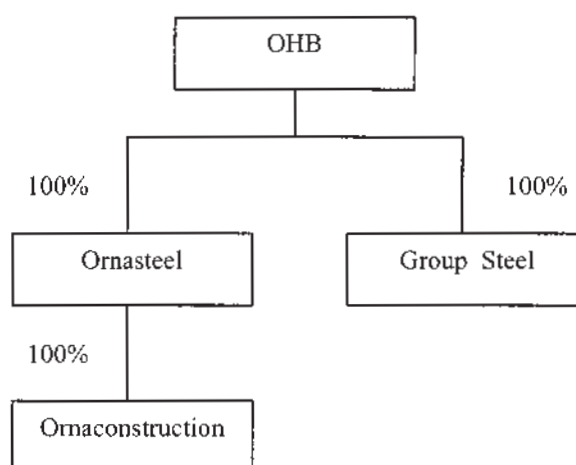


## V. INFORMATION ON THE OHB GROUP

### 1. INCORPORATION AND PRINCIPAL ACTIVITIES

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:



OHB is principally involved in investment holding and provision of management services. The principal activities of its subsidiaries are detailed in Section 5 of this Part of this Prospectus.

### 2. SHARE CAPITAL

The authorised, and issued and fully paid-up share capital of the Company as at the date hereof is as follows:

	No. of shares	Par value RM	Amount RM
<b>Authorised</b>			
Ordinary shares	1,000,000,000	1.00	1,000,000,000
<b>Issued and fully paid-up</b>			
Ordinary shares	380,000,000	1.00	380,000,000

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

Date of allotment	No. of ordinary shares	Par value RM	Type of Issue/ Consideration	Issued and paid-up share capital RM
20.01.2004	2	1.00	Subscribers' shares	2
05.10.2004	379,999,998	1.00	Issued pursuant to the Acquisitions	380,000,000

## V. INFORMATION ON THE OHB GROUP (CONT'D)

### 3. RESTRUCTURING AND LISTING EXERCISE

In conjunction with, and as an integral part of the Listing, the Company implemented a restructuring exercise which was approved by the MITI on 3 June 2004, the SC (on behalf of the FIC) on 25 August 2004 and the SC on 25 August 2004 and 4 November 2004 which involved the following transactions:

#### 3.1 Disposal of 22.26% in Group Steel

On 1 April 2004, Ornasteel entered into a conditional share sale agreement with CSC Ornasteel and CDIB to dispose all its 31,165,000 Group Steel Shares, representing approximately 22.26% equity interest therein, for a cash disposal consideration of RM37,810,274.

The purchasers of the Group Steel Shares and their respective cash consideration payable are as follows:

Purchasers	No. of Group Steel Shares	Cash consideration RM
CSC Ornasteel	29,606,750	35,919,760
CDIB	1,558,250	1,890,514
	<u>31,165,000</u>	<u>37,810,274</u>

The disposal consideration was arrived at based on the carrying value of investment in associate company in the consolidated balance sheet of Ornasteel as at 30 November 2003.

The 31,165,000 Group Steel Shares were disposed free from any mortgage, claims, charge (whether fixed or floating), pledge, lien, encumbrance, hypothecation, security interest, title retention or other security arrangement of any kind or any other encumbrance of any nature whatever and with all attached or accrued rights as at the date of completion of the Disposal of 22.26% in Group Steel.

The Disposal of 22.26% in Group Steel was completed on 5 October 2004. However, the cash consideration of RM37,810,274 will only be paid by CSC Ornasteel and CDIB to Ornasteel after the Initial Public Offering but before the Listing.

#### 3.2 Acquisitions

##### 3.2.1 Acquisition of Ornasteel

On 1 April 2004, OHB entered into a conditional share sale agreement with the vendors of Ornasteel to acquire the entire equity interest in Ornasteel comprising 220,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM244,499,438, to be satisfied wholly by the issuance of 224,178,642 new OHB Shares, credited as fully paid-up, at an issue price of approximately RM1.09 per new OHB Share.

The vendors of the Ornasteel Shares, their respective shareholdings therein and the number of new OHB Shares issued to them pursuant to the acquisition of Ornasteel are as follows:

Vendors	No. of shares held in Ornasteel	%	Purchase consideration RM	No. of OHB Shares issued as consideration
CSC Ornasteel	159,000,000	72.27	176,706,412	162,020,019

## V. INFORMATION ON THE OHB GROUP (CONT'D)

Vendors	No. of shares held in Ornasteel	%	Purchase consideration RM	No. of OHB Shares issued as consideration
CSGT	28,500,000	12.95	31,673,791	29,041,324
CSET	11,500,000	5.23	12,780,652	11,718,429
CDIB	11,000,000	5.00	12,224,972	11,208,932
CSEC	10,000,000	4.55	11,113,611	10,189,938
Total	220,000,000	100.00	244,499,438	224,178,642

The purchase consideration of RM244,499,438 for the Acquisition of Ornasteel was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited consolidated NTA of Ornasteel as at 30 November 2003 of RM244,499,438.

The 224,178,642 new OHB Shares issued pursuant to the Acquisition of Ornasteel rank pari-passu in all respects with the then existing ordinary shares of OHB and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

Upon completion of the Acquisition of Ornasteel on 5 October 2004, Ornasteel became a wholly-owned subsidiary of OHB.

### 3.2.2 Acquisition of Group Steel

On 1 April 2004, OHB entered into a conditional share sale agreement with the vendors of Group Steel to acquire 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, to be satisfied wholly by the issuance of 155,821,356 new OHB Shares, credited as fully paid-up, at an issue price of approximately RM1.09 per new OHB Share.

The vendors of the Group Steel Shares, their respective shareholdings therein and the number of new OHB Shares issued to them pursuant to the Acquisition of Group Steel are as follows:

Vendors	No. of shares held in Group Steel	%	Purchase consideration RM	No. of OHB Shares issued as consideration
CSC Group Steel	84,000,000	60.00	101,967,521	93,492,814
CSC Ornasteel	29,606,750	21.15	35,939,606	32,952,599
CDIB	15,558,250	11.11	18,886,145	17,316,483
CSGT	10,835,000	7.74	13,152,596	12,059,460
Total	140,000,000	100.00	169,945,868	155,821,356

The purchase consideration of RM169,945,868 for the Acquisition of Group Steel was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited NTA of Group Steel as at 30 November 2003 of RM169,945,868.

The 155,821,356 new OHB Shares issued pursuant to the Acquisition of Group Steel rank pari-passu in all respects with the then existing ordinary shares of OHB and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

## V. INFORMATION ON THE OHB GROUP (CONT'D)

Upon completion of the acquisition of Group Steel on 5 October 2004, Group Steel became a wholly-owned subsidiary of OHB.

Upon completion of the Acquisition of Ornasteel and the Acquisition of Group Steel, the issued and paid-up share capital of OHB increased from RM2 comprising 2 ordinary shares of RM1.00 each to RM380,000,000 comprising 380,000,000 ordinary shares of RM1.00 each.

### 3.3 Initial Public Offering

In conjunction with the Listing, the Offerors will undertake the Initial Public Offering comprising:

- (a) offer for sale of 114,000,000 Offer Shares to Bumiputera investors approved by the MITI at the Retail Price of RM1.60 per Offer Share, subject to a refund in the event that the Final Retail Price is less than RM1.60 per Offer Share;
- (b) offer for sale of 10,000,000 Offer Shares to the Malaysian public at the Retail Price of RM1.60 per Offer Share, subject to a refund in the event that the Final Retail Price is less than RM1.60 per Offer Share;
- (c) offer for sale of 7,300,000 Offer Shares to Eligible Employees, and suppliers and customers of the OHB Group at the Retail Price of RM1.60 per Offer Share, subject to a refund in the event that the Final Retail Price is less than RM1.60 per Offer Share. The offer for sale to Eligible Employees is via the Employee Equity Scheme (as detailed in Section 4 of this Part of this Prospectus); and
- (d) offer for sale of 63,821,800 Offer Shares to identified investors at the Institutional Price.

### 3.4 Transfer

After the Initial Public Offering but prior to the Listing, CSC Ornasteel, CSC Group Steel, CSGT, CSET and CSEC will transfer all their shareholdings in OHB to CSAP to consolidate their respective OHB Shares under CSAP.

### 3.5 Listing

Listing of and quotation for the 380,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of OHB, will be sought on the Main Board of Bursa Securities.

## 4. EMPLOYEE EQUITY SCHEME

In respect of the offer for sale of 5,300,000 Offer Shares to the Eligible Employees, the EES Offeror will establish an EES for the Eligible Employees to reward their contribution to the OHB Group and to motivate and retain the Eligible Employees. The salient details of the EES are as follows:

- (i) the EES Offeror will make a conditional offer to sell the Offer Shares to the Eligible Employees on the terms of the EES set out below on condition that the Eligible Employees stay in the employment or appointment of the OHB Group for the entire EES Period. If the Eligible Employee accepts the conditional offer to purchase the Offer Shares offered, the Eligible Employee shall pay RM1.00 as acceptance of such Offer Shares offered under the terms of the EES ("Entitlements").

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**V. INFORMATION ON THE OHB GROUP (CONT'D)**


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It is a condition of sale by the EES Offeror that the Eligible Employees who accept the offer to purchase the Offer Shares under the terms of the EES must continue to be employed by the OHB Group for the entire EES Period. If they cease to be in the employment of the OHB Group, die or become bankrupt, the Eligible Employees agree with the EES Offeror that:

- (a) in respect of Entitlements which remain unsold by the Eligible Employee during the EES Period, the Nominee (as defined under clause (iv) below) will accept instructions from CSAP to either:
- sell his Entitlements or any balance thereof remaining unsold within 10 Market Days after the last day of the Eligible Employee's employment. Net proceeds (after deducting transaction costs) from such disposals will accrue to CSAP; or
  - reallocate all his Entitlements or any balance thereof remaining unsold to other eligible Directors or employees of the OHB Group nominated by the Board at its absolute discretion within 10 Market Days after the last day of the Eligible Employee's employment,
- and thereafter, such Eligible Employee will no longer be required to repay the amount owing for such Entitlements remaining unsold to the EES Offeror; and
- (b) in respect of any balance Net Proceeds (as defined under clause (x) below) remaining in the interest bearing account (save for Eligible Employees who leave the employment of the OHB Group by reason of retirement or completion of secondment or other circumstances at the discretion of the Board, whose balance shall be dealt with in the manner set out in clause (xi) below), the Nominee will transfer such sum to CSAP.

It is also a condition of sale by the EES Offeror that the Listing is successful;

- (ii) to facilitate the EES, the EES Offeror will appoint CSAP to administer the EES;
- (iii) Entitlements which are not accepted by the Eligible Employees will be reallocated to the remaining Eligible Employees at the discretion of the Board;
- (iv) on the allotment date for the Initial Public Offering, MIH will allocate the 5,300,000 Offer Shares under the EES to the respective Eligible Employees who have accepted the conditional offer to purchase the Offer Shares offered by the EES Offeror under the EES according to their Entitlements. The Offer Shares allocated will be transferred from the EES Offeror to the Eligible Employees and shall be credited in the respective CDS accounts opened by the Eligible Employees with a nominee company ("Nominee") and the Nominee shall hold, administer and deal with those CDS Accounts and/or the Offer Shares credited in them and/or any distributions which are made, issued or declared by OHB in respect of the Offer Shares on the terms and conditions of the EES;
- (v) the tenure of the EES is from the acceptance of the Entitlements by the Eligible Employees up to 31 December 2008;
- (vi) under the terms of the EES, the EES Offeror agrees to defer payment by the Eligible Employees for the Offer Shares acquired by the Eligible Employees until such time the Eligible Employees decide to sell such Offer Shares. As the Eligible Employees would not have paid for their Offer Shares at the point of acceptance of the Entitlements, the Eligible Employees will be required, as part of the terms of the EES, to do the following:
  - (a) assign all distributions which are made by OHB to CSAP (e.g. dividends and bonus issues). The assignment is in respect of distributions only and

## V. INFORMATION ON THE OHB GROUP (CONT'D)

does not affect the Eligible Employees' other rights such as the right to vote and the right to sell their Offer Shares;

- (b) open a CDS account with the Nominee with whom their Entitlements will be allotted to by MIH;
- (c) provide an irrevocable and unconditional undertaking that they will not transfer, sell, dispose or otherwise deal with their Offer Shares in their CDS accounts with the Nominee except pursuant to a sale in the manner set out in clause (viii) below; and
- (d) provide an irrevocable and unconditional authority to the Nominee to:
  - perform the matters set out in (i)(a) and (b) above and (xiii) below; and
  - accept, take, carry out and act on any instruction and/or directions given by CSAP in respect of the matters set out in (i)(a) and (b) above and (xiii) below and/or in respect of any distributions, which are made, issued or declared by OHB in respect of the Offer Shares which have been assigned by the Eligible Employee pursuant to clause (vi)(a) above;
- (vii) as the Eligible Employees would not have paid for their Offer Shares at the point of acceptance of their Entitlements, a charge will be created over the Offer Shares in favour of CSAP;
- (viii) the Eligible Employees can sell any of their Offer Shares at any time during the EES Period subject to the selling price being equal to or above the aggregate of the Strike Price (as defined in clause (ix) below) and relevant transaction costs. Where the Eligible Employees wish to sell below the Strike Price, the Eligible Employees will be required to deposit an amount equivalent to the difference between the selling price and the aggregate of the Strike Price and the relevant transaction costs with the Nominee at the point of issuing the selling instructions;
- (ix) the strike price will be on a step-up basis starting with the same price as the Final Retail Price and increasing on a step-up basis of approximately 3.5% from 1 January of every calendar year during the EES Period ("Strike Price");

As an illustration, based on the Retail Price of RM1.60 per Offer Share, the Strike Price over the EES Period is as follows:

	<i>From acceptance of Entitlements up to 31 December 2005 (Period 1)</i>	<i>From 1 January 2006 to 31 December 2006 (Period 2)</i>	<i>From 1 January 2007 to 31 December 2007 (Period 3)</i>	<i>From 1 January 2008 to 31 December 2008 (Period 4)</i>
<i>Timing</i>				
<i>Strike Price</i>	1.60	1.66	1.71	1.77

- (x) the Eligible Employees can sell at any time all or any of their Offer Shares subject to the proceeds from the disposals being received by the Nominee and dealt with by the Nominee in accordance with the terms of the EES. The Nominee will release the proceeds from the disposals to the Eligible Employees (less the total Strike Price and transaction costs, i.e. "Net Proceeds") in accordance with the Eligible Employees' Periodic Entitlement to Proceeds (as defined below) over the EES Period.

The EES Period comprises of 4 periods, which are set out in clause (ix) above. If an Eligible Employee sells his total Entitlements, for each of these periods, the Eligible Employee is entitled to receive the Net Proceeds relating to the sale of up to 25% of his total Entitlements ("Periodic Entitlement to Proceeds").

In Period 1, if the Eligible Employee has sold 25% or more of his total Entitlements, the Nominee shall release the Net Proceeds relating to up to 25% of the Eligible

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**V. INFORMATION ON THE OHB GROUP (CONT'D)**


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Employee's total Entitlements following the sale of such Offer Shares. However, where the Eligible Employee sells less than 25% of his total Entitlements in Period 1, the Net Proceeds attributable to the Entitlements sold for Period 1 shall be released in whole to the Eligible Employee following the sale of such Offer Shares. The balance of the Eligible Employee's Periodic Entitlement to Proceeds in Period 1 can be carried forward to subsequent periods during the EES. In the subsequent period (Period 2), the Eligible Employee shall be entitled to receive a maximum of the aggregate of his Periodic Entitlement to Proceeds for Period 2 and the balance of the Periodic Entitlement to Proceeds carried forward from the previous period (Period 1). Such release and carry forward shall apply for each period within the EES Period.

- (xi) the balance of any Net Proceeds not released to an Eligible Employee will be placed in an interest bearing account for the benefit of the Eligible Employee. On the first business day (being a day other than Saturday or Sunday on which commercial banks in Kuala Lumpur are open for business) of each relevant period on which the Eligible Employee would have been entitled to receive the proceeds in accordance with the Periodic Entitlement to Proceeds, the Nominee will release the Net Proceeds attributable to that period together with the relevant interest earned to the Eligible Employee.

Notwithstanding clause (i)(b) above, if, during the EES Period, an Eligible Employee leaves the employment of the OHB Group, by reason of retirement or completion of secondment or any other circumstances at the discretion of the Board, any balance of Net Proceeds remaining in the interest bearing account of that Eligible Employee will be released to the Eligible Employee within 10 Market Days after the last day of the Eligible Employee's employment;

- (xii) in the event of any capital distribution (as defined hereunder), rights issues, consolidation or sub-division of shares or capital reduction exercises by OHB during the EES Period, CSAP may, as it deems fit, adjust the Strike Price to ensure that the Eligible Employees continue to enjoy an equitable subscription in the capital of OHB.

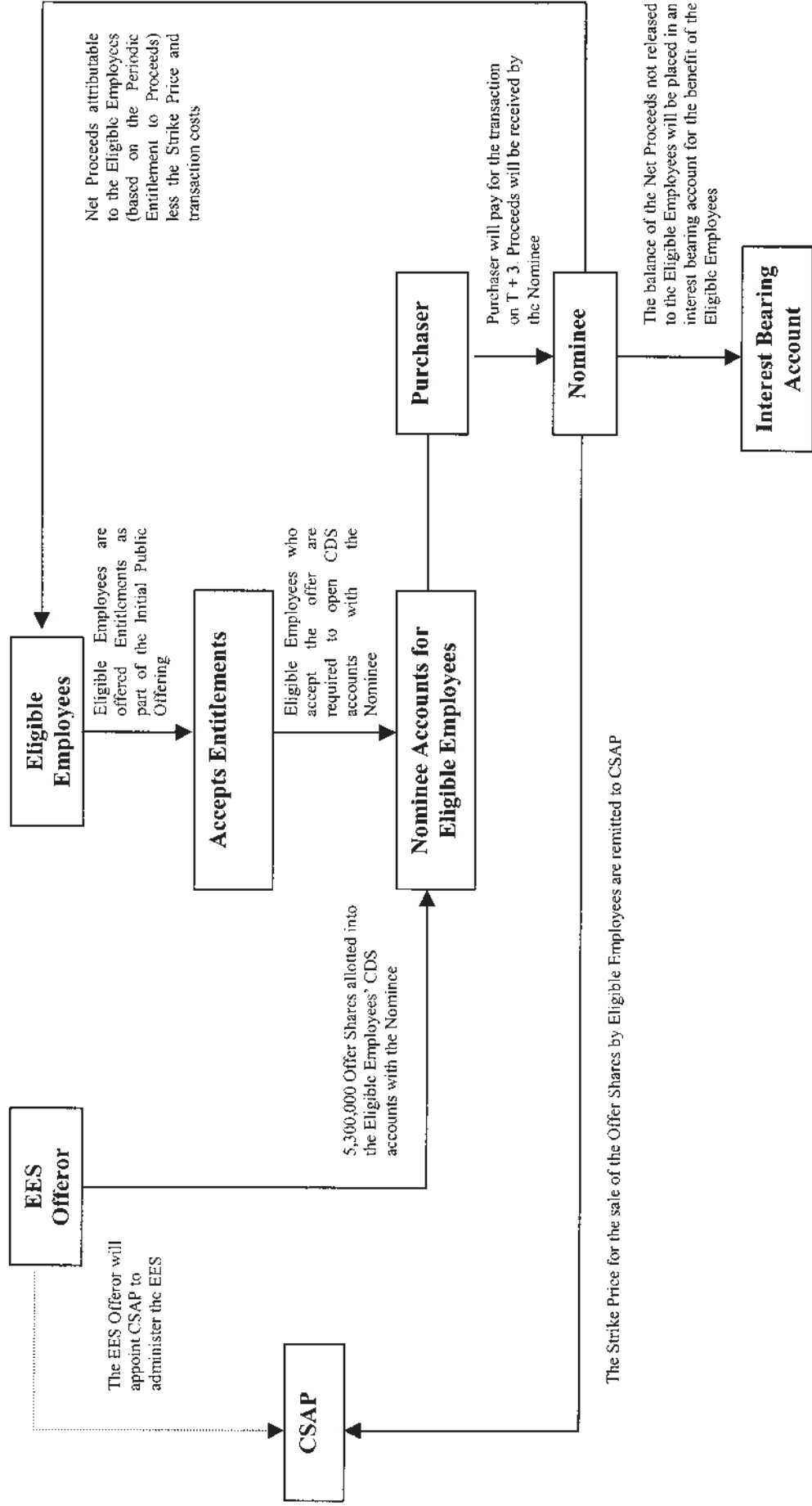
For the purpose of this clause, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie. Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution;

- (xiii) on the expiry of the EES Period, the Nominee will dispose of any remaining Offer Shares in the EES not sold by the Eligible Employees, either on Bursa Securities or place them out to investors who are deemed to be public within 60 Market Days at the instructions of CSAP; and
- (xiv) the allocation of the Entitlements are based on certain criteria which would determine an Eligible Employee's Entitlements.

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V. INFORMATION ON THE OHB GROUP (CONT'D)

A diagrammatic illustration of the implementation of the EES is set out below:





## V. INFORMATION ON THE OHB GROUP (CONT'D)

### 5. SUBSIDIARIES AND ASSOCIATE COMPANY

The details of the subsidiaries of OHB as at the date of this Prospectus are as follows:

	<b>Date and country of incorporation</b>	<b>Effective equity interest %</b>	<b>Principal activities</b>
<i>Subsidiaries</i>			
Ornasteel	14.11.1991; Malaysia	100.00	Manufacturing and marketing of CR products
Group Steel	19.12.1994; Malaysia	100.00	Manufacturing and marketing of GI and PPGI products
<i>Subsidiary of Ornasteel</i>			
Ornaconstruction	05.08.1993; Malaysia	100.00	Dormant

OHB does not have any associate company.

Further details of the subsidiaries of OHB are as follows:

#### 5.1 Ornasteel

##### *History*

Ornasteel was incorporated in Malaysia as a private limited company under the Act on 14 November 1991. It is principally involved in manufacturing and marketing of CR products.

##### *Share Capital*

As at the date of this Prospectus, the authorised share capital of Ornasteel is RM220,000,000 comprising 220,000,000 Ornasteel Shares, all of which are issued and fully paid-up.

Changes in the issued and fully paid-up share capital of Ornasteel since its incorporation until the date of this Prospectus are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Type of issue/ Consideration</b>	<b>Issued and paid-up share capital RM</b>
14.11.1991	2 5	Subscribers' shares Cash	7
21.05.1992	2,040,816	Cash	2,040,823
12.08.1992	25,880,000	Cash	27,920,823
02.09.1992	42,700,672	Cash	70,621,495
12.11.1992	24,216,913	Cash	94,838,408
30.11.1992	5,161,592	Cash	100,000,000
27.07.1993	50,000,000	Cash	150,000,000
18.10.1994	50,000,000	Cash	200,000,000

## V. INFORMATION ON THE OHB GROUP (CONT'D)

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Type of issue/ Consideration	Issued and paid-up share capital RM
08.08.2002	20,000,000	Cash	220,000,000

### *Substantial Shareholder*

Ornasteel is a wholly-owned subsidiary of OHB.

### *Subsidiary and Associate Company*

As at the date of this Prospectus, Ornasteel has a wholly-owned subsidiary, namely Ornaconstruction. Details of Ornaconstruction are set out in Section 5.3 of this Part of this Prospectus.

As at the date of this Prospectus, Ornasteel does not have any associate company.

## 5.2 Group Steel

### *History*

Group Steel was incorporated in Malaysia as a private limited company under the Act on 19 December 1994. It is principally involved in manufacturing and marketing of GI and PPGI products.

### *Share Capital*

As at the date of this Prospectus, the authorised share capital of Group Steel is RM150,000,000 comprising 150,000,000 Group Steel Shares. The issued and fully paid-up share capital of Group Steel is RM140,000,000 comprising 140,000,000 Group Steel Shares.

Changes in the issued and fully paid-up share capital of Group Steel since its incorporation until the date of this Prospectus are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Type of issue/Consideration	Issued and paid-up share capital RM
19.12.1994	4	Subscribers' shares	4
28.11.1995	8,730,000	Cash	8,730,004
08.04.1996	29,200,000	Cash	37,930,004
15.05.1996	21,090,000	Cash	59,020,004
20.11.1996	40,203,973	Cash	99,223,977
02.01.1997	6,000,000	Cash	105,223,977
05.05.1997	6,811,027	Cash	112,035,004
07.10.1997	4,800,000	Cash	116,835,004
27.10.1997	3,164,996	Cash	120,000,000
08.06.1998	11,949,938	Cash	131,949,938

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**V. INFORMATION ON THE OHB GROUP (CONT'D)**


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<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Type of issue/Consideration</b>	<b>Issued and paid-up share capital RM</b>
08.09.1998	8,050,062	Cash	140,000,000

***Substantial Shareholder***

Group Steel is a wholly-owned subsidiary of OHB.

***Subsidiary and Associate Company***

As at the date of this Prospectus, Group Steel does not have any subsidiary and associate company.

**5.3 Ornaconstruction*****History***

Ornaconstruction was incorporated in Malaysia as a private limited company under the Act on 5 August 1993. It was principally involved in construction and development. However, the company is currently dormant.

***Share Capital***

As at the date of this Prospectus, the authorised share capital of Ornaconstruction is RM100,000 comprising 100,000 ordinary shares of RM1.00 each in Ornaconstruction, all of which are issued and fully paid-up.

Changes in the issued and fully paid-up share capital of Ornaconstruction since its incorporation until the date of this Prospectus are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Type of issue/Consideration</b>	<b>Issued and paid-up share capital RM</b>
05.08.1993	2	Subscribers' shares	2
03.03.1995	99,998	Cash	100,000

***Substantial Shareholder***

Ornaconstruction is a wholly-owned subsidiary of Ornasteel.

***Subsidiary and Associate Company***

As at the date of this Prospectus, Ornaconstruction does not have any subsidiary and associate company.

## V. INFORMATION ON THE OHB GROUP (CONT'D)

### 6. LANDED PROPERTIES

#### 6.1 Landed Properties Owned by the Group

A summary of the information on the landed properties owned by the Group as at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus is as follows:

Title/Location	Registered/ Beneficial owner/ Leaseholder	Description	Land/ Built-up area (square metres)	Tenure/Date of CFO/ Occupancy status/ Approximate age of building	Encum- brances	Audited net book value as at 31.05.2004 RM 000
Lot No. 5214, PN 7009, Mukim Bukit Katil, Daerah Melaka Tengah	Ornasteel	Industrial land built upon with a factory block and an administration block	74,590/36,334	99-year lease expiring on 20.01.2092/ 21.09.1994/ Owner occupied/ 10	Nil	26,810
Lot PT No. 3701, HS (M) 348, Mukim Bukit Katil, Daerah Melaka Tengah	Ornasteel	Vacant industrial land	30,522/NA	99-year lease expiring on 20.01.2092/ NA/ Owner occupied/ NA	Nil	1,426
Lot PT No. 6108, HS (D) 30872, Mukim Bukit Katil, Daerah Melaka Tengah	Ornasteel	Building land built upon with a temporary showhouse	11,347/1,029	Freehold/ 06.04.2001/ Not occupied/ 7	Nil	4,171
Lot PT Nos. 3698 and 3699, HS (M) 346 and 347 respectively, both of Mukim Bukit Katil, Daerah Melaka Tengah	Group Steel	Industrial land built upon with a factory block	74,805/17,892	99-year lease expiring on 20.01.2092/ 02.06.1999/ Owner occupied/ 6	^Charged to various financial institutions under various presentation numbers	52,418

**Notes:**

NA Not applicable.

^ Charged to Citibank Berhad under Presentation No. 6081/2001 and 2032/2003, Malayan Banking Berhad under Presentation No. 6083/2001 and 2031/2003, The International Commercial Bank of China Co Ltd, Labuan Branch under Presentation No. 2033/2003 and United World Chinese Commercial Bank (now known as Cathay United Bank), Labuan Branch under Presentation No. 2034/2003.

The above landed properties cannot be transferred or leased without the approval of the State authority. The first purchaser of such landed property is exempted from such restriction. Save as disclosed above, there are no restrictions in interest for the above landed properties. In addition, none of the existing use of the abovementioned landed properties are in breach of the land-use conditions or permissible land use.

## V. INFORMATION ON THE OHB GROUP (CONT'D)

### 6.2 Landed Properties Purchased during the Preceding 2 Years

There were no purchases of landed properties which are still owned by the Group during the 2 years preceding the date of this Prospectus.

## 7. OTHER INFORMATION

### 7.1 Management and Employees

The Directors of the Company are supported by a team of qualified management staff who are experienced in their respective fields. With their vast experience in their respective responsibilities coupled with their in-depth knowledge in the steel manufacturing industry, the management team contributes significantly to the progress of the OHB Group. The employees of the Group do not belong to any labour union and enjoy a cordial relationship with the management.

As at 31 October 2004, the Group has a total workforce of 600 employees, of which 72 are foreigners. The breakdown of the total number of employees and average number of years of service as at 31 October 2004 is as follows:

Category	Total number of employees	Average number of years of service (years)
Managerial/Professional	114	5
Technical/Supervisory	161	8
Clerical	26	5
General workers/Factory workers	299	4
	600	

The Group recognises the importance of its employees and efforts have been taken to train its less experienced staff members and/or to recruit capable young individuals to support the senior management team. The Group has also taken efforts to send its technical staff for seminars and external training, which include seminars and/or training organised by, among others, the Malaysia Iron and Steel Industry Federation, Jabatan Bomba dan Penyelamat Malaysia and St. John Ambulance, Malaysia.

In addition, the Group actively promotes the upgrading of its junior staff's skills through on-the-job training under close supervision and guidance of the senior management team (which is set out in Section 3 of Part VIII of this Prospectus).

### 7.2 Location of Principal Assets, Production Facilities and Principal Place of Business

The principal assets, production facilities and principal place of business of the OHB Group are located at 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka.

## V. INFORMATION ON THE OHB GROUP (CONT'D)

### 7.3 Major Approvals, Licences and Permits

As at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus, there are no other major approvals, licences and permits obtained by the Group save as disclosed below:

#### 7.3.1 Group Steel

##### (i) Machinery Licences

Group Steel has obtained various machinery licences which were issued pursuant to The Factories and Machinery Act 1967 for the use and operations of the various machines in Group Steel's factory which includes, among others, crane, double girder electric overhead travelling crane, goods lift, electric chain hoist, air operated chain hoist, water tube boiler, oil separator tank, air receiver tank, steam header, pressure tank, LPG storage tank, vaporiser, softener, sand filters and de-ionised vessel.

##### (ii) Manufacturing Licence

Group Steel has obtained Manufacturing Licence No. A 011451 dated 17 July 1998 issued by the MITI pursuant to The Industrial Co-ordination Act 1975, where Group Steel is licenced to manufacture galvanised steel coil/sheet and colour coated steel coil/sheet at P.T. 3698 & P.T. 3699, Mukim Bukit Katil, Daerah Melaka Tengah, Melaka from 19 December 1995. The equity conditions imposed by the MITI for this licence are as follows:

No	Equity conditions imposed	Status of compliance
1	At least 40% of the shares in the company must be subscribed to and held by Malaysian citizens including at least 30% of the shares shall be reserved, and the company shall consult the MITI before the distribution of the shares. The MITI has, vide a letter dated 28 February 2001, granted an extension of time to Group Steel to 15 December 2004 to comply with this condition.	The MITI has, vide its letter dated 3 June 2004, agreed that this condition will be deemed complied by Group Steel on completion of the Initial Public Offering.
2	The shares held by non-Malaysians cannot be sold without prior written consent from the MITI.	Will comply, if applicable.

##### (iii) Licence from Majlis Bandaraya Melaka Bersejarah ("MBMB")

Licence No.	Authority	Type of transaction approved	Conditions imposed	Date of Expiry	Status of compliance
4-096-95587-0199	MBMB	(i) Other steel related manufacturing (ii) Storage of diesel oil (iii) Store/Warehouse licence	None	31 December 2004	Not applicable

## V. INFORMATION ON THE OHB GROUP (CONT'D)

### (iv) *Approved permits from the MITI*

Group Steel has obtained approved permits from the MITI for the import of CRCs which will expire on 5 December 2004.

### 7.3.2 Ornasteel

#### (i) *Machinery Licences*

Ornasteel has obtained various machinery licences which were issued pursuant to The Factories and Machinery Act 1967 for the use and operations of the various machines in Ornasteel's factory which includes, among others, boilers, double and single girder electric overhead travelling crane, lift, recoiler, oil separator, air receiver, water softener, steam header, vaporiser, carbon filter, anion and cation vessel and LPG tank.

#### (ii) *Manufacturing Licence*

Ornasteel has obtained Manufacturing Licence No. A 008373 dated 16 July 2001 issued by the MITI pursuant to The Industrial Co-ordination Act 1975, where Ornasteel is licenced to manufacture CRC, plate strip, galvanised steel pipe and mild steel pipe, stainless steel coil, plate, strip and pipe from 4 November 1991 and carry out the activity of pickling and oiling of HRC at Lot 5214, Mukim Bukit Katil, Daerah Melaka Tengah, Melaka from 11 June 2001. The equity condition imposed by the MITI for this licence is as follows:

No	Equity conditions imposed	Status of compliance
1	The shares in this company held by non-Malaysians cannot be transferred without prior written consent from the MITI.	Will comply, if applicable.

#### (iii) *Advertisement Licence*

Licence No.	Authorities	Type of transaction approved	Conditions imposed	Date of Expiry	Status of compliance
4-096-92601-0193	Majlis Bandaraya Melaka Tengah	(i) Non lighted advertising board (Size 42 square meter) (ii) Non lighted advertising board (Size 17 square meter) (iii) 05-Factory canteen (iv) Steel works store (v) Steel factory inclusive of steel works – 180 square meter (vi) Others	None	31 December 2004	Not applicable

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**V. INFORMATION ON THE OHB GROUP (CONT'D)**

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*(iv) Approved permits from the MITI*

Ornasteel has obtained approved permits from the MITI for the import of HRCs which will expire on 6 December 2004.

**7.4 Interruption in Business**

The OHB Group did not experience any interruption in its business which had a significant effect on its operations for the past 12 months prior to 31 October 2004 (being the latest practicable date prior to the issuance of this Prospectus).

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## VI. HISTORY AND BUSINESS OVERVIEW

### 1. HISTORY

OHB was incorporated to become the holding company for Ornasteel, Group Steel and Omaconstruction (a subsidiary of Ornasteel). A brief outline of their respective backgrounds is as follows:

#### 1.1 Ornasteel

Ornasteel was incorporated to undertake the manufacturing and marketing of steel pipes and CR coils. In July 1993, the factory started producing steel pipes followed by CR coils in August 1994. The total capacity of the Ornasteel plant for producing steel pipes was approximately 72,000 MT per annum and for CR products was approximately 350,000 MT per annum at that point in time.

On 14 December 2000, Ornasteel was acquired by the CSC Group. In 2001, Ornasteel discontinued the production of pipe products and commenced to restructure and align its resources to strengthen its core business, which is manufacturing and marketing of CR products. The outcome of that strategy resulted in the turnover of Ornasteel reaching RM465.9 million in the year 2002 and recorded a PBT of RM20.5 million. Presently, Ornasteel's plant has a production capacity of approximately 444,000 MT of CR products per annum.

Ornasteel has invested more than RM13.3 million as at 31 October 2004 to upgrade and revamp its machinery. The details of the investment are as follows:

<i>Date of commencement</i>	<i>Equipment/Machine</i>	<i>Details</i>
November 2002	3-feet cold rolling mill	Installation of auto gauge control which will improve the gauge control of the CR products. The project was completed in September 2003.
November 2002	4-feet cold rolling mill	Installation of auto flatness control which will improve the flatness and shape of the CR products. The project was completed in December 2003.
January 2003	Temper Mill	Installation of auto elongation control, which will improve the elongation control of the CR products. The project was completed in October 2003.
July 2003	Annealing Plant	Added 5 new bases, 4 furnaces and 5 inner covers, which will increase the production capacity for CRCs from 204,000 MT per annum to 300,000 MT per annum. This expansion project was completed in June 2004.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**1.2 Group Steel**

Group Steel was incorporated to undertake the manufacturing and marketing of GI and PPGI coils. The galvanised steel plant with a production capacity of approximately 240,000 MT per annum was commissioned in August 1998 and went into commercial production in October 1998. The prepainted steel plant was commissioned in November 1998 and went into commercial production in January 1999. It has a production capacity of approximately 120,000 MT per annum. On 14 December 2000, Group Steel was acquired by the CSC Group.

**1.3 Ornaconstruction**

Ornaconstruction was incorporated to undertake among others, the construction of the Ornasteel and Group Steel factories. Following the acquisition by CSC of Ornasteel and Group Steel, Ornaconstruction ceased operations and is now a dormant company.

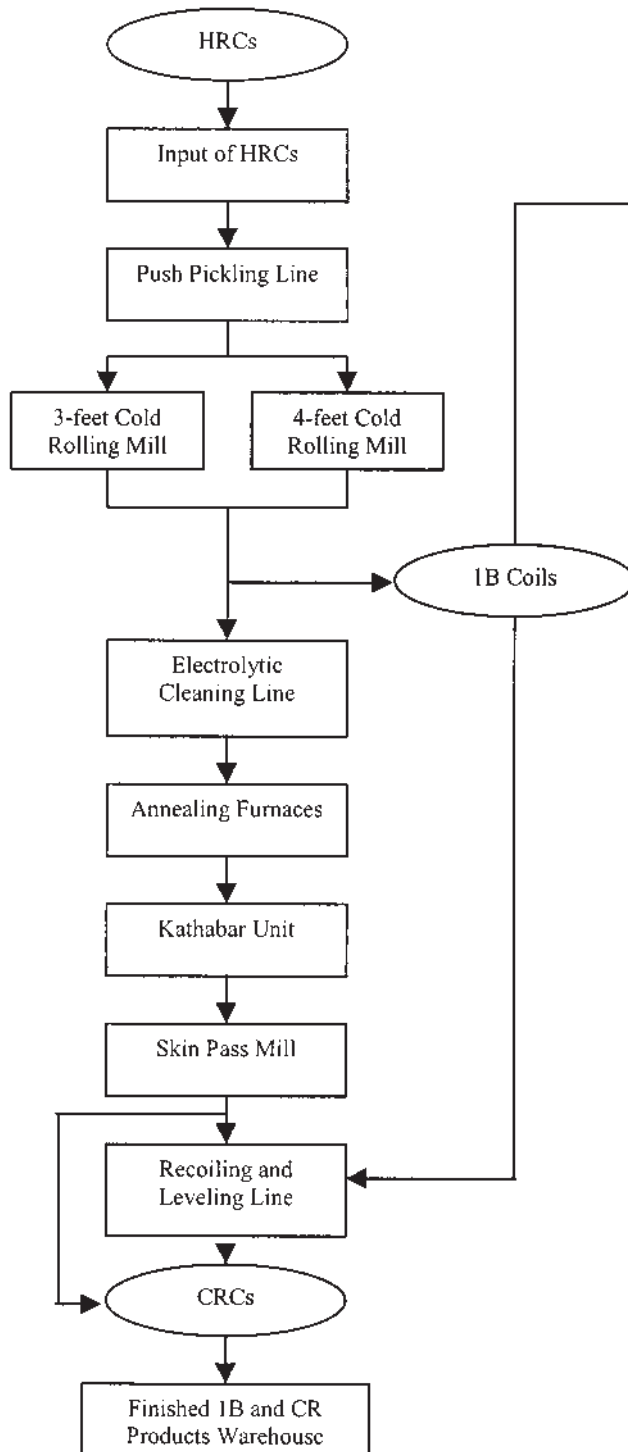
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## VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

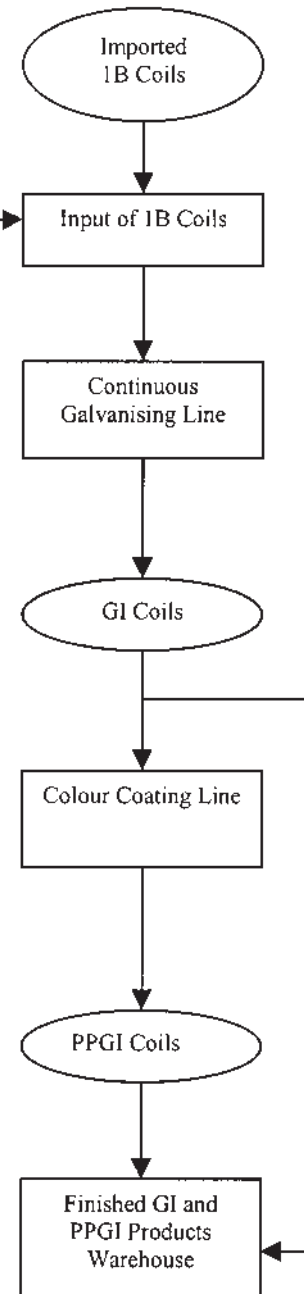
### 2. BUSINESS OVERVIEW

The Group's operations consist of the manufacturing of 1B, CR, GI and PPGI coils. Ornasteel is involved in the manufacture of 1B coils and CR coils whereas Group Steel is involved in the manufacture of GI and PPGI coils. A flow chart of the Group's consolidated manufacturing process is depicted below.

#### Production of 1B and CR coils



#### Production of GI and PPGI coils



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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**2.1 Production of 1B and CRCs**

The Ornasteel manufacturing process as depicted above is with the purpose of manufacturing 1B coils which is mainly utilised by Group Steel and to produce CRCs which are sold to its customers. The core material for the manufacturing is HRCs which are supplied by its parent company, CSC and a local supplier.

**2.1.1 Input materials**

The core input materials for the production of 1B and CRCs are HRCs.

**2.1.2 Push pickling line**

The push pickling line is the first process in the manufacturing of 1B coils and CRCs. It removes metal oxides on the HRCs by putting the HRCs through a hydrochloric acid bath. The pickled HRCs can then be trimmed to the desired width for the next production process.

**2.1.3 Cold rolling mill**

There are 2 units of reversing cold rolling mills, which has a rolling width capacity of 3 feet (approximately 914 millimetres ('mm')) and 4 feet (approximately 1,219 mm) respectively. The functions of the mills are to roll down the HRCs to the required thickness and to obtain a specific mechanical strength. The immediate product from these mills is known as full hard CRC which is also known as 1B coil. The 1B coil is then either delivered to Group Steel for further processing into GI or PPGI coil or is further processed by Ornasteel into CRC.

**2.1.4 Electrolytic cleaning line**

The function of the electrolytic cleaning line is to clean the 1B coil surface which contains residual rolling oil, iron powder and dust. This is achieved by putting the coil through alkaline chemicals.

**2.1.5 Annealing furnace**

The cleaned and treated coil is then heated at the annealing furnace to recrystallise the iron molecules of the coil to obtain the required mechanical properties such as hardness, tensile strength and yield strength.

**2.1.6 Kathabar unit**

The annealed coil from the annealing furnace is placed into the kathabar unit, which is a facility to cool the coil under low humidity environment to prevent the coil from rusting before the next production process.

**2.1.7 Skin pass mill**

The function of the skin pass mill is to provide the required surface finish and further improve the flatness of the coil and to reach the desired mechanical properties.

**2.1.8 Leveler and recoiling line**

The leveler assists to improve the shape of the coil after which the recoiling process takes place.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**2.1.9 Packing and storage**

The finished CRCs will then be weighed, labelled and packed with rust preventive paper and steel covers based on domestic or export packing requirements before being sent to the warehouse.

**2.2 Production of GI and PPGI coils****2.2.1 Continuous galvanising line****(i) Input materials**

The core input materials for the production of GI coils are IB coils and zinc.

**(ii) Pay-off section**

There are 2 units of pay-off mandrel which allow the line to run continuously. The tail of 1 coil will be joined to the head of another coil by the facilitated welder. The entry looper (strip accumulator) allows the strip welding work to be carried out without stopping the process line.

**(iii) Heating furnace**

The oil on the strip is removed at the pre-heating zone, while iron oxide on the strip surface is removed at the direct fire zone before the full cycle of the annealing process is carried out at the radiant tube heating zone. The strip will then be cooled by air jet to a temperature which is compatible to the zinc bath temperature. The furnace is fuelled with LPG gas. Group Steel is in the process of upgrading its furnace to run on natural gas.

**(iv) Zinc coating**

The annealed strip will then be immersed in a zinc bath to galvanise the coil with zinc. Air knives are used immediately after the zinc bath to ensure consistency of the zinc coating thickness and coverage. The coil will then be cooled by the air blower before passing through the water quench zone for further cooling.

**(v) Skin pass and leveler**

The GI coil is put through the skin pass and leveler to ensure that the required surface finish and flatness are consistently achieved.

**(vi) Chemical coating**

The finished galvanised coil will be either coated with chromate or anti-rust oil, depending on the requirement of the customer, to prevent white rust formation.

**(vii) Recoiler**

The post-treated galvanised coil will then be recoiled to the required weight at the recoiler mandrel. The exit looper (strip accumulator) allows the recoiling and coil splitting work to be carried out without affecting the continuous production process.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**(viii) Packing and storage**

The finished GI coils will then be weighed and packed with packing paper and steel sheets based on domestic or export packing requirements, and labelled before being sent to the warehouse.

**2.2.2 Colour coating line****(i) Input materials**

The core input materials for the production of PPGI coils are GI coils and paints.

**(ii) Pay-off section**

The operating principles and functions are similar to the galvanising process, except that it uses a joiner to fasten the steel sheets together.

**(iii) Clean, pre-treatment and chemical coating**

The GI coil is cleaned at the degreaser tank, where oil and dust are removed by chemical means. The white rust formed on the surface can be removed at the brush assembly. The clean coil will then be coated with conditioner and chromate at the conditioner and chromate tank respectively, to provide better adhesion and corrosion resistance ability.

**(iv) Primer coating**

A basic layer of paint, called primer, is applied on the chemical coater in order to strengthen the corrosion resistance and paint adhesion ability.

**(v) Baking and water quenching**

The primer coating is further cured at the primer oven and cooled at the primer water quench to ensure the painted coil is completely cured.

**(vi) Finish coating**

The requested colours and specifications of paint will be applied at both the top and bottom of the primer coated coil to complete the painting work.

**(vii) Baking and water quenching**

Similarly, the finish oven and finish water quench also serve to ensure that the paint applied is completely cured and cooled.

**(viii) Recoiler**

The operating principles and functions are similar to the galvanising process.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**(ix) Packing and storage**

The finished PPGI coils will then be weighed, labelled and packed according to the given packing requirements before being sent to the warehouse.

**2.3 Delivery**

The CR, GI and PPGI coils stored at the warehouse will be delivered to the Group's customers.

**3. VIABILITY****3.1 Principal markets****3.1.1 CR products**

The Group's CR products are mainly sold to service centres, drum makers, small and medium sized manufacturers and pipe and tube makers. The Group also exports its CR products to other countries including, among others, Vietnam, Indonesia and China.

**(i) Service centres**

Service centres which own slitting and shearing machinery usually provide such services such as cutting, slitting, pressing and shaping of the CRCs for manufacturers of household products and industrial items.

**(ii) Drum makers**

Drum makers purchase CRCs mainly for the manufacturing of drums for storage of palm oil, chemical and petroleum products.

**(iii) Manufacturers**

Manufacturers who purchase CRCs from the Group are normally manufacturers of furniture, electronic and/or electrical home appliances and automobile parts. However, certain small and medium sized manufacturers prefer to source their materials from the service centres that are able to cut, slit, press and shape the CRCs to the required specifications of the manufacturers.

**(iv) Pipe and tube makers**

One of the Group's largest buyers of its CRCs are pipe and tube makers. Most of the pipe and tube makers manufacture furniture for the export market.

**(v) Export**

The main export market of the Group is China. Other export markets of the Group for CR products include Vietnam and Indonesia. The Group's customers for its export market are generally in the business of service centres, pipe and tube manufacturing and drum manufacturing. Based on the financial year ended 30 November 2003 and the six (6)-month period ended 31 May 2004, the Group exported approximately 5% and 1% respectively of the CR products manufactured.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**3.1.2 GI and PPGI products**

Based on the financial year ended 30 November 2003, approximately 60% of the GI and PPGI products produced by the Group were for the export market and the remainder were sold in the domestic market. The local market consists of mainly manufacturers of roofing sheets, steel truss, steel trunk and air ducts. For the financial period ended 31 May 2004, the export ratio fell to approximately 38% of total GI and PPGI products produced.

The Group's export market consists of countries such as Vietnam, Canada, Thailand, Australia and China. Based on the financial year ended 30 November 2003, sales to China alone were approximately 45% of the Group's export of GI and PPGI products. However, for the financial period ended 31 May 2004, sales to China accounted for only approximately 22% of the Group's GI and PPGI exports.

**3.2 Marketing and method of distribution**

Due to prevalent competition in the iron and steel industry, good marketing strategies are important to the success of the Group. The OHB Group's marketing department consists of 13 persons. Their duties include identifying and targeting potential markets as well as expanding existing market share for the Group's products. Apart from competitive prices, the OHB Group provides quality products and good professional service to its customers.

The Group does not rely on agents for the sale of its products. Instead, the Group's sales people deal mainly with the customers. This ensures that the Group is in control and obtains immediate feedback from its customers. At times, CSGT assists in sourcing customers for the OHB Group in return for a commission.

**3.3 Competitive advantage**

The Directors of the Company believe that the following factors would give the OHB Group a competitive advantage in connection with its business:

**(i) Name**

Ornasteel and Group Steel are well known in the Malaysian iron and steel industry for the quality of their steel products which is the result of higher quality steel raw materials, better management, production control and support from the CSC Group.

**(ii) Modern manufacturing facilities**

The OHB Group has invested approximately RM622 million in its factories and machinery. In addition, it intends to invest an additional RM23.9 million to introduce other machinery and to improve efficiency of the Group's manufacturing process. At present, Group Steel's factory operates two (2) continuous production lines, which is faster and more efficient compared to a non-continuous production line.

**(iii) Modular structure**

As the Group's production facility is modular, it is able to vary the production quantity amongst its 1B, CR, GI and PPGI products to cater to the changing demands in different market segment and to maximise the Group's profits.



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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**(iv) Quality**

The Group places high priority on the quality of its products and works closely with its customers to produce products which will meet the requirements of its customers.

The Group is able to source higher quality steel raw materials from CSC such as low carbon and IF steel, thereby permitting it to penetrate into higher end markets. As IF steel raw materials are difficult to obtain in the open market, the OHB Group has a competitive edge over its competitors. The Group is able to produce IF steel quality CRCs of DQ and DDQ quality which it can sell locally to replace the current IF steel quality CRCs being imported into Malaysia by the various manufacturers requiring such quality steel coils.

**(v) Quality control**

The OHB Group implements quality control procedures at its factories which involve the checking and testing of the 1B, CR, GI and PPGI products respectively for manufacturing defects, which include, inter alia, hardness test, tensile strength test, surface condition test, bending test and colour difference test, before the products are packaged. Quality control is important in the iron and steel industry to ensure that the specifications of the customers are adhered to.

The quality control procedures are conducted at 3 main stages, being raw material quality inspection, work in progress quality inspection and end product quality inspection.

In addition, the management of the Group constantly checks and monitors the manufacturing activities in its factories to ensure that its employees adhere to the Group's operating procedures.

**(vi) Experience**

The Executive Directors and the respective key management from CSC in the OHB Group who are involved in the day to day manufacturing operations and/or marketing and development of the steel products produced by the Group have at least 20 years of experience each in the iron and steel industry. The respective division and department heads of OHB have been involved in the iron and steel industry for at least 10 years. Further to that, the OHB Group also benefits from the R&D and technical know-how of other key management personnel within the CSC Group who are sent to Ornasteel and Group Steel by request at any time.

**(vii) Pricing**

As the Group is one of the major customers of CSC, the Group is able to obtain its source of steel raw materials at a competitive price. The Group is thus able to price its products competitively.

**(viii) Lower operating costs**

As the Group's operations are not heavily labour intensive, and rely on a combination of heavy machinery and equipment, the Group is able to operate with minimal skilled employees. The Group is also in the midst of converting its LPG-fuelled furnaces to accept natural gas which is safer and would further lower the Group's operating costs with an estimated cost savings of approximately RM8 million per annum. The migration to natural gas is expected to be completed by end of 2004 or early 2005.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**(ix) Customer service**

The Group's services include, among others, advising its customers on processing methods, and explaining the differences in the Group's product offerings to ensure that the Group's customers obtain the best suited steel for their needs. The services provided to the Group's customers ensure customer's satisfaction and maintain continuity of the business relationship between the Group and its customers. By providing such services to its customers, the Group is able to expand its market share by meeting the needs and demands of its customers during the growth of its customers' operations.

**3.4 R & D**

The OHB Group's R&D unit consists of 12 persons, comprising employees from the Group's Engineering Department and other senior level executives. The R&D unit is divided into 2 teams consisting of the CR product research team and the surface treatment research team.

The CR product research team is principally involved in studying and formulating process parameters for, among others, steelmaking chemical content, hot rolled temperature control, cold rolling reduction ratio, annealing process and skin pass extension ratio to develop new products and improve product quality.

The surface treatment research team is principally involved in studying and formulating production process parameters for galvanising and colour coating to develop new products and improve product quality.

At present, the Group has 3 R&D laboratories. The physics and metallurgy laboratory is used to test the physics and conduct microstructure analysis on the HR and CR sheets by using universal tensile testing machine, hardness testing machine, heat treatment furnace, optical microscope and other equipments. The chemistry laboratory is used to conduct chemical properties analysis on the hydrochloric acid solution, rolling oil and roll coolant detergent used during the production process of the CR products by using various precision chemical analysis tools. The surface treatment laboratory is utilised to analyse the zinc liquid content, adhesiveness and corrosion-resistant properties of the galvanised coating by using x-ray spectrometer, thermohydrometer and film thickness tester.

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## VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

The on-going R&D activities are as follows:

Commencement date	Status	Title and objective
<u>Process improvement</u>		
1. January 2004	Ongoing	Study the best combination of cold rolling reduction ratio and annealing requirement in order to improve productivity and extend the product thickness range.
2. January 2004	Ongoing	Study to solve the steel coil annealing sticking in order to upgrade surface quality.
<u>Product development</u>		
3. January 2004	Ongoing	Develop EDDQ CR by using IF steel as the raw material.
4. January 2004	Ongoing	Develop industrial machinery heavy-duty roller chain by using alloy medium carbon steel.
5. June 2004	Ongoing	Develop high-grade surface quality GI product for electrical home appliances.

The Group has invested approximately RM6.5 million in R&D activities over the last 3 financial years ended 30 November 2003 and the financial period ended 31 May 2004, representing approximately 0.25% of the Group's total revenue over the period. The main achievements in the R&D activities of the Group over the last 3 financial years ended 30 November 2003 and the financial period ended 31 May 2004 are as follows:

(i)	developed medium carbon CR sheet for producing roller chain of bicycles and motorcycles;
(ii)	developed DQ CR products used for producing, among others, oil filters and speaker frames;
(iii)	developed DDQ CR products for producing fire extinguishers and wheel barrow trays;
(iv)	developed the permanent bright type of PPGI;
(v)	developed aluminium colour coated sheet for producing high-grade construction material;
(vi)	developed drawing quality galvanised steel sheet for producing satellite antenna plates; and
(vii)	developed high corrosive resistant PVDF type of PPGI used by power plants.

### 3.5 Technology

At present, the production processes of CR, GI and PPGI products are at a relatively advanced and mature stage. Certain equipment and machines of the Group use technologies which have to an extent been improved and refined over time. Among these include the continuous hot-dip galvanising line utilised by the Group in the manufacture of its GI and PPGI products. There is however a need to upgrade and/or acquire new equipment and/or machinery for expansion and to ensure continued competitiveness, efficiency and costs savings in its manufacturing line. The Directors of the Company will continually assess the need for such investment in technology and will address these needs in the future plans of the OHB Group.

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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**3.6 Awards**

On 16 January 2001, Ornasteel was awarded ISO 9002 by BM Trada Certification Ltd for meeting the requirements of ISO 9002 for manufacturing of CR products which expired on 31 December 2003. In February 2003, Ornasteel successfully obtained the ISO 9001:2000 certification for manufacturing of CR products which expires on 16 February 2012.

On 16 January 2001, Group Steel was awarded ISO 9002 by BM Trada Certification Ltd for meeting the requirements of ISO 9002 for manufacturing of GI and PPGI products which expired on 31 December 2003. In May 2003, Group Steel successfully obtained the ISO 9001:2000 certification for manufacturing of GI and PPGI products which expires on 1 May 2012.

**3.7 Intellectual properties**

Other than copyright protection, trademark and domain name registration to establish and protect its intellectual property and internet domain name, the Group does not own any other intellectual property.

**(i) Copyright**

The Group's copyright in relation to the content of its website "www.ornagroup.com.my" and its brochures is protected under the Malaysian Copyright Act 1987. Under the Malaysian Copyright Act 1987, copyright is the exclusive right to control in Malaysia the reproduction in any material form, the performance, showing or playing in public, the broadcasting, the communication by cable and the distribution of the copies to the public by sale, rental, lease or lending, of the whole or substantial part thereof, either in its original or derivative form. The copyright shall subsist during the life of the author and fifty years after his death.

The OHB Group's customers are primarily located in Malaysia. However, the Group also exports to other jurisdictions such as, among others, China, Thailand, Indonesia, Vietnam, Canada and Australia. The availability and extent of protection of the Group's intellectual property including its brochures in those other jurisdictions would depend on the intellectual property laws in those jurisdictions which may vary depending on the applicable laws in those jurisdictions.

**(ii) Domain name**

The domain name "[www.ornagroup.com.my](http://www.ornagroup.com.my)" is registered under Ornasteel.

**(iii) Trademark**

Application for the trademark "Ever Fresh" has been filed by Group Steel on 26 February 2002 under Class 6 at the Registrar of Trademarks in Malaysia. The application has been approved and is currently pending registration.

**4. VULNERABILITY****4.1 Competition and market access**

As a manufacturer of CR, GI and PPGI coils, the Group faces competition from other manufacturers of similar products. There are a few major players in the iron and steel industry in Malaysia with similar core business operations as the OHB Group. Besides local competition, the Group also faces competition from other foreign

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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manufacturers who are able to export their products to Malaysia at a competitive price.

**4.2 Supplies**

The long term viability of the OHB Group depends on the long term sustainable supply and cost of its various supplies. These supplies consist largely of imported raw materials as follows:

**(i) HRCs and 1B Coils**

Currently, the OHB Group obtains its supply of:

- (a) HRCs from CSC and a local supplier; and
- (b) 1B coils from CSC and internally.

The Group imports its supply of steel products exempt from import duties/tariffs pursuant to approved permits issued by the MITI.

At times, the Group faces some short-term delay in obtaining its supply of HRCs locally but the Group is not particularly affected by such delay as it keeps adequate stock of HRCs on its premise.

The Group also sources IF steel coils used in the manufacturing of high quality CRCs from CSC. IF steel coils are difficult to source from the open market and can normally only be sourced from full steel integrators like CSC.

**(ii) Paints**

The OHB Group obtains its supplies of paints used in the Group's PPGI production from Nippon and Becker. The Directors of the Company do not foresee any material disruption to the supplies of paints and should be able to replace one with the other as there is no material difference in quality or pricing of the paints from Nippon or Becker.

**(iii) Zinc**

The zinc used in the Group's GI and PPGI production is sourced from various suppliers in Canada, Australia and Korea. As such, the Group is able to avoid any material disruptions in supply.

**(iv) Chemicals**

The Group uses various chemicals in its manufacturing process, particularly in its push pickling line and the electrolytic cleaning line during the production of CRCs and the various chemical coatings applied on the galvanised steel coils during the GI and PPGI manufacturing process. These chemicals are supplied from various suppliers, both locally and from Singapore to avoid any material disruptions in supply.

**4.3 Market**

While the Directors of the Company believe that the Group has set out and successfully implemented its marketing plans and strategies, it is nevertheless still vulnerable to changes in the market condition and perception of its present market. The Group recognises this vulnerability and has taken steps to mitigate its exposure to such vulnerabilities by, among others, diversifying by exporting to other geographical markets such as the South East Asian countries, namely Thailand, Vietnam and Indonesia. With ASEAN Free Trade Area ("AFTA") in place, the

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**VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)**

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Group's competitive advantage compared to non AFTA member countries has increased. The Directors of the Company hope that with such initiative, the Group would eventually be able to diversify itself well enough to overcome such vulnerabilities.

**4.4 Dependency on licences and permits, and material agreements**

The Group's business and profitability will depend on the ability of the Group to maintain and/or renew such licences and permits as set out in Section 7.3 of Part V of the Prospectus, and the material agreements as set out in Section 7 of Part XIV of the Prospectus, on terms and conditions which are not detrimental to the Group's business.

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## VI. HISTORY AND BUSINESS OVERVIEW (CONT'D)

### 5. MAJOR CUSTOMERS

The following are the OHB Group's top 10 customers for the financial year ended 30 November 2003. The total revenue from these 10 customers contributed approximately RM337 million to the OHB Group's total revenue representing approximately 39% of the Group's total revenue for the said financial year.

Name of customer	Contribution to the Group's total revenue for the financial year/period ended		Length of relationship years
	30 November 2003 %	31 May 2004 %	
Leader Steel Service Centre Sdn Bhd	5.85	4.59	4
Ooi Joo Kee and Brothers Sdn Bhd	4.91	7.40	5
SMPC Industries Sdn Bhd	4.44	2.96	9
China Ordins Corporation	4.31	-	2
Southern Pipe Industry Sdn Bhd	3.96	4.15	7
Tatt Giap Steel Centre Sdn Bhd	3.83	6.55	9
CSGT	3.65	-	2
Alpine Pipe Manufacturing Sdn Bhd	3.18	1.82	4
Tashin Steel Sdn Bhd	2.52	5.33	3
China Iron & Steel Industry And Trade Group Corporation	2.39	-	2

The Group is not dependent on any single customer for its business.

### 6. MAJOR SUPPLIERS

The following are the OHB Group's top 10 suppliers for the financial year ended 30 November 2003. The total purchases from these suppliers amounted to approximately RM654 million representing approximately 96% of the Group's total purchases for the said financial year.

Name of supplier	Contribution to the Group's total purchases for the financial year/period ended		Length of relationship years
	30 November 2003 %	31 May 2004 %	
CSC	51.97	53.02	9
Megasteel	29.63	28.00	5
Becker	2.65	3.13	2
Pasminco Metals Pty Ltd	2.57	0.61	5
Petronas Dagangan Berhad	2.07	1.90	10
Tenaga Nasional Berhad	2.01	1.67	10
Nippon	1.87	0.49	6
Teck Cominco Metal Ltd	1.52	2.23	5
Sorin Corporation	1.14	3.06	5
MOX Gases Sdn Bhd (formerly known as MOX Gases Berhad) (a subsidiary of MOX)	0.28	0.21	6

The Group's dependency on its suppliers is highlighted in Section 12 of Part IV of this Prospectus.