

5. INFORMATION ON THE OPB GROUP

5.4.17 Location

The location of production facilities and place of business of the OPB Group are as follows:

Company	Location	Built-Up Area (sq. ft.)
OFBSB	Lot 73 Jalan P10/21 Taman Industri Selaman Sekysen 10 43650 Bandar Baru Bangi Selangor	41,516
ONW	Lot 73 Jalan P10/21 Taman Industri Selaman Sekysen 10 43650 Bandar Baru Bangi Selangor	41,729

The production facilities and business premises are strategically located with close proximity to some of its major customers in the region, thus improving both its operating efficiency and delivery times.

Further information on the landed properties of the Group is set out in Section 9.2 of this Prospectus.

5.5 Prospects of the Group

With the favourable industry factors and the efforts of management in pursuing the growth strategies outlined above, the Board believes that the prospects of the Group and business are encouraging.

Please refer to Section 5.10 for further details on the Future Plans, Strategies and Prospects of the Group.

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5. INFORMATION ON THE OPB GROUP

5.6 Information on Subsidiaries**5.6.1 Information on OFSB****(a) History and Business**

OFSB was incorporated in Malaysia under the Act as Ekounion Sdn Bhd on 11 April 1996 as a private limited company and commenced operations as a felt manufacturer on 1 January 1997. OFSB assumed its present name on the 14 March 2001. Its principal activities are 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.

(b) Substantial Shareholders

OFSB is 87.8% owned by OPB and the balance of 12.2% is held by Myti Corporation Sdn Bhd.

(c) Changes in Share Capital

OFSB presently has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The changes in the issued and paid-up share capital of OFSB since its incorporation are as follows:

Date of Allotment	No. of ordinary shares allotted	Par Value RM	Consideration	Total issued and paid-up share capital RM
11/04/96	2	1.00	Cash	2
01/07/96	8	1.00	Cash	10
30/01/97	1,999,990	1.00	Cash	2,000,000
08/12/98	300,000	1.00	Cash	2,300,000
02/03/99	900,000	1.00	Cash	3,200,000
28/06/00	565,000	1.00	Cash	3,765,000
09/11/00	850,000	1.00	Others ¹	4,615,000

Note:

1 Capitalisation of loan from Directors.

(d) Subsidiary and associated company

As at 15 June 2004 (being the latest date prior to the issuance of this Prospectus), OFSB has no subsidiary or associated company.

5. INFORMATION ON THE OPB GROUP

5.6.2 Information on ONW

(a) History and Business

ONW was incorporated in Malaysia under the Act as Eternal Triumph Sdn Bhd on 21 December 1999 as a private limited company and commenced operations as a thermo-bonding nonwoven cloth manufacturer on 1 June 2000. ONW assumed its present name on 27 March 2001. Its principal activity is 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.

(b) Substantial Shareholder

ONW is a wholly-owned subsidiary of OPB.

(c) Changes in Share Capital

ONW presently has an authorised share capital of RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The changes in the issued and paid-up share capital of ONW since incorporation are as follows:

Date of Allotment	No. of ordinary shares allotted	Par Value	Consideration	Total issued and paid-up share capital
		RM		RM
21/12/99	2	1.00	Cash	2
15/03/00	999,998	1.00	Cash	1,000,000
30/11/00	400,000	1.00	Cash	1,400,000
05/06/01	1,000,000	1.00	Others ¹	2,400,000
26/02/04	3,613,074	1.00	Others ²	6,013,074

Notes:

- 1 Capitalisation of loan from shareholder.
- 2 Capitalisation of Director's advances.

(d) Subsidiary and associated company

As at 15 June 2004 (being the latest date prior to the issuance of this Prospectus), ONW has no subsidiary or associated company.

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5. INFORMATION ON THE OPB GROUP

5.7 Industry Overview

The international nonwoven industry is very fragmented and diverse. These products are manufactured in market segments varying from space shuttle tiles to automotive interiors to blood filters to carpet underlay pads. Hence, it is difficult to keep all manufacturers concentrated and organised.

The majority of the nonwoven manufacturers are fairly small and medium sized firms which are mostly family owned. However, there are still many advantages to the nonwoven manufacturers in an industry with such broad and diverse markets where the marketing and sales potentials are boundless.

The tables below depict the consumption and production of nonwoven by region for years between 1983 and 2007:

Nonwoven Consumption by Region 1983-2007
(% of Total)

Year	USA	West Europe	Japan	China	Others
1983	52	31	8	-	9
1988	48	30	9	2	11
1995	38	30	9	6	17
1998	35	30	10	80	17
1999	34	30	9	10	18
2000	33	30	9	11	18
2005	31	31	9	11	18
2007	30	30	9	12	19

Nonwoven Production by Region 1983-2007
(% of Total)

Year	USA	West Europe	Japan	China	Others
1983	53	34	10	-	3
1988	53	34	9	1	3
1995	45	32	9	2	12
1998	41	30	8	3.5	17.5
1999	38	30	8	5	19
2000	37	29	8	6	20
2005	37	28	8	7	20
2007	36	28	8	7	21

(Source: *International Fibre Journal*, February 2001)

The nonwoven industry has made dramatic technical and commercial progress in recent years. Worldwide consumption of nonwoven in 1998 reached 2.4 million tonnes (8.1% of textile consumption). In 1970, consumption was 0.4 million tonnes, but by 2007 it likely to reach 4.0 million tonnes. Production of nonwoven (as distinct from textiles generally) is still concentrated in the USA (41% of world total), West Europe (30%) and Japan (8%). China produces 3.5% and the rest of the world 17.5%. By 2007, China will produce 7% and the rest of the world 21%. Global production of approximately 3.9 million tonnes was achieved in 2001. The growth in production is expected to be 7.5% for the period 2002 to 2007.

As can be seen from the tables above, the three largest producers are United States of America, Europe and Japan. Almost all countries of the world have some level of ongoing nonwoven activities. Some of the medium-sized markets that continue to grow annually include Mexico, Brazil, South Africa and Australia.

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The nonwoven industry in the eight countries of China, Korea, Japan, Taiwan, Thailand, Malaysia, Indonesia and the Philippines has expanded by an average 4.5% a year from 856,000 tonnes in 1997 to slightly over a million tonnes in 2002. These eight countries now produce about a quarter of all nonwoven materials worldwide, up from less than a fifth in 1997. With current growth rates, the eight countries are likely to account for well over a third of worldwide nonwoven production by 2007.

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).

5.7.1 The Malaysian Economy

(i) Current

After experiencing sluggish growth in 2001, the Malaysian economy rebounded strongly in 2002. Higher growth in 2002 bolstered optimism for a stronger economic performance in 2003 in anticipation of an improved world economic outlook. The prospect for a global economic recovery was, however, affected by recent geopolitical developments, in particular the war in Iraq, sporadic incidences of militancy and outbreak of the Severe Acute Respiratory Syndrome (SARS).

Against this adverse global environment and concerns of further weakening of the already sluggish global economy, the Malaysian government (Government) has put in place a package of broad-base pro-growth measures in May 2003. Malaysia's sound economic fundamentals and expansionary fiscal and accommodative monetary policies, supplemented by the Government's proactive stimulus package, have helped to sustain high growth in the real gross domestic product (GDP). After expanding 4.5% in the first half of 2003 and with prospects of sustained growth in the second half of 2003, the economy is set to achieve its targeted growth of 4.5% in 2003, higher than the 4.1% in 2002.

The economy is expected to be driven by stronger domestic demand reinforced by a modest pick-up in external demand in the second half of 2003. Exports will continue to be buoyed by global economic recovery and the upturn in electronics, especially in information technology-related products and equipment. On the domestic front, consumer spending continues to pick up, on account of favourable commodity prices, positive wealth effect from better stock market performance as well as stimulus packages introduced in May 2003. All sectors registered positive growth with manufacturing and services driving the economy.

(Source: Independent Market Research Report, ACNielsen)

Malaysia's manufacturing sector is all geared up for better times ahead, as output strengthened further starting February 2003 on the back of higher growth of domestic-oriented industries and better performance of export-oriented industries. Domestic-oriented industries recorded double digit growth, spurred by higher consumption in food and beverages, and continuing demand for products of construction-related industries. The export-oriented industries also performed better in 2003 and recorded a moderate growth during the first six months, due to rebound in rubber products and textile industries.

5. INFORMATION ON THE OPB GROUP

Overall, output of the manufacturing sector expanded by 7.8% in the first six months (January to June 2002: 1.4%). The better-than-anticipated growth was the result of higher production of 7.9% in the second quarter of 2003 (second quarter 2002: 6.5%).

(Source: Economic Report 2003/2004)

The services sector, recovering from the SARS impact in the second quarter, will register a slightly higher growth rate of 4.2% in 2003. Demand for financial services, telecommunications and transport arising from improved economic prospects, particularly during the second half of the year will support overall growth. Steady pick-up in tourism after the short-lived SARS outbreak and improved consumer sentiment during the second half of the year further reinforced the sector's growth.

Rising income as well as policy measures aimed at increasing domestic consumption have contributed to the growth of the wholesale and retail trade, hotel and restaurants sub-sector. The sub-sector is estimated to register a moderate growth of 2.1% in 2003 compared with 2.6% in 2002, due to the negative impact of SARS during the second quarter. Fortunately SARS was short lived and while some retailers suffered losses, others experienced a boon. Sales of plastic and rubber gloves and surgical masks for protection purposes as well as plastic containers, canned food and health supplements increased substantially during the SARS period. The month-long mega sales in August and during the festival season from October to December are expected to further boost retail sales.

Total sales of the wholesale and retail trade expanded by 5.8% to RM44,255 million in the first quarter of 2003, due mainly to higher sales in wholesale trade, which accounted for 67.9% of total sales. Sales value of wholesale trade grew at 7.9% to RM30,054 million in the first quarter of 2003 following higher receipts from specialised stores, particularly, sales of motor trading and motor accessories which increased by RM1,726 million followed by household and personal goods (RM299 million) and palm oil (RM199 million). Specialised stores are important to wholesale trade as they accounted for 89.7% of its sales. Retail trade sales, meanwhile grew at a slower rate of 1.6% to RM14,201 million in the first quarter of 2003, following marginal growths of 0.9% and 1.8% in the sales value of non-specialised stores and specialised stores, respectively. As in the case of wholesale trade, specialised stores trade dominated retail sales, accounting for 79.7% of its sales value.

(Source: Economic Report 2003/2004)

(ii) Longer Term Outlook

The economic outlook for 2004 is envisaged to be favourable. Real GDP growth is envisaged to gain momentum and register a higher rate of 5.5% to 6% in 2004. Growth is expected to emanate from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures. Whilst all sectors are forecast to register higher growth, services and manufacturing will continue to lead GDP growth, contributing 3.1 and 2.2 percentage points respectively.

External developments and strengthening domestic economy point to stronger growth in the manufacturing sector. Growth in export-oriented industries, in particular the electronics industry, is envisaged to gain strength following higher inter-regional trade, particularly between ASEAN and East Asia. Efforts to promote domestic consumption as well as advancements into higher value-added products will further boost growth of domestic-oriented industries. Taking cognisance of the on-going development processes, the overall value added of the manufacturing sector is expected to register a stronger growth of 7.2%.

5. INFORMATION ON THE OPB GROUP

Growth in the services sector will be broad based, fuelled by higher demand for transport, telecommunication, financial and insurance services in tandem with improved economic performance. A robust manufacturing sector will underpin higher consumption in utilities and higher trade and commercial activities will further enhance growth. The services sector is, therefore, envisaged to record a higher growth of 5.5% in 2004.

A midterm review of the Eighth Malaysian Plan (8MP) was completed recently. During the review period, the GDP in real terms grew at an average rate of 3.0% per annum compared with the 8MP target of 7.5% per annum. Although this was below expectation, the economic performance was better than achieved by some other countries in the region. During this period, per capita Gross National Product (GNP) increased by 2.4% per annum from RM13,352 in 2000 to RM14,324 in 2003. Per capita GNP in terms of purchasing power parity recorded a higher growth of 3.9% per annum from USD8,360 in 2000 to USD9,380 in 2003 as a result of lower domestic inflation and stable exchange rate.

For the remaining 8MP period, 2004 to 2005, macroeconomic policies will be directed towards achieving the objectives of the 8MP of sustainable growth with resilience. Sound macroeconomic management will continue to be pursued together with efforts to strengthen the governance and resilience of the financial and corporate sectors. In addition, efforts will be intensified to develop the knowledge-based economy and accelerate the development of growth sectors.

The Malaysian economy will continue to rely on domestic demand to accelerate its growth performance while at the same time adopting an innovative and concerted approach to meet the increasing challenges in the global environment. In this regard, the public sector will perform a facilitative role by pursuing prudent fiscal and accommodative monetary policies. The private sector is expected to be more aggressive in stimulating the economy by increasing investment as well as enhancing productivity and competitiveness. During 2004 to 2005, real GDP is projected to grow at an average rate of 6.0% per annum in line with the potential output, placing the economy on track towards achieving the targets of the National Vision Policy and Vision 2020.

Development expenditure will be prioritised towards committed and approved projects under the mid-term review of the 8MP, especially those with strong linkages and value creation potential in the economy. Already, steps are in place to transition the country from a production-based economy to a technology and knowledge-based economy to ensure that Malaysia remains competitive in the global economy.

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

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5.7.2 The Nonwoven Manufacturing Industry

(i) Past Performance of the Industry

The Malaysian nonwoven manufacturing industry is a subsector of the synthetic resins, plastic materials and man-made fibre except glass sector. It is assumed that the growth rate of the nonwoven sector mirrors that of the synthetic resins, plastic materials and man-made fibre except glass sector.

As an indicator for the Malaysian environment, the industrial production growth of the synthetic resins, plastic materials and man-made fibre except glass is as follows:

Production of Malaysian Synthetic Resins, Plastic Materials and Man-made Fibres except glass industry

Year	Production Index for Factories	Growth %
1996	170.1	N/A
1997	192.8	13.3
1998	191.6	-0.6
1999	212.5	10.9
2000	239.0	12.5
2001	219.1	-8.3
2002	243.1	11.0
5 Years Average Growth Rate 1997 – 2002	N/A	6.5

(Source: Department of Statistics)

Note:

N/A Not applicable

The production of synthetic resins, plastic materials and man-made fibre except glass sector has been growing at an average growth rate of 6.5% for the period 1997 to 2002. During the period 1997 to 2002, the industry experienced uneven growth rates due to the changes in the economic climate in Malaysia. Growth rates were particularly strong in 1997, 1999, 2000 and 2002 whereby the growth rates were above 10%. Due to the economic crisis in 1998, production of synthetic resins, plastic materials and man-made fibre except glass sector fell 0.6% that year. The industry has since recovered and returned to its normalised growth path. However, in 2001, there is a fall of 8.3% in the production of synthetic resins, plastic materials and man-made fibre except glass sector. Nonetheless, the nonwoven cloth industry in Malaysia is matured judging from the growth pattern from 1997 to 2002 which registered a six (6) years average growth rate of 6.5%.

(Source: Independent Market Research Report, ACNielsen)

5. INFORMATION ON THE OPB GROUP

(ii) Future Prospects of the Industry

Diapers manufacturing industry in Malaysia is experiencing tremendous growth over the last ten years. One of the factors leading to this is the policy of the Malaysian government whereby diapers and materials imported for use in diaper manufacturing are exempted from tariff. This made Malaysia an ideal place for foreign companies looking to establish their factories to produce diapers where they can procure the raw materials tax free and thus achieving relatively low costs. Worldwide consumption of nonwoven is expected to reach 4.0 million tonnes in 2007.

The Malaysian Automotive Association (MAA) remains upbeat about the industry and expects a 5% rise in vehicle sales in 2004 to 425,000 unit, with commercial vehicles, which are not affected by the new tariff structure leading the way. Motor vehicle sales fell 6.9% last year to 405,010 units, from 434,954 in 2002 due to the SARS outbreak and buyer reticence ahead of a firm announcement on the national auto policy post-AFTA. National cars, totalling 271,710 units took an 85% share of the total, compared with 328,638 units or 91% in 2002. Proton and Perodua took 49% and 35% of the total passenger car market in 2003 respectively.

(Source: Independent Market Research Report, ACNielsen)

(iii) Industry Players and Competition

The overwhelming majority of the nonwoven industry is controlled by a number of big players. This situation can probably be attributed to the severe pricing pressures and competition problems plaguing the industry today. Freudenberg Nonwoven, Germany, DuPont Nonwoven, USA, PGI Nonwoven, USA and BBA Nonwoven, UK are large nonwoven manufacturers. Increasing competition in their mass markets will certainly necessitate continuing research and development.

The smaller players, on the other hand, will steer clear of the highly competitive and tight-margin mass markets, such as the disposable hygiene and standard Medicare sectors. Instead, they tend to hone niche markets, commonly supplying specialist constructions such as fire-blocking materials, protective fabrics, coating substrates, papermakers' felts, and filtration media. Some companies, for example, employ systems such as thermal-bonding, which, although less productive, can be more versatile than, for example, spunbonding to compete in specialised niches of the mass markets.

In terms of foreign competition in Malaysia, OFSB faces little or no threat at all. Generally, as a lightweight and bulky product, the containerised shipment of felt is extremely costly. Furthermore, imports of felt into Malaysia, other than from ASEAN countries attract an import duty of 25% and sales tax of 10%. More importantly, OFSB's products are internationally competitive as the company has been able to lower and/or control its cost structure. The fact that OFSB is exporting its products to a number of countries is testament to its competitiveness. Therefore, OFSB is able to export its products to Thailand in view of its growing automotive production, whilst the majority of felt producers only cater for their respective domestic market.

(iv) Relevant Laws and Regulation Governing the Industry

The legislation governing the OPB Group's principal activity is the Industrial Co-ordination Act, 1975 (Act). The objective of the Act is to ensure orderly development and growth in the manufacturing sector. The approvals received under the Act are summarised in Section 9.1 of this Prospectus.

5. INFORMATION ON THE OPB GROUP

(v) Demand and Supply Conditions

Demand

The OPB Group's nonwoven fabric manufacturing is largely dependent on the future growth of the automotive, industrial and disposable hygiene products sectors. For the financial year ended 31 December 2003, the Group exported approximately 18% of its total revenue to Thailand, Taiwan, Indonesia and Myanmar.

Hence, the demand for the Group's products may be analysed as follows:

(a) Domestic Market

The manufacturing and services sectors are expected to grow by 6.5% and 4.2% respectively in 2003. Correspondingly, the real GDP is expected to grow 4.5% in 2003. As at the end of 2002, Malaysia's population of 24.53 million people and increased by 3.2% annually to approximately 25.32 million in year 2003. After experiencing a growth of 5.6% in 2002 to RM14,706, the per capita income is expected to increase to RM15,401 in 2003 and grow at a rate of 4.3% to RM16,070 in 2004.

(Source: Economic Report 2003/2004)

The increasing population coupled with the expected improvement in the per capita income which translates to higher levels of disposable income would generally augur well for the Group's business. Higher levels of disposable income would generally increase consumer spending on consumer goods like automobiles, air-conditioners and disposable hygiene products.

(b) Export Market

The export of nonwoven fabrics between 1998 and 2002 has been commendable. The following are the tables on exports of felt and nonwoven fabrics:

Export of Felt

Product	Year Ended 31 December (RM'000)				
	1998	1999	2000	2001	2002
Malaysia	2,044	10,425	8,606	5,915	5,014
OPB Group	101	100	301	176	637
Share of Export	4.9%	1.0%	3.5%	3.0%	12.7%

(Source: Department of Statistics)

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Export of Nonwoven Cloth

Product	Year Ended 31 December (RM'000)				
	1998	1999	2000	2001	2002
Malaysia	1,068	920	810	1,716	6,930
OPB Group	-	-	443	1,093	565
Share of Export	-	-	54.7%	63.7%	8.2%

(Source: Department of Statistics)

The export value of felt in Malaysia increased tremendously by 145% from year 1998 to 2002. In year 2002, Thailand accounted for 43% of Malaysia's total felt export followed by Taiwan which accounted for approximately 40%. In relation to the export of nonwoven, Thailand and Indonesia accounted for approximately 86% of the total export in Malaysia for year 2002.

(Source: Independent Market Research Report, ACNielsen)

Supply

The raw materials used for the production of nonwoven include fibres, powder resin, jute and recycled cotton. Suppliers to nonwoven industries include fibre manufacturers, plastic resins producers, binders and additives manufacturers. In Malaysia as well as neighbouring countries, there are numerous suppliers of these raw materials. Due to this, the non-availability of raw materials will not pose a big threat to nonwoven manufacturers. Moreover, the supplies of these raw materials do not experience cyclicity and will be considered steady and available throughout the year. These suppliers, being in a competitive and dynamic marketplace linked closely to the development of the nonwoven industry, will also tend to always enhance their offerings and lower costs. This complements the effort of nonwoven manufacturers in upgrading their products and diversifying their business portfolio.

vi) Substitute Products

There are not many products that can substitute nonwoven fabrics as wovens do not elongate well and knits tend to recover to their original shape. Nonwovens can be moulded easily and they retain that shape without any type of deformation, which is ideal to meet any design requirements.

As nonwoven fabrics are less expensive than other materials, they are widely preferred in the automotive market. Nonwovens fabric can give more loft, cushioning and more suitable for composite constructions. However, sometimes both nonwovens and wovens are used together to maximise the individual best features respectively.

5. INFORMATION ON THE OPB GROUP

vii) Prospects and Outlook of the Industry

The OPB Group is principally involved in nonwoven fabric manufacturing with its customers based in the automotive, air conditioner and disposable hygienic products sectors. In view of the diversified nature of its customers' businesses, the future performance of the Group is dependent on the future performance of these various sectors, namely, manufacturing and services sector (which includes, among others, wholesale and retail trade, hospitals, hotel and restaurants and other services).

Manufacturing Sector

External developments and strengthening domestic economy point to stronger growth in the manufacturing sector. Growth in export-oriented industries, in particular the electronics industry, is envisaged to gain strength following higher inter-regional trade, particularly between ASEAN and East Asia. Efforts to promote domestic consumption as well as advancements into higher value-added products will further boost growth of domestic-oriented industries. Taking cognisance of the on-going development processes, the overall value added of the manufacturing sector is expected to register a stronger growth of 7.2%.

(Source: Economic Report 2003/2004)

Services Sector

The economic outlook for 2004 is envisaged to be favourable. Real GDP growth is expected to gain momentum and register a higher rate of approximately 6% in 2004. Growth is expected to emanate from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures. Whilst all sectors are forecast to register higher growth, services and manufacturing will continue to lead GDP growth, contributing 3.1 and 2.2 percentage points, respectively.

Of particular importance is the shift in the structure of the economy to focus on the services sector in keeping with the status of the nation as a more developed economy. Growth in the services sector will be broad based, fuelled by higher demand for transport, telecommunication, financial and insurance services in tandem with improved economic performance. A robust manufacturing sector will underpin higher consumption in utilities and higher trade and commercial activities will further enhance growth. The services sector is, therefore, envisaged to record a higher growth of 5.5% in 2004.

(Source: Economic Report 2003/2004)

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5.8 Major Customers

OFSB

For the financial year ended 31 December 2003, the top ten (10) customers of OFSB are listed below:

No.	Major Customer	% OFSB revenue	Length of relationship (years)
1	Johnson Control Automotive Interiors Sdn Bhd (<i>formerly known as Carinpa (M) Sdn Bhd</i>)	17.8	6
2	Grand Carpet Industries Sdn Bhd	17.4	6
3	SNC Sound Proof Co. Ltd	15.5	3
4	WSA Engineering Sdn Bhd	14.2	4
5	Myti Corporation Sdn Bhd	9.33	6
6	Carpets International Malaysia Manufacturing Sdn Bhd	6.27	6
7	Kejuruteraan Emas Sdn Bhd	3.19	3
8	Paragon Car Carpets & Components Sdn Bhd	1.86	1
9	Her Sheen Enterprise Co. Ltd	1.86	2
10	Hirotao Acoustics Sdn Bhd	1.70	6

Approximately 88% of OFSB's revenue is from the automotive industry which is generated mainly from four (4) of the company's major customers, namely, Johnson Control Automotive Interiors Sdn Bhd (*formerly known as Carinpa (M) Sdn Bhd*), Grand Carpet Industries Sdn Bhd, SNC Sound Proof Co. Ltd. in Thailand and WSA Engineering Sdn Bhd. To mitigate the risk of over-dependence, OFSB has continuously made efforts to expand its customer base. The customer base and the long-term customer relationships have also been further strengthened by the company's continuous efforts in emphasising quality products and services whilst adhering to a competitive pricing policy.

ONW

For the financial year ended 31 December 2003, the top ten (10) customers of ONW are listed below:

No.	Major Customers	% ONW revenue	Length of relationship (years)
1	SCA Hygiene Sdn Bhd (<i>formerly known as Drypers Malaysia Sdn Bhd</i>)	51.43	4
2	PT Softex Indonesia	18.05	3
3	Quality Hero Corporation Sdn Bhd	10.76	2
4	Consobiz Ventures Sdn Bhd	5.78	4
5	People & Grit (M) Sdn Bhd	5.41	2
6	Anpers Industries Sdn Bhd	2.79	3
7	Multigrow Marketing Sdn Bhd	1.46	2
8	Total Fame Sdn Bhd	1.07	2
9	Tidy Non-Woven Sdn Bhd	0.97	1
10	Unikota Paper Products Sdn Bhd	0.66	3

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The major customer, namely, SCA Hygiene Sdn Bhd (*formerly known as Drypers Malaysia Sdn Bhd*) collectively contributes to approximately 51.43% of the company's revenue. As ONW has business dealings with Drypers Malaysia Sdn Bhd since its incorporation which indicates that Drypers Malaysia Sdn Bhd is satisfied with ONW's products. Due to ONW's production constraint, priority of sales is given to Drypers Malaysia Sdn Bhd. However, should ONW lose this customer, the Group would be able to supply to the other diaper manufacturers who had earlier approved ONW's product samples.

In addition, the Group intends to establish itself in the longer term to be a major player in the diaper manufacturing industry. As an initial step, ONW is venturing into the manufacture of nonwoven cloth laminated with polyethylene film which is the latest application on the back sheet of the diapers.

5.9 Major Suppliers

OFSB

For the financial year ended 31 December 2003, the top ten (10) suppliers of OFSB are listed below:

No.	Major Suppliers	% OFSB purchases	Length of relationship (years)
1	Luxchem Trading Sdn Bhd	25.12	6
2	Topaz Dynasty Sdn Bhd	23.22	6
3	Goon Prasert Re-Fibre Ltd Partnership	22.26	1
4	S.L.S Recycle Industries Sdn Bhd	12.48	4
5	PT Extex Indo Nusantara	5.01	6
6	Myti Corporation (M) Sdn Bhd	2.22	6
7	Dynea Singapore	2.17	1
8	PT Harmoni Global Textile	1.68	2
9	PT Indo Pherin Jaya	1.43	6
10	Adikem	1.19	1

OFSB sources its resin supply mainly from Luxchem Trading Sdn Bhd and imports its fibre mainly from Goon Prasert Re-Fibre Ltd Partnership.

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ONW

For the financial year ended 31 December 2003, the suppliers of ONW are listed below:

No.	Major Supplier	% ONW purchases	Length of relationship (years)
1	Kolon International Co. (Korea)	75.17	4
2	Fibrevisions (China) Textile Products Ltd	11.05	4
3	Fibrevisions A.S. (Denmark)	9.42	4
4	Epalco International Pte Ltd	2.10	3
5	Zhe Tai Enterprise Co. Ltd	1.81	1
6	Merrymewa Marketing	0.45	2

ONW imports its supply of Polypropylene Staple Fibre mainly from Fibrevisions (China) Textile Products Ltd, Kolon International Co. (Korea) and Fibrevisions A/S (Denmark). It is ONW's policy to purchase in bulk from the above companies to enjoy better discounts.

OPB Group currently obtains its supplies of resin and fibre from Malaysia, Indonesia, China and Netherlands. As such, there is no reliance on suppliers from a single geographical location. Furthermore, there are numerous suppliers of these raw materials and the Directors of OPB are of the opinion that the Group will not face significant difficulties in obtaining its supplies of resin and fibre.

5.10 Future Plans, Strategies and Prospects

The OPB Group is strategically well positioned to take advantage of the business opportunities post AFTA. This is expected to be achievable in view of the Group's plans to be a leading manufacturer of nonwoven products in the Asian region, having built up its expertise and knowledge since the Group commenced operations in 1997.

The nonwoven industry in the eight (8) countries in Asia, China, Korea, Japan, Taiwan, Thailand, Malaysia, Indonesia and Philippines, has expanded by an average of 4.5% a year from 856,000 tonnes in 1997 to slightly over a million tonnes in 2002.

The Group will continue to find new opportunities to expand their revenue base through strengthening its position as a major local player, new product development, strategic alliances with international players and other investments in the Asian region. They have plans to capitalise on the strong local growth trends and strengthen its export position in the Asian region, particularly in countries such as Thailand, Taiwan and Indonesia.

The OPB Group also has plans to globalise their manufactured products via the same channels. In this aspect, the Group recognises that different markets in the region will mature or develop at a different pace with different risks involved, specifically geopolitical and business risks.

The core activity of OPB Group will remain as a manufacturer of nonwoven materials. Specifically, for the next five (5) years, the Group's strategy is to deploy a '4-pronged approach' consisting of the following four (4) key initiatives:

1. *Local expansion in disposable nonwoven* – to strengthen its position as a major local player in the disposable nonwoven, in terms of production and expansion of its clientele base of manufacturers of diapers and sanitary napkins.

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2. *Regional expansion in felts* – to reap the potential in markets such as Thailand, where most major car manufacturers are located. Indonesia will be another key market for the Group to tap due to its vast growth potential of its automobile sector.
3. *New product development*– continuous R&D by the Group in making its nonwoven applicable to other products, such as surgical mask, roofing, various types of packing materials including fruit wrapper, disposable table cloth and filters.
4. *Strategic alliance* – to work strategically and closely with its suppliers and customers, completing the overall production cycle from raw materials to finished products for consumers. This is to ensure a productive supply chain management with minimal disruption in delivery.

Beyond ASEAN, the Group is looking at China's market. These overseas ventures are an integral part of the Group's expansion strategies to create strategic alliances with international partners.

Generally, the Group is committed to have continuous product innovation, staff skill development and improvement in productivity and efficiency which will enable them to face the challenges ahead. The Group plans to use the listing proceeds as working capital for further expansion in order to materialise their future plans.

The local expansion and regional expansion is further elaborated as follows:

(i) Local Expansion

OPB Group plans to expand its customer base in addition to its current portfolio of clients for the nonwoven cloth business.

In relation to the felts business, in order to stay competitive and efficient in terms of pricing, products and services, it is necessary to have cooperation between the manufacturers and suppliers. As such, the OPB Group intends to establish better working relationship with major carmakers in the region.

(ii) Regional Expansion

The regional markets targeted by the OPB Group include Thailand and Indonesia as these countries are in the midst of rapid industrialisation. The Group has undertaken extensive feasibility and viability studies to assess the market readiness for the OPB Group's nonwoven products prior to setting up businesses in these countries.

Presently, the Group has secured contracts with SNC Sound Proof Co. Ltd. in Thailand to supply felts to carmakers such as Isuzu, Mazda and Honda.

Additionally, OPB Group has been working closely with leading international companies involved in nonwoven products business which have proven to be beneficial in terms of future expansions locally and overseas.

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The Group also intends to expand across boundaries in the following three ways:

- **Stand-Alone**

A direct sales visit will be conducted. Subsequently, if the market is viable, a sales office will be established in that country.

- **Forming strategic alliances with foreign companies**

In the event the Group chooses to form strategic alliances with foreign companies such as SNC Sound Proof Co. Ltd (Thailand) or any other suitable foreign companies, both the companies will conduct direct sales marketing in the potential country. A branch office will only be set up when the turnover is sustainable.

- **Establishing a presence in a regional market and forming partnerships with local companies which are well-versed of local market needs**

The Group plans to form partnership with local companies in a potential country to establish presence in the market. Suitable companies will be those in the related business with local market knowledge and have qualified sales staff.

On the longer term basis, the OPB Group aims to be a market leader in its field of expertise and establish itself as a major contending player in the nonwoven industry by diversifying its manufacturing activities.

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