

### 3. RISK FACTORS (*Cont'd*)

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#### xiii) Technology used

Our Group uses automated equipment in its production process to increase production and improve the quality of its product. These include machineries such as the welding machines, drawing machines, chamfering machines and hydraulic shearing machines, among others. The occasional breakdown of machineries is one of the risks faced by our Group.

Our Group has an in-house maintenance department which is responsible for regular maintenance activities on production machinery and equipment on a frequency of two (2) to four (4) times a month, and constantly conducts technical studies into the enhancement of production process of CD Bars, catering to differing needs and specifications of individual customers servicing a wide spectrum of end-applications. Our Group has set up an in-house maintenance department with the primary objective of conducting R&D to reduce lead-time and production cost, as well as to have greater production efficiency. There are also trained personnel at the factory to trouble-shoot and maintain the equipment.

However, there can be no assurance that future breakdown of machineries will not have an adverse impact on the future operations of our Group.

#### xiv) Financial Risks

Our Group is exposed to credit risk mainly from trade receivables. These receivables are continually monitored to ensure that the quantum arising from non-collectibility are minimised. To mitigate the risk of bad and doubtful debts, our Group performs credit evaluation on customers' financial status before granting them any credit term and other credit review process is carried out by our management to review the credit standing and credit limit of our customers. For further details on the aging of the trade receivables, please refer to Section 9.2.10 of this Prospectus.

Our Group has interest-bearing debts of approximately RM46.19 million as at 2 November 2007. Given that our Group has borrowings and the payment of the loan interest is dependent on interest rate, future fluctuations of the interest rate would have an effect on our Group interest and principal repayment. For further details on the bank borrowings, please refer to Section 9.2.8 of this Prospectus.

#### xv) Environmental Issues and Concerns

There are no perceivable environmental issues or concerns on the development and production processes of CD Bars at our Group's production facilities. There are no toxic gases or harmful by-products as a result of the production processes or waste products generated from the production of CD Bars.

Corrosive gases and liquid particulates from the pickling process are removed using a scrubber system. In addition, our Group has in place a wastewater treatment plant that has been approved by the Department of Environment, Malaysia ("DOE") that treats other industrial effluents generated from the manufacturing and processing of CD Bars. Prior to discharge into the environment, effluents are properly treated in compliance with the standards stipulated in the Third Schedule of the Environmental Quality Act 1974 under the Environmental Quality (Sewage and Industrial Effluents) Regulation, 1979. In this respect, WZSB obtained a Written Permission Certificate from the DOE (Certificate No. SPE/005/2005).

Steel shearings from the chamfering process are accumulated up to approximately one (1) metal drum full before being sold to scrap dealers. Anti-rust oil solutions are changed once every month and the remains are transferred to a separate area within the production facility for the anti-rust coating process for our Group's products, resulting in negligible waste.

### 3. RISK FACTORS (*Cont'd*)

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**xvi) Achievability of Profit Forecast**

It should be noted that the profit forecast are based on various assumptions with respect to the levels and timing of revenues, cost, interest rates, exchange rates and various other matters of an operational or financial nature. Our Directors believed that these assumptions are reasonable. These assumptions are nevertheless subject to uncertainties and contingencies. No assurance can be given that such assumptions and the resultant forecast results will be realized due to the subjective judgments and inherent uncertainties of the forecast. Potential investors should note carefully the bases and assumptions to the profit forecast as well as the comments by our Reporting Accountants in their letter on the consolidated profit forecast as set out in Section 9.8 of this Prospectus.

**xvii) Disclosure Regarding Forward-Looking Statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by our Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance of achievements express or implied in such forward-looking statements. Such factors include, *inter-alia*, general economic and business conditions, competition and the impact of new laws and regulations affecting our Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of our Company or our adviser that the plans and objectives of our Group will be achieved.

**xviii) No Prior Market for WZRB's Shares**

Prior to the IPO, there has been no public market for WZRB Shares. There can be no assurance that an active market for WZRB's shares will develop and continue to develop upon or subsequent to its listing on the Second Board of Bursa Securities or, if developed, that such a market will be sustained. The IPO Price of RM0.68 has been determined after taking into consideration a number of factors, including but not limited to, our Company's financial and operating history and condition, our prospects and the prospects of the industry in which our Company operates, the management of our Company, the market prices for shares of companies engaged in business similar to that of the Company and the prevailing market conditions. There can be no assurance that the IPO Price will correspond to the price at which WZRB Shares will trade on the Second Board of the Bursa Securities upon or subsequent to its listing;

**xix) Failure/Delay in the Listing**

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following event occurs:

- (a) the Bumiputera investors approved by the MITI fail to subscribe/acquire the IPO Shares allocated to them;
- (b) the eligible directors and employees of our Group fail to subscribe/acquire the IPO Shares allocated to them;
- (c) the underwriters of the IPO fail to honour their obligations under the Underwriting Agreement; and

### 3. RISK FACTORS (*Cont'd*)

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- (d) WZRB is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of WZRB must be held by a minimum of 1,000 public shareholders holding no less than 100 WZRB Shares each, at the point of the listing of WZRB.

Although our Directors will endeavour to ensure compliance of the various Listing Requirements, including, *inter-alia*, the public spread requirement imposed by Bursa Securities for the successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or non-implementation of the Listing.

#### xx) **Our Share price may fluctuate following the IPO**

The market price of WZRB Shares may fluctuate as a result of, among others, the following factors, some of which are beyond our control:

- (a) variations in our operating and financial results;
- (b) changes in securities analysts' estimates of our financial performance;
- (c) announcements by us of significant acquisitions, strategic alliances or joint ventures;
- (d) additions or departures of key personnel;
- (e) fluctuations in stock market prices and volume;
- (f) involvement in litigation; and
- (g) general economic and stock market conditions.

Any future sale or availability of our Shares can have an adverse effect on our Share price. The sale of a significant amount of our Shares in the public market after the IPO, or the perception that such sales may occur, could adversely affect the market price of our Shares. These factors also affect our ability to raise funds from the issue of additional equity securities.

If our shareholders sell, or are perceived to sell, substantial amounts of Shares in the public market following our Listing, the market price of our Shares could fall. It should be noted that 45.00% of our share capital at the date of admission held by our Promoters will not be disposed off, transferred, assigned or otherwise disposed of, within one (1) year from the date of admission of WZRB to the Official List of the Second Board of the Bursa Securities.

#### xxi) **Investment Activities Risk**

Our Group may from time to time invest in new ventures that are relatively new to the Malaysian market. There is a potential risk that these investments may have longer than expected gestation period or may not be entirely successful. In this event, our Group may take time to recover or be unable to recover its initial investments. Our Group plans to mitigate this risk, together with other possible ventures risks in the future by exercising due care in the evaluation of such ventures. Nevertheless, there can be no assurance that such ventures, if any, will yield positive returns to our Group.

#### xxii) **Risks Associated with Future Plans**

WZRB Group will conduct feasibility studies in our new ventures, such as regional expansion. The successful implementation of our Group's future plans is dependent on our execution capability, the approval from the relevant authorities and shareholders (if required) required for the said ventures and our ability to overcome other barriers and issues. Although our Group will exercise prudence and conduct feasibility studies prior to making any decision on our Group's future plans, there can be no assurance that such future plans would always be successful and profitable and that our implementation might not be delayed and it will not have a material adverse effect on the performance of our Group.

## **4. INFORMATION ON OUR GROUP**

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### **4.1 BACKGROUND**

#### **4.1.1 History and business**

WZRB was incorporated in Malaysia under the Act as a public limited company on 15 September 2004. WZRB is the investment holding company of our Group in conjunction with our listing on the Second Board of Bursa Securities. The core business of our Group is the manufacturing and trading of precision CD Bars for a wide spectrum of applications. The precision CD Bars are mainly customised to the needs and requirements of customers and their end products applications are typically in the office automation, computer components and automotive applications.

The business of our key operating subsidiary, WZSB began as a partnership bearing the name of Syarikat Perniagaan Eng Seng in early 1985. Originally, the main business activity was the trading of iron and steel products. Under the leadership of the two (2) co-founders, Tan Ching Kee and Ng Chong Tin, the business of the partnership grew. On 17 February 1992, a private limited company was incorporated bearing the present name of Weng Zheng Sdn Bhd to take over the growing business of the partnership.

Our Directors of WZSB, recognising the good potential in manufacturing and supplying directly to our customers, began acquiring the machinery and technology to produce our own steel products. In 1995, WZSB's manufacturing operations commenced with the setting up of an automated cold drawing process to manufacture a variety of precision CD Bars. These products comprised mainly free cutting, carbon steel and stainless steel polished bars, which were sold to manufacturers within the machining sector.

In order to separate the trading and manufacturing activities of our Group, two (2) subsidiaries were established. WZT was incorporated in Malaysia as a private limited company under the Act on 27 May 1996 and assumed its present name. WZT was established to create a one-stop supply centre for various iron and steel related products and to take over the trading activities of WZSB. This enabled our Group to provide a wider range of products to meet the needs of both existing and new customers, and to enable our Management of WZSB to focus on the core manufacturing activities and R&D in the production of quality and precision CD Bars. On 17 August 1995, WZM was incorporated in Malaysia as a private limited company under the Act. WZM ceased operation in January 2002 and recommenced operations of trading in and processing of cut-to-size steel products in December 2006.

Over the years, we have gained vast experience in manufacturing precision CD Bars. With our strong technical capabilities and know-how, we have emerged as one (1) of the leading local manufacturers of precision CD Bars. In October 2004, WZSB was certified as being compliant with ISO 9001:2000 standards. This indicates that WZSB has established the required quality management systems to provide, on a consistent basis, products that meet customer and applicable regulatory requirements. To-date, we have built up a strong customer portfolio, comprising SMEs that operate within a wide range of industries, such as machining & engineering support, automotive parts & components manufacturing, and E&E.

As for overseas markets, our Group has successfully ventured into selling our precision CD Bars to the manufacturing industries in Indonesia and Singapore (end-2003), Thailand and Hong Kong (2004), Australia (2005), as well as Vietnam (2006). Our Group has also made supply/marketing inroads into Vietnam, where some of the region's fastest growing high-technology industrial parks are located. The primary targeted customers of our Group are in the automotive and office automation industries.

Further details on the business of our Group are set out in Section 4.2 of this Prospectus.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.1.2 Share Capital and changes in Share Capital

The present authorised share capital of WZRB is RM100,000,000 comprising 200,000,000 WZRB Shares. The issued and paid up share capital of WZRB is RM38,808,325 comprising 77,616,650 WZRB Shares.

Details of the changes in the issued and paid-up share capital of our Company since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value (RM)	Consideration	Resultant No. of issued and paid-up share capital (No. of WZRB Shares)	Cumulative issued and paid-up share capital (RM)
15.09.04	4	0.50	Subscribers' shares	4	2
06.11.07	61,560,416	0.50	Acquisition of WZSB	61,560,420	30,780,210
06.11.07	15,532,784	0.50	Acquisition of WZT	77,093,204	38,546,602
06.11.07	523,446	0.50	Acquisition of WZM	77,616,650	38,808,325

##### 4.1.3 Listing Scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of WZRB on the Second Board of Bursa Securities, our Company undertook a listing scheme which involved the following exercises: -

###### (a) Incorporation of Valuation Surplus and/or Deficit

In conjunction with the Listing, we have undertaken a valuation for all the landed properties owned by our WZRB Group.

WZRB Group incorporated the valuation surplus and/or deficit arising from the above-mentioned valuation into the books of the respective companies of our WZRB Group for 3-month FPE 31 July 2007.

###### (b) The Acquisitions

WZRB acquired 100% equity interest in WZSB, WZT and WZM by issuing a total of 77,616,646 WZRB Shares as follows:-

Company	Purchase Consideration (RM)	No. of WZRB Shares issued
WZSB	30,780,208	61,560,416
WZT	7,766,392	15,532,784
WZM	261,723	523,446
<b>TOTAL</b>	<b>38,808,323</b>	<b>77,616,646</b>

Basis of valuation of purchase consideration for the Acquisitions was arrived at after taking into consideration the adjusted NTA as at 30 April 2007 of the respective companies (after incorporating the valuation surplus and/or Deficit mentioned in section 4.1.3 (a) above, and unrealised profit on stocks held by WZM arising from

#### 4. INFORMATION ON OUR GROUP (Cont'd)

inter-company transactions). The Acquisitions were completed on 6 November 2007.

Upon completion of the Acquisitions, the issued and paid up share capital of WZRB increased from RM2 comprising four (4) WZRB Shares to RM38,808,325 comprising 77,616,650 WZRB Shares.

**(c) Public Issue**

The Public Issue of 15,000,000 new Shares at an issue price of RM0.68 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated in the following manner: -

	<b>No. of Public Issue Shares to be allocated</b>	<b>Percentage of enlarged capital %</b>
(i) Eligible Directors and employees of our Group (by way of pink forms)	2,500,000	2.50
(ii) General public (by way of balloting)	6,000,000	6.00
(iii) Institutional and selected investors (by way of placements)	6,500,000	6.50
	15,000,000	15.00

Upon completion of the Public Issue, the issued and paid-up share capital of WZRB will increase from RM38,808,325 comprising 77,616,650 WZRB Shares to RM46,308,325 comprising 92,616,650 WZRB Shares.

**(d) Restricted Issue**

WZRB will undertake a Restricted Issue of 7,383,350 new WZRB Shares at an issue price of RM0.68 to Bumiputera investors approved/nominated by the MITI. As a result of the Restricted Issue, the issued and paid-up share capital of WZRB will increase from RM46,308,325 comprising 92,616,650 WZRB Shares to RM50,000,000 comprising 100,000,000 WZRB Shares.

**(e) Offer For Sale**

The Offerors will undertake an Offer for Sale of 22,616,650 WZRB Shares at the Offer Price of RM0.68 per Offer Share to Bumiputera investors approved/nominated by the MITI.

**(f) Listing**

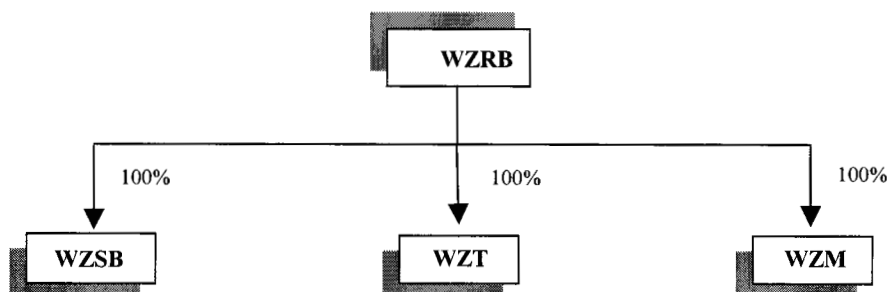
Upon completion of the Acquisitions, Incorporation of Valuation Surplus and/or Deficit, Public Issue, Restricted Issue and Offer for Sale, the entire enlarged issued and paid-up share capital of WZRB of RM50,000,000 comprising 100,000,000 WZRB Shares will be listed and quoted on the Second Board of Bursa Securities.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.2 BUSINESS

###### 4.2.1 Structure of our Group

An overview of our Group's corporate structure is as set out below: -



The principal activities of WZRB's subsidiary companies are as follows:-

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
<b>Subsidiary companies of WZRB</b>				
WZSB	17.02.92/ Malaysia	1,350,012	100.00	Manufacturing and processing of cold drawn bright steel and other steel products
WZT	27.05.96/ Malaysia	1,040,002	100.00	Trading in steel products
WZM	17.08.95/ Malaysia	2	100.00	Trading in and processing of cut-to-size steel products

###### 4.2.2 Types of Products Manufactured or Processed

Our Group's core business activity is the manufacturing and processing of precision CD Bars as well as other steel products. To complement the manufacturing activities of WZSB, our Group has a trading arm which is involved in the trading of steel products. Products manufactured are based entirely on our clients' needs and specifications for precision secondary steel products. We strive to achieve excellence in manufacturing superior quality products through detailed discussions held with our clients to understand the goals as well as the correct technical and manufacturing parameters. This is part of value-added service to our clients.

Bright steel is basically an intermediary product which requires further processing, such as machining or forming, to turn it into high precision mass-production parts. Its special dimensional accuracy and superior surface quality allow bright steel to be the choice material used in the mechanical, equipment manufacturing and automotive industries. Some examples of high precision mass-produced turning parts include printer/photocopier/facsimile machine/scanner shafts, absorber shafts, piston rods, shafts, gearwheels and various kinds of shaped parts.

**4. INFORMATION ON OUR GROUP (Cont'd)**

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Cold drawing is the process of reducing the cross sectional area of a steel wire, bar or tube by drawing the material through a die without any pre-heating. It is used for the production of bright steel shafts in round, square, hexagonal, flat and profile sections. The process changes the mechanical properties of the steel and the finished product is accurate to size, free from surface defects with a bright finish.

Our CD Bars include steel shafts of various cross-section shapes (round, hexagonal, square and rectangular) produced from hot-rolled steel wire rods by drawing on a draw bench by chipless elongation shaping. The drawing process increases the dimensional accuracy which is an important condition for machining, allowing the production of high precision parts which require longer machining times. The drawing process also increases the strength properties (tensile strength and toughness); this process enables CD Bars to withstand greater external force for longer periods. CD Bars are long steel products produced using the CD process and cut into specific diameters and lengths, polished and straightened to improve its finished surface and straightness.

As at 2 November 2007, there are no significant new or proposed products introduced apart from what have been disclosed in Sections 4.2.2 and 4.2.3 of this Prospectus.

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

Currently, our Group is producing a wide variety of CD Bars catered to the local major manufacturing industries. The list of products manufactured by our Group by product category is as follows:-

Types of precision CD bars	Parts/components name	Applications/usage	Product significance
<b>Free-Cutting Polished Shafts</b> <ul style="list-style-type: none"> <li>• Low carbon</li> <li>• Medium carbon</li> </ul>	<p>Engineering turning parts for facsimile machines, scanners and electric typewriter rods, printer and photocopier shafts, automotive parts, computer components parts, hydraulic parts, etc.</p> <p>Engineering turning parts such as automobile parts.</p>	<p>Good machinability for continuous automation Computer Numerical Control turning process. Normally used for mass production with minimum downtime and machine cost.</p> <p>Similar usage to low carbon free-cutting polished shafts, but once subjected to heat treatment, medium carbon possesses improved hardness qualities.</p>	<p>Office automation is the primary focus application market for WZSB's precision CD free-cutting polished shafts as these intermediary products require high precision and quality characteristics. Office automation encompasses shafts used in printers, facsimile machines, photocopiers and scanners, amongst others. Upon customers' request, WZSB's free cutting polished shafts can be additionally ground using a centreless grinding machine. This will further improve surface finish by removing apparent surface defects, and dimensional accuracy; hence products of this grade are especially bright and have a more shining finishing.</p>
<b>Carbon Steel Polished Shafts</b> Low carbon and medium carbon	<p>Engineering turning parts such as automotive shock absorbers, steering shafts, rotor drive shafts, facsimile machine shafts, furniture parts.</p>	<p>Similar usage to free-cutting steel but has low machinability with higher downtime, higher machine cost.</p> <p>Will not be considered for machining in large volumes.</p> <p>For general purposes.</p>	<p>WZSB 's customers are involved in the downstream manufacturing of bolts and nuts, nails, cables, chain-link fencing, etc. Upon customers' request, WZSB's CD carbon steel polished shafts can be additionally ground using a centreless grinding machine. This will further improve surface finish by removing apparent surface defects, and dimensional accuracy; hence products of this grade are especially bright and have a more shining finishing.</p>
<b>Stainless Steel Polished Shafts</b> <ul style="list-style-type: none"> <li>• 304</li> </ul>	<p>Household utility parts</p>	<p>Good corrosion-resistance for use where it is exposed to water.</p>	<p>WZSB's customers are involved in the downstream manufacturing in household utilities, engineering turn parts, bolts, nuts and parts on automatic screw machines.</p>

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Types of precision CD bars	Parts/components name	Applications/usage	Product significance
<ul style="list-style-type: none"> <li>• 201</li> </ul>	Household utility parts	Similar usage to grade 304, but due to a lower Nickel content, grade 201 is less corrosion-resistant.	Upon customers' request, WZSB's stainless steel polished shafts can be additionally ground using a centreless grinding machine. This will further improve surface finish by removing apparent surface defects, and dimensional accuracy; hence products of this grade are especially bright and have a more shining finishing.
<ul style="list-style-type: none"> <li>• 303Cu</li> </ul>	Engineering turning parts (similar to free-cutting and carbon steel).	For these parts, good machinability plus good corrosion-resistance is required.	
<ul style="list-style-type: none"> <li>• 316</li> </ul>	Engineering turning parts	High corrosion-resistance.	
<ul style="list-style-type: none"> <li>• 420</li> </ul>	Engineering turning parts such as motor axle shafts.	Relatively low corrosion-resistance and mostly suitable in the production of consumer products such as scissors and knives.	

(Source : Management of WZRB )

##### 4.2.2.1 Free-Cutting Polished Shafts

Free-cutting polished shafts offer high dimensional accuracy and are basically steel shaft which have had additions made to improve machinability. We currently produce low-carbon and medium-carbon free-cutting polished shafts, which differ in carbon content, which determines the level of flexibility and hardness of the steel. In addition, we produce unleaded free-cutting polished shafts, which are primarily catered to certain requirements stipulated by end-users from developed countries such as UK, USA, Japan and other EU countries, which insist on using hazard-free materials. Major end-applications for free-cutting polished shafts include precision parts used in office automation equipment, automobile accessories, computer components and hydraulic industrial parts. The office automation sector is the primary focus application market for our CD free-cutting polished shafts as these intermediary products require high precision and quality characteristics. Applications in office automation encompass shafts used in printers, facsimile machines, photocopiers and scanners.

##### 4.2.2.2 Carbon Steel Polished Shafts

Carbon steel is generalised as low or medium carbon steel, or soft cast steel with less than 0.15% carbon content. Other common descriptions of carbon steel include normal strength steel or ordinary weldable steel. Common properties of carbon steel are readily weldable and moderate cold bending properties. Carbon steel possess excellent welding properties as they can be subjected to various heat treatments due to the presence of a very hard black surface, a typical characteristic of medium carbon steel materials.

Carbon steel polished shafts are generally drawn round shafts produced using cold drawing process, which increases the dimensional accuracy, followed by straightening and polishing, which creates a brighter surface for better preparation for the next machining process. Carbon steel polished shafts also have the advantage of ductility and having largely removed surface defects such as cracks, pores and splinters. These products are widely used in downstream manufacturing of bolts and nuts, nails, cables, chain-link fencing, etc. Upon our customer request, our CD carbon steel polished shafts can be additionally ground using a centre-less grinding machine. This will further improve surface finish by removing apparent surface defects, and

#### 4. INFORMATION ON OUR GROUP (Cont'd)

dimensional accuracy; hence products of this grade are especially bright and have a more shining finishing.

##### 4.2.2.3 Stainless Steel Polished Shafts

Stainless steel is a group of corrosion resisting steels containing a minimum of 10.5% to 26% chromium and in which varying amounts of other alloying elements may be present. Due to its high resistance to heat it makes an ideal material for mechanical parts that are subjected to heating. Also, due to the materials resistance to rusting, it is ideal for use where it is exposed to water. Stainless steel polished shafts are valued for its tough mechanical properties like high strength and extreme thermal capacities. With its pleasing appearance, low-maintenance requirements with long service life, coupled with cost-effectiveness as compared with other materials, typical applications include household utilities, engineering turn parts, bolts, nuts and parts on automatic screw machines. Another example of its use is in drive shafts where both strength and corrosion resistance is needed.

##### 4.2.2.4 Other Steel Products

Our Group is also engaged in the trading of steel products under WZT and WZM. Other steel products that are sold to hardware companies are mainly carbon and stainless steel products such as carbon steel welded pipes and tubes, square and rectangular hollow sections, carbon steel plates and sheets, hot-rolled and cold-rolled steel sheets, galvanized iron steel sheets, expanded metal, perforated sheets, polished shafts, structural steel beams and columns, carbon steel channels, angle bars, bolts & nuts, flat bars, square bars, round bars, etc.

Included in this product category are certain types of other steel products which are further processed upon customers' requests. Value-added services performed by us comprise primarily processing of other steel products such as hollow sections, angle bars, tubes and pipes into the specific lengths required by customers. Re-processed steel products are then sold in various specifications to our existing and potential customers who require steel products with less stringent specifications requirements.

#### 4.2.3 Trading Divisions

Our Group has trading arms, comprising WZT and WZM, which basically serve as a one-stop supply centre for various iron and steel related products as well as secondary grade steel products to complement the manufacturing activities of WZSB. This enables our Group to provide a wider range of products to meet the needs of both our existing and new customers. A detailed list of trading items for WZT and WZM is shown below:

Other steel products	Major product types	Applications / usage
Tubes	Oval tube, furniture tube	For a wide variety of applications such as furniture and fittings, engineering, piping works, etc.
Angles and Bars	Galvanised iron angle, Carbon Steel unequal/equal angle, Carbon Steel round bar, high tensile deformed bar, Carbon Steel flat bar, Carbon Steel square bar	For a wide variety of applications such as furniture and fittings, factory/warehouse fittings (storage shelves, racks), construction and infrastructure works, etc.
Hollow sections	Square and rectangular hollow section	For a wide variety of applications such as furniture and fittings, engineering, piping works, construction and infrastructure works, etc.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

<b>Other steel products</b>	<b>Major product types</b>	<b>Applications / usage</b>
Pipes, Channels and Beams	Designed pipe, galvanised iron pipe, black welded steel pipe, Carbon Steel channel, lipped channel, U channel, gate channel, universal beam	For a wide variety of applications such as furniture and fittings, piping works, construction and infrastructure works, etc.
Cut-to-size steel products	Tubes, hollow sections, pipes and channels (as mentioned above)	For a wide variety of applications as mentioned above.

(Source: Management of WZRB)

#### 4.2.4 Technology and continuous quality enhancement

##### 4.2.4.1 Technology Used

Looking at the increasing trend of production automation, our Group has geared our processes towards this direction by installing new automation machines. Automation is expected to encourage cost savings with reduced manpower, machine hours and space needed, with the added benefits of higher accuracy levels and lower rejection rates for non-compliance products. Our Group's new production line utilises the Simatic Step 7 (S7) automation system designed to solve a comprehensive range of industrial automation tasks in the entire cold drawing process. This system comprises standard hardware (controller, industrial PCs, programming & monitoring devices, human machine interface, machine vision, etc) and software components which are individually tailored to the specific tasks in hand. Our Group will continue to invest into new technologies in order to improve our production efficiencies and achieve higher economies of scale.

##### 4.2.4.2 In-house maintenance with quality enhancement capability

Our Group frequently conducts technical studies on the enhancement of the production processes of CD Bars, catering to differing and diverse needs and specifications of individual customers who have a wide spectrum of end-applications. This is essentially to:-

- (i) enhance production efficiency; and
- (ii) enhance quality of products.

Our Group has the ability to integrate our technical expertise and in-depth understanding of the high quality specifications required by our customers, with our technical excellence achieved through the continuously enhanced manufacturing techniques and QC testing procedures. For example, our Group achieved a significant milestone when we successfully obtained the desired straightness feature, with a maximum turning indication ratio of 0.08 for our free-cutting polished shafts.

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## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Type of Approval/ Licence/ Permit	Held by	Date Issued	Validity	Major Conditions	Compliance
					(vi) The company must implement the project as approved and in accordance with the laws / regulations in Malaysia.	Complied
					(vii) This approval is subject to the provisions of the Co-Ordination Act 1975 and any violation of the conditions will result in the licence being revoked.	Noted
Kajang Municipal Council	Licence to operate on Lot 1850, Jalan KPB 10, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan.	WZSB	09.01.07	31.12.07	(i) Subject to Business Trade and Industry By-Laws 1987 ( <i>"Undang-undang Kecil Perlesenan Tred Perniagaan dan Perindustrian 1987"</i> )	Complied
					(ii) Comply with conditions fixed by the Kajang Municipal Council.	Complied
					(iii) To display the licence. Failure to display the licence is an offence.	Complied
Kajang Domestic Trade and Consumer Affairs Office	Letter of Authority to purchase 9,000 litres of Diesel Oil	WZSB	26.02.07	25.02.08	Pursuant to Regulation 9(2) of Control of Supplies Act 1974 P.U.(A) 103 21.3.1974	
					(i) Location for keeping of the scheduled article: Lot 1850, Jalan KPB 10, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan.	Complied
					(ii) The scheduled article is only for the use of the letter of authority holder and not for sale.	Complied
					(iii) The holder of the letter of authority is not allowed to keep the scheduled article in a place other than in the specified place unless with written consent from the officer.	Noted

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Type of Approval/ Licence/ Permit	Held by	Date Issued	Validity	Major Conditions	Compliance
Ministry of Finance	Exemption of Import Duty on Raw Materials / Component (Free Cutting Wire Rods Grade:1214EZ)	WZSB	15.01.07 (Date of letter of approval)	07.11.07*	(iv) This letter of Authority is only valid for one (1) year and renewal must be made with the officer from the department.	Noted
					Pursuant to s14(2) of Customs Act 1967	
					(i) If no market is specified, the company is free to sell its finished product in the local / export / Free Industrial Zone ("FIZ") / Licence Manufacturing Warehouse ("LMW") market if the relevant product is an input to FIZ / LMW production.	Complied
					(ii) The company is advised to apply to MIDA 3 months before the expiration of the exemption for an extension on the exemption of the import duty if necessary. The company is also advised to obtain the Import Licence ("AP") approval before importing the relevant raw material.	Noted
					(iii) All invoices and bill of lading regarding this import must be on the company's name on which the exemption is given.	Complied
					(iv) If the import / purchase is to be done through the customs' station other than the approved station, written consent must first be obtained from the approved customs' station. If the company intend to obtain material from LMW /Licence warehouse, the company is required to obtain the consent of the customs' station which controls the company.	Noted

## 4. INFORMATION ON OUR GROUP (Cont'd)

Authority	Type of Approval/ Licence/ Permit	Held by	Date Issued	Validity	Major Conditions	Compliance
					(v) All raw material / components exempted from duty / tax must be kept in company's factory store according to the written regulations set by the Department of Customs that controls the company.	Complied
					(vi) Any changes of address or additional store / factory can only be made after written consent is obtained from the Department of Customs that controls the company.	Noted
Ministry of Finance	Exemption of Import Duty on Raw Materials / Component (Free Cutting Wire Rods Grade): (i) Free Cutting Wire Rods Grade 1215,sum22 or sum23; (ii) Hot Rolled Wire Rod JIS G4051, S05C-S55C, JIS G3101, SS330 to SS540; (iii) Free Cutting Wire Rod Grade 12L14, sum24L, DIN 11SMnPb37Te; and (iv) Stainless Steel Wire Rods		29.08.07 (Date of letter of approval)	(i) & (ii) 28.02.09 (iii) & (iv) 28.08.09	As above	As above
Ministry of Finance	Exemption of Import Duty on Raw Materials / Component (Free Cutting Wire-rod Grade JIS G4804, SUM43 or AISI 1144)	WZSB	24.08.06	*26.07.07	As above	As above
					*An application was submitted to the Ministry of Finance on 24 July 2007 for the renewal of licence and the approval is currently pending	



## 4. INFORMATION ON OUR GROUP (Cont'd)

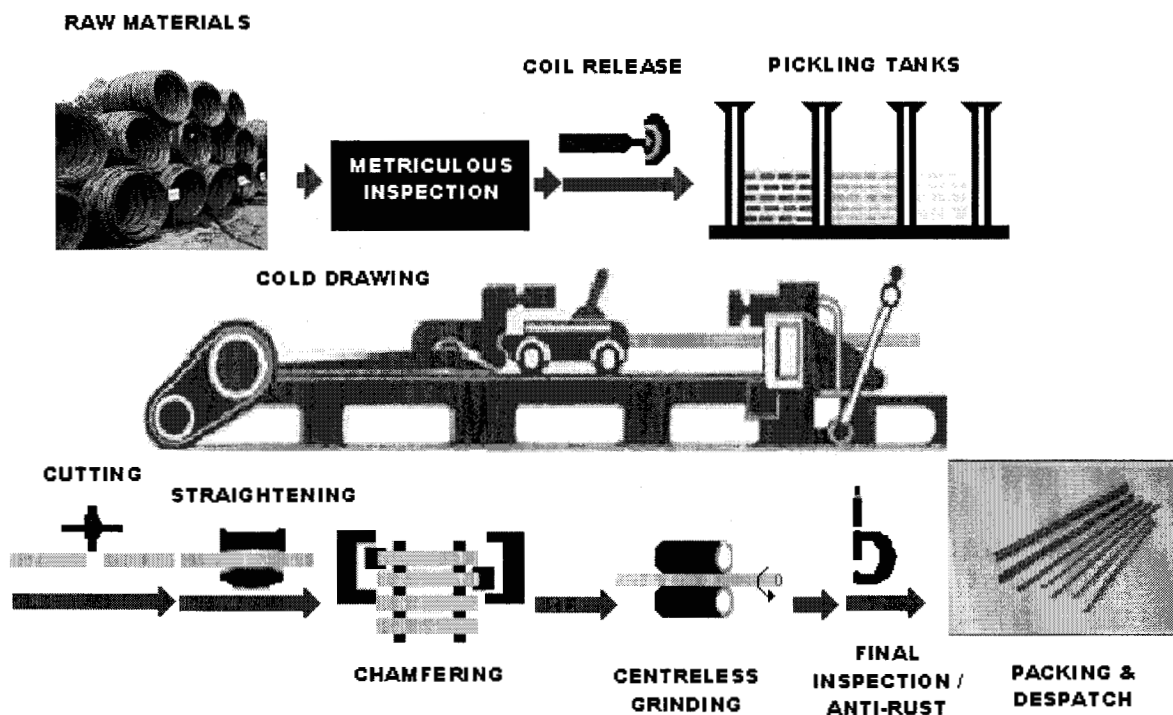
Authority	Type of Approval/ Licence/ Permit	Held by	Date Issued	Validity	Major Conditions	Compliance
Kajang Municipal Council	Business licence on Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan.	WZT	9.01.07	31.12.07	(i) Subject to " <i>Undang-undang Kecil Perlesenan Tred Perniagaan dan Perindustrian 1987</i> "	Complied
					(ii) Comply with conditions fixed by the Kajang Municipal Council.	Complied
					(iii) To display the licence. Failure to display the licence is an offence.	Complied
Kajang Municipal Council	Warehouse licence on Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan.	WZM	02.07.07	31.12.07	To display the licence. Failure to display the licence is an offence.	Complied

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.2.6 Manufacturing Process

The figure below is an illustrative representation of our production process which starts from the receipt of raw materials until the delivery of end-products to our customers.



##### a) Incoming Raw Material

Incoming raw materials are subjected to quality checks to determine that they satisfy the minimum standards and meet the required specifications in the purchase order. Raw materials that do not meet the company's required standards will be either rejected and returned to the supplier, or downgraded for less stringent usage, while those which pass the initial quality check will be stored at the warehouse.

##### b) Production Preparation and Drawing Die Selection

Upon receiving job order from our Sales department, our production planner will proceed to check the availability of raw materials (wire rods) and machinery, pickling solutions, drawing dies, drawing oils and tools required for production. The raw materials, machinery and tooling preparations are properly inspected to ensure that the correct type of wire rods and other production materials are used for the drawing process. In cases where the planned production date cannot meet the required delivery date, our production planner must take the initiative to coordinate with sales personnel to resolve the matter.

##### c) Coil Release and Pickling

The coil release stage involves the discharge of coiled wire rod materials to the production area, where the first process entails the pickling of wire rods. Wire rods have a layer of oxide on its surface. Pickling ensures removal of surface oxides and scale by chemical treatment using water solutions of inorganic acid, usually sulphuric acid, prior to the cold drawing process. After pickling, the metal is washed and neutralised using lime water. The cleaned coil is then dried using an industrial fan operated by the pickling operator and checked to ensure a consistently clean, aesthetically pleasing and contaminant-free surface is achieved.

#### 4. INFORMATION ON OUR GROUP (*Cont'd*)

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**d) Cold Drawing, Pre-Straightening and Cutting**

Coiled wire rods will go through progressive reduction of hot-rolled or extruded profile through single drawing steps, until the required sizes and tolerance levels are reached. This process is termed as the cold drawing process. An external pulling mechanism is used, whereby the wire rods are “pulled” using drawing carriages through the shaped hole of the die drawplate. The result can be a straight (bench-drawing) or rotational reproduction (coil-operated rolls drawing) of the section desired. Our CD Bars are then straightened using a second set of vertical and horizontal pre-straighteners to meet our customers’ application requirements. The straightened CD Bars are then cut into the required lengths according to customer specifications.

**e) Polishing and Straightening**

Our CD Bars are then polished and checked for straightness, roundness and visual inspection of surface smoothness, to ensure that tolerance levels are not exceeded. Our CD Bars are then cooled to room temperature prior to the next required process.

**f) Chamfering**

Upon our customers’ request, most of our CD Bars are chamfered to facilitate ease of insertion into Computer Numerical Control (“CNC”) machines during our customers’ manufacturing process. A chamfering machine is used to produce a final conical feature at the end of the shaft to facilitate the ease of automatic shaft feeding through guide bushes and collet of the CNC machines. The final dimensions and surface finishing of the chamfered shafts are inspected and verified prior to the anti-rust stage.

**g) Centreless Grinding**

This is another optional process, depending on our customer’s request, and involves the removal of the outer diameter (or sometimes called ‘outer layer’) of CD Bars. This process uses a centreless grinding machine to create a brighter steel surface, and at the same time, removes pores and splinters on the outer layer.

**h) Anti-Rust / Final Inspection**

All our CD Bars must be cooled to room temperature before dipping into the anti-rust solution, which is basically an oil solution to protect the shafts from rusting. This process will enable the shafts to remain rust-free for up to six (6) months and twelve (12) months in outdoor and indoor conditions respectively. The final QA check will ensure that our CD Bars are completely coated with anti-rust solution.

**i) Demagnetising, Packing and Delivery**

Prior to packaging and delivery, demagnetisation may be performed upon our customers’ request to reduce the magnetic flux contribution of our CD Bars. The resulting demagnetised shaft is then tested using a Gauss meter to ensure the required readings are obtained depending on our customers’ specifications.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.2.7 Estimated Market Coverage, Position and Share

The profiles of selected CD Bars manufacturers in Malaysia are as follows:-

No	Company	Established Since	Principal Activities
1	WZRB Group	17 February 1992 <sup>(a)</sup>	Investment holding, manufacturing and processing of CD bright steel and other steel products, as well as trading in steel and cut-to-size steel products
2	Oriental Shimomura Drawing (M) Sdn Bhd <sup>(b)</sup>	20 October 1990	Manufacture of cold drawn shafting bars
3	Chung Yih Steel Sdn Bhd	4 January 1992	Manufacturer of steel bar and metal drawing
4	Asian Automotive Steels Sdn Bhd <sup>(c)</sup>	20 October 1993	Manufacturer and sale of cold drawn high grade structured steel bars used in automotive, electronics and electrical industries, manufacture and sale of automotive components for the automotive industry
5	Bright Steel Sdn Bhd <sup>(d)</sup>	11 October 1973	Manufacturing, sales and distribution of steel and iron products

Notes:

(a) Using incorporation date of Weng Zheng Sdn Bhd.

(b) A 51%-owned subsidiary of Shimomura Tokushu Seiko Co. Ltd, Japan.

(c) Wholly owned subsidiary of Sapura Industrial Berhad.

(d) Wholly owned subsidiary of Lion Corporation Berhad.

Source: Respective company information obtained from Companies Commission of Malaysia ("CCM") as at 2 November 2007, Annual Reports and the Management of WZRB Group.

In Malaysia, the CD bright steel polished shaft manufacturers are diverse in their activities where many of them do not just specialise or focus in the production of CD bright steel polished shafts that cater to the end-application markets within the office automation and automotive sectors. As these companies do not segment their revenues into CD bright steel polished shaft manufacturing and other revenues, it is not meaningful to analyse the positioning of WZRB Group based on revenue comparison with these players. Furthermore, majority of the selected key players highlighted in the Table above produce CD bright steel polished shafts that are catered to their individual niche markets. For example, Asian Automotive Steels Sdn Bhd is involved in the manufacture of stabiliser bars and other steel bars for use in the automotive industry. Bright Steel Sdn Bhd, on the other hand, is also involved in the shearing and slitting processes for hot-rolled coils, as well as trading in steel plates.

Currently, information on the production volumes on various types and grades of CD bright steel polished shafts for the major players is difficult to obtain and are not currently compiled for general public consumption. Based on the estimate of the Management of WZRB, the Company is one (1) of the leading local companies which has the capability to manufacture high precision and quality CD bright steel polished shafts that cater to a wide spectrum of engineering applications. The exceptionally low defect rates exhibited over the past three (3)

#### 4. INFORMATION ON OUR GROUP (Cont'd)

to five (5) years are believed to be marginally close to the lowest possible achievable by any manufacturer operating within a similar industry.

(Source: Dun & Bradstreet (D&B) Malaysia Sdn Bhd)

##### 4.2.8 Principal Markets for Products

Our Group has a wide coverage of customers, covering all regions within Peninsular Malaysia. Our products are mainly used in the machining of precision parts such as office automation shafts, automotive parts & components, computer components & parts, as well as hydraulic industrial parts (used in oil and gas industry). Office automation parts comprise mainly printer, facsimile machine, scanner, photocopier shafts which require high precision levels and machinability. Our Group's ability to manufacture almost 'zero defect' and precision CD Bars for machining purposes has created a niche market for our products as well as provides our Group with the competitive edge in positioning it as one (1) of the major local players within the secondary steel products manufacturing industry. Our Group's customer portfolio comprises SMEs, as well as SMIs that operate in the rapidly growing machining sub-sector within the engineering support industry. These manufacturers, in turn, service end-application markets within a wide range of industries, such as machining & engineering support, automotive parts & components manufacturing, and E&E industries.

Our Group's principal markets based on the proforma Group sales for the FYE 30 April 2007 are shown as follows:

Region	State / Country	FYE 30 April 2007 % of sales
Northern Region	Penang, Perak, Kedah	2.4
Southern Region	Melaka, Johor	23.7
Central Region	Selangor, Kuala Lumpur, Negeri Sembilan	61.1
East Malaysia	Sabah	7.5
	<i>Sub-Total for Local Markets</i>	<i>94.7</i>
Overseas	Indonesia, Thailand, Singapore, Vietnam, Australia, Hong Kong	5.3
	<b>TOTAL</b>	<b>100.0</b>

##### 4.2.9 Raw Material Sourcing, Availability and Seasonality

The sourcing of raw materials requires in-depth knowledge of the characteristics of various types of steel wire rods, understanding of our customers' specific product requirements and dimensions, as well as years of experience in understanding the general iron & steel industry. The ability to source and identify specific raw materials among the many others that are available in the market requires in-depth technical knowledge. The main raw materials sourced are steel wire rods of various types such as carbon steel, free-cutting and stainless steel. These are further made available in a wide range of grades depending on their metal composition which determines the differing characteristics and properties exhibited. The prices of principal raw materials are volatile as it is affected by the volatility of steel prices and exchange rates.

Our Group's principal sources of steel wire rods based on the proforma Group sales for the FYE 30 April 2007 are shown as follows:

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Region / Country	Type of Steel Wire Rods	FYE 30 April 2007
<b>Overseas:</b>		
Hong Kong <sup>1</sup>	Free-cutting wire rods	45.1
Taiwan	Free-cutting wire rods	12.4
India	Stainless steel wire rods	8.8
Germany	Free-cutting wire rods	6.4
Japan	Stainless steel wire rods	5.7
	<i>Sub-total for Overseas Sources</i>	78.4
<b>Local</b>	Free-cutting and Carbon steel wire rods	21.6
<b>TOTAL</b>		<b>100.0</b>

*Note 1: Refers to wire rods supplied by Corus International Trading Limited and all supplier invoices are issued from the Asia regional office in Hong Kong. However, the raw materials are shipped directly from the supplier's manufacturing facility located in the United Kingdom.*

The selling price of steel products is dependent on the demand and supply condition of steel in the market and the price of its raw materials which in the case of our Group is generally steel coils. Currently the price of steel products is on an upward trend and may be volatile depending on market forces.

#### 4.2.10 Quality Control

Our Group, via WZSB, obtained an ISO 9001:2000 certification on 12 October 2004 from BM TRADA Certification Ltd. The certification is a testament to the quality and consistency of our Group's products as well as its commitment to meeting its customers' and regulatory requirements.

##### 4.2.10.1 Quality Policy

To comply with the ISO9001:2000 requirements and continually improve the effectiveness of the QMS. Dedicated in achieving customer satisfaction through meeting and exceeding customers' requirements, ensuring prompt delivery of products, continual improvement on the products, the practice of a QMS and the review of the objectives set periodically.

The QC and monitoring division is headed by the Chief of Production Engineering, whilst our Production Planner is responsible for the proper production planning arrangements to ensure production runs are carried out as scheduled. This is of vital importance to achieve timely product delivery to customers.

The objectives of QC are as follows:-

Production Department	<ul style="list-style-type: none"> <li>▪ 98% of delivery shall be on time for the next 12 months.</li> <li>▪ Production loss rate below 1.2%.</li> <li>▪ To annually achieve more than 95% of average monthly sales in tonnage.</li> </ul>
Marketing Department	<ul style="list-style-type: none"> <li>▪ To achieve less than 0.3% customer complaint with goods returned based on total sales per annum.</li> <li>▪ To achieve customer satisfaction of more than 90%.</li> <li>▪ To achieve 100% on-time delivery for other steel products.</li> </ul>
HR Department	<ul style="list-style-type: none"> <li>▪ To conduct a minimum of two hours training per staff per year.</li> </ul>

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.2.10.2 QMS of International Standards

Placing a high emphasis on quality, WZSB has received international accreditation under ISO 9001:2000 for the various testing methods used to analyse its products, providing for valid data and results. WZSB's ISO 9001:2000 provides its customers with international recognition and high quality assurance. WZSB has established, documented and implemented a QMS which is internationally recognised as a new standard in understanding the customer and satisfying their needs.

In the production of precision CD Bars, stringent QC is crucial in order to ensure superior quality products that meet customers' requirements. Any compromise in the quality of CD Bars will be costly as the raw materials are expensive and not to mention that it could be detrimental to the profit margin of our Company. In addition, such incidence of low quality products or products that exceed the tolerance levels will result in customers losing confidence in the products. As such, our Group ensures that all its products undergo stringent QC during the production of its precision CD Bars. Its production process is semi-automated as it entails manual visual inspections of all its steel shafts to ensure that the products' straightness and roundness meet the customers' specifications.

The manufacturing process of our Group requires minimum manual intervention as the processes are semi-automated. The Group has the advantage of economies of scale as well as production efficiency achieved by using automated cold drawing process with proper QA check points in place. In a nutshell, customer satisfaction is our Group's guiding principle in ensuring the success of our Group in sustaining our established network of customers with differing product and services' requirements and specifications.

##### 4.2.10.3 QC Testing Equipment

WZRB Group's Management meets the on-going challenges in the industry by enhancing HR for self-improvement and equipping them with the relevant knowledge to meet ever-changing customer needs/specifications, as well as maintaining a well-equipped QC laboratory with a strictly enforced documented QMS which is monitored through sound record-keeping and regular management reviews. A summary of the testing equipment used in the QC laboratory are listed below:

QC Testing Equipment	Functions / Usage to meet Stringent Quality and Precision Requirements
Tensile and Yield Stress Testing Machine	<ul style="list-style-type: none"> <li>▪ The test provides information on yield point, tensile strength, elongation and reduction of area.</li> <li>▪ A sample is gripped at either end by the apparatus in a testing machine which gradually exerts an axial pull so that the steel sample is stretched until it breaks.</li> </ul>
Hardness Testing Machine	<ul style="list-style-type: none"> <li>▪ To determine the steel resistance to deformation using the Rockwell/Vickers method.</li> <li>▪ Determined by the depth of indentation/penetration of a steel shaft or a diamond sphero-conical indenter, which is read off a dial on the machine.</li> </ul>
Dial Indicator (Digital) & Concentricity Gauge	<ul style="list-style-type: none"> <li>▪ To determine the straightness of a shaft.</li> </ul>

#### 4. INFORMATION ON OUR GROUP (Cont'd)

QC Testing Equipment	Functions / Usage to meet Stringent Quality and Precision Requirements
Gauss Meter	<ul style="list-style-type: none"> <li>▪ To measure the magnetic field in order to ensure specific readings are obtained within customers' requirements.</li> </ul>
Laser Micrometer	<ul style="list-style-type: none"> <li>▪ Used to measure extremely small distances, or diameters, of objects using laser technology.</li> <li>▪ Able to measure up to 0.5 microns accuracy level.</li> <li>▪ Uses a sensor unit and a controller, with a laser light source produced to dimensional measurements of high accuracy.</li> </ul>
Digital Micrometer	<ul style="list-style-type: none"> <li>▪ To measure diameters of up to 1.0 micron accuracy level.</li> </ul>
Granite Flat Table	<ul style="list-style-type: none"> <li>▪ To visually check the straightness of the sample tested.</li> </ul>

##### 4.2.11 Interruptions in Business for the Past Twelve (12) Months

There were no interruptions in the form of trade disputes or major operational breakdown occurring within and outside our Group that may significantly impair our Group's business performance during the past twelve (12) months.

##### 4.2.12 Employees

Our WZRB Group has a total workforce of 99 employees in Malaysia as at 2 November 2007, comprising Malaysians, Vietnamese, Burmese, Bangladeshis, Indonesians and Chinese (from China). Of the 99 employees, 52 are contractual foreign workers who are employed as production staff. All of these foreign workers are legally employed and have valid work permits. Malaysian employees hold various job functions ranging from engineering/QA, operations, marketing and distribution to production, finance and HR administration as well as customer service.

A breakdown of our employees can be depicted as follows:

Categories	< 1 year	1 – 5 years	5-10 years	> 10 years	Total
1. Managerial and Professional (including Executive Directors)	-	1	3	9	13
2. Technical and supervisory	-	2	0	1	3
3. Clerical and related occupations (e.g. salesmen, clerks, typists, stenographers, personal secretaries, etc.)	3	5	3	1	12
4. General workers (e.g. telephone operators, drivers, office boys, watchmen, etc.)	3	3	5	2	13
5. Production:*					
(a) Skilled	-	35	4	2	41
(b) Unskilled	17	-	-	-	17
<b>Total (1) to (5)</b>	<b>23</b>	<b>46</b>	<b>15</b>	<b>15</b>	<b>99</b>

\* Included in the production category are foreign workers who are employed under contractual basis, with a two (2) or three (3)-year term renewable subject to the sole discretion of WZRB's Management.



#### 4. INFORMATION ON OUR GROUP (Cont'd)

Based on the above table, our Group has an organisational composition with low staff turnover. Dedicated, efficient and trained employees are instrumental to its success. The Management of our Group enjoys a good working relationship with the employees. As of 2 November 2007, our Group has not been involved with any material industrial disputes with any of its employees and none of our Group's employees are represented by a union.

Employees of our Group are provided with opportunities to acquire new skills and knowledge through on-the-job informal training in areas of management skills and technical know-how to increase the staff's knowledge and to enhance proficiency in their daily tasks. Our Group also provides opportunities for internal promotion as one of the key components of employees' development and retention. Employees are regularly encouraged to upgrade themselves and to keep abreast with the latest market trends and developments.

##### 4.2.13 Key Achievements / Milestones / Awards

Over the years in operations, our Group's key achievements and milestones are as follows:-

Year	Milestone
1992	In February 1992, WZSB was incorporated under the Act and is principally involved in the trading of iron and steel products.
1995	Recognising the potential growth in the demand for bright steel polished shafts, WZSB established its manufacturing operations to manufacture various types of CD Bars of different specifications which are then supplied directly to customers.  In August 1995, WZM was incorporated under the Act with the initial intention to tie up with third parties to trade in steel products.
1996	In May 1996, WZT was incorporated under the Act and was principally involved in the trading of steel products. It was established to complement the manufacturing activities of WZSB.
2003	In July 2003, WZSB received the Golden Bull Award 2003, an annual event organised by Nanyang Siang Pau Sdn Bhd, in recognition of its performance and achievements, marking its overall operational ability to compete in a globalised environment.  By end-2003, our Group successfully ventured into the overseas market with the launch of its CD Bars in the Indonesia and Singapore markets.
2004	WZSB obtained the ISO 9001:2000 certification for its quality management system.  Our Group shifted to the current headquarters at Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan.  In August 2004, WZSB received the Golden Bull Award 2004.  In the same year, our Group entered the Thailand and Hong Kong markets, targeting the rapidly growing local automotive industry.
2005	In September 2005, both WZSB and WZT received the Golden Bull Award 2005.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Year	Milestone
	WZSB also obtained the Small and Medium Business Recognition Award Series 2005 from the Small & Medium Industries ("SMP") Association of Malaysia.
2006	<p>Our Group launched the products in the Vietnamese market to tap on the booming high-technology industrial parks that are rapidly growing in major cities such as Ho Chi Minh City and Hanoi.</p> <p>On 27 November 2006, WZSB was awarded a tender to purchase cut-to-size steel products directly from a steel mill. Following this, WZM resumed operations in December 2006 to principally take on the trading in and processing of cut-to-size steel products.</p>
2007	In September 2007, WZSB received the Golden Bull Award 2007.

##### 4.2.14 Production / Operating Capacities and Output

There are a total of seven (7) existing production lines in our Group. Three (3) production lines operate 24 hours daily throughout the week with an average of two (2) production shifts per day, while, the other four (4) production lines operate 12 hours daily throughout the week with an average of one (1) production shift per day. In total, the existing seven (7) production lines have a combined capacity of approximately 1,500 tonnes to 1,800 tonnes per month, depending on various product specifications. The actual output will also depend, to a large extent, on the dimensions of the product manufactured, as well as the quality and precision levels required by customers. WZSB's production output has been increasing steadily over the years especially during the FYE 2003, with almost double the production output as compared to the previous year as a result of the addition of a new line commissioned in 2003.

Based on the estimate of our Management, there are no constraints on our Group's current production facilities and expects to increase our current maximum operating capacity from 1,500-1,800 metric tonnes per month (inclusive of the machinery purchased and completely installed in October 2007) to 1,800-2,100 metric tonnes per month. Our Group strives to ensure continuous R&D efforts to enhance the consistency of product quality in terms of high precision levels, to reduce rates of rejection, as well as to improve overall production efficiencies through reducing production time and increasing output capacity.

##### 4.2.15 Location of Business

###### (a) Principal Assets

The land and buildings of WZRB Group are set out in section 8.1 of this Prospectus.

###### (b) Production Facilities

Our Group's production machinery are predominantly sourced overseas from Europe and Japan (including second hand machineries). Foreign technical know-how is provided by machine vendors to assist in setting up the machinery and to perform test runs at WZRB's production facility.

A list of the machines and equipment used in the production process as at 2 November 2007 is listed as follows:

## 4. INFORMATION ON OUR GROUP (Cont'd)

Type of Machinery / Equipment	No. of units	General Description of the Functions of the Machines
<b><u>Mechanical Handling</u></b>		
Forklift	2	Loading and Unloading of goods
Overhead Crane	15	Transport of goods within production area
Transformer	2	Electrical device for changing voltage of alternating current from 415V to 220V
Air Compressor	3	For supply of compressed air
Water Pump	2	To pump water
Weigh Bridge	2	Platform with a roadway for weighing vehicles carrying goods
Floor Scale	1	For weighing goods
Lorry	8	For delivery of goods
<b><u>Production Process</u></b>		
Pickling Tank	1 set	Comprise 3 fibreglass tanks for coil pickling process
Welding Machine	1	To fabricate tooling
Butt Welder	2	To join wire rod coil to another wire rod coil tail (joining of raw material coils to enable continuous feeding of wire rods into drawing machines)
Drawing Machines	7	For production of CD Bars
Single Deck Continuous Wire Drawing Machine	1	To convert hot-rolled wire rods into CD wire
Inverted Vertical Wire Drawing Machine	1	To convert hot-rolled wire rods into CD wire
Cutting/Shearing Machines	2	Cutting/Shearing for steel products
Chamfer Machines	3	For cutting a bevel or slope at the edge of CD Bars to reduce its sharpness
Straightening Test Machines (Dial Gauge/Indicator)	4	For testing of straightness of CD Bars (one (1) in each production line)
Trouble-shooting Computer (industrial computer)	1	Simatic Step 7 (S7) programme
Centreless Grinding Machine	1	To grind steel rods to achieve surface smoothness by outer diameter removal of –approximately 20 – 30 microns
Bend Sawing Machine	2	To saw steel products
NC Sawing Machine	1	Semi-auto cold saw machine
Demagnetizer	1	To demagnetise finished CD Bars
Rotary Straightening System	1	To enhance the straightening process
<b><u>Shearing Machine</u></b>		
NC Plate Shearing Machine	1	Shearing of steel plate (size 1mm – 6 mm)
Multiple Shearing Machine	1	Shearing, notching, punching & bending of various steel products such as angle, flat bars, round bars, channel, etc.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Type of Machinery / Equipment	No. of units	General Description of the Functions of the Machines
<b><u>Maintenance Equipment</u></b>		
Lathe	2	Steel and alloy turning parts
Milling	1	For steel and alloy milling

##### (c) Principal Place of Business

Our Group currently operates from three (3) locations. Our headquarters is located at Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, a piece of freehold land of 7,308.63 square meters (net usable area). It comprises a 3½ storey office block with an annexed single storey detached warehouse and other structures. Our headquarters houses the corporate operations of WZRB Group (including the administrative, finance, sales and marketing), as well as provide storage facilities for WZRB's finished goods.

Our manufacturing plant is located at Lot 1850, Jalan KPB 10, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan. This comprises a piece of freehold industrial land of 9,493.91 square meters (net usable areas). It comprises a two single storey detached factories, a maintenance office, TNB sub-station and transformer room, male and female toilets.

Our new warehouse is located at Lot 1882, Jalan KPB 9, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan. This comprises a piece of leasehold industrial land of 7,188.42 square meters (net usable areas). It comprises a single storey detached warehouse and refuse chamber.

As at 2 November 2007, the building plans in respect of the newly completed buildings erected on the Lot 1882, Jalan KPB 9, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan have been approved and application of CF has been submitted on 24 September 2007 and is currently pending the issuance of CF.

##### (d) Marketing and Distribution Network

Most of our Group's customers are sourced through "word of mouth" or by referrals from satisfied customers and suppliers. Our Group's Management, together with a sales & marketing team of nine (9) personnel, has been closely involved in the marketing activities and strategy formulation of our Group in identifying potential customers. Upon identifying the target customers, marketing visits would be conducted to determine the types of end-products that are required by the customers based on detailed understanding of the potential customers' manufacturing environment, as well as the end-applications of the products manufactured by these customers. Customised products are then developed based on the specifications of the respective customers.

The direct contact and regular marketing visits approach generate close rapport and trust with the customers and allow our Group to generate long term working relationships with the customers. Our Group has an established network of more than 500 customers, both locally and overseas, to market our Group's superior quality products. Our Group's receipt of the annual Golden Bull Award had given the added publicity that could be more effective than advertisements as it creates awareness of our Group's existence and recognition among industry players.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.2.16 Major Customers

Based on our Group's proforma results for the three (3) FYE 30 April 2007 and the three (3)-month FPE 31 July 2007, the major customers of our Group (i.e individual customers contributing 10% or more of turnover) are as follows: -

	Name	Country	Sales		Years of Relationship	Product(s) Sold
			RM'000	%		
<b>FYE 30 April 2005</b>						
1.	Innovalues Precision (Kluang) Sdn Bhd	Malaysia	2,045	3.6%	6	Free-Cutting Polished Shafts
<b>FYE 30 April 2006</b>						
1.	Innovalues Precision (Kluang) Sdn Bhd	Malaysia	2,674	4.2%	7	Free-Cutting Polished Shafts
2.	Pembinaan DGE Sdn Bhd	Malaysia	1,907	3.0%	1	Other Steel Products
<b>FYE 30 April 2007</b>						
1.	Innovalues Precision (Kluang) Sdn Bhd	Malaysia	7,426	10.0%	8	Free-Cutting Polished Shafts
2.	Pembinaan DGE Sdn Bhd	Malaysia	5,559	7.5%	2	Other Steel Products
<b>3-month FPE 31 July 2007</b>						
1.	Pembinaan DGE Sdn Bhd	Malaysia	2,582	14.3%	3	Other Steel Products
2.	Innovalues Precision (Kluang) Sdn Bhd	Malaysia	963	5.4%	9	Free-Cutting Polished Shafts

Currently, our Group has more than 500 customers and is not overly dependent on any major customer. Most of our Group's customers order through purchase orders. Our Group offers value-added services in the form of technical consultation with customers to develop solutions in order to achieve high precision and quality products that are tailored according to customers' requirements and specifications. These are aimed at complementing the sales of our customised precision CD Bars.

Based on above, only Innovalues Precision (Kluang) Sdn Bhd, a subsidiary of a listed company in Singapore, and Pembinaan DGE Sdn Bhd contributed more than 10% of our Group's turnover.

Our Group has a broad customer base and these customers have generally fostered long term business relationships with our Group. Our Group is viewed as an established player in the CD Bars manufacturing industry, hence giving our Group an added advantage to service customers from a wide spectrum of SMIs within the engineering supporting industry. With a broad customer base that provides vast opportunities for market expansion, our Group is not solely dependent on any particular customer for business and therefore, has no significant credit risk concentration that may arise from exposure to a single debtor or to groups of debtors.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.2.17 Major Suppliers

Based on our Group's proforma results for the three (3) FYE 30 April 2007 and the three (3)-month FPE 31 July 2007, the major suppliers of our Group (i.e individual suppliers contributing 10% or more of purchases) are as follows: -

	Name	Country	Purchases		Years of Relationship	Product(s) Supplied
			RM'000	%		
<b>FYE 30 April 2005</b>						
1.	Corus International Trading Limited ("Corus")	Hong Kong	8,899	16.6%	1	Free-Cutting Wire Rods
2.	Amsteel Mills Marketing Sdn Bhd ("Amsteel")*	Malaysia	8,174	15.2%	11	Carbon Steel, Free-Cutting Wire Rods and Other Steel Products
3.	Alpine Pipe Manufacturing Sdn Bhd ("Alpine")**	Malaysia	3,701	6.9%	11	Steel Products
4.	Viraj Profiles Limited ("Viraj")	India	1,423	2.7%	1	Stainless Steel
<b>FYE 30 April 2006</b>						
1.	China Steel Global Trading Corporation ("China Steel")	Taiwan	6,324	13.6%	1	Carbon Steel, Free-Cutting Wire Rods
2.	Corus	Hong Kong	5,726	12.3%	2	Carbon Steel, Free-Cutting Wire Rods
3.	Amsteel*	Malaysia	4,190	9.0%	12	Carbon Steel, Free-Cutting Wire Rods and Other Steel Products
4.	Alpine**	Malaysia	3,781	8.1%	12	Steel Products
5.	Viraj	India	1,060	2.3%	2	Stainless Steel
<b>FYE 30 April 2007</b>						
1.	Corus	Hong Kong	14,298	23.4%	3	Carbon Steel, Free-Cutting Wire Rods
2.	Alpine**	Malaysia	9,650	15.8%	13	Steel Products
3.	Amsteel *	Malaysia	9,341	15.3%	13	Carbon Steel, Wire Rods and Other Steel Products
4.	China Steel	Taiwan	3,808	6.2%	2	Carbon Steel, Free-Cutting Wire Rods
5.	Viraj	India	1,751	2.2%	3	Stainless Steel

#### 4. INFORMATION ON OUR GROUP (Cont'd)

	Name	Country	Purchases		Years of Relationship	Product(s) Supplied
			RM'000	%		
<b>3-month FPE 31 July 2007</b>						
1.	Corus	Hong Kong	5,459	31.4%	4	Carbon Steel, Free-Cutting Wire Rods
2.	Amsteel*	Malaysia	2,030	11.7%	14	Carbon Steel, Free-Cutting Wire Rods and Other Steel Products
3.	Alpine**	Malaysia	1,924	11.1%	14	Steel Products
4.	Viraj	India	1,736	10.0%	4	Stainless Steel
5.	China Steel	Taiwan	-	-	3	Carbon Steel, Free-Cutting Wire Rods

Notes:

\* - A 99%-owned subsidiary of Lion Industries Corporation Berhad (public company listed on the Main Board of Bursa Securities)

\*\* - Wholly owned subsidiary of Hiap Teck Venture Berhad (public company listed on the Main Board of Bursa Securities)

(Source: Management of WZRB)

Our Group has at least two (2) suppliers for the sourcing of any one (1) type of raw materials so as not to be excessively reliant on any one (1) single supplier for any particular product. Apart from Corus, Amsteel and Alpine, none of our Group's suppliers individually contribute more than 10% of our Group's purchases for the FYE 30 April 2007. Although our Group has other wire rods suppliers such as Corus and China Steel, the more than 10-year relationship with Amsteel is expected to continue to provide mutual benefits in terms of raw materials sourcing. Combined, these top three (3) suppliers contribute approximately 40% of our Group's total purchases for the FYE 30 April 2007 and our Group is confident that based on the length of relationship established with them, disruption to our Group's raw material supply without prior consultation is minimal.

Other suppliers comprise mostly hardware merchants who operate principally as stockists (importer and exporter) of a wide range of steel products. Most of them are established local distributors of carbon and stainless steel products such as bars and rods, tubes and pipes, angles and flats, beams and columns, sheet piles, etc. These products are generally used as hardware steel materials and can also be widely found in industrial uses such as engineering of precision parts & components, machine & equipment manufacturing. Major suppliers of these other steel products include Alpine Pipe Manufacturing Sdn Bhd, Prestar Steel Pipes Sdn Bhd and Ann Yak Siong Hardware Sdn Bhd.

#### 4.2.18 Brand names, Patents, Trade Marks, Technical Assistant Agreements, Franchises and Other Intellectual Property Rights

Our Group does not have any brand names, patents, trade marks, technical assistant agreements, franchises and other intellectual property rights.

#### 4.2.19 Seasonal of cyclical factors

Our Group's sales of CD Bars experience a slight surge in demand towards the festive seasons during year-end, with relatively higher sales recorded during the period from August to October. This pattern in sales trends has been observed over the past few years, primarily resultant from the increased demand for Office Automation products within the general consumer market. Another possible factor contributing to this surge in demand towards year

#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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end could be the need to ramp up production in preparation for the year end manpower shortage experienced by the engineering supporting industries during the holiday seasons, in conjunction with the Hari Raya, Christmas and New Year festivities.

Due to the consumption of secondary steel products by the engineering supporting industry and a broad range of consumers from all sub-sectors such as machining and engineering parts and components manufacturing, overall demand for these products is fairly stable and is not materially affected by any distinctive peak or off-peak seasons.

##### 4.2.20 Industrial, Commercial and Financial Contracts/Agreements

Save as disclosed below, there are no material agreements or contracts (including informal arrangement or understanding or understandings) as at 2 November 2007 which have been entered into by our Group that are in subsistence and which our Group is highly dependent.

Sales contract between Alpine Pipe Manufacturing Sdn Bhd (“Seller”) and WZSB (“Buyer”) dated 27 November 2006 for the sale of raw materials with effect from 27 November 2006 to 26 November 2007. The Buyer has the option to extend the contract for a further term subject to compliance and observation of all the other terms and conditions under this agreement.

#### 4.3 SUBSIDIARIES

##### 4.3.1 WZSB

###### (a) History, Background, Principal Activities and Products/Services

WZSB was incorporated in Malaysia on 17 February 1992 under the Act as a private limited company under its present name. It commenced operations on 17 February 1992.

WZSB is principally involved in the manufacturing and processing of cold drawn bright steel and other steel products. WZSB is the largest contributor to the turnover and earnings of our Group. Please refer to the following sections of the Prospectus for:-

- (i) The evolution of the business of WZSB from an iron and steel trading company into one of a leading manufacturers of precision CD Bars in Malaysia (under Section 4.1.1 of this Prospectus); and
- (ii) Products manufactured by WZSB (under Section 4.2.2 of this Prospectus).

###### (b) Substantial Shareholders

WZSB is a wholly-owned subsidiary of WZRB.

###### (c) Share Capital

The authorised share capital of WZSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM1,350,012 comprising 1,350,012 ordinary shares of RM1.00 each.



#### 4. INFORMATION ON OUR GROUP (Cont'd)

The changes in WZSB's issued and paid up share capital since incorporation are as follows: -

Date of allotment	No. of shares allotted	Par value (RM)	Type of consideration	Total issued and paid up share capital (RM)
17.02.92	6	1.00	Subscriber's Shares	6
30.04.92	500,000	1.00	*Other than cash	500,006
10.08.95	500,006	1.00	**Other than cash	1,000,012
30.12.04	350,000	1.00	Cash	1,350,012

Notes:-

\* Allotment of shares as swap for RM500,000 worth of stock in trade of Syarikat Perniagaan Eng Seng.

\*\* Capitalisation of retained profits of RM500,006.

**(d) Subsidiary/Associated Corporations**

WZSB does not have any subsidiary or associated corporations.

#### 4.3.2 WZT

**(a) History, Background, Principal Activities and Products/Services**

WZT was incorporated in Malaysia on 27 May 1996 under the Act as a private limited company under its present name. It commenced operations on 27 May 1996.

WZT was established to create a one-stop supply centre for various iron and steel related products and to take over the trading activities of WZSB. This enabled our Group to provide a wider range of products to meet the needs of both existing and new customers, and to enable our Management of WZSB to focus on the core manufacturing activities and R&D in the production of quality and precision CD Bars.

**(b) Substantial Shareholders**

WZT is a wholly-owned subsidiary of WZRB.

**(c) Share Capital**

The authorised share capital of WZT is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM1,040,002 comprising 1,040,002 ordinary shares of RM1.00 each.

The changes in WZT's issued and paid up share capital since incorporation are as follows: -

Date of allotment	No. of shares allotted	Par value (RM)	Type of consideration	Total issued and paid up share capital (RM)
27.05.96	2	1.00	Subscriber's Shares	2
16.12.96	1,000,000	1.00	Cash	1,000,002
16.04.98	40,000	1.00	Cash	1,040,002

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**4. INFORMATION ON OUR GROUP (Cont'd)**

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**(d) Subsidiary/Associated Corporations**

WZT does not have any subsidiary or associated corporations.

**4.3.3 WZM**

**(a) History, Background Principal Activities and Products/Services**

WZM was incorporated in Malaysia on 17 August 1995 under the Act as a private limited company under its present name. It commenced operations on 17 August 1995 and ceased operation in January 2002. WZM recommenced operations of trading in and processing of cut-to-size steel products in December 2006.

**(b) Substantial Shareholders**

WZM is a wholly-owned subsidiary of WZRB.

**(c) Share Capital**

The authorised share capital of WZM is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM2 comprising 2 ordinary shares of RM1.00 each.

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Par value (RM)</b>	<b>Type of consideration</b>	<b>Total issued and paid up share capital (RM)</b>
17.08.95	2	1.00	Subscriber's Shares	2

**(d) Subsidiary/Associated Corporations**

WZM does not have any subsidiary or associated corporations.

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#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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#### 4.4 INDUSTRY OVERVIEW AND OUTLOOK

##### 4.4.1 Overview and Outlook of the Asian Economy

In the East Asia and Pacific region, growth, led by China, was once again very strong. While efforts to contain investment and credit growth in some sectors moderated the pace of the expansion toward midyear, it has since picked up. Growth in other countries in the region strengthened, in part because of a relaxation of monetary policy in several countries following the successful dampening of emerging inflationary pressures.

Countries in the region have continued to benefit from strong inflows of foreign direct investment (FDI), with the bulk of FDI going to China. Nevertheless, FDI inflows were down for the year, having been partially replaced by larger equity and portfolio inflows, with the region attracting more than half of all portfolio flows to developing countries. Net capital inflows to East Asia totaled \$167 billion in 2006, unchanged from 2005.

South Asia also recorded vigorous GDP growth in 2006, propelled by strong exports and burgeoning domestic demand, caused in part by low real interest rates and strong capital and remittance inflows. Central banks in the region reacted to strong growth and rising inflation by increasing nominal interest rates. However, real rates remain negative or close to zero in several countries.

Net capital inflows to the region reached \$40.1 billion (3.6 percent of GDP) in 2006, with most of the funds going to India. Net private debt flows were responsible for more than 100 percent of the \$11.8 billion dollar increase, as prepayment of public sector debt reduced the overall total. FDI was up (particularly in the Indian service sector, in response to new legislation), as were FDI outflows from India, which reflected an increase in cross-border merger and acquisition purchases by Indian companies, mainly in advanced economies. Portfolio inflows fell by more than the increase in net FDI, causing net equity flows to decline, although they still represent almost 60 percent of net private inflows to the region. Despite a sharp increase in the dollar value of reserves, import cover declined, as a result of exchange rate movements and robust increases in import volumes.

In Japan, vigorous growth in developing East Asia, strong business confidence indicators, and reduced drag from corporate consolidation are expected to help maintain growth at 2.3 percent in 2007. Very low interest rates are projected to sustain investment and industrial production as the main drivers of the economy, while tightening labor market conditions should boost consumer demand, permitting the economy to accelerate to a 2.4 percent annual pace in 2008. Still-modest consumer demand is expected to bolster Japan's current account surplus in 2007. As private spending increases in 2008 and 2009, however, the current account surplus is projected to ease toward 3.1 percent of GDP by 2009. The recent return to positive inflation is expected to persist, allowing short-term interest rates to gradually rise to about 2 percent by the end of 2008.

*(Source: <http://www.worldbank.org>)*

##### **Overview and outlook of Malaysian Economy**

The Malaysian economy continued to be on a steady growth path, with real GDP expanding by 5.7% in the second quarter of 2007 (1Q: 5.5%). Private sector activity remained resilient in the second quarter. The increased public sector spending provided added support to the growth. Sustained strong performance in the services sector and higher activities in the mining and construction sectors supported the growth in the second quarter.

#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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The services sector, which grew by 9.2% in the second quarter (1Q: 9.7%), continued to benefit from increased finance and business activity as well as favourable stock market performance and increased demand for computer and professional services. Meanwhile, the wholesale and retail trade, accommodation and restaurant sub-sector recorded a higher growth during the quarter due to strong spending by domestic consumers as well as robust tourism activities. Growth in the transport, storage and communication sub-sector was also higher during the quarter led by strong growth in both the transportation and telecommunications segments. The construction sector expanded further during the quarter (4.8%; 1Q: 4%), underpinned by the commencement of new projects under the Ninth Malaysia Plan and further supported by activities in the non-residential sector. In the mining sector, growth of 7.7% (1Q: -0.6%) was supported by higher output of both crude oil and natural gas. Output of natural gas increased strongly during the quarter, supported by rising demand from domestic electricity producers as well as external demand for liquefied natural gas, particularly from Japan and Korea.

Domestic demand expanded strongly in the second quarter (10.8%; 1Q: 8.7%), supported by private sector activity and continued increase in public investment spending. Private consumption expenditure was stronger, (13.1%; 1Q: 8.6%), supported by the steady increase in disposable income and stable employment market conditions as well as stronger commodity prices. In addition, the favourable performance of the stock market reinforced consumer sentiments during the quarter.

Going forward, the global economic expansion is expected to be sustained at above 4% in 2007. Despite the moderation in the US economy and ongoing uncertainties such as high oil prices and unstable conditions in the financial markets, favourable growth momentum in the European and Asian regions would sustain global growth over the near term. The recent turmoil in the US subprime mortgage and credit markets have so far been confined to the financial markets. While the financial markets can be expected to experience continued volatility, the strong fundamentals prevailing in Malaysia would continue to support the steady growth momentum of the Malaysian economy.

*(Source : "Economic and Financial Developments in Malaysia in the Second Quarter of 2007, Bank Negara Malaysia, 29 August 2007")*

##### 4.4.2 Manufacturing and E&E Sector

Value-added growth in the manufacturing sector registered a positive growth of 1.5% in the second quarter of 2007 (1Q: 2%) reflected the increase in production by domestic-oriented industries, while the export-oriented industries was affected by weakness in external demand for electronic products, particularly from the US market.

Output of export-oriented industries declined during the quarter (-1.7%; 1Q: -0.2%), mainly weighed down by the weakness in the E&E industry (-6.2%; 1Q: -5.5%). The weakness was evident in the computer and parts segment arising from the subdued demand, particularly from the US. However, production of semiconductor components experienced a modest increase following an increase in demand from the non-US regions.

Meanwhile, the chemical and chemical products industry recorded a moderate growth during the quarter due to normalization in output of plastic products after strong increases seen in the previous quarters. The industry was supported by growth in other segments, namely industrial gasses and construction related plastic products.

Production of domestic oriented industries was higher (9%; 1Q: 4.8%), supported by favourable domestic demand. Non-metallic mineral, and iron and steel products benefited from the improvement in domestic construction activities, expanding by 11.3% and 18.6% respectively (1Q: -2% and 12.9% respectively).

#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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In contrast, the transport equipment industry remained weak for the fourth successive quarter due to the spillover effects from the lackluster second hand car market and the demand for new vehicles. Overall, the manufacturing sector was operating at the capacity utilisation rate of 75% in the second quarter of 2007 (1Q: 75%), with both export- and domestic-oriented industries averaging 76% and 71% respectively (1Q: 77% and 67% respectively).

Growth in manufacturing exports was subdued as a result of lower E&E exports. The decline in the export earnings of electronic products (-6.7%; 1Q: -2%) was attributed to lower demand for computers and parts, particularly from the US market and falling global prices of semiconductors. Exports of electrical products were also affected by transition by some manufacturers from lower-end products such as the cathode ray tube televisions and radios to higher value added audio-visual products. In contrast, exports of resource-based products remained strong, mainly supported by chemicals, petroleum and food products as well as furniture and parts.

Malaysia's exports to the regional countries (excluding Japan) slowed down to 0.2% (1Q: 1.3%) in line with weak external demand for E&E products. The exports share, however, remained large at 44.3%. The export performance was driven mainly by PR China, Indonesia and Korea, underpinned by the demand for resource-based products such as petroleum-related products, chemical and rubber products. In the second quarter of 2007, exports to PR China, Indonesia and Korea expanded by 18%, 18.6% and 14.1%, respectively.

*(Source : "Economic and Financial Developments in Malaysia in the Second Quarter of 2007, Bank Negara Malaysia, 29 August 2007")*

#### 4.4.3 Overview of the Malaysian Steel Industry

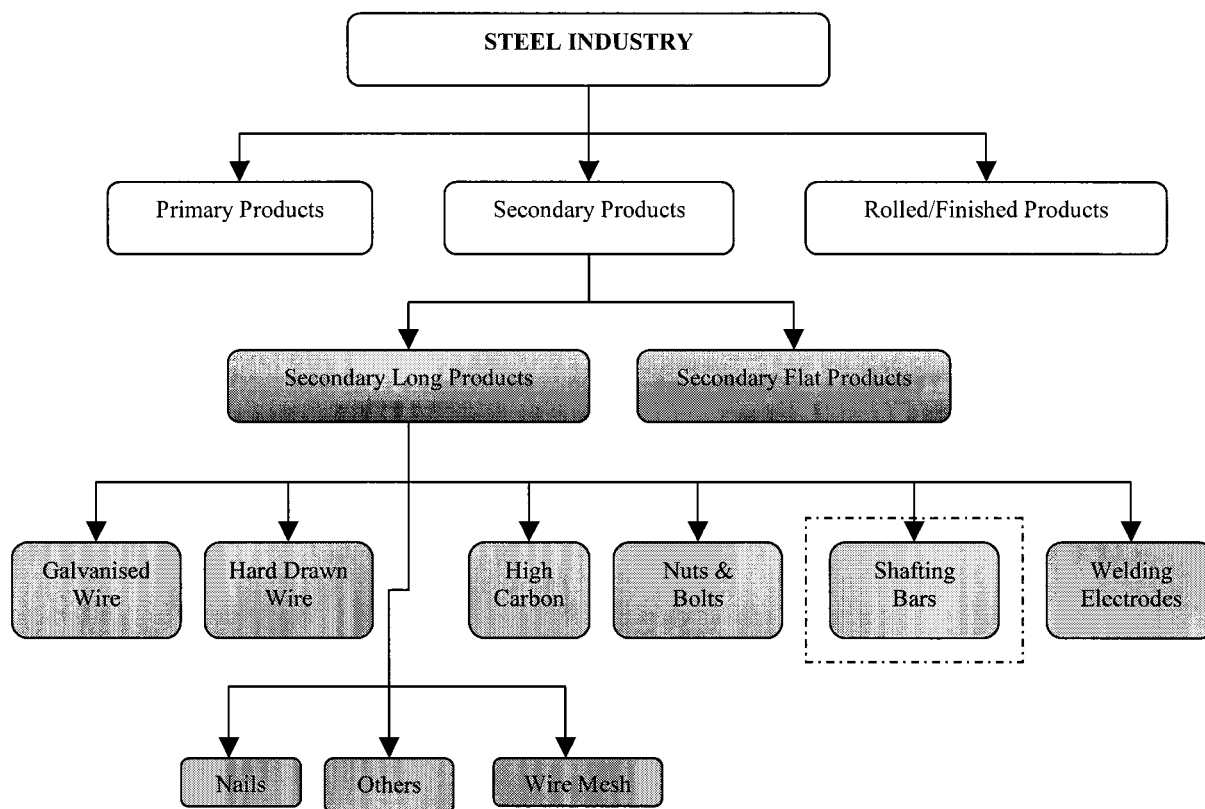
##### **Industry Background and Definition**

The history of the Malaysian iron and steel industry can be traced back to the 1930s when various cast iron products were produced for the tin mining and rubber processing industry. From producing gravel water pumps and parts, dredge mining components and rubber machinery parts, the iron and steel industry has evolved tremendously with the local production of direct reduced iron, billets, blooms, ingots, sections, flat products, hot-rolled coils, cold-rolled coils, etc. The evolution of the Malaysian iron and steel industry was driven primarily by the need to reduce expensive steel imports as well as the booming construction and property sectors. Today, the Malaysian iron and steel industry is a multi billion Ringgit industry which supports, among others, the manufacturing and construction industries of Malaysia, and continues to play a critical role in the further development and advancement of the Malaysian economy.

The Malaysian Steel industry can be classified into three (3) main product groups, namely primary products, secondary products, and rolling/finished products. The Group's CD bars fall under the second product group.

4. INFORMATION ON OUR GROUP (Cont'd)

The structure of Malaysia's secondary steel products markets is as follows:-



Note:-

WZRB is principally involved in the manufacturing of precision CD bright steel products under the Shafting Bars category.

The secondary steel market is one of three distinct product groups under Malaysia's steel industry classification, the other two being primary products and rolling/finished products. The secondary steel market is further categorised into secondary long products and secondary flat products. The product types under the secondary long products category are as follows:

- Galvanised wire
- Hard drawn wire
- High carbon
- Nuts and bolts
- Shafting bars
- Welding electrodes
- Nails
- Wire mesh
- Others

(Source: Dun & Bradstreet (D&B) Malaysia Sdn Bhd)

#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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##### 4.4.4 Future Growth/ Prospects of our Group in Light of Industry Prospects

The following information was extracted from the IMRR prepared by Dun & Bradstreet (D&B) Malaysia Sdn Bhd.

###### 4.4.4.1 Changing Office Automation Trends

In the corporate world, the accelerating expansion of digital and network technology into daily operations has clearly highlighted the urgent need to utilise office automation to meet operational efficiencies, cost-savings and optimal output results. Various types of office equipment such as digital copiers, laser printers, scanners, multifunctional devices (such as all-in-one printers) and facsimile machines, of which were previously viewed as standalone machines, are now becoming integral components of the Information Technology infrastructure.

The trend towards colourisation and digitalisation is now progressing more rapidly with the introduction of faster, cheaper, more sophisticated office automation products that reliably deliver better quality output. With changing customer needs, the demand for on-line digital printers, scanners, paper copiers and facsimile machines, has accelerated the manufacturing of network digital multifunction devices in both the corporate and domestic environments. These multifunction devices are capable of integrated management of all kinds of information communication, which helps meet customers' need for cost reductions.

In line with digital networking, leading manufacturers of copiers and printers, such as Canon, Ricoh and Xerox are tapping into the growing digital imaging market and expecting growth opportunities to stem primarily from the replacement of analogue and monochrome office machines with digital and colour models respectively. The sale of printers in Malaysia, for example, is expected to more than double to reach RM18 billion by 2011 as compared to 2006. This fast-growing market for office automation products will provide the impetus for manufacturers of CD Bars to continuously improve production processes and fulfil stringent quality requirements through technological enhancement. Thus the recent office automation development trends will drive companies such as the WZRB Group towards achieving higher productivity, profitability and product acceptance within the precision machining sub-sector of the engineering support services.

###### 4.4.4.2 Increasingly High Precision and Quality Standards

The current precision machining companies these days are required to utilise sophisticated and high accuracy measuring instruments in order to meet the high precision specifications of customers. The turned components produced from conventional machining are less complex and differ in terms of production process, types and sizes which do not require high technical knowledge whereas the precision machining sub-sector is composed of a selected number of players in which they have achieved a high level of technical competency to produce parts that adhere to international standard requirements, for example, choice of material, high tolerances and surface finishing requirements.

Currently, there are over 150 companies in operation, providing specialised precision machining services and general supporting machining services to meet the demands of the local manufacturing industry. Some of these highly integrated machining solution providers have capabilities of working to machining tolerance levels as low as 1 to 5 microns, turning diameters from as low as 1mm to 550mm, and milling capabilities on product sizes of up to 0.6 m<sup>3</sup>. Steel bar applications in automotive engines and high-strength shafting, gears and drive mechanisms, for instance, must

#### **4. INFORMATION ON OUR GROUP (Cont'd)**

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meet stringent requirements for micro-cleanliness and machinability, in addition to tightly controlled chemistry and hardenability. With such increasingly elevated precision machining standards, established CD Bar manufacturers such as the WZRB Group are well-positioned to benefit from the increasing demand for high precision CD Bars which meet international standards.

##### **4.4.4.3 Demand from Broad-Based Manufacturing Industries**

Basically, the precision machining sub-sector within the engineering supporting industry is led by continuous growth in the manufacturing sector in the E&E sector, equipment (medical devices, flow process control equipment, measuring instruments and other machinery) and automotive parts & components sectors. Growth in the manufacturing sector strengthened in 2006, underpinned by the continued upturn in the global electronics cycle which began in the second half of 2005. Overall, the manufacturing sector recorded a growth of 7.1% in 2006 and is expected to grow 3.1% in 2007. Due to the diverse customer range and industries that precision machining companies can service, there are opportunities for these players to tap into by utilising their capabilities. Overseas investments in the manufacturing sector were led by companies in the E&E and petroleum industries.

##### **4.4.4.4 Development in Application Markets**

Currently, a major portion of the manufacturing sector is moving towards automation and high-end fabrication to serve high technology industries and these have prompted companies within the sectors to manufacture high precision components and parts which require precise and accurate measurements. In tandem with this, the engineering supporting industry is expected to seize better opportunities from the growth of the manufacturing sectors especially the high technology industries such as aerospace and medical equipment industries.

The CD bright steel polished shaft manufacturing industry is closely related to the needs and demands of the engineering supporting industry, which in turn supplies machined parts and components, as well as machining services to the E&E, automotive, machinery and equipment ("M&E"), medical and healthcare, aerospace and telecommunications industries. In 2006, a total of 105 projects were approved in the engineering supporting industry, involving investments of RM1.1 billion (2005: 94 projects; RM598.4 million). The rapid development of the local E&E, automotive and machinery manufacturing industries will further expand demand for machined parts and components as well as machining services, which provides favourable market opportunities for the local CD bright steel manufacturers. Within the automotive parts & components sector, applications identified for maintaining steel polished shafts as the material of choice include drive shafts, constant velocity joints, coil springs, torsion bars and fasteners. Potential new applications include connecting rods and crankshafts. Transmission gear sets and rack and pinion steering systems also fall into the category of offering potential for both existing and new CD bright steel polished shafts applications.

##### **4.4.4.5 Development in the ASEAN Automotive Parts & Components Industry**

In line with the earlier mentioned industrial developments, local CD bright steel players such as the WZRB Group are gearing towards market penetration in major end application markets, of which the automotive sector is of primary focus. Among the ten (10) ASEAN countries, only four (4) countries are actively involved in the automotive industry namely Thailand, Malaysia, Indonesia and Philippines. The combined vehicle sales of these ASEAN four (4) big markets exceeded 1.5 million units in 2006, led by Thailand, and followed by Malaysia, Indonesia and the Philippines. This, in turn, would translate into a huge growth potential for the



#### 4. INFORMATION ON OUR GROUP (Cont'd)

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automotive parts & components industry. In addition, there are currently over 1,700 automotive parts & components suppliers in ASEAN, of which majority are based in Thailand and Malaysia.

There are more than 590 component manufacturers, both local and foreign, supplying parts and components to automotive manufacturers/assemblers in Malaysia. The value of automotive component parts and accessories manufactured in Malaysia was reported at over RM5.25 billion in 2006. Automotive components include E&E components, plastic parts, metal parts, parts for air conditioning, cables and wire harness. Generally, the local companies have demonstrated their responsiveness to the industry by venturing into manufacturing a broad range of components for both domestic and export automotive components markets.

The global light vehicle assembly market is expected to grow from 65.2 million units in 2006 to 77.6 million units by 2014, representing a 19.1% increase over the next eight (8) years. The largest contribution to overall growth is expected to come from China, India and other emerging markets, which is expected to account for more than a third of the growth in vehicle assembly at the end of the same period. Within the automotive components industry, opportunities abound for established companies in the South East Asian region, as rising stringency boosts requirements for special, consistent and reliable quality-processed steel bars for the safety-critical end-products such as transmission and engine components, as well as suspension springs. Continuous growth will bring tremendous opportunities to the Group as well as the other supporting players serving the automotive markets.

##### 4.4.4.6 Trends Towards Outsourcing in the Manufacturing Sector

There is a growing trend by businesses to focus on their core competencies through outsourcing part or the entire manufacturing processes and services to enhance efficiency and gain competitive edge. The continued presence of major MNCs has benefited the E&E industry, in terms of technological progress and skills development. It has also encouraged the development of locally owned support industries and outsourcing activities, in the supply of equipment, materials, parts and components, and dedicated services.

With increasing pressure to lower cost, the move towards outsourcing of certain critical manufacturing processes is becoming an increasing viable option. In the US and Europe, outsourcing is an acceptable alternative and many manufacturers are turning towards Asia as the solution to lower manufacturing cost. Coupled with skilled labour in countries like Malaysia, Thailand and Singapore, Asia is becoming a popular destination. This is largely due to the low labour and production cost. As a result, the price of the end-products is more competitive if compared to those manufactured in the US or Europe. With increased cost in R&D and intensive competition in the precision tooling and parts machining sector, many large office automation parts and computer components manufacturing companies are exploring possibilities to reduce cost by outsourcing sub-process activities especially those relating to superior quality and high precision CD Bars used for the manufacturing of office automation parts. This will create a large potential for companies like the WZRB Group to explore and expand into.

In addition, Malaysia has been a strategic location compared to other low-cost producing countries in terms of higher quality output and manufacturing facilities which have attracted or retained MNC OEMs in the country. These OEMs usually seek high quality, efficient delivery and facilities to facilitate value-added services. This trend will bring opportunities to local contract manufacturers, and their related materials suppliers, in servicing these OEMs abroad and/or locally.

#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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##### 4.4.5 Industry Players and Competition

Please refer to Section 4.2.7 of this Prospectus.

##### 4.4.6 Laws, Regulations and Initiatives

The laws, regulations and initiatives affecting the iron and steel industry in which our Group operates are as follows:-

The following information was extracted from the IMRR prepared by Dun & Bradstreet (D&B) Malaysia Sdn Bhd.

###### 4.4.6.1 Government Legislations

*Under the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979, effluent refers to either sewage or industrial effluent. In other words, it refers to liquid water or wastewater produced by reason of the production processes taking place at any industrial premises. It also includes liquids containing chemicals in solution. However, any inflammable solvent or any liquids immiscible with water are not permitted to be discharged. The position and design of the point or points of discharge of effluent into any inland waters, including drains shall not be altered or changed without the prior written approval of the Director General of Environmental Quality. In the event of the occurrence of any spill or accidental discharge of the substances which may enter into any inland waters, including drains, the person responsible shall be required, to every reasonable extent, to contain, cleanse or abate the spill or accidental discharge in a manner satisfactory to the Director General.*

*Under the Factory and Machineries Act, 1967, any employees in the factory exposed to a wet or dusty process, to heat or any poisonous, corrosive or other injurious substance which is likely liable to cause bodily injury to them, may be provided with suitable and adequate personal protective clothing and appliances. They include goggles, gloves, leggings, caps, foot wear and protective ointment or lotion. Both the foundations and floors of the factory shall be of sufficient strength to sustain the loads for which they are designed; and no foundation or floor shall be overloaded.*

*The CD Bars manufacturers are subjected to the Occupational Safety and Health Act, 1984 (herein referred to as the "Act" or "OSHA"). This Act is enforced by the Ministry of Human Resources under the Department of Occupational Safety and Health ("DOSH"). Under this Act, the employer has a duty to protect the safety, health and welfare of all his employees.*

###### 4.4.6.2 Government Incentives

*The major incentives for manufacturers in Malaysia are tax-related and/or tariff-related incentives, both direct and indirect, provided under the Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Sales Tax Act 1972 and Excise Act 1976 and Free Zone Act 1990. These acts cover investments in the manufacturing, R&D, training and environmental protection activities.*

*As with other manufacturing sectors, the major incentives for manufacturers of secondary steel products are tax-related ones such as the Pioneer Status, Investment Tax Allowance ("ITA"), and Reinvestment Allowance. Eligibility for Pioneer Status or ITA is based on certain priorities, including the levels of value-added, technology used and industrial linkages. A company granted Pioneer Status enjoys a five (5)-year partial or full exemption from the payment of statutory income tax depending*

#### 4. INFORMATION ON OUR GROUP (Cont'd)

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*on the criteria it had met. A company granted ITA gets partial or full allowance from its qualifying capital expenditure (such as factory, plant, machinery or other equipment used for the approved project) incurred within five (5) years from the date on which the first qualifying capital expenditure is incurred. Companies can offset this allowance against 70% of their statutory income in the year of assessment. Any unutilised allowance can be carried forward to subsequent years. Companies located in the States of Sabah and Sarawak, and the East Coast of Peninsular Malaysia enjoy an allowance of 80% on the qualifying capital expenditure incurred. The allowance can be utilised to offset against 85% of statutory income for each year of assessment.*

##### 4.4.6.3 Government Policies

*Under the Third Industrial Master Plan (“IMP3”), certain key strategic thrusts that, either directly or indirectly, apply to the CD Bars manufacturing industry are highlighted as follows:*

- *Strengthening engineering support industries and support services:  
Measures will be undertaken to strengthen business activities in moulds and dies; iron and steel casting; heat treatment; machining; parts, components, modules and sub-assemblies; test, calibration and certification; R&D, design and development (“D&D”) and other technical support; repair, maintenance, reconditioning and upgrading of M&E; and total business solutions. Special support programmes, in the form of business advisory services and other assistance, will be developed to nurture the SMEs involved in the industry;*
- *Developing Malaysian standards:  
An international standard on safety and quality will be adopted to develop Malaysian Standards for M&E, including parts, components and materials. The standards will be modified to suit the country’s requirements. It will be mandatory for all M&E, whether locally produced or imported, to comply with the Malaysian standards on safety and quality;*
- *Developing a highly skilled workforce:  
Sufficient HRs with the relevant knowledge, competencies and skills will be produced with the support and coordination of various institutions of higher learning, research institutes and technical training centres. The emphasis will be on the areas of engineering design, software development and programming, machine assembly and integration, servicing and maintenance, machining, welding, fabrication and precision casting;*
- *Strengthening institutional support:  
Universities will be encouraged to establish centres of excellence in specific fields in M&E. More collaboration will also be encouraged between public research institutes and institutions of higher learning with the industry, so as to achieve higher coordinated R&D in specific niche areas in M&E. Measures will also be taken to strengthen the existing research and technical centres which undertake R&D activities, including expertise and facilities in the related fields in M&E. The government will also consider the development of a dedicated technical institute to undertake R&D on technology innovations and applications for M&E, including business development and commercialisation. The institute will be equipped with testing, prototyping and incubation facilities. Technical consultancy services will also be offered to the SMEs involved in the industry.*

#### 4. INFORMATION ON OUR GROUP (Cont'd)

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##### 4.4.6.4 International Trade Obligations

*The Malaysian government introduced several measures in March 2002 to assist the domestic producers of the iron and steel industry to meet the challenges brought on by developments in the global iron and steel industry. Some of the key measures were:*

- *Imposition of import duties of up to a maximum of 50% on 199 iron and steel items of hot-rolled coils, cold-rolled coils, electro galvanised, galvanised iron and steel pipes.*
- *Approved Permits required for the importation of all hot-rolled coils, cold-rolled coils, electro galvanised, galvanised iron and steel pipes.*
- *Imports of iron and steel products from ASEAN countries will adhere to tariffs spelt out under the Common Effective Preferential Tariff guidelines.*

*However, import duty exemption is granted whereby:*

- *The material is not produced in Malaysia*
- *Local production is insufficient to meet demand*
- *Local producers are not able to produce specific requirements*

*The Government felt that there was a need to ensure that the iron & steel industry, a strategic capital intensive industry, was safeguarded by providing some measures to protect the domestic manufacturers from dumping practices of producers from other countries.*

##### 4.4.6.5 International Codes and Standards

*Standards are documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, products, processes and services are fit for their purpose. Industry-wide standardisation results from consensus agreements reached between all economic players in that industrial sector, comprising the suppliers, users, governments and other stakeholders. They agree on the specifications and criteria to be applied consistently in the choice and classification of materials, the manufacture of products and the provision of services.*

*International commerce, exports and imports would be impossible for many industries if different countries had different standards for the same product. International standards for products would result in the same standard set for the same product globally, a fall in production costs and an increase in competition between manufacturers, therefore lowering prices for the end-users. On the other hand, when different countries have their own set of standards for the same products with different requirements, manufacturers in other countries face increased costs if they wish to export to a country with different standards.*

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.4.7 Demand / Supply conditions

CD bright steel shafting bars are primarily used by manufacturers of customized precision turned parts and components for use in various applications such as:-

Product Types	Product Application
Printer, electric typewriter, photocopier, facsimile machine and scanner shafts	Office Automation
Axle shaft (Constant Velocity joint shaft), shock absorber shaft, steering column shaft, armature shaft, transmission shaft, air conditioning shaft and motor shaft	Automotive Components
Air conditioning compressor shaft, motor shaft	Home Electrical Appliances
Hydraulic industrial parts	Oil and Gas Industry

(Source: Dun & Bradstreet (D&B) Malaysia Sdn Bhd)

##### 4.4.8 Substitute Products

In the precision machining sub-sector within the engineering supporting industry, plastics or composites can be alternative raw materials due to their lightweight and flexible characteristics. Plastic parts which replace metal turned parts are generally used in electronics and electrical applications such as home appliances and audio-visual products. However, plastics are not commonly used to replace steel materials in high precision engineering industries such as automotive and office automation equipment sectors. For example, precision turned parts used mainly in flow process control and automotive industries require stringent engineering specifications where plastic materials are not able to meet such requirements. Metal has several advantages in terms of material strength hardness and durability, all of which are vital in order to meet the specifications of certain applications.

(Source: Dun & Bradstreet (D&B) Malaysia Sdn Bhd)

##### 4.4.9 Reliance on and Vulnerability to Imports

Raw materials of certain specifications and higher quality that are required for the production of CD bright steel polished shafts are generally not readily available locally. As a result, majority of the raw materials requirements are met through procuring from foreign countries such as Taiwan, Europe, Japan and the US. These materials, primarily free-cutting wire rods of a more superior grade, are imported in consideration of their high quality and because they are not readily available locally.

The imports of hot-rolled iron or non-alloy steel rods in the form of wound coils doubled to RM114.7 million in 2006 as compared to RM57.4 million in 2005. This stemmed from the rapidly growing local demand for precision quality CD bright steel polished shafts. Albeit the reliance on raw material imports, local CD bright steel polished shaft manufacturers are generally able to import the required raw materials from alternative sources in various countries and are not faced with the risk of supply shortage at any point in time.

(Source: Dun & Bradstreet (D&B) Malaysia Sdn Bhd)

#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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##### 4.5 COMPETITIVE EDGE OF OUR GROUP

To-date, our Group is one of the leading manufacturers of precision CD Bars in Malaysia. Going forward, we aspire to become a major player in the Asia Pacific region. The critical success factors and competitive edge of our Group are as follows:-

###### 4.5.1 External strengths

We are serving the industries that have promising growth. Our precision CD bars are mainly customised to the needs and requirements of its individual customers and the end products applications are typically in the office automation, computer components and automotive segments. Please refer to Section 4.4.4 of this Prospectus for the prospects of our Group in light of industry prospects.

###### 4.5.2 Internal strengths

- (a) **WZRB is a leading player in Malaysia in the niche market segment (Shafting Bars) with potential scalability given the limited local players in the niche market segment in which it operates.**

As stated in Section 4.4.3 of this Prospectus, our Group operates in the niche market segment (Shafting Bars) with potential scalability.

Based on the estimate of the Management of WZRB, our Group is one (1) of the leading local companies which has the capability to manufacture high precision and quality CD bars that cater to a wide spectrum of engineering applications. The exceptionally low defect rates exhibited over the past three (3) to five (5) years are believed to be marginally close to the lowest possible achievable by any manufacturer operating within a similar industry.

*(Source: Dun & Bradstreet (D&B) Malaysia Sdn Bhd)*

With the Listing, our Group aspires to scale to greater heights in our corporate standing towards becoming a major player in the Asia Pacific region. Example of major global players in the industry are Walsin Lihwa Corporation Co. Ltd (Taiwan), Dongbu Steel Co. Ltd (Korea), Akiyama Seiko Ltd (Japan), Camelia Metal Co Ltd (Taiwan). These companies have been in business for many years and have major presence in the Asia Pacific region.

- (b) **High barriers to entry**

The following are barriers to entry for our Group (extracted from the IMRR prepared by Dun & Bradstreet (D&B) Malaysia Sdn Bhd).

###### *High Quality Requirements and Tightly Controlled Product Specifications*

*A significant entry barrier is the high quality and precision requirements that must be met in the manufacturing of CD Bars, especially free-cutting polished shafts used in the machining of office automation parts. CD Bars are manufactured according to the strict and tightly controlled specifications and requirements of customers. Hence, new companies often find great difficulty in penetrating into the market unless they attach themselves to an established foreign-owned steel manufacturer or choose to enter into joint-ventures to obtain the technical know-how and equipment to manufacture such products. Irrespective of the route these companies choose to take, they need to ensure that before their products can be marketed in Malaysia, they need to meet a high standard of quality and gain market acceptance for their products. This can prove to be difficult as the market is being dominated by established players, which have long-term*

#### 4. INFORMATION ON OUR GROUP (Cont'd)

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*relationships with the authorities and a wide network of customers and suppliers. These players also have the experience and technical capabilities to manufacture consistently high precision products which, in turn, lead to low rejection rates from customers. Examples of stringent quality and precision requirements include straightness, diameter accuracy, surface smoothness, surface brightness (shiny appearance), etc, all of which our Group is capable of producing.*

##### *Product Customisation Through Technical Excellence*

*Our Group's in-house Maintenance Department is responsible for regular maintenance activities of production machinery and equipment, and constantly conducts technical studies into the enhancement of production process of CD Bars, catering to differing needs and specifications of individual customers servicing a wide spectrum of end-applications. Our Group has set up its in-house Maintenance Department with the primary objective of conducting R&D to reduce lead-time and production cost, as well as to have greater production efficiency. Specialised equipment used in higher end or more advanced operations of the cold drawing production processes require large capital investments. The ability to integrate our vast experience gained over the past 12 years with technical excellence achieved through the continuously improved manufacturing techniques has further led to the continued growth of our Group's customer base in all the application markets in which it competes.*

##### *Steep Learning Curve*

*There is an observed tendency for unit costs to decline as a manufacturing company gains more cumulative experience in producing a product. Costs decline as production methods are enhanced to increase efficiency, while increased process automation makes manufacturing less dependent on machine operators. Different product composition types are being introduced periodically in a company. At the same time, product improvements in the form of enhancements and modifications need to be carried out. In addition the development of novel and proprietary technologies has enabled certain manufacturers to gain an edge while improvements in manufacturing economies have aided others.*

##### *High Switching Costs*

*In almost all cases, MNCs prefer to remain with a supplier or a group of particular suppliers, as purchasing raw materials comprising various precision tooling and machining components from different suppliers would mean that the former would have to keep a plethora of spare component parts in the plant. Basically, this is due to the different designs offered, and the widely differing technical capabilities demonstrated by each supplier. In other words, a customer will have no incentive to switch suppliers as it would entail a high switching cost. The exception is when the end-user contemplates changing or completely phasing out the entire existing range of products to new ones. Hence, high switching costs on the part of the engineering supporting industries pose a considerable barrier to aspiring entrants into the CD Bars manufacturing industry.*

##### *Established Network of Clientele Base with Strong Industry Reputation*

*The long period of time required in establishing a strong track record in terms of building up relationships with customers, especially with SMEs operating from various backgrounds and established machine makers, can prove daunting to newcomers. It is mutually beneficial for both customers and suppliers to form long-standing relationships once the quality of products and services are accepted and recognised. As the consumers of the E&E and automotive parts & components manufacturing industries demand for higher quality and precision end-products, machining components and parts manufacturers are hard-pressed to procure their raw materials from producers of CD*

#### 4. INFORMATION ON OUR GROUP (Cont'd)

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*Bars that meet the stringent levels of quality control in their production process. Well-established CD Bars manufacturers including the WZRB Group, with their extensive customer base in the machining sub-sector of the engineering support industry, will most likely be the preferred choice. This reputation among end-users and Original Equipment Manufacturers ("OEMs") will be a barrier of entry for many new players to the industry. In addition, manufacturers of office automation products such as facsimile machines, printers, etc provide product warranties to consumers. Therefore, it is crucial that high precision office automation parts such as CD Bars be of high quality from reliable suppliers such as the WZRB Group.*

##### *Capital and Labour Intensiveness*

*Operating in a primarily customer-driven industry, CD Bars manufacturers are constantly faced with the challenge of technical excellence in adopting the latest yet cost-effective manufacturing processes using innovative production machinery and equipment. As a result, a company like WZRB is more capital than labour intensive. An initial set up will entail large capital investments as it would need to establish the production (including quality control) and warehousing facilities. Since incorporation, our Group had invested more than RM40 million in fixed assets over the years, which include the establishment of its production and warehousing facilities.*

*Leading manufacturers of CD Bars invest in high-end operations and large production facilities. For example, in 2003, our Group acquired a new production line comprising a continuous combination of machines that include a fully mechanised pay off turntable for the preparation of wire rod materials, a rotary spinner for the straightening process, hydraulic shearing machine, an in-built Eddy Current Tester, chamfering and anti-rust treatment machines etc. The Eddy Current Tester is a piece of equipment which uses a magnetiser to facilitate ease of surface scanning and the resulting surface quality reading is captured for record purpose.*

*To produce better quality products, especially high precision CD Bars that meet strict dimensional accuracy requirements of customers, industry players invest in advanced machineries that are usually imported from Germany or Japan. Automation of the production processes provides huge benefits in terms of the following:*

- *production cost-savings whereby our Group is able to reduce labour usage hence reducing incidences of human error;*
- *improved efficiencies with higher rate of output;*
- *enhanced product quality with minimal defect and highly precise dimensional accuracy; and*
- *decreased rate of rejection which, in turn, creates a niche market in which our Group has established its reputation as a major local player.*

*In addition, players need to practise sound cash flow management to ensure adequate working capital and the availability of funding through committed credit facilities.*

##### **(c) Strong and experienced Management team**

Our Group is led and managed under the stewardship of our co-founder, Tan Ching Kee, and a group of well-trained and experienced Management staff with the average number of years of service in our Group of 11 years. Our Group has evolved from an iron and steel products trading company into one of the leading manufacturers of CD bars in Malaysia.

Tan Ching Kee has accumulated 29 years of extensive knowledge and experience in the steel trading business, with an overlap of 11 years having been involved in the daily operations and management of precision CD Bars production. As the Managing Director



#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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of our Group, he is responsible for the overall strategic business direction of our Group, developing new target markets locally and abroad. His vast experience in the industry and well-connected network with industry players has enabled him to be well-versed with the intricacies of the steel trade and to develop our Group to its present stage.

Ng Chong Tin, other founder of our Group, has 23 years of experience in the development of sales and marketing strategies based on customers' feedback as well as analysing the changing consumer trends. His vast experience in the steel industry has enabled him to proactively develop sales and marketing strategies to cater to the customers' needs and meet the ever-changing industry trends.

Moving forward as a publicly listed company, our Group anticipates that the dedication of our Group's Management team will continue to be a driver to our Group's growth.

**(d) Recognised high quality & precision products of international standards (ISO:9001: 2000 certified) with the Golden Bull Award for performance, growth potential and achievements**

In October 2004, WZSB was certified as being compliant with ISO 9001:2000 standards. This indicates that WZSB has established the required quality management systems in order to:

- demonstrate its ability to provide, on a consistent basis, products that meet customer and applicable regulatory requirements; and
- address customer satisfaction through the effective application of the system, including continual improvement and the prevention of non-conformity.

Our Group's CD bars are basically intermediary products which require further processing such as machining or forming, to turn it into precision mass-production parts. Its special dimensional accuracy and superior surface quality allow CD bars to be the material of choice used in the mechanical, equipment manufacturing and automotive industries. Some examples of precision mass-produced turning parts include printer, photocopies, facsimile machine, scanner shafts, absorber shafts, piston rods, shafts, gearwheels and various kinds of shaped parts.

The end product applications of our Group's CD bars ranges from major global office automation players HP, Canon, Fujitsu to local car maker EON and Perodua. The acceptance of our Group's CD bars by Japanese MNCs is a testament for the product quality of our Group.

In 2003, 2004, 2005 and 2007, WZSB was awarded with the prestigious Golden Bull Award which is a programme organised annually by Nanyang Siang Pau Sdn Bhd, and provides a platform for Malaysian companies, namely SMEs, to be recognised for our performance, growth potential and achievements that are set against acceptable standards and qualities. In addition, in 2005, WZSB obtained the Small and Medium Business Recognition Award, an award that is organised by the Small and Medium Industries Association of Malaysia with the main objective of promoting the development of Small and Medium Industries in Malaysia.

#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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##### 4.6 FUTURE PLANS AND STRATEGIES OF OUR GROUP

###### 4.6.1 Future Plans

###### 4.6.1.1 Regional Expansion Plan

With the full implementation of the ASEAN Free Trade Area (“AFTA”) and the accession of China to the World Trade Organization (“WTO”), the export sector is expected to face greater challenges, with marginal decline due to stiff competition from low cost producing countries, such as China. Nonetheless, with the enlarged ASEAN market and greater access to China’s domestic market, there will be more business opportunities for Malaysian CD Bar manufacturers to explore, particularly for products for which market segments and niches can be developed. Specifically, CD bright steel products of superior quality that meet high precision requirements are supplied to the machining & engineering support, automotive parts & components manufacturers in Thailand and Indonesia.

Moving forward, Vietnam is of major interests to the Management of our WZRB Group. Our Group aims to capitalise on the rapid growth in global demand for office automation equipment, which has spurred the corresponding growth in precision tooling and machining parts. These parts are produced by original equipment manufacturers (“OEMs”) which, in turn, service the end-user application market that is made up of leading office automation product manufacturers, under brand names such as HP, Epson, Canon and Lexmark.

For the FYE 30 April 2007, our Group has recorded total revenues amounting to RM2.1 million and RM1.6 million for Thailand and Indonesia, respectively. In this aspect, we aim to increase the exports of our bright steel products to these countries in the immediate term.

As a mitigating factor to counter competition as a result of AFTA developments and stay ahead of the precision machining technology, our Group will continuously practise consistent QC procedures, ensure prompt delivery and provide high value-added services especially to cater for the machining of high precision and complex parts. Apart from penetrating into the ASEAN region and exporting our CD Bars to other Asian countries such as Hong Kong, our Group has commenced, since November 2005, exporting our CD Bars to other overseas markets.

###### 4.6.1.2 Import Substitution

Import substitution is effectively an economic development strategy that replaces imports with domestic production. We intend to continually assist local companies to reduce their reliance on the imports of CD Bars. Currently, there is no local set-up that produces precision high quality CD Bars that could match up to the capacity and product quality excellence of our Group. Operating within a niche market, namely the CD Bars manufacturing segment, our Group envisions to be the leading player through rigorous marketing and R&D efforts, as well as increasing overall production capacity and acquiring more advanced production machinery and equipment. Our Group has a wide coverage of customers, covering all regions within Peninsular Malaysia. At the moment, Malaysia is a net importer of precision CD Bars due to quality requirements and limited number of manufacturers in Malaysia. Our Group aspires to increase our market share by substituting imports with its Malaysian manufactured CD Bars of the same quality as imported CD bars.

#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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##### 4.6.1.3 Production Expansion Strategies to Improve productivity

Our Group is contemplating additional production lines in view of the anticipated increase in the demand for its products. We believe in employing the right skilled employees and adopting an effective approach to increase production efficiency.

Our Group intends to utilise approximately RM4.5 million of the total proceeds raised from the IPO for the purchase of more advanced machinery. A brand new combined drawing machine which utilises one of the latest technologies is planned for commissioning by the fourth quarter of FYE 2009 and is expected to contribute to our Group's revenue for FYE 2010. This new line, when fully commissioned, will bring our WZRB Group's total number of production lines to eight (8) and is estimated to increase our Group's maximum operating capacity from approximately 1,500 – 1,800 tonnes per month to 1,800 – 2100 tonnes per month. The actual output, however, will largely depend on the product dimension, quality and precision that is required by customers.

##### 4.6.1.4 HR Development

Our Group places great emphasis on staff training and undertakes on-going HR development initiatives to strengthen its pool of skilled and highly motivated personnel. As such, our Group plans to introduce more training programmes comprising both external (including overseas training conducted by machine vendors) and on-the-job training for our production operators. Besides gaining knowledge from vendors, our Group also sends staff frequently to exhibitions, trade shows and customers (distributors) overseas to increase their exposure towards advanced foreign technologies, product knowledge and expertise.

##### 4.6.2 Strategies

Riding on the increasingly common outsourcing trends observed as part of the operational strategy of OEMs and MNCs, CD bright steel products manufacturers such as our Group would benefit in terms of broadening its customer base as well as widening the services offered from the supply chain consolidation of the existing customers. In addition, contract manufacturers in Malaysia are providing manufacturing services at a lower cost and this accelerates the OEMs' rate of outsourcing. This would in turn provide growth opportunities for established CD bright steel products manufacturing companies which would benefit from this strong secular trend towards outsourcing.

The emergence of technological advances in the application industries offers huge market opportunities to the overall CD bright steel products industry as high precision activities and quality have become increasingly important in various engineering and machining activities. There is barrier of entry for potential newcomers who may have limited technical expertise and manufacturing capabilities to venture into manufacturing precision CD bright steel products that meet high quality standards and stringent requirements. Companies like our Group, which possess in-depth technical know-how and established reputation amongst a wide network of customers, will have a better competitive advantage since many of the large players in the EU region have yet to shift their attention to the Asian region.

In order to sustain our competitiveness and stay ahead of our current and potential competitors, our Group will have to continue to be creative and sensitive to the latest industry demand and development trends, and to enhance strong relationships with suppliers and customers to realise its plan to develop new products and services to cater to new application markets. Our business direction to stay focused in developing our core competencies in servicing the precision parts machining market is a critical strategy to chart the course for achieving and sustaining market share.

**4. INFORMATION ON OUR GROUP *(Cont'd)***

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With our extensive knowledge and strong technical competency, coupled with a large clientele base, our Group is well-positioned to capitalise on the opportunities in the CD bright steel products industry. Going forward, our Group shall endeavour to capture a stronger market presence in this engineering supporting industry.

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