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**8. ACCOUNTANTS' REPORT**

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(AF 0911)  
Chartered Accountants

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Date : 1 December 2004

**The Board of Directors**

**Ecofuture Bhd.**

Suite 11-03, 11<sup>th</sup> Floor Block A,  
Damansara Intan,  
No. 1, Jalan SS20/27,  
47400 Petaling Jaya,  
Selangor Darul Ehsan

Dear Madam/Sirs,

**Ecofuture Bhd. (“Ecofuture” or “the Company”) and its subsidiaries (“Ecofuture Group”)  
ACCOUNTANTS' REPORT**

**1. INTRODUCTION**

This report has been prepared by PKF, an approved company auditor, for inclusion in the Prospectus of Ecofuture Bhd. to be dated 13 December 2004 in connection with the public issue of 43,635,000 new ordinary shares of RM0.10 each in Ecofuture Bhd. at an issue price of RM0.25 per ordinary share and the listing and quotation of the entire issued and paid-up share capital of Ecofuture on the Malaysian Exchange of Securities Dealing Automated Quotation (“MESDAQ”) Market of the Bursa Malaysia Securities Berhad (“Bursa Securities”) (formerly known as Malaysia Securities Exchange Berhad).

**2. GENERAL INFORMATION**

**2.1 Background**

Ecofuture Bhd. (“Ecofuture”) was incorporated in Malaysia under the Companies Act, 1965 on 13 September 2003 as a public limited company. Ecofuture’s present authorised share capital is RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each and the issued and paid-up share capital is RM13,090,500 comprising 130,905,000 ordinary shares of RM0.10 each.

At the date of incorporation, ELPSB’s authorised share capital divided into ordinary shares of RM1.00 each was RM100,000.

**8. ACCOUNTANTS' REPORT (Cont'd)****2.1 Background (continued)**

The movement in Ecofuture's issued and paid up share capital since the date of incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares</b>	<b>Par value RM</b>	<b>Type of issue</b>	<b>Cumulative total RM</b>
13.9.2003	2	1.00	Subscribers' share	2
13.10.2004	8,944,000	1.00	Issued as consideration for the acquisition of SWSB's entire issued and paid up share capital	8,944,002
13.10.2004	1,128,000	1.00	Issued as consideration for the acquisition of ISSB's entire issued and paid up share capital	10,072,002
13.10.2004	718,498	1.00	Issued as consideration for the acquisition of 50.71% of ETSB's issued and paid up share capital	10,790,500
13.10.2004	2,300,000	1.00	Issued as consideration for the acquisition of 77.00% of ELPSB's issued and paid up share capital	13,090,500

On 1 November 2004, Ecofuture undertook a share split exercise, which involves the subdivision of the entire issued and paid-up share capital of Ecofuture comprising 13,090,500 ordinary shares of RM1.00 each on the basis of every one (1) existing ordinary share of RM1.00 each in Ecofuture into ten (10) new ordinary shares of RM0.10 each in Ecofuture, credited as fully paid-up.

**2.2 Group's structure and principal activities**

The intended principal activity of Ecofuture is that of investment holding whilst the principal activities of its subsidiary companies are as follows:

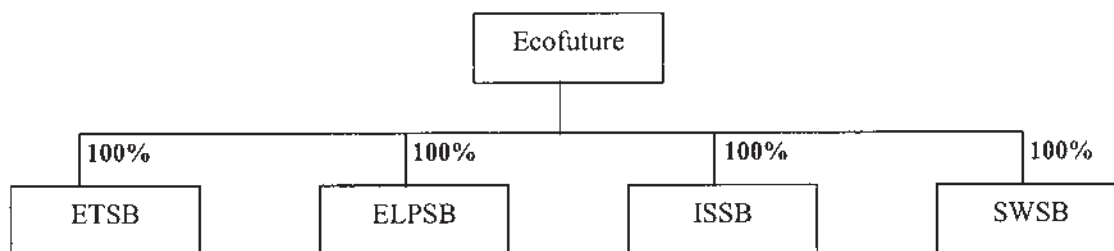
<b>Subsidiary companies</b>	<b>Effective equity interest %</b>	<b>Principal activities</b>
Ecofibre Technology Sdn. Bhd. ("ETSB")	100	Production and sale of fibrous mat from oil palm biomass and engineering and sale of specialised machineries



## 2.2 Group's structure and principal activities (continued)

Subsidiary companies	Effective equity interest %	Principal activities
Ecologico Packaging Sdn. Bhd. ("ELPSB")	100	Production and sale of packaging products from biomass
Interactive Star Sdn. Bhd. ("ISSB")	100	Investment holding and income from licensing of technologies
Stable-Win Sdn. Bhd. ("SWSB")	100	Milling, sale of crude palm oil and palm kernel and recycling of oil palm biomass

Ecofuture together with its subsidiaries, which were acquired pursuant to the Acquisitions as detailed in Section 2.3 of this Report, is referred to as the "Ecofuture Group". The structure of the Ecofuture Group is illustrated below:



### 2.2.1 Ecofibre Technology Sdn. Bhd.

Ecofibre Technology Sdn. Bhd. ("ETSB") is a private limited company which was incorporated on 10 January 1998 under the Companies Act, 1965, in Malaysia, as Usadunia Sdn. Bhd. ETSB's name was subsequently changed to Eco Fibre Technology Sdn. Bhd. on 18 March 1998 and finally to its present name on 27 October 1998. ETSB commenced its operations on 3 August 1998 and its principal business activity is that of selling recycled products from oil palm residues and engineering and sale of specialised machineries for extraction of fibre from palm fruit bunches.

The present authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM777,000 comprising 777,000 ordinary shares of RM1.00 each.

At the date of incorporation, ETSB's authorised share capital divided into ordinary shares of RM1.00 each was RM100,000. ETSB increased its authorised share capital to RM500,000 by creating 400,000 ordinary shares of RM1.00 each on 10 March 1998. The authorised share capital was further increased to RM1,000,000 by the creation of 500,000 ordinary shares of RM1.00 each on 3 December 2002.

**8. ACCOUNTANTS' REPORT (Cont'd)****2.2.1 Ecofibre Technology Sdn. Bhd. (continued)**

The movement in ETSB's issued and paid-up share capital since the date of incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares</b>	<b>Par value RM</b>	<b>Type of issue</b>	<b>Cumulative total RM</b>
10.1.1998	2	1.00	Subscribers' share	2
29.4.1998	249,998	1.00	Subscription by cash	250,000
30.1.2003	100,000	1.00	Subscription by cash	350,000
31.3.2003	383,000	1.00	Other than cash	733,000
08.4.2003	44,000	1.00	Subscription by cash	777,000

**2.2.2 Ecologico Packaging Sdn. Bhd.**

Ecologico Packaging Sdn. Bhd. ("ELPSB") is a private limited company incorporated in Malaysia on 30 May 2003 under the Companies Act, 1965. ELPSB commenced its operations on 30 October 2004 as manufacturer of Ecopak packaging products.

The present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM2,000,002 comprising 2,000,002 ordinary shares of RM1.00 each.

At the date of incorporation, ELPSB's authorised share capital divided into ordinary shares of RM1.00 each was RM5,000,000.

The movement in ELPSB's issued and paid up share capital since the date of incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares</b>	<b>Par value RM</b>	<b>Type of issue</b>	<b>Cumulative total RM</b>
30.5.2003	2	1.00	Subscribers' share	2
13.8.2003	2,000,000	1.00	Subscription by cash	2,000,002

**2.2.3 Interactive Star Sdn. Bhd.**

Interactive Star Sdn. Bhd. ("ISSB") is a private limited company which was incorporated on 13 March 1999 under the Companies Act, 1965, in Malaysia, as Interative Star (M) Sdn Bhd. ISSB name was subsequently changed to Jonoe Sdn. Bhd. on 17 June 1999 and finally to its present name on 1 August 2002.

ISSB commenced its operations in May 2000 and is principally engaged in selling of fibrous mats.

**8. ACCOUNTANTS' REPORT (Cont'd)****2.2.3 Interactive Star Sdn. Bhd. (continued)**

The present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

At the date of incorporation, ISSB's authorised share capital was RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

The movement in ISSB's issued and paid-up share capital since the date of incorporation are as follows:

Date of allotment	No. of ordinary shares	Par value RM	Type of issue	Cumulative total RM
13.3.1999	2	1.00	Subscribers' share	2
17.3.2000	49,998	1.00	Subscription by cash	50,000
24.9.2002	50,000	1.00	Subscription by cash	100,000

**2.2.4 Stable-Win Sdn. Bhd.**

Stable-Win Sdn. Bhd. ("SWSB") was incorporated in Malaysia as a private limited company on 10 December 1992 under the Companies Act, 1965. SWSB's principal business activities include the milling and sale of crude palm oil and palm kernel and the recycling of oil palm residues.

SWSB commenced operations in 1992 and has been involved in the abovementioned business activities since 1992.

The present authorised share capital is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM1,500,000 comprising 1,500,000 ordinary shares of RM1.00 each.

At the date of incorporation, SWSB's authorised share capital was RM25,000 comprising 25,000 ordinary shares of RM1.00. SWSB increased its authorised share capital to RM1,000,000 by creating 975,000 ordinary shares of RM1.00 each on 31 December 1992. The authorised share capital was further increased to RM2,000,000 by the creation of 1,000,000 ordinary shares of RM1.00 each on 5 July 2002.

The movement in SWSB's issued and paid-up share capital since the date of incorporation are as follows:

Date of allotment	No. of ordinary shares	Par value RM	Type of issue	Cumulative total RM
10.12.1992	2	1.00	Subscribers' shares	2
31.12.1992	499,998	1.00	Subscription by cash	500,000
22.12.1994	500,000	1.00	Bonus issue (1:1)	1,000,000
19.07.2002	500,000	1.00	Subscription by cash	1,500,000



### 2.3 Restructuring and listing exercise

In connection with and as part of the listing and quotation of the entire issued and paid-up share capital of Ecofuture on the MESDAQ Market of Bursa Securities, Ecofuture has undertaken the following restructuring and listing exercise:

- (a) Acquisition of 1,500,000 ordinary shares of RM1.00 each representing the entire equity interest in SWSB for a total purchase consideration of RM8,944,000 to be satisfied by the issuance of 8,944,000 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00 each;
- (b) Acquisition of 100,000 ordinary shares of RM1.00 each representing the entire equity interest in ISSB for a total purchase consideration of RM1,128,000 to be satisfied by the issuance of 1,128,000 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00 each;
- (c) Acquisition of 394,000 ordinary shares of RM1.00 each representing 50.71% of the issued and paid-up share capital in ETSB for a total purchase consideration of RM718,498 to be satisfied by the issuance of 718,498 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00; and
- (d) Acquisition of 1,540,002 ordinary shares of RM1.00 each representing 77.00% of the equity interest in ELPSB for a total purchase consideration of RM2,300,000 to be satisfied by the issuance of 2,300,000 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00 each.

((a) to (d) are collectively referred to as the "Acquisitions")

The Acquisitions were completed on 13 October 2004.

Following the completion of the Acquisitions, Ecofuture carried out an internal reorganisation which involves the following:

- (a) Transfer of 49.29% equity interest in ETSB representing 383,000 ordinary shares of RM1.00 each from its wholly owned subsidiary, SWSB to be satisfied by a cash consideration of RM383,000;
- (b) Transfer of 15.00% equity interest in ELPSB representing 300,000 ordinary shares of RM1.00 each from its wholly owned subsidiary, SWSB to be satisfied by a cash consideration of RM411,290; and
- (c) Transfer of 8.00% equity interest in ELPSB representing 160,000 ordinary shares of RM1.00 each from its wholly owned subsidiary, ISSB to be satisfied by a cash consideration of RM219,355.

((a) to (c) are collectively referred to as the "Internal Reorganisation")

The Internal Reorganisation was completed on 29 October 2004.

**8. ACCOUNTANTS' REPORT (Cont'd)****2.3 Restructuring and listing exercise (continued)**

Subsequent to the completion of the Internal Reorganisation, the Company undertook a share split exercise, which involves the sub-division of the entire issued and paid-up share capital of Ecofuture comprising of 13,090,500 ordinary shares of RM1.00 each on the basis of every one (1) existing ordinary share of RM1.00 each in Ecofuture into ten (10) new ordinary shares of RM0.10 each in Ecofuture, credited as fully paid-up.

Following the completion of the share split exercise, Ecofuture's issued and paid-up capital of RM13,090,500 will comprise 130,905,000 ordinary shares of RM0.10 each in Ecofuture.

Subsequent to the share split, in order to facilitate the listing and quotation of the entire enlarged issued and paid-up share capital of Ecofuture on the MESDAQ Market, Ecofuture will undertake a public issue of 43,635,000 new Ecofuture shares representing 25% of the enlarged issued and paid-up share capital of Ecofuture at an issue price of RM0.25 each.

Upon the completion of the public issue, Ecofuture will seek the listing and quotation of its enlarged issued and paid-up capital of RM17,454,000 comprising 174,540,000 Ecofuture shares on the MESDAQ Market.

**3. FINANCIAL STATEMENTS AND AUDITORS**

The financial year end of Ecofuture, ETSB, ELPSB, ISSB and SWSB is 31 December. During the financial year ended 31 December 1999, the Ecofuture Group adopted the Malaysian Accounting Standards Board ("MASB") Standards, which replaced the corresponding International Accounting Standards ("IAS") and Malaysian Accounting Standards ("MAS") issued by the Councils of the Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA").

Following the adoption of the MASB Standards, there have been no material changes to the accounting policies of the Ecofuture Group.

The financial statements of Ecofuture, ETSB, ELPSB, ISSB and SWSB for all the relevant financial years/periods under review were audited by another firms of auditors and were reported on without any qualification.

**4. DIVIDENDS**

Ecofuture has not paid or declared any dividend since its incorporation.

No dividend has been paid or declared by the subsidiaries during the relevant years/periods under review except by SWSB as below:-

	<----- <i>Financial year ended 31 December</i> ----->					1.1.2004 to 30.6.2004
	1999	2000	2001	2002	2003	
Gross dividend (RM'000)	-	800	926	694	694	-
Gross dividend rate (%)	-	80%	92.6%	46.3%	46.3%	-

## 8. ACCOUNTANTS' REPORT (Cont'd)



## 5 PROFORMA CONSOLIDATED INCOME STATEMENTS

The proforma consolidated income statements of the proforma Ecofuture Group for the five (5) financial years ended from 31 December 1999 to 31 December 2003 and six (6) months financial period ended 30 June 2004 (except for companies which have been incorporated for less than five years) are set out below. The proforma consolidated income statements have been prepared for illustrative purposes only and on the assumption that the Ecofuture Group structure has been in existence throughout the relevant years/periods under review.

	<-----Financial year ended 31 December----->					1.1.2004 to 30.6.2004
	1999	2000	2001	2002	2003	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	72,340	49,093	49,333	65,737	81,436	41,572
Cost of sales	(68,992)	(45,970)	(44,397)	(60,120)	(73,890)	(37,995)
Gross profit	3,348	3,123	4,936	5,617	7,546	3,577
Other operating income	205	233	340	343	359	170
Administrative and other operating expenses	(1,838)	(2,132)	(3,281)	(2,869)	(4,558)	(2,541)
Operating profit	1,715	1,224	1,995	3,091	3,347	1,206
Interest income	6	4	4	4	1	-
Interest expense	(359)	(421)	(504)	(470)	(429)	(179)
Profit before tax	1,362	807	1,495	2,625	2,919	1,027
Taxation	(186)	(245)	(630)	(900)	(870)	4
Net profit after tax	1,176	562	865	1,725	2,049	1,031
Number of ordinary shares assumed in issue ('000)	130,905	130,905	130,905	130,905	130,905	130,905
Gross dividend (RM'000)	-	-	-	-	-	-
Dividend rate (%)	-	-	-	-	-	-
Gross earnings per share (sen)	1.0	0.6	1.1	2.0	2.2	0.8
Net earnings per share (sen)	0.9	0.4	0.7	1.3	1.6	0.8
Depreciation (RM'000)	629	747	867	930	979	529





### 5.1 Revenue and operating results

Group revenues constitute sale of crude palm oil and palm kernel, recycled products from oil palm biomass, and specialised recycling equipment. Notwithstanding, the constitution of revenues which comprises primarily crude palm oil and palm kernel sales, revenue contribution from the Group's oil palm biomass optimisation operations has been on an increasing trend over the years. Sale of recycled biomass products and specialised recycling equipment made up 1% of Group revenues in financial year ("FY") 2001 and up to 3% of Group revenues for the financial period ended 30 June 2004.

Whilst there was a modest contribution of revenues from the Group's oil palm biomass optimisation operations, the related contribution to Group profits has been more significant. In FY1999, profits before tax from the Group's oil palm biomass optimisation operations made up to 1% of Group's profits before tax. Over the years, this contribution has grown steadily and makes up to 53% of Group's profit before tax for the six (6) months financial period ended 30 June 2004. This increased contribution has also resulted in higher Group's net profit margins recorded over the years, from 1.14% in FY2000 to 2.48% for the six (6) months financial period ended 30 June 2004.

### 5.2 Taxation

No provision for tax has been made for the profit for FY1999 as the amount payable was waived in accordance with the Income Tax (Amendment) Bill 1999. The proforma effective tax rates for the FY2000, FY2001, FY2002 and FY2003 are higher than the statutory tax rates due to certain expenses are not deductible for tax purposes. For the financial period ended 30 June 2004, the reversal of provision for taxation was due to overprovision in prior years.

### 5.3 Earnings per share

The gross earnings per share ("EPS") is calculated based on profit before taxation while the net EPS is calculated based on profit after taxation over the total number of ordinary shares of 130,905,000 assuming that the Acquisition and the Internal Reorganisation detailed in Section 2.3, has been effected throughout the financial years and period under review.

### 5.4 Extraordinary/exceptional items

There was no extraordinary/exceptional item for the financial years/period under review.

**8. ACCOUNTANTS' REPORT (Cont'd)****5.5 Ecofuture**

Tabulated below is the audited income statement of Ecofuture for the 4 months since its date of incorporation on 13 September 2003 to 31 December 2003 and for the six (6) months period from 1 January 2004 to 30 June 2004.

	<b>Period 13.9.03 (date of incorporation) to 31.12.03 RM'000</b>	<b>1.1.2004 to 30.6.2004 RM'000</b>
Revenue	-	-
Administrative and other operating expenses	(9)	(6)
Operating profit	(9)	(6)
Interest income	-	-
Interest expenses	-	-
Loss before tax	(9)	(6)
Taxation	-	-
Net loss after tax	(9)	(6)

## 8. ACCOUNTANTS' REPORT (Cont'd)



## 6. SUMMARISED BALANCE SHEETS – PROFORMA GROUP

## 6.1 Proforma consolidated balance sheets

The proforma consolidated balance sheets have been prepared for illustrative purposes only. The basis of preparation has been disclosed in Section 8.1 and 8.2 of this Report.

	<-----As at 31 December----->					As at
	1999	2000	2001	2002	2003	30.6. 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>						
Property, plant and equipment	13,647	15,672	16,242	17,434	24,187	28,630
Estate development expenditure	234	225	253	236	224	229
Patent	-	8	13	13	33	40
Goodwill on consolidation	-	-	-	-	-	1,989
Deferred expenditure	4	-	-	-	-	-
	13,885	15,905	16,508	17,683	24,444	30,888
<b>Current assets</b>						
Inventories	1,994	1,668	2,002	1,202	1,600	3,054
Trade receivables	2,302	4,061	6,477	7,214	4,165	2,715
Other receivables, deposits & prepayments	1,602	3,143	1,724	1,695	1,883	2,037
Amount due from Directors	371	34	34	62	-	-
Tax recoverable	54	351	-	-	-	-
Fixed deposits	164	115	117	120	-	-
Cash and bank balances	87	88	31	194	1,089	244
	6,574	9,460	10,385	10,487	8,737	8,050
<b>Current liabilities</b>						
Trade payables	2,788	1,737	3,939	3,211	5,314	5,715
Other payables & accruals	3,524	3,005	2,526	3,407	7,292	3,419
Amount due to Directors	7	1	101	196	361	331
Hire purchase & lease payables	-	-	-	139	449	273
Term loan	-	980	1,075	485	108	1,143
Short term borrowings	4,411	11,262	11,233	11,844	7,318	8,662
Income tax payable	-	-	97	183	568	445
	10,730	16,985	18,971	19,465	21,410	19,988
<b>Net current liabilities</b>	(4,156)	(7,525)	(8,586)	(8,978)	(12,673)	(11,938)
	9,729	8,380	7,922	8,705	11,771	18,950

## 8. ACCOUNTANTS' REPORT (Cont'd)



## 6. SUMMARISED BALANCE SHEETS – PROFORMA GROUP (continued)

## 6.1 Proforma consolidated balance sheets (continued)

	<-----As at 31 December----->					As at
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	30.6.2004 RM'000
<b>Financed by:</b>						
Share capital	*	*	*	*	*	13,090
Retained profits	5,136	4,899	5,098	6,321	7,871	(15)
Reserve on consolidation	-	-	-	-	-	1,281
<b>Shareholders' funds</b>	5,136	4,899	5,098	6,321	7,871	14,356
<b>Deferred and long term liabilities</b>						
Term loan	2,700	1,490	801	289	1,126	1,971
Hire purchase and lease payables	-	-	-	11	73	23
Deferred income	-	-	-	-	960	1,075
Deferred taxation	1,893	1,991	2,023	2,084	1,741	1,525
	4,593	3,481	2,824	2,384	3,900	4,594
	9,729	8,380	7,922	8,705	11,771	18,950

\* The paid-up capital comprises 2 ordinary shares of RM1.00 each issued at par value.

**8. ACCOUNTANTS' REPORT (Cont'd)****7. SUMMARISED BALANCE SHEETS****7.1 Ecofuture**

The balance sheets of Ecofuture for the relevant year/period under review are as follows:

	As at 31.12.2003 RM'000	As at 30.6.2004 RM'000
<b>Non-current asset</b>		
Property, plant and equipment	-	1
Current assets	5	406
Current liabilities	(14)	(422)
<b>Net current liabilities</b>	(9)	(16)
	(9)	(15)
<b>Represented by:</b>		
Share capital	*	*
Accumulated losses	(9)	(15)
Capital deficiency	(9)	(15)
Net tangible liabilities per share (RM)	(4,500)	(7,500)

\* *The paid-up capital comprises 2 ordinary shares of RM1.00 each issued at par value.*

## 8. ACCOUNTANTS' REPORT (Cont'd)



## 7. SUMMARISED BALANCE SHEETS (continued)

## 7.2 ETSB

The balance sheets of ETSB for the relevant years/period under review are as follows:

	<----- As at 31 December ----->					As at
	1999	2000	2001	2002	2003	30.6.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current asset</b>						
Property, plant and equipment	12	8	5	11	1,354	1,390
Current assets	222	225	214	252	380	775
Current liabilities	(6)	(60)	(82)	(137)	(469)	(239)
<b>Net current assets/(liabilities)</b>	216	165	132	115	(89)	536
	228	173	137	126	1,265	1,926
<b>Financed by:</b>						
Share capital	250	250	250	250	777	777
Retained profits	(23)	(78)	(113)	(124)	488	1,149
<b>Shareholders' funds</b>	227	172	137	126	1,265	1,926
<b>Long term and deferred liabilities</b>						
Deferred taxation	1	1	-	-	-	-
	228	173	137	126	1,265	1,926
Net tangible assets per share (RM)	0.91	0.69	0.55	0.50	1.63	2.48

The above balance sheets have been adjusted to reflect the classifications as adopted in the latest audited financial statements.

## 8. ACCOUNTANTS' REPORT (Cont'd)



## 7. SUMMARISED BALANCE SHEETS (continued)

## 7.3 ELPSB

The balance sheets of ELPSB for the relevant year/period under review are as follows:

	31.12.2003 RM'000	As at 30.6.2004 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	2,120	3,919
Patent	4	4
	2,124	3,923
Current assets	170	83
Current liabilities	(340)	(2,069)
<b>Net current liabilities</b>	(170)	(1,986)
	1,954	1,937
<b>Financed by:</b>		
Share capital	2,000	2,000
Accumulated losses	(46)	(63)
<b>Shareholders' funds</b>	1,954	1,937
Net tangible assets per share (RM)	0.98	0.97

The above balance sheets have been adjusted to reflect the classifications as adopted in the latest audited financial statements.

**8. ACCOUNTANTS' REPORT (Cont'd)****7. SUMMARISED BALANCE SHEETS (continued)****7.4 ISSB**

The balance sheets of ISSB for the relevant years/periods under review are as follows:

	<----- As at 31 December ----->					As at
	1999	2000	2001	2002	2003	30.6.04
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>						
Property, plant and equipment	-	4	501	490	479	473
Patent	-	8	13	13	29	36
Other investment	-	-	-	-	219	219
	-	12	514	503	727	728
<b>Current assets</b>	4	46	68	234	38	66
<b>Current liabilities</b>	(8)	(12)	(234)	(347)	(435)	(488)
<b>Net current (liabilities)/assets</b>	(4)	34	(166)	(113)	(397)	(422)
<b>Deferred expenditure – at cost</b>	4	-	-	-	-	-
	-	46	348	390	330	306
<b>Financed by:</b>						
Share capital	*	50	50	100	100	100
(Accumulated losses) / Retained profits	-	(4)	(28)	1	17	32
<b>Shareholders' funds</b>	*	46	22	101	117	132
<b>Long term and deferred liabilities</b>						
Term loan	-	-	326	289	213	174
	-	46	348	390	330	306
<b>Net tangible assets per share (RM)</b>	-	0.92	0.44	1.01	1.17	1.32

The above balance sheets have been adjusted to reflect the classifications as adopted in the latest audited financial statements.



**8. ACCOUNTANTS' REPORT (Cont'd)****7. SUMMARISED BALANCE SHEETS (continued)****7.5 SWSB**

The balance sheets of SWSB for the relevant years/period under review are as follows:

	<----- As at 31 December ----->					As at
	1999	2000	2001	2002	2003	30.6.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>						
Property, plant and equipment	13,635	15,660	15,736	16,933	20,336	22,847
Estate development expenditure	234	225	253	236	224	229
Investment in associate	-	-	-	-	383	383
Other investment	-	-	-	-	411	411
	<u>13,869</u>	<u>15,885</u>	<u>15,989</u>	<u>17,169</u>	<u>21,354</u>	<u>23,870</u>
Current assets	6,353	9,193	10,103	10,001	8,179	8,668
Current liabilities	(9,471)	(15,618)	(17,355)	(17,131)	(16,823)	(18,718)
<b>Net current liabilities</b>	(3,118)	(6,425)	(7,252)	(7,130)	(8,644)	(10,050)
	<u>10,751</u>	<u>9,460</u>	<u>8,737</u>	<u>10,039</u>	<u>12,710</u>	<u>13,820</u>
<b>Financed by:</b>						
Share capital	1,000	1,000	1,000	1,500	1,500	1,500
Retained profits	5,159	4,981	5,239	6,444	7,522	7,900
<b>Shareholders' funds</b>	<u>6,159</u>	<u>5,981</u>	<u>6,239</u>	<u>7,944</u>	<u>9,022</u>	<u>9,400</u>
<b>Long term and deferred liabilities</b>						
Term loan	2,700	1,490	475	-	913	1,797
Hire purchase and lease payables	-	-	-	11	74	23
Deferred income	-	-	-	-	960	1,075
Deferred taxation	1,892	1,989	2,023	2,084	1,741	1,525
	<u>10,751</u>	<u>9,460</u>	<u>8,737</u>	<u>10,039</u>	<u>12,710</u>	<u>13,820</u>
Net tangible assets per share (RM)	<u>6.16</u>	<u>5.98</u>	<u>6.24</u>	<u>5.30</u>	<u>6.01</u>	<u>6.27</u>

The above balance sheets have been adjusted to reflect the classifications as adopted in the latest audited financial statements.



## 8. STATEMENT OF ASSETS AND LIABILITIES

The following statement of assets and liabilities of the proforma Ecofuture Group has been prepared for illustrative purposes only and is based on the audited financial statements of Ecofuture, ETSB, ELPSB, ISSB and SWSB as at 30 June 2004 and on the assumption that the Acquisitions and the Internal Reorganisation as detailed in Section 2.3 of this Report had been effected since 30 June 2004. The statement of assets and liabilities has been prepared without taking into account the share split and the public issue of shares. The statement of assets and liabilities should be read in conjunction with the notes thereon.

	Note	Proforma Group RM
<b>Non-current assets</b>		
Property, plant and equipment	8.3	28,629,752
Estate development expenditure	8.4	229,070
Patent		40,258
Goodwill on consolidation	8.5	1,989,163
		<u>30,888,243</u>
<b>Current assets</b>		
Inventories	8.6	3,054,422
Trade receivables	8.7	2,714,539
Deferred expenditure	8.8	406,198
Other receivables, deposits and prepayments		1,631,175
Cash and bank balances		244,199
		<u>8,050,533</u>
<b>Current liabilities</b>		
Trade payables		5,714,990
Other payables and accruals		3,419,599
Amount due to Directors	8.9	331,000
Hire purchase liabilities	8.10	272,534
Short term borrowings	8.11	8,662,286
Term loans	8.12	1,142,697
Tax payable		445,246
		<u>(19,988,352)</u>
<b>Net current liabilities</b>		<u>(11,937,819)</u>
		<u>18,950,424</u>
<b>Financed by:</b>		
Share capital	8.13	13,090,500
Reserve on consolidation	8.14	1,280,514
Accumulated loss		(14,965)
<b>Shareholders' funds</b>		<u>14,356,049</u>
<b>Long term and deferred liabilities</b>		
Hire purchase liabilities	8.10	23,083
Term loans	8.12	1,970,921
Deferred income	8.15	1,075,371
Deferred taxation	8.16	1,525,000
		<u>4,594,375</u>
		<u>18,950,424</u>



## 8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

### 8.1 Basis of preparation of statement of assets and liabilities

The statements of assets and liabilities have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

### 8.2 Significant accounting policies

#### Basis of accounting

The statement of assets and liabilities has been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised below.

#### Basis of consolidation

The consolidated statement of assets and liabilities include the statement of assets and liabilities of the Company and all its subsidiaries listed in paragraph 2.2 made up to the end of the financial year. The financial statements of subsidiaries are included in the consolidated statement of assets and liabilities on the assumption that the restructuring and listing exercise as stated in paragraph 2.3, except for the share split and public issue has been effected as at 30 June 2004. Subsidiaries are consolidated using the acquisition method of accounting.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Goodwill and reserve on consolidation arising from consolidation represents the difference between the purchase consideration over the sum of the fair values of the identifiable net assets of the subsidiaries acquired as at the date of acquisition.

#### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation.

Freehold land and capital work-in-progress are not depreciated while depreciation on other property, plant and equipment is calculated on the straight line basis at the following annual rates based on their estimated useful lives:

Freehold buildings	2%
Plant and machinery	5% - 10%
Electrical installation	10%
Office equipment	10%
Furniture and fittings	10%
Motor vehicles	20%

#### Assets under hire purchase

Assets acquired under hire purchase are included in property, plant and equipment and the capital element of the hire purchase commitments is shown under borrowings. The hire purchase arrangements are treated as consisting of capital and interest element. The capital element is applied to reduce the outstanding obligations and the interest element is charged to income statement over the lease period so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period. Property, plant and equipment acquired under hire purchase are depreciated over the useful lives of the equivalent owned assets.



## 8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (continued)

### 8.2 Significant accounting policies (continued)

#### Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to derive benefits from its activities.

The Company's investments in subsidiaries are stated at cost less provision for any permanent diminution in value. A provision is made when the Directors are of the opinion that a permanent diminution in value of an investment has occurred.

#### Research and development expenditure

Expenditure incurred for research and development is charged to income statement in the year it is incurred.

#### Estate development expenditure

Estate development expenditure includes the costs incurred for plantation, land, plantation infrastructure and plantation development. Estate development expenditure is allocated between the matured and immatured areas acreage. Estate development expenditure for the mature areas which has begun generating income is amortised over 20 years on a straight line basis.

#### Accounting for government grants

Government grants for funding of plant and machinery used for development purposes are recognised on receipt basis and when there is reasonable assurance that the Group will comply with conditions attaching to them. Grants will be treated as deferred income and allocated to income statement over the useful lives of the related assets.

#### Impairment of assets

The carrying values of the assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying value of the assets with their recoverable amounts. The recoverable amounts is the higher of an asset's net selling price or its value in use measured by reference to discounted cash flows.

An impairment loss is charged to the income statement immediately.

#### Inventories

Inventories are valued at the lower of cost and net realisable value after adequate provision is made for damaged or obsolete stocks. Raw material cost is determined on a first in, first out basis. Work-in-progress and finished goods represent material, direct labour, direct charges and process costs where necessary. Maintenance spare parts stocks are stated at cost.



**8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (continued)**

**8.2 Significant accounting policies (continued)**

**Receivables**

Allowance for doubtful debts are made based on estimates of possible losses that may arise from non-collection of certain receivable accounts while debts considered non-collectible are written off.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investment which have an insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**Provision for liabilities**

Provision for liabilities is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

**Foreign currencies**

Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling on at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	<b>RM</b>
US Dollar	3.80

**Borrowing costs**

Borrowing costs incurred that are directly attributable to the construction of property, plant and equipment are capitalised as part of cost of those assets during the period of time that is required to complete and prepare the assets for their intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

**Income tax**

Income tax for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates prevailing at the balance sheet date.

**8. ACCOUNTANTS' REPORT (Cont'd)****8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (continued)****8.2 Significant accounting policies (continued)****Income tax (continued)**

Deferred tax is provided for, using the balance sheet liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts in the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that is probable that taxable profit will be available against which deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affect neither the accounting profit nor taxable profit.

Deferred taxation is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates prevailing at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

**8.3 Property, plant and equipment**

	Cost RM	Accumulated depreciation RM	Net book value RM
Freehold land	2,618,766	-	2,618,766
Freehold buildings	5,822,433	483,642	5,338,791
Computers & computer software	17,417	10,915	6,502
Furniture, fittings & equipment	471,750	150,971	320,779
Machinery & tools	17,651,727	5,917,813	11,733,914
Motor vehicles	813,176	415,919	397,257
Electrical system	112,000	47,602	64,398
Capital work in progress	8,149,345	-	8,149,345
	<u>35,656,614</u>	<u>7,026,862</u>	<u>28,629,752</u>

The freehold land and buildings of the Group have been charged as collateral to secure the banking facilities referred to in notes 8.11 and 8.12 respectively.

At the balance sheet date, property, plant and equipment acquired under hire purchase arrangements are as follows:

	RM
At net book value:	
Machinery and tools	760,613
Motor vehicles	<u>257,193</u>

**8. ACCOUNTANTS' REPORT (Cont'd)****8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (continued)****8.4 Estate development expenditure**

	RM
<b>Cost</b>	
As at 1 January	268,895
Additions	10,860
As at 30 June	<u>279,755</u>
<b>Less: Accumulated amortisation</b>	
As at 1 January	(44,775)
Amortisation for the period	(5,910)
As at 30 June	<u>(50,685)</u>
	<u>229,070</u>

**8.5 Goodwill on consolidation**

Goodwill on acquisition arose from the following:-

	RM
Cost of investment	4,058,645
Less: Shareholders' funds	
ISSB	(132,356)
ELPSB	(1,937,126)
	<u>(2,069,482)</u>
	<u>1,989,163</u>

**8.6 Inventories**

	RM
Raw material	132,854
Finished goods	2,656,620
Maintenance spare parts	264,948
Inventories, at cost	<u>3,054,422</u>
Inventories carried at net realisable value	<u>-</u>

**8.7 Trade receivables**

	RM
Amount outstanding	4,414,539
Less: Allowance for doubtful debts	(1,700,000)
	<u>2,714,539</u>

**8. ACCOUNTANTS' REPORT (Cont'd)****8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (continued)****8.8 Deferred expenditure**

Deferred expenditure relates to expenses incurred in relation to the Flotation Exercise, of which associated with the issuance of new shares of the Company. Deferred expenditure will be written off against share premium on completion of the Flotation Exercise.

**8.9 Amount due to Directors**

The amount represents unsecured interest free advances with no fixed terms of repayment.

**8.10 Hire purchase liabilities**

	<b>RM</b>
Amount outstanding	305,411
Less: Interest in suspense	(9,794)
Principal portion	295,617
Less: Portion due within one year	(272,534)
Non-current portion	<u>23,083</u>

The non-current portion of the hire purchase obligations is payable as follows:

Later than 1 year and not later than 5 years	<u>23,083</u>
--	---------------

**8.11 Short-term borrowings**

	<b>RM</b>
Bank overdrafts	86,286
Bankers' acceptances	8,576,000
	<u>8,662,286</u>

The short term borrowings are secured by way of:

- i) First party first and further fixed charges on freehold agriculture land together with a palm oil mill erected thereon;
- ii) First party first and further fixed charges on freehold agriculture land;
- iii) First party first fixed charge over a shop-office lot; and
- iv) Debenture incorporating a further fixed charge over the machinery and equipment financed by the bank and a fixed and floating charges over all present and future assets of the Company.

Bank overdrafts and bankers' acceptances are charged at rates ranging from 3.0% - 4.0% and 1.5% above the bank's base lending rate respectively.



**8. ACCOUNTANTS' REPORT (Cont'd)****8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (continued)****8.12 Term loans**

	RM
Amount outstanding	3,113,618
Less: Portion due within one year	<u>(1,142,697)</u>
Non-current portion	<u>1,970,921</u>
The non-current portion is payable as follows:	
Later than 1 year and not later than 5 years	<u>1,970,921</u>

The term loans bear interest at rates ranging from 7.50% to 8.00% per annum and are secured by way of:

- i) First party first and further fixed charges on freehold agriculture land together with a palm oil mill erected thereon;
- ii) First party first and further fixed charges on freehold agriculture land;
- iii) First party first fixed charge over a shop-office lot; and
- iv) Debenture incorporating a further fixed charge over the machinery and equipment financed by the bank and a fixed and floating charges over all present and future assets of a subsidiary.

**8.13 Share capital**

	No. of ordinary shares of RM1.00 each	RM
Authorised	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid	<u>13,090,500</u>	<u>13,090,500</u>

**8.14 Reserve on consolidation**

Reserve on consolidation arose from the following:-

	RM
Cost of investment	10,045,498
Less: Shareholders' funds	
SWSB	<u>(9,400,077)</u>
ETSB	<u>(1,925,935)</u>
	<u>(11,326,012)</u>
	<u>(1,280,514)</u>

**8. ACCOUNTANTS' REPORT (Cont'd)****8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (continued)****8.15 Deferred income**

A subsidiary of the Group has received the full disbursement of a grant from the Commercialisation of Research and Development Fund through Malaysian Technology Development Corporation Sdn. Bhd. ("MTDC") for the purpose of commercialising a process to produce biodegradable geotextile mats from empty fruit bunches.

The subsidiary has entered into an agreement to fulfil the conditions set by MTDC. The grant is disbursed based on acquisition of core equipment, activities and certain milestones. The government grant received is amortised to income statement over the live of the assets concerned upon full disbursement of the grant detailed as below:-

	<b>RM</b>
At beginning of period	960,164
Additions during the period	171,811
	<u>1,131,975</u>
Less: Deferred income recognised to date	(56,604)
At end of period	<u>1,075,371</u>

**8.16 Deferred taxation**

	<b>RM</b>
At beginning of period	1,741,000
Reversal of temporary differences	(216,000)
At end of period	<u>1,525,000</u>
The deferred taxation of the Group comprise:	
Property, plant and equipment	1,962,000
Receivables	(437,000)
	<u>1,525,000</u>

**8.17 Financial instruments****Financial risk management objectives and policies**

The operation of the Group is subject to a variety of financial risks, including interest risk, credit risk and liquidity and cash flow risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group. The Group is not exposed to and does not hold any derivative financial instruments.

**Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

**Liquidity risk**

The Group practices prudent liquidity risk management to minimise the mismatch of the financial assets and liabilities and to maintain sufficient funds for working capital requirement.



## 8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (continued)

### Interest rate risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debts. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

### Credit risk

The Group's exposure to credit risks is minimal as most of the counterparties are long established plantation owners and are known to the Directors.

The maximum credit risk associated with recognised financial statements is the carrying amount shown in the balance sheet.

### Fair values of financial instruments

The carrying amounts for financial instrument classified under current assets and liabilities approximate the fair value due to relatively short term maturity of these instruments.

## 9. PROFORMA NET TANGIBLE ASSETS COVER PER SHARE

Based on the statement of assets and liabilities of the Group as at 30 June 2004, the proforma net tangible assets per share, after the Acquisitions and the Internal Reorganisation, is calculated as follows:

<u>Net tangible assets (NTA)</u>	<b>RM</b>
NTA of the Group as at 30 June 2004	14,356,049
Less: Goodwill on consolidation	(1,989,163)
Less: Patent	(40,258)
Proforma NTA	<u>12,326,628</u>
Proforma NTA per share	<u>0.94</u>



## 10. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of the proforma Ecofuture Group, based on the audited financial statements for the financial year ended 30 June 2004, set out below has been prepared for illustrative purposes only and on the assumption that the acquisitions of ETSB, ELPSB, ISSB and SWSB have been completed on 30 June 2004. The proforma consolidated cash flow statement has been prepared without taking into account the share split and the public issue of shares.

The proforma consolidated cash flow statement has been prepared based on the audited financial statements of Ecofuture and its subsidiaries for the period ended 30 June 2004.

	<b>Proforma Group RM</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	
Profit before tax and minority interest	1,027,441
Adjustments for:	
Amortisation of estate development expenditure	5,910
Amortisation of deferred income	(56,604)
Depreciation	529,251
Gain of disposal of property, plant and equipment	(1,200)
Interest expense	165,866
Operating profit before working capital changes	1,670,664
Increase in inventories	(1,454,122)
Decrease in trade and other receivables	1,295,935
Decrease in trade and other payables	(137,659)
<b>Net cash generated from operations</b>	<b>1,374,818</b>
Income tax paid	(334,537)
<b>Net cash generated from operating activities</b>	<b>1,040,281</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	
Estate development expenditure	(10,860)
Patent expenditure	(7,617)
Proceeds from disposal of property, plant and equipment	7,000
Purchase of property, plant and equipment	(4,875,766)
<b>Net cash used in investing activities</b>	<b>(4,887,243)</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	
Proceeds from term loans	1,982,368
Government grant received	171,811
Interest paid	(165,866)
Net proceeds from short term borrowings	1,346,000
Repayments of hire purchase liabilities	(227,375)
Repayments of term loans	(102,827)
<b>Net cash generated from financing activities</b>	<b>3,004,111</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(842,851)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,000,764</b>
<b>Cash and cash equivalents at end of period</b>	<b>157,913</b>
<b>Cash and cash equivalents comprise:</b>	
Cash and bank balances	244,199
Bank overdrafts	(86,286)
	<b>157,913</b>



## 11. SUBSEQUENT EVENTS

Subsequent to the date of the last audited financial statements made up to 30 June 2004, the following events took place:-

- i) On 13 October 2004, Ecofuture acquired the following:-
  - a) 1,500,000 ordinary shares of RM1.00 each representing the entire equity interest in SWSB for a total purchase consideration of RM8,944,000 satisfied by the issuance of 8,944,000 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00 each;
  - b) 100,000 ordinary shares of RM1.00 each representing the entire equity interest in ISSB for a total purchase consideration of RM1,128,000 satisfied by the issuance of 1,128,000 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00 each;
  - c) 394,000 ordinary shares of RM1.00 each representing 50.71% of the issued and paid up share capital in ETSB for a total purchase consideration of RM718,498 satisfied by the issuance of 718,498 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00; and
  - d) 1,540,002 ordinary shares of RM1.00 each representing 77.00% of the equity interest in ELPSB for a total purchase consideration of RM2,300,000 to be satisfied by the issuance of 2,300,000 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00 each.

Following the completion of the Acquisitions, on 29 October 2004, Ecofuture carried out an Internal Reorganisation which involves the following:

- a) Transfer of 49.29% equity interest in ETSB representing 383,000 ordinary shares of RM1.00 each from its wholly owned subsidiary, SWSB satisfied by a cash consideration of RM383,000;
- b) Transfer of 15.00% equity interest in ELPSB representing 300,000 ordinary shares of RM1.00 each from its wholly owned subsidiary, SWSB satisfied by a cash consideration of RM411,290; and
- c) Transfer of 8.00% equity interest in ELPSB representing 160,000 ordinary shares of RM1.00 each from its wholly owned subsidiary, ISSB satisfied by a cash consideration of RM219,355.



**12. AUDITED FINANCIAL STATEMENTS**

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2004.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Jat' or similar, written over a horizontal line.

PKF  
AF 0911  
Chartered Accountants

A handwritten signature in black ink, reading 'Anthony Joseph Skelchy', written over a horizontal line.

ANTHONY JOSEPH SKELCHY  
251/03/05 (J/PH)  
Partner

## 9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

### 9.1 Substantial Shareholders and Promoters

#### 9.1.1 Substantial shareholders' and Promoters' shareholdings in Ecofuture

Based on the Register of Substantial Shareholders of Ecofuture as at the Latest Practicable Date, the direct and indirect interest of the substantial shareholders and Promoters in the issued and paid-up share capital of the Company before and after the Public Issue are as follows:-

Name	Designation	Before the Public Issue <sup>#</sup>				After the Public Issue			
		Direct		Indirect		Direct		Indirect	
		No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Substantial Shareholders Duli Yang Amat Mulia Tunku Ibrahim Ismail Ibni Sultan Iskandar Al-Haj	-	26,832	20.50	-	-	26,832	15.37	-	-
Promoter and Substantial Shareholders Jang Kim Luang @ Yeo Kim Luang	Promoter/ Executive Chairman/ Managing Director	81,896	62.56	-	-	*83,146	47.64	-	-
Dr Foong Lai Sun	Promoter/ Executive Director	7,184	5.49	-	-	*8,184	4.69	-	-
Lim Si Pin	Promoter/ Non- Independent Non- Executive Director	7,776	5.94	-	-	7,776	4.46	-	-

Notes:

<sup>#</sup> After the Acquisitions, Internal Reorganisation and Share Spilt but before the Public Issue

\* After the respective pink form allocation pursuant to the allocation of Public Issue Shares to the Eligible Directors as follows:-

Eligible Directors	No. of Ecofuture Shares allocated ( <sup>'000</sup> )
Jang Kim Luang @ Yeo Kim Luang	1,250
Dr Foong Lai Sun	1,000
<b>Total</b>	<b>2,250</b>

The Promoters of Ecofuture are Jang Kim Luang @ Yeo Kim Luang, Dr Foong Lai Sun and Lim Si Pin are also directors of Ecofuture and their profiles are set out in Section 9.2.1.

## 9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### 9.1.2 Substantial shareholders' and Promoters' directorships and substantial shareholdings in other public corporations

Save as disclosed in Section 9.2.3, none of the Substantial Shareholders and Promoters of Ecofuture has directorships and substantial shareholdings in any other public corporations for the past two (2) years.

### 9.1.3 Changes in substantial shareholders/Promoters and their shareholdings in Ecofuture for the past three (3) years

The changes in the shareholdings of Substantial Shareholders of Ecofuture based on the Register of Substantial Shareholders since the date of incorporation up to the date of this Prospectus are as follows:-

Shareholders	As at 13.09.2003 (date of incorporation)				Before the Public Issue #				After the Public Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
<b>Substantial Shareholders</b>												
Duli Yang Amat Mulia Tunku Ibrahim Ismail ibni Sultan Iskandar Al-Haj Leong Ngai Seng	-	-	-	-	26,832	20.50	-	-	26,832	15.37	-	-
Lee Sook Kuan	-*	50.00	-	-	-	-	-	-	-	-	-	-
<b>Promoter and Substantial Shareholders</b>												
Jang Kim Luang @ Yeo Kim Luang	-	-	-	-	81,896	62.56	-	-	^ 83,146	47.64	-	-
Dr Foong Lai Sun	-	-	-	-	7,184	5.49	-	-	^ 8,184	4.69	-	-
Lim Si Pin	-	-	-	-	7,776	5.94	-	-	7,776	4.46	-	-

Notes:-

\* Subscribers' shares of RM1.00 comprising of one (1) ordinary share of RM1.00

# After the Acquisitions, Internal Reorganisation and Share Spilt but before the Public Issue

^ After the respective pink form allocation pursuant to the allocation of Public Issue Shares to the Eligible Directors as follows:-

#### Eligible Directors

Jang Kim Luang @ Yeo Kim Luang  
Dr Foong Lai Sun  
**Total**

#### No. of Ecofuture Shares allocated

( '000 )  
1,250  
1,000  
2,250



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**9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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**9.2 Directors****9.2.1 Directors' profiles**

**Madam Jang Kim Luang @ Yeo Kim Luang, (Executive Chairman/Managing Director)**, Malaysian, aged 59, was appointed to the Board on 12 November 2004. She graduated with a Bachelors of Science degree in Chemistry from Nanyang University, Singapore in 1970. Since graduation, she has served with various organisations within the oleo industry in varying capacities. In 1982, she joined an independent private palm oil milling group where she later assumed a directorship in one of its companies until her departure in early 2003. During her tenure there, she purchased an oil palm mill in Segamat, whose operations were later assumed under SWSB, a locally incorporated private company. As founder of the Company, and now the Managing Director of the Group, her principal responsibilities include strategic planning, managing the daily operations of the group, business development and conducting technical research and development. Over the past thirty (30) years, her involvement in the oleo industry has provided her with a wealth of operational, technical, and marketing knowledge and insight, giving rise to her successful efforts in developing and commercialising the technology to recycle oil palm residues. She is also currently trustee of the Tung Shin Hospital and the Kwan-In Teng Foundation. She is a Substantial Shareholder in Ecofuture before and after the Public Issue and does not hold directorship in any other public corporation in Malaysia.

**Dr. Foong Lai Sun (Executive Director)**, Malaysian, aged 49, was appointed to the Board on 12 November 2004. He joined the Group as co-founder and director of ETSB in 1998. A graduate from the University of London and University of Surrey, he also holds a Masters Degree in Medical Psychology from the City University, London and a Doctorate in Psychology from the University of Strathclyde, Scotland. In addition he holds various related certificates and diplomas along with being a Fellow of the Royal Society of Health and Associate Fellow of the British Psychological Society. From 1978 till 1989, he held various clinical posts within the National Health Service in the United Kingdom along with a period in the USA. Since 1989, he has been in academia within the fields of psychology, behavioural medicine and psychopathology in the United Kingdom. From 1996 to 1997, he had a spell abroad, holding the position of Associate Professor in the Faculty of Medicine at the Chinese University of Hong Kong, and then Senior Lecturer/Associate Professor at the International Medical University, Kuala Lumpur from 1997 to 1998. He then returned to London in 1999, where he is currently Course Director in Mental Health. Notwithstanding his academic background, Dr. Foong as the co-founder of ETSB was very involved in the development of the biomass optimisation operations. Dr. Foong's doctorate and varied exposure in academia has not only enabled him to broaden his business network but also enabled him to effectively assume his principal responsibilities, which include policy making, training & development, management, R&D and corporate affairs. He is not a substantial shareholder after the Public Issue and does not hold directorship in any other public corporation in Malaysia.

**Mr. Lim Si Pin, (Non-Independent Non-Executive Director)**, Malaysian, aged 35, was appointed to the Board on 12 November 2004. He joined the Group in early 2000, as the director of ETSB. He holds a Masters of Science in International Banking and Finance from the University of Wales, Cardiff and a Bachelor of Science (Hons) in Economics and Law from the University of Wales, Aberystwyth. He began his career in corporate finance in 1994, where he spent 3 years with Arab Malaysian Merchant Bank. He later joined South Johor Securities Sdn Bhd as a Business Development Manager for 2 years, and subsequently Pacific & Orient Berhad as Finance Manager for 3 years. He is currently a Business Development Manager with Avenue Securities Sdn Bhd. Mr. Lim Si Pin, has been with ETSB since its inception. Since then, he has been involved mainly in the business development of the ECOMAT. Having gained the experience of developing the biomass optimisation operations, he is entrusted to oversee the corporate affairs and strategic financial planning of the biomass optimisation operations. He is not a substantial shareholder after the Public Issue and he does

## 9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

not hold directorship in any other public corporation in Malaysia and as disclosed under Section 9.2.3 of this Prospectus.

**Gunaretnam s/o Kathigasu (Independent Non-Executive Director)**, Malaysian, aged 60, was appointed to the Board on 12 November 2004. He had his tertiary education at the Royal Military College. He read Law at Lincoln's Inn and was called to the Malaysian Bar in 1971. He has been in active practice ever since. He is the senior partner of his firm, Gunaretnam and Co. and advises on corporate and civil matters. He is not a shareholder after the Public Issue and does not hold directorship in any other public corporation in Malaysia.

**Brian Wong Wye Pong (Independent Non-Executive Director)**, Malaysian, aged 31, was appointed to the Board on 12 November 2004. He graduated with a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant with the Malaysian Institute of Accountants, a Certified Practicing Accountant with the Australian Society of Certified Practicing Accountants, and a Certified Financial Planner with the International Certified Financial Planner Council, USA. He was attached with KPMG Peat Marwick, Kuala Lumpur for three years until 1997 before joining a company listed on Bursa Securities (then referred to as the Kuala Lumpur Stock Exchange), as their Corporate Affairs Manager. During this tenure, he was also one of the founding members of the Association of Scheduled Waste Recyclers, Malaysia, where he held the post of Secretary General for over three (3) years. He is presently a director in Pannell Kerr Forster Consultants Sdn Bhd, an internationally affiliated organization of chartered accountants and business advisors. He also holds an independent directorship in Dceil International Berhad, a public company listed on Bursa Securities, where he acts as Chairman of the Audit Committee to its board of directors. He is not a shareholder after the Public Issue and he does not hold directorship in any other public corporation in Malaysia other than as disclosed under Section 9.2.3 of this Prospectus.

### 9.2.2 Directors' shareholdings in Ecofuture

The Directors' shareholdings in the Company either directly or indirectly as at the Latest Practicable Date are as follows:-

Director	Before the Public Issue #				After the Public Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Jang Kim Luang @ Yeo Kim Luang	81,896	62.56	-	-	*83,146	47.64	-	-
Dr Foong Lai Sun	7,184	5.49	-	-	*8,184	4.69	-	-
Lim Si Pin	7,776	5.94	-	-	7,776	4.46	-	-
Gunaretnam s/o Kathigasu	-	-	-	-	-	-	-	-
Brian Wong Wye Pong	-	-	-	-	-	-	-	-

Notes:

# After the Acquisitions, Internal Reorganisation and Share Spilt but before the Public Issue

\* After the respective pink form allocation pursuant to the allocation of Public Issue Shares to the Eligible Directors as follows:-

Eligible Directors	No. of Ecofuture Shares allocated ('000)
Jang Kim Luang @ Yeo Kim Luang	1,250
Dr Foong Lai Sun	1,000
<b>Total</b>	<b>2,250</b>

## 9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### 9.2.3 Directorship and substantial shareholdings in all other public corporations for the past two (2) years

Save as disclosed below, none of the Directors has other directorships or substantial shareholdings (more than 5%) either directly or indirectly in other public corporations for the past two (2) years from the date of this Prospectus:-

Director	Name of Company	← Directorship →		← Substantial Shareholding →			
		Appointed	Resigned	Direct		Indirect	
				No. of Shares	%	No. of Shares	%
Lim Si Pin	SEDAR Resource Centre Berhad (333341-U)	3 July 2002	-	-	-	-	-
Brian Wong Wye Pong	Dceil International Berhad (593284-K)	29 June 2004	-	-	-	-	-

### 9.2.4 Aggregate Remuneration and Benefits of Directors and Executive Chairman/Managing Director

Based on the financial year ended 31 December 2002 and 31 December 2003, a total sum of RM228,839 and RM491,667 respectively, was paid to the Directors and Executive Chairman/Managing Director of Ecofuture for their services in all capacities to the Company and its subsidiary companies. For the current twelve (12) months financial period ending 31 December 2004, the amount payable to the Directors and Executive Chairman/Managing Director under the current arrangement in force with the Company and its subsidiary companies is estimated at RM210,418.

The remuneration bands of the directors (inclusive of Executive Chairman/Managing Director) of the Group are as follows:-

Remuneration Band (RM)	Number of directors Financial Year Ended 31 December 2003	Number of directors the twelve (12) months Financial Period Ending 31 December 2004
0 - 50,000	4	2
50,001 - 100,000	-	1
100,001 - 150,000	-	-
Above 150,000	1	1

## 9.3 Audit Committee

The composition of the Audit Committee is as follows:-

Name	Designation	Directorship
Brian Wong Wye Pong	Chairman	Independent Non-Executive Director
Lim Si Pin	Member	Non- Independent Non-Executive Director
Gunaretnam s/o Kathigasu	Member	Independent Non-Executive Director

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**9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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The main functions of the Audit Committee include the review of audit plans and audit reports with the Group's auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of the profit and loss account and balance sheet, and nomination of the auditors.

**9.4 Key Management and Key Technical Personnel**

The senior management of Ecofuture is led by its Executive Chairman/Managing Director, Jang Kim Luang @ Yeo Kim Luang and assisted by a team of experienced managerial and key technical personnel. (Please refer to Section 9.2.1 on profiles for Madam Jang Kim Luang @ Yeo Kim Luang)

**9.4.1 Senior management profiles**

**Balachandran A/L Govindasamy**, Malaysian, aged 52, is currently Chief Engineer of the Ecofuture Group. He graduated from South Field Technical College (UK) with a Bachelors Degree in Marine Engineering, and holds a First (1st) Grade Marine Engineering Certificate of competency from the Ministry of Transport of the United Kingdom. He began his career in 1974 with Malaysian International Shipping Corporation as an engineer of a foreign going vessel and served the company for eight (8) years. In 1983, he joined Sime Darby Plantation where he had served in various capacities ranging from Mill Engineer to Maintenance Engineer. Subsequently, in 1992, he joined SWSB as a Palm Oil Mill Manager where he is now responsible for managing the day-to-day and technical operations of the Group's mill, and also oversees the Group's Quality Assurance steering committee.

**Chow Chee Hoon**, a Malaysian and aged 40, is currently the Production Manager of the Ecofuture Group. He holds a Bachelors Degree in Mechanical Engineering from the University of Malaya. He began his career in 1988 with Sony Electronic (M) Sdn Bhd, Prai Branch as a Parts Quality Engineer where he was responsible for overseeing suppliers' parts quality. Subsequently in 1991, he joined a multinational company, SKF Bearing Industries (M) Sdn Bhd as a Process Engineer where he served for six years. During this tenure, he obtained recognition as a Qualified ISO 9002 Lead Assessor and a Qualified QCC Facilitator. Later in 1997, he joined Bright Rims Manufacturing Sdn Bhd and served as a Quality Assurance Manager. From 1998 to January 2002, he was attached with Duraline (M) Sdn Bhd as a Quality Assurance Manager cum Quality Management Representative and he had successfully led the company to earn the Quality Management Systems ISO 9002 accreditation. In February 2002, he moved to Hanjie Plastic Electronic (Dongguan) China as a Quality Manager before joining ETSB in May 2003. Having more than fifteen (15) years of experience in the manufacturing and operational environment in areas of production, planning, quality assurance, material management and logistics, his main responsibilities now include overseeing the production lines of the Group, managing production efficiency and quality assurance and control.

**Anandh Kumar A/L Ganapathi**, Malaysian, aged 27, is currently the Production Engineer of the Ecofuture Group. He graduated from Robert Gordon University (UK), with a Bachelor of Engineering (Hons) in Electronics and Communication Engineering in 1999. He began his career in SWSB in 2001 as a Trainee Engineer and was later promoted to the position of a Production Engineer. He is currently responsible for production planning and maintenance and is involved in the technical set up of new projects undertaken by the Group. He is also part of the Group's steering committee overseeing quality assurance.

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**9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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**Chong Lai Fun**, Malaysian, aged 33, is the Purchasing Manager of the Ecofuture Group. She graduated with a Bachelor of Arts (Honours) from University Kebangsaan Malaysia. She started her career as a Purchasing Officer in Bristol Industries Sdn Bhd in 1996. A year later, she left and joined Soon Seng Palm Oil Mill Sdn Bhd as their Purchasing Officer. In 2003, she joined SWSB as a Purchasing Manager, a post she holds until today, where she assumes the responsibility for coordinating all procurement activities and supplier negotiations. She is also responsible for the sourcing and selection of suppliers which involves evaluation of supplier performance, competitiveness and quality.

**Saw Sui Hock @ Choo Sui Hock**, Malaysian, aged 51, is currently the Finance Manager of Ecofuture Group. He obtained a certificate of accounting from the London Chamber of Commerce and Industries in 1976 and began his career in Soon Seng Pam Oil Mill Sdn Bhd in 1982 as a Finance Clerk. He was later promoted to the position of Finance Officer before that of Senior Finance Officer in 1996. In 1998, he was promoted to the position of Assistant Finance Manager and later as Finance Manager in 2000. He had served Soon Seng Palm Oil Mill Sdn Bhd for the past twenty-one (21) years prior to joining SWSB in 2003 as Finance Manager. Presently, he oversees the Group's finance, treasury, cashflow and credit control matters. He is also responsible for managing direct tenders, payments, deposits and bank guarantees.

**Sang Chee Hung**, Malaysian, aged 31, is currently Accountant of the Ecofuture Group. He holds a Bachelors of Commerce Degree, majoring in Accounting from Curtin University of Technology, Western Australia. He is a member of the Malaysian Institute of Accountants and a Certified Practising Accountant of the Australian Society of Certified Practising Accountants. He started his career as an Accounts Executive in Soon Seng Palm Oil Mill Sdn Bhd in 1996. In 2000, he left as Assistant Accountant to join Resources Conservation Sdn Bhd as an Accounts Executive. Subsequently in 2001, he returned to Soon Seng Palm Oil Mill Sdn Bhd as an Accountant. In June 2003, he joined SWSB as an Accountant and is responsible for overseeing the accounts department, budgeting, preparation of management accounts and financial reports, as well as taxation and audit matters.

**Tan Swan Kim**, Malaysian, aged 61, is Assistant Mill Manager of the Ecofuture Group. He began his career in Terengganu Development and Management Berhad in Kemaman, Terengganu in 1969. Four (4) years later, he joined the Plantation Division of Sime Darby Berhad as a Production Executive and served for twenty-two (22) years. In 1993, he joined SWSB as Senior Mill Assistant and was later promoted to his present position as an Assistant Mill Manager. With over twenty-two (22) years of experience in the milling industry, he is currently responsible for the day-to-day operations of the mill which include planning and controlling of shift operations, and training of staff and workers in operational matters.

**Ng Bee Cheng**, Malaysian, aged 35, is the Human Resource Manager of the Ecofuture Group. She graduated from Universiti Utara Malaysia with Bachelors Degree in Public Administration. She started her career in Fortune Corporation in 1994 as an Administration Officer. In 1995, she joined Shuang Hor Enterprise as an Administration cum Audit Officer for two years before joining Soon Seng Palm Oil Mill Sdn Bhd as an Administration Executive in 1997. She was later promoted to the position of Human Resource Manager in 2001. Subsequently, in 2003, she joined ETSB as a Human Resource Manager where she is presently responsible for the overall Group human resource planning, recruitment, training and administrative matters.

## 9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### 9.4.2 Directorships And Substantial Shareholdings In Other Public Corporations

None of the abovementioned executive directors, key management and key technical personnel of the Group has other directorships or substantial shareholdings (more than 5%) either directly or indirectly in other public corporations for the past two (2) years from the date of this Prospectus.

As at the Latest Practicable Date, save as disclosed in Section 9.2.3 of this Prospectus, none of the executive directors, key management and key technical personnel of the Group are involved in the operations of other business or corporation, save and except the operations of the Group.

### 9.4.3 Shareholdings in Ecofuture

None of the key management and key technical personnel have shareholdings in the Company direct or indirect as at the Latest Practicable Date save for the following:-

Name	Designation	Before Public Issue #				After Public Issue*			
		Direct		Indirect		Direct		Indirect	
		No. of Shares (000)	%	No. of Shares (000)	%	No. of Shares (000)	%	No. of Shares (000)	%
Jang Kim Luang @ Yeo Kim Luang	Executive Chairman/ Managing Director	81,896	62.56	-	-	83,146	47.64	-	-
Dr Foong Lai Sun	Executive Director	7,184	5.49	-	-	8,184	4.69	-	-
Saw Sui Hock @ Choo Sui Hock	Finance Manager	1,044	0.80	-	-	1,419	0.81	-	-
Sang Chee Hung	Accountant	149	0.11	-	-	499	0.29	-	-
Balachandran A/L Govindasamy	Chief Engineer	-	-	-	-	375	0.21	-	-
Chow Chee Hoon	Production Manager	-	-	-	-	150	0.09	-	-
Tan Swan Kim	Assistant Manager	-	-	-	-	375	0.21	-	-
Anandh Kumar A/L Ganapathi	Production Engineer	-	-	-	-	150	0.09	-	-
Chong Lai Fun	Purchasing Manager	-	-	-	-	120	0.07	-	-
Ng Bee Cheng	Human Resources Manager	-	-	-	-	120	0.07	-	-

## 9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Notes:-

- # Subsequent to the Acquisitions, Internal Reorganisation and Share Split  
 \* After the respective pink form allocations pursuant to the allocation of Public Issue Shares to the Eligible Directors and eligible employees of Ecofuture as follows:-

<i>The name of the Eligible Directors/Key Management</i>	<i>No. of Ecofuture Shares allocated ('000)</i>
<i>Jang Kim Luang @ Yeo Kim Luang</i>	<i>1,250</i>
<i>Dr Foong Lai Sun</i>	<i>1,000</i>
<i>Saw Sui Hock @ Choo Sui Hock</i>	<i>375</i>
<i>Sang Chee Hung</i>	<i>350</i>
<i>Balachandran A/L Govindasamy</i>	<i>375</i>
<i>Chow Chee Hoon</i>	<i>150</i>
<i>Tan Swan Kim</i>	<i>375</i>
<i>Anandh Kumar A/L Ganapathi</i>	<i>150</i>
<i>Chong Lai Fun</i>	<i>120</i>
<i>Ng Bee Cheng</i>	<i>120</i>
<b>Total</b>	<b>4,265</b>

### 9.5 Declaration by the Directors, Key Management and Key Technical Personnel

None of the Director, key management and key technical personnel is or has been involved in the following events (whether in or outside Malaysia):-

- (a) A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was or is a partner or any corporation of which he was the adviser or key personnel;
- (b) A conviction in a criminal proceedings or a named subject of a pending criminal proceeding; or
- (c) The subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or governmental body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business, practice or activity.

### 9.6 Existing or Proposed Service Agreements

There are no existing and/or proposed service agreements between the Company (or any other companies in the Group) with the Directors, key management and key technical personnel.

### 9.7 Family Relationships and Association

There are no family relationships amongst the Substantial Shareholders, Promoters, Directors, key management and key technical personnel of the Ecofuture Group.

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## 10. APPROVALS AND CONDITIONS

### 10.1 Conditions of Approvals

The MITI, SC (and FIC via SC) and the Bursa Securities approved the Public Issue and the Flotation Exercise on 29 June 2004, 25 August 2004 and 26 August 2004, respectively. The conditions imposed by all the authorities and the status of compliance are as follows:

#### 10.1.1 Approval from the SC (and FIC via SC)

Conditions Imposed by SC vide its letter dated 25 August 2004	Status of Compliance															
(i) Ecofuture should disclose the status of utilisation of the listing proceeds to be raised from the public issue in its quarterly and annual reports until the proceeds are fully utilised;	To be complied															
(ii) Ecofuture should comply with the 30% Bumiputera shareholding requirement within 1 year after the Company has achieved the profit track record required for listing on the Second Board of Bursa Securities or five (5) years after being listed on the MESDAQ Market, whichever is earlier, in which the shares to be allocated to Bumiputera investors should be approved by the Ministry of International Trade and Industry;	To be complied															
(iii) Affin Merchant/Ecofuture should submit a preliminary proposal to SC 6 months before the expiry date of compliance on how Ecofuture intends to meet the Bumiputera equity condition;	To be complied															
(iv) The equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in Ecofuture would change arising from the implementation of the flotation proposal, as follows:- <table border="1" data-bbox="352 1417 994 1641"> <thead> <tr> <th></th> <th>Before the Public Issue %</th> <th>After the Public Issue %</th> </tr> </thead> <tbody> <tr> <td>Bumiputera</td> <td>-</td> <td>15.37</td> </tr> <tr> <td>Non- Bumiputera</td> <td>100.00</td> <td>83.70</td> </tr> <tr> <td>Foreign</td> <td>-</td> <td>0.93</td> </tr> <tr> <td></td> <td><u>100.00</u></td> <td><u>100.00</u></td> </tr> </tbody> </table>		Before the Public Issue %	After the Public Issue %	Bumiputera	-	15.37	Non- Bumiputera	100.00	83.70	Foreign	-	0.93		<u>100.00</u>	<u>100.00</u>	To be complied
	Before the Public Issue %	After the Public Issue %														
Bumiputera	-	15.37														
Non- Bumiputera	100.00	83.70														
Foreign	-	0.93														
	<u>100.00</u>	<u>100.00</u>														
;and																



**10. APPROVALS AND CONDITIONS (Cont'd)**

Conditions Imposed by SC vide letter dated 25 August 2004	Status of Compliance
(v) Affin Merchant/Ecofuture should inform SC upon completion of the proposed flotation.	To be complied

**10.1.2 Approval from Bursa Securities (MESDAQ Market)**

Conditions Imposed by Bursa Securities (MESDAQ Market) vide the letter by Bursa Malaysia Berhad dated 26 August 2004	Status of Compliance
(i) Ecofuture to disclose the following in its prospectus:- <ul style="list-style-type: none"> <li>▪ The basis of valuation of ISSB and ELPSB which are based on a premium over its NTA and the reasons why the discounted cashflow method would be the most appropriate method over other methods of valuation. In addition, to include the opinions of Messrs. PKF in relation to ISSB and ELPSB and a summary of a said valuation report;</li> <li>▪ Efforts made to increase the contribution of the biomass optimisation operations to the future financial performance of the Group; and</li> <li>▪ Detailed justification that the milling operations are complementary to the biomass optimisation operations.</li> </ul>	<p>Complied. The disclosure is as set out in the Summary of Valuation Report as set out in Section 14 of this Prospectus.</p> <p>Complied. The disclosure is as set out in Section 5.7 of this Prospectus.</p> <p>Complied. The disclosure is as set out in Section 5.6.1 of this Prospectus.</p>
(ii) Proceeds from the proposed public issue be utilised only for the purpose of biomass optimisation operations.	Complied. Informed Bursa Securities vide letters dated 19 November 2004 and 22 November 2004. The disclosure is as set out in Section 3.7 of this Prospectus.
The Company and Adviser are required to inform Bursa Securities on the change of utilisation and to update the information in the prospectus accordingly;	Complied. Informed Bursa Securities vide letters dated on 19 November 2004 and 22 November 2004. The disclosure is as set out in Section 3.7 of this Prospectus
(iii) Ecofuture is reminded to adhere to Chapter 6 of the Listing Requirements of Bursa Securities for the MESDAQ Market ("MMLR") for its related party transactions;	To be complied upon for all future related party transactions after the Public Issue
(iv) Ecofuture to inform Bursa Securities on the appointment of Audit Committee and to provide confirmation that they qualify as members based on the requirements on the MMLR;	Complied. Letter from Ecofuture informing the appointment and provide confirmation that they qualify as members of Audit Committee was furnished to Bursa Securities on 19 November 2004.

## 10. APPROVALS AND CONDITIONS (Cont'd)

Conditions Imposed by Bursa Securities (MESDAQ Market) vide the letter by Bursa Malaysia Berhad dated 26 August 2004	Status of Compliance
(v) Ecofuture to inform Bursa Securities on the appointment of Independent Directors and to provide confirmation that they qualify as Independent Directors as defined in the MMLR;	Complied. Letter from Ecofuture informing the appointment and provide confirmation that they qualify as independent directors was furnished to Bursa Securities on 19 November 2004.
(vi) Ecofuture to include a negative statement in its prospectus on the exclusion of profit forecast from the prospectus and the reasons thereof.	Complied. The disclosure is set as out in Section 7.2 of this Prospectus.

## 10.1.3 Approval from the MITI

Conditions Imposed by MITI vide its letter dated 29 June 2004	Status of Compliance
Ecofuture is to have at least 30% Bumiputera equity participation five (5) years after the admission to the MESDAQ Market or one (1) year after meeting the profit track record criteria for the Second Board of Bursa Securities.	Noted and will be complied. An undertaking letter which was addressed to the Bursa Securities dated 27 January 2004 to comply with the Bursa Securities LR and an undertaking letter which was addressed to the SC dated 24 February 2004 to comply the National Development Policy.
To obtain SC's approval for the listing scheme and compliance with the FIC's Guidelines for the Acquisition of Assets, Mergers And Take-Overs.	Complied. The approval of the SC (on behalf of FIC) vide its letter (Ref.: SC/MDQ/99-IPO; SC/ECU/119) was obtained on 25 August 2004.
To obtain MESDAQ Market's approval.	Complied. The approval of the MESDAQ Market vide Bursa Malaysia Berhad's letter Ref.: MM/T2/87-IPO/03 (L03)) was obtained on 26 August 2004.
MITI has recognised Duli Yang Amat Mulia Tunku Ibrahim Ismail Ibni Sultan Iskandar Al-Haj as the existing Bumiputera shareholder of Ecofuture, holding 26,832,000 Ecofutures Shares or 15.37% of the enlarged share capital in Ecofuture ("the Approved Bumiputera Shareholding"). This recognition is subject to the condition that only 30% of the Approved Bumiputera Shareholding are permitted to be sold by Duli Yang Amat Mulia Tunku Ibrahim Ismail Ibni Sultan Iskandar Al-Haj within three (3) months from the date of the listing of Ecofuture Shares while the remaining 70% of the Approved Bumiputera Shareholding may be sold in stages with the prior approval of MITI.	Noted and will be complied if applicable.

**10. APPROVALS AND CONDITIONS (Cont'd)****10.2 Moratorium on Promoters' Shares**

Pursuant to the Bursa Securities LR, Ecofuture Shares held by the Promoters amounting to 45% of the nominal issued and paid-up capital of the Company as at the date of admission of the Company to the Official List of the MESDAQ Market are to be placed under moratorium.

The Promoters whose Shares are subject to moratorium are as follows:-

Promoters	After the Public Issue		Under Moratorium	
	No of Shares Held '000	% of Enlarged Share Capital	No of Shares Held '000	% of Enlarged Share Capital
Jang Kim Luang @ Yeo Kim Luang	83,146	47.64	65,894	37.75
Dr Foong Lai Sun	8,184	4.69	6,486	3.72
Lim Si Pin	7,776	4.46	6,163	3.53
	<b>99,106</b>	<b>56.79</b>	<b>78,543</b>	<b>45.00</b>

The moratorium has been fully accepted by the Promoters. They will not be allowed to sell, transfer or otherwise dispose of any part of their interest in the Shares as tabulated above within one (1) year from the date of admission of the Company to the Official List of the MESDAQ Market, and thereafter, they are permitted to sell, transfer or otherwise dispose of up to a maximum of one-third (1/3) of their respective shareholdings under moratorium per annum on a straight-line basis.

The restriction is specifically endorsed on the notices of allotment representing the respective shareholdings of the substantial shareholders/promoters which are under moratorium to ensure that the Company's Registers shall not register any transfer not in compliance with the aforesaid restriction.

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