
1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Nationality	Occupation
Jang Kim Luang @ Yeo Kim Luang	Off 10 th Mile, Labis Road, P.O. Box 57, 85007 Segamat, Johor	Malaysian	Executive Chairman/ Managing Director
Dr. Foong Lai Sun	No. 2, Lorong Setiapuspa 2, Medan Damansara, 50490 Kuala Lumpur	Malaysian	Executive Director
Lim Si Pin	No. 12E, Jalan Dungun, Bukit Damansara, 50490 Kuala Lumpur	Malaysian	Non-Independent Non-Executive Director
Gunaretnam s/o Kathigasu	No. 988, Bukit Rasah, 70300 Seremban, Negeri Sembilan	Malaysian	Independent Non- Executive Director
Brian Wong Wye Pong	C22-10, Berkeley Park, Sri Putramas, No.1, Jalan Putramas 1, 51200 Kuala Lumpur	Malaysian	Independent Non- Executive Director

AUDIT COMMITTEE

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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1. **CORPORATE DIRECTORY (Cont'd)**

- COMPANY SECRETARY** : Tan May Leng (MAICSA 0803566)
52, Jalan Perdana 2/24
Pandan Perdana
55300 Kuala Lumpur
Malaysia
Tel. No.: 03 2072 1191
Fax No.: 03 2078 7963
Email: cindycslo@nasioncom.net
- REGISTERED OFFICE** : Room 209, 2nd Floor
Kwang Tung Association Building
44, Jalan Pudu
55100 Kuala Lumpur
Malaysia
Tel. No.: 03 2072 1191
Fax No.: 03 2078 7963
- PRINCIPAL PLACE OF BUSINESS** : Suite 11-03, 11th Floor, Block A
Damansara Intan, No. 1, Jalan SS 20/27
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel. No.: 03 7118 8668
Fax No.: 03 7118 2943
- PRINCIPAL BANKER** : OCBC Bank (Malaysia) Berhad (295400-W)
Wisma Lee Rubber
Jalan Melaka
50100 Kuala Lumpur
Tel. No.: 03 2692 0344
Fax No.: 03 2698 4363
- AUDITORS FOR SWSB** : Kevin Lee & Co (AF: 0158)
Suite 1, Unit 1012, 10th Floor, Block F
Phileo Damansara
9, Jalan 16/11
Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Tel. No.: 03 7660 8933
Fax No.: 03 7660 8928
- AUDITORS FOR ECOFUTURE, ISSB,
ETSB AND ELPSB** : CM Ling & Co (AF: 1275)
Chartered Accountants
102A, Jalan SS21/35
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Tel. No.: 03 77221425
Fax No.: 03 77221426

1. CORPORATE DIRECTORY (Cont'd)

REPORTING ACCOUNTANTS	: PKF (AF: 0911) Chartered Accountants 9 th Floor, MCB Plaza No. 6, Changkat Raja Chulan 50200 Kuala Lumpur Tel. No.: 03 2034 1425 Fax No.: 03 2031 3868
SOLICITORS FOR LEGAL DUE DILIGENCE, PUBLIC ISSUE AND FLOTATION EXERCISE	: Raslan Loong SERLAH Level 3A Menara John Hancock 6, Jalan Gelenggang Damansara Heights 50490 Kuala Lumpur Tel. No.: 03 2093 3939 Fax No.: 03 2093 4848
SHARE REGISTRAR	: Symphony Share Registrars Sdn Bhd (formerly known as Malaysian Share Registration Services Sdn Bhd) (378993-D) Level 26, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel. No.: 03-2721 2222 Fax No.: 03-27212530
EXPERTS (INDEPENDENT VALUATION ON ISSB AND ELPSB)	: PKF Management Consulting Sdn Bhd (219223V) 9 th Floor, MCB Plaza No. 6, Changkat Raja Chulan 50200 Kuala Lumpur Tel. No.: 03 2032 3828 Fax No.: 03 2032 1868
INDEPENDENT MARKET RESEARCHER	: Frost & Sullivan (M) Sdn Bhd (522293-W) Suite E-08-15, Block E Plaza Mont' Kiara Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Tel. No.: 03 6204 5800 Fax No.: 03 6201 7402
ISSUING HOUSE	: Malaysian Issuing House Sdn. Bhd. (258345-X) 27 th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel. No.: 03-2693 2075 Fax No.: 03-2693 0858

1. **CORPORATE DIRECTORY (Cont'd)**

**ADVISER, SPONSOR, UNDERWRITER
AND PLACEMENT AGENT** : Affin Merchant Bank Berhad (9999-V)
27th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
Tel. No.: 03 2142 3700
Fax No.: 03 2141 7701

PLACEMENT AGENT Affin Securities Sdn Bhd
(formerly known as Affin-UOB Securities Sdn.
Bhd.) (431338-P)
Level 3 Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel. No.: 03 2143 8668
Fax No.: 03 2145 6448

LISTING SOUGHT : MESDAQ Market

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2. INFORMATION SUMMARY

THE FOLLOWING INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE ECOFUTURE GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE PUBLIC ISSUE SHARES.

The following summary is qualified in its entirety by the more detailed information, including the Accountants' Report and Notes thereto, as set out in the respective sections of this Prospectus. This Prospectus contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Company and its subsidiary companies. Prospective investors are cautioned that such statements are only predictions and that actual results or events may differ materially from those disclosed in this Prospectus. Therefore, in evaluating such statements, prospective investors should carefully consider the various factors identified in this Prospectus, including the matters set forth in Section 4 under the heading "Risk Factors" of this Prospectus.

2.1 History, Principal Activities and Group Structure

Ecofuture was incorporated in Malaysia on 13 September 2003 as Ecofuture Bhd. under the Companies Act, 1965 as a public company.

Ecofuture commenced business on 4 November 2003.

Ecofuture is principally an investment holding company while the principal activities of its subsidiary companies are as follows:-

Subsidiary Companies	Effective equity interest %	Principal activities
ETSB	100	Production and sale of fibrous mat from oil palm biomass and engineering and sale of specialised machineries
ELPSB	100	Production and sale of packaging products from biomass
ISSB	100	Investment holding and income from licensing of technologies
SWSB	100	Milling, sale of CPO and PK and recycling of oil palm biomass

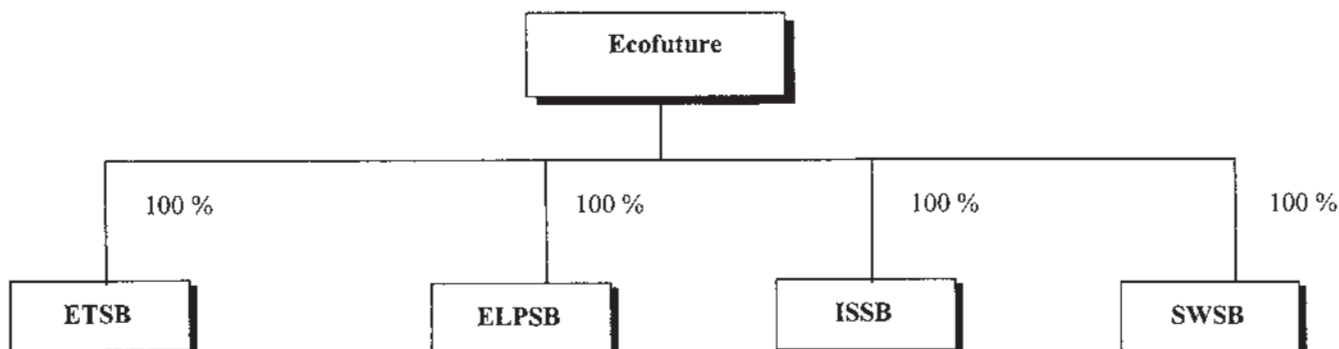
As at the Latest Practicable Date, the Company does not have any associated companies.

(Full details on the business activities of the Ecofuture Group are set out in Section 5.5 and 5.6 of this Prospectus)

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2. INFORMATION SUMMARY (Cont'd)

The structure of the Ecofuture Group is depicted below:-



2.2 Promoters, Substantial Shareholders, Directors, Key Management and Key Technical Personnel

2.2.1 Promoters and Substantial Shareholders

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

Name	Nationality	Before Public Issue ⁽¹⁾				After Public Issue			
		Direct		Indirect		Direct		Indirect	
		No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Substantial Shareholder Duli Yang Amat Mulia Tunku Ibrahim Ismail Ibni Sultan Iskandar Al-Haj	Malaysian	26,832	20.50	-	-	26,832	15.37	-	-
Promoters and Substantial Shareholders Jang Kim Luang @ Yeo Kim Luang	Malaysian	81,896	62.56	-	-	83,146*	47.64	-	-
Dr Foong Lai Sun	Malaysian	7,184	5.49	-	-	8,184*	4.69	-	-
Lim Si Pin	Malaysian	7,776	5.94	-	-	7,776	4.46	-	-

Notes:-

⁽¹⁾ Subsequent to the Acquisitions, Internal Reorganisation and Share Split

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

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

(Full details of the Substantial Shareholders and Promoters are set out in Section 9.1 of this Prospectus)

2. INFORMATION SUMMARY (Cont'd)

2.2.2 Directors

Based on the Register of Directors and Register of Directors' Shareholdings of Ecofuture at the Latest Practicable Date, the direct and indirect interests of the Directors in the issued and paid-up share capital of the Company before and after the Public Issue are as follows:-

Director	Nationality	Designation	Before Public Issue ⁽¹⁾				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	Malaysian	Executive Chairman/ Managing Director	81,896	62.56	-	-	83,146*	47.64	-	-
Dr Foong Lai Sun	Malaysian	Executive Director	7,184	5.49	-	-	8,184*	4.69	-	-
Lim Si Pin	Malaysian	Non-Independent Non-Executive Director	7,776	5.94	-	-	7,776	4.46	-	-
Gunaretnam s/o Khatigasu	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Brian Wong Wye Pong	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-

Notes:-

⁽¹⁾ Subsequent to the Acquisitions, Internal Reorganisation and Share Split

* 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

(Full details of the Directors are set out in Section 9.2 of this Prospectus)

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2. INFORMATION SUMMARY (Cont'd)

2.2.3 Key Management and Key Technical Personnel

Name	Nationality	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	Malaysian	Executive Chairman/ Managing Director	81,896	62.56	-	-	83,146	47.64	-	-
Dr Foong Lai Sun	Malaysian	Executive Director	7,184	5.49	-	-	8,184	4.69	-	-
Saw Sui Hock @ Choo Sui Hock	Malaysian	Finance Manager	1,044	0.80	-	-	1,419	0.81	-	-
Sang Chee Hung	Malaysian	Accountant	149	0.11	-	-	499	0.29	-	-
Balachandran A/L Govindasamy	Malaysian	Chief Engineer	-	-	-	-	375	0.21	-	-
Chow Chee Hoon	Malaysian	Production Manager	-	-	-	-	150	0.09	-	-
Tan Swan Kim	Malaysian	Assistant Manager	-	-	-	-	375	0.21	-	-
Anandh Kumar A/L Ganapathi	Malaysian	Production Engineer	-	-	-	-	150	0.09	-	-
Chong Lai Fun	Malaysian	Purchasing Manager	-	-	-	-	120	0.07	-	-
Ng Bee Cheng	Malaysian	Human Resources Manager	-	-	-	-	120	0.07	-	-

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:-

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

2. INFORMATION SUMMARY (Cont'd)

(Full details of the Key Management and Key Technical Personnel are set out in Section 9.4 of this Prospectus)

2.3 Trademarks, Patents and Technology Used

The Group has successfully developed various technologies for its products, which are in the process of applying for the patents and trademarks.

2.3.1 Trademarks

The Group has applied for registration of the following trademarks:-

Trademark	Description of Product	Country of application	Applicant	Application number	Application Date	Status
ECOMAT	Mulch mat produced from ECOFIBRE	Malaysia	ISSB	2001-10151	6-8-2001	Pending
ECOPOT	Biodegradable plant pots produced from oil palm biomass	Malaysia	ISSB	2002-05197	10-5-2002	Pending
ECOFIBRE	Natural oil palm fibre extracted from oil palm biomass	Malaysia	ISSB	2002-08120	11-7-2002	Pending
ECOPULP	Pulp produced from oil palm biomass	Malaysia	ISSB	2003-06674	4-6-2003	Pending
ECOPAK	Biodegradable packaging material	Malaysia	ISSB	2003-06675	4-6-2003	Pending
ECOMAT	Mulch mat produced from ECOFIBRE	China	ISSB	3613720	1-7-2003	Pending

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2. INFORMATION SUMMARY (Cont'd)

2.3.2 Patents

In addition to the above trademarks, the Group has one (1) patent, which was approved and registered by the registrar of patents in Thailand on 2 November 2000, as set out below. The registration of this patent was applied in Thailand under the joint-names of two (2) individuals namely, Jang Kim Luang @Yeo Kim Luang and Dr Foong Lai Sun ("said Patent"). The said Patent was assigned to ISSB via a Patent Assignment Agreement on 12 January 2004.

Description of Patent Registered in Thailand	Application number	Application Date	Status
Fibrous mat made from oil palm empty fruit bunches and the process of making the same	0003000519	2-11-2000	Approved (until 1-11-06)

As at the Latest Practicable Date, the Group is currently awaiting the approval of seven (7) patent applications from the Intellectual Property Corporation of Malaysia and the approval of four (4) separate patent applications from the Registry of Patents in Singapore, the Registry of Patents in Thailand and the Registrar of Intellectual Property Department of Justice and Human Rights in Indonesia respectively are still pending.

Save for Malaysia, Singapore, Thailand and Indonesia, there is no patent or copyright being filed or registered by the Group in any other country. The status of the registration of the aforesaid eleven (11) patent applications which are all pending approvals, are as set out below.

Country	Applicant	Description	Application number	Application Date	Status
Malaysia	ISSB ⁽¹⁾	Fibrous mat made from oil palm empty fruit bunches and the process of making the same	PI9803124	08-07-1998	Pending examination
Malaysia	ISSB	Method for processing fiber-bearing material	PI20012752	13-06-2001	Pending examination
Malaysia	ISSB	A process of fibre-bearing material being transform into a sheeted material which has characteristics of fibre-board	PI20014957	25-10-2001	Pending examination
Malaysia	ISSB ⁽²⁾	Rubberised oil palm fibre sheet or mat	UI20020084	10-01-2002	Pending examination
Malaysia	ISSB	A process of producing a fibre mat, using fibre from oil palm	PI20023120	23-08-2002	Pending examination
Singapore	ISSB	Rubberised oil palm fibre sheet or mat	PCT/SG03/00162	09-07-2003	Pending examination
Malaysia	ELPSB	Device and manufacturing process for forming of articles from plant fibre	PI20032920	01-08-2003	Pending
Malaysia	SWSB	Improvements to apparatus for shredding fibrous vegetable materials	UI20033720	30-09-2003	Pending

2. INFORMATION SUMMARY (Cont'd)

Country	Applicant	Description	Application number	Application Date	Status
Thailand	SWSB	Apparatus for shredding fibrous vegetable materials	091724	21-06-2004	Pending
Indonesia	SWSB	Apparatus for shredding fibrous vegetable materials	P00200400324	29-07-2004	Pending
Singapore	ELPSB	Device and manufacturing process for forming of articles from plant fibre	PCT/SG2004/000229	30-07-2004	Pending examination

Notes:-

- (1) The registration for application of this patent was made in Malaysia under the joint-names of two (2) individuals namely, Jang Kim Luang @Yeo Kim Luang and Dr Foong Lai Sun, which is assigned to ISSB via a Patent Assignment Agreement entered on 12 January 2004. (Further information on the Patent Assignment Agreement is set out in Section 16.7 (viii) of this Prospectus)
- (2) The registration for application of this patent was made in Malaysia under the name of an individual, Jang Kim Luang @Yeo Kim Luang, which is assigned to ISSB via a Patent Assignment Agreement, entered on 12 January 2004

(Full details of Trademarks and Patents are set out in Section 5.6.6 of this Prospectus)

2.3.3 Technology Used

The development of the ECOFIBREX machine has paved the way for the Group to effectively and efficiently shred fibre strands from EFB. This technology essentially employs a unique technique and process to shred fibre strands from wet EFB that are discharged from the milling process. Although there exist alternative means of extracting fibres from EFB through the conventional method of "hammer milling", the results are markedly different. The conventional method is slow and energy inefficient. Extracted fibre is relatively short in length, inconsistent and contains higher oil content. The high oil content retains moisture, which in turn attracts mold and fungus that leads to the deterioration of its characteristics.

In comparison, the breakthrough in the development of the ECOFIBREX machine and the ECOFIBRE production process has provided the Group with fibre which are clean, fine, long and uniform in length and with low oil content. The success of the Group's fibre extraction process has enabled the Group to venture downstream to expand and diversify its product base into value added products such as ECOMAT and ECOPAK. Moving forward, the Group intends to develop the technology further to capitalised on the availability of ECOFIBRE for production of pulp to be used in the manufacture of paper.

(Full details of Technology Used by the Group is set out in Section 5.6.4 of this Prospectus)

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2. INFORMATION SUMMARY (Cont'd)

2.4 Risk Factors

Prior to making an investment in the Company, prospective investors should carefully consider the following risk factors inherent in and affecting the business of the Company and its subsidiary companies and this Public Issue. In addition, the discussion in the Prospectus contains forward-looking statements that involve risks and uncertainties. The Company and the Group's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Section 4, "Risk Factors" of this Prospectus but also include those discussed throughout this Prospectus.

The key risk factors that may affect the Group's future profitability are not limited to financial risk, market risks and industry risks. The following are some of the risk factors that may affect the Group:-

- (i) **Business Risks**
 - Competitive Risks
 - Dependence on Key Personnel
 - Unproven Track Record of New Business Ventures
 - New Geographical Markets
 - Dependence on Major Customers and Suppliers
 - Dependence on Key Product
 - Fluctuation in Demand and Prices of Edible Oils and Fats
 - Intellectual Property Rights
 - Acquisitions and Joint Ventures
 - Risks of Rapid or Over Expansion of Group's Business
 - Need for Continued Support from Existing Financiers
 - Changes in the Political, Economic and Regulatory Environment
 - Insurance Risks
 - Seasonality
 - Exchange Rate Fluctuation
 - Breakout of fire
 - Economic Conditions and Cycle Due to Unforeseen Circumstances
 - Financial Risks on Restrictive Covenants
 - Technology
- (ii) **Investment Risks**
 - No prior market for Ecofuture Shares
 - Ownership and Control by Promoters and Substantial Shareholders
 - Uncertainty of Proposed Five (5) Year Business Development Plan
 - Termination of Underwriting Agreement
 - Accounting Policy on Impairment
- (iii) **Other Risks**
 - Disclosure regarding Forward-Looking Statements
 - Delay in or Abortion of Flotation

Investors are advised to carefully consider the above risk factors, which may not be exhaustive, together with other information contained in this Prospectus before subscribing to any of the Issue Shares which are the subject of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.5 Proforma Historical Financial Information

The following is a summary of 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). 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. The proforma results of the Ecofuture Group have been extracted from and should be read in conjunction with the notes and assumptions included in the Accountants' Report set out in Section 8 of this Prospectus.

	←-----Financial Year ended 31 December----->					6-months period ended 30.06.2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Revenue	72,340	49,093	49,333	65,737	81,436	41,572
EBIDTA	2,350	1,975	2,866	4,025	4,327	1,735
Interest expenses	(359)	(421)	(504)	(470)	(429)	(179)
Depreciation	(629)	(747)	(867)	(930)	(979)	(529)
Profit before taxation	1,362	807	1,495	2,625	2,919	1,027
Taxation	(186)	(245)	(630)	(900)	(870)	4
Profit after taxation but before minority interests	1,176	562	865	1,725	2,049	1,031
Minority interests	-	-	-	-	-	-
Profit after taxation and minority interests	1,176	562	865	1,725	2,049	1,031
Number of ordinary shares assumed in issue ⁽¹⁾ ('000)	130,905	130,905	130,905	130,905	130,905	130,905
Gross EPS (sen) ⁽¹⁾	1.0	0.6	1.1	2.0	2.2	0.8
Net EPS (sen) ⁽¹⁾	0.9	0.4	0.7	1.3	1.6	0.8

Notes:-

- ⁽¹⁾ Based on the enlarged issued and paid-up share capital of Ecofuture of RM13,090,500 comprising of 130,905,000 ordinary shares of RM0.10 each in issue after the Acquisitions, Internal Reorganisation and Share Split but before the Public Issue and assuming that the Group had been in existence since 1999
- ⁽²⁾ There were no extraordinary and exceptional item for the years/period under review
- ⁽³⁾ No provision for tax was made for the profit for the financial year ended 31 December 1999 as the amount payable was waived, in accordance with the Income Tax (Amendment) Bill 1999. The proforma effective tax rates for the financial year ended 31 December 2000 to 2003 are higher than the statutory tax rates due to certain expenses are not deductible for taxation purposes. For the financial period ended 30 June 2004, the reversal of provision of taxation was due to the overprovision in prior years.

(Full details of the proforma historical financial consolidation are set out in Section 7.1 and the Accountant's Report in Section 8 of this Prospectus)

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2. INFORMATION SUMMARY (Cont'd)

2.6 Proforma Consolidated Balance Sheet

An extract of the proforma consolidated balance sheet of the Group as at 30 June 2004 (which should be read in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Balance Sheet and the notes and assumptions thereto as set out in Section 7.9 of this Prospectus) is provided for illustrative purposes based on the audited financial statements of Ecofuture and its subsidiary companies and after taking into account the Flotation Exercise as stated in Section 5.3 and the proposed utilisation of proceeds from the Public Issue had the proposal been effected on that date.

	Audited as at 30 June 2004	Proforma (I) After Acquisitions and Internal Reorganisation	Proforma (II) After Proforma (I) and Share Split	Proforma (III) After Proforma (II) and Public Issue and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	1	28,630	28,630	34,434
Estate development expenditure	-	229	229	229
Patent	-	40	40	40
Goodwill on consolidation	-	1,989	1,989	1,989
	1	30,888	30,888	36,692
Current assets				
Inventories	-	3,054	3,054	3,054
Trade receivables	-	2,715	2,715	2,715
Deferred expenditure	406	406	406	-
Other receivables, deposit and prepayments	-	1,632	1,632	1,632
Cash and bank balances	-*	244	244	3,955
	406	8,051	8,051	11,356
Current liabilities				
Trade payables	-	5,715	5,715	5,715
Other payables and accruals	422	3,420	3,420	3,420
Amount due to a director	-	331	331	331
Hire purchase and lease liabilities	-	273	273	273
Short term borrowings	-	9,805	9,805	9,805
Tax payable	-	445	445	445
	422	19,989	19,989	19,989
Net current liabilities	(16)	(11,938)	(11,938)	(8,633)
	(15)	18,950	18,950	28,059

2. INFORMATION SUMMARY (Cont'd)

	Audited as at 30 June 2004	Proforma (I) After Acquisitions and Internal Reorganisation	Proforma (II) After Proforma (I) and Share Split	Proforma (III) After Proforma (II) and Public Issue and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Financed by:-				
Share capital	-*	13,090	13,090	17,454
Accumulated losses	(15)	(15)	(15)	(15)
Share premium	-	-	-	4,745
Reserves on consolidation	-	1,281	1,281	1,281
Shareholders' funds	(15)	14,356	14,356	23,465
Deferred and long term liabilities				
Hire purchase and lease liabilities	-	23	23	23
Deferred income	-	1,075	1,075	1,075
Deferred taxation	-	1,525	1,525	1,525
Term loans	-	1,971	1,971	1,971
	-	4,594	4,594	4,594
	(15)	18,950	18,950	28,059
Par value (RM)	1.00	1.00	0.10	0.10
Number of ordinary shares assumed in issue ('000)	*-	13,091	130,905	174,540
NTA per share (RM)	(7,482)	0.94	0.09	0.12

Note:-

* Denotes two (2) ordinary shares of RM1.00 each in Ecofuture

(Full details of the proforma consolidated balance sheet as at 30 June 2004 are set out in Section 7.3 of this Prospectus and the Reporting Accountants' Letter on the Proforma Balance Sheet as at 30 June 2004 is set out in Section 7.9 of this Prospectus)

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2. INFORMATION SUMMARY (Cont'd)

2.7 Audit Qualifications in Audited Accounts for Past Five (5) Financial Years

None of the audited accounts of Company and its subsidiary companies were subjected to any qualification throughout the relevant years/periods under review.

2.8 Principal Statistics Relating to Public Issue

	RM
(i) Share capital	
<i>Authorised</i>	
500,000,000 ordinary shares of RM0.10 each	<u>50,000,000</u>
<i>Issued and fully paid-up</i>	
130,905,000 ordinary shares of RM0.10 each	13,090,500
<i>To be issued and credited as fully paid-up pursuant to Public Issue</i>	
43,635,000 new ordinary shares of RM0.10 each	<u>4,363,500</u>
<i>Enlarged share capital</i>	
174,540,000 ordinary shares of RM0.10 each	<u>17,454,000</u>
(ii) Issue Price	
<i>Issue Price per Ecofuture Share</i>	RM0.25
(iii) Proforma NTA based on the proforma consolidated balance sheet as at 30 June 2004	
<i>Proforma Group NTA upon listing (RM'000)</i>	RM21,436
<i>Proforma NTA per Ecofuture Share upon listing*</i>	RM0.12

Note:-

* Based on an enlarged issued and paid-up share capital after the Public Issue

There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each. The Issue Shares shall rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of the allotment thereof.

(Full details of the Public Issue are set out in Section 3.5 of this Prospectus and full details of the proforma consolidated balance sheet as at 30 June 2004 is set out in Section 7.3 of this Prospectus and the Reporting Accountants' Letter on the Proforma Balance Sheet as at 30 June 2004 is set out in Section 7.9 of this Prospectus)

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2. INFORMATION SUMMARY (Cont'd)

2.9 Proceeds and Utilisation

The total gross proceeds to be raised from the Public Issue amounting to RM10,908,750 are expected to be utilised in the following manner:-

Details of Utilisation	Amount of Proceeds RM'000	<Time Frame for Utilisation>	
		Financial Year ending 31 December 2005 RM'000	Financial Year ending 31 December 2006 RM'000
<u>Capital expenditure</u>			
• Part financing for the construction of a new factory building and purchase of plant and machinery	5,600	5,600	-
• Expansion of existing biomass operations	700	700	-
• Installation of boilers and turbines	1,600	1,600	-
<u>Others</u>			
• Research and development	850	470	380
• Working capital	359	359	-
• Defray estimated listing expenses	1,800	1,800	-
Total	10,909	10,529	380

(Full details are set out in Section 3.7 of this Prospectus)

2.10 Profit Forecast and Projections

The Group's revenue and operating results are difficult to forecast and may be adversely affected by a host of factors. The market for the Group's products and services is characterised by the ability of the Group to successfully launch and penetrate its products in new and existing markets, continuous development and technology enhancement and product development. The Group is also subjected to many risk factors, some of which are highlighted in Section 4 – Risk Factors, of this Prospectus. The Group's revenue and operating results are therefore difficult to forecast. As such, the Group's profit forecast and projections are not disclosed in this Prospectus.

2.11 Working Capital, Borrowings, Material Litigations, Material Commitments and Contingent Liabilities

(a) Working capital

The Directors of Ecofuture are of the opinion that after taking into account the cashflow position, banking facilities available and proceeds to be raised from the Flotation Exercise, the Ecofuture Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

(b) Borrowings

Based on the audited Proforma Consolidated Balance Sheets at 30 June 2004, (being the latest practicable date of which such amounts could be calculated prior to the printing of this Prospectus), the Group's material indebtedness based on its total outstanding borrowings amount to approximately RM12.072 million and comprise the following :

Type of Borrowing	Payable within 12 months RM'000	Payable after 12 months RM'000	TOTAL RM'000
Interest-bearing			
Overdraft	86	-	86
Bankers' Acceptances	8,576	-	8,576
Term -loans	1,143	1,971	3,114
Hire purchase and lease liabilities	273	23	296
Non Interest-bearing	-	-	-
TOTAL BORROWINGS	10,078	1,994	12,072

Save as disclosed above, the Group does not have any other capital outstanding or loan capital created but unissued outstanding on that date.

As at the Latest Practicable Date, the Group does not have any foreign currency denominated borrowings.

The Board wishes to confirm that there have been no default of payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

(c) Material Litigations

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration (either as plaintiff or defendant) which might materially and adversely affect the business or financial position of the Company or any of its subsidiaries. The directors of the Company have no knowledge of any proceedings pending or threatened against the Company or any of its subsidiaries, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of the Company or any of its subsidiaries.

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2. INFORMATION SUMMARY (Cont'd)

(d) Material Commitments

Saved as disclosed below, as at the Latest Practicable Date, there are no other material commitments for capital expenditure incurred or known to be incurred by the Group which may have a substantial impact on the results or the financial position of the Group.

Description	<i>Approved and contracted for RM'000</i>	<i>Approved but not contracted for RM'000</i>	<i>Total RM'000</i>
Purchase of machineries, plants and equipment	2,079	-	2,079
Construction of new factory for the production of ECOPAK	887	-	887
Construction of new lines of production for ECOMAT	1,500	-	1,500
TOTAL	4,466	-	4,466

(e) Contingent liabilities

As at the Latest Practicable Date, the Directors are of the opinion that the Group has no contingent liabilities which, upon materialisation would have a material impact on the financial position and business of the Group.

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3. PARTICULARS OF PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 13 December 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application, has been lodged with the ROC. The SC and ROC take no responsibility for the contents of this Prospectus.

Approval has been obtained from the SC (and FIC via SC) on 25 August 2004 for the Public Issue. Approval has been obtained from Bursa Securities on 26 August 2004 for the listing of Ecofuture and the admission to the Official List of the MESDAQ Market and permission to deal in and quotation for the entire issued and paid-up share capital of Ecofuture including the Public Issue Shares which are the subject of this Prospectus. Bursa Securities and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. The approvals of the SC and Bursa Securities shall not be taken to indicate that the SC and Bursa Securities recommends the Public Issue and investors should rely on their own evaluation to assess the merits and risks of the Public Issue.

These Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to the successful applicants.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed Ecofuture Shares as prescribed securities. In consequence thereof, all the Ecofuture Shares including the Public Issue Shares to be issued through this Prospectus will be deposited directly with the Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of the Depository. No share certificates will be issued to successful applicants

To apply for the Public Issue Shares, an applicant must have a CDS account. Applicant submitting application by way of Application Form or Electronic Share Application must have a CDS account. In the case of an applicant by way of Application Form, an applicant should state his CDS account number in the space provided in the Application Form and he shall be deemed to have authorised Bursa Depository to disclose information pertaining to his CDS account to MIH and/or the Company. In the case of an applicant by way of Electronic Share Application, **only applicant who is an individual who has a CDS account, can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying in his CDS account number if the instructions on the ATM screen at which he or she enters his or her Electronic Share Application requires him or her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.**

Pursuant to the Bursa Securities LR, at least 25% but not more than 49% of the issued and paid-up share capital of the Company must be in the hands of public shareholders and a minimum number of 200 public shareholders holding not less than 100 shares each upon completion of the Public Issue and at the time of Ecofuture's admission to the Official List of the MESDAQ Market. The Company is expected to achieve this at the point of listing. In the event the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing. In the event thereof, the full amount of monies paid in respect of all applications will be returned in full without interest and thereafter, the applicants for the Ecofuture Shares will not have any other claims whatsoever against Ecofuture or any other party named in this Prospectus, if the said permission is not granted.

3. PARTICULARS OF PUBLIC ISSUE (Cont'd)

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by Ecofuture and/or Affin Merchant. Neither the delivery of this Prospectus or any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Ecofuture Group since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares will not be registered under any possible securities legislation of any other jurisdictions except Malaysia and the Public Shares will not be placed in any other country other than Malaysia. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such an offer and invitation is unauthorised or unlawful, or to any person to whom it is unlawful to make such an invitation. Ecofuture and Affin Merchant take no responsibility for the distribution of this Prospectus or for the sale of this Public Issue Shares outside Malaysia.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.2 Critical Dates for the Public Issue

The important events and their dates or indicative dates as follows:

Opening Date for Application for the Issue Shares	:	13 December 2004
Closing Date for Application for the Issue Shares	:	23 December 2004
Tentative Balloting Date for the Issue Shares	:	28 December 2004
Tentative Allotment Date of the Issue Shares to successful applicants	:	7 January 2005
Tentative Listing Date	:	11 January 2005

3.3 Opening and Closing of Application

The Application will open at 10.00 a.m. on 13 December 2004 and will remain open until 5.00 p.m. on 23 December 2004 or for such further period or periods as the Directors, Promoters and the Underwriter of Ecofuture in their absolute discretion may decide. Late applications will not be accepted.

3.4 Purpose of Public Issue

The purpose of the Public Issue are as follows:-

- (i) to raise funds for the Group's continued expansion, R&D and global marketing activities, details of which are elaborated in Section 3.7 below;
- (ii) to enable Ecofuture to gain access to the Malaysian capital market and raise fresh equity funds for the Group's requirement;
- (iii) to provide an opportunity for the Eligible Directors, eligible employees, certain business associates and other persons nominated by of the Ecofuture Group and the public investors to participate in the equity and continuing growth of the Group;

3. PARTICULARS OF PUBLIC ISSUE *(Cont'd)*

- (iv) to obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of Ecofuture on the MESDAQ Market; and
- (v) to enhance the stature of the Company in marketing its products and to attract new skilled labour.

3.5 Particulars of Public Issue

	RM
<i>Share capital</i>	
<i>Authorised</i>	
500,000,000 ordinary shares of RM0.10 each	50,000,000
<i>Issued and fully paid-up</i>	
130,905,000 ordinary shares of RM0.10 each	13,090,500
<i>To be issued and credited as fully paid-up pursuant to the Public Issue</i>	
43,635,000 new ordinary shares of RM0.10 each	4,363,500
<i>Enlarged share capital</i>	
174,540,000 ordinary shares of RM0.10 each	17,454,000
<i>Issue Price per Ecofuture Share</i>	0.25

The Issue Price of RM0.25 per Ecofuture Share is payable in full upon application.

There is only one (1) class of shares in the Company, namely, ordinary shares of RM0.10 each. The Issue Shares upon allotment shall rank *pari passu* in all respects with one another and all other existing issued and fully paid-up ordinary shares of the Company including voting rights and shall be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of the allotment thereof.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of the Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company, such surplus shall be distributed among the members in proportion to the share capital issued and paid-up at the commencement of the liquidation in accordance with Ecofuture's Articles of Association and the provision of the Companies Act, 1965.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share held. A proxy may but need not be a member of the Company.

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3. PARTICULARS OF PUBLIC ISSUE *(Cont'd)*

The Public Issue of 43,635,000 Ecofuture Shares at an issue price of RM0.25 per share shall be subject to the terms and conditions of this Prospectus and, upon acceptance will be allocated in the following manner:-

(i) Public investors

11,963,000 Issue Shares representing approximately 6.9% of the enlarged issued and paid-up share capital of Ecofuture are made available for application by the public investors.

(ii) Eligible Directors, eligible employees, certain business associates and other persons nominated by Ecofuture Group

10,727,000 Issue Shares representing approximately 6.1% of the enlarged issued and paid-up share capital of Ecofuture are reserved for Eligible Directors, eligible employees, certain business associates and other persons nominated by the Ecofuture Group.

(iii) Placement

20,945,000 Issue Shares representing approximately 12.0% of the enlarged issued and paid-up share capital of Ecofuture are made available for application to selected/institutional investors.

In the event that any of the Issue Shares under the above Section 3.5(ii) of this Prospectus are not taken up by the Eligible Directors, eligible employees, certain business associates and other persons nominated by the Ecofuture Group, these Issue Shares will be made available for application by the public investors. The basis of allocation to be determined shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base on the Company to meet the public spread requirements and to establish a liquid and adequate market in the Shares. To meet the shareholding spread requirement pursuant to Clause 2.9 of the Bursa Securities LR, the final allocation/placement of the Issue Shares to any single applicant shall not exceed 5% or more of the enlarged issued and paid-up share capital of Ecofuture upon listing, regardless of the amount of Ecofuture Shares applied for. Applicants in respect of Section 3.5(ii) of this Prospectus will be selected in a manner to be determined by the Directors of Ecofuture.

The Issue Shares in respect of Section 3.5(ii) of this Prospectus are reserved for Eligible Directors, eligible employees, certain business associates and other persons nominated by the Ecofuture Group. All 10,727,000 Issue Shares to be allocated to Eligible Directors, eligible employees, certain business associates and other persons nominated by the Ecofuture Group have been allocated based on the following criteria:-

- minimum allocation of 100 Shares;
- Malaysian citizen (must attain 18 years of age on the date of allocation);
- the eligible Directors of Ecofuture and the eligible employee's designation/grade/position and length of service with the Group;
- for eligible and interested employee of the Group, he/she must be a confirmed full-time staff as at 30 November 2004; and
- the interested business associates of the Group

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3. PARTICULARS OF PUBLIC ISSUE (Cont'd)

Based on the above criteria, there are approximately two (2) Eligible Directors and sixty-five (65) eligible employees, sixty-one (61) business associates and other persons nominated by the Ecofuture Group who are eligible and are interested in taking up the reserved Issue Shares. The allocation to the two (2) Eligible Directors is as follows:

Name of Directors	Designation	No. of Ecofuture Shares allocated ('000)	% of enlarged share capital of Ecofuture (after the Public Issue)
Jang Kim Luang @ Yeo Kim Luang	Executive Chairman/ Managing Director	1,250	0.72
Dr Foong Lai Sun	Executive Director	1,000	0.57
Total		2,250	1.29

Other than the 20,945,000 Issue Shares to be made available to selected investors/institutional investors under the Placement, the 22,690,000 Issue Shares under Sections 3.5(i) and 3.5(ii) of this Prospectus are fully underwritten via the Underwriting Agreement referred in Section 3.9 of this Prospectus by the Underwriter as set out in Section 1 of this Prospectus.

There is no minimum level of subscription for the Public Issue.

3.6 Pricing of Public Issue

Prior to the Public Issue, there has been no public market for the Shares. The Issue Price of RM0.25 per share was determined and agreed upon by the Company and Affin Merchant as the Adviser, Placement Agent and Underwriter.

Among the factors considered in determining the Issue Price, in addition to prevailing market conditions, were the Group's technologies, estimates of business growth potential, revenue prospects for the Group and an assessment of the Group's management profile and experience.

Investors should also note that the market prices of Ecofuture Shares upon listing on the Official List of the MESDAQ Market are subject to the vagaries of the market forces and other uncertainties which may affect the price of Ecofuture Shares traded.

Investors should form their own views on the valuation of the Issue Shares before deciding to invest in the Issue Shares.

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3. PARTICULARS OF PUBLIC ISSUE (Cont'd)

3.7 Utilisation of Proceeds

The Company expects the Public Issue to raise an amount of RM10,908,750. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for the entire issued and paid-up share capital of Ecofuture on the MESDAQ Market.

Details of Utilisation	Amount of Proceeds RM'000	<-Time Frame for Utilisation->	
		Financial Year ending 31 December 2005 RM'000	Financial Year ending 31 December 2006 RM'000
Capital expenditure			
• Part financing for the construction of a new factory building and purchase of plant and machinery (i)	5,600	5,600	-
• Expansion of existing biomass operations (ii)	700	700	-
• Installation of boilers and turbines (iii)	1,600	1,600	-
Others			
• Research and development (iv)	850	470	380
• Working Capital (v)	359	359	-
• Defray estimated listing expenses (vi)	1,800	1,800	-
Total	10,909	10,529	380

Notes:-

- (i) As part of its expansion plan, the Group has constructed a new single storey factory building with a built-up area of approximately of 3,081.50 sq. m. on a piece of land held under title no. H.S.(D) 4004, P.T.(D) 525 within Mukim of Sungai Segamat, District of Segamat, Johor Darul Takzim for the production of the ECOPAK packaging products. The new factory building will be located adjacent to ETSB's ECOMAT production plant, which is in turn next to SWSB's current palm oil mill located at Off 10th Mile, Labis Road, 85007 Segamat, Johor. A total of RM5.60 million of the proceeds is earmarked for the following capital expenditures :-

	RM'000
Part finance the construction of new single storey factory building for the ECOPAK packaging plant	4,800
Part purchase and installation of plant and machinery for the ECOPAK packaging plant	800
	5,600

The construction of the new single storey factory has commenced in December 2003 and the commissioning of the ECOPAK packaging plant is expected by the fourth quarter 2004.

- (ii) The Group proposes to allocate approximately RM700,000 to expand and increase the production of ECOFIBRE. This will involve additional production line to be installed to increase the production capacity of ECOFIBRE from 8 MT EFB per hour to 15 MT EFB per hour.
- (iii) The Company intends to utilise RM1.60 million to install boilers and turbine with bigger capacities to generate energy and power supply for the expansion of the Group's oil palm biomass optimisation operations.

3. PARTICULARS OF PUBLIC ISSUE (Cont'd)

- (iv) *As R&D has been a key factor in the Group's competitiveness and business viability, an allocation of RM850,000 has been set aside to enhance its R&D capabilities. This amount will be allocated for R&D staff expenditures, development and trial costs as follows:*

	<i>RM'000</i>
<i>ECOMAT trial desert project ⁽¹⁾</i>	<i>340</i>
<i>R&D cost allocated for pulp and paper development ⁽²⁾</i>	<i>310</i>
<i>R&D staff salaries, development and trial costs</i>	<i>200</i>
	<u><u><i>850</i></u></u>

Notes:

- ⁽¹⁾ *The Group through MPOB, in conjunction with a Government-to-Government (G2G) Project between MPOB and the Beijing Forest Bureau, China is currently conducting a trial test to utilise ECOMAT as material for sandstorm prevention in the outskirts of Beijing and other provinces in China.*
- ⁽²⁾ *On 26 January 2003 and 8 December 2003, SWSB entered into co-operation agreements with LIHMERI, a research institute in China to conduct research on the utilisation of oil palm biomass for the production of pulp used in the manufacturing of paper. To date, an amount of approximately RM190,000 has already been expensed from the Group's internally generated funds.*
- (v) *Working capital*
- This amount will be utilised as the working capital for the purposes of the Group's oil palm biomass operations, which will be paid or made as and when incurred.*
- (vi) *Estimated Listing expenses*
- The Company shall bear all expenses such as underwriting commissions, placement fees, brokerage, registration and share transfer fees relating to the Placement and Public Issue together with all other expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of Ecofuture on the MESDAQ Market amounting to an estimated RM1.8 million. The detailed workings on the estimated listing expenses are set out in Section 3.8 subsection (iii).*

The financial impact on the Ecofuture Group arising from the above utilisation of proceeds includes the following:-

- the investment in R&D will enable the Group to further focus on the oil palm biomass optimisation activities and produce new commercially viable products and the enhancement of its existing biomass products;*
- the expansion of its existing biomass optimisation operations would cater for the anticipated increase in the demand of its existing biomass products; and*
- the part financing for the construction of the ECOPAK plant will further expand the Group's biomass optimisation operation and broaden its biomass product base;*

which are collectively expected to improve the profitability and enhance the Group's earnings in the near future.

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3. PARTICULARS OF PUBLIC ISSUE (Cont'd)

3.8 Brokerage, Underwriting Commission, Placement Fees and Estimated Listing Expenses

(i) Brokerage

A brokerage fee is payable by the Company in respect of all the Issue Shares at the rate of 1.0% of the issue price of RM0.25 per Share in respect of successful applications which bear the stamps of Affin Merchant, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or the Issuing House.

(ii) Underwriting Commission

The Underwriter mentioned herein has agreed to underwrite 11,963,000 Issue Shares to be made available for subscription by the public investors and 10,727,000 Issue Shares to be made available for subscription by the Eligible Directors, eligible employees, certain business associates and other persons nominated by the Ecofuture Group pursuant to the Public Issue. Underwriting commission is payable by the Company in respect of the Issue Shares available for application at the rate of 2.0% of the Issue Price of RM0.25 per share.

Placement Fees

The Placement Agents' fees for the placement of 20,945,000 Placement Shares are payable by the Company at the rates ranging from 1.0% to 1.5% of the placement price of RM0.25 per share.

(iii) Estimated Listing Expenses

Listing expenses are estimated at approximately RM1.80 million, with the following breakdown:-

	RM'000
Professional advisory fees	800
Annual sponsorship fee	30
Advertisement and public relations expense(s)	50
Printing of prospectus, application forms, envelopes and share certificates	100
Bursa Securities 's perusal fee and initial listing fee	35
Prospectus registration and lodgement fees with SC and ROC respectively	2
SC's processing fee	10
Issuing house fee	30
Underwriting, placement and brokerage fees	360
Contingencies	383
Total	1,800

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3. PARTICULARS OF PUBLIC ISSUE *(Cont'd)*

3.9 Salient Terms of Underwriting Agreement

The Underwriting Agreement dated 23 November 2004 between Ecofuture and the Underwriter contain the salient terms and clauses which may allow the Underwriter to withdraw from their obligation under the Underwriting Agreement. The following salient terms and clauses are reproduced from the Underwriting Agreement. The following capitalised terms used in Section 3.9 of this Prospectus shall have the respective meanings as ascribed thereto in the Underwriting Agreement or Agreement.

SALIENT TERMS OF THE UNDERWRITING AGREEMENT

RECITAL B. The Company is proposing to offer for subscription forty three million six hundred and thirty five thousand (43,635,000) new ordinary shares of RM0.10 each ("Issue Shares") and to offer for subscription ("Offer") at the price of Sen Twenty Five (RM0.25) per Issue Share ("Issue Price") payable in full on application in the following manner:

- (i) up to eleven million nine hundred and sixty three thousand (11,963,000) Issue Shares will be made available for application to public investors ("Public Offer Shares");
- (ii) up to ten million seven hundred twenty seven thousand (10,727,000) Issue Shares will be reserved for eligible directors, eligible employees and business associates of the Company's Group ("Pink Form Shares"); and
- (iii) up to twenty million nine hundred and forty five thousand (20,945,000) Issue Shares will be made available for application under the private placement to selected investors ("Private Placement Shares").

RECITAL D. The Company is proposing to apply to Bursa Securities for admission to the MESDAQ Market of Bursa Securities and for its permission to deal in and for the listing of and quotation for the entire enlarged issued and paid up share capital of the Company consisting of one hundred seventy four million five hundred and forty thousand (174,540,000) ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

RECITAL F. At the request of the Company, the Underwriter has agreed to underwrite the Issue Shares mentioned in Recital B (i) and (ii) above (hereinafter called "the Underwritten Shares") at the Issue Price in the manner and upon the terms and conditions herein.

CLAUSE 4. CONDITIONS PRECEDENT FOR UNDERWRITING

4.1 Conditions Precedent: The obligations of the Underwriter under this Agreement shall further be conditional upon:-

- (i) Bursa Securities having agreed in principle on or prior to the Closing Date to the listing of and quotation for all the Issued Shares of the Company and the Underwriter being reasonably satisfied that such listing and quotation will be granted two (2) Market Days (or such other days as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and the receipt of confirmation from Depository that all Securities Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;
- (ii) the registration of the Prospectus with the SC in accordance with the requirements of the Securities Commission Act 1993, together with all documents required by the aforesaid Act and the issue by the SC of the relevant certificate of registration of the Prospectus or any like document;

3. PARTICULARS OF PUBLIC ISSUE (Cont'd)

- (iii) the lodgement with the ROC of the Prospectus in accordance with the requirements of the Securities Commission Act 1993 and the Companies Act, 1965 together with copies of all documents required by the Companies Act, 1965 and the issue by the Companies Commission of Malaysia of the relevant certificate of lodgement of the Prospectus or any like document, if any;
- (iv) the issuance of the Prospectus within ninety (90) days from the date hereof or such extended period of time as the Company and the Underwriter may mutually agree in writing; and
- (v) the execution of this Agreement by the parties hereto.

4.2 Right To Terminate: The Underwriter shall have the right to terminate this Agreement by notice in writing on or before the Closing Date, in the event that any of the conditions stated in Clause 4.1 is not satisfied on or before the Closing Date or the approval in principle of Bursa Securities for the listing of and quotation for all the Issued Shares on the MESDAQ Market of Bursa Securities is withdrawn or not procured; and upon such termination, the parties hereto shall be released and discharged from their obligations under this Agreement and none of the parties hereto shall have any claim against each other for compensation, costs, expenses or otherwise save that each party shall return any moneys paid in advance to the other under this Agreement within seventy-two (72) hours of the receipt of such notice, provided that the Company shall remain liable for the payment of the cost and expenses referred to in Clause 14.1 hereof.

CLAUSE 13 TERMINATION OF AGREEMENT BY UNDERWRITER

13.1 Force Majeure: Notwithstanding anything herein contained, the Underwriter may at any time be entitled to terminate its obligations under this Agreement by delivering a notice in writing to the Company on the occurrence of all or any of the matters stated in this Clause 13.1 hereof on or before the Closing Date if the success of the Offer is, in the reasonable opinion of the Underwriter, seriously jeopardised by:-

- (a) any Government requisition or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriter seriously affects or will seriously affect the business and/or financial position of the Company; or
- (b) any change or any development involving a prospective change in national or international monetary, financial, (including stockmarket conditions and interest rates) political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriter prejudice materially the success of the Offer and their distribution or sale (whether in the primary or in respect of dealings on the secondary market); or
- (c) any material breach of the warranties and undertakings referred to in Clause 3.1 and Clause 5.1 hereof or withholding of information of a material nature from the Underwriter the occurrence or effect of which would in the reasonable opinion of the Underwriter prejudice materially the success of the Offer and their distribution or sale (whether in the primary or in respect of dealing on the secondary market); or

3. PARTICULARS OF PUBLIC ISSUE (Cont'd)

- (d) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company; or
- (e) any acts of government, acts of war, or acts of God which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Offer or pursuant to the underwriting hereof;
- (f) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the MESDAQ Market of Bursa Securities due to exceptional financial circumstances or otherwise; or
- (g) there having been on or prior to the Closing Date and in the reasonable opinion of the Underwriter, any adverse and material change or development reasonably likely to involve a prospective adverse and material change in the financial or business condition of the Company from that set out in the Prospectus which is material in the context of the Offer or offering of the Issue Shares thereunder or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the warranties and representations in clause 3.1 hereof as though given or made on such date.

On delivery of such a notice by the Underwriter to the Company and confirmation of such a notice by facsimile or by hand this Agreement shall be terminated and the obligations of the Underwriter under this Agreement shall be discharged accordingly. In the event of any such termination under this Clause 13.1 hereof, the Company shall bear all the cost and expenses incurred under this Agreement including but not limited to those stated in Clause 14.1 hereof.

- 13.2 **Continued Obligations:** If any of the obligations of the Underwriter under this Agreement shall cease under Clause 13.1 hereof, no party shall have any claim against any other party hereto for compensation, costs, damages, or otherwise, save that the Company shall pay to the Underwriter, the costs and expenses referred to in Clause 14.1 which have been incurred prior to or in connection with such rescission.

CLAUSE 14 COST & EXPENSES

- 14.1 **Cost & Expenses:** The Company shall bear and pay the Underwriting Commission, stamp duty of the Underwritten Shares, the brokerage fee, the transfer fees, the cost of the preparation and execution of this Agreement, printing charges and all other costs and expenses of and incidental to the Offer for the listing of and quotation for the Offer Shares on the MESDAQ Market of Bursa Securities, including the costs and charges that may be incurred in the registration of the Underwritten Shares in the denominations requested by the Underwriter, as the case may be.

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4. RISK FACTORS

If you are unsure about any of the information contained in this section on “Risk Factors”, you should consult your stockbrokers, bank manager, solicitors, accountants or other professional advisers.

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the Issue Shares offered by this Prospectus. The discussion in this Prospectus contains certain forward-looking statements that involve risks and uncertainties. Prospective investors are cautioned that such statements are only predictions and that actual results or events may differ materially from those disclosed in this Prospectus.

Factors that could cause or contribute to such differences include, but are not limited to, those discussed in “Risk Factors” and “Business Overview” as well as those discussed elsewhere in this Prospectus.

The risk and investment considerations set forth below are not an exhaustive list of the challenges that Ecofuture currently faces or that may develop in the future. Additional risk, whether known or unknown, may in the future have a material adverse effect on Ecofuture or the Shares.

4.1 BUSINESS RISKS

(i) Competitive Risks

Oil Palm Biomass Optimisation Operations

According to Frost & Sullivan, there is presently no direct competition for ECOMAT on a product basis. However, being a product, which has a variety of applications that include mulching, erosion control and dust prevention, there are other products that indirectly compete against it in their respective and specific applications. This includes slope embankment systems for erosion control and geotextile-plastic liners used for mulching and dust prevention. However, ECOMAT maintains certain distinctive attributes, which differentiate it from these competing substitutes. Besides its natural and organic biodegradability feature that contributes to the nutritional content of soil, ECOMAT has also soil protective attributes such as moisture retention, retardation of undesirable weed growth and protection of young plants from pests. As ECOMAT witnesses commercial success, it is anticipated that the Group will face competition from new entrants. There is no assurance that the Group will be able to compete successfully against future competitors. Increased competition may result in loss of market share, reduced revenue or profit margin, any one of which could materially and adversely affect the Group’s business, operating results and financial condition. Towards this end, the Group will continuously focus on R&D activities to develop new products and upgrade and improve the features of its existing products to stay ahead of competition. In addition, the Group will continue to develop a strong customer base and embark on intellectual property protection, such as patenting its technology and registration of its trademarks, to pose a strong entry barrier to potential new market entrants.

The market for disposable food packaging products is competitive. ECOPAK will face existing and established competition from the producers of plastics, paper and styrofoam based disposable food packaging products. In absence of any government legislation to encourage the use of biodegradable packaging material, the critical competitive factor in driving ECOPAK as a substitute will be pricing. As such to be competitive, the Group will continuously emphasise on minimising production costs, achieve cost efficiencies and strengthen its marketing efforts. With competitive pricing and growing demand for eco-friendly packaging material especially in markets such as China, Taiwan, Singapore, Japan and Hong Kong, the Board believes that ECOPAK will be well received in these potential markets.

4. RISK FACTORS (Cont'd)

Notwithstanding the above, there is no assurance that the Group will be able to penetrate successfully into the disposable food packaging market or achieve market acceptance. In addition, there can be no assurance that possible competitors will not develop biodegradable packaging products that are more marketable as a result of better price and alternative features.

Milling Operations**▪ *External Competition – Other producing countries and other oil crops***

Palm oil products face increasing competition from other major oil seed products such as soyabean oil, rapeseed oil and sunflower oil. At the same time, Malaysia also faces increasing competition from other palm oil producing countries such as Indonesia and other South East Asian countries. Nonetheless, with the continued support from the Government including extensive research and marketing efforts, Malaysian palm oil producers have been able to expand their market share in the world vegetable oil market to date.

▪ *Internal Competition – Milling Operations*

The Ecofuture Group competes with other commercial millers for the supply of FFB crop in the same region. Nonetheless, the Group's mill is strategically located in the vicinity of many surrounding oil palm estates. The Group enjoys consistent supply of FFB from surrounding estates, which do not have their own mill. The Group has also built up a long-term relationship with its FFB suppliers over the past ten (10) years.

(ii) *Dependence on Key Personnel*

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the Group's Directors or members of the senior management could adversely affect the Group's performance. The Group's senior management has made significant contributions in terms of leading daily operations, sales and marketing efforts and in formulating strategies. The senior management has relevant experience in the business and operations of the Group and has been instrumental in the growth and expansion of the Group. The loss of such senior management without suitable replacement may have an adverse effect on the Group's financial condition, operational results and competitiveness.

As a mitigating factor, the Group currently enjoys a cordial relationship with its employees. The Group has a large number of long serving key personnel and low turnover of skilled personnel. The Group may also, in order to retain current employees and attract new employees, implement an employee share option scheme in the future. The Group believes that by increasing its profile through the listing of and quotation for the Company's Shares on the MESDAQ Market, the Group will be able to attract suitable qualified personnel to play an active role in the growth of the Group. In addition, every effort is made by the Group to groom the younger members of the management team to take over from the senior management to ensure a smooth transition in the current management team should there be any departures.

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4. RISK FACTORS (Cont'd)

(iii) Unproven Track Record of New Business Ventures

The Ecofuture Group plans to venture into the production of biodegradable packaging material, i.e. ECOPAK. The planned commercial production is anticipated to commence by the fourth quarter of 2004. The returns expected from this new business venture is based on assumptions that are subject to uncertainties and contingencies. Due to the inherent uncertainties of future events and circumstances may not occur as expected, there can be no assurance that returns expected from this business venture will be as forecasted as the actual results may be materially different from those expected. Notwithstanding the above, the Board will ensure that new ventures are entered into with prudence and after careful planning.

(iv) New Geographical Markets

In its proposed Five (5) - Year Business Development Plan, the Group intends to export its products, i.e. ECOMAT and ECOPAK, to new geographical markets, mainly China and Taiwan. If the Group is unsuccessful in penetrating new geographical markets, it may suffer revenue shortfalls. It cannot guarantee that these new sales and marketing efforts will be successful or generate significant revenue. There are a number of other risks inherent in penetrating new geographical markets, which include unexpected changes in regulatory requirements, tariffs and other trade barriers, difficulties in managing overseas operations, adverse tax regimes, burden of complying with a wide variety of foreign laws and exposures to gains and losses on foreign currency transactions. Hence, there can be no assurance that such factors will not have a materially adverse effect on the Group's business, operating results or financial condition. Nonetheless, in mitigating these risks, detailed and careful market analysis and evaluation will be done prior to engaging in these endeavours. All possible aspects of the penetration strategy will be reviewed and tackled by the management in accordance to the specific requirements of the respective target markets.

(v) Dependence on Major Customers and Suppliers***FFB Suppliers (for the Group's Milling Operations)***

For its milling operations, the Group purchases FFB from nearby smallholders and plantations. To ensure a high extraction rate, the mill maintains strict quality control over the FFB received. The Group has also built up a long-term relationship with FFB suppliers over the past ten (10) years. As such, it is not envisaged that the sourcing for FFB should pose significant problems. Further details of the Group's main FFB suppliers are set out in Section 5.6.10. of the Prospectus.

CPO Customers (for the Group's Milling Operations)

As a commodity product, CPO produced by the Group's milling operations can be sold to any refinery within its operating vicinity. However, the Group presently sells almost three quarters of its CPO to PGEO Edible Oils Sdn. Bhd. ("PGEO"), which is one of the largest refinery in Pasir Gudang, Johor Bahru. The Group anticipate that its business relationship with PGEO will continue as it has built up this business relationship over the past ten (10) years. In addition there would be other refineries that the Group may sell its CPO in the event that PGEO decides not to purchase CPO from the Group in the future.

4. RISK FACTORS (Cont'd)

EFB Supplies (for the Group's Biomass Optimisation Operations)

The main raw material used in the manufacturing of ECOMAT and ECOPAK is the EFB. The Group does not anticipate any problems in accessing the supply of this raw material, which is abundant in Malaysia. Currently, the supply of EFB is internally sourced from SWSB.

ECOMAT Customers (for the Group's Biomass Optimisation Operations)

Presently, the Group enjoys encouraging sales of ECOMAT. Although the Group has entered into agreement with certain parties to sell ECOMAT, there is no assurance that existing or potential customers will continue to source ECOMAT from the Group. Demand for ECOMAT depends, amongst others on its price competitiveness and awareness of its benefits. To date, ECOMAT has been well received as the Group has been receiving recurrent and increasing orders from its existing customers. The Group anticipates that with more aggressive marketing efforts and growing awareness of the benefits of ECOMAT, the product will see greater market demand.

(vi) Dependence on Key Product

As at 30 June 2004, the Group's milling operations through SWSB, contributed approximately 47% of the Group's profit before tax. Over the next five (5) years the Group plans to expand its biomass optimisation operations which is expected to see greater and increasing profit contribution from this segment.

In mitigating its dependency on milling activities and to be consistent with the Group's current strategy in focusing on its biomass optimisation activities, the Group has been pursuing and will actively undertake continuous R&D efforts to identify new products which can be derived from oil palm biomass such as ECOPAK and ECOPULP. Such R&D initiative may be undertaken through in-house R&D initiatives as well as collaboration with various relevant research institute (as set out in Section 5.6.12 of this Prospectus).

The Group is also promoting the above new products through various marketing and distribution channels as set out in Section 5.6.8 of this Prospectus.

(vii) Fluctuation in Demand and Prices of Edible Oils and Fats

The Group's profits, to a certain extent, are affected by the demand and prices of CPO and PK. As such, the Group may be exposed to external forces which dictate the demand and pricing for palm oil products. The movement of CPO and PK prices against the Group's proforma consolidated PAT for the past five (5) financial years ended 31 December 2003 is set out below: -

	1999	2000	2001	2002	2003
Prices (RM/MT)					
CPO	1,450	996	894	1,364	1,579
PK	1,070	706	448	661	750
PAT (RM'000)	1,176	562	865	1,725	2,049

4. RISK FACTORS (Cont'd)

The Group constantly analyses and monitors the demand patterns of palm oil products to make prompt and informed decisions regarding its CPO and PK production and sales. The Malaysian Government is supportive of the palm oil industry and in times of falling CPO prices, the Government has introduced many measures and initiatives to assist in the recovery of the industry. Nonetheless, the prices of CPO and PK are still fundamentally dependent on the demand and supply in the global oils and fats market and there is no assurance that adverse movement in the demand and supply and prices of CPO and PK will not have an adverse effect on the performance of the Ecofuture Group. With the Group's efforts to strengthen its biomass waste optimisation activities, it is anticipated that increasing revenue and profit contributions from these activities would mitigate the Group's sensitivity to the fluctuation in the demand and prices of CPO and PK.

(viii) Intellectual Property Rights

The Group has taken proactive steps to protect its biomass optimisation technologies via the registration of trademarks and patents for its brands, products and processes. The Group acknowledges that its success depends partly on its ability to obtain such patents, protect trade secrets and operate without infringing the property rights of others. As such, the Group has made seven (7) patent applications in Malaysia whilst it has made two (2) patent applications in Singapore, one (1) patent application in Thailand and one (1) patent application in Republic of Indonesia and one (1) patent filed and registered in Thailand. These patent applications cover the inventions and processes to recycle oil palm biomass residues within the Group's biomass optimisation operations. Although the Group believes that its patent applications contain patentable claims, there can be no assurance that the patent rights will be issued. There may be other companies independently developing equivalent or alternative technologies or products and may obtain patent or similar rights with respect to them. Third parties may challenge the Group's intellectual property rights resulting in substantial cost in defending and prosecuting any claims relating to its intellectual property rights. There can be no assurance that disputes will not arise or that any dispute, if any, in relation to the Group's intellectual property will be resolved in the Group's favour. Any final judicial determination against the Group could result in its inability to continue marketing some of its products, adversely affecting on the Group's business, operating results and financial conditions. As at the Latest Practicable Date, the Group has not been subjected to any claim of infringement of any intellectual property.

(ix) Acquisitions and Joint Ventures

If appropriate opportunities present themselves, the Group intends to acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. As the Group attempts to capture a wider market for its products, the Group may establish joint venture partnerships with local palm oil mills throughout Malaysia where the Group will be able to attain a captive market in the sourcing of EFBs, and the selling of ECOMAT back to oil palm plantations.

There can be no assurance that the Group will be successful in identifying, negotiating or financing such acquisitions and joint ventures or integrating such acquisitions and joint ventures with its current businesses or to benefit from such acquisitions and joint ventures. Acquisitions and joint ventures may cause the Group to seek additional capital, which may or may not be available on satisfactory terms.

The Group will conduct detailed studies either by itself or through professionals on the suitability of such potential acquisitions or joint ventures prior to undertaking the exercise, subject to approval being obtained from shareholders (where applicable) in accordance with the Bursa Securities LR.

4. RISK FACTORS (Cont'd)

(x) Risk of Rapid or Over Expansion of the Group's Business

The Group hopes to significantly expand its business, especially in the biomass optimisation operations. Concerted efforts and significant investment have been made to develop new products from biomass residues such as ECOPAK and even ECOPULP. This expansion may likely place further demand on the Group's existing resources. The Group's future growth and profitability will depend, in part, on its ability to successfully manage and implement management and operating systems. Towards this end, the management has taken proactive steps to enhance the quality and performance by participating in the ISO programme and being awarded with the ISO 9001:2000 certification. Nonetheless, there can be no assurance that the Group will be able to effectively manage any expansion of its business.

(xi) Need for Continued Support from Existing Financiers

The Group finances its operations using internally generated funds and bank borrowings. Based on the Group's audited Proforma Consolidated Balance Sheet as at 30 June 2004, the total bank borrowings of the Group amounted to approximately RM12.072 million which comprise overdraft, term loans, bankers' acceptances and lease liabilities. Nevertheless, the continued availability of credit lines has an important bearing on the operations and capital expenditure plan of the Group. There can be no assurance that the existing financiers will continue to make available the funding facilities required. In the past the Group has been profitable and has been servicing its debt obligations. The Group is not expected to encounter and does not foresee, in the immediate future, encountering financial related risks in its business operations. Notwithstanding that, there can be no assurance that the financial performance of the Group would remain favourable and able to generate sufficient cashflow to meet its debt obligations in a timely manner. Hence, this may result in enforcement actions against the Group by the lenders, including the Group being placed into receivership and/or liquidated.

(xii) Change in the Political, Economic and Regulatory Environment

Any adverse development in the political situation and economic uncertainties in Malaysia and other countries of which the Group intends to market its products, could materially and adversely affect the financial performance of the Group. These include changes in policies by the authorities, changes in laws and regulations, currency control policies, method of taxation and import and export restrictions. There can be no assurance that any change to these factors will not have a material adverse effect on the Group's businesses.

(xiii) Insurance Risks

At present, the Board believes that the Group is adequately insured against unforeseen events such as fire, theft and burglary. Although the Group has taken the necessary measures to ensure that its assets are adequately covered by insurance, there can be no assurance that the insurance would be adequate for replacement of the cost of all assets of the Group.

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4. RISK FACTORS (Cont'd)

(xiv) Seasonality

Oil palm produces crop throughout the year but there is seasonal variation. The supply of FFB from oil palm plantation estates is pivotal for the Group's milling operations. Seasonal production of FFB varies with age and condition of the palms and local environment conditions of soil and weather. These cyclical patterns of FFB yield will affect the Group's milling operations. However, due to the abundance of EFB derived from the milling operations, which presently exceeds the requirements of its oil palm biomass operation, it is anticipated that such seasonality will not adversely effect the operations of the Group's oil palm biomass operation. In situation whereby supply of EFB is inadequate for its oil palm biomass operation, EFBs can be easily source externally. Going forward, with the growth of the biomass optimisation operations, the dependency of the Group towards its milling operations will be reduced and hence cushion the impact of adverse climatic conditions and seasonal variation.

(xv) Exchange Rate Fluctuation

Currently, the Group's export of ECOMAT to China which is supplied via MPOB in relation to the agreement between MPOB, SWSB and Beijing Forest Bureau, pertaining to the trial desert project (as disclosed in Section 16.8 (xv)) is denominated in USD. In addition, the Group plans to penetrate new markets with its new ECOPAK packaging products via export activities to include other overseas customers. Under such circumstances, the Group would most likely price its contracts using the USD. The current pegging of the Ringgit to the USD would provide the Group with some insulation against foreign exchange rate fluctuations. However, there is no assurance that the pegging of the Ringgit to the USD may not change.

(xvi) Breakout of fire

The breakout of fire could adversely impact the operations of the Group due to business disruption. In the unlikely event of a fire, the Group may not be able to adequately meet its sales demand. As a result, profitability would be adversely impacted. In order to mitigate this risk, the Group has taken adequate insurance coverage. However, there can be no assurance that the Group may be able to recoup consequential losses arising from the business disruption or that the Group would be able to recover from the adverse impact of the fire in a relatively short period of time.

(xvii) Economic Conditions and Cycle Due to Unforeseen Circumstances

Demand for the Group's technologies, products and services are dependent on the consumer demand and general economic condition in the country as well as worldwide. Currently the world economy is recovering from the accumulated effects after the war in Iraq and terrorism, which may have affected the economies of many countries in the world. As such, the speed and momentum in the recovery of the world economy may impact, directly or indirectly, the Group's performance.

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4. RISK FACTORS (Cont'd)

(xviii) Financial Risks on Restrictive Covenants

Pursuant to the credit facility agreements entered into by the Ecofuture Group with banks or financiers, they are bound by certain positive and negative covenants, which may limit the Group's operating flexibility. The aforesaid covenants are of a nature which is commonly contained in credit facility agreements in Malaysia. Any act by the companies within the Group falling within the ambit or scope of such covenants will require the consent of the relevant bank or financier. Breach of such covenants may give rise to a right by the bank or financier to terminate the relevant credit facility and/or enforce such security granted in relation to that credit facility. The Board is aware of such covenants and shall take all precautions necessary to prevent any such breach or any step to obtain the requisite consent or waiver.

(xiv) Technology

Over the years, the Group has undertaken various R&D initiatives on its own and through collaboration with research institutes and authorities to unlock the potential of oil palm biomass. Through these initiatives, the Group has managed to develop the ECOFIBREX machine and the ECOFIBRE production process. The breakthrough has enabled the Group to diversify downstream and produce value added products such as ECOMAT and ECOPAK. The technology used by the Group is only known to and retained by certain key personnel of the Group. However, the Group exercises segregation of duties and functions amongst these key personnel to avoid leakage of confidential and material information. Nonetheless, the success of the Group's biomass optimisation operation may attract new entrants to the market with potentially new technologies.

Recognising this, the Group continuously invests in R&D to build on its existing R&D strengths and capabilities to maintain its technological edge. Such proactive measures include amongst others, human resource development, strengthening collaboration with research institutes and continuously investing in product innovation.

4.2 INVESTMENT RISKS**(i) No prior market for the Shares**

Prior to the Public Issue, there has been no prior market for Ecofuture Shares. The price at which Ecofuture Shares will trade on the MESDAQ Market upon or subsequent to the listing will be dependent upon market forces beyond the control of the Company. There can be no assurance that an active trading market will develop for the Shares or if developed, that such market will be sustained or that the Share will trade in the public market subsequent to the Public Issue at or above the Issue Price of RM0.25 per Issue Share.

The Issue Price of RM0.25 per Issue Share was determined through agreement between the Company and Affin Merchant based on several factors and may not be an indication of the market price of the Shares after the Public Issue. Please refer to Section 3.6 "Pricing of the Public Issue" for a discussion of the factors considered in determining the Issue Price.

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4. RISK FACTORS (Cont'd)

The Group believes that a variety of factors could cause the price of the Shares to fluctuate, including sales of substantial amount of Shares in the public market, announcement of developments relating to the Group's businesses, fluctuation in the Group's operating results and sales level, general industry conditions or the world-wide economy, announcement of new products or product enhancements by the Group or its competitors and development of patent, copyright or other intellectual property rights, general market conditions and other factors. In addition, the global stock markets have from time to time experienced extreme price and volume fluctuations, which may adversely affect the market price of the Shares. Such fluctuations may adversely affect the market price of the Shares following the Public Issue.

(ii) Ownership and Control by the Substantial Shareholders

Presently, the Promoters, namely Jang Kim Luang @ Yeo Kim Luang, Dr. Foong Lai Sun and Lim Si Pin collectively own approximately 73.99% of the Company's issued and paid-up share capital. Although their collective shareholdings will be diluted to 56.79% upon completion of the Public Issue, they will be the controlling shareholders of the Company. Therefore, these shareholders will be able to influence the outcome of certain matters requiring the vote of the Company's shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities. Nevertheless, the Company has appointed two (2) independent directors and formed an audit committee to ensure good corporate governance and that future transactions involving related parties, if any, are entered into on arms-length terms.

(iii) Uncertainty of the Proposed Five (5) Year Business Development Plan

The Group's proposed future plan and prospects will be dependent upon, amongst others, the Group's ability to successfully implement its marketing strategy, establish satisfactory arrangements with sales representatives or business associates on a timely manner and on favourable terms, hire and retain skilled management as well as financial, technical and other personnel, successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality and service), and obtaining adequate financing as and when required. Nevertheless, despite the management team and experience in the business that will provide for appropriate exercise of discernment in the Group's future plan, there is no assurance that the unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans. In addition, the actual results may deviate from the business plan due to technological changes as well as competitive pressures.

(iv) Termination of Underwriting Agreement

The Underwriting Agreement is terminable by the Underwriter if the Underwriter has reasonable opinion that the success of the Public Issue is likely to be materially and adversely affected by certain events, details of which are set out in Section 3.9 under "CLAUSE 13: TERMINATION OF AGREEMENT BY UNDERWRITER".

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if it is of the reasonable opinion that the events detailed in Section 3.9 under "CLAUSE 13: TERMINATION OF AGREEMENT BY UNDERWRITER" of this Prospectus have occurred. In the event that the Public Issue could not be completed, all monies paid in respect of all applications will be returned without interest.

4. RISK FACTORS *(Cont'd)*

(v) Accounting Policy on Impairment

The Group owns an intangible asset in the form of goodwill arising on the acquisitions of ISSB and ELPSB. The goodwill represents a payment made by Ecofuture in anticipation of future economic benefits from ISSB and ELPSB.

Under the MASB Standard 23 on Impairment of Assets, issued by the Malaysian Accounting Standards Board, should there be an impairment of loss in respect of ISSB and ELPSB, *(for example, it is ascertained that ISSB and ELPSB has ceased to be able to generate future cashflows/revenue)*, there may be a significant write off of this goodwill that would adversely affect the future profitability of the Group and the Company's share price.

4.3 OTHER RISKS

(i) Disclosure regarding Forward-Looking Statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts. Although the Group believes that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to have been correct. Any deviation of its actual performance from the expectations may have adverse effects on the Group's financial and business performance.

(ii) Delay in or Abortion of the Listing

The occurrence of any one (1) or more of the following events may cause a delay in or abortion of the listing exercise:

- (a) the identified investors fail to subscribe for their portion of the Issue Shares to be placed to them;
- (b) the Underwriter exercises its rights pursuant to the termination clause pursuant to the Underwriting Agreement, under "CLAUSE 13: TERMINATION OF AGREEMENT BY UNDERWRITER" which are set out in Section 3.9 of this Prospectus and discharges itself from its obligations thereunder; or
- (c) the Company is unable to meet the public spread requirement, that is, at least 25% but not more than 49% of the issued and paid-up share capital of the Company be held by a minimum number of 200 public shareholders (including employees).

Although the Directors of Ecofuture will endeavour to ensure compliance by Ecofuture of the various Bursa Securities LR, including, the public spread requirement for the successful listing, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the listing.

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