsidiaries	Date and Place of Incorporation	Effective Equity Interest (%)	Issued and Paid-up Share Capital	Principal Activities
OFSB	11 April 1996, Malaysia	Approximately 87.8	RM4,615,000	Manufacturing and distribution of resinated felt which is used for the purposes of thermal and acoustic insulation. Its applications include interior and exterior trims of automobiles, outdoor units of split air conditioners, insulation in buildings including roofs, ceilings, walls, partitions and floors as carpet underlay.
ONW	21 December 1999, Malaysia	100.0	RM6,013,074	Manufacturing and trading of thermo-bonded nonwoven cloth which is widely used in the disposable hygienic products industry. Its applications include the top and bottom layers of diapers and sanitary napkins, wet wipes, surgical apparels including caps, masks and gowns.

The corporate structure of the OPB Group is set out below:



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5.2 Restructuring Scheme

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of OPB on the MESDAQ Market, OPB undertook a restructuring exercise which was approved by Bursa Malaysia, SC, MITI and FIC on 19 February 2004, 18 February 2004, 16 April 2003, 7 March 2003 and 24 March 2003 respectively. The Restructuring Scheme involved the following:

5.2.1 Incorporation of Revaluation Surplus

The incorporation by OFSB and ONW of the Revaluation Surplus of RM675,003 and RM392,757 respectively arising from the revaluation of the industrial land measuring 214,718 sq. ft. located at H.S. (D) 52918, P.T. No. 41067, Bandar Baru Bangi, Daerah Ulu Langat, Selangor (Bangi Land) and factory buildings (Landed Property) jointly owned by OFSB and ONW based on their open market value.

The revaluation surplus of the Landed Property attributable to OFSB was incorporated into the financial statements of OFSB for the financial year ended 31 December 2002 and the revaluation surplus of the Landed Property attributable to ONW was incorporated into the financial statements of ONW for the financial year ended 31 December 2003.

5.2.2 Acquisitions

On 23 December 2002, OPB entered into two (2) conditional Share Sale Agreements with the vendors of OFSB and ONW to acquire approximately 87.8% equity interest in OFSB and the entire enlarged issued and paid-up share capital of ONW. The purchase considerations were arrived at based on the respective adjusted audited NTA of OFSB and ONW as at 30 September 2002 of RM9,424,262 and RM7,797,936 respectively. The purchase considerations were fully satisfied by the allotment and issuance of new OPB Shares at an issue price of RM0.10 per OPB Share and are computed as follows:

Purchase Consideration of OFSB

	RM
Audited NTA as at 30 September 2002	10,058,781
Revaluation Surplus ¹	675,003
Adjusted NTA	10,733,784
Purchase consideration for approximately 87.8% equity interest	9,424,262

Purchase Consideration of ONW

	RM
Audited NTA as at 30 September 2002	3,792,105
Revaluation surplus ¹	392,757
Capitalisation of loans from directors	3,613,074
Adjusted NTA	7,797,936
Purchase consideration for 100% equity interest	7,797,936

Note:

1 Based on the market value as at 1 November 2002 and the book value as at 30 September 2002 of the factory building located on the Bangi Land as stated in Section 9.2 of this Prospectus.

The Acquisitions were completed on 7 April 2004 and the total purchase consideration of RM17,222,198 was satisfied by the issuance of 172,221,980 new OPB Shares which will rank pari passu in all respects with the existing OPB Shares.

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5.2.3 Renunciation

The major vendor, OESB, received 70,414,360 OPB Shares from the disposal of OFSB and 31,123,920 OPB Shares from the disposal of ONW.

On completion of the Acquisitions, OESB renounced its rights of allotment of the entire 101,538,280 OPB Shares to the following shareholders:

Shareholders	Existing shareholdings in OESB		OPB Shares to be renounced	
	No. of shares	%	No. of shares	%
Tan Siew Chin	4,499,421	64.25	65,242,700	64.25
Chen Lee Chew	1,936,901	27.66	28,085,540	27.66
Lau Kok Han @ Lau Sea Huan	174,800	2.50	2,534,640	2.50
Tan Chin Ming	152,000	2.17	2,204,040	2.17
Tan Siew Tyan	91,200	1.30	1,322,420	1.30
Lee Seong Kar	87,400	1.25	1,267,320	1.25
Lam Kim Hoong	30,400	0.43	440,810	0.43
Lim Siok Eng	30,400	0.43	440,810	0.43
Total	7,002,522	100.00	101,538,280	100.00

Subsequent to the Renunciation, OESB will not hold any shares.

5.2.4 Public Issue

The Public Issue by OPB of 50,778,000 new OPB Shares representing approximately 22.77% of the enlarged share capital of OPB at an issue price of RM0.20 per ordinary share payable in full on application, to be allocated as follows:

- (i) 2,778,000 Public Issue Shares representing approximately 1.25% of the enlarged share capital of OPB have been reserved for the eligible Directors and employees of the Group;
- (ii) 40,000,000 Public Issue Shares representing approximately 17.94% of the enlarged share capital of OPB by way of private placement to identified investors; and
- (iii) 8,000,000 Public Issue Shares representing approximately 3.59% of the enlarged share capital of OPB will be made available for application by Malaysian public.

5.2.5 Listing

The admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of OPB of RM22,300,000 comprising 223,000,000 OPB Shares on the MESDAQ Market.

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5.3 Changes in Share Capital

a) Authorised Share Capital

The present authorised share capital of OPB is RM25,000,000 comprising 250,000,000 OPB Shares.

b) Issued and Paid-up Share Capital

The present issued and paid-up share capital of OPB is RM17,222,200 comprising 172,222,000 OPB Shares. Upon completion of the Public Issue, the issued and paid-up share capital of OPB will be RM22,300,000 comprising 223,000,000 OPB Shares.

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

Date of allotment	No of ordinary shares	Par value RM	Consideration	Total issued and paid-up share capital RM
26.8.2002	2	1.00	Subscribers' shares	2
18.12.2002	20	0.10	Sub-division of shares from RM1.00 to RM0.10 each	2
7.4.2004	94,242,620	0.10	Issued at RM0.10 per share for the acquisition of approximately 87.8% equity interest in OFSB	9,424,264
7.4.2004	77,979,360	0.10	Issued at RM0.10 per share for the acquisition of 100% equity interest in ONW	17,222,200

5.4 Business Overview

5.4.1 Group Structure

The subsidiaries of the OPB Group are set out in the table below:

Subsidiaries	Date and Place of Incorporation	Effective Equity Interest (%)	Issued and Paid-up Share Capital	Principal Activities
OFBS	11 April 1996, Malaysia	Approximately 87.8	RM4,615,000	Manufacturing and distribution of resinated felt which is used for the purposes of thermal and acoustic insulation. Its applications include interior and exterior trims of automobiles, outdoor units of split air conditioners, insulation in buildings including roofs, ceilings, walls, partitions and floors as carpet underlay.
ONW	21 December 1999, Malaysia	100.0	RM6,013,074	Manufacturing and trading of thermo-bonded nonwoven cloth which is widely used in the disposable hygienic products industry. Its applications include the top and bottom layers of diapers and sanitary napkins, wet wipes, surgical apparels including caps, masks and gowns.

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5.4.2 Principal Products

Nonwoven fabrics are broadly defined as sheet or web structures bonded together by entangling fibre or filaments (and by perforating films) mechanically, thermally or chemically. They are flat, porous sheets that are made directly from separate fibres or from molten plastic or plastic film. They are not made by weaving or knitting and do not require converting the fibres to yarn.

Nonwoven fabrics are engineered fabrics that may be a limited life, single-use fabric or a very durable fabric. Nonwoven fabrics provide specific functions such as absorbency, liquid repellency, resilience, stretch, softness, strength, flame retardancy, washability, cushioning, filtering, bacterial barrier and sterility. These properties are often combined to create fabrics suited for specific jobs, while achieving a good balance between product use-life and cost. They can mimic the appearance, texture and strength of a woven fabric and can be as bulky as the thickest paddings. In combination with other materials they provide a spectrum of products with diverse properties, and are used alone or as components of apparel, home furnishings, health care, engineering, industrial and consumer goods.

Listed below are some of the more familiar products made with nonwoven fabrics:

- Disposable diapers
- Sanitary napkins and tampons
- Sterile wraps, caps, gowns, masks and drapings used in the medical field
- Household and personal wipes
- Laundry aids (fabric dryer-sheets)
- Apparel interlining
- Carpeting and upholstery fabrics, padding and backing
- Wall coverings
- Agricultural coverings and seed strips
- Automotive headliners and upholstery
- Filters
- Envelopes
- Tags
- Labels
- Insulation
- House wraps
- Roofing products
- Civil engineering fabrics/geotextiles

Felts

Felt is an abrasively matted textile product made mainly from wool. It is created when heat and moisture are introduced to the raw wool and high pressure is applied over a period of time. This is commonly referred to as pressed felt. It can be found in sheet or roll form in a myriad of thickness, widths, hardness, densities, and colours. There are also a wide variety of felt materials, in addition to wool, such as chemical fibre, heat resistant, needle, resin-treated, and molded. Felt can be divided broadly by the way it is made into the three categories of (1) non-woven (manufactured without weaving); (2) woven felt; and (3) molded felt, wherein resin is used in its production.

OPB's principal products are resin felts and nonwoven cloth. The applications for the products are as follows:

- Felts are used extensively as thermal and acoustic insulation materials, particularly for the automotive and the air conditioner manufacturing industry. It has excellent insulation properties and is also lightweight. It can also be moulded into various shapes and profiles, providing design flexibility and being locally produced, it is very cost effective to use.

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- The automotive industry uses fully cured and semi cured resin felt. Fully cured resin felt is used in applications such as dashboard insulator, roof pad silencer, floor carpets underlay, parcel shelf lining, trunk compartment lining, wheel housing lining and door trim lining. As for semi cured felt, it can be moulded and shaped into headliners, dash insulators, outer dash insulators, bonnet liner/hood insulator, floor carpet underlay, rear parcel shelf and wheel housing covers.
- The air conditioner industry uses fire retardant felt. Fire retardant felt is produced in flexible blanket or roll form. Felt is used in the outdoor units of split unit air conditioners as heat, sound as well as vibration dampening materials. This reduces the transfer of heat, noise and vibrations generated by the air conditioner compressor.
- The following are the products used in the automotive industry and the air conditioner industry:
 - Fire Retardant Resin Felt
 - Full Cured Resin Felt
 - Semi Cured Resin Felt
 - P.F. Felt

(Source: Independent Market Research Report, ACNielsen)

Nonwoven Fabric

Thermal bonded nonwoven fabric is used extensively in the disposable hygienic product industry. As these applications involve the products coming into direct contact with human skin, the thermo-bonding nonwovens are considered most suitable as there are no chemicals used in the production process. It also has the advantage of having a softer texture. The thermal bonded nonwovens are used in baby and adult diapers, surgical apparels including caps, gowns and masks, sanitary napkins and wet wipes.

(Source: Independent Market Research Report, ACNielsen)

5.4.3 Research and Development Activities and Technology Investment

The Group is constantly looking for new technologies that will enable it to maintain its market position and stay ahead of the competition. The machinery used in the Group's production lines is as follows:

Machinery	Purpose	Country of Origin	Units	Total Cost (RM)
<u>OFSB</u>				
Resinated Felt Line	To produce resinated felt	Japan, Korea	2	6,500,000
Slicing Machine	To slice the thickness of the felt	Japan	1	250,000
Die-Cut Machine	To cut the felt into the sizes required by customers	Thailand, Taiwan	2	220,000
QC – Tensile Tester	To test the tensile strength of the felt		1	
<u>ONW</u>				
Thermal-bond Nonwoven & QC equipment	To produce Nonwoven cloth	Taiwan	3	6,720,000

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The Group's efforts in research and development focuses on developing new products. It constantly looks into developing different blends of fibre recipes for new products and to explore possible new applications of resin felt and nonwoven fabrics. Besides this, the Group also looks into experimenting with new production techniques and parameters to increase production efficiency and quality. In addition, OPB works closely with its suppliers in sourcing new and more cost effective raw materials.

The Group also works with converters of its nonwoven products. Once a new idea of application is developed, OPB works with the converters on the finished product before promoting it to the end users. This research and development strategy has resulted in many new products being introduced such as disposable table cloth and fruit wrappers.

As a result of extensive research and development, OFSB has increased its optimum monthly production capacity from 150 tonnes to 200 tonnes with the same set of machinery. In 2002, OFSB had also started to commercially produce P.F. Felt, a new type of felt which does not use phenolic resin in the production process and which is odourless. In 2002, ONW commenced production of nonwoven cloth with pre-applied aloe vera and biogel as well as nonwoven cloth of 45g/m², the heaviest thermo-bond nonwoven fabric in commercial production at present, which is used as disposable table clothes in the restaurant business.

Moving forward, the research and development of the Group will focus on fibre technology involving experiments on a combination of different kinds of fibres to produce products of specific characteristics and performance. This self-developed technology is often unique to each manufacturer. The types of fibres that are available for production of nonwoven fabrics include cotton, wool, jute, kenaf, polyester, polypropylene, rayon, acrylic and others. Fibre technology is important as different combinations of fibres used can produce different types of nonwoven fabrics for different applications.

OPB's research and development is a joint function carried out by the production and quality control staff as OPB believes in tapping the abilities of its people in different disciplines.

For the financial year ended 31 December 2003, both OFSB and ONW had spent a total amount of RM206,006 on research and development which represented approximately 0.69% of their total revenue. As part of its business plans, the Group intends to undertake continuous research and development to develop new products and making its nonwovens applicable to other products such as surgical masks, roofing materials and various types of packing materials including fruit wrappers, disposable table cloths and filters.

Its present plans on research and development and estimated timeframe for product development are as follows:

Research and Development	Estimated Timeframe
OFSB	
• Thermal bond (phenol free) fire retardant felt production	4 th quarter 2004
• Thermal bond (phenol free) moldable felt production	4 th quarter 2005
• Production efficiency improvement from 81% to 85%	4 th quarter 2004
ONW	
• The development of sublayer as replacement for tissue used in diapers	3 rd quarter 2004
• The development of ADL (acquisition distribution layer) to be used in diapers	4 th quarter 2004
• To increase production line speed from 70 m/min to 80 m/min	3 rd quarter 2004
• To increase production line speed from 80 m/min to 90 m/min	4 th quarter 2004

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5.4.4 Brand Names, Patents, Trademarks, Technical Assistance Agreements, Franchises and Other Intellectual Property Rights

The Group does not presently own any registered brand names, patents, trademarks, technical assistance agreements, franchises or other similar intellectual property rights.

The principal statutory licences required by the Group are set out in Section 9.1 of this Prospectus.

5.4.5 Production Process and the Technology Involved

OFSB's production line can be used to manufacture different types of felts. This is also the case for the Group's nonwoven fabric production lines. As such, OPB is able to produce different variants of products, enabling the Group to cater to changing customer demands.

The production of felts is handled by OFSB and the production of nonwoven fabrics is handled by ONW. The basic manufacturing process applies throughout the plants of OFSB and ONW. Essentially, the Group manufactures the following products:

- (i) Full Cured Resin Felt;
- (ii) Semi Cured Resin Felt;
- (iii) Fire Retardant Felt;
- (iv) P.F Felt; and
- (v) Thermal Bonded Nonwoven Fabric
 - hydrophillic
 - hydrophobic
 - colour nonwoven
 - bicomponent (polyethylene, polypropylene, polyester)
 - added premium aloe vera

The following is a brief description of the manufacturing process at OFSB:

Steps Process

1. Fibres are fed into a Hopper, which are then loosened, mixed and transferred to the fibre tower of the pre-pickering machine pneumatically via ducting. For the Fire Retardant Felt, a special blend of fibres is used, which differs from the rest.
2. The fibres are primarily mixed to homogenise them. The fibres are then deposited on the conveyor belt in the form of a continuous mat.
3. The mat is then passed through the resin dropper where powder resin is spread over it at a pre-determined rate, controlled by invertors. For Fire Retardant Felt, this is when a fire resistant chemical is also spread over it.
4. The mat is then transferred pneumatically to the 2 towers of the fleecer where secondary mixing takes place.
5. A second stage mat (Fibre & Resin) is formed and fed by the towers into the fleecer.
6. Inside the fleecer, a special air mixing process takes place. Here the resin is uniformly distributed and attached to each and every strand of fibre on a microscopic scale.
7. Millions of fibres coated with resin are then randomly picked to form an interlocking web, which is termed as the fleece.

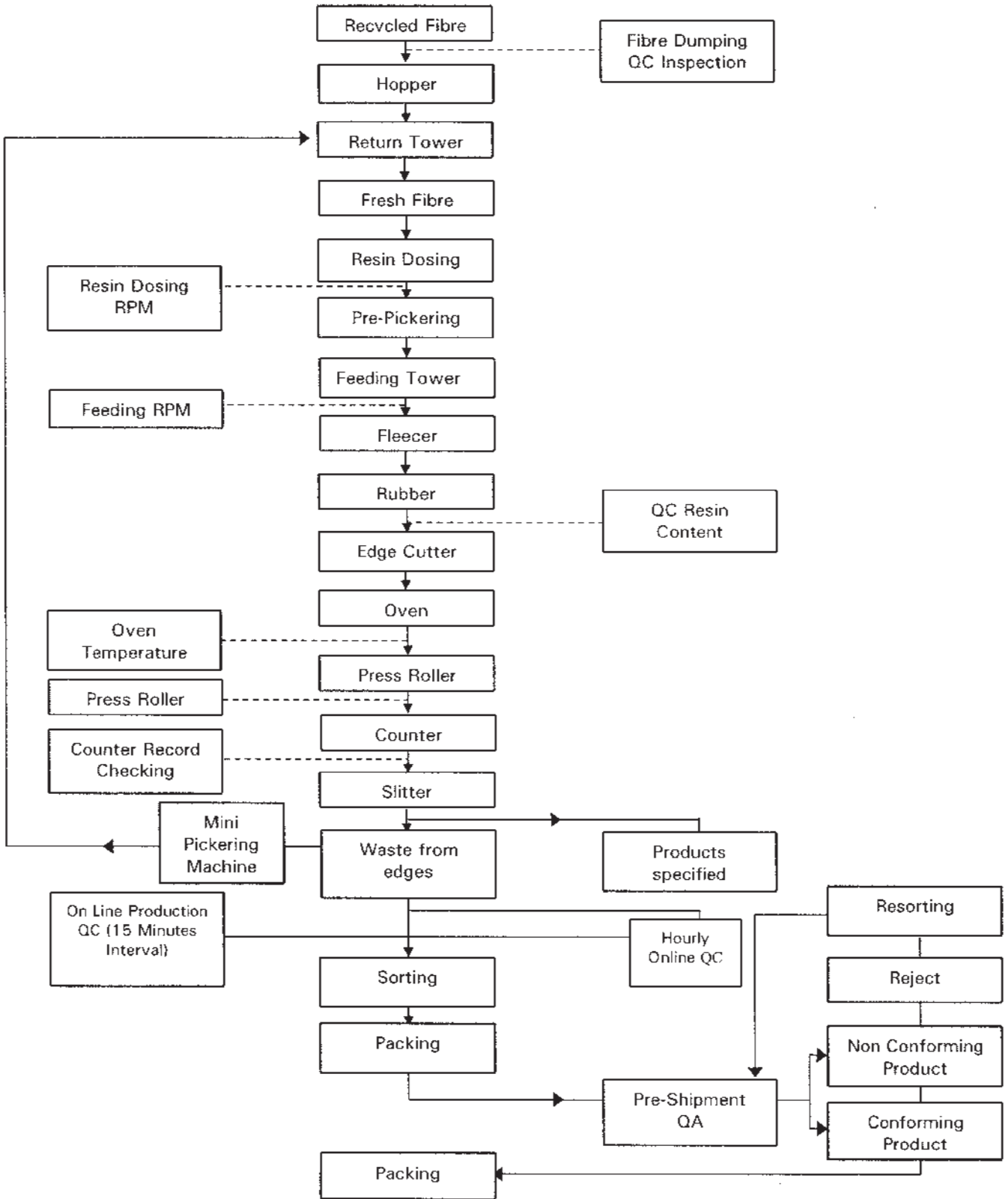
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8. Several layers of fleece (depending on the required density) are then combined to form the final mat, which is then fed into the oven for curing.
9. The curing process is undertaken inside the oven where the fleece is sandwiched by the top and bottom steel plate conveyors. Curing is performed by hot air being blown on the steel plate conveyors, which in turn acts as a heat conductor to cure the resin. For the different types of felt products, different temperatures are required. Example, for Semi Cured Resin Felt, temperatures are limited to 150°C to maintain the ease of handling for further processing.
10. During the curing process, the powder resin melts into a molten like substance, thereby immobilising the coated fibres and the fire resistant chemicals. The molten resin then solidifies and bonds the fibres firmly together to form the finished product. The air also gets trapped in the fleece to give it a lightweight and spongy feel, which is the basic nature of resin felt.
11. The cooling conveyor then cools felt rolled out from the oven before being cut to the required sizes by the shearing cutter.
12. All rejected felt or waste is then shredded by the recycle machine to be re-used in the production process. There is minimal any wastage in this manufacturing process.
13. For Semi Cured Resin Felt, there is an additional process called the hot press moulding process. During this process, the resin in the semi cured resin felt undergoes another stage of heat curing. The remaining chemical reactivity of the resin is subject to a temperature of 220°C-250°C. The resin becomes molten again and flows according to the shape and profile of the mould being used, bringing the fibres with it. When sufficient curing time has been achieved, the resin solidifies and holds the fibres firmly in place. Thus the final product takes the shapes and profiles of the moulds applied.
14. It is important to note that resin being thermo-setting in nature cannot be reworked once it has been fully cured, therefore, semi cured resin felt needs to undergo a two-stage manufacturing process.

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The flowchart below depicts the manufacturing process of felts:



Note:
RPM: revolution per minute

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The following is a brief description of the manufacturing process at ONW:

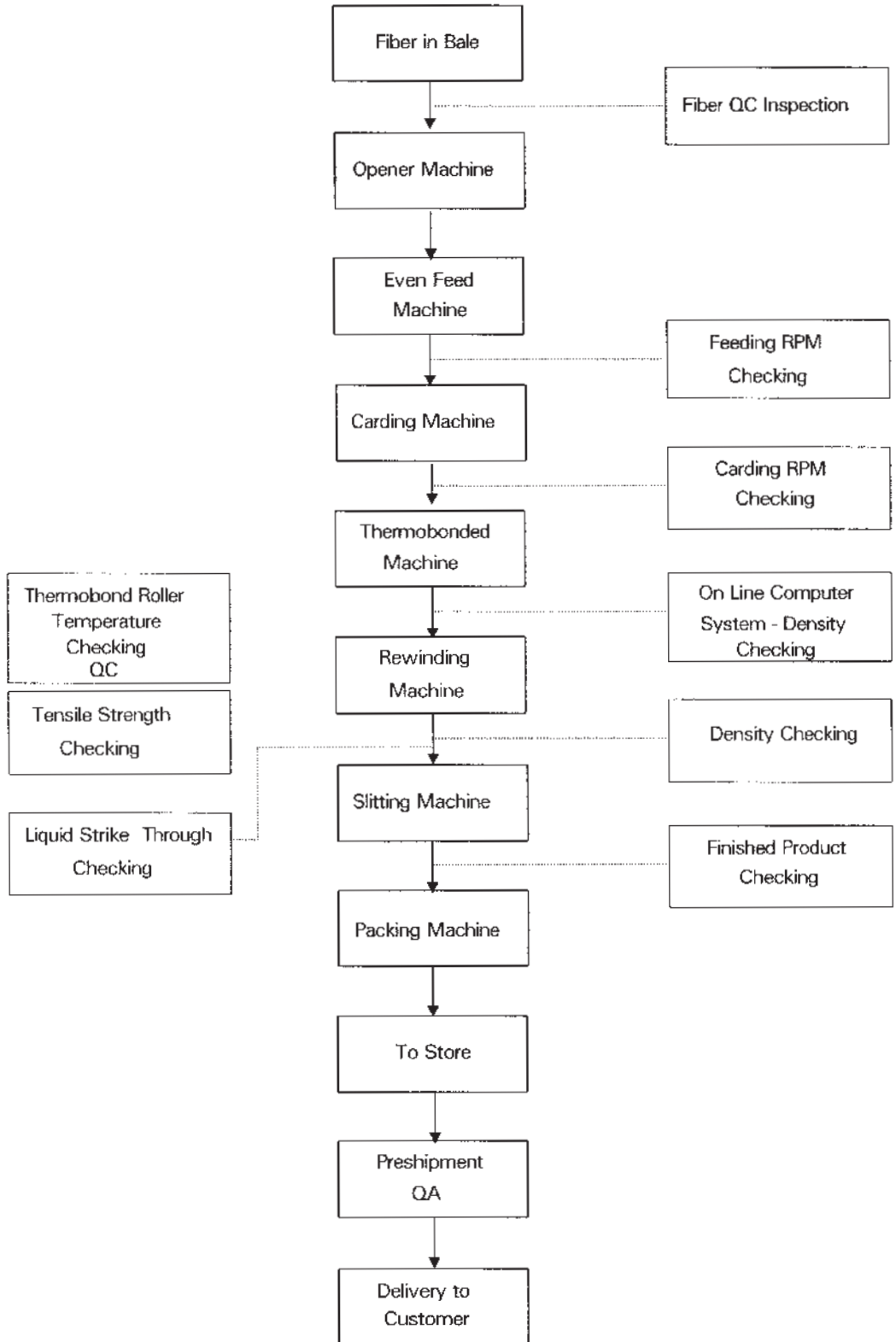
Steps Process

1. Fibres in bales are fed manually into the hoppers of the opener machine where they are loosened, weighted and dropped onto a conveyor at a pre-determined weight for specific mixing composition.
2. The various weighted fibres are then transferred by the conveyor to the first stage opener where they are primarily opened and mixed. The fibres are then transferred by air to the second stage opener where secondary mixing takes place.
3. The fibres, having been thoroughly opened and mixed, are then sent pneumatically to the even feed machine.
4. In the even feed machine, the mixed fibres are spread and distributed to ensure even fibre distribution throughout.
5. Fibres from the Even Feed Machine are then fed automatically to the carding machine. The carding machine consists of a number of cylinders with different needles, each performing a specific task. The basic function of the carding machine is to sort the fibres out evenly to produce two layers of web, the top and bottom web.
6. The top and bottom fibre web from the carding machine are then merged to form a single layer and is then fed by rollers into the heated rollers of the thermobonding machine. The heated rollers consist of a top embossing roller and a smooth surface roller at the bottom.
7. When the fibre web passes through the heated rollers, millions of the minute tips of the embossing roller comes in contact with the fibres and press the fibres firmly against the smooth surface of the bottom roller.
8. During that moment, the fibres soften and melt under heat treatment and immobilise one another to form an interlocking web.
9. This interlocked web is then passed through cooling rollers immediately to cool its temperature and thereby stabilising the thermoplastic fibres.
10. At this stage, the web is formed and is then rolled and slit according to dimensional requirement.

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The flowchart below depicts the manufacturing process for nonwoven:



(Source: Independent Market Research Report, ACNielsen)

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5.4.6 Market Position

The Malaysian nonwoven manufacturing industry is a subsector of the synthetic resins, plastic materials and man-made fibre except glass sector. The number of synthetic resins, plastic materials and man-made fibre except glass manufacturers total about 52 in the country.

(Source: Annual Survey of Manufacturing Industries 2000, Department of Statistics, Malaysia).

There is only one (1) main competitor of OFSB's resinated felt products which has similar set up and comparable machinery as OFSB. The other company in ASEAN region, which has similar set up, and comparable machinery is SNC Sound Proof Co. Ltd in Thailand. Based on the market research by ACNielsen, OFSB has a higher turnover compared to its local competitors based on the audited accounts for the financial year ended 31 December 2002.

There are three (3) other manufacturers in Malaysia supplying similar products as ONW. There is also a manufacturer each in Thailand and Indonesia with similar production of nonwoven fabrics. Based on the market research by ACNielsen, ONW has a higher turnover compared to its local competitors based on the audited accounts for the financial year ended 31 December 2002.

In order to maintain and improve its market position, the Group has intensified its efforts to venture into manufacturing nonwoven cloth laminated with polyethylene film as a step towards diversifying its market. The Group will purchase a lamination machine from the Public Issue proceeds. The technology to laminate nonwoven cloth and polyethylene film together is currently not available in Asia and the diaper manufacturers would normally import this material from Europe. Currently, the demand is estimated to be in excess of 1,300 tonnes or RM11.82 million a month and ONW is projected to be able to cater for approximately 40% of the total market demand in 2006.

Further, the Group's focal aim in delivering quality products and reliable after-sales services has rewarded the Group with its own network of loyal customers, which is one of the cornerstone successes of the Group.

5.4.7 New or Proposed Products

As a means of diversifying its product range, the OPB Group is currently exploring the possibility of venturing into the production of nonwoven cloth which is laminated with polyethylene film to achieve a softer surface. The nonwoven cloth which is laminated with polyethylene film is generally suitable as the back sheet of diapers. The Group intends to invest a sum of approximately RM3.100 million from proceeds of the Public Issue for the purchase of the lamination machine for this production line and is expected to commence its commercial production of nonwoven cloth laminated with polyethylene film in the fourth quarter of 2004.

5.4.8 Principal Markets

OFSB

The principal markets for OFSB's products are the automotive and air-conditioner industries. Approximately 18% of its total revenue is derived from the export market, principally Taiwan and Thailand.

The automotive industry contributed approximately 88% to OFSB's total revenue for the financial year ended 31 December 2003. Johnson Control Automotive Interiors Sdn Bhd (formerly known as Carinpa (M) Sdn Bhd) and Grand Carpet Industries Sdn Bhd, which produce automotive headliners and automotive carpets respectively, are OFSB's two largest customers with approximately 35% share of its total revenue.

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The air-conditioner industry contributed approximately 12% to OFSB's total revenue for the financial year ended 31 December 2003. OFSB's largest customers in the air-conditioner industry include Myti Corporation Sdn Bhd, which is a major supplier of air-conditioner components to Matsushita Industrial Corporation Sdn Bhd.

Felts are used as the interior trim fabrics and the trunkliners in cars. The common applications are the molded floors, formed headliners, oil and carburetor filters, trunk liners, door trims, seat backs, load floors and package trays. In addition to these more obvious applications, which are there primarily for their aesthetic appeal, other applications include sound barriers, filters, battery separators, structural panels, formed liners and door parts, speaker housings, headliner substrates, seat forms and even exterior body panels. The application of nonwoven in automobiles includes the following:

Applications	Specific Areas of Use	Nonwoven Technology
Headliners	Facings, Backings (including mold release applications), Substrates	Needlepunch, Spunbond
Hoodliners	Facings, Backings (including mold release applications)	Spunbond, Resin, Needlepunch
Trunk	Trunk liner, Reinforcements, Load floors for estate cars/sport utility vehicles, Deck lidliner, Seatback fabric on fold down seats, Under package tray liner, Rear-end panel	Spunbond, Needlepunch
Insulation	Acoustic, Thermal	Needlepunch, Spunbond
Door	Lower Facings, Panel trim (door insert/bolster), Reinforcements	Needlepunch, Spunbond, Hydroentangled
Seat	Back fabrics, Bolster fabrics, Construction reinforcements, Trim/Toe Kick, Decorative Fabrics	Needlepunch, Spunbond, Hydroentangled
Rear Shelf/Package Tray	Facings/Backings	Needlepunch
Carpet	Carpet, Primary backing, Secondary Backing	Needlepunch, Spunbond

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ONW

The principal market for ONW's products is mainly the disposable hygienic product industry.

ONW's largest customer is SCA Hygiene Sdn Bhd (*formerly known as Drypers Malaysia Sdn Bhd*) with approximately 51.43% share of total revenue for the financial year ended 31 December 2003.

The other industry that is becoming increasingly popular in recent years is consumer products that utilise the application of disposable nonwoven fabrics. Consumer products represent attractive markets for nonwoven fabrics due to the market stability of disposable consumer products throughout economic cycles and the continuing growth prospects as emerging new products rejuvenate the growth outlook in mature categories. The established nonwoven applications in consumer products include the following:

- hygiene absorbent products
- pre-moistened and dry wipes
- bedding and home furnishing fabrics
- apparel interlinings
- components for residential carpets
- coated and laminated fabrics for wall coverings, upholstery, luggage, shoe components and table cloths
- fabric softener dryer sheets
- home air filters
- tea bags

5.4.9 Sources and Availability of Raw Materials

The raw materials used for the production of nonwoven fabrics include fibres, powder resin, jute and recycled cotton of which supply is presently obtained from China, Taiwan, Korea, Europe, Indonesia, Malaysia, Pakistan and the United States.

Major raw materials like fibres and resins are centrally sourced to enable the Group to obtain better pricing and terms.

The OPB Group has excellent working relationships with its suppliers, of which many of them have been supplying raw materials to the Group since its inception. The payment terms accorded to the Group by its local suppliers ranges from cash on delivery to 60 days. The payment method for its overseas suppliers is via letters of credit.

5.4.10 Quality Control Procedures

The Group is aware that the quality of products delivered to customers can affect its market position as well as its cost of production in this competitive environment. The management places a strong emphasis on the quality of its products.

The Group's policy is to deliver products of the highest quality at the most competitive price. The Group ensures that correct procedures are adopted to minimise rejects and additional costs associated with work repetitions.

OPB Group uses various in-house equipments to ensure a comprehensive and stringent quality control process. These equipments are used to test the various characteristics of felts and nonwoven products including tensile strength, bending strength, resin content, flammability, heat forming, thickness, surface density, weight distribution, elongation, water strike through rate, re-wet test, run off rate and more.

As the Group emphasises the importance of quality, besides the quality control department, employees at all levels are to ensure the quality of end products. OFSB and ONW are also currently in the process of obtaining their ISO9001 2000 certification.

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5.4.11 Environmental Concerns

OFSB recovers the resins from the production waste using a vibrating screen, which helps to separate the fibre from the resins. The waste felts discharged from its factories are recycled using a fibre opening machine. This machine shreds the waste into fibres to be reused in the production process. The remaining waste that is left after the above recovery processes need to be properly disposed as the phenolic resin is harmful to the environment. An independent third party, Tunas Berjaya Trading, disposes these wastes with fully cured resins that are no longer reactive. As for ONW's waste, Jili (M) Sdn Bhd and Soon Heng Huat Trading Sdn Bhd assist in recycling the waste. Hence, OPB Group strives to promote a better working environment for its employees at its factories as well as fulfill its obligation as a socially responsible company.

5.4.12 Interruptions to Operations

There has been no interruption to the OPB Group's business or operations in the past twelve (12) months.

5.4.13 Employees

As at 15 June 2004 (being the latest date prior to issuance of this Prospectus), the total employees employed by the OPB Group are as follows:

Company	Number of Employees		
	Local	Foreign	Total
OPB ¹	1	-	1
OFSB	41	10	51
ONW	41	15	56

Note:

- 1 OPB was incorporated as an investment holding company with key management and employees being directly employed by each respective subsidiary

Generally, the Group's employees can be categorised as follows:

Category	OPB		OFSB		ONW	
	Number of Employee	Average length of services (years)	Number of Employee	Average length of services (years)	Number of Employee	Average length of services (years)
Management and executive staff	1	0.46	8	5.76	7	2.79
Technical and supervisory staff	-	-	6	6.56	5	2.53
Clerical and administration staff	-	-	2	0.96	1	1.50
General workers	-	-	1	6.10	-	-
Production workers						
Skilled	-	-	4	2.23	18	1.92
Unskilled	-	-	30	1.39	25	1.16
Total	1		51		56	

The employees of the Group do not belong to any other union.

Further, there is and has been no labour or industrial dispute in the past.

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5.4.13.1 To Train and Retain Skilled Technical Employees

As the OPB Group is essentially a manufacturing set-up, experienced and skilled employees are necessary for the smooth operation of the various production lines. The nature of the OPB Group's business which offers a host of products with varying customers' specifications also demands the workers to be adept and trained to attend to different production processes. Hence, the employees periodically attend relevant training programmes which are fully-sponsored by the OPB Group to upgrade and update their technical knowledge and know-how.

Further, as the OPB Group progressively automates its production processes, there is a need for experienced and skilled technical employees whom are able to operate the computerised machines and oversee the production processes. In this case, training programmes are necessary to train the employees to handle and operate the new machines properly and more effectively from the technical aspect.

5.4.14 Key Achievements / Milestones

With a view to improving its business processes, effectiveness and efficiency, and to ensure consistency in the quality of the products and services being rendered, OFSB intends to embark on obtaining the ISO 9001:2000 certification from Chamber Certification Assessment Services Ltd (UK) by July 2004. The ISO certification affirms the commitment of the Group's management towards meeting its customers' needs.

In 2003, OFSB received a Certificate of Achievement under SMI-Pharmaniaga Phoenix Award Category during the SMI Recognition Award Series 2003 organised by SMI Malaysia.

5.4.15 Modes of Marketing and Distribution

Due to the nature of the original equipment manufacturing (OEM) markets, where the clientele base are mostly manufacturers, the OPB Group's marketing strategy focuses on strengthening ties with its industry contacts. This has helped the OPB Group create awareness among potential customers.

The senior management of OPB Group are directly involved in the marketing of the nonwoven products where decisions can be made without delay and together with the Group's policy on quality, cost, delivery and service has proven very effective in securing new customers as well as maintaining the existing ones. The Group essentially markets its products directly to its customers and are able to price its products competitively. The Group's client base has, over the years, been built up through networking amongst its business associates, customers and suppliers.

As the Group's products are solely for the OEM markets, the distribution of these products are undertaken in-house, with a contracted transporter for the local market, while containerised shipment is used for the export market.

Some of the key points marketed by the Group are its reliability in delivering quality and consistent products, its efficient distribution network with timely deliveries as well as the capability and flexibility of the Group to meet its customers' requirements. The long-term customer relationships which the Group has are a strong testimony of the Group's reliability.

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OPB plans to venture into E-commerce, by creating an additional marketing channel for its products. OPB's marketing teams are in the process of conducting research on the current technology available in respect of the viability of such a distribution channel. Currently, the Group has a web site to provide information on the Group's products. If such a channel is viable, OPB will place emphasis on a business to business portal as there is no direct demand from consumers for felt products or nonwoven fabrics. As OPB does not supply directly to the end consumers, the distribution channel will allow OPB to work closely with its customers via the business to business channel.

5.4.16 Production Capacity and Capacity Utilisation

OFSB

OFSB's estimated output capacity and capacity utilisation is illustrated below:

OFSB	Output Capacity (tonnes p.a.)	Utilisation (tonnes p.a.)
1998	1,800	100
1999	1,800	350
2000	1,800	950
2001	1,800	1,260
2002	2,400	1,270
2003	2,400	1,500

There are two (2) production lines in OFSB. Based on the above analysis on the first production line, out of the estimated total capacity of 2,400 tonnes per annum, approximately 1,500 tonnes per annum have been utilised in 2003 yielding a capacity utilisation of about 63%. In 2002, OFSB acquired its second production line with a maximum output of approximately one third of the production capacity of the first production line which enables OFSB to cater for additional output demand

ONW

ONW's estimated output capacity and capacity utilisation is illustrated below:

ONW	Output Capacity (tonnes p.a.)	Utilisation (tonnes p.a.)
2000	560	318
2001	1,440	1,100
2002	1,920	1,600
2003	2,100	2,100

ONW is operating at optimum capacity and will be acquiring a lamination machine to produce nonwoven fabric laminated with polyethylene film in 2004.