

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTER OF ORNSTEEL HOLDINGS BERHAD (COMPANY NO. 640357-X) (THE "COMPANY") AND THE OFFERORS, AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING. THE DIRECTORS OF THE COMPANY HEREBY ACCEPT FULL RESPONSIBILITY FOR THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST INCLUDED IN THIS PROSPECTUS AND CONFIRM THAT THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST HAVE BEEN PREPARED BASED ON ASSUMPTIONS MADE.

COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD (18417-M), BEING THE ADVISER, SOLE BOOKRUNNER AND UNDERWRITER, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING AND IS SATISFIED THAT THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST (FOR WHICH THE DIRECTORS OF THE COMPANY ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THIS PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS OF THE COMPANY AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

THE SECURITIES COMMISSION ("SC") HAS APPROVED THE INITIAL PUBLIC OFFERING AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE INITIAL PUBLIC OFFERING. THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY 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. **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.**

BURSA MALAYSIA SECURITIES BERHAD (FORMERLY KNOWN AS MALAYSIA SECURITIES EXCHANGE BERHAD) ("BURSA SECURITIES") SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY 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 OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, THE COMPANY OR OF ITS ORDINARY SHARES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS. THIS PROSPECTUS CAN BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES'S WEBSITE AT WWW.BURSAMALAYSIA.COM

INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of Bursa Securities is set out below:

| Event | Date |
|--|------------------|
| Opening of the Initial Public Offering | 29 November 2004 |
| Closing of the Initial Public Offering | 8 December 2004 |
| Price Determination Date | 9 December 2004 |
| Tentative balloting date of applications for the Retail Offering | 13 December 2004 |
| Tentative date of allotment of Offer Shares to successful applicants | 14 December 2004 |
| Tentative listing date | 30 December 2004 |

Note:

The applications for the Offer Shares will close at the time and date as stated above or such later date or dates as the Directors of the Company, the Offerors and CIMB may in their absolute discretion mutually decide. Should the closing date of the applications be extended, the price determination date, and dates for balloting and allotment of the Offer Shares and the listing of and quotation for the entire enlarged issued and paid-up share capital of OHB on the Main Board of Bursa Securities would be extended accordingly. In the event the closing date for the Initial Public Offering is extended, investors will be notified of the change in a widely circulated English and Bahasa Malaysia newspaper in Malaysia.

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DEFINITIONS

In this Prospectus, unless otherwise stated, the following abbreviations shall have the following meanings:

| | | |
|---------------------------------|---|--|
| “Acquisition of Group Steel” | : | Acquisition by OHB of the entire equity interest in Group Steel comprising 140,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM169,945,868 satisfied wholly by the issuance of 155,821,356 new OHB Shares at an issue price of approximately RM1.09 per new OHB Share |
| “Acquisition of Ornasteel” | : | Acquisition by OHB of the entire equity interest in Ornasteel comprising 220,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM244,499,438 satisfied wholly by the issuance of 224,178,642 new OHB Shares at an issue price of approximately RM1.09 per new OHB Share |
| “Acquisitions” | : | Acquisition of Ornasteel and Acquisition of Group Steel collectively |
| “Act” | : | Companies Act, 1965 |
| “ADA” | : | Authorised Depository Agent |
| “ADA Code” | : | ADA (Broker) Code |
| “Application Form(s)” | : | Printed application form(s) for the application of the Offer Shares |
| “ASEAN” | : | Association of South East Asian Nations |
| “ATM” | : | Automated Teller Machine |
| “Becker” | : | Becker Industrial Coatings (M) Sdn Bhd (489501-P) |
| “BNM” | : | Bank Negara Malaysia |
| “Board” or “Board of Directors” | : | Board of Directors of the Company |
| “Bumiputera Offering” | : | Offering of 114,000,000 Offer Shares to Bumiputera investors approved by the MITI, forming part of the Initial Public Offering |
| “Bursa Depository” | : | Bursa Malaysia Depository Sdn Bhd (<i>formerly known as Malaysia Central Depository Sdn Bhd</i>) (165570-W), a subsidiary of Bursa Malaysia Berhad (<i>formerly known as Kuala Lumpur Stock Exchange Berhad</i>) |
| “Bursa Securities” | : | Bursa Malaysia Securities Berhad (<i>formerly known as Malaysia Securities Exchange Berhad</i>) (635998-W) |
| “CDFH” | : | China Development Financial Holding Corporation (70827383) |
| “CDIB” | : | China Development Industrial Bank Inc (11147207), a wholly-owned subsidiary of CDFH |
| “CDS” | : | Central Depository System |
| “CFO” | : | Certificate of Fitness for Occupation |
| “CIMB” | : | Commerce International Merchant Bankers Berhad (18417-M) |
| “CSAP” | : | China Steel Asia Pacific Holdings Pte Ltd (200009274G), a wholly-owned subsidiary of CSC |

DEFINITIONS (CONT'D)

| | | |
|-------------------------------------|---|--|
| “CSC” | : | China Steel Corporation (30414175) |
| “CSC Group” | : | CSC and its subsidiaries |
| “CSC Group Steel” | : | CSC (Group Steel) Singapore Pte Ltd (200009249D), a wholly-owned subsidiary of CSAP |
| “CSC Ornasteel” | : | CSC (Ornasteel) Singapore Pte Ltd (200009256D), a wholly-owned subsidiary of CSAP |
| “CSEC” | : | China Steel Express Corporation (96973086), a subsidiary of CSC |
| “CSET” | : | CSE Transport (International) Corporation (97170276), a wholly-owned subsidiary of CSEC |
| “CSGT” | : | China Steel Global Trading Corporation (96975583), a subsidiary of CSC |
| “Disposal of 22.26% in Group Steel” | : | Disposal by Ornasteel of 31,165,000 Group Steel Shares, representing approximately 22.26% equity interest therein, to CSC Ornasteel and CDIB for a cash disposal consideration of RM37,810,274 |
| “DOE” | : | Department of Environment |
| “EBITDA” | : | Earnings before interest, taxation, depreciation and amortisation |
| “EES Offeror” | : | CSC Ornasteel |
| “EES Period” | : | The period the EES is valid which is from the date of acceptance by the Eligible Employees of their Offer Shares under the EES up to 31 December 2008 |
| “Electronic Share Application” | : | Application for the Offer Shares through a Participating Financial Institution’s ATM |
| “Eligible Employees” | : | Employees or Directors (including non-executive Directors) of the OHB Group who are eligible to participate in the Retail Offering |
| “Employee Equity Scheme” or “EES” | : | Scheme whereby the Eligible Employees may acquire the Offer Shares offered to them under the Retail Offering on the terms and conditions of the scheme |
| “EPS” | : | Earnings per share |
| “EU” | : | European Union |
| “FDI” | : | Foreign direct investment |
| “FIC” | : | Foreign Investment Committee |
| “Final Retail Price” | : | Final price per Offer Share to be paid by the applicants pursuant to the Retail Offering and the Bumiputera Offering as determined in accordance with Section 6 of Part III of this Prospectus |
| “FY” | : | Financial year ended 30 November |
| “GDP” | : | Gross Domestic Product |
| “Government” | : | Government of Malaysia |

DEFINITIONS (CONT'D)

| | | |
|------------------------------------|---|---|
| “Group Steel” | : | Group Steel Corporation (M) Sdn Bhd (327738-P), a wholly-owned subsidiary of OHB |
| “Group Steel Shares” | : | Ordinary share(s) of RM1.00 each in Group Steel |
| “Initial Public Offering” or “IPO” | : | Offering of 195,121,800 Offer Shares by the Offerors comprising the Bumiputera Offering, Retail Offering and Institutional Offering |
| “Institutional Offering” | : | Offering of 63,821,800 Offer Shares, subject to re-allocation, to identified investors, forming part of the Initial Public Offering |
| “Institutional Price” | : | Price per Offer Share to be paid by investors pursuant to the Institutional Offering. The Institutional Price will be determined on the Price Determination Date |
| “Listing” | : | Admission to the Official List of Bursa Securities and the listing of and quotation for the entire issued and paid-up share capital of OHB of RM380,000,000 comprising 380,000,000 OHB Shares on the Main Board of Bursa Securities |
| “MAICSA” | : | Malaysian Association of The Institute of Chartered Secretaries and Administrators |
| “Market Day” | : | A day on which Bursa Securities is open for trading in securities |
| “Megasteel” | : | Megasteel Sdn Bhd (181104-T) |
| “MI” | : | Minority interests |
| “MIH” | : | Malaysian Issuing House Sdn Bhd (258345-X) |
| “MITI” | : | Ministry of International Trade and Industry |
| “MOEA” | : | Ministry of Economic Affairs, Taiwan |
| “MOX” | : | Malaysian Oxygen Berhad (3928-D) |
| “Nippon” | : | Nippon Paint (M) Sdn Bhd (7516-H) |
| “NTA” | : | Net tangible assets |
| “Offerors” | : | CSC Ornasteel, CSGT, CDIB, CSET and CSEC (offering 117,465,432; 41,100,784; 14,647,217; 11,718,429 and 10,189,938 Offer Shares respectively) |
| “Offer Share(s)” | : | OHB Shares to be offered for sale by the Offerors |
| “OHB” or “Company” | : | Ornasteel Holdings Berhad (640357-X) |
| “OHB Group” or “Group” | : | OHB and its subsidiaries, namely Ornasteel, Group Steel and Ornaconstruction |
| “OHB Share(s)” | : | Ordinary share(s) of RM1.00 each in OHB |
| “Ornaconstruction” | : | Ornaconstruction Corporation Sdn Bhd (272448-P), a wholly-owned subsidiary of Ornasteel |
| “Ornasteel” | : | Ornasteel Enterprise Corporation (M) Sdn Bhd (228899-P), a wholly-owned subsidiary of OHB |

DEFINITIONS (CONT'D)

| | | |
|--|---|---|
| “Ornasteel Share” | : | Ordinary share of RM1.00 each in Ornasteel |
| “Participating Financial Institution(s)” | : | Participating financial institution(s) for Electronic Share Application as listed in Section 5(ii)(o) of Part XV of this Prospectus |
| “PAT” | : | Profit after tax |
| “PBT” | : | Profit before tax |
| “PE multiple” | : | Price earnings multiple |
| “Prescribed Security” | : | Ordinary shares of a company prescribed by Bursa Securities to be deposited into the CDS |
| “Price Determination Date” | : | Tentatively 9 December 2004, the date on which the Institutional Price is to be determined |
| “Promoter” | : | CSC |
| “Registrar” | : | PFA Registration Services Sdn Bhd (19234-W) |
| “Retail Offering” | : | Offering of 17,300,000 Offer Shares, subject to re-allocation, to the Malaysian public, Eligible Employees, and suppliers and customers of the Group, forming part of the Initial Public Offering |
| “Retail Price” | : | The initial offer price of RM1.60 per Offer Share to be fully paid by applicants pursuant to the Retail Offering and Bumiputera Offering |
| “ROC” | : | Registrar of Companies |
| “Rules of Bursa Depository” | : | Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991 |
| “R&D” | : | Research and Development |
| “SC” | : | Securities Commission |
| “SCA” | : | Securities Commission Act, 1993 |
| “SC Guidelines” | : | Policies and Guidelines on Issue/Offer of Securities issued by the SC |
| “Taiwan” | : | Republic of China (Taiwan) |
| “Transfer” | : | Transfer by CSC Ornasteel, CSC Group Steel, CSGT, CSET and CSEC of all their respective shareholdings in OHB to CSAP following the Initial Public Offering but prior to the Listing |
| “Underwriting Agreement” | : | Underwriting agreement dated 8 November 2004 entered into between the Offerors, Company and CIMB to underwrite 12,000,000 Offer Shares which are made available for application by the Malaysian public and eligible suppliers and customers of the OHB Group |
| “USA” | : | United States of America |

DEFINITIONS (CONT'D)

Currencies

| | | |
|----------------|---|--|
| “NT\$” | : | New Taiwan Dollar |
| “RM” and “sen” | : | Ringgit Malaysia and sen, respectively |
| “SGD” | : | Singapore Dollar |
| “USD” | : | United States Dollar |

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation.

Unless otherwise indicated, any reference in this Prospectus to any legislation, statute or statutory provision is a reference to that legislation, statute or statutory provision for the time being as amended or re-enacted and to any repealed legislation, statute or statutory provision which it re-enacted (with or without modification).

Any reference to a time or day in this Prospectus shall be a reference to Malaysian time or day, unless otherwise stated.

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GLOSSARY OF TECHNICAL TERMS

| | | |
|-----------------------------|---|--|
| “1B” | : | Abbreviated from JIS G3141 SPCC-1B, a simple material specification code for CRC with full hard and bright appearance |
| “CR” | : | Cold rolled steel |
| “CRC” | : | Cold rolled steel coil. Made from HRC. Compared with HRC, CRC is characterised by its bright and smooth appearance, high precision dimension, good formability and fetches a higher price. |
| “DQ” or “DDQ” | : | “Drawing quality” or “Deep drawing quality” respectively |
| “drawing” or “deep drawing” | : | Drawing or deep drawing are the forming process to make a flat sheet into a simple round cup or to a complicated shape. “Deep” is used to describe the severity of the drawing process. |
| “EDDQ” | : | Extra deep drawing quality |
| “GI” | : | Hot dip galvanised steel, commonly known as GI steel. |
| “HR” | : | Hot rolled steel |
| “HRC” | : | Hot rolled steel coil |
| “IF steel” | : | Interstitial atom free steel, is steel which has been developed and contains extremely low residual carbon and nitrogen atom in its matrix |
| “JIS” | : | Japanese Industrial Standards |
| “LPG” | : | Liquefied petroleum gas |
| “MT” | : | Metric tonnes. 1 MT equals to 1,000 kilograms |
| “PPGI” | : | Prepainted galvanised steel, commonly known as PPGI steel or colour coated steel |
| “PVDF” | : | Polyvinyl Di-Fluoride |

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I. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

| Name | Nationality | Occupation | Address |
|--|--------------------|--|--|
| Huang Tsong-Ying <i>(Group Managing Director)</i> | Taiwanese | Managing Director | No 8-7 Hock Mansions Kondominium Harmoni Ujong Pasir 75050 Melaka |
| Chang Shu-Aun <i>(Executive Director)</i> | Taiwanese | Executive Vice President | Unit No G5-03 Gold Mansions Pangsapuri Pasir Emas Ujong Pasir 75050 Melaka |
| Tan Chin Teng <i>(Executive Director)</i> | Malaysian | Vice President of Finance Division | 21, Taman Asean Jalan Malim 75250 Melaka |
| Dr. Wei Li-I <i>(Non-Independent Non- Executive Director)</i> | Taiwanese | Secretary General of the South East Asia Iron & Steel Institute | 903 Block J Riana Green Condominium Jalan Tropicana Utara 47410 Petaling Jaya Selangor Darul Ehsan |
| Pang Fee Yoon <i>(Independent Non-Executive Director)</i> | Malaysian | Accountant | 9449C, Lorong Penghulu Abbas, Bukit Baru 75150 Melaka |
| Chong Khim Leong @ Chong Kim Leong <i>(Independent Non-Executive Director)</i> | Malaysian | Advocate and Solicitor | 5483-C Bukit Palah 75150 Melaka |

AUDIT COMMITTEE

| Name | Designation | Directorship |
|---------------------------------------|---------------------------|-------------------------------|
| Pang Fee Yoon | Chairman of the Committee | Non-Executive and Independent |
| Chong Khim Leong @ Chong Kim Leong | Member of the Committee | Non-Executive and Independent |
| Chang Shu-Aun | Member of the Committee | Executive |

I. CORPORATE DIRECTORY (CONT'D)

| | | |
|---|---|---|
| COMPANY SECRETARIES | : | Lam Sook Ching (MAICSA 7006942) P2-4, Blok P Pangsapuri Hilir Kota 1 Jalan Melaka Raya 23 75000 Melaka |
| | | Wong Wei Fong (MAICSA 7006751) 20 Lorong Burung Upih 1 Taman Bukit Maluri Kepong 52100 Kuala Lumpur |
| REGISTERED OFFICE | : | 106A Taman Melaka Raya 75000 Melaka |
| | | Telephone no.: 06-281 5300 |
| HEAD/MANAGEMENT OFFICE | : | 180 Kawasan Industri Ayer Keroh Ayer Keroh 75450 Melaka |
| | | Telephone no.: 06-231 9990 E-mail: info@ornagroup.com.my Website: www.ornagroup.com.my |
| AUDITORS AND REPORTING ACCOUNTANTS | : | Deloitte & Touche (Audit Firm No. 0834) Chartered Accountants Level 19 Uptown 1 1 Jalan SS21/58 Damansara Uptown 47400 Petaling Jaya |
| | | Telephone no.: 03-7723 6500 |
| SOLICITORS FOR THE LISTING | : | Wong Beh & Toh Peti #30 Level 12, West Block Wisma Selangor Dredging 142-C Jalan Ampang 50450 Kuala Lumpur |
| | | Telephone no.: 03-2713 6050 |
| COUNSEL FOR THE OFFERORS | : | Loo & Partners 88 Amoy Street Level Three Singapore 069907 |
| | | Telephone no.: 65-6534 3288 |
| PRINCIPAL BANKERS | : | Affin Bank Berhad (25046-T) 17th Floor, Menara Affin 80 Jalan Raja Chulan 50200 Kuala Lumpur |
| | | Telephone no.: 03-2055 9000 |

I. CORPORATE DIRECTORY (CONT'D)

PRINCIPAL BANKERS (CONT'D)

AmBank Berhad (295576-U)
Level 18, Menara Dion
Jalan Sultan Ismail
50250 Kuala Lumpur

Telephone no.: 03-2026 3939

Citibank Berhad (297089-M)
Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

Telephone no.: 03-2383 8585

EON Bank Berhad (92351-V)
12th Floor, Wisma Cyclecarri
No. 288 Jalan Raja Laut
50350 Kuala Lumpur

Telephone no.: 03-2694 1188

Hong Leong Bank Berhad (97141-X)
345, Jalan Ong Kim Wee
75300 Melaka

Telephone no.: 06-284 2309

Malayan Banking Berhad (3813-K)
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

Telephone no.: 03-2070 8833

RHB Bank Berhad (6171-M)
Tower Two & Three, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

Telephone no.: 03-9287 8888

Southern Bank Berhad (5303-W)
Menara Southern Bank
83 Medan Setia 1, Plaza Damansara
Bukit Damansara
P.O. Box No. 12281
50772 Kuala Lumpur

Telephone no.: 03-2087 3000

United Overseas Bank (Malaysia) Berhad (271809K)
1, Jalan PM 5
Plaza Mahkota
75000 Melaka

Telephone no.: 06-283 8840

I. CORPORATE DIRECTORY (CONT'D)

| | | |
|---|---|---|
| PRINCIPAL BANKERS (CONT'D) | | Cathay United Bank (970064-C) Level 3 (C) Main Office Tower Financial Park Labuan Complex Jalan Merdeka 87000 Federal Territory of Labuan Telephone no.: 087-452 168 The International Commercial Bank of China Co., Ltd. (970062-C) Level 7(E2) Main Office Tower Financial Park Labuan Complex Jalan Merdeka 87000 Federal Territory of Labuan Telephone no.: 087-581 688 |
| ISSUING HOUSE | : | Malaysian Issuing House Sdn Bhd (258345-X) 27th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone no.: 03-2693 2075 |
| REGISTRAR | : | PFA Registration Services Sdn Bhd (19234-W) Level 13, Uptown 1 No. 1 Jalan SS21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: 03-7725 4888 |
| ADVISER, SOLE BOOKRUNNER AND UNDERWRITER | : | Commerce International Merchant Bankers Berhad (18417-M) 7th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Telephone no.: 03-2084 8888 |
| LISTING SOUGHT | : | Main Board of Bursa Securities |

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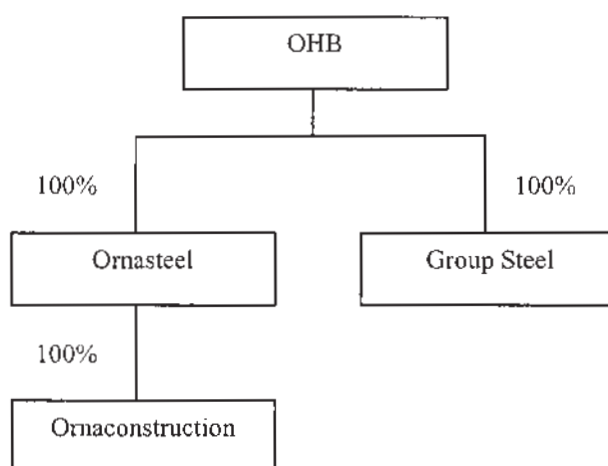
II. INFORMATION SUMMARY

THIS SECTION OF THE PROSPECTUS REPRESENTS ONLY A SUMMARY OF THE SALIENT INFORMATION IN RELATION TO THE OHB GROUP AND THE INITIAL PUBLIC OFFERING. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE OFFER SHARES. THE FOLLOWING INFORMATION IS DERIVED FROM, AND SHOULD BE READ IN CONJUNCTION WITH, THE FULL TEXT OF THIS PROSPECTUS.

1. HISTORY AND BUSINESS

OHB was incorporated in Malaysia as a public company limited by shares under the Act on 20 January 2004 under its present name. On 8 March 2004, it obtained its Certificate of Commencement of Business from the Companies Commission of Malaysia, and in accordance with Section 142 of the Act, held a statutory meeting on 31 May 2004.

The structure of the OHB Group is set out below:



The Company is principally involved in investment holding and provision of management services whilst the principal activities of its subsidiaries are as follows:

| Company | Principal activities |
|-------------------|---|
| Ornasteel | Manufacturing and marketing of CR products |
| Group Steel | Manufacturing and marketing of GI and PPGI products |
| Ornaconstruction* | Dormant company |

Note:

* *Wholly-owned subsidiary of Ornasteel.*

OHB does not have any associate company. Further information on the history and business of the OHB Group is set out in Part VI of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

2. OWNERSHIP AND MANAGEMENT

2.1 Promoter

The Promoter's shareholdings in OHB after the Initial Public Offering and Transfer is as follows:

| Promoter | ←-----After the Initial Public Offering and Transfer-----→ | | ←-----After the Initial Public Offering and Transfer-----→ | |
|----------|--|---|--|-------|
| | ←-----Direct-----→ | | ←-----Indirect-----→ | |
| | No. of OHB Shares | % | No. of OHB Shares | % |
| CSC | - | - | 171,000,000 ¹ | 45.00 |

Note:

¹ Deemed interested through CSAP.

2.2 Substantial Shareholders

The substantial shareholders of OHB and their respective shareholdings in OHB after the Initial Public Offering and Transfer are as follows:

| Substantial shareholders | ←-----After the Initial Public Offering and Transfer-----→ | | ←-----After the Initial Public Offering and Transfer-----→ | |
|--------------------------|--|-------|--|-------|
| | ←-----Direct-----→ | | ←-----Indirect-----→ | |
| | No. of OHB Shares | % | No. of OHB Shares | % |
| CSAP | 171,000,000 | 45.00 | - | - |
| CSC | - | - | 171,000,000 ¹ | 45.00 |
| MOEA | - | - | 171,000,000 ² | 45.00 |

Notes:

¹ Deemed interested through CSAP.

² Deemed interested through CSC.

2.3 Directors

The Directors of the Company and their respective shareholdings in OHB after the Initial Public Offering and Transfer are as follows:

| Directors | Designation | ←-----After the Initial Public Offering and Transfer-----→ | | ←-----After the Initial Public Offering and Transfer-----→ | |
|------------------|--|--|------|--|---|
| | | ←-----Direct-----→ | | ←-----Indirect-----→ | |
| | | No. of OHB Shares | % | No. of OHB Shares | % |
| Huang Tsong-Ying | Group Managing Director | 80,000 | 0.02 | - | - |
| Chang Shu-Aun | Executive Director | 80,000 | 0.02 | - | - |
| Tan Chin Teng | Executive Director | 80,000 | 0.02 | - | - |
| Dr. Wei Li-I | Non-independent Non-Executive Director | 20,000 | 0.01 | - | - |
| Pang Fee Yoon | Independent Non-Executive Director | 20,000 | 0.01 | - | - |

II. INFORMATION SUMMARY (CONT'D)

| Directors | Designation | <---After the Initial Public Offering and Transfer---> | | | |
|--|--|--|------|-------------------------|---|
| | | <-----Direct-----> | | <-----Indirect-----> | |
| | | No. of OHB Shares | % | No. of OHB Shares | % |
| Chong Khim Leong @ Chong Kim Leong | Independent Non-Executive Director | 20,000 | 0.01 | - | - |

Note:

Based on the assumption that the Offer Shares allocated to the eligible Directors of the OHB Group pursuant to the Retail Offering are fully taken up by the respective Directors.

2.4 Key Management

The key management personnel of the OHB Group and their respective shareholdings in OHB after the Initial Public Offering and Transfer are as follows:

| Key management | Designation | <---After the Initial Public Offering and Transfer ---> | | | |
|----------------|--|---|------|-------------------------|---|
| | | <-----Direct-----> | | <-----Indirect-----> | |
| | | No. of OHB Shares | % | No. of OHB Shares | % |
| Wu Ming Lee | Vice President of Commercial Division | 70,000 | 0.02 | - | - |
| Wang Hwa-Min | Vice President of Production Division | 65,000 | 0.02 | - | - |
| Hsu Chi-Han | Senior Manager of Finance Division | 55,000 | 0.01 | - | - |
| Koh Kang Guan | Plant Manager of Ornasteel | 50,000 | 0.01 | - | - |
| Tan Sui Sin | Plant Manager of Group Steel | 50,000 | 0.01 | - | - |
| Ong Chee Chong | Administration Manager | 49,000 | 0.01 | - | - |
| Ten Ling Piew | Manager of Domestic Marketing Department | 50,000 | 0.01 | - | - |
| Han Khoon Siew | Manager of International Marketing Department | 50,000 | 0.01 | - | - |

Note:

Based on the assumption that the Offer Shares allocated to the eligible key management personnel of the OHB Group pursuant to the Retail Offering are fully taken up by the respective key management personnel.

Detailed information on the Promoter, substantial shareholders and Directors of the Company and key management of the Group is set out in Part VIII of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

3. FINANCIAL HIGHLIGHTS

3.1 Proforma Consolidated Income Statements

The table below sets out a summary of the proforma audited consolidated income statements of the OHB Group for the past five (5) financial years ended 30 November 2003 and the six (6)-month period ended 31 May 2004, as extracted from the Accountants' Report in Part XII of this Prospectus and prepared based on the assumption that the current structure of the OHB Group has been in existence throughout the financial years/period under review. The proforma consolidated income statements of the OHB Group are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions to the proforma consolidated income statements as included in the Accountants' Report as set out in Part XII of this Prospectus:

| | -----Audited-----> | | | | | Six (6)-month period ended 31 May 2004 RM 000 |
|---|---|----------------|----------------|----------------|----------------|---|
| | <-----Financial years ended 30 November-----> | | | | | |
| | 1999 RM 000 | 2000 RM 000 | 2001 RM 000 | 2002 RM 000 | 2003 RM 000 | |
| Revenue | 606,221 | 796,136 | 556,646 | 660,568 | 863,247 | 517,683 |
| EBITDA | 56,181 | 53,421 | 52,084 | 103,094 | 135,231 | 90,952 |
| Interest expense | (39,656) | (32,140) | (21,226) | (14,474) | (9,972) | (3,469) |
| Depreciation | (32,073) | (34,660) | (34,717) | (34,748) | (31,984) | (16,023) |
| (Loss)/PBT | (15,548) | (13,379) | (3,859) | 53,872 | 93,275 | 71,460 |
| Taxation | (537) | (152) | (4,263) | (8,495) | (26,366) | (20,034) |
| (Loss)/PAT | (16,085) | (13,531) | (8,122) | 45,377 | 66,909 | 51,426 |
| Number of OHB Shares assumed in issue ¹ (000) | 380,000 | 380,000 | 380,000 | 380,000 | 380,000 | 380,000 |
| Gross EPS ² (sen) | (4.09) | (3.52) | (1.02) | 14.18 | 24.55 | 18.81 [#] |
| Net EPS ² (sen) | (4.23) | (3.56) | (2.14) | 11.94 | 17.61 | 13.53 [#] |

Notes:

¹ The assumed issued and paid-up share capital of 380,000,000 OHB Shares is based on the issued and paid-up share capital of OHB after the Acquisitions.

² The gross EPS and net EPS are calculated by dividing the (Loss)/PBT and (Loss)/PAT respectively by the number of OHB Shares assumed in issue.

³ There were no extraordinary items in respect of the financial years/period under review.

[#] The gross EPS and net EPS are calculated based on the PBT and PAT respectively for the six (6)-month period ended 31 May 2004. Please refer to Section 6.1 of Part XI of this Prospectus for the consolidated profit estimate for the financial year ending 30 November 2004.

Further details on the proforma consolidated income statements of the OHB Group are set out in Section 1 of Part XI of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

3.2 Proforma Consolidated Balance Sheets as at 31 May 2004

The table below sets out a summary of the proforma consolidated balance sheets of the OHB Group as at 31 May 2004 to show the effects of the Acquisition of Ornasteel, Acquisition of Group Steel and Initial Public Offering on the assumption that these transactions were completed on 31 May 2004. The Disposal of 22.26% in Group Steel and the Transfer will not have any effect on the NTA or NTA per share of the OHB Group. The proforma consolidated balance sheets of the OHB Group are presented for illustrative purposes only and should be read in conjunction with the notes and assumptions to the proforma consolidated balance sheets of the OHB Group as set out in Section 5 of Part XI of this Prospectus.

| | Per audited financial statements as at 31 May 2004 RM 000 | Proforma I After Acquisition of Ornasteel RM 000 | Proforma II After Proforma I and Acquisition of Group Steel RM 000 | Proforma III After Proforma II and Initial Public Offering RM 000 |
|---|--|--|---|---|
| Property, plant and equipment | - | 185,029 | 377,215 | 377,215 |
| Current assets | 844 | 235,818 | 393,002 | 391,502 |
| Current liabilities | (857) | (115,355) | (170,375) | (170,375) |
| Net current assets/ (liabilities) | (13) | 120,463 | 222,627 | 221,127 |
| Long term and deferred liabilities | | | | |
| Long term liabilities | - | - | (76,758) | (76,758) |
| Deferred tax liabilities | - | (30,858) | (58,695) | (58,695) |
| Net assets/ (liabilities) | (13) | 274,634 | 464,389 | 462,889 |
| Represented by: | | | | |
| Share capital | * | 224,179 | 380,000 | 380,000 |
| Share premium | - | 20,320 | 34,445 | 32,945 |
| Reserve on consolidation | - | 30,148 | 49,957 | 49,957 |
| Accumulated losses | (13) | (13) | (13) | (13) |
| Shareholders' equity | (13) | 274,634 | 464,389 | 462,889 |
| No. of OHB Shares in issue (000) | ** | 224,179 | 380,000 | 380,000 |
| NTA per OHB Share (RM) | # | 1.23 | 1.22 | 1.22 |

Notes:

* RM2.00.

** 2 OHB Shares.

Not meaningful comparison.

Further details on the proforma consolidated balance sheets of the OHB Group as at 31 May 2004 are set out in Section 5 of Part XI of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

3.3 Audit Qualifications of the Audited Financial Statements

The audited financial statements of the OHB Group were not subject to audit qualifications or emphasis of matter for the past five (5) financial years ended 30 November 2003 and the six (6)-month period ended 31 May 2004.

4. PRINCIPAL STATISTICS OF THE INITIAL PUBLIC OFFERING**(i) Share Capital**

| | RM |
|---|---------------|
| <i>Authorised</i> | |
| 1,000,000,000 ordinary shares of RM1.00 each in OHB | 1,000,000,000 |
| <i>Issued and fully paid-up as at the date of this Prospectus</i> | |
| 380,000,000 ordinary shares of RM1.00 each in OHB | 380,000,000 |
| <i>To be offered pursuant to the Initial Public Offering</i> | |
| 195,121,800 ordinary shares of RM1.00 each in OHB | 195,121,800 |

(ii) Class of shares, ranking and rights

There is only one class of shares in the Company, namely ordinary shares of RM1.00 each. The Offer Shares shall rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of RM1.00 each of the Company including voting rights and will be entitled to all rights and dividends and distributions that may be declared subsequent to the date of this Prospectus.

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

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

(iii) Retail Price for the Retail Offering and Bumiputera Offering RM1.60

(Subject to adjustment pursuant to Section 6 of Part III of this Prospectus)

II. INFORMATION SUMMARY (CONT'D)

(iv) Proforma Consolidated NTA as at 31 May 2004

| | |
|---|---------|
| Proforma consolidated NTA (RM 000) <i>(after the Acquisitions and Initial Public Offering (which incorporates the write-off of the estimated listing expenses amounting to RM1.5 million))</i> | 462,889 |
| Proforma consolidated NTA per OHB Share (RM) <i>(based on the issued and paid-up share capital of 380 million OHB Shares)</i> | 1.22 |

(v) Consolidated Profit Estimate and Forecast

The consolidated profit estimate and forecast of the Group for the financial years ending 30 November 2004 and 30 November 2005 respectively are as follows:

| Financial year ending 30 November | Estimate 2004 RM 000 | Forecast 2005 RM 000 |
|---|----------------------------|----------------------------|
| Revenue | 1,120,080 | 1,265,090 |
| Consolidated profit before accretion of reserve on consolidation and taxation | 120,945 | 87,725 |
| Add: Accretion of reserve on consolidation | 2,850 | 17,098 |
| Consolidated PBT | 123,795 | 104,823 |
| Income tax expense | (30,965) | (15,737) |
| Consolidated PAT | 92,830 | 89,086 |
| Less: Pre-acquisition profit | (85,488) | - |
| Consolidated profit attributable to shareholders | 7,342 | 89,086 |
| Based on consolidated PAT | | |
| No. of OHB Shares in issue (000) | 380,000 | 380,000 |
| Net EPS (sen) | 24.43 | 23.44 |
| Net PE multiple* (times) | 6.55 | 6.83 |
| Based on consolidated profit attributable to shareholders | | |
| Weighted average no. of OHB Shares in issue (000) | 59,180 | 380,000 |
| Net EPS (sen) | 12.41 | 23.44 |
| Net PE multiple* (times) | 12.89 | 6.83 |

Note:

* Computed based on the Retail Price of RM1.60 per Offer Share.

Further details on the consolidated profit estimate and forecast of the Group and the principal bases and assumptions are set out in Sections 6 and 7 of Part XI of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

(vi) Dividend Estimate and Forecast

No dividend will be paid in respect of the financial year ending 30 November 2004. The dividend forecast for the financial year ending 30 November 2005 is as follows:

| Financial year ending 30 November | Forecast 2005 |
|---|--------------------------|
| Gross dividend per OHB Share (sen) ¹ | 3.20 |
| Net dividend per OHB Share (sen) ¹ | 2.30 |
| Gross dividend yield (%) ² | 2.00 |
| Net dividend yield (%) ² | 1.44 |
| Net dividend cover (times) | 10.18 |

Notes:

¹ Computed based on the enlarged issued and paid-up share capital of 380,000,000 OHB Shares.

² Based on the Retail Price of RM1.60 per Offer Share.

Further details on the dividend policy of the Group are set out in Section 4 of Part XI of this Prospectus.

5. PROCEEDS FROM THE DISPOSAL OF 22.26% IN GROUP STEEL AND THE INITIAL PUBLIC OFFERING

No part of the gross proceeds from the Initial Public Offering of RM317,300,624 (assuming the Final Retail Price and Institutional Price is RM1.60 and RM1.68 respectively) is receivable by the Company. The gross proceeds from the Initial Public Offering shall accrue entirely to the Offerors.

The Offerors shall bear all expenses, including underwriting commission, placement fee and brokerage in relation to the Offer Shares amounting to approximately RM3.5 million.

The gross proceeds of RM37,810,274 arising from the Disposal of 22.26% in Group Steel, which forms part of the restructuring exercise prior to the Listing, will be received by Ornasteel upon completion of the Initial Public Offering but before the Listing and will be utilised for working capital purposes after deducting the estimated expenses relating to the Listing of RM1.5 million.

OHB will bear all expenses relating to the Listing such as registration fee, professional fees, SC's fees and advertising and printing expenses which are estimated to be approximately RM1.5 million. The aggregate professional fees are estimated at RM0.8 million.

6. MATERIAL LITIGATION, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS, BORROWINGS AND WORKING CAPITAL
(i) Material Litigation and Arbitration

As at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus, the Company and its subsidiaries are not engaged in any material litigation or arbitration, either as plaintiff or defendant, and the Directors of the Company are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company or its subsidiaries.

II. INFORMATION SUMMARY (CONT'D)

(ii) Contingent Liabilities

As at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus, the Directors of the Company are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of the Group.

(iii) Material Commitments

Save as disclosed below, there are no material commitments for capital expenditure contracted or known to be contracted by OHB or its subsidiaries, which upon becoming enforceable, may have a material impact on the financial position of the Group as at 31 October 2004 (being the latest practicable date at which such amounts could be calculated prior to the issuance of this Prospectus):

| | RM 000 |
|---------------------------------|---------------|
| Approved and contracted for | 13,502 |
| Approved but not contracted for | 10,408 |
| | <u>23,910</u> |

The material commitments mainly relate to acquisition and upgrading of machinery.

(iv) Borrowings

As at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus, the total outstanding borrowings of the Group amount to approximately RM209.2 million comprising various interest-bearing facilities such as bank overdrafts, trust receipts, bankers' acceptance, term loans and bonds.

The Group's total outstanding borrowings comprise of approximately RM121.8 million and approximately RM87.4 million (USD22.9 million) which are denominated in RM and USD respectively, of which all of the RM denominated borrowings and approximately RM53.0 million (USD13.9 million) of the USD denominated borrowings are short term in nature (payable within 12 months).

The Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past one financial year ended 30 November 2003 and the subsequent six (6)-month period ended 31 May 2004.

(v) Working Capital

After taking into account the consolidated cashflow position of the Group and the banking and financing facilities available, the Directors of the Company are of the opinion that the OHB Group will have adequate working capital for a period of 12 months from the date of this Prospectus.

7. RISK FACTORS

An investment in shares listed/to be listed on Bursa Securities involves a number of risks. Investors should rely on their own evaluations and carefully consider the risk factors, together with other information contained in this Prospectus before applying for any of the Offer Shares which are the subject of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

The following are the risk factors (which may not be exhaustive) of which the details are set out in Part IV of this Prospectus:

- (i) No prior market for OHB Shares;
- (ii) Business risks;
- (iii) Competition;
- (iv) Control by substantial shareholder;
- (v) Dependence on CSC;
- (vi) Regulatory considerations;
- (vii) Dependence on key personnel;
- (viii) Risks associated with bank borrowings;
- (ix) Foreign exchange risks;
- (x) Restrictive covenants under credit and finance facility agreements;
- (xi) Fluctuation in selling prices;
- (xii) Source of supplies;
- (xiii) Dependence on key customers, particular products, markets and geographical location;
- (xiv) Outbreak of fire and energy crisis;
- (xv) Investment risks;
- (xvi) Adequacy of insurance coverage;
- (xvii) Trademark, copyrights and protection of intellectual property rights;
- (xviii) Risks associated with future plans;
- (xix) Political and economic considerations;
- (xx) Profit estimate and forecast;
- (xxi) Forward looking statements;
- (xxii) Delay in or failure of the Listing;
- (xxiii) Environmental risks; and
- (xxiv) Approximate gap between the Price Determination Date and trading of OHB Shares.

III. DETAILS OF THE INITIAL PUBLIC OFFERING

1. INTRODUCTION

This Prospectus is dated 29 November 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form has also been lodged with the ROC, and neither the SC nor the ROC takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the OHB Shares as a Prescribed Security. In consequence thereof, the Offer Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Offer Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

An application will be made to Bursa Securities within 3 Market Days from the date of this Prospectus for admission to the Official List of Bursa Securities and for permission to deal in and for the listing of and quotation for the entire issued and fully paid-up share capital of the Company, including the Offer Shares, which are the subject of this Prospectus, on the Main Board of Bursa Securities, failing which any allotment of OHB Shares made on an application to subscribe for such OHB Shares pursuant to this Prospectus shall be void and the Company shall repay without interest all monies received from the applicants. These ordinary shares will be admitted to the Official List of Bursa Securities and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and an undertaking from MIH has been issued that the notices of allotment will be despatched to all successful applicants.

Acceptance of the applications will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for the entire issued and fully paid-up share capital of the Company on the Main Board of Bursa Securities. Accordingly, monies paid in respect of any application accepted will be returned without interest if the said permission for the listing and quotation is not granted within 6 weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided that the Company is notified by or on behalf of Bursa Securities within the aforesaid timeframe.

Pursuant to the Listing Requirements of Bursa Securities, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 OHB Shares each upon completion of the Initial Public Offering and at the point of Listing. In the event that the above requirement is not met pursuant to the Initial Public Offering, the Company may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be returned without interest if the said permission for the listing and quotation is not granted.

Applicants of the Offer Shares **MUST** have a CDS account. In the case of an application by way of Application Form, an applicant must state his CDS account number in the space provided in the Application Form and he shall be deemed to have authorised Bursa Depository to disclose information pertaining to his CDS account to MIH/the Company for the purpose of crediting the Offer Shares allotted to him to his CDS account. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application require him to do so. A corporation or institution cannot apply for the Offer Shares by way of Electronic Share Application.

III. DETAILS OF THE INITIAL PUBLIC OFFERING (CONT'D)

You should rely only on the information contained in this Prospectus. Neither the Company nor the Offerors have authorised any persons to provide you with information that is different from those contained in this Prospectus. Neither the delivery of this Prospectus nor any Initial Public Offering made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company or the Group since the date hereof.

The distribution of this Prospectus and the sale of the Offer Shares are subject to Malaysian law and the Company takes no responsibility for the distribution of this Prospectus and/or sale of the Offer Shares outside Malaysia. Persons who may be in 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 offer to sell or invitation to apply for any Offer 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.

If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

2. DETAILS OF THE INITIAL PUBLIC OFFERING

The Initial Public Offering shall be subject to the terms and conditions of this Prospectus and upon acceptance, the Offer Shares will be allocated in the following manner, subject to the clawback and re-allocation provision as set out below:

- (i) **Bumiputera Offering at the Retail Price of RM1.60 per OHB Share, payable in full upon application but subject to refund in the event the Final Retail Price is less than RM1.60 per OHB Share**

114,000,000 Offer Shares have been reserved for Bumiputera investors approved by the MITI.

- (ii) **Retail Offering at the Retail Price of RM1.60 per OHB Share, payable in full upon application but subject to refund in the event the Final Retail Price is less than RM1.60 per OHB Share**

17,300,000 Offer Shares have been reserved for the Malaysian public, Eligible Employees, and suppliers and customers of the OHB Group. These shares are allocated to the respective parties as follows:

- (a) 10,000,000 Offer 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; and
- (b) 7,300,000 Offer Shares will be made available for application by the Eligible Employees, and suppliers and customers of the OHB Group as follows:

| | No. of Offer Shares |
|----------------------------------|----------------------------|
| Eligible Employees | 5,300,000 |
| Eligible suppliers and customers | 2,000,000 |
| | <u>7,300,000</u> |

III. DETAILS OF THE INITIAL PUBLIC OFFERING (CONT'D)

The Offer Shares in respect of paragraph (ii)(b) above are allocated to 528 Eligible Employees, and 83 suppliers and customers of the OHB Group based on the following criteria which have been approved by the Board:

- the designation and length of service of the Eligible Employees; and
- the trade relationships of the suppliers and customers with the OHB Group.

The allocation of the Offer Shares to the Directors of OHB are set out below:

| Directors | Designation | No. of OHB Shares | % |
|---------------------------------------|--|-------------------|------|
| Huang Tsong-Ying | Group Managing Director | 80,000 | 0.02 |
| Chang Shu-Aun | Executive Director | 80,000 | 0.02 |
| Tan Chin Teng | Executive Director | 80,000 | 0.02 |
| Dr. Wei Li-I | Non-Independent Non-Executive Director | 20,000 | 0.01 |
| Pang Fee Yoon | Independent Non-Executive Director | 20,000 | 0.01 |
| Chong Khim Leong @ Chong Kim Leong | Independent Non-Executive Director | 20,000 | 0.01 |

The offer for sale of 5,300,000 Offer Shares to the Eligible Employees is via the EES. The salient details of the EES are set out in Section 4 of Part V of this Prospectus.

In the event any of the suppliers and customers of the OHB Group do not take up the Offer Shares allocated to them, the Offer Shares will firstly be reallocated to the other suppliers and customers of the OHB Group who wish to apply for excess Offer Shares, prior to making the excess shares available for application by the Malaysian public. The reallocation of the Offer Shares not taken up by the suppliers and customers of the OHB Group will be made on a fair and equitable manner.

(iii) Institutional Offering at the Institutional Price, payable in full upon allocation and determined by way of bookbuilding

63,821,800 Offer Shares will be made available for application by identified investors, of which 30% will be allocated to Bumiputera investors on a best effort basis.

The allocation of Offer Shares under the Retail Offering and Institutional Offering is subject to adjustment. In the event of an over-application in the Retail Offering, and under-application in the Institutional Offering, the OHB Shares may be clawed back from the Institutional Offering to the Retail Offering. If there is an under-application in the Retail Offering, and an over-application in the Institutional Offering, the OHB Shares may be clawed back from the Retail Offering to the Institutional Offering. The clawback and re-allocation as mentioned above shall not apply in the event of an over-application in both the Retail Offering and the Institutional Offering.

Save for the Offer Shares allocated to Eligible Employees, all the Offer Shares under the Retail Offering are fully underwritten at an underwriting commission of 1.5% based on the Retail Price for each Offer Share being underwritten. Further details of the Underwriting Agreement are set out in Section 10 of this Part of the Prospectus.

The Offer Shares allocated to Eligible Employees need not be and will not be underwritten. All the Offer Shares under the Bumiputera Offering are not underwritten as irrevocable undertakings to subscribe for the Offer Shares will be obtained from the Bumiputera investors nominated by the MITI. Further, if there is a shortfall in respect of commitment to subscribe for the Offer Shares under the Bumiputera Offering, such Offer Shares will be placed in a trust

III. DETAILS OF THE INITIAL PUBLIC OFFERING (CONT'D)

account pending identification and subscription by Bumiputera investors approved by the MITI after the Listing.

The 28,000,000 Offer Shares under the Institutional Offering, which forms part of the minimum level of subscription will not be underwritten as the Institutional Price will only be determined after the issuance of this Prospectus.

The Offer Shares under the Institutional Offering will be subject to a placement fee not exceeding 2.0% of the Institutional Price for each Offer Share under the Institutional Offering successfully placed out.

The minimum level of subscription in respect of the Initial Public Offering shall be the subscription of 10,000,000 Offer Shares reserved for the Malaysian public, the entire Bumiputera Offering comprising 114,000,000 Offer Shares and the subscription of at least 28,000,000 Offer Shares under the Institutional Offering. The minimum level of subscription was determined after taking into consideration of Bursa Securities's public shareholding spread, the Bumiputera content requirement pursuant to the National Development Policy/National Vision Policy, and the equity condition stipulated in the manufacturing licence of Group Steel.

3. SHARE CAPITAL AND RIGHTS ATTACHING TO THE OFFER SHARES

| | RM |
|---|---------------|
| <i>Authorised</i> | |
| 1,000,000,000 ordinary shares of RM1.00 each in OHB | 1,000,000,000 |
| <i>Issued and fully paid-up as at the date of this Prospectus</i> | |
| 380,000,000 ordinary shares of RM1.00 each in OHB | 380,000,000 |
| <i>To be offered pursuant to the Initial Public Offering</i> | |
| 195,121,800 ordinary shares of RM1.00 each in OHB | 195,121,800 |

Class of shares, ranking and rights

There is only one class of shares in the Company, namely ordinary shares of RM1.00 each. The Offer Shares shall rank pari passu in all respects with the other existing issued and paid-up ordinary shares of RM1.00 each of the Company including voting rights and will be entitled to all rights and dividends and distributions that may be declared subsequent to the date of this Prospectus.

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

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

III. DETAILS OF THE INITIAL PUBLIC OFFERING (CONT'D)

4. OPENING AND CLOSING OF APPLICATIONS

Applications will be accepted from 10.00 a.m. on 29 November 2004 and will close at 5.00 p.m. on 8 December 2004 or such other date or dates as the Directors of the Company, the Offerors and CIMB may in their absolute discretion mutually decide. Late applications will not be accepted.

Should the closing date of the applications be extended, the Price Determination Date, and dates for balloting and allotment of the Offer Shares and the listing of and quotation for the entire enlarged issued and paid-up share capital of OHB on the Main Board of Bursa Securities would be extended accordingly. In the event the closing date for the Initial Public Offering is extended, investors will be notified of the change in a widely circulated English and Bahasa Malaysia newspaper in Malaysia.

The indicative timing of events leading up to the Listing is set out below:

| Event | Date |
|--|------------------|
| Opening of the Initial Public Offering | 29 November 2004 |
| Closing of the Initial Public Offering | 8 December 2004 |
| Price Determination Date | 9 December 2004 |
| Tentative balloting date of applications for the Retail Offering | 13 December 2004 |
| Tentative date of allotment of Offer Shares to successful applicants | 14 December 2004 |
| Tentative listing date | 30 December 2004 |

5. BASIS OF ARRIVING AT THE RETAIL PRICE

Upon application, applicants for the Bumiputera Offering and Retail Offering will pay the Retail Price of RM1.60 per OHB Share. The Retail Price of RM1.60 per OHB Share was determined and agreed upon by the Company and CIMB, as Adviser, Sole Bookrunner and Underwriter, after taking into consideration the following factors:

- (a) the Group's operating and financial history and conditions as described in Part VI and Sections 1 and 2 of Part XI of this Prospectus;
- (b) the industry overview, prospects and future plans of the OHB Group as outlined in Part VII of this Prospectus;
- (c) the prevailing capital market conditions;
- (d) the forecast net PE multiple for the financial year ending 30 November 2005 as set out in Section 6.1 of Part XI of this Prospectus; and
- (e) the proforma audited consolidated NTA per share (after the Acquisitions and Initial Public Offering (which incorporates the write-off of the estimated listing expenses of RM1.5 million)) of RM1.22 as at 31 May 2004.

Investors should note that the Final Retail Price will not in any event be greater than the Retail Price of RM1.60 per Offer Share. However, applicants should note that the market price of the Offer Shares upon listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties which may affect the price of the Offer Shares.

III. DETAILS OF THE INITIAL PUBLIC OFFERING (CONT'D)

6. BASIS OF ARRIVING AT THE FINAL RETAIL PRICE AND THE REFUND MECHANISM

The Institutional Price will be determined using a process known as “bookbuilding” wherein prospective investors will be invited to bid for the Offer Shares by specifying the number of Offer Shares they would be prepared to subscribe for at different prices.

The bookbuilding process is expected to commence on 29 November 2004 and close on 8 December 2004. Upon completion of the bookbuilding process, the Institutional Price will be fixed by the Offerors with the advice from CIMB on the Price Determination Date. Agreements will be executed between CIMB (as Sole Bookrunner) and the respective investors to fix their respective allocation of the number of Offer Shares to be sold at the Institutional Price.

Thereafter, the Final Retail Price will be determined, which will be the lower of:

- (a) the Retail Price of RM1.60 per OHB Share; or
- (b) 95% of the Institutional Price.

The Final Retail Price will be rounded up to the nearest sen.

Prospective investors should be aware that the Final Retail Price will not in any event be greater than the Retail Price of RM1.60 per OHB Share. In the event that the Final Retail Price is lower than the Retail Price, a refund of the difference will be made to the applicants without any interest thereon. In any event, the Final Retail Price shall not be lower than the par value of the Offer Shares.

The refund will be effected via remittances in the form of cheques, which will be issued and despatched to the applicants within 10 Market Days from the date of the final ballot of applications for the Offer Shares by ordinary post at the applicants' address last maintained with Bursa Depository, at the applicants' own risk.

The Final Retail Price will be published in a Bahasa Malaysia and an English daily newspaper circulating generally throughout Malaysia within two (2) Market Days after the Price Determination Date. In addition, all successful applicants will be informed via written notice of the Final Retail Price and the Institutional Price in the notices of allotment.

7. PURPOSE OF THE INITIAL PUBLIC OFFERING

The purpose of the Initial Public Offering is as follows:

- (a) to provide an opportunity for the Malaysian public and Eligible Employees, and suppliers and customers of the OHB Group to participate in the continuing growth of the OHB Group;
- (b) to enable OHB to meet the 25% public shareholding spread requirement pursuant to the Listing Requirements of Bursa Securities;
- (c) to enable OHB to meet the National Development Policy/National Vision Policy requirement of 30% Bumiputera shareholding in OHB upon its Listing;
- (d) to enable Group Steel to meet the equity condition stipulated in its manufacturing licence, details of which are set out in Section 7.3.1 (ii) of Part V of this Prospectus; and
- (e) to facilitate the Listing.

III. DETAILS OF THE INITIAL PUBLIC OFFERING (CONT'D)

The objectives of the Listing are:

- (a) to enable OHB to gain access to the capital market to tap external sources of borrowings and equity funds for the future expansion and continued growth of the OHB Group; and
- (b) to enhance the stature of the OHB Group and to attract experienced personnel.

8. PROCEEDS FROM THE DISPOSAL OF 22.26% IN GROUP STEEL AND THE INITIAL PUBLIC OFFERING

No part of the gross proceeds from the Initial Public Offering of RM317,300,624 (assuming the Final Retail Price and Institutional Price is RM1.60 and RM1.68 respectively) is receivable by the Company. The gross proceeds from the Initial Public Offering shall accrue entirely to the Offerors.

The Offerors shall bear all expenses, including underwriting commission, placement fee and brokerage in relation to the Offer Shares amounting to approximately RM3.5 million.

The gross proceeds of RM37,810,274 arising from the Disposal of 22.26% in Group Steel, which forms part of the restructuring exercise prior to the Listing, will only be received by Ornasteel upon completion of the Initial Public Offering but before the Listing and will be utilised for working capital purposes after deducting the estimated expenses relating to the listing of RM1.5 million. The additional working capital is expected to improve the liquidity of the Group.

OHB will bear all expenses relating to the Listing such as registration fee, professional fees, SC's fees and advertising and printing expenses which are estimated to be approximately RM1.5 million. The aggregate professional fees are estimated at RM0.8 million.

The estimated expenses relating to the Listing are expected to be paid within 3 months from the date of the Listing.

9. BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

Brokerage is payable by the Offerors at the rate of 1% of the Final Retail Price for the 10,000,000 Offer Shares under the Retail Offering, which are made available for application by the Malaysian public, in respect of successful applications which bear the stamp of CIMB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

The underwriting commission is payable by the Offerors at the rate of 1.5% of the Retail Price for each Offer Share being underwritten in respect of the Retail Offering. In respect of the Institutional Offering, a placement fee not exceeding 2.0% of the Institutional Price for each Offer Share under the Institutional Offering successfully placed out is payable by the Offerors.

10. UNDERWRITING AGREEMENT

The Underwriting Agreement was entered into between the Offerors, OHB and CIMB on 8 November 2004 whereby CIMB is appointed as Underwriter to underwrite the 12,000,000 Offer Shares ("Underwritten Shares") which are made available for application by the Malaysian public and eligible suppliers and customers of the OHB Group under the Retail Offering at an underwriting commission of 1.5% of the value of the Underwritten Shares. Some of the salient terms of the Underwriting Agreement are summarised as follows:

- 10.1 Pursuant to clause 6.1 of the Underwriting Agreement, the obligations of the Underwriter to underwrite the Underwritten Shares under the Underwriting

III. DETAILS OF THE INITIAL PUBLIC OFFERING (CONT'D)

Agreement are conditional on the performance by the Offerors and the Company of their obligations under the Underwriting Agreement and on:

- (i) The Underwriter receiving a certificate in the form or substantially in the form contained in Schedule 4 (Certificate by Company) of the Underwriting Agreement dated the last date for acceptance, application for and payment of the subscription or purchase monies for the Bumiputera Offering and Retail Offering as stated in this Prospectus ("Closing Date") signed by the duly authorised officer of the Company and a certificate to be given by each of the Offerors in the form or substantially in the form contained in Schedule 5 (Certificate by Offeror) of the Underwriting Agreement dated the Closing Date signed by the duly authorised officer of each of the respective Offerors and being satisfied at the Closing Date that:
 - (a) there has not occurred any material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole subsequent to the date of the Underwriting Agreement ("Agreement Date"); or
 - (b) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings in clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by the Offerors and/ or the Company;
- (ii) The Underwriting Agreement being signed by the relevant authorised signatories to the Underwriting Agreement and stamped within the statutory time frame;
- (iii) The issue of this Prospectus not later than two (2) months from the Agreement Date or such later date as the Underwriter, the Offerors and the Company may from time to time agree in writing;
- (iv) The registration of this Prospectus with the SC and its lodgement with the ROC;
- (v) All the approvals referred to in clause 2.2 (Approvals) of the Underwriting Agreement remain in full force and effect and that all conditions to the approvals (except for any which can only be complied with after the Initial Public Offering has been completed) have been complied with;
- (vi) The approval-in-principle of Bursa Securities for the admission of the Company to the official list of Bursa Securities and the listing of and quotation for its entire issued and paid-up share capital on the Main Board of Bursa Securities being obtained within six (6) weeks from the date of this Prospectus (or such longer period as may be specified by the SC) and on terms acceptable to the Underwriter and remaining in full force and effect and that all conditions (except for any which can only be complied with after the Initial Public Offering has been completed) have been complied with;
- (vii) The Underwriter being satisfied that the Company will, following completion of the Initial Public Offering be admitted to the Official List of Bursa Securities and its issued and paid-up share capital listed and quoted on the Main Board of Bursa Securities without undue delay;
- (viii) The Institutional Price has been determined by way of bookbuilding and agreed to between the Company and the Offerors with the advice of CIMB in its capacity as the Sole Bookrunner for the Institutional Offering;

III. DETAILS OF THE INITIAL PUBLIC OFFERING (CONT'D)

- (ix) The Underwriter receiving a copy duly certified by a director or secretary of the Company to be a true and accurate copy and in full force and effect, of a resolution of the Directors:
 - (a) approving this Prospectus, the Underwriting Agreement and the transactions contemplated by it;
 - (b) authorising the issuance of this Prospectus; and
 - (c) authorising a person to sign and deliver the Underwriting Agreement on behalf of the Company;
 - (x) The Initial Public Offering not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and save for the approval-in-principle referred to in clause 6.1.6 of the Underwriting Agreement, all consents, approvals, authorisations or other orders required by the Company and/or the Offerors under such laws for or in connection with the Initial Public Offering and/or listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of Bursa Securities have been obtained and are in force up to the Closing Date;
 - (xi) The Underwriter being satisfied that the Company and/or the Offerors have complied with and that the Initial Public Offering is in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements to it;
 - (xii) The scheme for the admission of the Company to the Official List of Bursa Securities and the listing of and quotation for its entire issued and paid-up share capital on the Main Board of Bursa Securities being approved by the shareholders of the Company in an Extraordinary General Meeting; and
 - (xiii) The successful completion of the bookbuilding exercise in respect of the Institutional Offering. For the purpose of the Underwriting Agreement, the bookbuilding exercise in respect of the Institutional Offering is deemed to be successfully completed, if at least 28,000,000 Offer Shares under the Institutional Offering have been allocated.
- 10.2 If any of the conditions set out in clause 6.1 (Details) of the Underwriting Agreement (to the extent not waived by the Underwriter) are not satisfied within four (4) months from the Agreement Date or such later date as consented to in writing by the Underwriter, the Underwriter shall be entitled to terminate this Agreement and in such event the provisions of clause 14 (Termination) of the Underwriting Agreement shall apply.
- 10.3 Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may after consultation with the Offerors and the Company in such manner as the Underwriter shall reasonably determine by notice in writing to the Offerors and the Company given at any time before the Underwriter is discharged or required to carry out its obligation under clause 9 (Underwriting Obligation) of the Underwriting Agreement, terminate and withdraw its underwriting commitment to underwrite the Underwritten Shares upon the occurrence of any of the following:
- (i) non-satisfaction of the conditions contained in clause 6 (Conditions) of the Underwriting Agreement; or
 - (ii) breach of any of the representations, warranties and undertakings in clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement; or

III. DETAILS OF THE INITIAL PUBLIC OFFERING (*CONT'D*)

- (iii) the occurrence of any *force majeure* event including, but not limited to the following:
 - (a) any adverse change or development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions of 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 abovementioned events or occurrences; or
 - (b) any change in any law, regulation, directive, policy or ruling in any jurisdiction which or would adversely affect the Initial Public Offering; or
 - (c) any events or series of events beyond the reasonable control of the Underwriter including (without limitation) acts of government, strikes, lock-outs, fire, explosion, flooding, outbreak of infectious diseases, civil commotion, acts of war, sabotage, acts of God, acts of terrorism or accidents or any other *force majeure* events;

provided that in the reasonable opinion of the Underwriter, the above circumstances would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group taken as a whole or the success of the Initial Public Offering and the distribution or sale of the Offer Shares (whether in the primary market or in respect of dealings in the secondary market) or the Listing or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Initial Public Offering or pursuant to the underwriting of the Underwritten Shares.

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IV. RISK FACTORS

Applicants for the Offer Shares should carefully consider the following risk factors (which may not be exhaustive) which may have an impact on the future financial performance of the Group, in addition to all other information contained elsewhere in this Prospectus before applying for the Offer Shares.

1. NO PRIOR MARKET FOR OHB SHARES

Prior to the Initial Public Offering, there was no public market for the OHB Shares. There can be no assurance that an active market for OHB Shares will develop upon the Listing or, if developed, that such market can be sustained. The Retail Price was determined after taking into consideration the factors as set out in Section 5 of Part III of this Prospectus whilst the Institutional Price will be determined by the bookbuilding process. The price at which the OHB Shares would trade on the Main Board of Bursa Securities after the Initial Public Offering may be influenced by a number of factors, including the liquidity of the market for the OHB Shares and the perception of the investors of the Group. There can be no assurance that the Final Retail Price or Institutional Price will correspond to the price at which the OHB Shares will trade on the Main Board of Bursa Securities either upon or subsequent to its Listing or that an active market for the OHB Shares will develop and continue upon or subsequent to its Listing.

2. BUSINESS RISKS

The Group is principally involved in the manufacturing and marketing of CR, GI and PPGI products. As such, the Group is subject to certain risks inherent in the iron and steel industry. These risks include changes in general economic conditions such as, but not limited to, general downturn in the global and Malaysian economy, government regulations, inflation, changes in business conditions such as deterioration in prevailing market conditions, constraints in labour supply, increase in costs of labour and materials, introduction of new players into the market and dependence on imported supplies and raw materials. Although the Group seeks to mitigate these risks through, among others, maintaining good business relationships with its customers and suppliers, efficient cost control, product development to improve the quality and reduce the production costs of its products, investment in new machinery and equipment to increase production and integration, and development and introduction of other synergistic products into the Group's product line, there is no assurance that any occurrence of these factors will not have a material adverse effect on the Group's business.

3. COMPETITION

The Group faces competition from various competitors, which include manufacturers and traders.

For the CRC industry in Malaysia, the competitors of the Group are Mycron Steel Berhad, a manufacturer of CRCs and various traders which import CRCs into Malaysia. The Group will also face competition from Megasteel which is expected to start its own CRC production. With the entry of Megasteel into the CRC market, the competition in the CRC market in Malaysia is expected to intensify.

The main competitors of the Group in respect of GI and PPGI products include BlueScope Steel (Malaysia) Sdn Bhd and Yung Kong Galvanising Industries Berhad.

Despite the competition, the Directors of the Company believe that the Group is presently one of the leading manufacturers of CR, GI and PPGI products in Malaysia.

IV. RISK FACTORS (CONT'D)

Although the Group seeks to mitigate the risk from its current and foreseeable competition by maintaining good business relationships with customers, further establishing its reputation within the iron and steel industry by distinguishing itself through quality products and competitive pricing of the Group's products and professionalism in service to customers, production efficiency, market diversification by exporting to other geographical markets such as the South East Asian countries and maintaining experienced and skilled management and technical personnel, there can be no assurance that the Group will be able to maintain and/or expand its market share in its local and overseas market or proposed export markets.

4. CONTROL BY SUBSTANTIAL SHAREHOLDER

Upon completion of the Initial Public Offering and Transfer, the substantial shareholder of OHB will be CSAP, holding 45% of the enlarged issued and paid-up share capital of OHB. As disclosed in this Prospectus, CSAP is a wholly-owned subsidiary of CSC. It is therefore likely that CSC (through CSAP), would be able to control the outcome of certain matters requiring the vote of the shareholders of OHB unless CSAP is required to abstain from voting by law and/or the relevant authorities.

5. DEPENDANCE ON CSC

The OHB Group is dependant on CSC in various aspects as set out below:

5.1 Corporate objectives

CSC, being the ultimate largest shareholder of the OHB Group, will ensure that the business direction of OHB is in congruent with the CSC Group's corporate objectives through the appointment of its employees such as the Group Managing Director, Directors and members of the senior management team of the OHB Group. However, without the business directive from CSC and the employees of CSC, the business of the OHB Group is still able to continue as the Group has Executive Directors and a group of experienced senior management personnel (non-employees of CSC) who have been with the Group for more than 6 years and are capable of setting corporate objectives and making business decisions for the Group. Please refer to Section 7 of this Part of the Prospectus for further details on dependence on key personnel.

5.2 Supplies of raw materials

OHB is also dependant on CSC to an extent for the supply of HR and IB coils for its production. There is no certainty that continuous supply is guaranteed and the future performance of the Group may be significantly affected in the absence of the HR and IB coils supply. Please refer to Section 12 of this Part of the Prospectus on the risks associated with source of supplies. To mitigate this the OHB Group will endeavour to purchase its raw materials required from suppliers other than CSC, subject to the reasonableness of the price charged, quality of the raw materials as well as the service provided by the other suppliers.

5.3 R&D

The OHB Group undertakes R&D on (among others) the chemical composition, physical properties, dimension, surface condition and production process of its products ('application R&D') and mainly relies on CSC for its R&D in development of new products and product innovation.

At present, the Group carries out its own testing and development of its products to produce higher quality products and to increase efficiency in its manufacturing process.

IV. RISK FACTORS (CONT'D)

There can however be no assurance that, in the event CSC ceases to be a substantial shareholder of OHB and ceases to supply the OHB Group with quality raw materials, R&D information and business directive, the business operations of the OHB Group would not be materially affected.

5.4 Pricing on supplies of raw materials

CSC, being a large corporation, reaps benefits from economies of scale in areas such as production cost efficiency, discount on bulk purchases of its raw materials and R&D. Thus, CSC is able to provide its main customers with competitive pricing on its products. The OHB Group benefits from this competitive pricing as the Group has been a main customer of CSC. In addition, CSC, through its subsidiary, CSAP, holds a substantial equity interest in the OHB Group.

The management of OHB believes that CSC will continue to maintain this arrangement due to the following:

- (a) CSC (through CSAP) remains a substantial shareholder of the OHB Group even after the Initial Public Offering and will continue to maintain a good trade relationship with the OHB Group;
- (b) the discount provided by CSC to the OHB Group represents the normal discount extended to its main customers who have established long term trade relationships with CSC; and
- (c) the OHB Group has been in trade relationship with CSC since 1994.

However, in the event CSC does not extend the competitive pricing to the OHB Group or ceases to be a substantial shareholder of OHB, there is no certainty that the performance of the OHB Group would not be materially affected. There is also no certainty that the OHB Group will be able to source its supplies of raw materials on the same competitive pricing and terms.

6. REGULATORY CONSIDERATIONS

The Government has imposed an increase in duties/tariffs on the imports of flat steel products such as HR, CR, GI and PPGI products. At the same time, companies wishing to import these products are required to have approved permits. In granting the approved permits, the MITI may take into account, among others, the market dynamics in Malaysia and the region.

Presently, raw materials imported by the OHB Group are exempted from import duties/tariffs under approved permits from the MITI. As disclosed in Sections 7.3.1 (iv) and 7.3.2 (iv) of Part V of this Prospectus, the current approved permits of the OHB Group will be expiring in December 2004. Whilst the Directors believe that the MITI will continue issuing the OHB Group with approved permits and exemption from import duties/tariffs for their import of raw materials because the OHB Group is a major producer in the local steel industry and the Government's policy towards trade liberalisation, there is no assurance that the MITI will continue to grant the OHB Group with such permits and/or exemptions. If such approved permits are not granted, the OHB Group would have to obtain its supply of raw materials from the only local HR producer, Megasteel, which might be able to exert higher prices due to the demand. Further, if the OHB Group is not granted exemption from import duties/ tariffs, OHB would have to pay import duties/ tariffs on those raw materials and would then have to increase its selling prices or reduce its profit margin to compensate for the higher costs. There is no assurance that the aforesaid will not materially and adversely affect the Group's operations and business. The Directors however believe that the OHB Group should be able to pass the increased costs on to the downstream players as the revocation of approved permits and/or higher import duties/tariffs will make steel products in general more expensive in Malaysia.

IV. RISK FACTORS (CONT'D)

7. DEPENDENCE ON KEY PERSONNEL

The Group believes that its continuing success depends, to a significant extent, upon the abilities and continuing efforts of its existing Executive Directors and senior management. The loss of any of the key members of the Group's Executive Directors and senior management could materially affect the Group's performance. The Directors of the Company also recognise the importance of the Group's ability to attract and retain skilled personnel. In this regard, the Group endeavours to groom the existing staff members to support the senior management and/or to shoulder further responsibilities and to provide suitable incentives such as bonuses, group performance incentives, medical coverage and a conducive working environment. Further, in conjunction with the offering of Offer Shares to Eligible Employees, the EES will be introduced to provide an additional incentive to motivate and retain the Eligible Employees. However, there can be no assurance that the above measures will always be successful in retaining key personnel or in ensuring a smooth transition should changes occur.

8. RISKS ASSOCIATED WITH BANK BORROWINGS

The Group finances its operations using internally generated funds and bank borrowings which are interest bearing. As such, any additional bank borrowings and/or increase in interest rates may result in an increase in interest expense and affect the performance of the Group. There can be no assurance that the interest rates will be maintained in the future and/or that any increase in the Group's bank borrowings will not have a material effect on the performance of the Group. To date, the Group has not defaulted on any of its borrowings.

9. FOREIGN EXCHANGE RISKS

The Group presently purchases certain of its raw materials, including, among others, HR coils, zinc, 1B coils and various chemical substances from, among others, Taiwan, Australia, Singapore, Korea and Canada. Such transactions are conducted in USD, hence the direct application of the USD currency exchange rate. At present, there are no fluctuations in the USD currency exchange rate as a result of the pegging of the RM to USD at the official conversion rate of USD1.00 to RM3.80 ("Peg"). However, there can be no assurance that the Peg will be maintained in the future, and that if the Peg is removed or varied, it will not have a material effect on the performance of the Group. At present, as the Company also sells its products in USD, it has a natural hedge in place in the event the Peg is lifted. The Directors of the Company intend to mitigate its foreign exchange risks by increasing its production output and/or product range to be able to increase its export market share. However, there can be no assurance that the increase in its production and/or product range would be a success and/or would be effective in increasing its export market share.

10. RESTRICTIVE COVENANTS UNDER CREDIT AND FINANCE FACILITY AGREEMENTS

The subsidiaries of OHB have entered into various credit and finance facility agreements with banks or financiers to finance their operations and business activities. These agreements contain, among others, covenants which may limit the OHB Group's operating and financial flexibility. Any act by the OHB Group falling within the ambit or scope of such covenants will require the consent of the relevant banks or financiers. The management of the OHB Group has obtained the requisite consents from the affected banks or financiers for the implementation of the Disposal of 22.26% in Group Steel, Acquisitions, Initial Public Offering and Listing. The management of the relevant subsidiaries are fully aware of the terms and conditions of, as well as the covenants under the various credit and finance facility agreements and will endeavour to comply with all such terms, conditions and/or covenants. However, no assurance can be given that the Group's liquidity and/or operations will not be affected in the event any of the credit and finance facilities are withdrawn due to a breach of any of the terms, conditions and/or covenants.

IV. RISK FACTORS (CONT'D)

11. FLUCTUATION IN SELLING PRICES

The selling price of steel products is dependant on the demand and supply condition of steel in the market and the price of its raw materials which in the case of the OHB Group is generally HR coils. The price of HR coils is dependant on market forces. Although the price for steel products is currently on an upward trend, there can be no assurance that the price of steel products would not decrease and that such decrease will not have a material effect on the financial performance of the Group. The management of the OHB Group believes that even if the price of steel products decreases, the Group is able to mitigate such risk by changing its product mix (either 1B, CR, GI and/or PPGI products) and/or increase its production level to produce sufficient levels of 1B, CR, GI and PPGI products to meet the growing demand of the market. However, there is no assurance that the profitability of the Group will not be affected in the event the increase in sales volume (which is constrained by production capacity) is not sufficient to offset the impact of the price decrease.

12. SOURCE OF SUPPLIES

The Group's business depends, among others, on the supply of its raw materials, namely HR coils, 1B coils, zinc, paints and various chemical substances. As such, the Group's business depends on the continued supply, cost and reliability of such supplies from their existing suppliers, some of whom might supply most of a particular item. The Group sources most of its HR coils from CSC (60%) and a local supplier, zinc from various suppliers from Canada, Australia and Korea, chemicals from Singapore and paints from Nippon and Becker. Although the Directors of the Company believe that the Group is able to find substitute suppliers easily in the event of a disruption in supplies, there can be no assurance that the non-availability of suppliers, disruption of supplies or increase in the cost of such supplies will not have a material effect on the performance of the Group. In addition, for DQ and DDQ CR products to be produced, the supply of quality low carbon and IF steel coils as raw materials would be necessary. IF steel coils are difficult to obtain in the open market as suppliers of IF steel coils are normally integrated steel producers who would retain such quality raw materials for internal use. As an associate company of CSC (after the Initial Public Offering), the OHB Group benefits from the ability to obtain IF steel coils to enable it to produce IF steel CRCs. However, there can be no assurance that CSC would continue to be a substantial shareholder of OHB and that CSC would continue to provide the OHB Group with IF steel coils or sufficient levels of IF steel coils to enable it to continue and expand its production of DQ and DDQ CR products.

13. DEPENDENCE ON KEY CUSTOMERS, PARTICULAR PRODUCTS, MARKETS AND GEOGRAPHICAL LOCATION

The Group's business can be considered to be in the mid stream level of the iron and steel industry and benefits from the many players in the downstream market of the iron and steel industry. As such, its product line of 1B, CR, GI and PPGI products can be considered as well diversified and meets the diverse requirements of its customers. As such, the Directors of the Company believe that there is no particular dependency on key customers and particular products. Although the Directors of the Company believe that the products it produces are catered to various markets with steady growth over the years and that the needs and requirements of its various markets and customers have been met in the past and are met presently, there can be no assurance that the stable demand of the OHB Group's products will not change in the future and that such change would not have a material effect on the performance of the Group.

In addition, the Group may at times export a substantial amount of its products to certain countries depending on demand and profitability to the Group. As such, there is a risk that the Group may be overly dependent on a particular geographical location. However, the Directors shall endeavour to diversify its export regions to maximise its growth potential and profitability and reduce its dependency on any particular country. Nevertheless, there can be no assurance that the Group's business will not be affected as a result of this over-dependency by any of the factors set out in Section 19 of this Part of the Prospectus.

IV. RISK FACTORS (CONT'D)

14. OUTBREAK OF FIRE AND ENERGY CRISIS

The Group faces certain operational risks inherent in the iron and steel industry which includes, among others, outbreak of fire, and energy crisis such as shortage of electricity. The Group has taken various steps to reduce the risk associated with fire by installing proper fire-fighting systems at its plant and offices and conducting appropriate training for its employees in the use of such fire-fighting systems. The Directors of the Company believe that in the event of a fire, damage to its raw materials, finished products and heavy equipment and machinery within the Group's plants would be minimal as a majority of the contents within the Group's plants consist of steel materials which have a high temperature tolerance. The Group has however taken insurance coverage for all of its equipment and machinery to mitigate its financial losses in the event of an outbreak of fire.

The Group has also installed backup diesel generators to mitigate the impact on the operations of its plants in the event of an energy crisis. However, the backup generators are capable of sustaining only critical parts of the Group's operations at any one time and are not able to support the full operational scale of the Group. At present, the Group maintains sufficient stock to meet its customers' demand in the event of any disruption in the production process. Further to that, the Directors of the Company believe that the Company would be able to make up for down time by operating at a higher level should the need arise. Although there has not been any major disruption to the Group's business operations as a result of an outbreak of fire or energy crisis, and the Directors of the Company have taken reasonable steps to mitigate the operational risk, there can be no assurance that there would not be any outbreak of fire or energy crisis at the Group's plants and that any outbreak of fire or energy crisis would not have a material adverse effect on the Group's business and financial performance.

15. INVESTMENT RISKS

The Group may from time to time invest in new equipment or new ventures which it believes to be beneficial to the business of the Group or is synergistic with the Group's current operations. Although the Board exercises prudence in its decision-making, there is always the potential risk that the returns from these investments may have a longer payback period than expected or the investments may fail. As such, there can be no assurance that all its future investments will yield positive returns to the Group and would not have any adverse material effect on the Group's future financial performance.

16. ADEQUACY OF INSURANCE COVERAGE

The Directors of the Company are aware and recognise the importance of having adequate insurance coverage for the Group's assets and the consequences arising from inadequate insurance coverage which could potentially jeopardise the business operations and financial position of the Group. As a measure to mitigate the risk of inadequate insurance coverage, the Group continuously reviews and ensures that there is adequate insurance coverage for its properties and assets. Although the Group has taken the necessary measures to ensure that all its properties and assets are adequately insured, there can be no assurance that the insurance coverage taken by the Group would be adequate to compensate for the replacement cost of the assets or any consequential loss arising thereof, and that the Group will be able to obtain new insurance coverage in the event that a claim has been made on the existing insurance policies.

17. TRADEMARK, COPYRIGHTS AND PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

The Group currently uses certain trademarks for Ornasteel and Group Steel. The logo and the name of Ornasteel and Group Steel is not registered as a trademark with the Registrar of Trademarks, Malaysia as the Directors of OHB believe that the protection of its logo and tradename as a trademark would not provide substantial benefit to the business of the Group and that unlike a consumer based company, the Group's business success is dependant on the quality of its products and its reputation within the close-knit iron and steel industry

IV. RISK FACTORS (CONT'D)

community. There can be no assurance that the situation will not change which would require the OHB Group to depend on its trademarks and that in the event it is unable to get its trademark registered in Malaysia or in other jurisdiction in which it substantially operates, that there would not be any material adverse effect to the Group's reputation and business.

Nevertheless, the Group has taken steps to protect the intellectual property rights of its new PPGI product. An application for the registration of the trademark "Ever Fresh" has been made by Group Steel at the Registrar of Trademarks on 26 February 2002. The application has been approved and is currently pending registration. However, in the event it is able to eventually register its trademarks, present trademark laws provide only limited protection and generally (with some exceptions) have no extraterritorial coverage. As a result, there can be no assurance that the Group will be able to protect its trademark against unauthorised third party use or exploitation which could have a material adverse effect on the Group's reputation and business.

18. RISKS ASSOCIATED WITH FUTURE PLANS

The Group together with CSC will conduct feasibility studies in undertaking new projects and ventures. The successful implementation of the Group's future plans is dependent on strategic planning with CSC, the approval from the relevant authorities and shareholders (if required) required for the said projects and ventures and its ability to meet other barriers or issues. Although the Group and CSC will exercise prudence and conduct feasibility studies prior to making any decision on the Group's future plans, there can be no assurance that such future plans would always be successful and profitable and that its implementation might not be delayed and it will not have a material adverse effect on the performance of the Group.

19. POLITICAL AND ECONOMIC CONSIDERATIONS

Given the nature of the industry in which the Group operates, its operations are closely linked to the political, economic and regulatory conditions in Malaysia, China, EU and USA where the majority of the major iron and steel industry players are located, and any other countries which the Group exports to. Any adverse developments or uncertainties in the political, economic and regulatory conditions in Malaysia, China, EU and USA and any other countries to which the Group exports to or proposes to export to may materially and adversely affect the performance of the Group. These include, but are not limited to, risk of war, riots, expropriation, nationalisation, renegotiation or nullification of existing contracts and arrangements, global economic downturn and unfavourable changes in governmental policy such as changes in interest rates, inflation rate and methods of taxation, imposition of tariffs and duties and any other governmental policies, currency exchange controls and changes in regulations or other legal, administrative, political, economic or social developments. There can be no assurance that any change to these factors will not have a material adverse effect on the Group's business and performance.

20. PROFIT ESTIMATE AND FORECAST

This Prospectus contains the consolidated profit estimate and forecast of the Group for the financial years ending 30 November 2004 and 2005 respectively that were prepared based on assumptions that are subject to uncertainties and contingencies which the Directors of the Company believe to be reasonable. Owing to the inherent uncertainties underlying the consolidated profit estimate and forecast and given that events and circumstances may not occur as expected, there can be no assurance that the consolidated profit estimate and forecast contained in this Prospectus will be realised and actual results may be materially different from the consolidated profit estimate and forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit estimate and forecast contained herein.

IV. RISK FACTORS (CONT'D)

21. FORWARD LOOKING STATEMENTS

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results and others are forward looking in nature which are subject to uncertainties and contingencies. All forward looking statements are based on estimates and assumptions made by the Directors of the Company and although believed to be reasonable, are subject to known and 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 expressed or implied in such forward looking statements. Such factors include, among others, general economic and business conditions, competition, the impact of new laws, regulations or tariffs and duties affecting the Group and the industry, changes in interest rates and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded that the plans and objectives of the Group will be achieved.

22. DELAY IN OR FAILURE OF THE LISTING

The Listing exercise is exposed to the risk that it may be delayed or failed should the following events occur:

- (i) the Underwriter exercising its rights pursuant to the Underwriting Agreement and discharges itself from its obligations thereunder;
- (ii) the Company is unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 OHB Shares each, upon completion of the Initial Public Offering and at the point of Listing; or
- (iii) the permission of Bursa Securities to deal in and for the listing of and quotation for the entire issued and fully paid-up share capital of the Company, including the Offer Shares, which are the subject of this Prospectus, on the Main Board of Bursa Securities is not granted within the prescribed timeframe as mentioned in Section 1 of Part III of this Prospectus.

Although the Directors of the Company will use their best endeavours to ensure the timeliness and success of the Initial Public Offering and Listing, no assurance can be given that the Company will be successfully listed on the Main Board of Bursa Securities.

23. ENVIRONMENTAL RISKS

The OHB Group's production process involves the discharge of treated water, schedule waste and gaseous waste. However, various forms of environmental friendly steps have been taken by the Group to minimise the effects of the discharge mentioned above. For the schedule waste, the Group has arrangements with contractors approved by the DOE, for example Kualiti Alam Sdn Bhd, Associated Pan Malaysia Cement Sdn Bhd (a member of the Lafarge Malayan Cement Berhad group of companies) and other licensed contractors for the disposal of substances and materials under a scheduled waste transportation and treatment programme. Other environmental measures taken towards treated water, water gas (chimney emission) and factory air quality are pursuant to a monitoring programme by an accredited laboratory as part of the Group's Post Environment Impact Assessment activities. In addition, the Group has appointed Perunding Utama Sdn Bhd as their environmental consultant to advise on the environmental monitoring report to be submitted to the DOE for the monitoring and effective environmental management of the Group's factories. This is in line with the increasing awareness for environmental conservation.

However, in a letter dated 12 March 2002 and 11 July 2003 issued to Ornasteel from the DOE, Ornasteel is said to have breached the Third Schedule (Parameter Limits of Effluent of Standards A and B) under Standard B of the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979 by exceeding the prescribed concentration amount of 100

IV. RISK FACTORS (CONT'D)

milligrams per litre (“mg/l”) of chemical oxygen demand (“COD”). If found to be in breach, Section 31(3) of the Environmental Quality Act 1974 provides that the person shall be liable to a fine not exceeding RM25,000 or to imprisonment for a period not exceeding two years or to both and to a further fine not exceeding RM1,000 a day for every day that the offence is continued after service of the notice of such breach. Ornasteel had in its letters to the DOE dated 5 April 2002 and 28 July 2003 responded that the results from Ornasteel’s internal testing including external testing by a third party, ES Laboratories (M) Sdn Bhd showed that the COD content in the past and present had been consistently below 100 mg/l. Ornasteel had further explained that Ornasteel uses a treatment method which results in a product containing high chloride which could adversely affect the test readings if mercury sulphate is not used in treating the COD release prior to taking the readings. The DOE had responded in a letter dated 31 July 2004 requesting for a meeting with Ornasteel to discuss the dispute in treatment method. Pursuant to such meeting held on 6 August 2004, the DOE had in its letter dated 9 August 2004 requested for a test report in respect of the factory effluents of chloride from an accredited laboratory within a period of one week from 9 August 2004. Ornasteel had in its letter dated 27 August 2004 responded, providing such analysis report on chloride from Applied Chemie Sdn Bhd (*formerly known as Applied Chemie Consultancy (M) Sdn Bhd*) (“ACSB”) accompanied with an explanation that the one week’s deadline was not met as a result of Ornasteel having received the letter from the DOE dated 9 August 2004 on 18 August 2004 and Ornasteel having had to collect various samples over a period of a few days for the testing by ACSB. Further to such correspondence from Ornasteel, there has been no response from the DOE.

Further, the “Environmental Monitoring Report” covering the period from January to December 2003 prepared by Perunding Utama Sdn Bhd showed that the quality of water discharged from the Group’s factories fully complied with the DOE’s requirements. The “Environmental Monitoring Report” was duly submitted by Perunding Utama Sdn Bhd to the DOE on 26 March 2004.

The Group will continue to ensure compliance with requirements of the governmental environmental enforcement and regulatory agencies. However, there can be no assurance that there would not be any future environmental issues, which could materially and adversely affect the Group’s operations.

24. APPROXIMATE GAP BETWEEN THE PRICE DETERMINATION DATE AND TRADING OF OHB SHARES

The OHB Shares offered in this Prospectus will not commence trading on Bursa Securities until approximately 15 Market Days after the Price Determination Date. Investors will not be able to sell or otherwise deal in the OHB Shares (except by way of book entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities. As such no assurances can be given that there will be no changes in the global, regional and/or the Malaysian market conditions which may affect the price of OHB Shares during this period.

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