VII. INDUSTRY OVERVIEW, PROSPECTS AND FUTURE PLANS

1. INDUSTRY OVERVIEW

The OHB Group is principally involved in the manufacturing of CR, GI and PPGI products. These products are then sold to other manufacturers and service centres both locally and overseas. Therefore, the prospects of the OHB Group can mainly be linked to the growth of the following:

(i) the Malaysian economy;

(ii) the global economy;

(iii) the sector outlook;

(iv) the manufacturing industry; and

(v) the iron and steel industry.

1.1 The Malaysian economy

The Malaysian economy strengthened further, with growth in real GDP increasing at a faster pace of 8% in the second quarter of 2004, from 7.6% in the first quarter. Growth continued to be broad based, led by the manufacturing and services sectors. The strong growth in the manufacturing sector was sustained at 12.1% (1Q 2004: 12.7%). Both the export- and domestic- oriented industries registered strong expansion of 18.3% and 8% respectively. In the export-oriented industries, higher growth was recorded in the electronics, chemical products and rubber products industries. Strong expansion was seen in the electronics industry, particularly from high demand for consumer electronics and communication devices. This had positive spillover effects on growth in the chemical products industry, particularly resins and plastic products, which supply inputs to the electronics industry. Meanwhile, sustained external demand for gloves continued to support the expansion in the rubber products industry. In the domestic-oriented industries, robust growth in domestic demand underpinned the expansion in the food products, fabricated metal products, and iron and steel as well as transport equipment industries.

The construction sector contracted by 1.7% due to lower civil engineering activity, which was partly mitigated by higher activities in the residential and non-residential segments. Low interest rates, higher incomes amidst favourable commodity prices and a stable job market supported the demand for residential property. Overall, construction activity is expected to benefit from the additional allocation of RM10 billion for development expenditure under the Eighth Malaysia Plan. Despite the ongoing fiscal consolidation, domestic demand growth strengthened further in the second quarter of 2004, with further expansion of private sector activities. Growth in private consumption expanded strongly by 11.4% (1Q 2004: 8.4%), supported by higher disposable income, improved consumer confidence, low inflation and interest rates, as well as stable employment conditions. In line with the government's commitment to fiscal consolidation, public consumption increased moderately, while public investment continued to be pared down. Gross fixed capital formation continued to register a strong growth of 3.5% (1Q 2004: 3.5%), underpinned entirely by stronger private investment activities as Federal Government's development expenditure continued to decline. The fiscal deficit was 4.5% of GDP in the second quarter.

Inflation remained low at 1.2% in the second quarter. New capacity expansion in sectors experiencing strong growth, stable labour market conditions and increasing competitive pressures, contributed towards reining in price pressures in a strong growth environment.

Balance of payments developments also reflected more buoyant economic conditions. The large trade surplus narrowed slightly (2Q 2004: RM18.1 billion; 1Q 2004: RM19.3 billion), as imports of intermediate and capital goods rose in response to strengthening investment and capacity expansion. The growth in gross exports by 22% was due to stronger expansion in exports of manufactured goods and commodities. The trend of stronger growth in manufactured exports reflected strong external demand for electronics and electrical products, chemicals and rubber products. With the exception of palm oil and saw log exports, which were driven entirely by strong prices, higher exports of other major agriculture commodities and minerals were due to both higher prices and volume, especially for rubber, crude oil and natural gas.

The stronger expansion in gross imports by 32.1% reflected mainly stronger consumption demand and private investment, rising manufacturing production as well as increased outsourcing for lower cost inputs from regional countries for the electrical and electronics industry. In tandem with strong external demand for electronic products, imports of intermediate goods recorded a strong growth of 31.6%. Consonant with the upward trend in private investment growth, imports of capital goods expanded further by 27.6%. Increase in capital imports is reflective of capacity expansion in the manufacturing and oil and gas sectors. Imports of consumption goods increased rapidly by 26.5%, reflecting stronger growth in domestic consumption. Another significant development during the quarter was the strong growth in imports for re-exports which involved packing and assembling activities at distribution parks located in the free commercial zones at the major ports. Excluding re-exports, imports rose by 30%.

The international reserves of BNM strengthened further in the second quarter of 2004, increasing by RM9.7 billion (USD2.5 billion) to stand at RM204.8 billion (USD53.9 billion) as at 30 June 2004. The increase in reserves during the quarter arose mainly from the continued high repatriation of export earnings, inflows of FDI and portfolio funds and drawdown of external loans. The reserve level has also taken into account the quarterly foreign exchange revaluation adjustment amounting to a loss of USD506 million.

The reserves increased further to RM206.9 billion (USD54.4 billion) as at 14 August 2004, reflecting the sustained repatriation of export earnings and inflows of portfolio investment. The reserves level is sufficient to finance 7.2 months of retained imports and is 5 times the short-term external debt.

(Source: BNM Quarterly Bulletin Quarter 2, 2004)

1.2 Global economy

In the second quarter of 2004, the global economic activity remained firm, sustained by strong growth in USA, continued economic revival in Japan and Europe and broad-based expansion in Asia. Meanwhile, growth in the People's Republic of China (P. R. China) moderated but continued to remain at a high level.

In USA, growth remained strong albeit at a less rapid pace in the second quarter, supported by higher business investment and inventory rebuilding while efficiency in energy usage mitigated the adverse impact of higher energy prices on consumer spending. Against the backdrop of sustained economic expansion and upturn in inflationary expectations, the Federal Reserve increased rates in June, signalling a less accommodative stance in monetary policy. In the Euro area, despite weak consumer spending and uncertainty on structural reforms, economic recovery continued to be sustained by fiscal stimulus and strong export performance. Growth in the United Kingdom registered its fastest expansion in nearly four years, spurred by high consumer spending and strong activity in the services, manufacturing and housing sectors. In Japan, despite some moderation in capital spending, stronger export demand continued to drive economic recovery, while growth from domestic sources remained encouraging with private consumption improving in response to more stable labour market conditions.

In the Asian region, growth momentum remained robust during the second quarter, mainly supported by resilient export performance of the technology sector and strong intra-regional trade.

Inflation in the region trended markedly upwards during the quarter, mainly reflecting higher food prices and persistently high global crude oil prices. In Indonesia and Philippines, weaknesses in domestic currencies added further inflationary pressures. Meanwhile in Hong Kong China, deflationary trends further dissipated, following rising consumer spending, robust growth in the tourism industry and declining unemployment rate. Despite rising inflationary pressures, interest rates in the region remained relatively low, in view of ample liquidity in most of the regional economies.

Meanwhile, global equity market strength abated during the second quarter due to concerns on corporate earnings and interest rate hikes while Asian equity markets were also affected by concerns about a possible sharp slowdown in P.R. China.

Going forward, global economic expansion is expected to moderate somewhat as further momentum would likely be influenced by the extent to which consumption in industrialised countries would be affected by continued high oil prices. Meanwhile, growth prospects in the Asian region are expected to remain favourable amid buoyant intra-regional trade and strong underlying domestic demand in most regional economies.

(Source: BNM Quarterly Bulletin Quarter 2, 2004)

1.3 Industry overview

1.3.1 The manufacturing sector

Growth of the manufacturing sector accelerated since September 2003, underpinned by double-digit and broad-based growth in both export and domestic-oriented industries. Favourable external environment with continued strong growth in China, coupled with the firm recovery in USA and sustained recovery in Japan, fuelled the higher demand for manufactured goods, particularly for electronic products. Meanwhile, growth in domestic-oriented industries strengthened on the back of the improved economic performance. With these positive developments driving the manufacturing sector, its contribution to GDP growth is expected to increase.

(Source: Economic Report 2004/2005)

The strong growth in the manufacturing sector was sustained with value added expanding by 12.1% (1Q: 12.7%). Continued robust expansion was seen in both the export-oriented industries (18.3%; 1Q: 19.3%), and domestic-oriented industries (8%; 1Q: 7.6%). Despite high investment in capacity expansion, the overall capacity utilisation rate remained high at 81%, with export- and domestic-oriented industries operating at 85% and 74% respectively.

The sustained strong expansion in the export-oriented industries was underpinned mainly by higher production in the electronics (32.7%), chemical products (18.7%) and rubber products (20.9%) industries. In particular, the electronics industry was supported by the strong global demand for semiconductors, due mainly to the wider applications of chips in communications and consumer electronics, such as Digital Video Disc players and digital cameras. This also had a spillover effect on the chemicals industry especially industries which supply inputs for electrical and electronics products such as plastics and resins. As a result, output in the chemicals industry expanded further by 18.7% (1Q: 16.9%; growth exceeding 20% in 2003).

The rubber products industry continued to record strong growth, supported by sustained export demand for rubber products such as examination and surgical gloves for the food, medical and industrial users.

Meanwhile, the domestic-oriented industries strengthened further, due largely to strong growth in the food products (8.4%), fabricated metals (27.8%), and iron and steel (9.2%) as well as transport equipment industries (8%).

Higher output in the food products industry largely reflected stronger private consumption, whereas the underlying strength of the metals industry arose from strong external demand from USA and Thailand. The transport equipment industry expanded moderately, benefiting from higher domestic sales of passenger vehicles.

(Source: BNM Quarterly Bulletin Quarter 2, 2004)

Output of construction-related industries expanded strongly by 20.5% for the first six months of 2004 (January- June 2003: 7%), driven by favourable external demand for steel tubes and pipes. Production of fabricated metal products, in particular, rose sharply by 31.2% (January-June 2003:6%) while iron and steel increased at a moderate growth of 7.1% (January-June 2003:8.7%).

(Source: Economic Report 2004/2005)

1.3.2 The Iron and Steel Industry

The production of steel products in Malaysia commenced with the rolling of steel bars in the 1960s to fulfil the needs of the construction sector. Today, the country has 7.2 million MT of rolling capacity (2000:6.7 million MT). The additional capacity of 0.5 million MT comes from Amalgamated Steel Mills Bhd's plant in Banting, which commenced operations in early 2003. The existing capacity for rolled-longs is more than sufficient for Malaysia's domestic requirement as the consumption of longs stood at 3.6 million MT in 2002.

Steel production was at a low 6.4 million MT in 1998, due to the financial crisis of 1997-98. As the economy recovered in 1999, steel production picked up, growing 20% to 7.7 million MT. In year 2000, production improved further to 9.6 million MT with escalating domestic demand. The trend has been the same over the past two years with production increasing to 9.9 million MT in 2001 and 10.9 million MT in 2002. The increase in the production of steel from 2000 onwards can be attributed to a hike in demand following recovery of the economy and to the additional production of flats from Megasteel's new HR plant, which commenced operations in 1999.

The production of rolled flats on the other hand, has increased sharply from 1999. Flats produced locally doubled from 0.6 million MT in 1999 to 1.2 million MT in 2000. Production continued to improve, escalating to 2.7 million in 2001 and 3.5 million MT in 2002. To a large extent, the hike in production of flat products in recent years is due to the coming on-stream of Megasteel's high capacity HR plant in 1999. As a result, the production of HR sheets and strips has grown from 231,000 MT in 1999, to 738,000 MT in 2000, on to 850,000 MT in 2001 and 1.4 million MT in 2002. Prior to 1999, all flat products were imported.

Overall capacity utilisation for the steel industry improved to 54% in 2002, from 50% in 2000 and 35% in 1998. Capacity utilisation for primary products has remained fairly constant at 60%, while that for rolled longs dropped to 44%. For flats, the capacity utilisation in 2002 increased significantly to 64%.

CRCs

The production of CR sheets stood at 551,000 MT in 2002, up 25% from 440,000 MT in 2001. Based on an installed capacity of 730,000 MT, the utilisation rate was a high 75% in 2002. Prior to 1991, there was no local production of CR sheets in the country and all of Malaysia's requirements of CR sheets had to be imported. Between 1991 and 1997, production increased by more than 10-fold from 47,000 MT in 1991 to 485,000 MT in 1997. In 1998, production fell 32% to 330,000 MT. It picked up again in subsequent years, growing 24% and 19% on an annual basis to 410,000 MT in 1999 and 488,000 MT in 2000 respectively.

Imports of CR sheets peaked in 1999 at 945,000 MT (after the economic downturn) and have since then declined gradually. The decrease in imports is partly due to softer demand from the local automotive industry. Like many other domestic-oriented industries, the automotive industry was severely affected by the 1997-98 downturn. But even though the market for automobiles picked up in recent years, imports have continued to decline. In 2002, imports of CR coils stood at 709,000 MT.

Like most other steel products, CR sheet and coils are meant primarily for domestic consumption. Hence, only small quantities are exported. But in 1998 and 1999, exports were strong because of the weak domestic conditions. Exports of CR sheets and coils rose 55% to 110,000 MT in 1998, before hitting an all-time high of 231,000 MT in 1999. Exports dropped sharply in subsequent years as domestic demand picked up. In 2002, exports accounted for a meagre 16,000 MT.

Coated Metallic Sheets

Production of coated metallic sheets (excluding GI and tinplate) grew steadily from 1994 and 2000. Starting with a mere 60,000 MT in 1994, production jumped almost six-fold to a high of 340,000 MT in 2000. There was a moderation in 2001 but production increased 53% in 2002 to 291,000 MT (2001:190,000 MT). Imports peaked in 1997 at 219,000 MT before declining sharply to 58,000 in 1999. In 2000, imports more than doubled to register 181,000 MT before easing to 51,000 MT and 89,000 MT in 2001 and 2002 respectively. Exports of coated sheets picked up sharply from 1998, to reach a peak of 226,000 MT in 2000, before moderating to 151,000 MT in 2001 and 176,000 MT in 2002. Prior to 1997, exports of coated metallic sheets were insignificant.

Galvanised Sheets

Galvanised sheets are essentially steel-based products. The only difference is that they are coated with a thin layer of zinc instead of tin. Domestic producers use the "hot-dip" method of galvanising to make final products (either coils or cut sheets) that are used primarily for roofing. Local producers have generally been able to cater to the needs of the local building and construction industry except for very heavy and light gauges and extra wide sheets, whose specifications are outside the scope of their capacities. Painted galvanised sheets (colour bonds) are also produced locally as are spangleless sheets, which are widely used as covers for electric items and consoles.

Production of galvanised sheets generally fluctuates within a narrow band. It peaked in 1997 at 340,000 MT, before declining 30% to 235,000 MT in 1998. Production picked up again in the next two years to record 293,000 MT in 2000. In 2002, production of GI sheets stood at 288,000 MT (2001: 276,000 MT). Like production, imports too plunged in 1998 to a low of 73,000 MT. However, imports escalated as consumption picked up in subsequent years to record a high of 492,000 MT in 2001. The peak in import corresponded with the high level of consumption in 2001 at 528,000 MT. In 2002, imports declined dramatically to 162,000 MT and consumption eased to 351,000 MT.

Exports of GI sheets were inconsequential prior to 1997. In 2000, exports were at an all-time high of 285,000 MT, up almost 140% from 120,000 MT in 1999. Exports of GI sheets moderated to 240,000 MT in 2001 before declining sharply to 99,000 MT in 2002.

(Source: Malaysian Iron and Steel Industry Federation – 6th Report : Status and Outlook of the Malaysian Iron and Steel Industry)

1.4 Laws and Regulations

The Group's operations are generally governed by the MITI, the Industrial Coordination Act 1975, Factories and Machinery Act 1967, the Environmental Quality Act, 1974 and the Melaka state by-laws pertaining to industrial buildings.

2. PROSPECTS

The prospects of the OHB Group are expected to be favourable in light of the overall prospects of the Malaysian and global economic outlook and the iron and steel industry as set out below. As the Group does not sell its products directly to end users but sells its products to other manufacturers and service centres who are involved in various manufacturing related industries, its sales are reliant on the growth of the manufacturing industries. Increases in demand within industries such as furniture, crude palm oil, home appliances and hardware would see positive growth for the Group's products.

2.1 The Malaysian and Global Economic Outlook

Expectations of sustained growth in the second half-year

Overall, the global economic performance in the first half of 2004 has surpassed expectations. GDP growth was higher than expected in the first half-year and more balanced across regions. While indicators point towards some moderation in global growth in the second half-year, global growth is expected to remain strong, supported by continued growth in consumer and investment demand. In the United States, positive labour market conditions suggest more self-sustaining growth in the second-half year. In Asia, recovery in Japan is ongoing while growth in P. R. China remains high. Continued expansion in intra-regional trade and domestic demand as well as favourable outlook for the global economy would continue to support growth in the regional economies.

Global economic conditions have become more challenging with higher energy prices, rising interest rates and some slowdown in the major economies. Our assessment is that the impact of these risks on global growth in 2004 would be modest. While oil prices are expected to remain high due to concerns on supply disruption, the global economy has a greater capacity to manage high energy costs in view of better economic conditions, higher incomes, improvements in job prospects and more efficient use of energy.

Gradual interest rate increases towards a more neutral stance would ensure growth is sustained in the United States. Current indications of a soft landing to be achieved in

P.R. China and sustained domestic demand in regional economies will be positive for Malaysia. Overall, the balance of risks indicates sustainable growth prospects going forward.

This favourable external environment is expected to further reinforce domestic demand growth in Malaysia. Forward-looking indicators continue to support strong and sustainable growth in the domestic economy. The Index of Leading Indicators also suggests that the economy will further expand in the second half-year. In the manufacturing sector, demand for semiconductors is expected to remain strong given the increasing application of chips in a broad range of applications, particularly those which are consumer driven. Malaysia is positioned to benefit from growth in consumer electronics and communications, due to the large share of Malaysia's electronics output used in these applications. In the services sector, expansion in the wholesale and retail trade, hotels and restaurants, and transportation and communication sub-sectors is likely to continue with strong tourist arrivals and expanding trade and manufacturing-related services.

Improved consumer and business confidence, favourable commodity prices, stable employment conditions and rising incomes are expected to support further growth in private consumption and investment. Given the high savings, rising incomes and liquidity in the banking system, there is potential for higher consumption to support growth without undermining financing of private investment from domestic sources. Favourable financing conditions and improving corporate profitability as well as sustained growth in external demand will support private investment in the second half-year. In the business sector, the forward-looking indicators, loan applications and approvals by the banking system were significantly higher in the second quarter. Overall, growth would continue to be private sector driven with ongoing consolidation by the public sector.

The underlying fundamentals of the Malaysian economy continue to remain strong with low inflation, stable labour market conditions, sound and strong banking system and rising external reserves. Expanding capacity and increasing competitiveness of the domestic economy will contain price pressures in the strong growth environment. Monetary policy will, therefore, remain accommodative. The supportive external environment and conducive domestic conditions ensure that growth is likely to remain strong in the second half of the year. Following the strong growth performance of 7.8% for the first half-year, growth for the year as a whole is expected to surpass earlier estimates.

(Source: BNM Quarterly Bulletin Quarter 2, 2004)

Global and Malaysian Economy in 2005

The growth momentum in the global economy in 2005 is expected to decelerate slightly as major economies tighten monetary policy to contain inflationary pressures. Concerns over the possibility of higher oil prices and the slowing down of China's economy are other factors that can dampen growth.

Notwithstanding these uncertainties, it is anticipated that the Federal Reserve (the central bank of USA) would pursue a measured approach in raising interest rates. As for the oil prices hikes, the effort of the Organisation of the Petroleum Exporting Countries to raise supply to 26 million barrels per day effective 1 August 2004, will help contain the price increases. Against this backdrop, growth in USA is expected to moderate to 3.5% - 4% (2004: 4.5% - 4.7%), other emerging markets and developing economies at 5.9% (2004: 6%), while Japan is also expected to grow by 2.4% (2004: 4.5%). In contrast, recovery in the Euro area is anticipated to strengthen further to post a real GDP growth of 2.3% (2004: 2%) with a gradual pick-up in domestic demand aided by favourable financing conditions. Overall, global growth is projected at 4.4% in 2005 (2004: 4.6%).

Entrenched domestic economic activities, coupled with a fairly favourable external environment, are expected to drive growth into 2005. Strong output growth is expected to emanate from all sectors, led by manufacturing and services with an increasingly higher contribution from private sector expenditure. Consequently, Malaysia is set to achieve another year of healthy growth of 6% in 2005. With an estimated population of 26.1 million, per capita income in current prices is projected at RM16,693 (2004: RM16,098). In terms of purchasing power parity, it is estimated at USD10,560 (2004: USD10,163).

(Source: Economic Report 2004/2005)

2.2 Sectoral Outlook

Output growth in 2005 is expected to be broad based with the manufacturing and services sectors remaining the growth drivers. The manufacturing sector is envisaged to expand strongly, propelled by strengthened domestic demand and sustained performance of the external sector. Overall production is expected to grow more than 10%, while exports at 11.3%. Buoyed by the upswing in the electronics market, electronics and electrical (E&E) will continue to grow at a steady rate despite the overstated fears of an electronics slowdown. Domestic-oriented industries are also expected to expand further, particularly in food and transport equipment.

The construction sector is forecast to increase by 1.8% (2004:0.5%), contributed partly by the civil engineering sub-sector, following the implementation of new and on-going infrastructure projects such as the Phase Two of the East Coast Highway and Tanjung Bin Power Station in Johor. The housing sub-sector is also envisaged to remain robust, underpinned by higher incomes, low interest rates and easy access to loans. The housing sector is expected to be further boosted by the construction of 7,000 units of low-and medium cost houses by Syarikat Perumahan Negara Berhad.

(Source: Economic Report 2004/2005)

2.3 The Iron and Steel Industry

In year 2002, the consumption of CR steel in Malaysia was 1.24 million MT of which 535,000 MT was supplied locally and 709,000 MT was imported. As for the GI product, the consumption in Malaysia was 352,000 MT of which 190,000 MT was supplied locally and 162,000 MT was imported. The consumption of PPGI steel in Malaysia was 204,000 MT of which 115,000 MT was supplied locally and 89,000 MT was imported.

(Source: Malaysian Iron and Steel Industry Federation – 6th Report : Status and Outlook of the Malaysian Iron and Steel Industry)

With the Malaysian economy forecast to record a GDP growth of 6% in 2005, the OHB Group forecast that the total consumption of CR/GI/PPGI products will sustain its growth for 2005.

As for the export market, the Group expects sustained demand for its GI and PPGI products from China with the implementation of several big projects such as Beijing Olympics (2008) and Shanghai World Expo (2010). Furthermore, through CSGT which is one of the marketing arms for the CSC Group, the Group is well positioned to tap into the international market, especially the China market.

3. FUTURE PLANS

The OHB Group intends to further strengthen its position and competitiveness as one of the major steel manufacturers in the iron and steel industry by strengthening and expanding its current operations and adding on the production of higher quality steel coils for drawing and deep drawing purposes to cater to the domestic demand which are currently satisfied by imports. The Group is also constantly addressing the need to improve the quality of its products, efficiency of production and reducing its cost of production. The Directors of the Company believe that early research and planning would enable the Group to achieve its future plans.

3.1 Improve productivity

The Group has set in place a plan to improve its productivity to be able to meet the anticipated increase in demand for its products. Various lines in the Group's production line have been upgraded and expanded since 2003 and this process would continue up to 2005. At present, the Group's annual production capacity for its CR product is approximately 444,000 MT and approximately 240,000 MT and 120,000 MT for its GI and PPGI products respectively. The present plan is intended to address any potential bottleneck within the Group's production lines and to concentrate on improving the remaining production lines for both CR products and GI and PPGI products.

3.2 Introducing new and higher quality steel coils

The Group plans to diversify its current CR product range to include DQ and DDQ quality products. DQ and DDQ coils are used by manufacturers who require higher-grade quality of steel products such as, among others, electrical and/or electronic home appliance makers and automobile part makers.

3.3 New markets

The Group plans to develop the Southeast Asian market which has great growth potential with the implementation of ASEAN Free Trade Area and the sales of the Group to this region is expected to grow in the future as the Group has the advantage of Common Effective Preferential Tariff.

3.4 Cost reduction

The Group plans to substitute the consumption of LPG to natural gas. With this project, the Group is expected to save approximately RM8 million a year. This project is being implemented and is estimated to be completed by end of 2004 or early 2005.

3.5 Future expansion

The Group plans to expand its capacity to cover a wider range of CR products particularly the thin gauge CRCs which are at present substantially imported.

VIII. INFORMATION ON DIRECTORS, KEY MANAGEMENT, PROMOTER, SUBSTANTIAL SHAREHOLDERS AND OFFERORS

1. DIRECTORS

1.1 Profiles

The details of the Directors of the Company are as follows:

Huang Tsong-Ying, aged 53, was appointed as the Group Managing Director of OHB on 5 October 2004. He graduated from National Cheng-Chi University, Taiwan with a degree in Business Administration in 1973. He served in the army thereafter and worked for 3 years in Formosa Plastic Corporation. He began his career in 1978 with CSC in Taiwan. He was promoted to General Manager of the Marketing Department in charge of domestic and export sales of steel plate, HR products and CR products in August 1990. In 1994, he was transferred to the Marketing Administration Department as General Manager in charge of market research and administration. He was then promoted to Assistant Vice President of the Commercial Division in July 1996 in charge of marketing, marketing administration, procurement and transportation. In March 2000, he was appointed as President of CSGT. Subsequently he was nominated by CSC as the Managing Director of Ornasteel, Group Steel and Ornaconstruction in August 2001.

Chang Shu-Aun, aged 56, was appointed as the Executive Director of OHB on 5 October 2004. He graduated from Chung Yuan Christian University of Taiwan with a Bachelor of Science in 1971. He began his career in 1976 with CSC in Taiwan. He was promoted in 1981 to Manager in the Rolling Mill section of the Industrial Engineering Department. After his 5½ years with the Rolling Mill section, he was transferred to the Iron and Steel Making section of the Industrial Engineering Department. In 1999, he was transferred to the Civil Engineering & Construction Shop Section of the Equipment Department. He was then promoted to Deputy General Manager of Industrial Engineering Department in July 1999. Subsequently, he was promoted to General Manager of CSC in 2002. In August 2002, he was nominated by CSC as the Executive Vice President of Ornasteel, Group Steel and Ornaconstruction.

Tan Chin Teng, aged 46, was appointed as the Executive Director of OHB on 5 October 2004. He completed his higher education in the School of Business Studies in Tunku Abdul Rahman College, Kuala Lumpur in 1983. Prior to joining Ornasteel, he worked for Winner HK (Malaysia) Sdn Bhd, a textile manufacturing company in Melaka holding the position of Financial Accountant from July 1990 to September 1992. He joined Ornasteel in September 1992 as Finance Manager and was promoted to Senior Manager of Finance in 1997. Subsequently he was promoted to Vice President of Finance in 1999 and is currently responsible for overseeing the financial matters of the OHB Group.

Dr. Wei Li-I, aged 50, was appointed as the Non-Independent Non-Executive Director of OHB on 5 October 2004. He graduated from National Cheng Kung University, Taiwan with a Bachelor of Science in Mineral and Metallurgical Engineering in 1975 and obtained his Master of Engineering in Metallurgy and Materials from the same university in 1978. In 1986, under the sponsorship of CSC, he obtained his PhD from the Corrosion and Protection Centre of the University of Manchester, United Kingdom. He began his career in 1980 with CSC in Taiwan as an engineer and associate scientist. In 1990, he was promoted to Manager of the Steel Product Development Section of the R&D Department. After 4½ years, he was transferred to the Manufacturing Technology & Aluminium Product Development section. In 1996, he was promoted to Deputy General Manager of the Technology Planning & Development Department. Subsequently, he was promoted to General Manager in January 2002. In August 2002, he was transferred to the New Materials R&D Department as General Manager. In February 2004, he was assigned to be the technical representative of CSC in Singapore and to act as the Secretary General of the South East Asia Iron & Steel Institute.

Pang Fee Yoon, aged 40, was appointed as the Independent Non-Executive Director of OHB on 5 October 2004. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. At present, he heads his own accounting practice, which was first established in 1994. Prior to that, he was working in Pricewaterhouse as an audit manager. He joined Pricewaterhouse in 1988 while pursuing his professional qualification.

Chong Khim Leong @ Chong Kim Leong, aged 48, was appointed as the Independent Non-Executive Director of OHB on 5 October 2004. He has been in practice as an advocate and solicitor for 24 years. He is currently the Managing Partner of Koh Kim Leng & Company, Advocates & Solicitors. He obtained his Degree of Utter Barrister from Lincoln's Inn, London in 1978. In 1979, he obtained his Degree of Master of Laws from Dalhousie University, Canada. He was called to the Bar of England & Wales in 1978, and subsequently to the Malaysian Bar in 1980.

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VIII. INFORMATION ON DIRECTORS, KEY MANAGEMENT, PROMOTER, SUBSTANTIAL SHAREHOLDERS AND OFFERORS *(CONT'D)*

1.2 Shareholdings in the Company

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

			Before the Initial Public Offering and Transfer				After the Initial Public Offering and Transfer			
			Direct		Indirect		Direct		Indirect	
Directors	**Designation**	**Nationality**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**
Huang Tsong-Ying	Group Managing Director	Taiwanese	-	-	-	-	80,000	0.02	-	-
Chang Shu-Aun	Executive Director	Taiwanese	-	-	-	-	80,000	0.02	-	-
Tan Chin Teng	Executive Director	Malaysian	-	-	-	-	80,000	0.02	-	-
Dr. Wei Li-I	Non-Independent Non-Executive Director	Taiwanese	-	-	-	-	20,000	0.01	-	-
Pang Fee Yoon	Independent Non-Executive Director	Malaysian	-	-	-	-	20,000	0.01	-	-
Chong Khim Leong @ Chong Kim Leong	Independent Non-Executive Director	Malaysian	-	-	-	-	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.

1.3 Previous or Existing Directorships and Substantial Shareholdings in other Public Companies

As at the date of this Prospectus, none of the Directors of the Company hold other directorships and/or have substantial shareholdings (representing 5% or more of the issued and paid-up share capital) in other public companies incorporated in Malaysia and overseas for the past 2 years.

1.4 Directors' Remuneration and Benefits

The remuneration and benefits paid to Directors of OHB for the financial year ended 30 November 2003 are not tabulated as OHB was only incorporated on 20 January 2004. The estimated and forecast aggregate remuneration and benefits paid to Directors of OHB for services in all capacities to the Group for the financial years ending 30 November 2004 and 2005 are shown below:

	Financial year ending 30 November 2004*		Financial year ending 30 November 2005	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM50,000 and below	2[1]	3	-	3
RM50,001 to RM100,000	2	-	-	-
Above RM100,000	1	-	3	-

Notes:

[1] *Including the two (2) Directors of OHB prior to the Acquisitions. The two (2) Directors resigned on 5 October 2004.*

* *The Group only came into existence on 5 October 2004 with the completion of the Acquisitions. However, for comparative purposes, the remuneration and benefits paid to the Directors of OHB for services to Ornasteel, Group Steel and/or Ornaconstruction for the period from 1 December 2003 to 4 October 2004 are taken into account.*

1.5 Involvement in other Businesses/Corporations

As at the date of this Prospectus, save as disclosed below, none of the Executive Directors of the Company are involved in other businesses/corporations:

(i) Huang Tsong-Ying and Chang Shu-Aun are employees of CSC seconded to the OHB Group. However, they both spend minimal time and effort in CSC; and

(ii) Tan Chin Teng is a director and shareholder of Ace-Plus Systems and Supplies Sdn Bhd, a company trading in conveyor belts. However, he spends minimal time and effort in that company.

2. AUDIT COMMITTEE

The composition of the Audit Committee of the Company is as follows:

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

3. KEY MANAGEMENT

3.1 Profiles

The key management team of the OHB Group is headed by Mr. Huang Tsong-Ying and Mr. Chang Shu-Aun and comprises personnel with a wide array of experience in the steel industry and in the management of the various departments in the Group which includes, inter alia corporate affairs, business development, R & D, marketing, and finance and administration. The members of the senior management team are as follows:

Wu Ming Lee, aged 56, is the Vice President of the Commercial Division. He graduated from Tam Kang University in Taiwan with a Bachelor of Arts and Literature in 1970. He has been involved in the commercial management of Ornasteel and Group Steel, including domestic and international marketing, raw material purchasing, market administration and transportation, for 10 years. He joined Ornasteel as a senior manager and was subsequently promoted to his present position after 4 years. He is currently responsible for handling CRC, GI and PPGI products.

Wang Hwa-Min, aged 50, is the Vice President of the Production Division. He graduated from Ming Chi Institute of Technology in June 1974 with a diploma in Mechanical Engineering. Prior to joining Group Steel in January 2004, he served in various capacities such as engineer, general foreman, assistant superintendent and superintendent of the rolling mill department (HR and CR products) of CSC. He was nominated by CSC as Vice President of the Production Division in January 2004.

Tan Chin Teng, aged 46, is the Vice President of the Finance Division. His profile is set out in Section 1.1 of this Part of the Prospectus.

Hsu Chi-Han, aged 56, is the Senior Manager of the Finance Division. He graduated from Central Missouri State University in USA with a Master of Science in 1981. He began his career with Taipei Bankers Association as a Financial Analyst in 1976. He joined CSC as Cost Analyst in the Cost Department in 1982. Subsequently he was promoted in 1982 to Budget Manager under the Budget Section of the Cost Accounting Department. He was subsequently transferred to the Commercial Section of the General Accounting Department. He was then appointed as General Manager of the Financial Department of C.S. Aluminium Corporation. In 2003, he was nominated by CSC as a Senior Manager of the Finance Division of Ornasteel and Group Steel and is currently responsible for the accounting and finance functions of the Group.

Koh Kang Guan, aged 37, is the Plant Manager of Ornasteel. He graduated from the National Taiwan University with a Bachelor of Mechanical Engineering in 1990. He joined Ornasteel in 1993 and has served in various departments, including 5 years in maintenance engineering, 2 years in the management project for setting up a new steel mill and 6 years as plant manager in Group Steel. Subsequently he was transferred to Ornasteel as the Plant Manager of Ornasteel.

Tan Sui Sin, aged 43, is the Plant Manager of Group Steel. He graduated from Kolej Tunku Abdul Rahman with a Diploma in Technology (Material Engineering) in 1985. He joined Ornasteel in 1993 as an Engineer and was promoted to Superintendent in 1993. After 2 years, he was promoted to Deputy Manager in charge of production at the cold rolling plant and pipe making plant. In 1999, he was appointed as Plant Manager of Ornasteel in charge of the cold rolling plant's production lines. Subsequently, he was appointed as Plant Manager of Group Steel in charge of the strip coating plant's production lines.

Ong Chee Chong, aged 40, is the Manager of the Administration Department. He graduated from Universiti Sains Malaysia with a Bachelor of Social Science in August 1989. He joined Ornasteel in December 1994. He is currently overseeing the administrative functions of the OHB Group.

Ten Ling Piew, aged 34, is the Manager of the Domestic Marketing Department. He graduated from National Chung-Hsing University, Taiwan with a Bachelor of Business Administration in 1994. He joined Ornasteel in 1994. His responsibilities include overseeing the Group's domestic sales and preparing and reviewing the sales budget.

Han Khoon Siew, aged 45, is the Manager of the International Marketing Department. He graduated from National Cheng Kung University in Taiwan with a Bachelor of Science in 1984. He began his career with Grolier Inc (Taiwan Branch) as Sales Executive in 1984. He worked as a Marketing Officer in Hualon Corporation (M) Sdn Bhd from 1992 to 1993. He joined Ornasteel in April 1993. He currently oversees the Group's export businesses.

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3.2 Shareholdings in the Company

Details of the shareholdings of Huang Tsong-Ying, Chang Shu-Aun and Tan Chin Teng are set out in Section 1.2 of this Part of the Prospectus. The other key management of the OHB Group and their respective shareholdings in the Company, before and after the Initial Public Offering and Transfer, are as follows:

		Before the Initial Public Offering and Transfer				After the Initial Public Offering and Transfer			
		Direct		Indirect		Direct		Indirect	
Key management	**Designation**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**	**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:

The direct shareholdings are 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.

3.3 Involvement in other Businesses/Corporations

As at the date of this Prospectus, save as disclosed in Section 1.5 of this Part of the Prospectus and below, none of the key management of the OHB Group is involved in other businesses/corporations.

(i) Ong Chee Chong is a director and shareholder of Milik Sinar Sdn. Bhd., a company dealing in childcare services and education related services. However, he spends minimal time and effort in that company; and

(ii) Wang Hwa-Min and Hsu Chi-Han are employees of CSC who have been seconded to the OHB Group. However, they spend minimal time and effort in CSC.

4. PROMOTER

4.1 The Promoter's shareholdings in the Company, before and after the Initial Public Offering and Transfer, are as follows:

	<-Before the Initial Public Offering and Transfer >				<-After the Initial Public Offering and Transfer --->			
	<-------Direct------->		<---------Indirect------->		<---------Direct------->		<---------Indirect--------->	
Name	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**
CSC	-	-	351,474,583 [1]	92.49	-	-	171,000,000 [2]	45.00

Notes:

[1] *Deemed interested through CSAP (which in turn is deemed interested through CSC Ornasteel and CSC Group Steel), CSGT and CSEC (on the OHB Shares held by CSEC and CSEC's deemed interest through CSET).*

[2] *Deemed interested through CSAP.*

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4.2 The profile of CSC is set out below:

CSC was incorporated in Taiwan on 3 December 1971 and was listed on the Taiwan Stock Exchange on 26 December 1974. CSC is Taiwan's only integrated steel producer.

The details of the directors and substantial shareholder of CSC as at 31 October 2004 are as follows:

Name	Nationality/ Place of incorporation	<------ Direct ------> No. of ordinary shares	%	<------ Indirect ------> No. of ordinary shares	%
Directors					
Lin Wen-Yuan	Taiwanese	22,187	*	-	-
Chen Jung-Yung	Taiwanese	927,064	*	-	-
Lu Iuan-Yuan	Taiwanese	-	-	-	-
Chen Yuan-Cheng	Taiwanese	841,795	*	2,852#	*
Weng Cheng-I	Taiwanese	-	-	-	-
Wu Feng-Sheng	Taiwanese	5,407	*	-	-
Chen Chu	Taiwanese	-	-	-	-
Wu Ching-Pin	Taiwanese	113,598	*	-	*
Chen Tzer-Haw	Taiwanese	233,198	-	-	-
Chen Ho-Chong	Taiwanese	-	-	-	-
Liang Pyng-Yeong	Taiwanese	-	-	-	-
Substantial shareholder					
MOEA	Taiwan	2,313,096,436	23.29	-	-

Notes:

* *Negligible.*

\# *Shares held by family members.*

4.3 Save as disclosed in Section 5.3 of this Part of this Prospectus, the Promoter does not have any substantial shareholdings in other public companies for the 2 years preceding the date of this Prospectus.

4.4 The knowledge and experience of the Promoter is set out in Section 4.2 of this Part of this Prospectus.

4.5 The changes in the shareholdings of the substantial shareholders of OHB from which the interest of the Promoter is derived since the date of incorporation of OHB are set out in Section 5.5 of this Part of this Prospectus.

5. SUBSTANTIAL SHAREHOLDERS

5.1 Shareholdings in the Company

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

		Before the Initial Public Offering and Transfer				After the Initial Public Offering and Transfer #			
		Direct		Indirect		Direct		Indirect	
Substantial shareholders	**Place of Incorporation**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**
CSC Ornasteel	Singapore	194,972,618	51.31	-	-	-	-	-	-
CSC Group Steel	Singapore	93,492,814	24.60	-	-	-	-	-	-
CSGT	Taiwan	41,100,784	10.82	-	-	-	-	-	-
CDIB	Taiwan	28,525,415	7.51	-	-	13,878,198	3.65	-	-
CSAP	Singapore	-	-	288,465,432 [1]	75.91	171,000,000	45.00	-	-
CSC	Taiwan	-	-	351,474,583 [2]	92.49	-	-	171,000,000 [3]	45.00
MOEA	Taiwan	-	-	351,474,583 [4]	92.49	-	-	171,000,000 [4]	45.00
CDFH	Taiwan	-	-	28,525,415 [5]	7.51	-	-	13,878,198 [5]	3.65

Notes:

1. *Deemed interested through CSC Ornasteel and CSC Group Steel.*
2. *Deemed interested through CSAP, CSGT and CSEC (through the OHB Shares held by CSEC and CSEC's deemed interest through CSET).*
3. *Deemed interested through CSAP.*
4. *Deemed interested through CSC.*
5. *Deemed interested through CDIB.*

\# *Assuming none of the investors who subscribe for the Offer Shares pursuant to the Initial Public Offering will hold more than five percent (5%) interest in OHB.*

5.2 Profiles

The profiles of the substantial shareholders of OHB after the Initial Public Offering and Transfer are as follows:

(i) CSAP

CSAP was incorporated in Singapore on 1 November 2000 as a private limited company. The principal activity of the company is investment holding.

The details of the directors and substantial shareholders of CSAP as at 31 October 2004 are as follows:

		<---------- Direct --------->		<-------- Indirect -------->	
Name	**Nationality or Place of incorporation / Principal Activity**	**No. of ordinary shares**	**%**	**No. of ordinary shares**	**%**
Directors					
Chang Ming-Yen	Taiwanese	-	-	-	-
Horng Yuan-Chuan	Taiwanese	-	-	-	-
Chung Lo-Min	Taiwanese	-	-	-	-
Chen Tzer-Haw	Taiwanese	-	-	-	-
Substantial shareholders					
CSC	Taiwan/ Integrated steel producer	97,582,027	100.00	-	-
MOEA	Taiwan/ Government agency	-	-	97,582,027*	100.00

Note:

* *Deemed interested through CSC.*

(ii) CSC

As set out in Section 4.2 of this Part of this Prospectus.

(iii) MOEA

MOEA is an agency created by the Government of Taiwan to take charge of administering the national economy by implementing various economic policies and measures to help industries in Taiwan reinforce their competitive advantage at the different stages of Taiwan's economic development.

5.3 Previous or Existing Directorships or Substantial Shareholdings of CSAP and CSC in other Public Companies

Save as disclosed below, neither CSAP nor CSC have any previous or existing substantial shareholdings in other public companies whether in Malaysia or overseas in the past 2 years.

Particulars of substantial shareholdings of CSC in other public companies are as follows:

Company	Shareholdings as at 31.10.2004 No. of shares	%
C.S. Aluminium Corporation	570,138,848	97.72
Dragon Steel Corporation *(formerly known as Kuei Yi Industrial Co Ltd)*	94,830,592 *99,987,700	36.74 55.55
China Steel Chemical Corporation	59,387,021	30.14
China Hi-ment Corporation	39,429,166	20.29
China Ecotek Corporation	32,493,138	36.04
China Steel Structure Co Ltd	28,090,422	17.89
Chung Hung Steel Corporation *(formerly known as Yieh Loong Enterprise Co Ltd)*	^285,604,692	23.66
Tang Eng Iron Works Co Ltd	59,721,383	8.53
Gen Mont Biotech Inc	4,531,000	13.87

Notes:

* *Preference shares.*

^ *CSC also has indirect interest through:*

(i) Goang Yaw Investment Corporation which holds 61,620,900 (5.11%);

(ii) Long Yuan Fa Investment Corporation which holds 63,120,000 (5.23%); and

(iii) Horng Yi Investment Corporation which holds 63,278,852 (5.24%).

5.4 Previous or Existing Directorships or Substantial Shareholdings of MOEA in Other Public Companies in a Similar Trade

Save for its interest in CSC, MOEA does not have any substantial shareholdings in other public companies whether in Malaysia or overseas, which are involved in a similar trade as the OHB Group, in the past 2 years.

5.5 Changes in Substantial Shareholders and their Direct Shareholdings

The changes in the shareholdings of the substantial shareholders of OHB since the date of incorporation of OHB up to the date of this Prospectus based on the Register of Substantial Shareholders of the Company are as follows:

	<---As at 20.01.2004 [&]--->				<---As at 5.10.2004 [#]--->			
	<---Direct--->		<---Indirect--->		<---Direct--->		<---Indirect--->	
Substantial shareholders	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**	**No. of OHB Shares**	**%**
Tee Koon Ee	1	50.00	-	-	1	*	-	-
Haw Ee Lin	1	50.00	-	-	1	*	-	-
CSC Ornasteel	-	-	-	-	194,972,618	51.31	-	-
CSC Group Steel	-	-	-	-	93,492,814	24.60	-	-
CSGT	-	-	-	-	41,100,784	10.82	-	-

	As at 20.01.2004 [&]				As at 5.10.2004 [#]			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	No. of OHB Shares	%	No. of OHB Shares	%	No. of OHB Shares	%	No. of OHB Shares	%
CDIB	-	-	-	-	28,525,415	7.51	-	-
CSAP	-	-	-	-	-	-	288,465,432 [1]	75.91
CSC	-	-	-	-	-	-	351,474,583 [2]	92.49
MOEA	-	-	-	-	-	-	351,474,583 [3]	92.49
CDFH	-	-	-	-	-	-	28,525,415 [4]	7.51

Notes:

& *Being the date of incorporation of OHB.*

\# *Being the date of completion of the Acquisitions.*

* *Less than 0.01%.*

1 *Deemed interested through CSC Ornasteel and CSC Group Steel.*

2 *Deemed interested through CSAP, CSGT and CSEC (through the OHB Shares held by CSEC and CSEC's deemed interest through CSET).*

3 *Deemed interested through CSC.*

4 *Deemed interested through CDIB.*

6. SERVICE AGREEMENTS

There are no existing or proposed service agreements between the Directors and key management of the OHB Group with the Company and/or its subsidiaries.

7. OFFERORS

The Offerors and their respective shareholdings in the Company before the Initial Public Offering and Transfer and the amount of shares to be offered pursuant to the Initial Public Offering are as follows:

	Before the IPO and Transfer		To be offered pursuant to the IPO	
Offerors	No. of OHB Shares	%	No. of OHB Shares	%
CSC Ornasteel	194,972,618	51.31	117,465,432	30.91
CSGT	41,100,784	10.82	41,100,784	10.82
CSET	11,718,429	3.08	11,718,429	3.08
CSEC	10,189,938	2.68	10,189,938	2.68
CDIB	28,525,415	7.51	14,647,217	3.85

8. RELATIONSHIPS AND ASSOCIATIONS

As at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus, save as disclosed below, there is no other family relationship and association between the Directors, substantial shareholders, Promoter, Offerors and key management of the OHB Group:

(i) MOEA holds 23.29% equity interest in CSC and CSC is the ultimate holding company of CSC Ornasteel, CSC Group Steel, CSAP, CSET, CSEC and CSGT;

(ii) CSAP is the holding company of CSC Ornasteel and CSC Group Steel;

(iii) CSEC is the holding company of CSET;

(iv) CDFH is the holding company of CDIB;

(v) Huang Tsong-Ying, Chang Shu-Aun and Dr. Wei Li-I are employees of CSC; and

(vi) Wang Hwa-Min and Hsu Chi-Han are employees of CSC who have been seconded to the OHB Group.

9. DECLARATION BY DIRECTORS AND KEY MANAGEMENT

None of the Directors or key management personnel of the Group is or has been involved in any of the following events:

(i) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was or is a partner or any corporation of which he was or is a director or senior executive officer;

(ii) a charge and/or conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or

(iii) being the subject of any order, judgement or ruling of any court, tribunal or government body of competent jurisdiction permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

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IX. APPROVALS AND CONDITIONS

1. APPROVALS OF RELEVANT AUTHORITIES

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of OHB on the Main Board of Bursa Securities, the Company undertook a restructuring exercise, details of which are set out in Section 3 of Part V of this Prospectus, which was approved by the MITI on 3 June 2004, SC (on behalf of the FIC) on 25 August 2004 and the SC on 25 August 2004 and 4 November 2004. The conditions imposed by the MITI, SC (on behalf of the FIC) and SC and the status of compliance are set out as follows:

Authority	Conditions Imposed	Status of Compliance
MITI	(i) The approval of the SC is obtained for the Listing and compliance with the Guidelines for the Acquisition Of Interests, Mergers And Take-overs By Local And Foreign Interests issued by the FIC ("FIC Guidelines"); and	Complied. The approval of the SC (on behalf of FIC) was obtained on 25 August 2004 and the SC on 25 August 2004 and 4 November 2004. OHB will ensure compliance with the applicable FIC Guidelines.
	(ii) the entire 114,000,000 shares representing 30% of the enlarged share capital of OHB is subject to MITI's approval where its allocation will be decided separately after obtaining the SC's approval.	Complied. The 114,000,000 Offer Shares under the Bumiputera Offering will be allocated to investors approved by the MITI.
SC (on behalf of FIC) and SC	(i) With regard to trade debtors and trade creditors, OHB should:	
	(a) fully disclose the following in the listing prospectus: • The trade debtors and trade creditors positions; • Ageing analysis and comments by the directors on the treatment of trade creditors; and • For trade debtors exceeding the credit period, comments by the directors on the recoverability of the amount;	Complied. Refer to Section 3.6 of Part XI of this Prospectus.
	(b) make full provision for all overdue trade debtors (if any) which are in dispute or under legal action or for amounts which have been outstanding for more than 6 months. The directors of OHB should confirm to the SC that this condition has been complied with prior to the Listing; and	Complied. A confirmation by the Directors of OHB dated 3 November 2004 was submitted to the SC on 3 November 2004.
	(c) the directors of OHB should confirm and submit a declaration to the SC that trade debtors exceeding the credit period, excluding those under (b) above, are recoverable and that full provision has been made to the accounts/forecast;	Complied. A declaration by the Directors of OHB dated 3 November 2004 was submitted to the SC on 3 November 2004.

IX. APPROVALS AND CONDITIONS *(CONT'D)*

Authority	Conditions Imposed	Status of Compliance
SC (on behalf of FIC) and SC *(Cont'd)*	(ii) OHB should comply with the moratorium requirement whereby, as proposed, the moratorium will be on the entire shareholdings of CSAP in OHB after the Transfer;	Complied. Refer to Section 2 of this Part of this Prospectus.
	(iii) On the dependence of OHB for the purchase of raw materials from CSC:	
	(a) OHB is required to provide an undertaking to the SC that the Group will take steps to reduce dependency on CSC within a certain time frame after the date of the SC's approval; and	Complied. A letter of undertaking dated 3 November 2004 was submitted to the SC on 3 November 2004.
	(b) Full disclosure should be made by CIMB/ OHB on the dependence and the steps taken to address the matter, in its listing prospectus;	Complied. Refer to Section 5.2 of Part IV of this Prospectus.
	(iv) OHB should ensure that any future related party transactions are carried out based on arms-length basis, and on terms and conditions that are not unfavourable to OHB;	To be complied.
	(v) As regards to the environmental dispute between the OHB Group and the DOE, OHB should make full disclosure of the matter in its listing prospectus;	Complied. Refer to Section 23 of Part IV of this Prospectus.
	(vi) With regard to the potential conflict of interest situation between the CSC Group and the OHB Group, OHB should make full disclosure in its listing prospectus on the potential conflict of interest and the measures taken/to be taken to address this potential conflict of interest;	Complied. Refer to Section 3 (d) of Part X of this Prospectus.
	(vii) With regard to the equity structure of OHB pursuant to the implementation of the Listing:	
	(a) 30% of the enlarged share capital of OHB or 114,000,000 OHB Shares should be held by Bumiputera investors approved by the MITI to comply with the National Development Policy ("NDP") requirement;	To be complied pursuant to the Bumiputera Offering. MITI and SC (on behalf of FIC) have, on 23 November 2004 and 24 November 2004 respectively, granted their approval for any remaining OHB Shares under the Bumiputera Offering which are not subscribed by Bumiputera investors approved by the MITI to be placed in a trust account pending subscription by Bumiputera investors approved by the MITI within a period of 12 months after the Listing.
	(b) CIMB/OHB should provide compliance status with the NDP requirement upon completion of the Listing;	To be complied.

Authority	**Conditions Imposed**	**Status of Compliance**
SC (on behalf of FIC) and SC *(Cont'd)*	(viii) OHB should comply with the relevant requirements of the SC Guidelines relating to the implementation of the Listing; and	Complied/to be complied.
	(ix) Upon completion of the Listing, CIMB/OHB should confirm to the SC that OHB has complied with the terms and conditions of approval and other relevant requirements as stipulated in the SC Guidelines.	To be complied.

2. MORATORIUM ON DISPOSAL OF SHARES

Under the SC Guidelines and as a condition of the SC's approval for the Listing, CSAP is not allowed to sell, transfer or assign its 171,000,000 OHB Shares which represents 45% of the nominal issued and paid-up share capital of OHB, for a period of one year from the date of admission of OHB to the Official List of the Main Board of Bursa Securities.

The restriction, which is fully accepted by CSAP, will be specifically endorsed on the share certificate representing the shareholding of CSAP which is under moratorium to ensure that the Company's Registrar do not register any transfer which would result in non-compliance with the restriction imposed by the SC.

The remarks to be endorsed on the share certificate are as follows:

"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the SC ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate will be issued to replace this certificate unless the same shall be endorsed with this restriction."

As CSAP is a wholly-owned subsidiary of CSC, CSC has given an undertaking that it will not sell, transfer or assign its shareholdings in CSAP to a third party during the Moratorium Period.

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X. CONFLICT OF INTERESTS, RELATED PARTY TRANSACTIONS AND INTERESTS IN ASSETS

1. CONFLICT OF INTERESTS

There is no existing or potential conflict of interests between the OHB Group and its Adviser, Sole Bookrunner and Underwriter, Auditors and Reporting Accountants and Solicitors as set out in Part I of this Prospectus.

2. RELATED PARTY TRANSACTIONS WITH DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT

There is no transaction entered or to be entered by the OHB Group with any of the key management personnel of the Group. Save as disclosed below, there are no transactions, existing or potential, entered or to be entered by the OHB Group, which involve the interest, direct or indirect, of the Directors, substantial shareholders of OHB and/or persons connected to them as defined under Section 122A of the Act:

(i) Ornasteel

Transacting party	Nature of transaction	Interested director / substantial shareholder	Transaction value for the financial year ended 30 November 2003 RM 000	Estimated transaction value for the financial year ending 30 November 2004 RM 000	Forecast transaction value for the financial year ending 30 November 2005 RM 000
CSC	Purchase of raw materials, spare parts, rollers and chemicals	CSAP, being a wholly-owned subsidiary of CSC. Notes (a) and (b)	271,037	345,000	400,000
	Payment of technical fees*		519	506	400
	Sales commission received for goods sold		32	10	10
CSGT	Purchase of spare parts, rollers and chemicals	CSAP, being a wholly-owned subsidiary of CSC. CSC is the holding company of CSGT. Notes (a), (b), (c) and (d)	1,523	2,800	2,800
	Sales of finished goods		10,057	2,000	2,000
	Sales commission paid		6	40	40

X. CONFLICT OF INTERESTS, RELATED PARTY TRANSACTIONS AND INTERESTS IN ASSETS *(CONT'D)*

Transacting party	Nature of transaction	Interested director / substantial shareholder	Transaction value for the financial year ended 30 November 2003 RM 000	Estimated transaction value for the financial year ending 30 November 2004 RM 000	Forecast transaction value for the financial year ending 30 November 2005 RM 000
China Steel Machinery Corporation	Purchase of machinery	CSAP, being a wholly-owned subsidiary of CSC. CSC is the holding company of China Steel Machinery Corporation. Notes (a), (b) and (d)	1,517	1,605	1,435
China Ecotek Corporation	Technical fees paid	CSAP, being a wholly-owned subsidiary of CSC. CSC is a substantial shareholder of China Ecotek Corporation. Notes (a) and (b)	26	20	20
	Upgrading of equipment		-	1,793	1,650
Infochamp Systems Corporation	Purchase of Enterprise Resource Planning system	CSAP, being a wholly-owned subsidiary of CSC. CSC is a substantial shareholder of Infochamp Systems Corporation. Notes (a) and (b)	-	715	1,320
Chung Hung Steel Corporation *(formerly known as Yieh Loong Enterprise Co Ltd)* ("Chung Hung Steel")	Purchase of raw materials	CSAP, being a wholly-owned subsidiary of CSC. CSC is a substantial shareholder of Chung Hung Steel. Notes (a), (b) and (c)	-	55,000	77,000

Notes:

* *Technical fees paid pursuant to a Technical Service Agreement entered into between Group Steel and CSC dated 1 February 2001.*

(a) *Huang Tsong-Ying and Chang Shu-Aun being employees of CSC and also directors of the Company, Ornasteel, Group Steel and Ornaconstruction.*

(b) *Dr. Wei Li-I, being an employee of CSC and also a director of the Company.*

(c) *Chen Tzer-Haw, being a director of Ornasteel, Group Steel, Ornaconstruction, CSGT and Chung Hung Steel Corporation (formerly known as Yieh Loong Enterprise Co Ltd).*

(d) *Chen Yuan-Cheng, being a director of Ornasteel, Group Steel, Ornaconstruction, CSGT and China Steel Machinery Corporation.*

X. CONFLICT OF INTERESTS, RELATED PARTY TRANSACTIONS AND INTERESTS IN ASSETS *(CONT'D)*

(ii) Group Steel

Transacting party	Nature of transaction	Interested director / substantial shareholder	Transaction value for the financial year ended 30 November 2003 RM 000	Estimated transaction value for the financial year ending 30 November 2004 RM 000	Forecast transaction value for the financial year ending 30 November 2005 RM 000
CSC	Purchase of raw materials	CSAP, being a wholly-owned subsidiary of CSC. Notes (a) and (b)	84,211	115,061	156,000
	Payment of technical fees*		165	165	165
	Payment of training fees		4	5	5
CSGT	Purchase of spare parts, rollers and chemicals	CSAP, being a wholly-owned subsidiary of CSC. CSC is the holding company of CSGT. Notes (a), (b), (c) and (d)	527	2,000	2,000
	Sales of finished goods		21,146	5,000	5,000
	Sales commission paid		227	720	720
China Steel Machinery Corporation	Purchase of machinery	CSAP, being a wholly-owned subsidiary of CSC. CSC is the holding company of China Steel Machinery Corporation. Notes (a), (b) and (d)	98	1,052	-
China Ecotek Corporation	Purchase of spare parts, rollers and chemicals	CSAP, being a wholly-owned subsidiary of CSC. CSC is a substantial shareholder of China Ecotek Corporation. Notes (a) and (b)	143	16	20
C.S. Aluminium Corporation	Purchase of zinc	CSAP, being a wholly-owned subsidiary of CSC. CSC is a substantial shareholder of C.S. Aluminium Corporation. Notes (a) and (b)	-	1,500	-
Chung Hung Steel	Purchase of raw materials	CSAP, being a wholly-owned subsidiary of CSC. CSC is a substantial shareholder of Chung Hung Steel. Notes (a), (b) and (c)	-	5,000	30,000

Notes:

* *Technical fees paid pursuant to a Technical Service Agreement entered into between Group Steel and CSC dated 1 February 2001.*

(a) *Huang Tsong-Ying and Chang Shu-Aun being employees of CSC and also directors of the Company, Ornasteel, Group Steel and Ornaconstruction.*

(b) *Dr. Wei Li-I, being an employee of CSC and also a director of the Company.*

(c) *Chen Tzer-Haw, being a director of Ornasteel, Group Steel, Ornaconstruction, CSGT and Chung Hung Steel Corporation (formerly known as Yieh Loong Enterprise Co Ltd).*

(d) *Chen Yuan-Cheng, being a director of Ornasteel, Group Steel, Ornaconstruction, CSGT and China Steel Machinery Corporation.*

The OHB Group will mitigate any conflicts of interest arising from the related party transactions as set out above by complying with the Listing Requirements of Bursa Securities after the Listing and ensuring that the transactions are entered into at arm's length and on normal commercial terms.

As at 31 October 2004, there are no transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets, to which OHB or any of its subsidiaries was a party in respect of the past financial year ended 30 November 2003 and in the subsequent six (6)-month financial period ended 31 May 2004, immediately preceding the date of this Prospectus.

There is no amount of outstanding loans (including guarantees of any kind) made by OHB or any of its subsidiaries to or for the benefit of any Directors or substantial shareholders of OHB and/or persons connected to them as defined under Section 122A of the Act as at the date of this Prospectus.

3. INTEREST IN A SIMILAR TRADE

None of the Directors of OHB or its subsidiaries and substantial shareholders of OHB has any interest, direct or indirect, in any business or company carrying on a similar trade as the Company or its subsidiaries save for:

(a) Huang Tsong-Ying, Chang Shu-Aun and Dr. Wei Li-I, who are employees of CSC;

(b) Chen Tzer-Haw, who is a Director of Ornasteel, Group Steel and Ornaconstruction, is also a Director of CSGT and CSGT (Shanghai) Co Ltd which trade in steel products, including CRCs, and a Director of Chung Hung Steel Corporation *(formerly known as Yieh Loong Enterprise Co Ltd)* which manufactures among others, CRCs;

(c) Chen Yuan-Cheng, who is a Director of Ornasteel, Group Steel and Ornaconstruction, is also a Director of CSGT which trades in steel products, including CRCs;

(d) CSC which is an integrated steel producer in Taiwan. CSC is Taiwan's only integrated steel producer. Its major products include, among others, CR products and hot-dipped galvanised and PPGI sheets. CSC also owns 39.24% equity interest (both direct and indirect) in Chung Hung Steel Corporation *(formerly known as Yieh Loong Enterprise Co Ltd)* ("Chung Hung Steel") as at 31 October 2004 which manufactures among others, CRCs.

Although the products of the OHB Group are also produced and sold by the CSC Group, the target markets of the OHB Group and that of its ultimate holding company, CSC, are mainly concentrated on different geographical locations.

In respect of CRCs, most of the CRCs produced by the OHB Group are sold in the domestic market. The CSC Group (which includes Chung Hung Steel) also exports to Malaysia. However, as CSC (through CSAP) will control 45% of the equity interest in OHB post Listing, there is a mutual understanding (but no written agreement) between CSC and OHB that CSC considers OHB as one (1) of its overseas production base and being part of the CSC Group and as such, these companies will not be competing but rather co-operating and complementing each other in terms of maintaining and expanding market share.

In respect of GI coils and PPGI coils, for the financial year ended 30 November 2003, approximately forty percent (40%) of the OHB Group's production was for the domestic market whilst the balance was exported to countries such as Vietnam, Canada, Thailand, Australia and China. In this respect, the GI coils and PPGI coils produced by the CSC Group are mainly sold in the Taiwanese market; and

(e) MOEA is a substantial shareholder of CSC.

4. INTEREST IN MATERIAL ASSETS

Save for the related party transactions in the ordinary course of business which are disclosed in Section 2 of this Part of the Prospectus, the Disposal of 22.26% in Group Steel and the Acquisitions, none of the Directors or substantial shareholders of OHB has any interest, direct or indirect, in any promotion of, or in any material assets which have been, within the 2 years preceding the date of this Prospectus, acquired by, disposed of by or leased to or proposed to be acquired by, disposed of by or leased to OHB or its subsidiaries.

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