4. INFORMATION ON THE GROUP

4.1 BACKGROUND

4.1.1 Incorporation and Commencement of Business

Opcom was incorporated in Malaysia on 7 November 1994 under the Companies Act, 1965 as a private limited company with the name of Opcom Holdings Sdn Bhd and was subsequently converted to a public limited company on 13 May 2003 under the name of Opcom Holdings Berhad. Opcom commenced its business on 1 March 1995 as a private limited company under the name Opcom Holdings Sdn Bhd.

4.1.2 Share Capital And Changes In Share Capital

The present authorised share capital of Opcom is RM25,000,000 comprising 125,000,000 Shares. The issued and paid up share capital of Opcom is RM12,000,000 comprising 60,000,000 Shares.

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

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value (RM)	Consideration	Total Issued And Paid-up Share Capital (RM)
07.11.1994	2	1.00	Subscribers' shares	2.00
20.01.1995	1,499,998	1.00	Cash	1,500,000
12.07.1995	3,500,000	1.00	Cash	5,000,000
02.06.1997	7,000,000	1.00	Debiting against the credit balance of the Director's Account	12,000,000
10.11.2003*	-	0.20	Sub-division of shares	12,000,000

^{*} date of sub-division of par value of ordinary shares

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 Opcom on the MESDAQ Market, the Company undertook a listing scheme which involved the following: -

Sub-division

The existing par value of RM1.00 per ordinary share of Opcom has been subdivided into five (5) ordinary shares of RM0.20 each. Consequently, the number of issued and paid-up share capital of Opcom has been increased from 12,000,000 ordinary shares of RM1.00 each to 60,000,000 Shares.

Public Issue

Upon implementation of the Sub-division, Opcom will undertake a public issue of 26,000,000 Shares representing 30.2% of the Company's enlarged share capital upon listing.

4. INFORMATION ON THE GROUP (Cont'd)

The Shares will be offered to the general public including employees and predetermined institutional investors, each investor representing less than 5% of the resultant enlarged share capital of the Company upon listing.

The Public Issue of 26,000,000 new ordinary shares at an issue price of RM0.80 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(i) Malaysian Public

1,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) Eligible Employees, Directors and/or Business Associates of the Group

8,000,000 Public Issue Shares will be reserved for the eligible employees and Directors of the Group as well as the business associates (which include the suppliers, sales agents and customers) of the Group.

7,875,000 Public Issue Shares have been allocated to both the eligible employees and Directors of the Group based on the following criteria as approved by the Company's Board of Directors: -

- (a) At least eighteen (18) years old;
- (b) Job position;
- (c) Length of service; and
- (d) Non-Malaysian citizens are eligible.

Details of the Directors' pink form allocation are as follows: -

Name of Directors	Designation	Pink Form Allocation
Dato' Mukhriz Mahathir	Chairman/Managing Director	1,375,000
Chhoa Kwang Hua	Executive Director	1,375,000
Lt. Jen. (B) Dato' Seri Panglima Zaini bin Hj Mohd Said	Independent Non- Executive Director	500,000
Tomio Alan Komatsu	Independent Non- Executive Director	500,000
Sven Janne Sjöden	Non-Independent Non-Executive Director	500,000
Abdul Jabbar bin Abdul Majid	Independent Non- Executive Director	250,000

125,000 Public Issue shares have been allocated to business associates of the Group.

4. INFORMATION ON THE GROUP (Cont'd)

(iii) Placees

17,000,000 Public Issue Shares are reserved for private placement to investors, have been identified.

All the IPO Shares available for application by the Malaysian public and the eligible employees, Directors and/or business associates of the Group are fully underwritten. The IPO Shares available for application by identified placees are not underwritten. The Placement Agent has received irrevocable undertakings from the identified placees to take up the IPO Shares available for application under the private placement.

The MiTI had vide its letter dated 21 August 2003 recognised Dato' Mukhriz Mahathir as a Bumiputera shareholder and hence, his shareholding of 42,000,000 shares in Opcom or 48.84% (excluding the pink form allocation) of the issued and paid-up share capital of Opcom upon listing would be recognized as Bumiputera shareholding.

In the event of an under-subscription of the IPO Shares by the Malaysian public, the unsubscribed IPO Shares will be made available to identified placees.

Any IPO Shares which are not taken up by eligible employees and Directors of the Group and/or the business associates of the Group will be made available for application by the Malaysian public and/or identified placees via private placement.

Any further IPO Shares which are not subscribed for/placed out will be made available for subscription by the Underwriters in the proportions specified in the Underwriting Agreement dated 21 November 2003.

Proposed Listing and Quotation

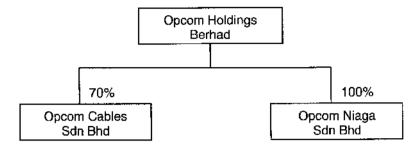
Upon completion of the abovementioned proposals, Opcom will seek the listing of and quotation for its entire enlarged share capital of 86,000,000 Shares on the MESDAQ Market.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.2 BUSINESS

4.2.1 Group Structure

An overview of the Group's structure is set out below: -



Details of the subsidiary companies of the Company are summarised below: -

Company	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effectiv e Equity Interest (%)	Principal Activities
Opcom Cables Sdn Bhd	7.11.1994 Malaysia	16,000,000	70.0%	Manufacturing, processing, trading, dealing, importing and marketing of fiber optic cables and systems
Opcom Niaga Sdn Bhd	14.8.1997 Malaysia	100,000	100%	Supply of fiber optic cables and related accessories

Opcom does not have any associated companies.

4.2.2 Types of Products

The current products of Opcom Group are mainly slotted core fiber optic cables and indoor cables.

Broadly, the fiber optic cables can be categorised into five(5) main types in accordance with installation requirements by customers, details of which are as follows:-

Aerial Cable

Aerial Cable is available as a loose fiber (up to 24 loose fibers) or four fiber ribbon (4 to 96 fibers) aerial installation cable with integral bearer for installation on utility poles of an optical cable communication network with a maximum span of 75 meters between utility poles. It can be supplied either as single mode, multimode or both. High packing density of the fibers is provided with the ribbon technology to enable a small outer diameter of the cable even for high fiber counts. The strength member and the slotted core design provide superior protection for the fibers and a suspension steel wire is integrated with the sheath to create the characteristic "figure-8". The Aerial cable also comes with corrugated steel tape armoring providing good protection against rodents yet allows the cable to retain outstanding flexibility for easy installation.

Another design available is the All Dielectric Self Supporting ("ADSS") cable, designed for installation on poles with maximum span of 100 meters. It can be supplied with 4 to 48 fibers using loose fiber, ribbon fiber or both. The aramide yarn strength member and the radial shape of the slotted core profile provide an effective protection against tension and radial forces applied by the cable fittings. Being completely dielectric, the cable can be installed parallel with power lines.

Duct (Underground) Cable - Non Metallic

Duct Cable is designed to be pulled into ducts in service ducts of an optical cable communication network. Its non-metallic characteristic enables it to be installed in an environment where there is an electrical interference, for example alongside power lines. The slotted core cable design is available in loose fiber cable (up to 24 loose fibers), four fiber ribbon cable (4 to 96 fibers) and eight fiber ribbon cable (104 to 192 fibers). The design is light weight and flexible and able to withstand normal installation forces of strain, crush, bend and twist.

Direct Burial Cable - Metallic or Non-Metallic Types

Direct Burial Cable is designed to be placed directly under the ground either by trenching or ploughing. The Metallic cable is armored with corrugated steel tape providing good protection against rodents yet allows the cable to retain outstanding flexibility for easy installation.

The Direct Burial Cable is of a slotted core design, which has high crush load resistance and available in loose fiber (up to 24 loose fibers), four ribbon fiber (4 to 96 fibers) and eight fiber ribbon (104 to 192 fibers).

Anti-Rodent Cable

For effective anti-rodent, a layer of corrugated steel tape is formed in between two polyethylene jackets. For Non-Metallic cables, additional nylon jacket can be extruded over the outer polyethylene jacket to provide additional protection.

Indoor Cable

The indoor cable design is available in:

Simplex Design or Duplex Design

Both these designs are flexible, non-gel filled cable for use in telecommunication stations for interconnection between the optical line system and the fiber distribution frame. It is also suitable for data networks. The sheath is made of PVC which has good tensile strength and tear resistance. The cable can be terminated with a wide variety of connectors. Simplex design is supplied with one tight buffered fiber (in single-mode and/or multimode) whereas Duplex Design is supplied with two tight buffered fibers, single-mode or multimode.

Distribution Cable Design

This design is a flexible, non-gel filled, lightweight cable for indoor use and is well suited for local area networks (LAN) and is ideal for use where space is limited. It is completely non-metallic and the outer sheath is made of PVC, supplied with 0.9mm tight buffered fiber (in singe-mode and/or multimode). The cable may be terminated with a wide range of connectors.

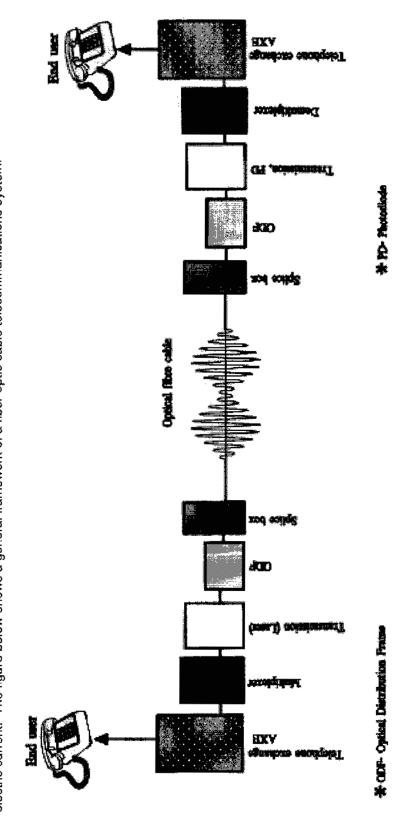
Breakout Cable Design

This design is flexible, flame-retardant, non-gel filled cable used in telecommunication stations for interconnection between the optical line system and the fiber distribution frame. It is also suitable for data networks. The sheaths are made of flame-retardant PVC which has a very good tensile strength and tear resistance. It can be supplied with up to 24 tight buffered fibers (in single mode and/or multimode). This cable can be terminated with a variety of connectors.

4.

4.2.3 Technology Used

A fiber optic communications network, in its simplest form, is a communication link whereby fiber optic cables have replaced copper cables as the transmission medium. Data or information transferred by fiber optic is normally in digital form and transmitted by light pulses, instead of electric current. The figure below shows a general framework of a fiber optic cable telecommunications system.



The major parts of a fiber optic communication system

Fiber optic cable is the preferred medium of transmission in the "wired world" because of advantages in transmission speed, capacity and cost considerations.

The following are the main advantages of fiber optic as a transmission technology over a conventional copper network:

- Fiber optic cables are able to carry hundreds of time more data or information than typical copper cables and thus have high transmission capacity. A typical telecommunications network can economically send data at the speed rate of 2.5 Gigabit/s, with new transmission speed of up to 10 Gigabit/s. A typical 2.5 Gigabit/s transmission speed means that 40,000 telephone calls can be transmitted simultaneously, or as digitized text, around 75,000 A4 size pages per second. The latter is equivalent to approximately the latest version of the Encyclopedia Britannica transferred via the telephone network in approximately one-quarter of a second. There are many trials and early technological deployments of hundreds of 10 Gigabit/s networks.
- In telecommunications systems, the average transmission span between two repeater points is approximately 70 kilometers for fiber optic compared to approximately 2 to 5 kilometers for a conventional copper link. Furthermore, because of its non-metallic nature, fiber has high level of immunity to interference, and together with its high integrity are of great significance in the consideration of deploying a communications network infrastructure.

Greater distances between repeaters are made possible due to fiber's low transmission loss. Single mode fibers, which is used in outside plant deployment has a very low attenuation (signal loss) of under 0.25 dB/km (at 1550 nm wavelength) which, in percentage terms, means that even after 40 km of transmission, 10.0% of the lights remain.

- Fiber optic is very light. It is estimated that for one kilogram of glass, 38 km of fiber optic can be produced. Compared to copper, on a per km basis—fiber optic cables are many times lighter that copper cables. It means cost savings in transportation, material handling as well as deployment.
- Fiber optic is an electrically non-conducting material and is thus not affected by electronic interference from, for example, lightning or thunderstorms, adjacent cables when they are co-located together in a trough or ducting system, or in industrial and "hostile" conditions where there might be multiple interference. At the same time, fiber optic does not have or emit its own interference field—making fiber a preferred choice for voice and data transmission.

Fiber optic cable systems, taken as a whole, are generally more cost effective than conventional solutions—especially when quality of service, reliability, technical merits and capacity are taken into consideration. Modern telecommunications, especially with the advent of multimedia broadband requires high capacity and high speed transmission of voice, data and video to an increasing number of users at a unit price that is economical at the consumer level. When all the factors mentioned above are taken into consideration, fiber optic cable system is the preferred medium of transmissions in telecommunications networks.

4. INFORMATION ON THE GROUP (Cont'd)

Fiber-to-the-Home (FTTH)

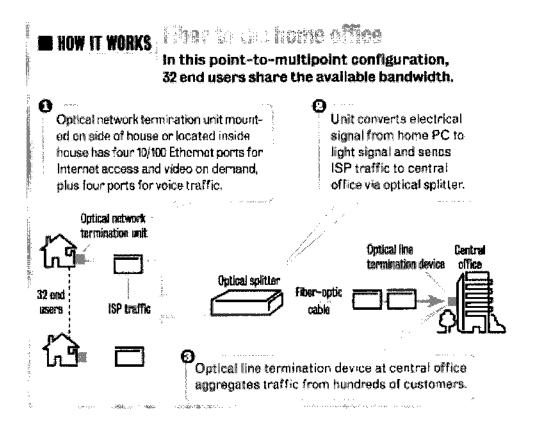
FTTH represents an enormous potential for the introduction of broadband service such as Cable TV, High Definition TV, video conferencing, video phones video-on-demand, high speed internet access, IP television and other state-of-the-art applications.

Increasingly this approach is being used to solve the last-mile problem of giving residences high-speed broadband access to digital services and Internet access.

instead of using such legacy technologies as copper-based DSL, FTTH systems involve the installation of fiber optic from homes to a central point. The technology promises speeds of up to 100M bit/sec and can bring high-speed service to homes at a greater distance from a central switch than DSL (6.2 to 49.6 miles, as opposed to a few thousand feet for DSL). Major telecommunications providers in Malaysia, including Telekom is looking at FTTH solutions to supplement the technical limitations of DSL technology.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

Below is a network topology of a typical FTTH system.



As the result of lowered network costs, fiber to the home is becoming a feasible alternative to current broadband offerings, such as DSL and cable modem.

FTTH offers data rates of 10/100 Ethernet, scalable to Gigabit Ethernet or higher. With regard to telecommunications protocol, it can use the Data Over Cable Service Interface Specification (DOCSIS) standard for security. And FTTH networks are optimized for voice, data and video.

Currently, there are two preferred ways to deploy fiber to the home - passive optical network (PON), which uses a point-to-multipoint architecture, and point-to-point solutions. Asynchronous transfer mode based PON is described in ITU-T Recommendations G.983.1 and 983.3. Major telecommunications provider around the world helped write the specifications for PON and are advocating for its standardization and use.

INFORMATION ON THE GROUP (Cont'd)

4.

4.2.4 Approvals, Major Licences and Permits Obtained

Details of the approvals obtained by the Company for the Listing from the SC, KLSE, MITI and FIC together with the conditions imposed by these authorities and status of compliance are set out in Section 6 of this Prospectus.

The major licences and permits obtained by the Group are as follows: -

	Baning	Туре	Description	Major Conditions	Status of Compliance
	Authority	(Licence No.) Date of Issue (Date of Expiry)			
-	MITI	Manufacturing Licence (A009387) 23.01.1995	Manufacture optical fiber and fiber optic cables	(a) At least 70% of the shares in OCSB must be "reserved" (dikhaskan) and held by Malaysian citizens; any division of the reserved shares must made with prior consultation with the MITI.	(a) MITI has vide their letter dated 21 August 2003 amended the equity condition to 'at least 51% of the shares in OCSB must be held by Malaysian with 30% "reserved" (dikhaskan)
				(b) The composition of the board of directors of OCSB must, in general, reflect the equity structure of OCSB and MITI must be informed of appointments to and changes in its board of directors.	(b) MITI has been informed on the latest composition on 18 July 2003
				(c) OCSB must employ and train Malaysian citizens to reflect the multi-racial composition of the Malaysian people for all levels of employees.	(c) OCSB has been maintaining a multi-racial composition of Malaysian employees at all levels with occasional training being provided for its staff
				(d) If OCSB proposes to utilise used machinery, the written approval of MITI must first be obtained, and a report of an independent valuer acceptable to MITI be prepared. The approval of MITI must also be obtained for any change, addition or reduction that has a material effect on the use of energy or output. OCSB must obtain the written permission from MITI before signing any technology transfer agreement with foreign parties. This condition is not applicable for the purchase of machinery that require the services of technical officers from the manufacturers of the machinery to supervise the installation or initial operation of the machinery.	(d) OCSB has not used any used machinery but for one occasion for which an approval was duly obtained. Other conditions are duly met.

_
Ĝ,
Ş
ó
Q
Ξ
느
⊋
О
GROUP
O
뿌
里
_
Z
O
_
£
$\underline{\mathbf{c}}$
-
⋖
5
╦
ᅕ
INFORMA
÷
=

Status of Compliance	Not applicable	Not applicable	Not applicable
Major Conditions	Not applicable	Not applicable	Not applicable
Description	Industrial Licence for warehouse, electronic items industry, signage, canteen, fuel storage licence and liquid/gas/fuel storage licence	Licence to act as a licensed manufacturer of fiber optic cables	Registration with MOF for the supply/service of/as: (a) 200300:cables, accessories and conductors (b) 200399: manufacturer: optic fiber cables
Type (Licence No.) Date of Issue (Date of Expiry)	Industrial Licence (015010119950002) 29.01.2003 (31.12.2003)	Licence under Sales Tax Act 1972 – Manufacturer's Licence (A 054269) 18.08.1995 effective on 17.08.1995	Contractor Registration Certificate dated 7.11.2002 (128623) 24.10.2002 (23.10. 2005)
Issuing Authority	Shah Alam City Council	Royal Customs and Excise Malaysia	MOF
	જાં	က်	4.

INFORMATION ON THE GROUP (Cont'd)

. 1		
Status of Compliance	(a) (i) OCSB did not sub-contract or appoint any agent or act as principal to another company in respect of supply of equipment and services (ii) Met (b) Met	Not applicable
Major Conditions	 (a) The licence is subject to a number of general conditions, the more significant of which are: (i) OCSB may not sub-contract, or appoint an agent or act as a principal in relation to another company in respect of the supply of equipment and services to Petronas without the prior written permission of Petronas. (ii) OCSB may only use Malaysian workforce, and foreign workers only with the approval of Petronas. (b) OCSB is to conduct its business in Malaysia and to use local facilities such as banking insurance and other services, professional or otherwise, and other services, professional or otherwise, and other services. 	Not applicable
Description	To supply equipment and services in the category "PE1: Electrical, Cables and Fiber Optic" to petroleum exploration and production companies in Malaysia	Ordinary Member of the Malaysian Employers Federation
Type (Licence No.) Date of Issue (Date of Expiry)	Supply and Service Licence dated 19.8.2003 (L-322687-T) 01.09.2003 (31.08.2004)	Malaysian Employers Federation Certificate (BO 3408) 20.05.2002
Issuing Authority	Petroliam Nasional Berhad ("Petronas")	Malaysian Employers Federation
	က်	ဖ

ğ
ŧ
Con
2
⋾
Q
GRO
쁖
F
Z
_
<u>N</u>
$\stackrel{\circ}{=}$
7
È
Š
Ö
ž
=

_				
	Status of Compliance	Met		
	Major Conditions	(a) The entrepreneur (Dato' Mukhriz Mahathir) is responsible to maintain the control of OCSB through equity holdings and management and ensure that manpower must be majority Bumiputera, ensure that OCSB provides its own capital of at least 20% of the initial cost of investment and involves himself by active participation as owner in the management of the factory.	(b) The entrepreneur is responsible fully throughout the period of appointment to ensure that all registration and licensing requirements in connection with the factory activities are met.	(c) The entrepreneur is required to Inform TNB of any changes to the equity ownership, directorship and management of OCSB within 14 days from the date of change. Should the entrepreneur decide to resign from his position in OCSB, the appointment of the entrepreneur and OCSB in the Entrepreneur Development Programme will be immediately terminated.
	Description	To act as supplier and service contractor to TNB		
	Type (Licence No.) Date of Issue (Date of Expiry)	Supplier and Service Contractor Registration (V000103) 11.04.2003 (23.10.2005)		
	Issuing Authority	MN N		
		_		

4.2.5 Brand Names, Patents, Trade Marks, Licences, Technical Assistance Agreements, Franchises And Other Intellectual Property Rights

Technical Assistance Agreements

On 14 November 1994, OCSB entered into a Technical Collaboration Agreement ("TCA") with Ericsson in which Ericsson agreed to transfer certain technical know-how, technical assistance and rights for the purpose of producing certain fiber optic cables by OCSB in Malaysia. Pursuant to the TCA, Ericsson had undertaken, among others, to provide technical assistance necessary to OCSB in its commercial production of fiber optic cables as well as to provide training and to dispatch of Ericsson's experts on request from OCSB. The TCA shall expire on 9 April 2006 but this may be extended for another five(5) years subject to mutual consent. The TCA also provides that OCSB may state, at any time during the tenure of the TCA, in connection with labeling, advertising or sale of its cable that such cable made by OCSB are made under licence from Ericsson. After termination of the TCA, OCSB shall have the right to continue to use such of Ericsson's know-how as has prior to the termination been communicated to OCSB under the TCA and all licences possibly granted in the TCA to OCSB under any patents which OCSB has exercised before the termination shall continue for the entire life of the respective patents.

The Management Assistance Agreement dated 14 November 1994 was entered into between Ericsson and OCSB for the provision by Ericsson of experienced management and technical personnel from Sweden to OCSB, training in technical areas in the regional training centre located in Shah Alam, Malaysia as well as in Sweden; and, support and assistance through regular contacts in the normal course of business of Ericsson.

Trademarks and Intellectual Property Rights

The Group owns the "OPCOM" trademarks. The "OPCOM" trademarks have been in use by the Group since the commencement of the Group's business back in 1995. Currently, the Group has granted a non-exclusive right to use the "OPCOM" trademarks to its affiliated companies i.e. OSB and Opcom Properties Sdn Bhd.

The Group has registered the following domain names which it uses in connection with its business, with the MYNIC:-

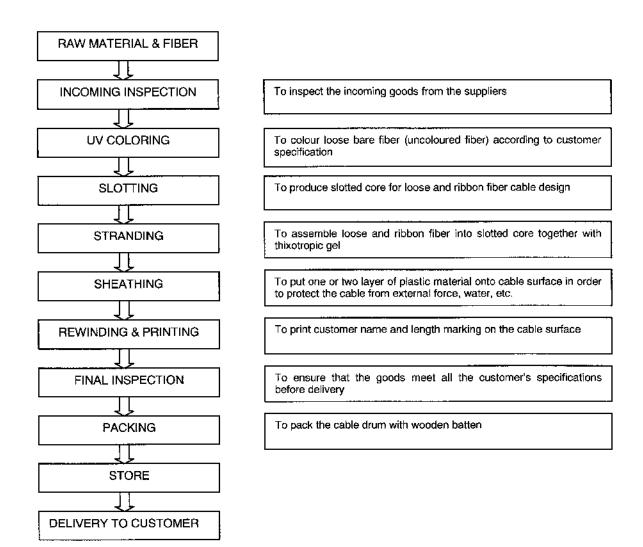
www.opcom.com.my www.opcomcables.com.my

Save for the above, the Group does not have any franchises, registered intellectual property rights in the form of patent, trademarks, copyright or designs.

4.2.6 Dependency On Patents, Licences, Industrial, Commercial Or Financial Contracts And New Manufacturing Processes

- (a) Refer to Section 3 Risk Factors on dependencies
- (b) Licences/permits as disclosed in Section 4.2.4 required for the business and operations

4.2.7 Cable Production Process



4.2.8 Estimated Market Coverage, Position and Share

Based on internal marketing data compiled by OCSB and discussions with its customers, it is estimated that the Group covers at least half of the market supply of fiber optic cables in Malaysia. The Group has been supplying a majority of the fiber optic cables required by Telekom, a leading telecommunications provider in Malaysia, via OSB. As such, the Group would consider itself as the leading fiber optic cables manufacturer and supplier in the country.

4.2.9 Proposed New Products

Going forward, in addition to the slotted core fiber optic cables and indoor cables, the Group proposes to diversify into other types of products, namely:-

- Loose tube fiber optic cables; and
- (2) Cable accessories.

In respect of loose tube fiber optic cables, Opcom expects to invest in new manufacturing capacity to manufacture "loose tube" fiber optic cables for the local as well as the export markets. Investment and construction of the new capacity is expected to commence in the third quarter of 2004 and commercial production is expected to start by the end of first quarter 2005.

Opcom also plans to diversify into other related but focused areas within the value chain of the fiber optic cable system. This includes cable accessories such as jointing closure and terminating box. Opcom plans to invest in product design, development, testing and, marketing and sales of these cable system accessories. Manufacturing of the components for the jointing closure and termination box will be outsourced to component manufacturers and suppliers, and Opcom will be responsible for assembling and integrating the various components into complete products. Opcomintends to build a manufacturing capability for these two products in early 2005.

4.2.10 Principal Markets for Products

Currently, the Group is marketing and supplying its slotted core fiber optic cables and indoor cables in Malaysia. The main end-customers would be the main telecommunications providers such as Telekom, Celcom (Malaysia) Berhad, Maxis Communications Berhad and DiGi Telecommunications Sdn Bhd as well as alternative service providers such as TNB and Petrofibre. With the introduction of its loose tube fiber optic cables in the future, the Group expects to capture both the domestic market as well as the overseas market like Europe and Middle East. With regards to the domestic market, the Group targets to supply its loose tube fiber optic cables mainly to telecommunication providers.

4.2.11 Types, Sources and Availability of Raw Materials/Inputs

The major raw materials or components of the fiber optic cables are fibers which are currently being imported from overseas. As far as fibers are concerned, because they are light and therefore, they are easily flown in and can be obtained at short notice. The fiber suppliers are expected to keep it in its inventory and supply the fiber to Opcom on a 3-month rolling plan.

Another important raw material or component for the production of fiber optic cables is the thixotropic gel which is currently sourced solely from an overseas supplier. It is purchased in bulk and kept in storage. Although there are alternative thixotropic gel suppliers available, OCSB relies on one supplier because it is not possible to predict the chemical reaction that may arise from using an alternative gel. However, it is possible to find an alternative thixotropic gel supplier and to switch to another type of gel if the need arises without much disruption to the manufacturing operations.

4.2.12 Quality Control Procedures

The Group has a policy of producing high quality products. The fibers, cables and cable assemblies are subjected to a series of tests during the manufacturing process where the cable's strength and light transmission performance are verified. Further, OCSB, the manufacturing arm of the Group, was granted MS ISO 9002 certification in 1998. This certification was upgraded to MS ISO 9001: 2000 in October 2003, which contains a large number of "checkpoints" that OCSB must satisfy from a quality stand-point. With such quality control being exercised in every step of the manufacturing process, the Group ensures that only the highest grade fiber optic cables leave the factory.

4.2.13 Research and Development ("R&D")

(i) Policy on R&D

The Group is committed in ensuring its products and technology are developed to the latest available international standards through its continuous R&D effort. The Group believes its R&D activities employ industry leading practices, involving research into new materials and machinery technology to facilitate both product and process technology improvement.

The research policy refers to past, present and future work or activities undertaken, being undertaken or to be undertaken by OCSB or in collaboration with Ericsson. This process involves the bilateral exchange of technologists and engineers from both organisations between Sweden and Malaysia.

The development policy refers to works or activities carried out at OCSB and Ericsson based on new product descriptions required by the customers or in anticipation of potential requirement by its customers. Furthermore, in line with the Government's directives and policy of raw materials and components localization, OCSB, in collaboration with Ericsson has successfully localized certain raw material components, and continues to strive to improve the local content of its manufactured products.

(ii) R&D Facilities and Personnel

OCSB, in collaboration with Ericsson, has adequate facilities and skilled personnel to carry out R&D from time to time. All employees in the Group are involved directly or indirectly in ensuring the R&D activities are achieved.

The R&D organisation can be classified as below:

Туре	Facility	Personnel
Customer requirements for new cable solutions	OCSB and Ericsson	Market study/survey by Marketing Department of OCSB and Ericsson
Raw Materials	OCSB and Ericsson	Manufacturing, Technical, Engineering and Purchasing & Logistic departments of OCSB and Ericsson
Products	Testing equipment for fiber measurement and cable type testing such as OTDR ("Optical Time Domain Reflectormeter), Fiber Geometry, PMD ("Polarization Mode Dispersion"), Fiber Chromatic Dispersion, Power Meter, Light Source, Tensile Machine, Temperature Chamber, Water Penetration, etc.	Manufacturing, Technical, Engineering and Marketing departments of OCSB
Machinery	AutoCAD Design Desktop and PLC ("Programmable Logic Controller") Programme Tools of OCSB	Engineering Department of OCSB and Ericsson

(iii) Status of R&D

The status of R&D is as follow:

No	Description	Status
1	Localising of raw materials	
	A) LLDPE Will be carried out in 3 stages; a) properties test	Undergoing testing at Ericsson
	b) process trial	Pending properties test results from Ericsson
	c) type testing; based on international standards e.g. IEC ("International Electrotechnical Commission"), EN ("European Standard") and ITU ("International Telecommunication Union")	Pending

No	Descri	ption	Status		
	B) HDF Will (a)	be carried out in 3 stages;	Undergoing Ericsson	testing	at
	b)	process trial; the most critical and complicated stage which would require more time and resources in order to get a good slots profile	On-going		
	c)	type testing; based on international standards e.g. IEC, EN and ITU	Pending		
2	12-Cor	re Distribution Cable			
	range o	et is developed to increase its product offered to customers as increasing demand ected for potential indoor applications for t mile connection of the fiber to the home.	On-going		
	<u>Develo</u>	pment Work at OCSB			
	equipm produc	est on machinery upgrade on the extrusion nent and process methods to meet new tion parameters for various cable sizes and aterial specifications.			
	benefit hence	ssful cable process development will Opcom in reducing process stages and transfer cost savings to the customers h lower cost products and short delivery s.			

(iv) Achievements in R&D

The achievement of R&D at OCSB is as follows:

No	Description	Completion Date
2	Non-Metallic Rodent Protection Cable - Nylon Sheath	Year 2000
	This is a special non-metallic rodent protection cable designed for one of its customers. The cable is low in weight and smaller in diameter as compared to other rodent protection cables. The non-metallic design prevents electrical induction in the cables thus allowing the customer to reduce installation cost by sharing the trenches with other cables such as power cables. With the successful development of this cable, the Group was able to deliver longer length (up to 8 km per drum), subsequently eliminating limitations in its infrastructure. Development Work at OCSB Involved a new extrusion screw to meet nylon processing conditions. Process parameters such as line speed and extruder settings for different cable designs were developed along with the screw manufacturer.	

4.

INFORMATION ON THE GROUP (Cont'd)

No	Description	Completion Date
3	Corrugated Steel Tape Cable	Year 2002
	This cable design is a solution for direct burial installation where cables can be laid into the ground without the need for ducts and hence, reducing the cost and time of cable installation. The corrugated steel tape armoring provides mechanical protection for higher crush and impact resistance as compared to normal duct cables.	
	Development Work at OCSB	
	Investment for a new process line was done to integrate this process onto the Sheathing Line. Continuous process is achieved through the latest laser welding technology to join steel tapes allowing lower production cost and meeting longer cable length requirements. Processing parameters to meet high output and stable quality were developed in-house.	
4	Stranding Line – Scrap Cable Recovery Process	June 2001 to April
	A study was carried out to develop a method to replace faulty ribbons with new ones to make good the faulty cables. All properties of the ribbon and cable specifications were considered to maintain the cable quality after recovering the cable. A successful method was developed by integrating the process to its stranding line and cable quality was proved to be unaffected.	2002
	<u>R&D</u>	
	Integrating the recovery process into the existing stranding line through machinery modification did not affect the performance of the line.	
	Processing parameters and methods were developed to ensure the desired level of quality for ribbon and cable was achieved.	
5	Localising of raw materials; PETP ("Polyethylene Terephtalate Plastic") Foil and Hot Melt Glue	May 2003
	R & D activities were done with assistance from Ericsson to test the compatibility of hot melt glue with the plastic foil. This was carried out to localise the raw materials supplied to the Group and thus, allowing for lower cost and efficient production output.	
	A) Research Work	
	Ericsson had tested the material compatibility and the chemical reaction with filling gel compound and had confirmed that there were no significant effects to the cable quality.	
	B) Development Work at OCSB	
	Set-up processing parameters suitable for standard process conditions.	

No	Description	Completion Date
6	Stranding Line Pay-off Braking System	April 2003 to
ĺ		September 2003
	Continual improvement to the process to eliminate ribbon	
	jerking effect between the pay-off and motor capstan. It	
	is important that the ribbon fiber does not experience	
1	excess applied tension as the ribbon's physical and	
1	optical properties will be affected in the long term.	
	Development Work at OCSB	
	Development work at OCBB	
	On-going development work was carried out to	
	implement a pneumatic braking system that has proved	
	successful to eliminate the jerking effect. Installation of	
	the new system was completed at the end of September	
	2003.	
1		

(v) Future Plans and Timeline for Implementation

No	Description	Time frame
1	Loose Tube Fiber Optic Cable Production	July 2003 to third quarter of 2004
	An additional product option offered to customers where loose fibers are inserted into a tube of 2.4mm diameter and 6 tubes are stranded together to make a cable. Development is carried out to produce up to 48-fiber cables along with suitable raw materials and optimum process capabilities.	•
	A) Process technology	
	Investment for a loose tube production line will be required to produce high quality optical fiber loose tubes.	
	B) Product Specifications	
	Initial development will allow the Group to produce cables meeting customer specifications. Raw material selections and cable properties shall be developed to pass all international standards requirements.	

(vi) Investments Made for R&D

The total R&D investment by OCSB for the past three (3) financial years ended 31 March 2003 and the first six (6) months ended 30 September 2003 was RM392,000 representing less than 1% of OCSB's total revenue for the same period.

4.2.14 Interruptions in Business for the Past Twelve (12) Months

There has never been any interruption in the form of trade disputes or major operational breakdown occurring within the Group that significantly impaired the Group's business performance during the past twelve (12) months.

4.2.15 Employees

As at 31 October 2003, the total number of employees of the Group is 88 persons as illustrated below: -

Category	No. of Employees	%	Average Year of Service (Years)
Managerial/Professional	20	22.7	4.5
Technical/Supervisory	31	35.2	4.6
Clerical	8	9.1	2.3
General workers	7	8.0	3.8
Factory workers	22	25.0	3.6
Total	88	100.0	

Aas at 31 October 2003, there is no contractual/temporary employees save for Kaj Roland Sjölin, the Plant Manager of OCSB, whose contract is valid until 1 October 2004 and Shazlin Aida Binti Osman, the Marketing Support Officer, whose contract is valid until 8 June 2004.

From time to time, the Group provides in-house training to its employees and sends some of its employees for certain training sessions, workshops and seminars whether overseas or local. Some brief details of the abovementioned courses and trainings are as follows:-

- (a) Course on ISO 9001:2000 Internal Auditing conducted by SIRIM Training Services Sdn Bhd on 10 and 11 February 2003 to train participants in the principles and practices in undertaking internal audits in line with the generic guidelines laid down in ISO 10011 and to teach them the skills and techniques of audit and how to effectively communicate the findings;
- (b) Course on Motivated and Outstanding Workers conducted by NTP World Forum Sdn Bhd on 5 and 6 July 2002 to train participants to (among others) recognise self-potential, improve workers' attitudes towards life, work and people around them, increase potential and improve efficiency, overcome weakness and build strength, increase commitment and loyalty to management and create a harmonious atmosphere and outstanding work culture at the workplace; and
- (c) Training programmes conducted in Sweden relating to, among others, design, manufacturing processes, cable production, R&D, installation of fiber optic cables and quality assurance.

The Group does not have any collective agreements with trade or labour unions and is not aware of its employees being members of labour unions.

The management of the Group is of the opinion that its dedicated, efficient and trained employees are instrumental to its success. The management of the Group has a good working relationship with its present employees. As of 31 October 2003 the Group is not involved in any material industrial disputes with any of its present employees. However, there are three (3) employees' disputes by the Group's former employees, brief details of which are as follows:-

(a) Dispute by a former assistant head of accounts in OCSB claiming constructive dismissal, after tendering his resignation. Conciliatory proceedings (pursuant to Section 19 of the Industrial Relations Act 1967) ('CP') were held in the Industrial Relations Department.

- (b) Dispute by a former assistant accounts manager in the marketing department of OCSB after his service was terminated due to absence from work. CP were held in the Industrial Relations Department.
- (c) Dispute by a former technical assistant in OCSB after his service was terminated after a domestic inquiry for alleged submission of false claims. Domestic inquiries were carried out by OCSB and CP were held in the Industrial Relations Department.

All the abovementioned dispute cases are pending submission of recommendations by the Industrial Relations Department to the Minister of Human Resources whether to refer the above cases to the Industrial Court.

The Group believes that the terminations were justified and should the outcome be unfavourable to the Group, the impact on the financials of the Group would be minimal.

4.2.16 Key Achievements/Milestones/Awards

Both Opcom and OCSB were founded and incorporated in November 1994 and subsequently ONSB in 1997.

Back then, the Group foresaw that the telecommunication industry in Malaysia would leap to a higher ground and continue to be dynamic over time. With the limited numbers of cable manufacturers then in Malaysia, which mainly produced copper cables, the Group foresaw the potential demand for fiber optic cables in Malaysia. With the vision to be the leading manufacturer and supplier of fiber optic cables in Malaysia, the Group purchased a land and building located in the Shah Alam Industrial Estate in 1995 and started to build a manufacturing facility immediately Concurrently, Opcom entered into a joint venture with Ericsson to manufacture fiber optic cables through OCSB. In connection with which, a Technical Collaboration Agreement as well as a Management Assistance Agreement were entered into between Ericsson and OCSB for the transfer of technology, the provision of the necessary technical as well as technology management know-how and personnel from Ericsson. All these efforts coupled with the timely approvals on licences/permits from the relevant local authorities, the Group managed to commence its commercial production in January 1996. To date, the Group has a production capacity of approximately 12,000 cable kilometers per year.

The Group had continuously registered satisfactory revenue from its sales of fiber optic cables since its first commercial production in January 1996, even during the Asian economic crisis in 1997. The Group's performance is largely attributable to its effective sales and marketing and the long term supply of fiber optic cables to Telekom via the Group's contract with OSB since 1996.

Within a brief 3 years since the Group's first commercial production of fiber optic cables, OCSB was granted ISO 9002 certification in 1998. This certification was upgraded to MS ISO 9001: 2000 in October 2003, which further strengthened the operational, systems and documentation procedures of its cable production.

4.2.17 Modes of Marketing/Distributions/Sales

The Group's marketing and distribution strategy includes a direct marketing model to end users as well as an indirect marketing channel model, depending on the customers and their procurement policies and practices. For large customers, it is the general practice of the Group to manage these customer accounts directly through a major customer account coverage team. In the case of Telekom and the other large operators, the CEO of OCSB is the primary contact in managing the overall relationship with the customer. The CEO maintains the strategic relationship with the senior management team of each of the major customers.

4.2.18 Production/Operating Capacities and Output

The maximum capacity of OCSB's manufacturing plant is approximately 12,000 cable km per year, out of which the average output is approximately 3,600 cable km per year.

4.2.19 Location of Business

(a) Principal Assets

The manufacturing facilities of OCSB are located in the Shah Alam Industrial Estate which sits within a total land area of approximately 42,332 sq.m.

(b) Production Facilities

Currently, all the production facilities of fiber optic cables of the Group are located in the Shah Alam Industrial Estate. There is only one line for the production of slotted core fiber optic cables and another for indoor cables, both of which are almost fully automated with low workforce requirements.

(c) Principal Place of Business

11 Jalan Utas 15/7 40200 Shah Alam Selangor Darul Ehsan Malaysia

(d) Marketing and Distribution Network

Please refer to Section 4.2.17.

4.2.20 Single Purpose Corporation

None of the corporations in the Group is a single purpose corporation.

4.3 SUBSIDIARY CORPORATIONS

4.3.1 OCSB

(a) Background

OCSB was incorporated in Malaysia on 7 November 1994 under the Companies Act, 1965 as a private limited company.

(b) History

In January 1995, Opcom acquired a piece of land measuring approximately 42,332 sq. m. in the Shah Alam Industrial Estate from Pacific Chemicals Berhad for the construction of its manufacturing block for the production of fiber optic cables by OCSB. The construction of the manufacturing block and the subsequent installation, testing and commissioning of the manufacturing facility were completed in December 1995. OCSB commenced its commercial production in January 1996.

(c) Principal Activities and Products/Services

OCSB is principally involved in manufacturing, processing, trading, dealing, importing and marketing of fiber optic cables and systems. It commenced business on 31 January 1996.

(d) Substantial Shareholders

The substantial shareholders of OCSB are as follows: -

Name	Nationality / Place of Incorporation	of As at 31 October 2003			
	'	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Ericsson	Sweden	4,800,000	30	-	-
Opcom	Malaysia	11,200,000	70	-	-
Dato' Mukhriz	Malaysian	-	-	11,200,000	70
Mahathir* Chhoa Kwang	Malaysian	-	-	11,200,000	70
Hua** RTSB#	Malaysia		-	11,200,000	70

Deemed interested by virtue of Section 6A of the Companies Act 1965 pursuant to his interests in Opcom

^{**} Deemed interested by virtue of Section 6A of the Companies Act 1965 pursuant to his interests in RTSB which is in turn a substantial shareholder of Opcom

[#] Deemed interested by virtue of Section 6A of the Companies Act 1965 pursuant to its interests in Opcom

4. INFORMATION ON THE GROUP (Cont'd)

(e) Share Capital

The authorised and issued and paid-up share capital of OCSB are as follows:-

	No. of Shares	Par Value (RM)	Amount (RM)
Authorised	22,000,000	1.00	22,000,000
Issued and Paid-Up	16,000,000	1.00	16,000,000

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

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
07.11.1994	2	1.00	Subscribers' shares	2
24.01.1995	4,998	1.00	Cash	5,000
17.03.1995	995,000	1.00	Cash	1,000,000
25.01.1996	15,000,000	1.00	Cash	16,000,000

(f) Subsidiary/Associated Corporations

OCSB does not have any subsidiary or associated corporations.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.3.2 ONSB

(a) Background

ONSB was incorporated in Malaysia on 14 August 1997 under the Companies Act, 1965 as a private limited company.

(b) History

ONSB was established in 1997 to manage the supply of fiber optic cables.

(c) Principal Activities and Products/Services

ONSB is principally involved in the supply of fiber optic cables and related accessories. It commenced business on 14 August 1997.

(d) Substantial Shareholders

The substantial shareholders of ONSB are as follows: -

Nationality / Name Place of Incorporation		As at 31 October 2003			·
	•	Direct		Indirect	
	_	No. of Shares_	%	No. of Shares	%
Opcom	Malaysia	100,000	100	-	-
Dato' Mukhriz Mahathir*	Malaysian	•	-	100,000	100
Chhoa Kwang Hua**	Malaysian	-	-	100,000	100
RTSB#	Malaysia	<u> </u>		100,0 <u>00</u>	100

- Deemed interested by virtue of Section 6A of the Companies Act 1965 pursuant to his interests in Opcom
- ** Deemed interested by virtue of Section 6A of the Companies Act 1965 pursuant to his interests in RTSB which is in turn a substantial shareholder of Opcom
- # Deemed interested by virtue of Section 6A of the Companies Act 1965 pursuant to its interests in Opcom

(e) Share Capital

The authorised and issued and paid-up share capital of ONSB are as follows:-

	No. of Shares	Par Value (RM)	Amount (RM)
Authorised	100,000	1.00	100,000
Issued and Paid-Up	100,000	1.00	100,000

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

	Date of	No. of	Par Value	Consideration	Totai
	Ailotment	Shares	(RM)		(RM)
F	14.08.1997	500	1.00	Subscribers'	500
				shares	
1	11.11.1999	99,500	1.00	Cash	100,000

(f) Subsidiary/Associated Corporations

ONSB does not have any subsidiary or associated corporations.

4.4 INDUSTRY OVERVIEW

4.4.1 The Manufacturing Industry and the Group's Position

Malaysia's manufacturing sector is all geared up for better times ahead, as output strengthened further starting February this year, on the back of higher growth of domestic-oriented industries and better performance of exportoriented industries.

(Source: Economic Report 2003/2004)

The Group leads the fiber optic cable industry in Malaysia based on the total shipment of fiber optic cables (in cable kilometres) to the main telecommunications operators in Malaysia (which are the main users of fiber optic cables). Shipment for fiber optic cables in Malaysia grew at an annual average growth rate of 35.0% for the period 1998 to 2002. On average, the Group's market share over the last 5 years has ranged from approximately 65.0% - 75.0% of the total fiber optic cables shipped to major telecommunications operators.

(Source : compilation of data by Marketing department of the Group based on past tenders/quotations exercises and discussions with customers)

4.4.2 The Segments/Sectors of the Industry

The main activity of the Group is the manufacturing and supply of fiber optic cables. Currently, the Group operates in a niche segment i.e. manufacturing fiber optic cables for domestic supply.

4.4.3 Performance of the Industry

The transport, storage and communications sub-sector is anticipated to grow strongly by 4.5% in 2003, underpinned by the need to provide better transport services and increasingly sophisticated and technologically advanced communication services. Road, rail, air and sea transportation are expected to achieve positive growth. The main contributory factors are growth in trade-related and transhipment activities.

(Source: Economic Report 2003/2004)

Price increases were recorded mainly for transport and communication which rose at a slower rate of 2.3% (2002: 6.4%). Transport and communication contributed the largest share of 41% to the total increase in CPI. The impact of the one-off price adjustment for telecommunication tariff (telephone rental, local calls and payphone services) in March 2002 was not sustained and did not filter through.

(Source: Economic Report 2003/2004)

4. INFORMATION ON THE GROUP (Cont'd)

4.4.4 Future Growth of the Industry

Demand for financial services, telecommunications and transport arising from improved economic prospects, particularly during the second half of the year will support overall growth.

(Source: Economic Report 2003/2004)

Developments in trade liberalisation, emergence of new markets such as China and the East European countries and the proliferation of the information and communication industry (ICT) have spurred the consumption of services, particularly in finance, transport and telecommunications.

(Source: Economic Report 2003/2004)

More buoyant activities are anticipated for high value-added industries as well as information technology, telecommunications, transport and finance. Efforts to promote domestic consumption as well as advancements into higher value-added products will further boost growth of domestic-oriented industries.

(Source: Economic Report 2003/2004)

4.4.5 Players and Competition

The fiber optic cable industry in Malaysia is at its growth phase in a typical industry growth model. The three key main industry players are Opcom via OCSB, Leader Optic Fibre Cable Sdn Bhd and Fujikura Federal Cables Sdn Bhd. Other industry participants include Gunung Fiber Optik Sdn Bhd, Photon Technologies (Malaysia) Sdn Bhd and Optical Communication Engineering Sdn Bhd.

4.4.6 Laws and Regulations

The cable manufacturing industry in Malaysia is generally governed by MITI, Industrial Coordination Act 1975, and other relevant laws and regulations.

4.4.7 Demand and Supply

The demand for fiber optic cable in Malaysia is expected to be fuelled by three major market segments in the telecommunications industry, namely,

- the fixed line market,
- the mobile telephony market; and
- the internet access market

Despite the general economic uncertainties in 2001 and 2002, the fixed line, the mobile telephony and the internet access markets registered strong and robust growth, with double digit growth in the mobile telephony market and internet access market respectively.

According to MCMC, the telecommunications industry in Malaysia has witnessed strong growth over the last 10 years. Telephone line growth is expected to increase from 17.8 per 100 inhabitants in 1996 to 21.6 per 100 inhabitants in 2003. This represents a net increase of approximately 1.7

million telephone lines in Malaysia or nearly 50.0% of fixed line increase since 1996.

The fiber optic cables manufacturing market in Malaysia is very much dependent on the growth potential of the telecommunication market in Malaysia. The Malaysian telecommunications market for fixed-line services is dominated by Telekom.

(Source: SIOSU, 2002, MCMC)

There is sufficient production capacity within the domestic fiber optic cables manufacturing industry to meet the current and future demand for fiber optic cables in Malaysia.

4.4.8 Substitute Products

The Group is not aware of any available substitute for fiber optic cables. The fiber optic cables have replaced the copper cables as the preferred transmission medium in modern telecommunication networks. This is so as the fiber optic cables, which normally transmit data/information in digital form and light pulses, have more advantages in transmission speed, capacity and cost considerations as compared to copper cables, which transmit data/information via electric current.

4.4.9 Prospects and Outlook

The Group expects the fiber optic cable market to grow by approximately 15.0% per annum over the next 5 years due to the expected increase in demand in the fixed line telephony market, the mobile telephony market and the internet access market, including the broadband market segment.

As a result of the liberalisation of the telecommunications industry in Malaysia, many new telecommunications operators and service providers have emerged and are making significant investments in telecommunications infrastructure, including fiber optic cable systems. For example, the number of Network Facility Providers (licensed providers who are able to lay fiber optic cable networks) was 14 providers as of June 2003. At the same time, utilities companies such as Petrofibre (an associated company of Petroliam Nasional Berhad) and TNB's ICT Division have invested nearly 6,300 km of fiber optic cable in their private networks.

(Source: Compilation of market information by the sales/marketing department of the Group)

4.4.10 Reliance on and Vulnerability to Imports

As the cost of producing the raw materials i.e. fibers for the manufacturing of fiber optic cables is considerably high, such fibers are usually imported. Such reliance may not be viewed as critical as there are a handful of fiber producers/suppliers worldwide. However, such reliance on import may expose the local fiber optic cable manufacturer to potential foreign currency exchange risk if their purchases are based on foreign currencies.

4.5 MAJOR CUSTOMERS

Based on the Group's latest audited financial statements for the first six (6) Months ended 30 September 2003, the top ten (10) customers are as follows: -

Customers	Products/Services Sold	Level of Sales (%)	Length of relationship (Years)
OSB*	Sales of fiber optic cables	98.61	8.0
Sapura Transmission Sdn Bhd	Sales of fiber optic cables	0.22	4.0
AtlasOne Malaysia Sdn Bhd	Sales of fiber optic cables	0.14	0.6
Maleja Construction Sdn Bhd	Sales of fiber optic cables	0.10	2.0
Sri Communication Sdn Bhd	Sales of fiber optic cables	0.06	0.8
PetroFibre Network (M) Sdn Bhd	Sales of fiber optic cables	0.06	4.3
Infrastructure Network System Sdn Bhd	Sales of fiber optic cables	0.05	0.3
3Opp (M) Sdri Bhd	Sales of fiber optic cables	0.04	0.2
Formula Mutakhir (M) Sdn Bhd	Sales of fiber optic cables	0.03	1.0
Cablesource (M) Sdn Bhd	Sales of fiber optic cables	0.02	0.4

^{*} Sales mainly to Telekom via Opcom's affiliated company i.e. OSB

The Group has approximately 13 customers in the first six (6) months ended 30 September 2003.

Please refer Section 3.7 under "Risk Factors" on dependency on major customers.

4. INFORMATION ON THE GROUP (Cont'd)

4.6 MAJOR SUPPLIERS

Based on the Group's latest audited financial statements for the first six (6) Months ended 30 September 2003, the top ten (10) suppliers are as follows: -

Suppliers	Products/Services Purchased	Level of Purchases (%)	Length of relationship (Years)
Ericsson	Ribbon Fiber and Fiber	43.82	8.0
Sumitomo	Ribbon Fiber and Fiber	34.11	2.5
Nitto Denko Materials (M) Sdn Bhd	Fiber Reinforced Plastic Rod	7.83	7.5
Borouge Pte Ltd	LLDPE and HDPE	7.52	7.5
Axel Christiernsson AB (USD)	Thixotropic Gel	1.68	7.8
Asa Niaga Cable Drum Sdn Bhd	Drums and batterns	1.62	5.8
Southern Wire Industries (M) Sdn Bhd	Galvanised Wire	1.06	7.8
Weng Meng Industries Sdn Bhd	Drums and batterns	0.66	7.8
Neptco Inc.	Identification Tape	0.48	7.3
Yonsan Corporation Sdn Bhd	Polyester Foil	0.29	0.7

The Group has 34 suppliers in the first six (6) months ended 30 September 2003.

Please refer Section 3.6 under "Risk Factors" on dependency on major suppliers.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.7 FUTURE PLANS, STRATEGIES AND PROSPECTS

(a) Future Plans

The Group's future business activities and development plans are focused on revenue growth while maintaining its current profit margin in the fiber optic cable business segment. The Group believes that it will be able to maintain its current market share in the local fiber optic cable market. The Group estimates that the local fiber optic cable market is expected to grow at the rate of approximately 15.0% annually for the next five(5) years, fuelled primarily by the upgrading of networks by the major telecommunications providers and the entrance of new alternative service providers.

Currently, the Group manufactures slotted core fiber optic cables and indoor cables for the local market. Going forward, the Group plans to manufacture loose tube type of fiber optic cables and cable related accessories as well for both the local and overseas markets.

Loose Tube Fiber Optic Cables

The Group plans to invest in new manufacturing capacity to manufacture loose tube fiber optic cables for the local as well as the export markets. Investment and construction of the new capacity is expected to commence in the third quarter of 2004 and commercial production is expected to start by the end of first quarter 2005. Currently, certain telecommunications service providers in Malaysia deploy loose tube fiber optic cables in their networks and the Group believes that with the addition of new manufacturing capacity in loose tube fiber optic cables, it will be able to see sales contribution from these telecommunications service providers.

For production technology, Ericsson — Opcom's joint venture partner as well as technology provider — will provide all the necessary technical know-how. Ericsson has vast experience in manufacturing loose tube fiber optic cables, and the Group believes that this will enable the Group to ramp up commercial production capacity fairly rapidly to capitalize on any potential market demand, both locally or overseas for loose tube fiber optic cables. In addition, the Technical Collaboration Agreement between OCSB with Ericsson includes the transfer of manufacturing technology for loose tube fiber optic cables which means that the Group only incurs minimum investment in R&D yearly. This will enable the Group to recoup its investment more rapidly as well as enable the Group to competitively price its loose tube fiber optic cables to capture market share in Malaysia and the regional markets.

Cable Accessories

The Group also plans to diversify into other related but focused areas within the value chain of the fiber optic cable system. This includes cable accessories such as jointing closure and terminating box.

The Group plans to invest in product design, development, testing and, marketing and sales of these cable system accessories. Manufacturing of the components for the jointing closure and termination box will be outsourced to component manufacturers and suppliers, and the Group will be responsible for assembling and integrating the various components into complete products. The Group intends to build a manufacturing capability for these two products in early 2005.

Export Market

With the ability to supply both slotted core and loose tube fiber optic cables, the Group is well positioned to supply its products to foreign markets, such as Europe and the Middle East The Group believes that loose tube fiber optic cables have lower manufacturing costs compared to slotted core fiber optic cables and this will further enhance the Group's competitiveness in the marketplace, both local and overseas. With an expanded product range and planned marketing foray into the export markets, the Group plans to achieve the objective of diversifying its existing customer base where its largest customer accounts for approximately 99% of the total revenue of the Group as at 30 September 2003. By the end of financial year ending 2007, the Group expects its export markets to constitute at least 10.0% of the overall sales and expects its shipments to Telekom to drop below 70% of the total The Group plans to increase its sales team for foreign sales revenue. markets from a one-person team to a team of three marketing and sales person in 2004, with lateral transfer from within the organization as well as new hires.

(b) Strategies

The Group believes that by continuing with its existing business strategies coupled with some of its forward-looking business/financial strategies as set out below, it will be able to maintain its position as the leading market player in the local fiber optic cable manufacturing industry.

- Timely delivery of products to the customers' designated sites
- Strategic alliance with Ericsson for technology transfer
- Securing long term supply contracts with customers
- Securing favourable terms from suppliers
- Maintaining good relationships with customers
- Providing value-added services to customers
- Maintaining quality control MS ISO 9001: 2000
- Continuing investments in human capital
- Effective financial strategies

(c) Prospects

The prospects of the Group would depend on the fiber optic cable manufacturing industry which in turn depends on the prospect of the telecommunications industry in Malaysia, which is mainly driven by the fixed-line market, the mobile telephony market and the internet market.

Fixed-line Market

MCMC expects the fixed-line market to grow sharply from 4.7 million subscribers as of December 2001 to 6.9 million subscribers by December 2006. MCMC projects the fixed-line market in Malaysia to grow constantly at a Cumulative Annual Growth Rate ("CAGR") of 6.5% from 2002 to 2006 based on its forecast of total market subscribers shown below. MCMC projects the fixed-line (household) penetration rate to grow from 67.9% as of December 2001 to 79.7% by December 2006. However, penetration is far greater in major conurbations and business centres, especially Kuala Lumpur. Several factors should drive the fixed-line penetration rate higher (Telekom Malaysia has and will seek to connect more remote areas of the country as there is a growing number of people there who can afford to subscribe). (Source: SIOSU, 2002, MCMC)

Such projected growth augurs well for fiber optic cable manufacturers such as the Group where the major telecommunications providers in the country have been replacing copper cables in their network with fiber optic cables. At the same time, much of the increased network capacity necessary to support the high subscriber line growth will be undertaken with fiber optic cables. As one of the largest fiber optic cables manufacturers in Malaysia, the Group is well positioned to capitalise and satisfy the demand for fiber optic cables in this country.

Mobile Telephony Market / 3G Networks

MCMC expects that the mobile market will grow sharply from 7.5 million subscribers as of December 2001 to 12.2 million subscribers by December 2006. Pre-paid services are expected to remain the sector's key growth driver, similar to other emerging markets in the region. The projection for the mobile market in Malaysia is strong growth at a CAGR of 10.24% over 2002 to 2006, based on MCMC's forecast of total market subscribers. The Malaysian penetration rate is still among one of the lowest in Asia as well as internationally (Talwan >80%, Germany >60%). However, in comparison to other ASEAN countries, Malaysia ranks high. Most mobile users in Malaysia are concentrated in large towns and cities, such as the Klang Valley and Penang. The mobile market is currently based on GSM and the expectations are that the introduction of GPRS and, later, 3G services, will significantly impact growth. MCMC projects the mobile penetration rate to grow from 31.5% at December 2001 to 43.0% by December 2006.

(Source: SIOSU, 2002, MCMC)

As mobile phones will increasingly be used to access high bandwidth and media rich applications, fiber optic cable is expected to become the transport and backhaul network of choice for mobile service operators as it is one of the most reliable modes of carrying high bandwidth data, voice and video. The Group expects mobile operators which will be operating 3G networks in Malaysia to invest significantly in fiber optic cable networks as part of their network deployment strategy. Consequently, the Group expects such investment to heighten the demand for fiber optic cables in Malaysia.

Internet User Market

MCMC expects the Internet user market to grow sharply from 5 million users in December 2001 to 11.8 million users by December 2006. The projection for internet dial up subscribers is from 2.1 million at December 2001 to 6.6 million by the year 2006. MCMC also projects the internet user market in Malaysia to grow strongly at a CAGR of 19 % over 2002 to 2006, based on MCMC's forecast of total market subscribers. Most Internet users in Malaysia are concentrated in large towns and cities, such as the Klang Valley and Penang. MCMC predicts the market will grow further. MCMC projects the Internet penetration rate for Internet use to grow from 21.0% in December 2001 to 41.5% by December 2006. The projection for Internet dial up subscribers' penetration rate is 7.1% in 2001 to 23.2% by the year 2006. This is in line with the MCMC's objectives outlined in its Framework for industrial Development. Several factors should drive the Internet user penetration rate higher (Email, Instant Messaging).

(Source: SIOSU, 2002, MCMC)

4. INFORMATION ON THE GROUP (Cont'd)

As the country's Internet service providers begin to roll-out broadband services, these service providers will require reliable fiber optic cable network infrastructure to carry their high bandwidth internet traffic. With the existing capacity and track record of the Group in Malaysia, it is well positioned to provide the fiber optic cables required to increase the infrastructure to these service providers.

As a result of the liberalization of the telecommunications industry in Malaysia, many new telecommunications operators and service providers have emerged and are making significant investments in telecommunications infrastructure, including fiber optic cable systems. Such telecommunications operators and service providers are:-

- 1. Traditional Telecommunications and Power Utilities
- 2. Alternative Service Providers
- 3. Last Mile Service Providers
- 4. Mobile Telephone Carriers

Further, non-telecommunications companies such as infrastructure owners and major toll road operators who have the rights of ways are increasingly looking into laying fiber optic cables. The Group believes that over the next few years, most toll road operators will install fiber optic cables on their highway infrastructure as a "working asset" which will provide them with an additional source of income.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK