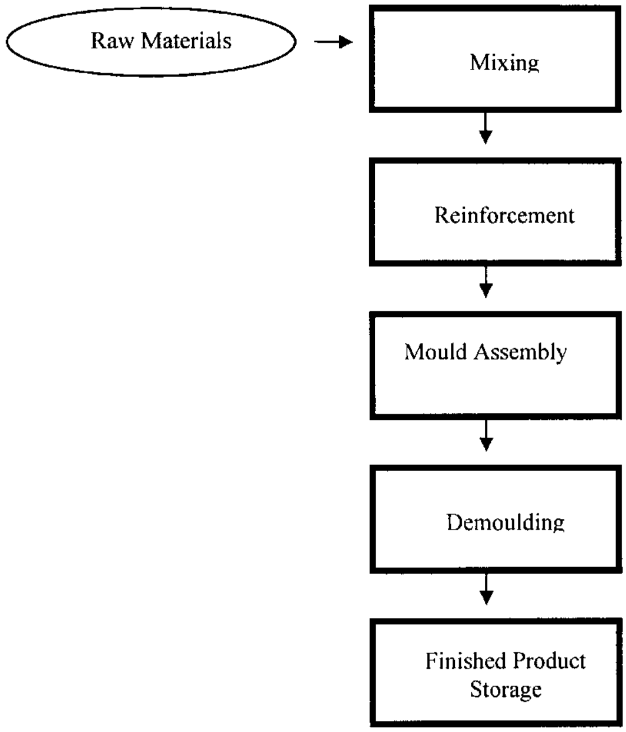
4. INFORMATION ON OKA CORPORATION GROUP (Cont'd)

REINFORCED CONCRETE PILES



Preparation of concrete i.e. making of concrete at batching plant

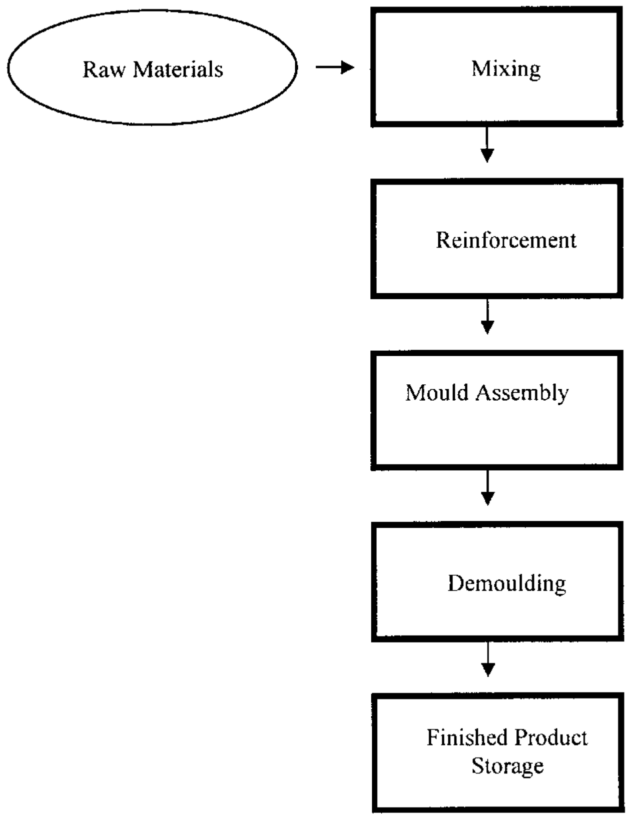
Preparation of reinforcement i.e tying of steel cages and stirrups

- Placement of reinforcement into mould
- Concreting

Demoulding of finished product

Stacking

PRESTRESSED CONCRETE PILES



- Preparation of concrete i.e. mixing of concrete at batching plant
- Preparation of stirrups

Prestressing of main reinforcement

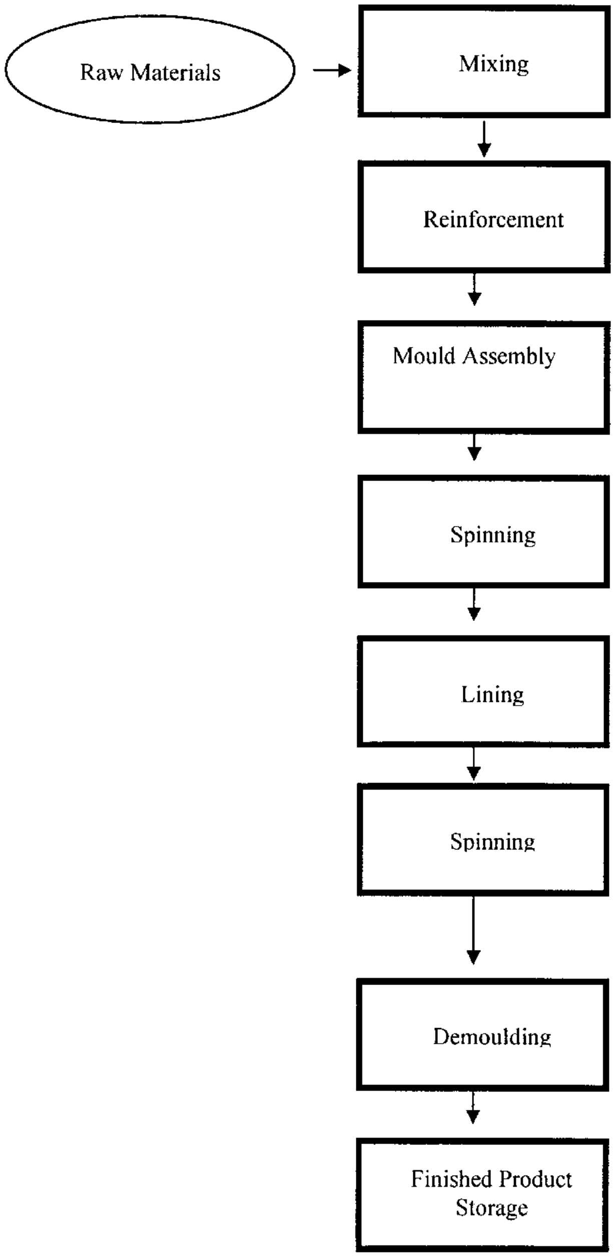
- Concreting
- Cutting of prestress wire

Demoulding of finished product

Stacking of finished product

4. INFORMATION ON OKA CORPORATION GROUP (Cont'd)

REINFORCED CONCRETE CHAMBER RINGS AND SEWERAGE PIPES



Mixing: Preparation of concrete i.e. mixing of concrete at batching plant

Reinforcement: Preparation of reinforcement based on size and class of pipe or chamber ring

Mould Assembly:
- Preparation of mould i.e. cleaning and spraying of mould oil
- Preparation of concrete
- Placement of reinforcement into mould

Spinning:
- Spinning of mould
- Feeding of concrete into the mould

Lining:
- Add extra ring for sewerage lining
- Mixing of High Alumina Cement for lining of pipe

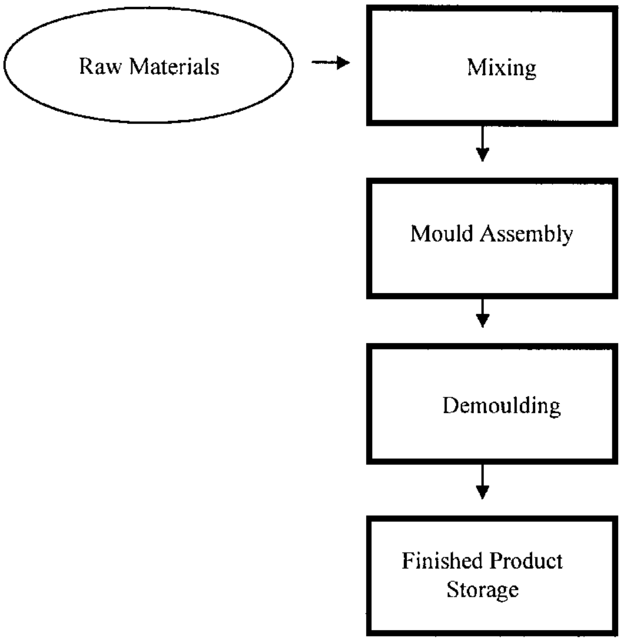
Spinning:
- Commence 2nd spinning
- Feed High Alumina Cement into mould
- Complete spinning process

Demoulding: Demould upon achieving targeted concrete strength

Finished Product Storage: Stacking of finished product

4. INFORMATION ON OKA CORPORATION GROUP (Cont'd)

CONCRETE POROUS PIPES



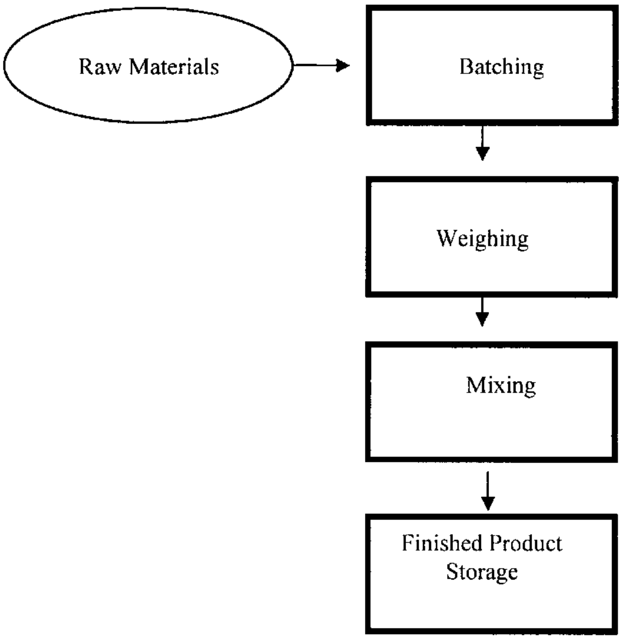
Preparation of concrete mix

- Placement of mould on vibrating table
- Commence compaction by Electro-mechanical vibration
- Feed concrete mix into mould

Extrude finished product from mould

Stacking of finished product

READYMIX CONCRETE



Commence batching of readymix by keying in concrete grade into computer

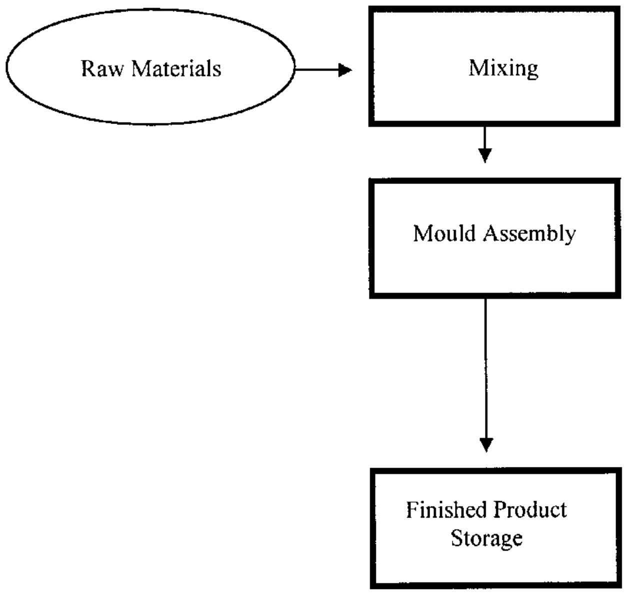
Commence automatic weighing of materials

Immediately upon completion of weighing the computer will fill up the mixer and start the mixing of materials

Upon completion of mixing, the concrete will automatically discharge into the mixer lorry

4. INFORMATION ON OKA CORPORATION GROUP (Cont'd)

VERTICAL CAST REINFORCED CONCRETE PIPE



Fill up the respective hoppers with the materials i.e. sand, aggregate
Commence automatic mixing of concrete

- Immediately upon mixing, concrete is carried by conveyor to the vertical mould
- Concrete from the conveyor is then fed into the mould
- The vertical casting machine will then vibrate

- Upon completion the finished pipe will be jacked out
- Stacking of finished product

(j) Information of employees

As at 1 April 2002, the Group employs a total of 170 employees. The management of the Group is of the opinion that its dedicated and efficient employees are instrumental to its success. The management of the Group enjoys a good working relationship with the employees. The employees do not belong to any organised union.

The Group's employees are generally segregated into five(5) categories as follows:-

Category of Employee		Total number	Average no. of years of service (year)
1.	Managerial and Professional	13	8
2.	Technical and supervisory	11	5
3.	Clerical and related occupations (e.g. clerks, typist, stenographers, personal secretaries, etc.) plus sales	18	2
4.	Factory and General workers (inclusive of foreign workers)	128	3
	Total	170	

4.6 Industry Overview

I) The Building Materials Sector in Malaysia

The building materials industry is highly dependent on the infrastructure, construction and property development sectors. These industries are invariably linked and inter-related, each playing vital role in supporting each other. In layman terms, the building materials industry is the raw materials used in the production of real estate, while the construction industry is the "work in progress". The supply and demand of each industry is linked i.e. without construction or infrastructure projects, there would be little demand for building materials, and there would be no supply of real estate for the property market and vice versa. In fact, it is so inter-twined that the major trends and indicators in one industry can be used to estimate and project the trends for the other two sectors.

In view of the bulky nature of the industry output and the vast market within Malaysia, the building materials industry remains a locally focused industry. The levels of external trade have always been low and comprise a small portion of total output. Due to the close proximity to Peninsular Malaysia, the most important trading partner is Singapore.

The building materials industry centers on two core interdependent sub-sectors, namely the Stone Quarrying ("SQ") and Cement & Concrete Products ("C&CP") sectors. However the close link between the two sub-sectors is reflected by the by the fact that 70% of the quarrying output in the country is used as raw material for the production of ready-mixed concrete, which in turn is the most important cement and concrete product, as surveyed by the Statistic Department.

4. INFORMATION ON OKA CORPORATION GROUP (Cont'd)

The total value of output from the local building materials industry was estimated at RM3.0 billion, just 1% above the country's nominal GDP. While it is small in size, it plays a very important supporting role in the local construction industry. Due to this dependence, the industry has been as volatile/ cyclical as the construction industry.

While the boom and bust cycle seems to sway in tandem with that of the construction industry cycle, different growth rates were recorded for the various sub-sectors within this industry. The sales value of C&CP was down by 37% in the year 1998, the first contraction after ten years of uninterrupted growth. Correspondingly, the quarrying sector also showed a decline by 24.5% in the same year. This was unsurprising following the Asian financial crisis. The year-on-year growth trend for the sub-sectors in building materials industry from 1988 to 1999, has closely tracked the local construction sector with an exception for the C&CP sub-sector in 1996. Past history reveals this correlation to be consistent since 1981 with the shrinking of growth in three straight years from 1985 to 1987 for the building materials industry, coinciding well with the downswing in the construction sector during the mid-Eighties recession.

In 2001, the growth rate for the C&CP sector is set at 6%, which has outperformed the construction industry growth at 2.3%.

The future outlook for the building materials industry remains positive due to the pump-priming measures by the Malaysian government to stimulate the economy. The 2001 Budget allocates RM26.8 billion to infrastructure public spending which will in turn benefit the industry. Subsequently, the government announced an additional RM3 billion supplementary budget on 27 March 2001 to counter the effects of the slowdown in the US economy. This would eventually have a filter down effect to the C&CP sub-sector.

(Source: ACNielsen)

II) The Infrastructure Sector in Malaysia

After a sharp contraction in the building materials around 1998, followed by a milder decline in 1999, the building materials industry is now on a path to recovery in tandem with the property, infrastructure and construction sectors. During the recession, there was virtually no activity in this sector, which was plagued by the absence of liquidity and the contraction of the overall economy. Underpinned by capital controls and strong export numbers, Malaysia's consecutive current account surpluses and rising reserves point toward continued flush domestic liquidity. The BLR has stabilised at 6.8% (as at March 2002) compared to 12.5% at the worst point of the crisis.

It should be noted that the public sector is leading this recovery phase for the infrastructure, construction and property markets in Malaysia, accounting for 58.3% of contracts awarded in the second quarter of 2000 compared to just 17.9% in the fourth quarter of 1998. The value added of the construction and building materials industries, being very much supported by the development of infrastructure projects. The mega infrastructure projects that were shelved during the 1998 regional economic crisis are being revived, for example, the People Rapid Transit ("PRT"), the East Coast Highway Phase 1 and 2, Pahang Water Project, Sungai Selangor Water Supply Phase 3 (SSP3) and Westin Hotel (opening in year 2002).

4. INFORMATION ON OKA CORPORATION GROUP (Cont'd)

Furthermore, the government intends to build more public infrastructure and facilities in 2001, with a budget allocation of RM4.729 billion for the building of roads and bridges, railways, ports and airports. Over a period of 5 years under the 8MP, focus will be placed on improving infrastructure facilities and services with total allocations amounting to RM27 billion.

(Source: ACNielsen)

The Government will continue to place importance in the development of infrastructure. Development budget allocation for year 2002 for the economic sector will continue to emphasise on industrial, infrastructure and agriculture and rural development. The major infrastructure projects to be undertaken include the construction of the East Coast Highway and Butterworth Outer Ring Road and the upgrading of trunk roads such as Muar-Melaka, Jalan Balakong, Kapar-Sabak Bernam and Klang Banting. In Sabah and Sarawak, the major road projects will include the upgrading of Jalan Kuching-Serian, Jalan Nengoh-Kanibungan and Jalan Merotai-Kalabakan. Other infrastructure projects include the Rawang-Ipoh electric double tracking project, construction of bridges, flood mitigation, channel deepening at Tanjung Pelepas Port, and construction of new airports at Limbang and Bintulu as well as upgrading of Miri Airport.

(Source: Economic Report 2001/2002)

III) The Manufacturing Sector in Malaysia

Performance in 2001

The overall performance of the manufacturing sector was affected by the slowdown in major industrial countries and the downturn in the global electronics cycle. While production in the export-oriented industries declined, industries that were dependent on domestic demand continued to expand, benefiting from the positive effects of the fiscal stimulus programme and low interest rates. Domestic demand for passenger cars and construction-related materials remained strong throughout the year. As a result, capacity utilisation in the domestic-oriented industries remained high at close to 80%. The strength in the domestic-oriented sector had mitigated, to some extent, the more severe contraction in the export-led manufacturing activities.

The production of export-oriented industries, which was relatively resilient in the first quarter of 2001, was affected more by the pronounced slowdown in external demand in the subsequent quarters. Nevertheless, with the emerging signs of improvements in the external environment towards the end of the year, the declines in manufacturing activities moderated in the fourth quarter of 2001, with both the exports and production of manufactured goods registering smaller declines. Given these developments, the decline in the overall manufacturing production and value added for 2001 as a whole was contained at a single-digit rate of 6.4% and 5.1% respectively (2000: +25% and +21% respectively).

Supported by the sustained strong domestic demand, most of the industries producing for domestic market continued to register positive growth in 2001. The positive effects of the fiscal stimulus programme were reflected in the continued output expansion of construction-related materials to meet demand from the construction sector. The production of iron and steel products as well as non-metallic mineral products, including cement and concrete products, tiles and ceramic products expanded further during the year. Nevertheless, exports of the non metallic mineral products declined, reflecting to a large extent, the intense price competition,

Prospects in 2002

Value-added growth in the manufacturing sector is expected to turn around to register a positive growth of 4.2% in 2002. The anticipated upturn in the US economy and electronics demand is expected to translate into stronger demand for Malaysian manufactured exports and, hence, stronger growth in the production of manufactured goods. Both foreign and domestic manufacturers in Malaysia have indicated increased optimism on the outlook for the manufacturing sector in general, and the electronics sector in particular. The general consensus is that growth in the manufacturing sector would be modest in the first quarter before gathering strength in the subsequent quarters of 2002.

(Source: Bank Negara Malaysia Annual Report 2001)

IV Dependency on other industries

Concrete products are generally used in the building industry. Thus, it is inherently dependant on the performance of the infrastructure and construction sectors of the country.

Performance in 2001 for construction

The fiscal stimulus programme, privatisation of infrastructure projects and housing development contributed to a stronger growth of 2.3% construction sector. Construction activity in the non-residential sub-sector consolidated further due to the large overhang of office and retail space. The civil engineering sub-sector benefited significantly from Federal Government development expenditure on construction-related projects, especially projects in the transportation, education and health sub-sectors. Growth in construction activity also emanated from commencement of four privatised road projects and one independent power plant. The former included the Kajang Ring Road, Ipoh-Lumut Highway, Guthrie Corridor Expressway and the Butterworth Outer Ring Road while the independent power plant was the Technology Tenaga in Perlis. Construction activity was also undertaken for ongoing works related to airports, rail, ports, waste disposal, water and sewerage projects. Among the major ongoing projects during the year were the New Pantai Expressway, Express Rail Link, the Kuala Lumpur Monorail System and the development of Putrajaya. Given the importance of infrastructure project financing to support growth of the civil engineering sub-sector, Bank Pembangunan dan Infrastruktur Malaysia Berhad's loan approvals totalled RM7.4 billion in 2001, compared with RM7.6 billion in 2000. The Bank increased its loan disbursement to RM4.4 billion (2000: RM2.7 billion).

Prospects in 2002 for construction sector

Growth in the construction sector is expected to be sustained at 2.4%, with impetus coming from the civil engineering and residential sub-sectors. Low interest rates and various pre-emptive measures implemented by the Government to address the excess supply situation in the property market will continue to support demand for residential housing. The relaxation of the Foreign Investment Committee guidelines on foreign acquisition of properties in April 2001 has helped to reduce the property overhang in the sub-sector.

The Government has waived the stamp duty charged for the purchase of residential property from developers registered with the Real Estate and Housing Developers' Association Malaysia, for a period of six months, effective 1 January 2002. On 27 November 2001, BNM lifted the restriction on the provision of bridging finance for the development of residential properties above RM250,000 and shop houses exceeding RM250,000 per unit located within residential areas, provided the projects have achieved break-even sales. Growth in the civil engineering sub-sector is envisaged to be supported by privatised projects as well as fiscal spending on infrastructure development. Meanwhile, activity in the nonresidential sub-sector would continue to be constrained by excess capacity with activity focused mainly on ongoing projects.

(Source: Bank Negara Malaysia Annual Report 2001)

V) Government Legislation, Policies And Incentives For The Industry

The Government has played an important role in boosting the building material industry. Up to date, the Government continues to recommend policies and strategies to address issues and challenges in the overall building materials industry. With the implementation of policy such as requiring at least 60% of building materials for all new buildings are locally produced, has further encouraged the growth of local manufacturers of building materials.

In line with this, import duty and sales are fully exempted from machinery and equipment as follows:

a) import duty and sales tax for imported machinery/ equipment that are not available locally.
b) sales tax and excise duties on locally purchased machinery/equipment.

Among incentives offered by Government, which is applicable to the concrete manufacturing industry, is the reinvestment allowance.

(Source: Economic Report 2001/ 2002)

VI) Market Access/ Barriers to Entry

- ***Expertise/ technology know how***

  The production of concrete products may require certain level of experience and expertise in producing good quality concrete products for variety type of usage. However, generally as the overall production process of concrete products is fairly similar and simple for all concrete products, the market may be vulnerable to new entrants that may pose a threat to the Group.

  OKA Corporation Group has established itself as one of the approved concrete product manufacturers recognised by JKR and Jabatan Perkhidmatan Pembetugan and hence, is one of the more established players in the market. As such, this will serve as a barrier for new entrants to enter into the market.

- ***Sound management team and relevant skills***

  During the boom phases, many took advantage of the vast opportunities in the market place and forayed into the construction business. Consequently, many followed suit in the building materials sector. Demand for materials was high as projects were aplenty and financing was freely available. However, when the regional economic crisis happened in 1998, all companies were put to the test and many badly managed companies began to buckle under the pressure to maintain sustainable profit margins. It was then that many companies recognised the need for a good management team coupled with strategies/ policies that would help steer the company out of the red.

  OKA Corporation is proud to acknowledge their team of very experienced and skilled personnel under the stewardship of the Executive Chairman and Managing Director, Ir Ong Koon Ann, that have worked closely together to ensure the profitability and long term viability of the company.

  (Source: ACNielsen)

- ***Long customers and suppliers relationship***

  Good clientele rapport and support due to long established relationship is something that cannot be created overnight. This serves as a form of barrier for new entrants to enter into the market.

- ***Long period required to build reputation and brand name***

  The long period of time required establishing a track record in terms of building up relationships with the government, customers and suppliers can prove daunting to newcomers of the industry. Being in a business that has a direct impact on the construction industry and thus, the general public, reputation and reliability are extremely important.

  (Source: ACNielsen)

- ***High set-up cost***

  The high initial capital investment and set up cost has created a barrier to entry for new entrants to the industry. Only manufacturers with strong financial position are able to invest in this industry. Further more, in order to gain recognition by relevant authorities such as JKR and Jabatan Perkhidmatan Pembetungan is an additional barrier to entry. Hence, only manufacturers who have invested in the R&D and quality control activities to ensure consistent high quality being achieved in their products are able to compete in the industry.

- ***R & D, technology and expertise***

  Manufacturing processes may require expertise and experience, especially in the diversification of product range to meet customers' unique specifications. Limited expertise in the industry would be a cause of concern for companies trying to gain access into the building materials market. In addition, commitment to technology and R & D activities is vital to the sustenance and growth of any building materials manufacturer.

The increasing competition among players are constantly underscoring the necessity for companies to produce better quality products at lower costs than their competitors, and also to come up with new products. This requires the manufacturer to invest heavily in the development of an advanced R & D department with adequate and updated equipment to fulfil the needs of expert inventors and innovators. OKA Corporation strongly believes that R&D will lead them to the next level of growth.

(Source: ACNielsen)

- ***Increasing competition within the industry***

  As seen from every boom cycle, many new entrants jump onto the bandwagon, causing profit margins of existing players to be eroded. Thus, the established players in the industry have to contend with the numerous new entrants that may have access to updated technology and market information. Consequently, players, such as the Group, have to find a niche in order to sustain profitability. The Group's niche is in the production of drainage and sewerage culverts and pipes.

  OKA Corporation also proposes to counter competitive risk by focusing on customer service such as producing unique products based on specifications by clients, diversification and quality of products as well as being strategically located. For example, the setting up of a new plant in Nilai, Negeri Sembilan, located near the vicinity of Cyberjaya and Putrajaya, areas poised for much future development in terms of property and infrastructure.

- ***Work force***

  The building materials industry is both capital intensive, as it requires huge capital outlay in terms of plant and machinery, as well as labour intensive. Most producers of building materials require skilled and semi-skilled labour at all production process levels. Qualified engineers, technical and supervisory personnel are crucial to the success of the company.

  (Source: ACNielsen)

  The Group is currently a labour intensive organisation. However, as cost escalates, the Group is moving towards automation of the plant and decreasing its reliance on labour. Nevertheless, this does not deter the Group from ensuring that their work force have the relevant skills and qualifications via training programmes and job experience. Hence, team of skilled work force is significant to equip any organisation for future prosperity.

VII) Threat of substitute products

Precast concrete products are essential in a developing country like Malaysia. With the implementation of infrastructure and housing projects lately in the country, there is greater demand for precast concrete products whereby generally no practical substitute products are available.

VIII) **Industry players and competition**

It is very difficult to single out the market leader in the building materials industry, given the sub-sectors of the industry and the large number of companies manufacturing various diversified products. In most major infrastructure, property development and construction projects, developers and contractors are most likely to purchase building materials from various suppliers to capitalise on competitive prices and services in the market. The cement and concrete products sub-sector has a large number of players and produces roofing tiles and sheets, flat sheets, ready-mixed concrete and other cement and concrete products. Among the other cement and concrete products, sales of precast concrete piles are expected to be the most substantial, estimated to exceed RM1 billion, with the more popularly used structures being reinforced concrete piles and pretension spun concrete piles. The Group operates within the other cement and concrete products category of the cement and concrete products sub-sector of the building materials industry.

(Source: ACNielsen)

As one of the established manufacturers of precast concrete, OKA Corporation Group has managed to achieve high economies of scale and efficiency in its operations. Based on the management's estimate, OKA Corporation Group presently commands approximately 12% of total concrete product market in Malaysia. The management believe that the following are the key competitive advantages, which has enabled OKA Corporation Group to command its market share and remain competitiveness.

- *Product quality and customer service*

  OKA Corporation Group's products have undergone strict testing and quality control procedures to ensure its products conform with the relevant authorities' requirements and industry requirements. OKA Concrete Industries operation has been accredited with MS ISO 9002. Thus, a proper system is in place to ensure quality of the Group's products is being monitored at all times. Through its close relationships with its distributors and customers, OKA Corporation Group continuously improving its product quality based on various parties' feedback.

  In addition, the promptness of delivery, competitive pricing, fair terms of sale and the ability to meet customer specifications are vital factors that indicate a good supplier. The Group has always prided itself in its integrity, reliability, quality and professionalism; these attributes contribute to ensuring that clients' expectations are met all the time.

- *Marketing*

  OKA Corporation Group believes that strong marketing force is and will continue to be an essential criteria for its success. Prices of concrete products is expected to remain stable as the prices of raw materials such as steel bar and cement are controlled by the Government. OKA Corporation Group is able to maintain its market position mainly due to the following reasons:

  i) All OKA Corporation Group's distributors have good knowledge of the products under the name of OKA, OKA-PILE, OKA-READYMIX and have been able to promote them effectively;

ii) Provide good quality after sales services and frequent feedback is obtained from distributors and customers;

iii) New players require a moderate time frame to establish and to obtain product certification such as SIRIM and recognition by the JKR. OKA Corporation is an established player with about 20 years of experience;

iv) OKA Corporation Group's products are widely accepted by JKR for use in government projects as well as large private projects; and

v) Raw materials such as sand, cement and aggregates are available in the close vicinity. Therefore, OKA Corporation Group manages to maintain competitive prices. In addition, OKA Corporation Group has its own fleet of lorries, which enable goods being delivered at the lowest possible cost.

- *Production cost*

  Like all other businesses, profitability of companies is principally dependent on the "costs of production". Costs of production in this context refer to cost of raw materials, labour, financing interest expense and other operational costs. Where large amounts of raw materials are imported, costs of production are also subjected to foreign currency fluctuations. The Group, however, has not been affected due to the fact that its major suppliers are local.

  OKA Corporation Group is able to produce at lower cost of production as a result of high economies of scale production and efficiency in its operations. Thus, by expanding geographically, the Group has the flexibility in pricing its products at a more attractive and competitive price. In addition, OKA Corporation could improve its competitiveness in terms of customer services and delivery promptness.

  In addition, the Group has also embarked on upgrading the present facilities and will be investing in technology as an enabler to help them become more competitive. In order to be more cost efficient, The Group proposes to produce raw materials such as aggregates and wiremesh. These factors, coupled with economies of scale enjoyed by The Group, indicate a sound strategy for sustained growth.

IX) Overview and outlook of the Malaysian Economy

The Malaysian Economy in 2001

In 2001, the global environment experienced unprecedented events that had widespread implications on the world economy. While Malaysia was affected by these developments, earlier efforts to strengthen the economic base, secure sound macroeconomic fundamentals as well as restructure and reform the financial sector enhanced Malaysia's resilience in weathering the more difficult economic environment. Despite this more challenging environment, Malaysia has avoided a major economic downturn with growth for the year remaining in positive territory at 0.4% and unemployment being contained at below 4%.

Growth was driven by domestic economic activities. Concerted efforts since the financial crisis to promote domestic sources of growth and reduce vulnerabilities to external shocks have shown positive results. Private consumption remained resilient, and together with the strong growth in public sector expenditure, cushioned the adverse impact on the domestic economy of the weaker external sector and the contraction in domestic private investment. These developments contributed to positive growth in the domestic sectors of the economy, thus, mitigating the weaker growth in the export-oriented manufacturing industries.

During the year, the macroeconomic fundamentals have strengthened, with inflation remaining below 2% and the external balance remaining robust with international reserves having increased to more than US$30 billion. Strong macroeconomic fundamentals and strengthened corporate and banking sector balance sheets have made Malaysia well-positioned to tap the emerging global recovery to achieve stronger growth of 3.5% in 2002. Malaysia, nonetheless, is cognisant of the movement towards greater trade and financial liberalisation in the global market place, which would have an impact on Malaysia's economic performance. While nations attempt to ride out the current economic slowdown, they are continuing to strengthen the mechanisms for global integration.

The vicissitudes of global competition and technology continue to feature the emergence of new competitors and the easing of protectionist barriers. As economies liberalise and adopt international practices, competition for investments will become more intense. Both foreign direct investments (FDI) and portfolio investments already have increased choices following the opening up of new markets, especially those with large domestic markets and low costs of operation.

Given the openness of the Malaysian economy, the negative effects of the US economic slowdown and global electronics downturn was felt as early as March 2001. These were manifested in declining manufacturing production and negative export growth. Concerted efforts since the crisis to promote domestic sources of growth and reduce the overdependence on exports resulted in real Gross Domestic Product (GDP) expanding by 0.4% in 2001. Fiscal stimulus measures and monetary policy that had remained accommodative led to higher public spending and positive growth in private consumption. During the year, public investment expenditure increased by 15.5%, while public consumption expenditure increase by 11.9%. The direct contribution of the public sector (excluding the non-financial public enterprises) was significant, contributing 3.4% points to GDP growth.

Through policies on several fronts, consumption has remained resilient despite lower export earnings. While national savings remained high at 34.9% of Gross National Product (GNP), total domestic consumption accounted for more than half of GDP. This resilience in private consumption together with the strong growth in public sector expenditure mitigated the impact of the external sector on the domestic economy and the contraction in domestic private investment, following the consolidation by the corporate sector. On the supply side, weaker growth in the export oriented manufacturing industries was mitigated by positive growth in all other sectors, especially the services sector, domestic demand-oriented industries in the manufacturing sector and the construction sector. Overall, the effectiveness of policy measures and the diversified economic structure of the Malaysian economy moderated the impact of the decline faced by the export-oriented industries.

Overall, Malaysia concluded the year 2001 in a stronger position with signs of stabilisation in the economy supported by the gradual recovery in export demand, strengthened economic fundamentals and significant progress made in addressing the long-term structural issues. The index of leading indicators which provides an early signal of the direction of the economy, has been rising for five consecutive months since July 2001, supporting the prospects for a recovery in the economy in 2002.

Malaysian Economy in 2002

The Malaysian economy is expected to strengthen in 2002 following a strengthening of external demand. Past trends show that there is a brief lag between the recovery in the major economies and recovery in Malaysian exports. As such, the timing and magnitude of the recovery would have a significant impact on the Malaysian economy. Current indications suggest that external demand will not pick up as strongly as in the 1999-2000 period, where recovery was mainly led by the internet-boom and the Y2K factor. The current economic upturn is taking place amidst global excess capacity, particularly in the technology sector. External demand is, therefore, expected to strengthen gradually. Against this background, the recovery in the Malaysian economy would be modest, with real GDP expanding by 3.5% in 2002. At this juncture, latest indicators show signs of stabilisation in the Malaysian economy.

The index of leading economic indicators compiled by the Department of Statistics, Malaysia, which provides early indications on the direction of economic growth, has already registered five consecutive months of positive growth since July 2001. This suggests that the Malaysian economy would turn around in the first quarter of 2002. Indications, however, are that growth would strengthen in the second half-year when external demand improves more significantly. The growth projection for 2002 is based on stronger growth in private consumption, a modest recovery in private investment, sustained public sector expenditure and a moderate growth in exports. If the positive trend in the latest indicators for the US economy is sustained, the bias to the growth projection would be on the upside. On the domestic front, aggressive policy measures to enhance the role of the services sector, particularly in the education, tourism and information, communication and technology sub-sectors, would benefit these sectors, which in turn could improve further the GDP growth.

(Source: Bank Negara Malaysia Annual Report 2001)

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4.7 Major Customers

The Group supplies to local contractors and developers mainly engaged in the infrastructure projects, which involve drainage, sewerage jobs, construction of new roads, and extension of existing roads.

Distribution of products in the market is either direct selling to the contractors or through various distributors as follows:

Distributors	Length of relationship (years)
Pan Sarawak Company Sdn Bhd	15
Tong Hup Trading Sdn Bhd	10
Syn Tai Hung Trading Sdn Bhd	9
Peremba Trading Sdn Bhd	8
Intraco Hardware (M) Sdn Bhd	7
Firmas Concrete Sdn Bhd	5
Hong Leong Marketing Co Bhd	5
Ipmuda Utara Sdn Bhd	4
Ipmuda Selatan Sdn Bhd	3
KCB Trading Sdn Bhd	3
Ipmuda Bhd	2
Harrisons Trading (Pen) Sdn Bhd	2

Products distribution through distributors, contributes approximately 24% of total turnover.

The Group's major customers are as follows:

Name of customers	Length of relationship (years)
Kumpulan Liziz Sdn Bhd	15
Pembinaan Mitrajaya Sdn Bhd	12
Gamuda Construction Sdn Bhd	12
MTD Construction Sdn Bhd	11
Dynamic Marketing Sdn Bhd	10
IJM Construction Sdn Bhd	10
WCT Construction Sdn Bhd	10
Ireka Construction Sdn Bhd	8
Bina Puri Construction Sdn Bhd	8
Pati Sdn Bhd	6
Sunway Construction Bhd	5
Vaiva Construction Sdn Bhd	5
Pesat Bumi Sdn Bhd	3
Geotrak Sdn Bhd	3
Bina Goodyear Bhd	3
CL Hardware Sdn Bhd	2
Radiant Home Sdn Bhd	2
IHM Supplies Sdn Bhd	2
Yang Bina Sdn Bhd	1

Except for MTD Construction Sdn Bhd, who contributes approximately 11.5% of the Group's audited turnover for the 7-month period ended 31 October 2001, none of the above customers individually contribute more than 10% of the total turnover. OKA Corporation Group does not depend on any individual customer.

4.8 Major Suppliers

In order to enjoy flexibility and competitive prices, OKA Corporation Group has not committed to any long-term contracts with its suppliers. The basic raw materials used for the manufacturing of precast products are cement, aggregates, sand and steel and these raw materials are found in abundance in Malaysia.

The Group has good relationships with its raw materials suppliers. The following are the main suppliers with the various goods supplied:

Name of suppliers	Goods supplied	Length of relationship (years)
Granite Indah Sdn Bhd	Aggregates	14
Pan Sarawak Company Sdn Bhd	Cement	12
Syn Tai Hung Trading Sdn Bhd	Steel bar	10
Sungei Way Marketing Sdn Bhd	Steel bar	10
Sri Merbuk Sdn Bhd	Wiremesh	8
Prestar Engineering Sdn Bhd	Steel bar and high alumina cement	5
CMCM Perniagaan Sdn Bhd	Cement	5
Ipmuda Utara Sdn Bhd	Cement	5

OKA Corporation Group has an extensive list of suppliers for its raw material and each of them individually do not contribute to more than 10% of the Group total purchases. Hence, it does not depend on any single supplier for its purchases.

4.9 Future Plans, Strategies and Prospects

I Future Plans

Being an established manufacturer for sewerage culverts and manholes as well as being an approved manufacturer recognised by the local authorities for such products, the Group envisage that a bigger market share will be captured in line with the number of infrastructure projects, modernisation, expansion and upgrading works, which are expected to be implemented in the next 5 years. The Group plans to venture into more developed countries such as Singapore where highways are constructed almost completely using "precast methods" as compared to "conventional construction methods". In line with this, it is the Group intention to expand its business to Johor Darul Takzim, which will house a fully automated factory that will require minimum labour participation.

The Group also foresee good demand for ready mixed concrete due to that the Perak State Government is emphasising on the development of low and medium cost houses. In addition, increase in the demand for sewerage products as a result of the implementation of Indah Water consortium's modernisation and expansion sewerage services, is expected to contribute to the Group's earnings.

4. INFORMATION ON OKA CORPORATION GROUP (Cont'd)

The following are the Group's major plans for the next 3 years:

a) ***Purchase of land***

The Group proposes to acquire land for the construction of factories at Kota Bahru, Kelantan; Kulai, Johor; Gambang, Pahang; and Nilai, Negeri Sembilan for business expansion purpose. The setting up of factories in various areas as mentioned above is to meet market demand geographically, which will inevitably minimise the transport costs. In addition, being closer to the customers will increase the competitiveness in terms of service and delivery promptness. This will lead to a bigger market share being captured.

The above acquisition is expected to be completed by end of year 2003.

b) ***Purchase of new plant and machinery***

Due to the setting up of the new factories as mentioned above, the Group is expected to invest substantially in new plant and machinery, which are fully automated.

The above acquisition is expected to be completed by end of year 2003.

c) ***Automation and upgrading of existing factory***

The Group intends to automate and upgrade the existing manufacturing plant. The expansion of the existing manufacturing plant mainly is to increase the product range such as prestressed beams and larger piles. Furthermore, OKA Corporation Group plans to manufacture its raw materials required for concrete production. One of the raw materials that OKA Corporation Group intends to produce is wiremesh, a main material component for manufacturing of reinforced concrete pipe culverts.

The automation of the existing plant and machinery is expected to enhance productivity by decreasing variable costs and will allow the Group's flexibility in fixing prices.

OKA Corporation Group also intends to upgrade its existing computer network by implementing real time system. Currently all accounts which includes billings are independent from the stock or delivery system of the factory. By upgrading and networking the terminals at various locations, real time information such as stock availability, automatic billing and updated production records will be made available.

The above exercise is expected to increase current daily average production from 700 to 900 metric tones of concrete products to approximately 1,000 metric tonnes.

The above exercise is expected to complete by the end of year 2002.

II Prospects of the Group

As stated earlier, the Group aims to capture a bigger market share in the building materials industry in line with the expected implementation of infrastructure projects, modernisation, expansion and upgrading works over the next five (5) years.

The building materials industry is expected to grow at an average of 6.6% per annum as oulined in the Outline Perspective Plan 3 period form 2001 to 2011. Similar growth are predicted by the 8th Malaysian Plan, which charts the growth of this sector by 6.5% taking into account excess supplies of office and commercial space. This augurs well for the construction, building materials and property sectors, as this marks the abundance of opportunities for growth within these inter-related sectors.

As an established manufacturer of concrete products and approved manufacturer recognised by the local authorities, OKA Group is well positioned to take advantage of the business opportunities in the new millennium.

(Source: ACNielsen)

The prospects of the Group is outlined below in terms of viability and vulnerability.

- **Viability of the Group**

  In terms product diversity and quality

  OKA Corporation Group manufactures a full range of reinforced concrete pipe culverts for drainage works which includes large diameter pipes up to 3000mm, a full range of reinforced concrete box culverts, U-shape drains, L-shape retaining walls and other non-standard products upon clients' specific request. In addition, OKA Corporation Group also manufactures a full range of HAC lined reinforced concrete pipes and manholes specified by the Jabatan Perkhidmatan Pembetungan for sewerage system usage. Smaller size reinforced concrete and prestressed piles are also manufactured to meet market demand, which begin to replace timber piles, which has limited supply due to the reduction in permitted logging activities. With about 20 years experience in the concrete industry, OKA Corporation Group has become one of the main suppliers of full range of high quality precast concrete products.

  The Group has placed great emphasis on product excellence and quality with stringent quality control implemented at all stages of manufacturing from raw materials procurement to the final stage of its production process. With the effort to continuously improving the quality of its products based on the feedback from the distributors and direct customers, OKA Corporation Group has always been able to meet their requirements and expectations.

  In terms of Research and Development

  The success of a business is very much dependent on its ability to innovate and maintain a competitive edge over its competitors. In view of this, OKA Corporation Group has invested on R&D activities. The R&D division set up in the factory is made up of 2 members and is led by Mr Yee Chut Yau. Mr Yee has more than 10 years of experience in the concrete industry.

The R&D team conducts experiments with alternative cheaper raw materials to substitute the existing raw materials used in order to maintain the cost of production of its products. The R&D department is constantly performing work to enhance its existing products such as testing for compressive strength, straightness or alignment of joints and fittings of finished piles etc. Other than conducting R&D on products, the team is also involved in the design and development of machinery and moulds to manufacture new products according to client's specification. As a result of this in-house development, the Group is able to set up the machinery at minimum costs.

In terms of Financial Position

The Group's cash flow is well managed and the Group does not need to obtain heavy bank borrowings to fund its operations. The Group's borrowing has been negligible. Strong financial fundamental has allowed the Group flexibility in pricing its products. It is also able to withstand any vagaries in the economy. The Public Issue has been undertaken to raise extra proceeds mainly to finance the Group's future expansion programme.

- **Vulnerability of the Group**

In terms of long term contracts/ relationship with suppliers

OKA Corporation Group does not depend on any single supplier and has not committed any long-term contracts with its suppliers for the purchase of raw materials. Further being a financially stable Group with an established reputation, OKA Corporation Group is able to enjoy flexibility and competitive market prices.

In terms of availability of resources

Major raw materials such as steel bar, cement, aggregate, sand and steel can be sourced locally in Malaysia. OKA Corporation Group has maintained its cost competitiveness by sourcing from a wide supplier base. Hence, the management believe that OKA Corporation Group will not face any shortage of raw material due to the abundant supply in the local market.

In terms of capability to diversify

Despite the wide range of the concrete products, the manufacturing of these products is easily diversified. For example; the production of precast concrete products can be diversify into other precast products simply by changing the moulds upon customers request.