
III. INTRODUCTION

This Prospectus is dated 18 September 2000.

A copy of this Prospectus has been registered by the SC and lodged with the Registrar of Companies, Malaysia ("ROC") and neither the SC nor the ROC takes any responsibility for its contents.

On application by CIMB on behalf of the Company, the SC has on 6 September 2000 granted the Company a waiver from complying with the SC's new guidelines under the Securities Commission Act 1993 (as amended by the Securities Commission (Amendment) Act 2000) as to the form and contents of a prospectus and permitted the issuance by the Company of a prospectus which complies with the form and contents of the provisions of the Companies Act, 1965 prior to the amendments introduced by the Companies (Amendment) Act 2000. Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965 (which was relevant prior to the amendments introduced by the Companies (Amendment) Act 2000), the KLSE has prescribed OCB as a Prescribed Security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

Approval-in-principle has been obtained from the KLSE on 18 August 2000 for admission to the Official List of the Second Board of the KLSE and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of OCB, including the Issue Shares which are the subject of this Prospectus, on the Second Board of the KLSE. These ordinary shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

Pursuant to the SC's Policies and Guidelines on Issue/Offer of Securities, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 750 public shareholders holding not less than 1,000 shares each, of which at least 500 shareholders are members of the public who are not employees of the Company, upon completion of the Public Issue and at the point of listing. The Company is expected to achieve this at the point of listing. However, in the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the Second Board of the KLSE. In the event thereof, monies paid in respect of all applications will be returned.

In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form only if he/she presently has such an account. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code. Where an applicant already has a CDS account, he/she should not complete the preferred ADA Code. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by OCB. Neither the delivery of this Prospectus nor any public issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of OCB or the OCB Group since the date hereof.

III. INTRODUCTION (*CONT'D*)

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation to apply for any Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the issuance of the Issue Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

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

IV. SHARE CAPITAL

SHARE CAPITAL

	RM
<i>Authorised</i>	
50,000,000 ordinary shares of RM1.00 each	<u>50,000,000</u>
<i>Issued and fully paid-up as at the date of this prospectus</i>	
30,330,000 ordinary shares of RM1.00 each	30,330,000
<i>To be issued pursuant to the Public Issue</i>	
9,670,000 new ordinary shares of RM1.00 each	<u>9,670,000</u>
	<u>40,000,000</u>

The issue price of RM2.00 per Issue Share is payable in full on application.

There is only one class of shares in the Company, being ordinary shares of RM1.00 each. The Issue Shares will rank pari passu in all respects with each other and with the existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights, dividends and distributions that may be declared after the allotment and issuance of the Issue Shares.

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

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

V. INVESTMENT CONSIDERATIONS

Applicants for the Issue Shares should carefully consider the following in addition to the other information contained in this Prospectus before applying for the Issue Shares:-

(i) No prior market for OCB shares

Prior to this Public Issue, there has been no public market for OCB shares. Consequently, there can be no assurance that the issue price of RM2.00 per Issue Share will correspond to the price at which OCB shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for OCB shares will develop upon its listing on the Second Board of the KLSE or, if developed, that such market will be sustained. The issue price of RM2.00 for the Issue Share has been determined after taking into consideration a number of factors including, but not limited to, the Group's financial and operating history and conditions, its prospects and the prospects of the industry in which the Group operates and the prevailing market conditions prior to the issue of this Prospectus. Prices for OCB shares after the Public Issue may be influenced by a number of factors, including the depth and liquidity of the market for OCB shares, investors' perception of the OCB Group, the manufacturing and other related industries in general as well as the political, economic and other conditions.

(ii) Competition

The OCB Group is involved in the manufacturing and trading of customised industrial paints, inks and chemical products which is categorised under the industrial paints and coatings industry. The OCB Group faces competition from local and foreign competitors for its manufacturing and trading operations. Although OCB seeks to maintain its competitive position through improvement of research and development, optimisation of its manufacturing efficiencies, providing quality and innovative products and quality support services as well as competitive pricing strategy, there can be no assurance that OCB will not be affected by the competitive strategy adopted by the other manufacturers and traders within the same industry, both domestic and overseas.

(iii) Substantial shareholders

The 4 substantial shareholders of the Company, namely Kwong Tse Woon @ Yan Yik Woon, Ong Eng Dee, PVS B and Mazlan bin Ali, will collectively own a total of 73.50% of the issued and paid-up share capital of OCB after the Public Issue. As a result, it is likely that the said substantial shareholders will be able to jointly control the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

(iv) Political and economic considerations

The OCB Group's future growth and level of profitability may depend to some degree on the economic developments in Malaysia and Indonesia. The future growth of both the Malaysian and Indonesian economies may be affected by changes in inflation, interest rates, taxation and other political, economic or social developments within or outside Malaysia and Indonesia.

V. INVESTMENT CONSIDERATIONS (CONT'D)

(v) Business risks

The OCB Group is subject to certain risks inherent in the manufacturing industry in Malaysia and Indonesia. These include changes in general economic conditions both in Malaysia and Indonesia including, but not limited to, government regulations, legal and environmental framework, inflation, taxation, interest rates, constraints in labour and material supply, fluctuation in raw material prices and changes in business conditions such as, but not limited to, deterioration in prevailing market conditions, machinery breakdown, facilities obsolescence, industrial disputes, changes in consumer trends and preferences, development of new products and raw material shortages. Although the Group seeks to mitigate these risks through, inter-alia, research and development, technology diversification, development of new products such as ultra violet coated and water-based paints and inks, diversification into new markets such as military, aviation and marine sectors as well as local and overseas expansion and continual upgrading of its facilities, there can be no assurance that any change to these factors will not have a material adverse effect on the Group's business.

(vi) Contracts

The OCB Group does not have any long term contracts with either its customers or its suppliers. Although the Group seeks to limit this risk by establishing a large pool of customers and suppliers, there can be no assurance that the Group will be able to maintain its continuous sales/purchases with its customers/suppliers in the future.

(vii) Usage of water-based, solventless or low solvent-based paints and coatings in the future

The future trend in the industrial paints and coatings industry is moving towards the usage of water-based, solventless or low solvent-based paints and coatings which are more environmentally friendly. The shift away from solvent-based paints and coatings may adversely affect manufacturers who have not made the move towards water-based, solventless or low solvent-based paints and coatings. The OCB Group is cognizant of the aforesaid trend and is continuing its research and development efforts to produce paints and coatings which eliminate or minimise the usage of solvents. However, there can be no assurance that any change in future trends will not have an adverse impact on the business and operations of the OCB Group.

(viii) Usage of raw materials which are inflammatory in nature

The OCB Group recognises the inflammatory nature of the raw materials used in the production process and is continuously mitigating the inherent risks relating to the usage of such raw materials through implementation of safety procedures, good housekeeping and procurement of insurance coverage. However, there can be no assurance that the Group will be able to eliminate all the inherent risks relating to the usage of such raw materials.

(ix) Dependence on key personnel

The Group believes that its continued success depends to a significant extent upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the key members of the Group's Board of Directors and senior management may, to a certain extent, affect the Group's continued ability to maintain and improve its performance. However, efforts are presently made by the Group to groom the other members of the management team to assume more responsibilities, hence ensuring a smooth transition should

V. INVESTMENT CONSIDERATIONS (CONT'D)

changes occur. The Group's future success will also depend upon its ability to attract and retain skilled personnel.

(x) Profit estimate and forecast

This Prospectus contains the consolidated profit estimate and forecast of the OCB Group for the financial years ending 31 October 2000 and 2001 respectively that have been prepared based on assumptions which the Directors of OCB believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. Owing to the subjective judgements and inherent uncertainties underlying the profit estimate and forecast and given that events and circumstances frequently do not occur as expected, there can be no assurance that the estimate and forecast contained herein will be achieved and actual results may be materially different from those estimated and forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the estimate and forecast contained herein.

(xi) Foreign exchange risks

The OCB Group is subject to foreign exchange risks through direct and indirect importation of raw materials from Germany, Japan, Taiwan, Holland, the US, Brazil, Canada, South Korea, Singapore, Switzerland and France. For the financial year ended 31 October 1999, the direct and indirect importation of raw materials of the OCB Group amounted to RM24.2 million. In addition to the turnover of PTD, the OCB Group is also subject to foreign exchange risks from its export of industrial paints and inks to China, Vietnam, India, Singapore, Hong Kong and Thailand, which totalled RM8.2 million for the financial year ended 31 October 1999. Nevertheless, as exports of the OCB Group and turnover of PTD are transacted in USD, this provides a natural hedge to the foreign exchange risks of the direct and indirect importation of raw materials to a certain extent. For the financial year ended 31 October 1999, approximately 19.5% of the OCB Group's turnover are denominated in USD and approximately 30% of its direct purchases of raw materials are denominated in USD, Japanese Yen, Deutschemark, Netherlands Guilders and Euro Dollars. The indirect purchases are made through local trading agents which will pass on the increase in cost of raw materials, if any, arising from any change to the foreign exchange rates to the OCB Group. No assurance can be given that any change to the foreign exchange rates will not have a material adverse impact on the Group's business.

(xii) Forward-looking statements

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Board of Directors of the Company, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the OCB Group and the industry, changes in interest rates and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the OCB Group will be achieved.

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE OCB GROUP

1. INTRODUCTION

The activities of the OCB Group comprise the manufacturing and trading of customised industrial paints, inks and chemical products which falls under the industrial paints and coatings industry. This industry refers to paints and coatings, including paints, varnishes, lacquers or other finishes, that are applied onto the manufactured goods, either industrial or consumer goods, as part of the production process. Some of the export earning manufacturing sectors which this industry supports are the electrical and electronics and furniture and fixture industries. Other industries which utilise the industrial paints and coatings include toys and sporting goods, office computing and accounting equipment, automotive and shipping. Currently, the products of the OCB Group are mainly applied in the electrical and electronics sectors. The OCB Group's primary end users are MNCs such as SONY Electronics (M) Sdn. Bhd., JVC Electronics Malaysia Sdn. Bhd., Ericsson Mobile Communication Sdn. Bhd. and Sharp-Roxy Electronics Corporation (M) Sdn. Bhd. which products are mainly for the export market and local corporations such as Perusahaan Otomobil Nasional Berhad and Perusahaan Otomobil Kedua Sdn. Bhd.. Therefore, the Group's future prospects are inherently linked to the general domestic and global economic conditions.

2. OVERVIEW OF THE GLOBAL ECONOMY

The global economic and financial conditions have improved significantly after 2 years of economic and financial turbulence in emerging markets and a marked slowdown in the world economy. For the industrial countries, accommodating policies, low inflation and buoyant equity markets have contributed to the domestic demand expansion and reduced the external shocks from the financial crisis in the emerging economies. In 1999, the real gross domestic product ("GDP") growth in the major industrialised countries, as a group, expanded further by 2.7%, amidst moderating inflation and improved labour market conditions. The individual countries, however, continued to show divergent growth trends. The US economy entered its eighth year of expansion, underpinned by strong domestic demand driven mainly by the positive wealth effects from a buoyant stock market and, to a lesser extent, due to inventory build-up related to the potential Year 2000 computer problems. Some recovery was seen in the Japanese economy with a modest growth in real GDP in 1999. Growth in the UK and the euro-11 area moderated, affected mainly by the weakness of the economies in the early part of the year. However, economic activities in these countries picked up in the second half of 1999, led by the domestic demand in the UK, whilst in the euro-11 area, growth was driven mainly by the external sector.

In the year 2000, the growth prospects for the world economy remain positive with moderate growth in the industrial countries and stronger growth in developing countries. Real GDP in the major industrial countries, as a group, is expected to stabilise at 2.7%, as a moderation in the US economy is likely to be compensated by a higher growth in real GDP in the euro-11 area, the UK and Japan. Meanwhile, real GDP of developing countries, as a group, is projected to expand by 4.8%, reflecting a turnaround in Latin America and higher growth in Asia, Africa and the Middle East. In line with the favourable growth prospects, growth in the volume of world trade is expected to increase significantly by 6% to 7% as compared to 3.7% in 1998.

(Source : Bank Negara Malaysia Annual Report 1999)

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE OCB GROUP (CONT'D)

3. OVERVIEW OF THE MALAYSIAN ECONOMY

The Malaysian economy recovered in 1999 from the severe deflationary impact of the regional financial crisis which resulted in a 7.5% contraction of the economy in 1998. In 1999, economic activities in Malaysia rebounded from the aforesaid contraction in 1998 to record a strong positive growth of 5.4% which was higher than the earlier forecast of 4.3%.

The better than expected performance in 1999 was due to favourable domestic and external developments as well as the prompt policies initiated by the National Economic Action Council in line with the National Economic Recovery Plan to reduce the severity of the impact of the crisis on the Malaysian economy. Fiscal stimulus provided through an expansionary budget in 1999, the easing of monetary policies as well as enhanced efforts to speed up the implementation of approved public projects have assisted in reviving domestic demand associated with public sector spending and private consumption. Reforms introduced by the Malaysian Government to strengthen and restructure the banking system have enabled the banking sector to carry out its intermediate function more effectively and, thereby support the economic recovery process. These policy initiatives, coupled with the strong pick-up in external demands following improvements in the economic conditions of other countries in East Asia as well as continued robust growth in the US, have spurred output increases in all sectors especially in the manufacturing sector.

On the external front, the overall balance of payments position strengthened further to record a surplus of RM17.8 billion or USD4.7 billion, driven by favourable external trade balance and a larger net inflow of long-term capital. In the trade account, gross exports (in USD terms) have increased for 5 consecutive quarters, while import growth has turned positive since the second quarter of 1999. Nevertheless, export growth was stronger at 12% relative to import growth of 9% contributing to a merchandise surplus of RM83.5 billion or USD22 billion and another year of a large current account surplus of RM47.4 billion or USD12.5 billion representing 16.9% of Gross National Product in 1999.

In the first quarter of 2000, the Malaysian economy recorded another strong expansion of 11.7%, the second successive double-digit increase since the onset of the financial crisis in July 1997. While the higher growth in the first quarter of 2000 partly reflected the lower base in the first quarter of 1999 of 1.5%, the magnitude of the increase shows that the underlying pace of economic activity has indeed increased momentum, and is underpinned by both strong external demand and pick-up in private sector expenditure. Of significance is that the level in manufacturing output has now exceeded the pre-crisis level for the third consecutive quarter. While fiscal operations remained strong, the operations were less expansionary compared with the fourth quarter of 1999 due mainly to traditionally lower disbursements in the early part of the year. Despite this and the reduced number of production days due to the festive holiday season, the 11.7% GDP growth raised the GDP to RM49.9 billion, only marginally lower than the level recorded in the fourth quarter of 1999 of RM50.3 billion.

In the first quarter of 2000, the balance of payments situation continues to remain favourable. The trade account remained in surplus for the eleventh consecutive quarter at RM16.2 billion. The strong trade surplus and capital inflows, including portfolio and other capital inflows, raised the international reserves of Bank Negara Malaysia to RM128.9 billion or USD33.9 billion as at end-March 2000 and further to RM129.8 billion or USD34.2 billion as at 15 May 2000. This level of reserves provides 6.1 months of retained imports cover and are 6.6 times the short-term external debt.

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE OCB GROUP (CONT'D)

Growth in the Malaysian economy is expected to be sustained in the year 2000, while the external sector will continue to strengthen. Against the more favourable external environment and strengthening domestic economy, the forecast GDP growth for 2000 has been revised upwards to 5.8%, from the earlier estimate of 5%. Given the strong recovery in the regional economies and the generally favourable world economic outlook for 2000, export growth is expected to be sustained at a high level. Other assumptions for growth in 2000 include an expansionary fiscal policy supported by an accommodative monetary policy. The external sector is expected to remain strong although the current account will narrow in line with higher output growth.

(Sources: Malaysian Economic Report 1999/2000, Bank Negara Malaysia Annual Report 1999, Press Release By Bank Negara Malaysia: Economic and Financial Developments In The Malaysian Economy In The First Quarter of 2000, 24 May 2000)

4. OVERVIEW OF THE MALAYSIAN MANUFACTURING SECTOR

The overall output performance of the manufacturing sector recovered strongly in 1999. Manufacturing output as measured by the industrial production index turned around to record a strong positive growth of 12.9% as compared to a contraction of 10.2% in 1998. In terms of level, the manufacturing production index exceeded the pre-recession level to register a record high of 167.8 as compared to 165.6 in 1997, with better than expected recovery output of both the export and domestic oriented industries. In tandem with the strong pick up in production activities, value added of the manufacturing sector turned around to record a positive growth of 13.5% compared to a contraction of 13.7% in 1998.

Apart from the marked improvement in external demand, the manufacturing sector also benefited from the Malaysian Government's pragmatic policy responses aimed at expediting economic recovery and promoting sustainable growth. With the favourable performance of the sector during the year, the manufacturing sector's contribution to GDP growth rose from 27.9% in 1998 to 30.1% in 1999, while its share of total exports and employment rose to 84.6% and 27.1% respectively as compared to 82.9% and 26.5% respectively in 1998.

The turnaround in manufacturing output which began in February 1999 was predominantly export-led, driven initially by a stronger than expected recovery in the electronics industry. As stability returned to the financial markets and consumer confidence improved following the implementation of pro-recovery measures by the Malaysian Government, output growth in the domestic-oriented sector gathered strength during the second quarter of the year. Thereafter, growth in manufacturing production accelerated, recording an annual increase of 22.5% in the second half of the year. Against the background of an improvement in external and domestic demand conditions, output of both the export and domestic-oriented industries recorded a growth of 12.9% and 13.1% respectively during the year, thereby contributing to a broad-based recovery in the manufacturing sector.

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE OCB GROUP (CONT'D)

Increased demand from the industrial countries and the economic recovery in the region led to a strong rebound in exports of manufactured goods in 1999. Total exports of manufactured goods in USD turned around to register an annual growth of 17.6% to USD71.5 billion in 1999 compared to a decline of 4.6% in 1998. In USD terms, exports of manufactured goods have exceeded export earnings recorded in the years before the regional crisis. The higher export receipts were mainly on account of a strong pick-up in volume, while export prices measured in USD terms continued to decline, albeit more moderately. As a result of the improvement in overseas sales, exports of manufactured goods accounted for a higher share of 84.6% of total gross exports in 1999. The stability and certainty accorded by the selective exchange controls and fixed exchange rate introduced in September 1998 had facilitated exporters in their costing plans and business operations, thus enabling the Malaysian exporters to retain their export markets.

In the first quarter of 2000, export growth was particularly strong in the manufacturing sector, recording a broad-based expansion of 20.4%. The strong export performance reflected the sustained favourable demand from the major industrial countries and increased aggregate demand in the region. In volume terms, export of manufactured goods increased further by 13.1% (fourth quarter of 1999: 18.5%). Export prices in USD terms was also higher by 6.6% (fourth quarter of 1999: 1.4%). During the quarter, the U.S remained the largest single foreign buyer, importing about 22% of total manufactured exports.

In the manufacturing sector, growth in value added strengthened further, increasing markedly by 27.3%. More importantly, the manufacturing production index has reached a new record level, driven mainly by strong global demand for electronics and telecommunication products. The dynamic developments in the manufacturing sector have also exerted strong expansionary impact on several services sub-sectors.

Prospects for the manufacturing sector remain favourable in 2000. Expected sustained external and domestic demand will support further expansion of value added by 10%. A broad-based expansion in the manufacturing sector is expected to continue, with the export and domestic-demand oriented industries recording further increases in output, at 10.0% and 9.6% respectively. Among the export-oriented industries, the electronics industry, in particular, is expected to maintain a strong output growth, supported by more widespread usage of the internet, e-commerce and mobile phones and other telecommunications equipment worldwide. In addition, the production of electrical products is envisaged to increase amidst sustained improvement in demand from the US, Japan and the Asia-Pacific region.

(Sources: Bank Negara Malaysia Annual Report 1999, Press Release By Bank Negara Malaysia: Economic and Financial Developments In The Malaysian Economy In The First Quarter of 2000, 24 May 2000)

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE OCB GROUP (CONT'D)

5. OVERVIEW OF THE INDONESIAN ECONOMY

The Indonesian economy recovered in 1999 from the sharp contraction of 13.7% in 1998 to record a modest growth of 0.2%. The rebound in 1999 was largely due to the implementation of supportive monetary and fiscal measures, stability in the exchange rate markets, return in consumer confidence and improving industrial activity. External factors such as rebound in oil prices, the modest growth in the Japan economy and the continued strength of the US economy have also assisted in the recovery process of the Indonesian economy. Central to the efforts undertaken by Indonesia to restore confidence and to stimulate economic activities were the financial and corporate restructuring measures which were instituted in line with the International Monetary Fund programme which had put together financial assistance packages for Indonesia

(Source : Economic Report 1999/2000)

Total export stood at USD48.5 billion in 1999, a slight reduction as compared to USD48.8 billion in 1998. Nevertheless, total export is expected to increase to USD53.0 billion in the year 2000 in line with the recovery of the Indonesian and global economy. The foreign exchange reserves which stood at USD15.1 billion in 1998 had also increased to USD16.5 billion in 1999 and is forecast to stabilise at USD16.2 billion in the year 2000. As a whole, growth in the Indonesian GDP is expected to improve to 3.0% in the year 2000.

As a result of the economic crisis, the role of foreign capital becomes very important as foreign capital inflow would help to reduce Indonesia's dependence on foreign loan and its debt burden. In this respect, the Government of Indonesia has taken steps to attract foreign investors including reviewing its laws on capital investment and restudying incentive systems to encourage new investment. In addition, the Government of Indonesia has also targeted to reduce inflation, to create stability of its Rp currency and to reduce the interest rates.

Although the short to medium term efforts are to expedite the recovery of the Indonesian economy, the longer term outlook is promising with the expected increasing demand for Indonesian manufactured goods from the export markets.

(Sources: Indonesian Investment Highlights, PT Data Consult Inc. IHH No. 123 - March 2000, Indonesian Commercial Newsletter, PT Data Consult Inc. Business Report No. 288, vol XXVII, 28 March 2000)

6. INDUSTRY STRUCTURE

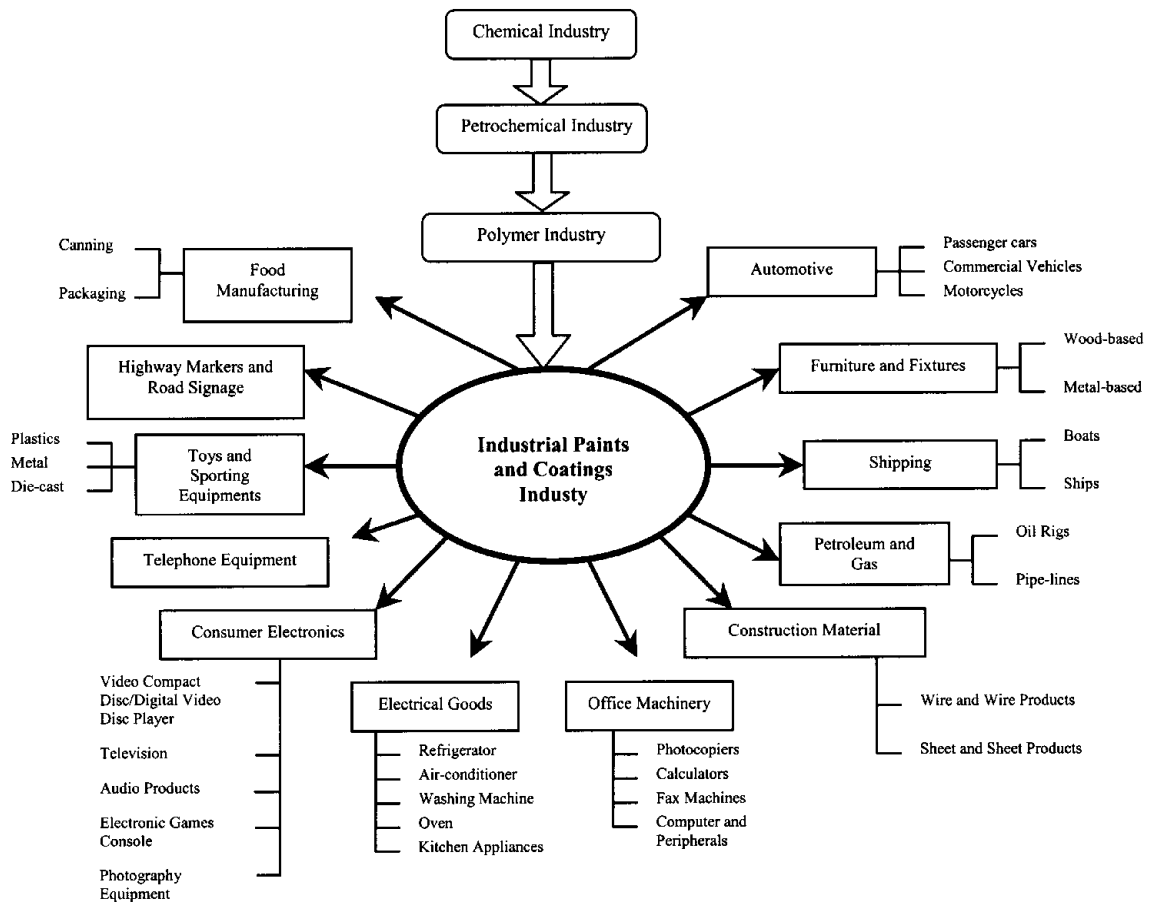
(i) Importance of the industrial paints and coatings industry

Industrial paints and coatings are essential elements in the production process of virtually all manufactured products. Almost all exposed surfaces of any manufactured goods including plastic, metal or wood have to be painted or coated during the production process. The benefits of the industrial paints and coatings could range from simple decorative or beautifying purposes to durability and protection from contamination or environmental hazards.

The industrial paints and coatings industry is one of the key supporting industries to the manufacturing sector including electrical and electronics, furniture and fixtures, toys and sporting goods, office computing and accounting equipment, automotive and shipping industries.

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE OCB GROUP (CONT'D)

The industrial paints and coatings industry has extensive linkages to upstream activities within the chemicals industry and down-stream through a diverse range of user-industries in the manufacturing sector as depicted below:-



(Source: Assessment of the Industrial Paints and Coatings Industry by Vital Factor Consulting Sdn. Bhd., 3 December 1999)

The critical role and linkages of paints and coatings, which are used in virtually all manufacturing processes, underline the importance of the industrial paints and coatings industry within the manufacturing sector.

(ii) Supply and demand

(a) Supply

The industrial paints and coatings manufacturers in Malaysia mainly service the intermediate original equipment manufacturers that are involved in amongst others, metal stamping, die-casting and injection moulding. Many of these intermediate original equipment manufacturers are part of the supplier chain servicing export-oriented local companies or MNCs for the global market.

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE OCB GROUP (CONT'D)

In general, the supply of industrial paints and coatings in Malaysia experienced high growth prior to the 1998 recession of the Malaysian economy which saw the manufacturing industry contracting by 13.7%. As the Malaysian economy started its recovery, it saw an increase of 19.2% in 1999 for the sales value of paints, varnishes and lacquers as compared to 1998. Similarly, the output of synthetic, gloss finish and industrial paints increased by 56.4% in 1999 as compared to 1998.

Most of the main raw materials used for the manufacturing of industrial paints and coatings in Malaysia have to be imported although there are some local manufacturers of certain raw materials. This is due to the fact that such raw materials usually require other properties in addition to aesthetic properties and as such, the locally produced materials may not be suitable for certain types of industrial paints and coatings, whilst certain grades and quality of resins do not meet customer specifications and expectations. These raw materials are either purchased from local trading agents or directly from countries such as Japan, Taiwan, Germany, the US, Brazil, Holland and Canada. Imports of solvent-based and solventless paints and varnishes which include architectural and industrial paints for 1999 amounted to approximately RM134 million and RM43 million respectively. With the substantial amount of imports, there is continuous opportunities for the local manufacturers in Malaysia to substitute imports of such products.

(Source: Assessment of the Industrial Paints and Coatings Industry, 3 December 1999 and Updates on Assessment of the Industrial Paints and Coatings Industry, 6 September 2000, both by Vital Factor Consulting Sdn. Bhd.)

(b) Demand

A diverse range of user-industries in Malaysia depends on the industrial paints and coatings manufacturers for the paints and coatings which are applied onto manufactured goods during the production process. Some of the types of manufactured goods within the manufacturing sector which utilise industrial paints and coatings include the following:-

- *Consumer Electronics* such as television sets, video recorders and players, digital video disc players, video compact disc players, radio cassette recorders and audio equipment;
- *Electrical Household Appliances* such as air-conditioners, refrigerators, microwave ovens, traditional ovens, cookers and washing machines;
- *Automotive and Other Vehicles* such as passenger cars, commercial trucks and vans, motorcycles and bicycles;
- *Furniture and Fixtures* including wood-based, plastic based and metal based furniture; and
- *Office Equipment and Machinery* such as photocopying machines, fax machines, printers and desktop computers.

(Source: Assessment of the Industrial Paints and Coatings Industry by Vital Factor Consulting Sdn. Bhd., 3 December 1999).

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE OCB GROUP (CONT'D)

(c) Outlook and growth of the industrial paints and coatings industry in Malaysia

The outlook of the industrial paints and coatings industry in Malaysia is favourable premised on the expected continuing growth of the manufacturing sector in Malaysia in particular, and the Malaysian economy in general.

Although the manufacture of paints is not under the list of promoted products/activities published by the Malaysian Industrial Development Authority, the manufacturing of petrochemicals and polymer, being the main raw materials for the production of paints, has been identified as one of the areas of priority by the Malaysian Second Industrial Master Plan 1996-2005. The paints segment has been identified as one of the important linkages that must be strengthened as it is an export-oriented industry.

The areas for growth and opportunities in the future will be mainly determined by the changing consumer trends and preferences, the move towards the use of more environmentally friendly and less hazardous materials and the development of new products.

The year 2000 should see a stronger and broader based recovery of the Malaysian economy, if the external environment remains favourable. As the industrial paints and coatings industry in Malaysia depends significantly on the manufacturing sector, the economic recovery stimulated by the strong growth in the manufacturing sector in Malaysia will augur well for the industry.

(Source: Assessment of the Industrial Paints and Coatings Industry by Vital Factor Consulting Sdn. Bhd., 3 December 1999)

7. FUTURE PLANS AND PROSPECTS OF THE OCB GROUP

The OCB Group is a Malaysian-owned company with home grown technology in the industrial paints and coatings industry and is one of the top six manufacturers in 1999 (excluding furniture and fixtures sector and other wood related products) in Malaysia.

Presently, the OCB Group is continuously striving to strengthen its relationship with its customers by providing quality and innovative products and quality support services in terms of timely delivery and technical support to resolve any problems arising from the application of the paints and inks. The Directors of OCB believe that this strategy will ensure a long term business relationship with the customers of the OCB Group.

The OCB Group's future plans are focused on technology diversification, market diversification as well as local and overseas expansion. This includes, inter-alia, developing new products such as ultra violet coated and water-based paints and inks, diversifying into new markets such as military, aviation and marine sectors, and expanding its business operations into other countries such as China, Hungary and Mexico over the next 5 years.

Presently, the OCB Group has commenced discussions with several MNCs to set up its operations in the aforesaid countries as well as conducting business and financial feasibility studies.

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE OCB GROUP (CONT'D)

The future prospects of the OCB Group are encouraging premised on the following:-

- (i) The improvement in the overall domestic economy especially in the manufacturing sector and the promising longer term outlook of the Indonesian economy;
- (ii) The outlook for the industrial paints and coatings industry in Malaysia is favourable and is expected to grow at approximately 10% per annum for the next 5 years with strong growth trend from the user industries such as electronics and electrical, automotive, toys, furniture and fixtures, office and computing and accounting machinery. In 1999, the market size for the industrial paints and coatings industry in Malaysia was estimated at RM1.0 billion;
- (iii) The changing global consumer trends which create new opportunities for the industrial paints and coatings industry such as the introduction of colourful "iMac" computers and handphones;
- (iv) The OCB Group has a strong and diverse customer base with approximately 90% of its top 20 customers having been with the Group for 4 or more years. This has been made possible via the Group's continuous commitment in providing quality and innovative products and quality support services to its customers. In this respect, DCHEM was awarded the International Standard Organisation ("ISO") 9001 certification by the Société Générale de Surveillance Yarsley International Certification Services, an accredited body of the UK, on 25 May 2000. The ISO 9001 is a quality system which emphasises on the total quality concept and specifies the system required for the company to demonstrate its capability to design and supply conforming products. With the ISO 9001, the Board of Directors of OCB believes that this will further instil confidence of its customers in OCB's products; and
- (v) The OCB Group's strategic plan which includes, inter-alia, developing new products such as ultra violet coated and water-based paints and inks, diversifying into new markets such as paints for military equipment in the military sector, paints for internal refurbishment of aircrafts in the aviation sector and paints for ships in the marine sector which is planned for the first quarter of the financial year ending 2002 as well as local and overseas expansion, would enable the Group to address opportunities arising from the growth in the industrial paints and coatings industry in Malaysia and Indonesia as well as facilitate its continuing efforts to sustain and improve its competitive edge and to further expand its business and markets.

(Sources: Assessment of the Industrial Paints and Coatings Industry, Prospects and Future Plans of DCHEM and Business Overview of DCHEM, 3 December 1999 and Updates on Assessment of the Industrial Paints and Coatings Industry, 6 September 2000, all by Vital Factor Consulting Sdn. Bhd.)