

5. INFORMATION ON ECOFUTURE GROUP

5.1 Incorporation

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 involved in investment holding 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, Ecofuture has three (3) employees.

5.2 Share Capital

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

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

Details of the changes in the Company's issued and paid-up share capital since its incorporation are set out below:-

Date of Allotment	No. of ordinary shares allotted	Par Value RM	Consideration	Cumulative issued and paid-up share capital RM
13.09.2003	2	1.00	Cash (Subscribers' shares)	2
13.10.2004	13,090,498	1.00	Issue of shares at par value of RM1.00 each in consideration for the Acquisitions	13,090,500
1.11.2004	130,905,000	0.10	Share Split*	13,090,500

* Each ordinary shares in Ecofuture of RM1.00 each was split into ten (10) ordinary shares of RM0.10 each

5.3 Restructuring and Flotation Exercise

In conjunction with the Public Issue and Flotation Exercise which was approved by MITI, SC and Bursa Securities on 29 June 2004, 25 August 2004 and 26 August 2004 respectively, the Company undertook a restructuring exercise which involves the following inter-conditional transactions:

5.3.1 Acquisitions

(a) Acquisition of SWSB

On 15 January 2004, Ecofuture entered into the SSA-SWSB with the Vendors of SWSB, namely Jang Kim Luang @ Yeo Kim Luang, Duli Yang Amat Mulia Tunku Ibrahim Ismail Ibni Sultan Iskandar Al-Haj and Saw Sui Hock @ Choo Sui Hock for Ecofuture's acquisition of the entire issued and paid-up share capital of SWSB comprising 1,500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM8,944,000 or approximately RM5.96 per share satisfied by the issuance of 8,944,000 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00 each, credited as fully paid-up.

The 8,944,000 new ordinary shares of RM1.00 each in Ecofuture rank pari passu in all respects with one another and the existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

The purchase consideration for the Acquisition of SWSB of RM8,944,000 or approximately RM5.96 per share was arrived on a willing buyer willing seller basis after taking into consideration SWSB's audited NTA value as at 31 July 2003 of RM8,944,055.

The shares in SWSB are acquired free from all claims, charges, lien, equities or any other encumbrances thereto.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

The details of the vendors' shareholding in SWSB and the new ordinary shares of RM1.00 each in Ecofuture issued pursuant to the Acquisition of SWSB are as follows:-

Vendors of SWSB	Ordinary share of RM1.00 each in SWSB acquired		Purchase consideration RM	No. of new ordinary shares in Ecofuture of RM1.00 each issued
	No. of shares	%		
Duli Yang Amat Mulia Tunku Ibrahim Ismail Ibni Sultan Iskandar Al-Haj	450,000	30.0	2,683,200	2,683,200
Jang Kim Luang @ Yeo Kim Luang	1,035,000	69.0	6,171,360	6,171,360
Saw Sui Hock @ Choo Sui Hock	15,000	1.0	89,440	89,440
Total	1,500,000	100.0	8,944,000	8,944,000

The Acquisition of SWSB was completed on 13 October 2004.

(b) Acquisition of ISSB

On 15 January 2004, Ecofuture entered into the SSA-ISSB with the Vendors of ISSB, namely Jang Kim Luang @ Yeo Kim Luang and Dr. Foong Lai Sun for Ecofuture's acquisition of the entire issued and paid-up share capital of ISSB comprising 100,000 ordinary shares of RM1.00 each for a total purchase consideration of RM1,128,000 or approximately RM11.28 per share satisfied by the issuance of 1,128,000 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00 each, credited as fully paid-up.

The 1,128,000 new ordinary shares of RM1.00 each in Ecofuture rank pari passu in all respects with one another and the existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

The purchase consideration for the Acquisition of ISSB of RM1,128,000 or RM11.28 per share was arrived on a willing buyer willing seller basis after taking into consideration the audited NTA of ISSB as at 31 July 2003 of RM100,706 and the valuation conducted by PKF Management Consulting Sdn Bhd. The valuation of ISSB for the purpose of acquisition of ISSB was supported by a report by PKF Management Consulting Sdn Bhd, and a summary of the report is enclosed in Section 14.0 of this Prospectus. The basis of valuation of ISSB and the reasons for the application of the discounted cashflow method of valuation in valuing ISSB as opposed to other methods are also set forth in Section 14.0 of this Prospectus.

The shares in ISSB are acquired free from all claims, charges, lien, equities or any other encumbrances thereto.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

The details of the vendors' shareholding in ISSB and the new ordinary shares of RM1.00 each in Ecofuture issued pursuant to the Acquisition of ISSB are as follows:-

Vendors of ISSB	Ordinary share of RM1.00 each in ISSB acquired		Purchase consideration RM	No. of new ordinary shares in Ecofuture of RM1.00 each issued
	No. of shares	%		
Jang Kim Luang @ Yeo Kim Luang	50,000	50.0	564,000	564,000
Dr. Foong Lai Sun	50,000	50.0	564,000	564,000
Total	100,000	100.0	1,128,000	1,128,000

The Acquisition of ISSB was completed on 13 October 2004.

(c) Acquisition of 50.71% of ETSB

On 15 January 2004, Ecofuture entered into the SSA-ETSB with the Vendors of ETSB, namely Jang Kim Luang @ Yeo Kim Luang, Dr. Foong Lai Sun, Wirasawah Sdn Bhd and Lim Si Pin for Ecofuture's acquisition of 50.71% equity interest in ETSB comprising 394,000 ordinary shares of RM1.00 each for a total purchase consideration of RM718,498 or approximately RM1.82 per share satisfied by the issuance of 718,498 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00 each, credited as fully paid-up.

The 718,498 new ordinary shares of RM1.00 each in Ecofuture rank pari passu in all respects with one another and the existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

The purchase consideration for the Acquisition of 50.71% of ETSB was arrived on a willing buyer willing seller basis after taking into consideration ETSB's audited NTA value as at 31 July 2003 of RM1,417,133.

The shares in ETSB are acquired free from all claims, charges, lien, equities or any other encumbrances thereto.

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

The details of the vendors' shareholding in ETSB and the new ordinary shares of RM1.00 each in Ecofuture issued pursuant to the Acquisition of ETSB are as follows:-

Vendors of ETSB	Ordinary share of RM1.00 each in ETSB Acquired		Purchase consideration RM	No. of new ordinary shares in Ecofuture of RM1.00 each issued
	No. of shares	%		
Jang Kim Luang @ Yeo Kim Luang	175,000	22.52	319,130	319,130
Dr. Foong Lai Sun	84,667	10.90	154,399	154,399
Wirasawah Sdn Bhd	84,667	10.90	154,399	154,399
Lim Si Pin	49,666	6.39	90,570	90,570
Total	394,000	50.71	718,498	718,498

The Acquisition of 50.71% of ETSB was completed on 13 October 2004.

(d) Acquisition of 77.00% of ELPSB

On 15 January 2004, Ecofuture entered into the SSA-ELPSB with the Vendors of ELPSB, namely Jang Kim Luang @ Yeo Kim Luang, Dr. Foong Lai Sun, Lim Si Pin, Yeo Lik Koon, Ye Yunhu, Saw Sui Hock @ Choo Sui Hock and Sang Chee Hung for Ecofuture's acquisition of 77.00% equity interest in ELPSB comprising 1,540,002 ordinary shares of RM1.00 each for a total purchase consideration of RM2,300,000 or approximately RM1.49 per share satisfied by the issuance of 2,300,000 new ordinary shares of RM1.00 each in Ecofuture at an issue price of RM1.00, credited as fully paid-up.

The 2,300,000 new ordinary shares of RM1.00 each in Ecofuture rank pari passu in all respects with one another and the existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

The purchase consideration for the Acquisition of 77.00% of ELPSB was arrived on a willing buyer willing seller basis after taking into consideration the adjusted audited NTA of ELPSB as at 31 July 2003 of RM1,985,858, after adjusting for the subsequent share subscription of RM2,000,000 comprising of 2,000,000 ordinary shares of RM1.00 each in ELPSB by certain shareholders on 13 August 2003 and the valuation conducted by PKF Management Consulting Sdn Bhd. The valuation of ELPSB for the purpose of acquisition of ELPSB was supported by a report by PKF Management Consulting Sdn Bhd, and a summary of the report is enclosed in Section 14.0 of this Prospectus. The basis of valuation of ELPSB and the reasons for the application of the discounted cashflow method of valuation in valuing ELPSB as opposed to other methods are also set forth in Section 14.0 of this Prospectus.

The shares in EPLSB are acquired free from all claims, charges, lien, equities or any other encumbrances thereto.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

The details of the vendors' shareholding in EPLSB and the new ordinary shares of RM1.00 each in Ecofuture issued pursuant to the Acquisition of EPLSB are as follows:-

Vendors of EPLSB	Ordinary share of RM1.00 each in EPLSB acquired		Purchase consideration RM	No. of new ordinary shares in Ecofuture of RM1.00 each issued
	No. of shares	%		
Jang Kim Luang @ Yeo Kim Luang	760,001	38.00	1,135,065	1,135,065
Dr. Foong Lai Sun	1	*-	1	1
Lim Si Pin	460,000	23.00	687,012	687,012
Yeo Lik Koon	200,000	10.00	298,702	298,702
Ye Yunhu	100,000	5.00	149,350	149,350
Saw Sui Hock @ Choo Sui Hock	10,000	0.50	14,935	14,935
Sang Chee Hung	10,000	0.50	14,935	14,935
Total	1,540,002	77.00	2,300,000	2,300,000

Note:-

* Less than 0.01% equity interest in EPLSB

The Acquisition of 77.00% of EPLSB was completed on 13 October 2004.

5.3.2 Internal Reorganisation

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

- (i) On 19 January 2004, Ecofuture had entered into a conditional "SSA-Transfer ETSB" to acquire the remaining 49.29% equity interest in ETSB representing 383,000 ordinary shares of RM1.00 each from its wholly-owned subsidiary, SWSB satisfied by a cash consideration of RM383,000. The purchase consideration of RM383,000 was determined based on SWSB's audited net book value of ETSB as at 31 July 2003;
- (ii) On 19 January 2004, Ecofuture had entered into a conditional "SSA-Transfer of 15% of EPLSB" to acquire 15.00% equity in EPLSB representing 300,000 ordinary shares of RM1.00 each from its wholly-owned subsidiary, SWSB satisfied by a cash consideration of RM411,290. The purchase consideration of RM411,290 was determined based on SWSB's audited net book value of EPLSB as at 31 July 2003 of RM411,290 ; and

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

- (iii) On 19 January 2004, Ecofuture had entered into a conditional "SSA-Transfer of 8% of ELPSB" to acquire 8.00% equity in ELPSB representing 160,000 ordinary shares of RM1.00 each from its wholly-owned subsidiary, ISSB to be satisfied by a cash consideration of RM219,355. The purchase consideration of RM219,355 was determined based on ISSB's audited net book value of ELPSB as at 31 July 2003 of RM219,355.

The Internal Reorganisation was completed on 29 October 2004.

5.3.3 Share Split

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

Following the completion of the Share Split, Ecofuture's issued and paid-up share capital of RM13,090,500 comprises of 130,905,000 ordinary shares of RM0.10 each.

5.3.4 Public Issue

Subsequent to the Share Split and in order to facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of Ecofuture on the MESDAQ Market, Ecofuture will undertake a public issue of 43,635,000 new Ecofuture Shares representing 25.0% of the enlarged issued and paid-up share capital of Ecofuture at an issue price of RM0.25 each per Ecofuture Share and will be allocated in the following manner:-

(a) 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.

(b) Eligible Directors, eligible employees and certain business associates and persons nominated by the 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.

(c) 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 investors /institutional investors.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

Allocation/placement of the Issue Shares to any single applicant shall not breach 5% or more of the enlarged issued share and paid-up share capital of Ecofuture upon listing, regardless of the amount of Issue Shares applied for. Applicants will be selected in a manner to be determined by the Board of Ecofuture.

5.3.5 Flotation

Upon completion of the Public Issue, the entire issued and paid-up share capital of Ecofuture of RM17,454,000 comprising of 174,540,000 Ecofuture Shares will be admitted to the Official List of the MESDAQ Market.

5.4 Historical Background of Ecofuture Group

The Ecofuture Group has come a long way since the founder-shareholder, Madam Yeo Kim Luang acquired SWSB in 1992. With over 25 years experience in the oil palm milling industry as well as her hands-on involvement in operation and R&D activities, Madam Yeo Kim Luang has diversified the Group's milling operations into an environmental conservation and technology based operation.

Recognising the commercial potential of oil palm biomass in the late 1980's, Madam Yeo Kim Luang embarked on R&D activities to realise the potential of recycling EFB. The acquisition of SWSB in 1992 provided her with a steady stream of income and a platform to venture aggressively into biomass optimisation activities. In 1994, SWSB entered into a collaboration with FRIM to extend its research on improving the shredder machine for producing fibres from EFB. SWSB then continued on its own to modify and further improve and refine the shredder machine. In 1996, SWSB produced the first hard mulch mat using its own modified shredder machine, ECOFIBREX.

In an effort to streamline its operations and remain focused on its biomass optimisation operation, ETSB was formed in 1998 to market the mulch mats. Through continuous R&D initiatives, the Group further improved the ECOFIBREX machine to produce a more refined fibre from EFB and successfully developed ECOMAT, a flexible, soft and light mulching mat.

Recognising the importance of protecting its intellectual properties, ISSB was established in 1999 to apply for the registration of patents on the Group's products and processes. In addition, ISSB has also applied for trademarks for various brands of the Group's products and patents for the Group's processes as well as products.

In 2003, the Group expanded its biomass optimisation operation with the development of a biodegradable disposal packaging material from oil palm biomass. Through a newly formed company, ELPSB, this product, i.e. ECOPAK, is expected to be commercialised and marketed by the fourth quarter of 2004. The biodegradable disposable packaging material is expected to be exported to China, Taiwan, Singapore, Japan and Hong Kong in the near future.

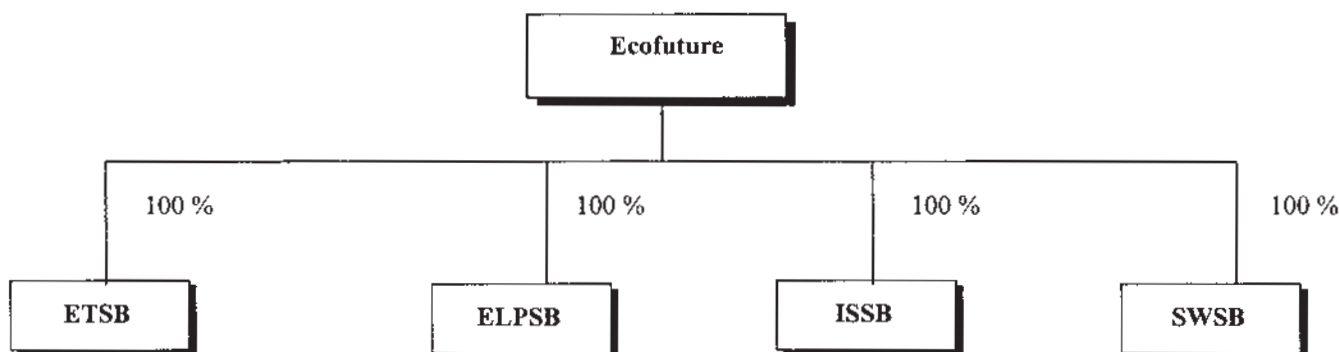
Underscored by this achievement, the Group has now set its sights on expanding its ECOMAT market to China. The Group is currently undertaking a trial desert and sand storm control project in the outskirts of Beijing, China to assess the effectiveness of ECOMAT in controlling sand storms, soil erosion and soil improvement for afforestation. The Group believes that the potential and opportunity to market ECOMAT are numerable as there are many other countries with sandy, barren and dusty environments, and also infrastructure and construction sectors that will benefit from the application of ECOMAT.

5. INFORMATION ON ECOFUTURE GROUP *(Cont'd)*

Concerted efforts are already being undertaken by the Group to further expand its R&D capabilities to assess and evaluate the potential use for oil palm biomass for the production of pulp and paper. To this end, an agreement was entered into on 8 December 2003 between SWSB and LIHMERI which involves a R&D collaboration between the parties. On 30 August 2004, LIHMERI and SWSB entered into a further collaborative agreement, whereby both parties has agreed to collaborate in building an EFB unbleached semi-chemical pulp production line in SWSB's existing plant in Segamat, Johor.

With continuous investment in R&D, coupled with its experience in optimising the use of oil palm biomass, the Board is confident that the Group will be poised to take advantage of the growing need for the overall oil palm industry to increase its revenue generating avenues and capacity, the increasing environmental consciousness with regards to disposal of oil palm biomass and changing consumer attitudes towards the usage of more eco-friendly products.

The Group consists of Ecofuture, an investment holding company and its four (4) wholly-owned subsidiaries. Set out below is the a graphical illustration of the corporate structure of the Ecofuture Group:-



5.5 Information on Subsidiary Companies

5.5.1 ETSB

(i) History and Business

ETSB was incorporated on 10 January 1998 under the name of Usadunia Sdn Bhd as a private company under the Companies Act, 1965. On 18 March 1998, the company changed its name to Eco Fibre Technology Sdn Bhd. Subsequently, on 27 October 1998, the company changed its name to Ecofibre Technology Sdn Bhd.

ETSB commenced its operations on 3 August 1998. The principal activity of ETSB is the production and sale of fibrous mat from oil palm biomass and engineering and sale of specialised machineries.

(ii) Share Capital

	RM
<i>Authorised share capital</i>	
1,000,000 ordinary shares of RM1.00 each	<u>1,000,000</u>
<i>Issued and fully paid-up share capital</i>	
777,000 ordinary shares of RM1.00	<u>777,000</u>

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

Details of the changes in the company's issued and paid-up share capital since its incorporation are set out below:-

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
10.01.1998	2	1.00	Cash (Subscribers' shares)	2
29.04.1998	249,998	1.00	Cash	250,000
30.01.2003	100,000	1.00	Cash	350,000
31.03.2003	383,000	1.00	Consideration other than cash (Part satisfaction of the total purchase consideration of RM1,390,000 in respect of the purchase of the plant and machinery from SWSB)	733,000
08.04.2003	44,000	1.00	Cash	777,000

(iii) Substantial Shareholders

As at the Latest Practicable Date, ETSB is a wholly-owned subsidiary of Ecofuture.

(iv) Subsidiary and Associated Companies

As at the Latest Practicable Date, ETSB does not have any subsidiary or associated company.

(v) Profit and Dividend Records

Please refer to Section 7 and 8 of this Prospectus.

(vi) Employees

As at the Latest Practicable Date, ETSB has a total of thirty-four (34) employees.

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.5.2 ELPSB**(i) History and Business**

ELPSB was incorporated on 30 May 2003 under its present name of Ecologico Packaging Sdn Bhd as a private company under the Companies Act, 1965.

ELPSB commenced its operations on 30 October 2004. The principal activities are the production and sale of packaging products from biomass.

(ii) Share Capital

	RM
<i>Authorised share capital</i>	
5,000,000 ordinary shares of RM1.00 each	5,000,000
<i>Issued and fully paid-up share capital</i>	
2,000,002 ordinary shares of RM1.00	2,000,002

Details of the changes in the company's issued and paid-up share capital since its incorporation are set out below:-

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
30.05.2003	2	1.00	Cash (Subscribers' shares)	2
13.08.2003	2,000,000	1.00	Cash	2,000,002

(iii) Substantial Shareholders

As at the Latest Practicable Date, ELPSB is a wholly-owned subsidiary of Ecofuture.

(iv) Subsidiary and Associated Companies

As at the Latest Practicable Date, ELPSB does not have any subsidiary or associated company.

(v) Profit and Dividend Records

Please refer to Section 7 and 8 of this Prospectus.

(vi) Employees

As at the Latest Practicable Date, ELPSB has one (1) employee.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.5.3 SWSB

(i) History and Business

SWSB was incorporated on 10 December 1992 under the name of Stable-Win Sdn Bhd as a private company under the Companies Act, 1965.

The principal activities of SWSB consist of milling, sale of CPO and PK and recycling of oil palm biomass.

(ii) Share Capital

	RM
<i>Authorised share capital</i>	
2,000,000 ordinary shares of RM1.00 each	<u>2,000,000</u>
<i>Issued and fully paid-up share capital</i>	
1,500,000 ordinary shares of RM1.00	<u>1,500,000</u>

Details of the changes in the company's issued and paid-up share capital since its incorporation are set out below:-

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
10.12.1992	2	1.00	Cash (Subscribers' shares)	2
31.12.1992	499,998	1.00	Cash	500,000
22.12.1994	500,000	1.00	Bonus Issue (1:1)	1,000,000
19.07.2002	500,000	1.00	Cash	1,500,000

(iii) Substantial Shareholders

As at the Latest Practicable Date, SWSB is a wholly-owned subsidiary of Ecofuture.

(iv) Subsidiary and Associated Companies

As at the Latest Practicable Date, SWSB does not have any subsidiary or associated company.

(v) Profit and Dividend Records

Please refer to Section 7 and 8 of this Prospectus.

(vi) Employees

As at the Latest Practicable Date, SWSB has a total workforce of one-hundred and thirty three (133) employees.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.5.4 ISSB

(i) History and Business

ISSB was incorporated on 13 March 1999 under the name of Interactive Star (M) Sdn. Bhd. as a private company under the Companies Act, 1965. On 17 June 1999, the company changed its name to Jonoe Sdn. Bhd. Subsequently, on 1 August 2002, the company changed its name to, Interactive Star Sdn. Bhd.

The principal activities of ISSB are investment holding and income from licensing of technologies.

(ii) Share Capital

	RM
<i>Authorised share capital</i>	
100,000 ordinary shares of RM1.00 each	100,000
<i>Issued and fully paid-up share capital</i>	
100,000 ordinary shares of RM1.00	100,000

Details of the changes in the company's issued and paid-up share capital since its incorporation are set out below:-

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
13.3.1999	2	1.00	Cash (Subscribers' shares)	2
17.3.2000	49,998	1.00	Cash	50,000
24.9.2002	50,000	1.00	Cash	100,000

(iii) Substantial Shareholders

As at the Latest Practicable Date, ISSB is a wholly-owned subsidiary of Ecofuture.

(iv) Subsidiary and Associated Companies

As at the Latest Practicable Date, ISSB does not have any subsidiary or associated company.

(v) Profit and Dividend Records

Please refer to Section 7 and 8 of this Prospectus.

(vi) Employees

As at the Latest Practicable Date, ISSB has a total workforce of two (2) employees.

5. INFORMATION ON ECOFUTURE GROUP *(Cont'd)*

5.6 Business Overview

5.6.1 Principal Activities and Products

The Group's operations can be categorised into two (2) core operations as set out below:-

- (i) Oil palm biomass optimisation operations which source oil palm biomass (i.e. EFBs) from the Group's milling operations and then process and recycle the EFBs into biodegradable products such as ECOFIBRE, ECOMAT and ECOPAK; and
- (ii) Milling operations which process FFB, sourced from SWSB and external oil palm plantations into CPO, PK and EFB.

Whilst the two activities are distinct, the operations are synergistic and co-dependent with one another. The biomass operations obtain its feedstock, principally in the form of EFB, from the milling operations. An integrated biomass and milling operation is essential as it will not only secure uninterrupted supply of EFB, the main source of raw material for the biomass optimisation operation but the integrated operation minimise the cost of transporting EFB for the use in the biomass optimisation operations. The milling operation, as such, is essential and complementary to the biomass optimisation operation of the Group.

The utilisation of oil palm biomass generated from the milling activity maximises the value of the milling process itself, as the oil palm biomass is used for the production of value-added biodegradable products. In addition, energy generated from the oil palm biomass is a source of "free" fuel and power supply which drives both sides of the milling and biomass operations. This synergistic link also enables the Group to leverage on economies of scale which results in the minimisation of its overall production costs.

5.6.2 Oil Palm Biomass Optimisation Operations

The Group's oil palm biomass optimisation operations are housed under ETSSB and ELPSB . This operation involves amongst others the production of ECOFIBRE and ECOMAT, engineering and sale of specialised machinery used for the shredding of fibre from EFB, i.e. ECOFIBREX and development of new products such as ECOPAK.

The Group's product range can be generally summarised as follows:-

5.6.2.1 ECOFIBRE

ECOFIBRE is a natural oil palm fibre shredded from EFBs, which are physically process without chemicals. These fine and long fibre strands are clean and have a very uniform length. The fibres produced only have an average of 0.1% oil content. The low oil content inhibits the infection of molds and fungus. The unique process also allows ECOFIBRE to retain its characteristics over a long period of time. Due to its low moisture and oil content, ECOFIBRE does not retain any apparent and undesirable odour.

Currently, ECOFIBRE is used as the main material for the production of ECOMAT and ECOPAK, which is currently under development. However, due to its characteristics, ECOFIBRE has the potential to be used as raw material for the production of various other products such as pulp and paper, medium density fibreboard, compost, fertilizer and bedding material.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.2.2 ECOMAT

ECOMAT is produced through a series of processes using ECOFIBRE as its main and only raw material. It is essentially a mulch mat used for soil conditioning. Its porous attributes allow liquid through the ground to soak upwards in keeping the soil moist. It also acts as a protective layer which retains moisture in the soil and protects the young plants from pests. These attributes assist in enhancing the soil's quality for healthier plant growth, particularly in hot countries and countries with long spells of drought and dry weather. In addition, it retards the growth of undesirable weeds that is detrimental to the growth of the plants. Being an organic product it would later biodegrade back into the soil and act as a natural fertiliser. Chemically, it also has natural soil enrichment trace mineral elements. With the application of ECOMAT, trace element content in soil improves with potassium increasing by 2.03%, magnesium by 2.03% and nitrogen by 0.75%.

Currently, the Group has been actively exploring other potential uses of ECOMAT. The recent demonstration of the Group's technology was carried out in a trial desert and sand storm control project in Beijing, China. A government to government backed project, it was initiated through the support of the Ministry of Science, Technology and Environment and the Ministry of Primary Industries of Malaysia on 19 December 2002, with the signing of an agreement between MPOB, SWSB and the Beijing Forest Bureau. The project provides a platform for the Group to further develop and demonstrate the effectiveness of ECOMAT in controlling sandstorms and soil erosion. The project has been slated for a period of three (3) years and is expected to be completed in December 2005.

The success of the trial desert and sand storm control project in Beijing has paved the way for the Group to implement similar projects in other areas in China. On 21 April 2004, an agreement was entered between MPOB, SWSB and the Beijing Municipal Bureau of Forestry to implement the trial desert and sand storm control project in other areas in China, namely in the Gansu and Hebei Provinces for a period of three (3) years commencing from year 2004 to 2006. *(Full details of this agreement is set out in Section 16.8(xxxiii) of this Prospectus).*

The Group believes that the success of these projects and the endorsement by the principals of these agreements will fuel the further expansion of ECOMAT's new market potential.

5.6.2.3 ECOFIBREX

The ECOFIBREX machine is a core invention of the Group's breakthrough technology in the production of ECOFIBRE. Currently, the Group uses the ECOFIBREX machine to shred natural fibre from EFB. However, the machine can also be utilised to shred fibres from the trunks and fronds of oil palms. The ECOFIBREX machine has a capacity of processing 10 MT per hour of EFB.

The fibre strands from the EFB produced by ECOFIBREX machines have a very uniform length which exceeds the Provisional Malaysian Standard for Oil Palm Fibres MS1408:1997(P). The length of fibre produced by ECOFIBREX machines as compared to the MS1408:1997(P) standard are as follows:-

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

Fibre Length	< 50 mm (%)	50 – 100 mm (%)	> 100 mm (%)
MS1408:1997(P).	35.0	35.0	30.0
ECOFIBREX	8.7	31.1	60.2

With the initial concept being put forth by Jang Kim Luang @ Yeo Kim Luang, SWSB approached FRIM to conduct a joint R&D to develop a fibre shredding technology. Subsequently the Group has undertaken various modifications, upgrades and improvements to the technology on its own, which has evolved into its present form it is today. As a means to protect the rights of its commercial application, the Group has applied for the registration of ECOFIBREX and its unique processes to be patented.

5.6.2.4 ECOPAK

In its search to expand its product base, the Group is currently in a midst of developing a biodegradable disposable packaging product under the brand name of "ECOPAK". This new product is still at prototype stage but is expected to be commercially produced by the fourth quarter of financial year 2004.

The Group hopes that ECOPAK will have significant market potential in the packaging industry due to its environmentally and ecologically friendly nature of being a biodegradable replacement for and/or a substitute to styrofoam and plastic cups and plates.

Manufactured essentially from ECOFIBRE, the cost of production is low, thus enabling the Group to competitively price ECOPAK against existing packaging material in the market. Besides its price competitiveness feature, ECOPAK also provides an attractive modern convenience as it is microwaveable. As it is biodegradable, its disposal is also relatively worry free.

5.6.2.5 Ancillary Services

Leveraging its experience in biomass recycling technologies, the Group also provides turnkey consultancy services in implementing and installing complete production lines for the production of oil palm fibre strands. The service is offered to milling operators as part of a solution for its oil palm biomass treatment. In addition to the ECOFIBREX machine, the complete production line involves various combinations of specific components and machine parts, which are integrated into the existing milling plant. Customisation is provided through consultation depending on the needs of the client.

5.6.3 Milling Operations

The milling operation commenced in 1992 and is operated by SWSB's palm oil mill located at Segamat, Johor. The mill sources its FFB from the Group's own plantation and external plantations in the neighbouring vicinity. As the transportation routes are short, transportation costs are relatively low. This distance factor also ensures the freshness of FFB delivered to the mill, resulting in the achievement of high and consistent OER. In 1996, SWSB gained recognition from MPOB for achieving the highest palm oil extraction rate among independent mills in the southern region of Peninsula Malaysia.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

Currently, the mill is running on one (1) production line with maximum three (3) shifts per day. The mill capacity was upgraded to 50MT of FFB per hour in 2004. As at 30 June 2004, the mill is operating at approximately 80.4% of its capacity. The mill also has a storage capacity of up to 3,200MT of CPO. The revenue generating end products from the milling operation are CPO and PK. The production of CPO and PK for past five (5) financial years ended 31 December 2003 and six (6) months ended 30 June 2004 were as follows:-

	< -----Financial Years Ended 31 December ----->					6 months ended
	1999	2000	2001	2002	2003	30.6.2004
FFB Processed (MT)	175,248	179,131	202,910	168,521	209,690	92,499
<u>Output (MT)</u>						
- CPO	31,673	33,069	38,190	32,570	40,045	18,021
- PK	9,893	10,489	11,946	9,742	12,100	5,515
- EFB *	40,307	41,200	46,730	38,620	48,229	21,275
OER of CPO (%)	18.07	18.46	18.82	19.33	19.10	19.48
Extraction Rate of PK (%)	5.65	5.86	5.89	5.78	5.75	5.97

Note:-

* On average, every MT of FFB generates approximately 23% of EFB

CPO is extracted from the fibrous part of the fruit, which is called the mesocarp, while the PK is found inside the nut of the fruit. SWSB's mill only produces CPO whilst the PK is sold to external kernel crushing plants to produce PKO. The oil palm biomass, i.e. EFB from the milling operation is used for the Group's oil palm biomass optimisation operation.

In the six (6) months financial period ended 30 June 2004, the milling operations activities through SWSB contributed to 47% of the Group's profit before tax.

5.6.4 Technology Used by Group

Over the years, the Group has conducted various forms of R&D, either on its own or through collaboration with other research institutes and authorities to further unlock the potential of oil palm biomass.

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 operations.

Although there exists alternate means of extracting fibres from EFB as may be adopted by others through the conventional method of "hammer milling", the results are markedly different. This other process is slow and energy inefficient. Extracted fibre is relatively short in length, inconsistent and contains a higher oil content. Due to its high oil content, it 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, uniform in length and with low oil content.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

Yielding successful attributes in the fibre extraction process, the Group has been able to further develop more downstream products such as the ECOMAT and its new ECOPAK packaging product. On 26 January 2003, the Group, vide SWSB entered into agreement with LIHMERI, to conduct a joint research, development and promotion of the technology to utilise ECOFIBRE for the manufacturing of pulp and paper ("Cooperation Agreement"). Pursuant to the Cooperation Agreement and the application of new technology findings to manufacture pulp and paper from oil palm fibre, both parties had reached a further agreement on 8 December 2003 to jointly provide the new application technology to manufacture pulp and paper from oil palm biomass. On 30 August 2004, LIHMERI and SWSB entered into a further collaboration agreement, whereby both parties agree to collaborate in the building of an EFB unbleached semi-chemical pulp production line in SWSB's existing plant in Segamat, Johor. *(Further information on these agreements set out in Section 16.8 (xxi), (xxv) and (xxvi) of this Prospectus).* The Group believes that the application of this new technology to manufacture pulp and paper from oil palm biomass will enable the oil palm industry to diversify from traditional milling activities into viable down-stream activities such as pulp and paper from oil palm biomass.

Through the integration of the Group's milling and its biomass optimisation operations, the Group attains various synergistic benefits. The milling operation produces oil palm biomass, which is used as "free" fuel supply for energy and power generation. In short, it is a self-sufficient plant that produces power supply to both its milling operations as well as its biomass optimisation operations. EFBs discharged by the milling plant are used as raw materials for its biomass optimisation operations. ECOFIBRE constitutes more than ninety percent (90%) of the raw material components used in the production of ECOMAT and ECOPAK.

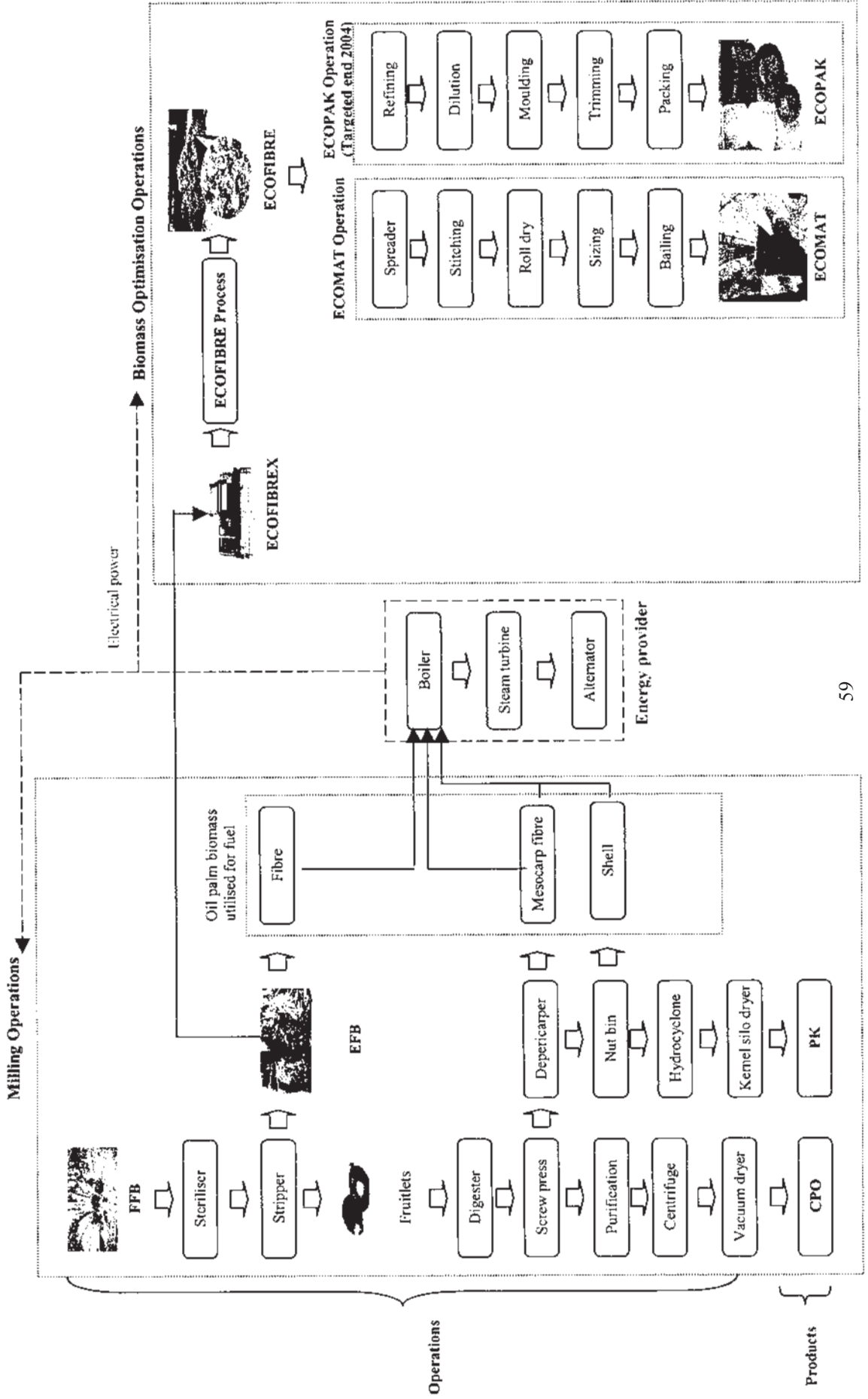
Further information on the production flow and production/operating capacity and output are set out in Section 5.6.5 and 5.6.15 of this Prospectus.

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.5 Production Flow

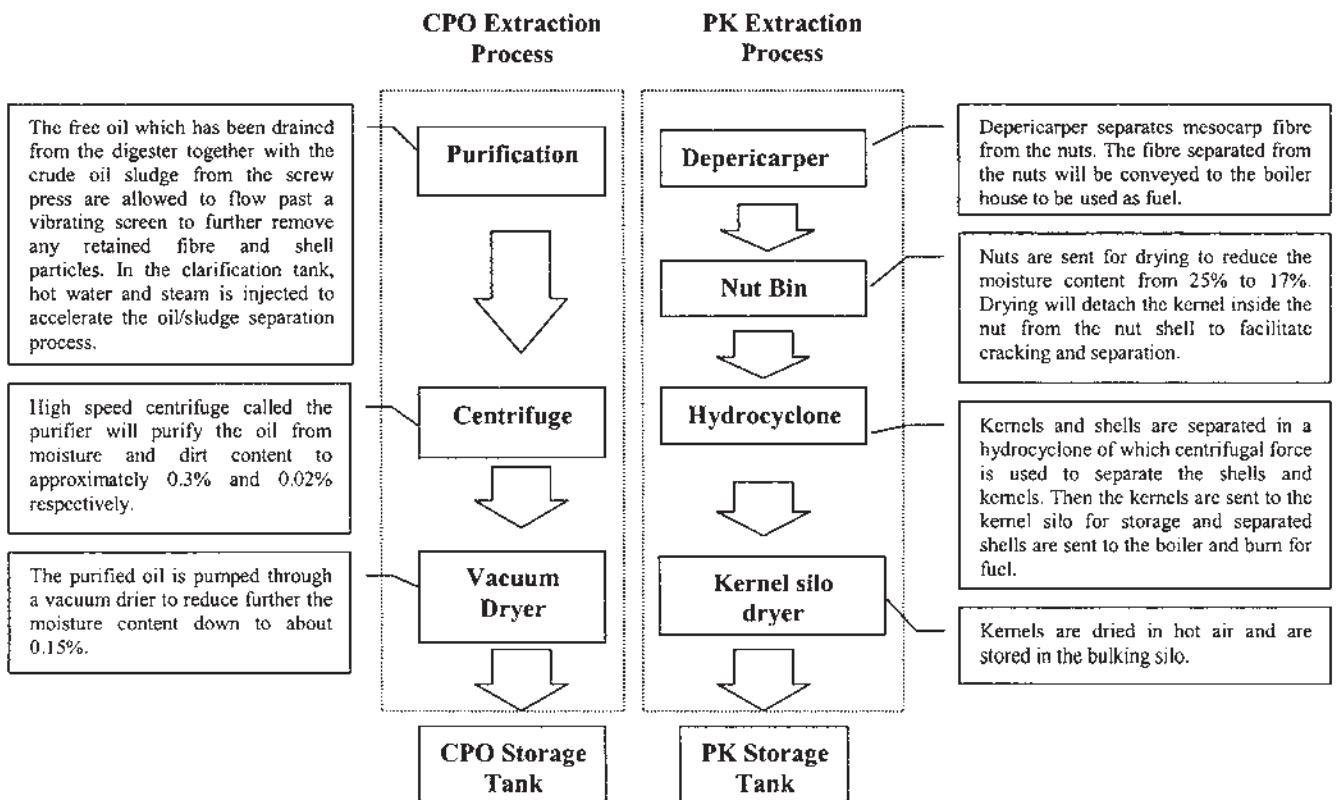
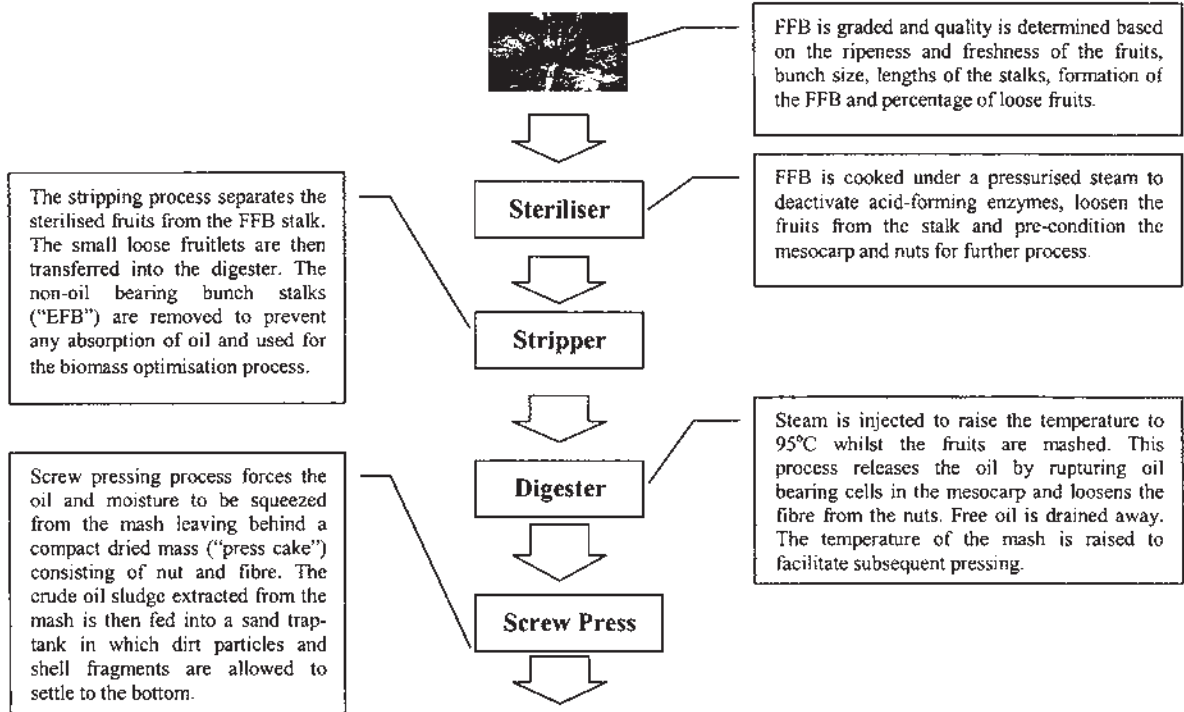
The diagram below depicts an overview of the Group's production process:-



5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.5.1 Milling Operation Flow

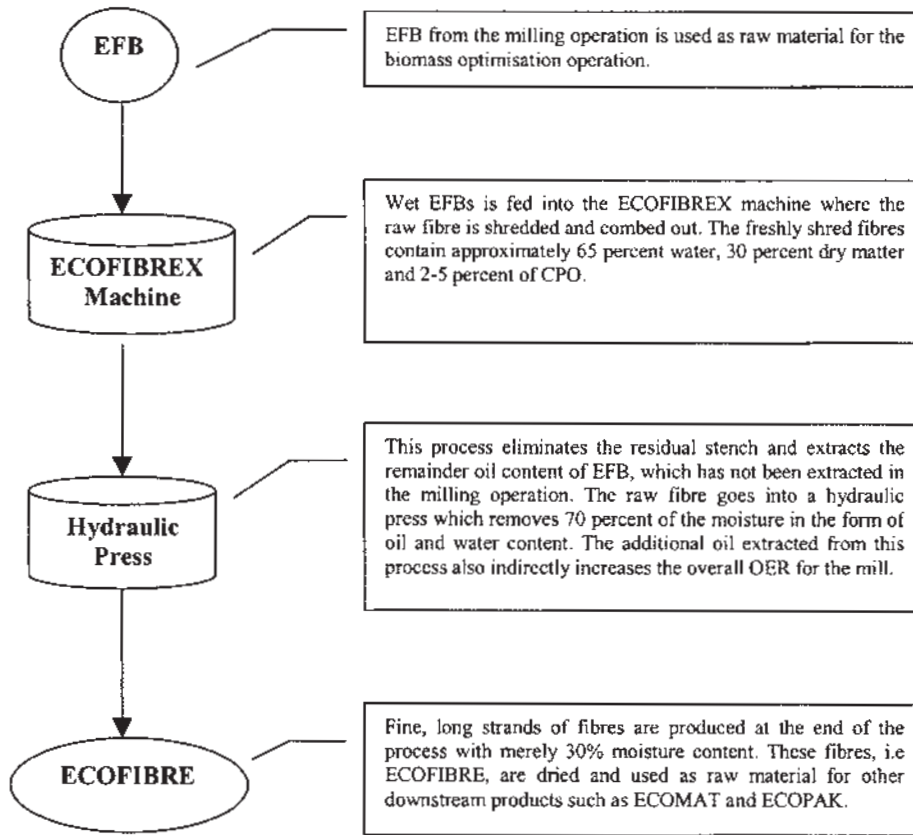
The diagram below depicts the overview of the Group's milling operation process:-



5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.5.2 Biomass Optimisation Operation Flow

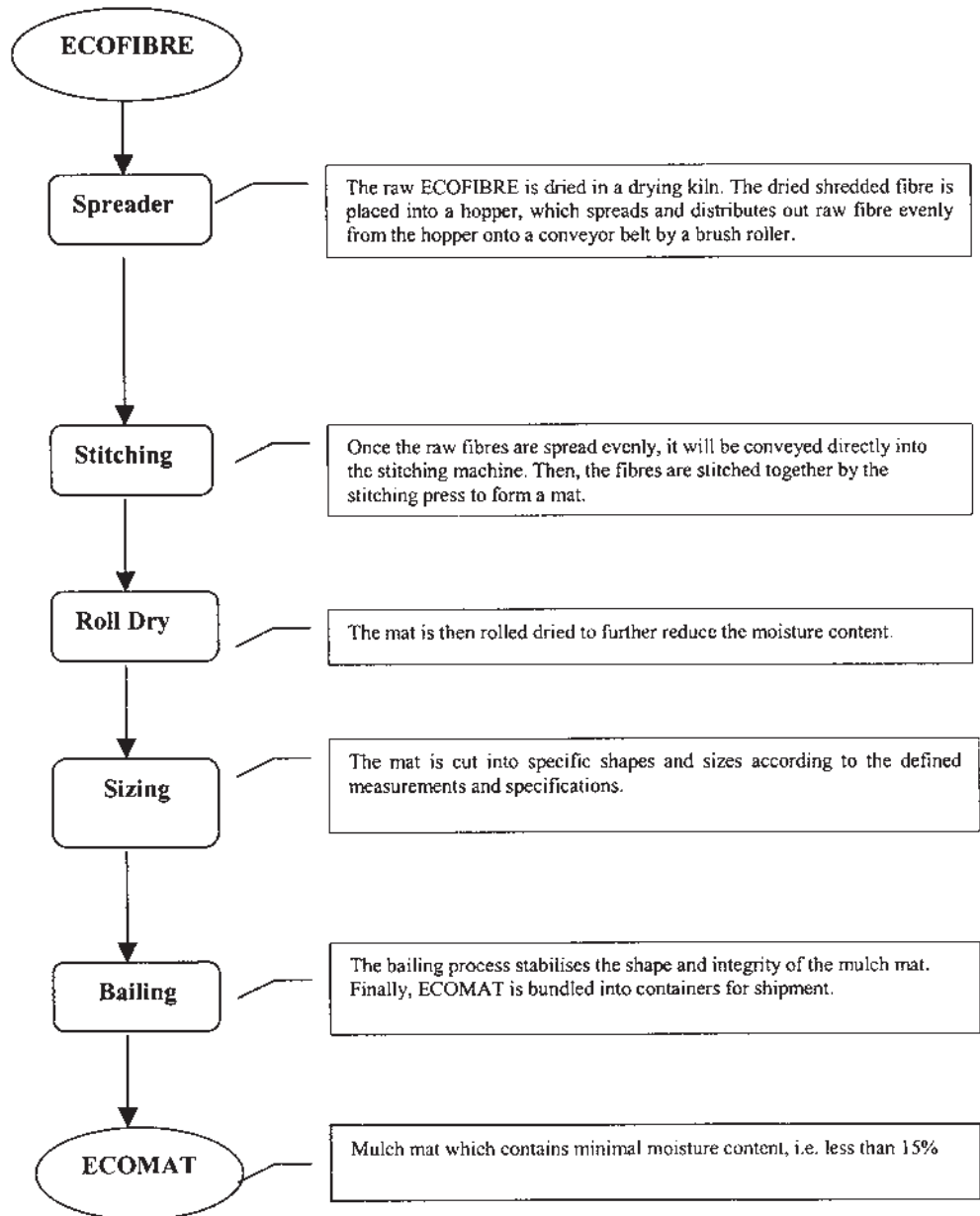
(i) ECOFIBRE Production Process



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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

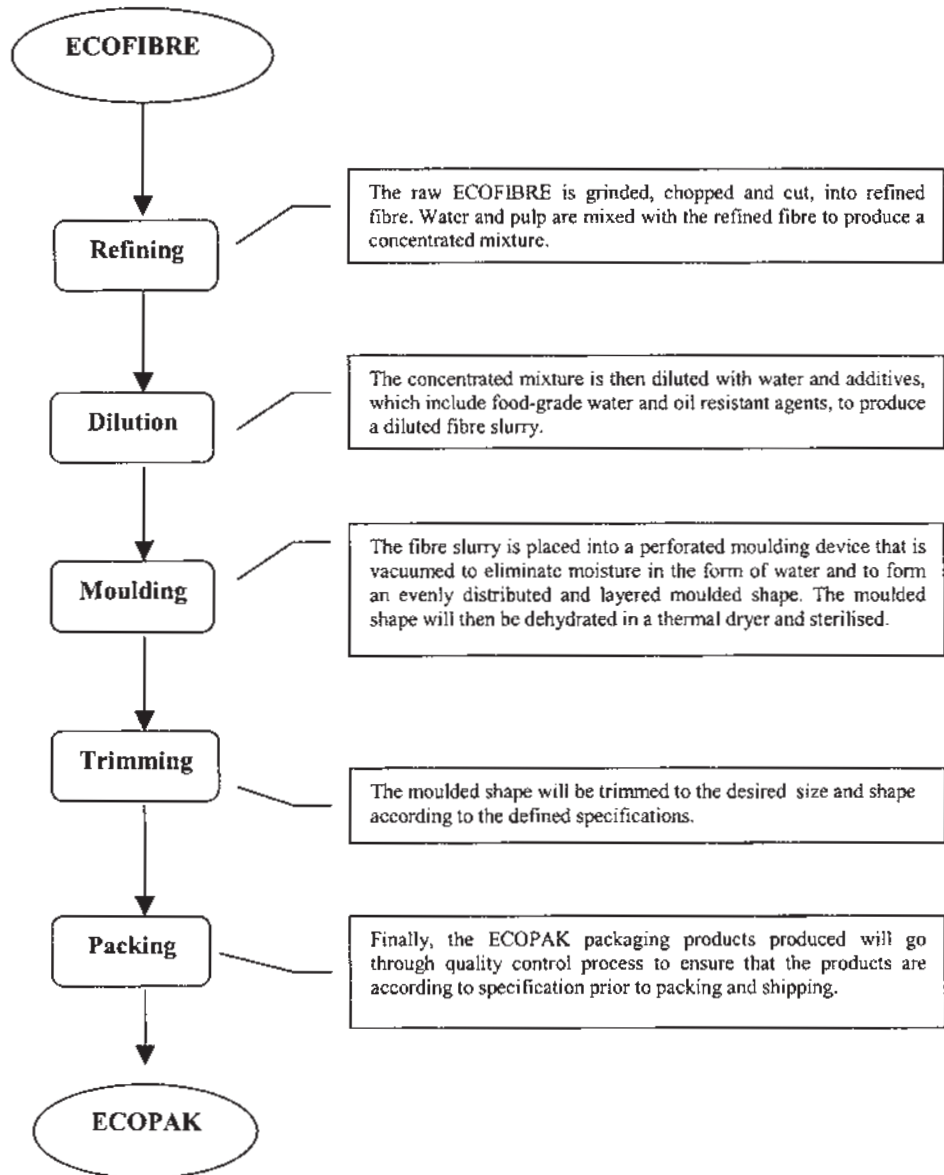
(ii) ECOMAT Production Process



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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

(iii) ECOPAK Production Process



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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.6 Trademarks and Patents

Trademarks

The Group is currently in the process of registering its technology and products trademarks with the Ministry of Domestic Trade and Consumer Affairs to prevent any unlawful usage of the brand name and to protect its intellectual property. ISSB is an investment holding company that holds most of the trademarks in the Group.

As at the Latest Practicable Date, the Group has applied for the 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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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)**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 dated 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, Singapore, the Registry of Patents in Thailand and the Registrar of Intellectual Property Department of Justice and Human Rights of Republic of Indonesia respectively are still pending.

Save for Malaysia, Singapore, Thailand and Republic of 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 pending approvals, are as follows:-

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 shected 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

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

Country	Applicant	Description	Application number	Application Date	Status
Malaysia	SWSB	Improvements to apparatus for shredding fibrous vegetable materials	UI20033720	30-09-2003	Pending
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 Deed of Assignment 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

Please refer to Section 4.0 (viii) of this Prospectus on the risk and impact on the Group's business and financial performance relating to intellectual property issues.

5.6.7 Market coverage/segment/targets

CPO and PK produced by SWSB are sold to various edible oil refineries in Johor. These refineries have long standing relationships with SWSB. On average, these edible oil refineries have been customers to SWSB for the past five (5) financial years ended 31 December 2003. To date, SWSB has not encountered any major problems with the refineries. For the financial year ended 30 December 2003, the total CPO and PK production of SWSB was approximately 40,045 MT and 12,100 MT respectively.

ECOMAT, which is initially used as mulching mat targeted to the domestic agricultural sectors, was further exploited for soil erosion purposes and prevention of sandstorm. The proven success of the trial desert and sand storm control project in Beijing, China in utilisation of ECOMAT to control sand storm, soil erosion and soil improvement for afforestation, have further expand the use and market for ECOMAT in other parts of China. The Group believes that the potential and opportunity to market ECOMAT are numerable as there are many other countries with sandy, barren and dusty environments, and also infrastructure and construction sectors that will benefit from the application of ECOMAT.

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

ECOPAK packaging will be commercially available by fourth quarter of 2004. As such, ECOPAK has yet to attain its market share in the disposable packaging product market. The Group intends to export ECOPAK packaging products to China, Taiwan, Singapore, Hong Kong and Japan. The inclination of these countries to adopt more eco-friendly products creates an opportunity for the Group to market ECOPAK. The Board believes that with competitive pricing coupled with its eco-friendly attributes, ECOPAK has a competitive edge to penetrate into these markets. In the domestic market, the Group believes that consumers need to be educated on the benefits of these products and as such, may necessitate some time before it is widely acceptable. Price competitiveness and widespread availability of the alternatives, such as paper, plastic and styrofoam would be the key determinants of ECOPAK's commercial success.

5.6.8 Modes of Marketing, Distribution and Sales

SWSB enters into contracts with various suppliers to supply FFB and customers to supply CPO and PK. The CPO and PK are sold based on the Monthly Peninsular MPOB average price plus a premium (if any) per MT for each contractual delivery month. The anticipated volume of sales is based on yearly domestic sales contract and the quantity is made known based on SWSB's production level and the average quantity is fixed at an amount agreeable by both parties. For transaction that are on spot basis (non-contractual basis), price is based on MPOB average price and quantity based on the availability of SWSB's stock at the time of the transaction.

The Malaysian government normally does marketing promotions of palm oil products to overseas markets. The Government has undertaken many marketing and promotional activities, R&D activities for palm oil through two of its regulatory bodies namely MPOB and Malaysian Palm Oil Promotion Council ("MPOPC").

In relation to its ECOMAT and ECOPAK, the Group has the following modes of marketing and distribution channels.

(a) Direct Marketing

The Group currently supplies ECOMAT directly to its clients. The Group acknowledges that the establishment and maintenance of good rapport with customers are essential criteria in the successful marketing of its products. In this respect, the Executive Chairman/Managing Director of the Group, Jang Kim Luang @ Yeo Kim Luang, is the prime mover in the marketing initiatives of the Group. Her many years of experience in the oil palm plantation business has enabled her to use her knowledge and understanding of the planting activities to market ECOMAT to the oil palm estate operators. Meeting the customers enables her to have good understanding of the customers' needs as well as obtaining valuable feedback on the effectiveness of the Group's products.

(b) Joint Venture Initiatives

The Group is also exploring possibilities in establishing joint venture arrangements with various palm oil mills. These arrangements will be to collaboratively produce both ECOFIBRE and ECOMAT, to be supplied to their respective oil palm plantations. This "win-win" business relationship aims to reduce the capital investment outlay to the Group as the cost of machinery will be shared between the partners and provide a captive market for its ECOFIBRE and ECOMAT products.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

In this respect, on 2 September 2004, the Group, vide ETSB had entered into a development agreement with Rubber Fibreboards Sdn. Bhd., a wholly-owned subsidiary of Kuala Lumpur Kepong Berhad ("KLK"), to jointly develop the EFB fibre mat forming machineries ("Development Agreement"). Pursuant to the Development Agreement, ETSB will have the exclusive right to market any surplus of fibre mats produced and used by the KLK group of companies from the jointly developed EFB fibre mat forming machineries. *(Full details of the Development Agreement is set out in Section 16.8(xxxviii) of this Prospectus).*

(c) Product Awareness Campaign

The Ecofuture Group also participates in both domestic and international exhibitions as well as industry conferences to further promote and demonstrate the benefits of ECOMAT and to increase the publicity on the Group and awareness of its products. A brief summary of the recent exhibitions participated by the Group to gain public awareness of its products are as follows:

Company	Demonstration	Theme/Venue	Date
SWSB	ECOMAT	▪ Construction, Building Materials and Urban Services Exhibition, China 2002 Fair held in China	March 2002
SWSB	Pulp and Paper	▪ Pulp & Paper Seminar 2002 held in Selangor organised by FRIM	September 2002
SWSB	ECOMAT	▪ Cintai Malaysia 2002 Seminar held in Selangor	November 2002
SWSB	ECOMAT	▪ Science & Technology Expo 2003 held in Kuala Lumpur	August 2003
ETSB	ECOMAT	▪ "Malaysian Showcase" held in Putrajaya	10 th to 19 th October 2003
ETSB	ECOMAT	▪ Kuwait -Rebuild Iraq 2004 Exhibition held in Kuwait	January 2004
ETSB	ECOMAT	▪ "Exhibition in Syuen Hotel, Ipoh for" 4th National Seminar 2004, Replant or Perish"	14 th to 15 th June 2004
ETSB	ECOMAT	▪ Federation of Malaysia Manufacturers ("FMM") Exhibition-Exhibition at Mid Valley Exhibition Center, KL "Eco-Products International Fair"	2 nd to 4 th September 2004
ETSB	ECOMAT	▪ Federation of Sabah Manufacturers (SIE) - Participation on Sabah International Expo	8 th to 12 th September
ETSB	ECOMAT	▪ Beirut World Trade Fair 2004 held in Beirut	27 th September to 1 st October 2004
ETSB	ECOMAT	▪ Malaysian Agriculture, Horticulture and Agrotourism Show 2004	5 th to 10 th October 2004

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

The Group plans to invest significantly in the marketing and promotional activities for ECOPAK, in which the intended market is mainly the disposable packaging consumer segment that is currently dominated by paper, plastic and styrofoam. The Group aims to attract its target customers by promoting ECOPAK as an environmentally friendly product which is price competitive, thus differentiating it from the existing products in the market e.g. styrofoam. As such, aggressive marketing and promotional efforts will be intensified to educate consumers on the merits of this environmentally friendly and biodegradable product. The Group is also looking at penetrating the overseas market and may be appointing overseas agents in countries such as Taiwan, Australia, and Japan for the distribution, sales and marketing of ECOPAK.

5.6.9 New products developments

The Group recognises that the innovation of new products is essential to enable the Group to expand and diversify its product base and target market segments. Presently, the Group is developing two (2) new products for its biomass optimisation operation as detailed below.

(i) ECOPAK

Recognising the market potential for disposable packaging products, the Group embarked on R&D to utilise ECOFIBRE for the production of eco-friendly disposable packaging products. Through this initiative, the Group has managed to produce various prototypes of eco-friendly disposable packaging products ranging from cups, plates, food trays and food boxes.

A single storey factory building with build-up area of 3,081.50 sq.m. was constructed on a piece of land measuring 0.76 acres adjacent to the ECOMAT plant in Segamat, Johor to house the first ECOPAK production line. The ECOPAK plant which was completed in the third quarter of 2004 has a planned capacity to produce 2.85 million pieces of ECOPAK per month.

It is anticipated that the full operation of the ECOPAK manufacturing plant and the commercialisation of the ECOPAK will commence by the fourth quarter of 2004.

(ii) ECOPULP

Moving forward, the Group will commercialise the production of pulp to be used in the manufacture of paper under the trademark "ECOPULP" with its newly developed technology utilising oil palm biomass. Towards this end, the Group through SWSB had on 8 December 2003 entered a second cooperation agreement with LIHMERI, whereby both parties agreed to jointly provide and promote the new application technology to utilise oil palm fibre to manufacture pulp and paper. Further, on 30 August 2004, LIHMERI and SWSB entered into a further collaboration agreement, whereby both parties agree to collaborate in the building of a EFB unbleached semi-chemical pulp production line in SWSB's existing plant in Segamat, Johor. (Full details of this agreement are set out in Section 16.8 (xxv) and (xxxiii) of this Prospectus).

The Group believes that the development of this technology is expected to benefit the country by bolstering the local import-reliant pulp and paper industry. In the Second Industrial Master Plan (IMP2, 1996-2005), it has been targeted that by 2005, the industry is to possess the capacity to produce a total of 3 million tonnes of paper and paper products a year. With financial and infrastructural support, the Group hopes to commercialise this newly developed technology to meet imminent future demand.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.10 Types, Sources and Availability of Raw Material

The Group's main raw material used in the manufacturing of ECOFIBRE, ECOMAT and ECOPAK is the EFB. The accessibility to EFB does not pose a challenge to the Group as there is an abundance of supply in the country. EFBs are currently sourced internally from SWSB's oil palm mill. However, the EFB may also be sourced from the neighbouring mills to cater for future growth in demand.

The machines used for the Group's operations and their related component parts are sourced locally as well as imported. The ECOFIBREX machines are fabricated in house. Certain machines that form part of the production lines for ECOMAT and ECOPAK are sourced from China and Taiwan. Nonetheless, the Board does not expect that the Group will face difficulty in sourcing these machineries or their components as the Group is not dependent on any one particular supplier. The Group can also source these machines or their components from various or alternative suppliers. In addition, the Group has a close relationship with its suppliers from China, which grants it distributor agency rights for Malaysia over certain machines such as the stitching machine and the fully automatic pulp moulds manufacturing production line facility.

In contrast, the Group's milling operations procure more than 99% of its FFBs externally whilst the balance is sourced from its own oil palm estate. The Group has a long term relationship averaging seven (7) years with its external suppliers of FFBs. Currently, MESB is supplying approximately 65% of FFB to the Group. MESB has been supplying to the Group for the past eleven (11) years and the Group has not encountered any major problem in dealing with MESB. SWSB has also entered into purchase agreements, renewable on an annual basis with MESB to supply FFBs.

Besides MESB, the Group has also established close business relationships with other suppliers. The Board and senior management team of the Ecofuture Group believe that with more than ten (10) years of industry experience, they have the resources and capabilities to source from alternative suppliers should the need arise.

The largest suppliers of FFBs for the financial year ended 31 December 2003 and six (6) months period ended 30 June 2004 are set out in the table below:

Suppliers	% of SWSB total purchases		Length of Relationship Years
	Financial Year Ended 31.12.2003 (%)	6-Months period Ended 30.6.2004 (%)	
MESB *	62.7	65.0	11
Eng Soon Hin Rubber Sdn Bhd	14.8	15.2	8
Felda Plantations Sdn Bhd	5.6	4.3	3
Koperasi Rancangan Tanah Beliawanis	2.3	2.5	3
Bukit Mambai Segamat Berhad (R.I)(S.H)(I.S)(P.M.S) 1959 Risda Sekijang	2.1	2.4	8
Multiscreen Impex (M) Sdn Bhd	-	1.9	0.5
Segamat Consolidated Plantations Sdn Bhd	5.7	1.7	11
Maikob Trading	2.7	1.1	3
Chiat Lee (Muar) Plantation Bhd	0.6	1.1	2
Koperasi Peserta-Peserta Felcra Bhd- (Felcra Sekijang)	0.7	1.0	2

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

Note:

This company is related to Duli Yang Amat Mulia Tunku Ibrahim Ismail Ibni Sultan Iskandar Al-Haj, a substantial shareholder of Ecofuture by virtue of His Royal Highness's directorship in MESB. Further details of these related party transactions are set out in Section 11 of this Prospectus.

5.6.11 Quality Assurance

The Group's operational processes are governed by a strict quality control system. The Group achieves its quality objectives through the implementation of quality control procedures by the management. These quality control procedures are documented, regularly reviewed and controlled by the management. The Group quality policies are also communicated to its employees to ensure that each employee understands, conforms to and practices the Group's quality standards as an integral part of their job functions.

The Group's commitment to quality is evidenced by SWSB receiving international accreditation from Llyold's Register Quality Assurance on 26 August 2003, which certifies SWSB's Quality Management System Standards under ISO 9001:2000, EN ISO 9001:2000, BS EN ISO 9001:2000 and MS ISO 9001:2000. The said Quality Management System Standards certification is applicable to provision of sales and marketing, purchasing and related activities in support of the processing of FFBs and manufacturing of fibre. This endorsement is testament to the standard of quality adopted by the Group and of its continuous efforts in delivering high quality products and services to its customers.

5.6.12 Research and Development Capabilities

The Ecofuture Group strongly believes that R&D is an important contributing factor towards maintaining competitiveness, sustainable business growth and improvement in earnings. The Group has adopted a strategy to develop its own intellectual property through the establishment of a system to continuously innovate and improve the Group's products and processes. In line with this objective, the Group has applied for patents and trademarks for its key machineries, products and processes and intends to continuously innovate and develop new products and improve its manufacturing processes.

Currently, the Group's R&D initiatives are conducted by the following key personnel:-

Name	Designation	Responsibility
Jang Kim Luang @ Yeo Kim Luang	Executive Chairman/ Managing Director	Advisor
Balachandran a/l Govindasamy	Chief Engineer	Technical
Chow Chee Hoon	Production Engineer	Technical
Anandh Kumar a/l Ganapathi	Product Engineer	Technical

The personnel responsible for the Group's R&D initiatives are also involved in the Group's daily operations. This allows them to gain practical and hands-on understanding on the Group's overall operation and to ensure that new manufacturing process to be implemented can be integrated with the existing operations whilst new products to be produced are geared towards optimising existing resources.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

The Group acknowledges that extensive R&D initiatives require significant investment both in terms of human resources and capital. As such, to lessen the impact of such costs and yet achieve its R&D objectives, the Group has taken a proactive approach to participate in technical collaboration as well as bilateral co-operation with various Malaysian research institutions such as FRIM, MPOB and other institutions of learning. This not only allows the Group to tap into other research outlets but also enables it to capitalise on knowledge transfers.

Disclosed below are notable research collaboration initiatives, which have been and are currently being undertaken.

i. Joint Research On EFB Fibremat – FRIM and SWSB

Initiated on 29 August 2002 via the signing of a memorandum of agreement between FRIM and SWSB, the joint-research involves the investigation into the properties of EFB fibremat for soil surface erosion control for plantation and landscape industries. It also involves the research on the development of cost-effective plant for the manufacturing of EFB fibremat. The duration of the research is for the period of thirteen (13) months, which expired on 28 September 2003.

The research results highlighted that the mulch mat manufactured by the Group was able to reduce the impact of rainfall and reduce the infiltration of water into the soil when applied under the newly planted oil palm trees. It was able to absorb and retain moisture which is beneficial to the tree growth. It also induces early flowering. Therefore, it is anticipated that this fibremat will be able to reduce soil surface runoffs and erosion especially in construction and cleared lands areas. In addition, this fibremat may be applied for landscaping purposes to help ameliorate soil structures and maintain soil moisture for better root establishments.

(Full details are set out in Section 16.8 (xi) of this Prospectus)

ii. Research on Potential Benefits and Evaluation of ECOMAT- MPOB and SWSB

Initiated on 30 August 2002 via the signing of an agreement between MPOB and SWSB, the research involves the evaluation of potential benefits of using ECOMAT for mulching and soil conditioning of oil palm trees during field planting. The research entails the evaluation of the growth performance of the oil palm trees and the cost effectiveness of using ECOMAT for mulching purposes. The duration of the research is for the period of eighteen (18) months.

Two types of studies were conducted on different areas which comprise of young palms planted with ECOMAT on terrace and flat areas. The findings from the studies showed that young palms with ECOMAT planted on terrace areas were slightly bigger and the leaf was greener than the young palms without ECOMAT application. It indicates that planting of young palms with the application of ECOMAT is more superior than without its application. On the other hand, the results of young palms with the application of ECOMAT on flat areas showed that the young palms produced more feeder roots and significantly higher root density than those without its application. The application of ECOMAT encourages growth of young palm roots. Overall findings showed that the application of ECOMAT generates more benefits to the young palm than without its application.

(Full details are set out in Section 16.8 (xii) of this Prospectus)

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

iii. Trial Desert Project – MPOB, Beijing Forest Bureau, China and SWSB

Initiated on 19 December 2002 with the signing of an agreement between MPOB, SWSB and Beijing Forest Bureau, China, the trial desert control project involves the use of ECOMAT in sandstorm areas with the objective of alleviating dust pollution from sandstorm, test the effectiveness of ECOMAT in soil improvement for afforestation and to procure suitable forestry crops for planting in sandstorm areas under improved agronomic conditions. The project, which is being undertaken in Beijing, China for a duration of three (3) years, is expected to complete in December 2005.

(Full details are set out in Section 16.8 (xv) of this Prospectus)

The research was conducted by laying ECOMAT on the ground for the retention of soil moisture. The results showed that soil covered with ECOMAT was able to retain its moisture better and able to prevent the soil from being blown by wind. This has created a conducive environment for plant growth. With the success of the utilisation of ECOMAT trial desert control project in Beijing, China, a further agreement was entered between SWSB, MPOB and Beijing Municipal Bureau of Forestry to implement similar projects in other areas in China, namely Gansu and Hebei Provinces.

iv. Pulp and Paper Project – SWSB and LIHMERI

The Group has also on 26 January 2003 entered into an agreement with LIHMERI to conduct research on the use of ECOFIBRE as raw material for pulp and paper production. A further collaboration agreement was signed on 30 August 2004, whereby both parties agrees to collaborate in the building of EFB unbleached semi-chemical pulp production line.

(Full details are set out in Section 16.8 (xxi) and (xxxvi) of this Prospectus)

In recognition of the commercial potential of ECOMAT, SWSB was granted a Commercialisation of Research and Development Fund (“CRDF”) from the Malaysian Technology Development Corporation Sdn Bhd (“MTDC”). The CRDF fund is to provide partial funding to qualified R&D projects to be commercialised by universities, research institutions and/or collaboration between universities or research institutions with local companies. The RM1.63 million grant, which was awarded to SWSB on 14 October 2002, is disbursed on a staggered basis over a period of twenty (20) months based on predetermined milestones. The purpose of the fund is for the development and commercialisation of a biodegradable geotextile mat from EFB for soil erosion control.

Under the CRDF programme, SWSB has:-

- (a) procured and fabricated parts and machinery necessary to establish a manufacturing process line for the production of ECOFIBRE;
- (b) developed a complete manufacturing process line for the production of ECOMAT; and
- (c) applied for the patent for the manufacturing process of ECOMAT.

As at 30 June 2004, a total and final amount of RM1,131,975 has been disbursed to SWSB.

(Full details of the CRDF program are set out in Section 16.8 (xiii) of this Prospectus)

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

The Group's emphasis on R&D can be categorised as follows:

(a) Product Development

The product development programme developed by the Group focuses on other new and possible commercial applications for oil palm based waste. Products that were developed under this programme include:-

- ECOFIBREX, developed in 1996
- ECOMAT Version 1 – hard mulch mat, developed in 1996/1997
- ECOPOT, developed in 1997
- ECOMAT Version 2 – flexible & light mulch mat, developed in 2001
- ECOPAK – developed in 2003/2004

Presently, the Group is planning for the development of pulp and paper using EFB fibres.

(b) Material Research

This area of research covers the characteristics of oil palm based waste, especially biomass materials such as EFB fibres, trunks and fronds and even effluent sludges and process slurries. Material content research enables the Group to identify opportunities to develop new products.

(c) Process Improvement

The Process Improvement section focuses on three sub-categories of R&D initiatives:

(i) Process Technology : Involves research on process improvement methods as well as carrying out experiment and tests on new process methods in order to come up with:-

- Improved methods and increased avenues for extraction of CPO from within the entire plant
- New equipment designs that will produce higher yields and quality consistency

This initiatives has resulted in the gradual automation and implementation of process logic control in the milling operations. It has also resulted in improved and more efficient designs for the ECOFIBREX machine, producing higher quality and finer and more oil and moisture free fibre.

(ii) Resource Efficiency : Involves various studies to reduce or combine processes in order to reduce waste and increase production cycle time. It includes, but not limited, to the following:-

- Optimisation of energy resources (e.g. heat, water, and electricity) within the entire plant, which also involve energy saving initiatives such as research on high efficiency processes to reduction of energy used by existing machinery; and
-

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

- Reduction of waste generation from the milling and production processes

The amount spent by the Group on R&D over the last three (3) financial years ended 31 December 2003 amounted to approximately RM1.7 million as follows:

Financial year ended 31 December	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)
Direct R&D expenditure	72	701	958
Revenue from PK and CPO	49,151	65,202	77,902
Revenue from biomass optimisation activities	182	535	3,534
Total consolidated proforma revenue	49,333	65,737	81,436
% of direct R&D expenditure over the total consolidated proforma revenue	0.15%	1.07%	1.18%

The summary of the on-going and planned R&D activities and the indicative timeline is as follows:-

Product/ Activities	R&D Plan	Indicative Timeline Period (Year)
I. ECOMAT	<ul style="list-style-type: none"> ▪ Further research on product improvement and usage of ECOMAT 	2005 to mid 2006
II. ECOPULP	<ul style="list-style-type: none"> ▪ Technology Prototyping ▪ Product Prototyping ▪ Technology and plant commercialisation scale 	2005 End 2005 Early 2006
III. Material Research	<ul style="list-style-type: none"> ▪ Research on new and potential use of oil palm biomass (i.e. EFB fibres, trunks and fronds, effluent sludges and process slurries) 	On-going
IV. Process Technology	<ul style="list-style-type: none"> ▪ Progressive automation and implementation of process logic control ▪ Designs for improvement of ECOFIBREX machine 	On-going 2005 to 2006
V. Resource Efficiency	<ul style="list-style-type: none"> ▪ Initiatives to optimise utilisation of energy resources for the entire plant ▪ Reduction of waste generation from the milling and biomass optimisation production process 	On-going

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.13 Interruption/disruption in business

There has been no interruption of the Group's business or operation in the past twelve (12) months.

5.6.14 Key achievements, milestones and awards

Among some of the Group's major milestones/achievements to date include:

Period (Year)	Major Milestones/Achievements
1996	<ul style="list-style-type: none"> • ECOFIBRE machine was developed based on a new concept of extracting fibres from FFB via the "combing" process.
From 1996 to 1997	<ul style="list-style-type: none"> • A hard mulch mat was first developed from oil palm residues.
1999	<ul style="list-style-type: none"> • ISSB obtained five (5) years tax incentive, pioneer status from MITI for the production of mulch mats from agricultural waste.
2001	<ul style="list-style-type: none"> • A softer and improved mulch mat known as "ECOMAT" was successfully developed.
2001	<ul style="list-style-type: none"> • SWSB awarded by MITI with the Product Excellence Award for its ECOMAT product. The award is in recognition of ETSB's R&D initiative and innovation in optimising to optimise the use of oil palm biomass residues to a commercially viable product.
2003/2004	<ul style="list-style-type: none"> • ELPSB successfully developed the biodegradable "ECOPAK" packaging products comprising of cups, plates and containers from oil palm biomass.
2003	<ul style="list-style-type: none"> • ETSB obtained five (5) years tax incentive, pioneer status from MITI for the production of mulch mats from agricultural waste.
2003	<ul style="list-style-type: none"> • SWSB received Quality Management Standards certification under ISO 9001: 2000, EN ISO 9001:2000, BS EN ISO 9001:2000 and MS ISO 9001:2000 for the provision of sales and marketing, purchasing and related activities in support of the processing of FFBs and manufacturing of the fibre for ECOMAT.
2003	<ul style="list-style-type: none"> • SWSB awarded the prestigious Enterprise 50-Celebrating Malaysia's Enterprising Spirit ("Enterprise 50") 2003 award.
2003	<ul style="list-style-type: none"> • Agreement entered into between SWSB and LIHMERI to jointly provide and promote the new application technology to utilise oil palm fibre to manufacture pulp and paper.
2003	<ul style="list-style-type: none"> • ELPSB was granted pioneer status by MIDA on 7 October 2003.
2004	<ul style="list-style-type: none"> • The first ECOPAK plant was set-up with a planned capacity to produce 2.85 million pieces of ECOPAK per month.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.15 Production/Operating Capacity and Output

The production capabilities, number of production shifts and total production output of the Group's various production operations for the year ended 31 December 2003 and six (6) months ended 30 June 2004 are outlined below:-

	No of production line (per day)	Maximum number of production shifts (per day)	Production capacity (per month)	Average production output (per month)	Average utilisation rate
Milling Operations *					
FFB Processed					
For financial year ended 31 December 2003	1	3	19,167 MT	17,474 MT	91.2%
For six (6) months financial period ended 30 June 2004	1	3	19,167 MT	15,417 MT	80.4%
ECOFIBRE production *					
For financial year ended 31 December 2003	1	2	1,323 MT	125 MT	9.4%
For six (6) months financial period ended 30 June 2004	1	2	1,323 MT	305 MT	23.0%
ECOMAT production*					
For financial year ended 31 December 2003	3	2	@252,000 sq. m	62,632 sq. m	24.8%
For six (6) months financial period ended 30 June 2004	3	2	252,000 sq. m	152,472 sq. m	60.5%

Notes:

* One shift is equivalent to 8 hours. The milling operations operates for twenty-six (26) days per month.

* One shift is equivalent to twelve (12) hours. The factory operates for six (6) days per week.

@ 1 production line produce approximately 83,333 sq. m of ECOMAT. Thus 3 production lines produce approximately 250,000 sq meters of ECOMAT.

5.6.16 Location of Operations and Manufacturing Facilities and/or Principal Place of Business

The Group operates from its main office located at Suite 11-03, 11th Floor, Block A, Damansara Intan, 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor Darul Ehsan. The main office serves as the Group's administrative as well as its marketing base.

Meanwhile, all the Group's production operations which comprises of its biomass optimisation operations and milling operations are located at Off 10th Mile, Labis Road, P.O. Box 57, 85007 Segamat, Johor Darul Takzim. The Group also conducts its testing and R&D on the same premise.

Further information on the landed properties of the Group is set out in Section 12.2 of this Prospectus.

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.17 Major Customers

(i) ETSB

Based on the audited financial statements of ETSB as at 31 December 2003 and the six (6) months period ended 30 June 2004, the major customers of ETSB are as follows:-

Customer	Products	% of ETSB total revenue		Length of Relationship Years
		Financial Year Ended 31.12.2003 (%)	6-Months period Ended 30.6.2004 (%)	
SWSB #	ECOMAT	30.4	47.4	2
FRIM (Institut Penyelidikan Perhutanan Malaysia)	ECOFIBRE	21.8	25.5	2
Eko Pulp & Paper Sdn Bhd	ECOFIBRE	-	7.7	1
RP Kelapa Sawit Sdn Bhd	ECOMAT	-	7.6	1
Guangzhou Automobile Trading Co., Ltd	ECOFIBRE	1.0	6.1	2
IOI Corporation Berhad	ECOFIBRE	-	2.2	*.
Guthrie Landscaping Sdn Bhd	ECOMAT	-	1.4	4
Kuala Lumpur Kepong Berhad	ECOMAT	11.8	1.3	4
Felcra Agro Industry Sdn Bhd	ECOMAT	0.2	0.2	4
Naturex Sdn Bhd	ECOMAT	-	0.2	*.
Steven Development Sdn Berhad	ECOMAT	-	0.2	*.
Green Biorich Sdn Bhd	ECOMAT	-	0.1	*.
MPOB	ECOMAT	0.1	0.1	2
Kumpulan Linggi Sdn Bhd	ECOMAT	19.8	-	3

Notes:-

ECOMAT sales made to MPOB under the trial desert control project, which is being undertaken at Beijing, China of which SWSB is the intermediary for the Group. Please refer to Section 16.8 (xv) and (xxxiii) for further information.

* *Less than one (1) year*

The ECOMAT sales to MPOB and Beijing Municipal Bureau of Forestry under the trial dessert control project through SWSB, has accounted for more than 10% of ETSB's total revenue for the financial year ended 31 December 2003 and/or six (6) months financial period ended 30 June 2004. As these sales are based on long-term supply contracts, these would ensure the availability of recurrent and steady revenue for the Company. For full details of these supply agreements, please refer to Section 16.8 (xv) and (xxxiii) for further information.

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

Sales to FRIM also accounted for more than 10% of ETSB's total revenue for the financial year ended 31 December 2003 and /or six (6) months financial period ended 30 June 2004. The Group has managed to establish good relationship with FRIM through the provision of quality products which are to the satisfaction of FRIM, based on the recurrent sales orders over the past two (2) years. Further, the Group has also managed to broaden its customers base and build upon the existing relationship to mitigate its dependency on a particular customer. For example, through the Development Agreement, the Group has managed to now entered into the agreement to jointly develop and produce mats for the exclusive use by Kuala Lumpur Kepong Berhad, which has been a customer of the Group's ECOMATS products for the last four (4) years.

(ii) SWSB

Based on the audited financial statements of SWSB as at 31 December 2003 and the six (6) months period ended 30 June 2004, the major customers of SWSB are as follows:-

Customer	Products	% of SWSB total revenue		Length of Relationship Years
		Financial Year Ended 31.12.2003 (%)	6-Months period Ended 30.6.2004 (%)	
PGEO Edible Oils Sdn Bhd ("PGEO")	CPO	72.5	84.3	10
BPC Edible Oils Sdn Bhd	PK	4.1	5.3	9
Welli Edible Oil Sdn Bhd	PK	2.2	3.6	5
Ace Edible Oil Industries	PK	0.8	2.2	2
Sehcom Industries Sdn Bhd	PK	1.4	1.2	6
Lee Oil Mills Sdn Bhd	PK	0.9	0.6	6
Sangkee Edible Oils Sdn Bhd	PK	2.0	0.5	9
Mewaholeo Industries Sdn Bhd	CPO	1.3	0.5	7
Soctek Sdn Bhd	CPO	1.6	0.4	4
Ngo Chew Hong Oils & Fats (M) Sdn Bhd	CPO	2.1	-	4
MPOB	ECOMAT	0.6	1.3	1
CCM Fertilizers Sdn Bhd	ECOMAT	0.2	0.1	2
MESB	ECOMAT	* -	0.1	3

Note:-

* Less than 0.1% of total sales revenue

For the financial year ended 31 December 2003 and six (6) months period ended 30 June 2004, there was only one (1) customer that contributed to 10% or more of SWSB's total revenue, namely PGEO. This customer contributed to approximately 72.5% and 84.3% to SWSB's total revenue for the financial year ended 31 December 2003 and six (6) months period ended 30 June 2004 respectively. SWSB has built up its relationship with this customer over the last ten (10) years. Due to the long relationship established between of SWSB and the PGEO refinery, CPO produced by SWSB is mainly sold to PGEO for processing based on the MPOB monthly average selling price. Nonetheless, SWSB may sell its CPO to other refineries in the event that PGEO decide not to purchase CPO from SWSB in the future.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.6.18 Employees

As at the Latest Practicable Date, the Group has a total of one-hundred and seventy (170) employees with an average of five (5) years of service in respect of the management, executive and clerical categories. The total number of employees with the breakdown into categories and average number of years of services as at the Latest Practicable Date is as follows:

Category	> 10 years of service	>5 & < 10 years of service	< 5 years of service	Total
Management	3	-	9	12
Executive	4	1	19	24
Clerical	1	5	6	12
General workers	-	4	9	13
Factory workers	-	1	108	109
Total	8	11	151	170

The Group recognises that the success of its business depends on the skills, experience and expertise of its employees. To upgrade their skills and knowledge, the staffs are given on-the-job training where guidance and supervision are provided by the more experienced employees. The Group provides training and development programs for its employees such as external seminar or conference, in house training on working procedures and instructions and ISO related training from time to time.

The Group's employees are not members of any labour unions and they enjoy a cordial relationship with the management. There has not been any industrial dispute in the past between the employees and the management.

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.7 Future Plans, Growth Strategies and Prospects of Ecofuture Group**5.7.1 Future Plans and Growth Strategies**

The Group's business plan outlines strategies and action plans with an objective to enhance its biomass optimisation operations. These strategies and action plans include not only in terms of enhancing the Group's research capabilities to exploit further oil palm biomass to produce commercially viable products but also more essentially to strengthen its marketing capabilities to attain a wider market and product acceptance for its existing and new biomass optimisation products. These business strategies are anticipated to further enhance the contribution for the biomass optimisation operations to the future financial performance of the Group.

Essentially, the business development plan for the Group is structured to achieve the following objectives:-

- (i) continuously invest in R&D to further exploit oil palm biomass to produce commercially viable product and enhance current products;
- (ii) strengthen the Group's marketing capabilities to enable it to expand its market base and awareness of its products; and
- (iii) continuously improve efficiency and cost reduction to improve its price competitive edge.

To achieve these business objectives, the Group proposes to implement, amongst others, the following future plans and growth strategies.

(i) Expansion into new markets**(a) ECOMAT**

Currently, the Group is utilising ECOMAT for its trial desert and sand storm control projects in Beijing, China. This project which was for a period of three (3) years is expected to be completed in December 2005. The encouraging results so far from the project has paved the way for the Group to implement similar projects in other areas in China, namely the Gansu and Hebei Provinces.

The Group plans to leverage on the success of its China projects to penetrate into new overseas markets where such success can be replicated. Towards this end, for the past one (1) year the Group has aggressively participated in various road shows and exhibition abroad in particular in the Middle East, as mention in Section 5.6.8 of this prospectus.

To effectively market ECOMAT, the Group not only focuses on the potential target new markets but also identifying the needs for each specific target market.

The market segments can be categorised as follows:-

(i) Soil Erosion Purposes & Prevention of Sandstorms

The Group plans to market ECOMAT to locations where sandstorm and barren and arid landscapes are prevalent. The target market is essentially in China and Middle East.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

(ii) Environment Friendly Mulching Purposes

Although the benefits of mulching are not confined to any one crop or plant or land, the Group intends to market the ECOMATs especially to the oil palm industry, as the logistics of supply facilitated by on-site plants commissioned through joint ventures, makes natural economic sense. The target market is essentially the Asean region and the local market.

(b) ECOPAK

The Group believes that Asia is a fast growing target market for its ECOPAK packaging products. Evidence is apparent in some countries phasing out non-biodegradable materials specifically styrofoam and plastic packaging products. Thus, it intends to focus on developing markets for its ECOPAK packaging products in countries such as China, Taiwan, Singapore, Japan, and Hong Kong. The market penetration for its ECOPAK packaging products is expected to intensify in the future as it will be driven by both government regulations as well as the growing environmental consciousness of the populace. The commercialisation of ECOPAK will enable the Group to capitalise on the growing mass consumer demand for biodegradable packaging products.

(ii) Expand market reach

The Group intends to reach out to a wider market and customer base to increase its market share in the following manner:

(a) Through expansion of distribution networks

The Group intends to expand its business internationally by establishing strategic alliances within industry players in the targeted markets or undertaking joint ventures and has also taken proactive steps in identifying new market opportunities.

As such, the Group is also looking to appoint dealers or distribution agents in the Middle East, Taiwan, Hong Kong, Japan and Singapore to market its products within the region. The appointment of dealers or distribution agents will enable the Group to tap into their market knowledge and distribution network. As such, the Group is able to serve and gain direct and vital access to wider markets without having to bear high administration costs, reducing the risk of undue reliance on the domestic and local market.

Towards this end, the Group in January 2004 has appointed an agent, Economy Valley General Trading and Contracting Company (Kuwait) to promote and sell its ECOMAT market in the Middle East.

(b) Through "Smart Alliances"

The Group intends to form "Smart Alliances" through partnerships or joint-ventures with oil palm millers from other locations around Malaysia. Efforts towards this end have shown encouraging result with the signing of the Development Agreement on 2 September 2004, between Rubber Fibreboards Sdn Bhd, a wholly-owned subsidiary of Kuala Lumpur Kepong Berhad ("KLK") to jointly develop and produce mats for the exclusive use by KLK.

5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

(iii) Expansion of its operations

In conjunction with the Group's plan to penetrate the domestic and local markets and increase the number of export countries in its portfolio of customers, the Group plans to expand its current production lines and manufacturing facilities as follows:-

- (a) Additional ECOFIBREX production lines/facilities to increase the production capacity;
- (b) Additional ECOMAT production lines/facilities to increase the production capacity of ECOMAT; and
- (c) Construction of the ECOPAK factory to house the Group's first ECOPAK production line slated for commercial production by the fourth quarter of 2004.

(iv) Diversification through product range and improvement

Among the various diversification strategies which the Group intends or will continue to employ include the following:

- (a) continuously improving the quality of its existing products and technologies; and
- (b) continuously developing new products and technologies within its core competencies in the field of oil palm biomass optimisation in order to diversify its product range so as to meet wider market demands. In the short and medium term, the Group intends to undertake the following:
 - ❑ the planned commercialisation of its new ECOPAK packaging product which is in the pipeline of launching by the fourth quarter of 2004; and
 - ❑ the planned commercialisation of its trademark "ECOPULP" through the application of its innovative technology of utilising oil palm biomass to manufacture pulp anticipated by the year 2005.

(v) R & D and Innovation

In line with its business objectives, the Group will continue to emphasise and focus on R&D and technological improvements that focus on the exploitation of the commercial potential of oil palm biomass. The Directors believe that with the Group's continuous R&D and technological improvements in its oil palm biomass/waste recycling processes, it will be able to tap into opportunities of its technologies and biodegradable products, contributed by the consumers' growing acceptance and preference in adopting environmentally friendly products, preserving natural resources and minimising environmental pollution.

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

In the short term and medium term, R& D and innovation strategies and activities will be driven towards making its products attractive and competitive domestically and internationally, to its existing and prospective customers. The Group's goals on R&D activities include, but not limited, to the three (3) categories comprising "Product Development", "Material Research" and "Process Improvement" as mentioned in Section 5.6.12 of this Prospectus. Specifically the Group's strategies in relation to its R&D efforts are to achieve the following in relation to its R&D efforts:

- To continuously develop an improved versions of its existing products;
- To develop new innovative products that are commercially viable;
- To have a greater depth of information and data on research materials; and
- To develop new processes and technology in order to achieve higher efficiencies and cost savings.

(vi) Improved efficiency and cost reduction

The Group is currently studying the possibility of tapping and treating river water and testing the implementation of its water treatment facility to treat incoming state or natural water sources and to recycle discharged water from the plant, for usage in its ECOPAK production processes. With this treatment facility, the Group will be able to recycle an estimated 90% of the water supply to be used in the production of ECOPAK. This will lead to reduction of the Group's production cost.

Currently, in the short and medium term, the R&D activities undertaken by the Group involve the design and development of new production lines for ECOMAT and ECOPAK as well as the incorporation of the latest technological improvements and new process modules in the plant. As such, older machinery will be replaced and upgraded when newer processes and technologies are available, which will in turn improve production efficiency that translates into lower production costs.

(vii) Creation of New Patents, Maintaining Trademarks and Brandname Recognition

In line with the Group's R&D strategy to continuously improve and innovate on existing and new recycling technologies and related products, it has also adopted a strategy to protect its intellectual property through the registration of new patents and trademarks for its inventions and brands as the Group aims to be recognised as a household name in the production of quality environmentally friendly technologies and products.

5.7.2 Future Prospects

Oil palm biomass optimisation and commercialisation of EFB recycling technology are major breakthroughs for Malaysia. This technology has huge potential for commercial success in Malaysia. With growing concerns on environmental pollution, waste recycling activities are becoming more important. As such, this has lent to potential for additional value creation and enabled waste management companies such as the Group to successfully capitalise on the commercial potential of biomass and its related technologies and products. Moreover, the Group believes it has a first mover advantage in this important market space that privileges it to the potential of an environmentally conscious domestic and overseas market.

5. INFORMATION ON ECOFUTURE GROUP *(Cont'd)*

The Government is continuously looking at ways in making the local oil palm industry more globally competitive, especially against neighbouring countries such as Indonesia and Thailand. In line with this, the Group believes that its breakthrough technologies will enable the Malaysian oil palm industry to participate in new downstream and value added activities that provide new income generation streams, and thus reducing overall palm oil production costs. The Group expects its technologies to contribute healthily to the overall well being of the Malaysian palm oil industry and the general economy.

Part of the Group's development strategies is to commercialise its newly developed technology to convert oil palm biomass into pulp (i.e. ECOPULP) for the production of paper. The Group believes that this new technology will be an attractive income source and expects it to benefit Malaysia and the local oil palm industry in two ways, namely by value enhancing the use of EFB and by bolstering the local import-reliant pulp and paper industry. In the Second Industrial Master Plan (IMP2, 1996-2005), it has been targeted that by 2005, the industry is to possess the capacity to produce a total of 3 million tonnes of pulp and paper products a year. The growing demand of the pulp and paper products coupled with the imminent shortage of supply is expected to benefit the Group with its plan to commercialise ECOPULP.

With "green technology" gaining more wide spread acceptance and governmental legislation and enforcement encouraging local planters and millers to be mindful of the environment, the Group is confident that Malaysian palm oil mills will be more inclined to invest in the opportunity to convert their EFBs into commercially viable products.

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5. INFORMATION ON ECOFUTURE GROUP (Cont'd)

5.8 Summary of Five-Year Business Development Plan

The Group's business plan over the next five years may be summarised as follows:

Strategy	Action Plan
Expansion of core activities	<ul style="list-style-type: none"> ▪ To invest in additional machinery for the additional ECOFIBREX lines to be installed to increase the production capacity for ECOFIBRE ▪ To increase the capacities for the production of ECOMAT ▪ Commercial launch of ECOPAK
Strengthening existing brands through aggressive marketing efforts and product awareness campaign	<ul style="list-style-type: none"> ▪ To conduct and participate in product exhibitions at local and foreign trade expositions ▪ To embark on brand protection through trademark registration
Introduction of new patented brands and products	<p>Under R&D initiatives, the Group plans to:</p> <ul style="list-style-type: none"> ▪ Develop new innovative products that are commercially viable ▪ Develop improved versions of existing products ▪ Commit resources for research and development into material research and process improvement ▪ Pursue the development and commercialisation of ECOPULP, a process to convert EFB into pulp for paper production
Expansion into new markets to establish market presence	<ul style="list-style-type: none"> ▪ To expand and strengthen its market presence for ECOMAT in China and source new market opportunity in the Middle East ▪ To penetrate potential market for ECOPAK in Taiwan, Japan, and China. ▪ To appoint dealers or distribution agents to market its products overseas ▪ To engage in "Smart Alliances" with other oil palm mills in strategic locations
Continue expansion of R&D efforts	<ul style="list-style-type: none"> ▪ Continous investment in R&D initiatives ▪ Intends to employ additional experience staff for R&D and continous hands-on staff training and development ▪ Collaboration with strategic research institutes such as FRIM, MPOB and LIHMERI in Beijing, China
Achieve cost reduction through efficient and innovative processes	<ul style="list-style-type: none"> ▪ This will be achieved through the Group's Process Improvement initiative under R&D, through continued focus on: <ul style="list-style-type: none"> ▪ Process technology ▪ Resource efficiency
