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## 4. RISK FACTORS

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Applicants for the Rights Shares and/or Offer Shares should carefully consider the following risk factors (which are not exhaustive) in addition to the other information contained elsewhere in this Prospectus, before applying for the Rights Shares and/or Offer Shares.

### 4.1 No Prior Market for ECB Shares

Prior to the Listing, there was no prior public market for ECB Shares. There can be no assurance that an active market for the ECB Shares will develop upon the Listing or, if developed, that such market may be sustained. The issue price of RM1.00 per Rights Share or Offer Share has been determined after taking into consideration a number of factors, including but not limited to those set out in Section 5.5 of this Prospectus. The trading price for the ECB Shares may not reflect the ECB Group's financial and operating conditions, its prospects and the prospects for the industry in which the ECB Group operates.

### 4.2 Increase in Capital Base

ECB has issued convertible securities which can be converted into ECB Shares. Upon conversion of the said securities, the capital base of ECB would increase by a maximum of 125,900,000 ECB Shares.

Depending on the earnings of the ECB Group at the point of conversion of such securities, there may be a potential dilution in the earnings per share of ECB due to the resultant capital base.

Although the Directors of ECB will endeavour to minimise the dilution in the earnings per share by increasing its earnings base in the future or by early redemption of the ECB RCSLS A and ECB RCSLS B, no assurance can be given that such events would materialise.

### 4.3 Delay in or Abortion of the Listing

The occurrence of any one or more of the following events, which may not be exhaustive, may cause a delay in or the abortion of the Listing:

- (i) DPLSK fails to honour his obligations under the Minimum Subscription.
- (ii) the Company being unable to meet the public spread requirement, that is, at least 25% of the enlarged issued and paid-up capital of the Company to be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each at the point of Listing.

Although the Directors of ECB will endeavour to ensure compliance by ECB of the various Listing Requirements, including, inter-alia, the public spread requirements imposed by the KLSE for the successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the Listing.

### 4.4 Business Risks

The ECB Group is generally subject to risks which are inherent in the property industry in which its subsidiaries operate such as rising costs, shortage of inputs including manpower and raw materials, decreasing land bank, the correlation of demand for properties to economic cycles, the availability of credit or other financing facilities, increasing competition from other property developers in the affordable market segment, the sufficiency of working capital for the duration of the project, the possibility of claims by customers against companies within the ECB Group and changes in the legal and environmental framework governing the industry.

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#### **4. RISK FACTORS (CONT'D)**

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The ECB Group will seek to limit these business risks through, amongst others, sourcing for opportunities to increase its land bank in strategic areas, emphasising on affordable houses, careful planning, close project supervision, aggressive marketing strategies and providing value added and innovative products.

However, no assurance can be given that the above business risk factors will not have a material impact on the future prospects of the ECB Group.

##### **4.5 Competition**

The ECB Group operates in a competitive market with a large number of players and the barriers of entry into the property development industry is relatively low. This business environment is expected to continue to exert pressure on sales and profit margins of property development companies such as the ECB Group.

The Directors of ECB are, however, confident that ECB will be able to remain competitive despite the increased competition due to the locations of its land bank which are in the growth areas of Seri Kembangan, Selangor Darul Ehsan. The pricing of its products is also competitive and affordable by the general public. The ECB Group has sought to respond to the threat of increased competition through the implementation of appropriate marketing strategies whilst at the same time continuously developing new innovative products.

However, there is no assurance that the ECB Group would not be affected by increased competition within the industry.

##### **4.6 Delay in Completion of Development Projects**

Property development projects of the ECB Group are subject to various regulatory approvals and the timely completion of a development project is dependent on many external factors such as obtaining approvals as scheduled, changes in government legislation, shortages in the availability of construction materials, availability of financing at viable terms, the satisfactory performance of contractors, availability of manpower and weather condition.

Although the Directors of ECB seek to limit these potential delays through, inter-alia, efficient project management, long-term relationships with reliable suppliers or contractors as well as effective human resource planning, there can be no assurance that these factors will not lead to delays in the completion of development projects and possible claims against the ECB Group.

##### **4.7 Size and Quality of Land Bank**

A sizeable land bank at desirable locations is important in ensuring the future growth and profitability of the ECB Group. The ECB Group has more than 500 acres of land for its existing and future development. Its land banks mainly comprise parcels of land at locations with development potential in Seri Kembangan, Selangor Darul Ehsan.

Although the Directors of ECB continuously seek to increase its land bank through, among other means, the alienation of State lands, acquisitions from third parties and/or through joint ventures with land owners, there can be no assurance that the ECB Group will be able to secure more strategic land bank for future growth.

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#### 4. RISK FACTORS (CONT'D)

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##### 4.8 Dependence on Contractors and Suppliers

The ECB Group has in the past appointed certain contractors and purchased construction materials from certain suppliers for the development of its projects. To manage risk of dependency in certain contractors or suppliers, ECB selects its contractors/suppliers for most contracts by way of tender and appoints more than one (1) contractor/supplier for the same development project. In addition, contracts are awarded to qualified and reputable contractors on stage by stage basis i.e. the awarding of work to a contractor is done in stages depending on the progress and quality of work of a contractor.

The ECB Group should continue to be able to enjoy a good working relationship with its principal contractors/suppliers. In the event its principal contractors/suppliers are unable to service the ECB Group, the Directors of ECB are of the view it would have no difficulty in identifying other suitable contractors/suppliers for its development projects.

However, no assurance can be given that the contractors would be able to provide the same quality of work and the suppliers would be able to supply at competitive prices.

##### 4.9 Dependence on Key Personnel

The Directors of ECB believe that its continued success depends, to a certain extent, upon the abilities and efforts of the key management of the ECB Group. Any material changes in the members of the ECB's key management may have an impact on the ECB Group's continued ability to compete effectively.

However, as the property development industry does not involve personnel with highly technical skills and due to the large number of people involved in the industry, the Directors of ECB are of the view that any changes of a single member of the key management will not have an overly significant impact on the ECB Group.

The ECB Group's future success will also depend on its ability to attract and retain skilled personnel and efforts are presently made to groom younger members of the key management by providing training to ensure smooth transition in the management team.

##### 4.10 Consolidated Profit Forecast

The consolidated profit forecast of the ECB Group as set out in this Prospectus is based on assumptions which the Directors of ECB believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. There can be no assurance that the consolidated profit forecast contained herein will indeed be realised and actual results may be materially different from those stated herein. Investors are deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit forecast contained herein.

##### 4.11 Forward-looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and other statements which are forward-looking in nature and are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Directors of ECB, and although believed to be reasonable by the Directors of ECB, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the ECB Group and the industry and other uncertainties.

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**4. RISK FACTORS (CONT'D)**

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**4.12 Changes in General Economic and Political Conditions**

As with any other companies, the performance of the ECB Group is correlated to the overall economic and political conditions both domestically and internationally. The impact of changes in the general economic and political conditions both domestically and internationally could be adverse or favourable to the ECB Group depending on circumstances. These include the risks of war, global economic downturn and unfavourable changes in Government policies.

**4.13 Control by Substantial Shareholders**

Upon completion of the Rights Issue and Offer for Sale, DPLSK will hold, directly and indirectly, between 52.48% and 70.25% of the enlarged issued and paid-up share capital of ECB depending on the subscription rate of the Rights Issue. As such, DPLSK is likely to be able to control the outcome of certain matters requiring the vote of ECB's shareholders unless he is required to abstain from voting by law and/or by the relevant authorities.

Nevertheless, the structure of the ECB Group is such that members of the Board and key management have their own independent functions but overall decisions are made on a collective basis. For example:

- Awarding of contracts is by tender basis on professional and arm's length basis based on price, qualification and experience and tabled to the Board of the relevant subsidiaries in the ECB Group for a final decision; and
- Acquisition of land for development is not solely decided by any Director of ECB but the decision process is through the inputs of different departments of technical, marketing and finance on the feasibility of such acquisitions and thereafter tabled to the Board wherein the decision making is generally on the basis of consensus.

The Directors of ECB are of the view that there are adequate checks and balances in the policies, processes and procedures of the ECB Group to ensure that business decisions and outcomes are made rationally and independently and after due consideration of all relevant information.

**4.14 Covenants on Borrowings**

The ECB Group has various credit facilities to finance its operations and business activities and, pursuant to the Proposals, ECB has issued ECB ICULS, ECB RCSLS A and ECB RCSLS B totalling RM125.9 million. The agreements for credit facilities, the various documents relating to the issuance of ECB ICULS, ECB RCSLS A and ECB RCSLS B and the securities in relation thereto contain inter-alia, covenants that may limit the ECB Group's future operating and financing flexibility. Certain plans may be restricted or require the consent of the relevant financial institutions or investors. A breach of any covenant may result in the termination and/or enforcement of securities granted for the relevant credit facility or securities issued. The Directors of ECB are aware of such covenants and shall take all necessary precautions to prevent any breach of its agreements with financial institutions and investors.

**4.15 Financial Risk**

Based on the proforma consolidated balance sheets of ECB as at 31 March 2003, before the conversion of ECB ICULS, ECB RCSLS A and ECB RCSLS B, the total short term and long term borrowings of the ECB Group is approximately RM97.7 million while the gearing is 0.43 times (assuming full subscription of the Rights Issue). Any unfavourable change in the prevailing interest rate may adversely affect the cash flow of the Group, which may affect the ability of ECB to meet its financing obligations, and increase the Group's interest cost.

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**4. RISK FACTORS (CONT'D)**

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ECB is cautious on borrowing excessively to finance acquisition of land and its property development projects. It intends to support its working capital requirements and certain portions of its capital expenditure through internally generated funds. To this end, up to RM11.3 million of the gross proceeds from the Rights Issue is to be used as working capital of the ECB Group.

**4.16 Regulatory Framework**

The ECB Group's operations are subject to regulations by several governmental ministries and agencies such as Ministry of Entrepreneurial Development, Ministry of Housing and Local Government and Construction Industry Development Board. Apart from the Malaysian Construction Industry Development Board Act, 1994, the Housing Developers (Control and Licensing) Act, 1966 and the regulations made under such legislation, the ECB Group is also subject to other legislation such as the Occupational Safety and Health Act, 1994 and the Environmental Quality Act, 1974. The ECB Group has always worked to ensure that it complies with the rules and regulations of the legal and regulatory framework in which the ECB Group operates.

No assurance can be given that any change to the present legal and regulatory framework in which the ECB Group operates will not have a material impact on the ECB Group's businesses.

**4.17 Other General Risks**

The ECB Group is also subject to other general risks associated with the business of the ECB Group which may affect the operations and financial performance of the ECB Group, such as the breakout of fire, energy crisis, flood, theft, accident and others.

The respective companies in the Group have obtained insurance policies from various insurance agencies such as contractors' all risks insurance, fire insurance, workers' insurance and public liability insurance to mitigate any losses which may arise.

No assurance, however, can be given that the above risks, if they occur, will not have a material adverse effect on the performance of the ECB Group.

## 5. DETAILS OF THE RIGHTS ISSUE AND OFFER FOR SALE

5.1 Share Capital	Scenario A RM	Scenario B RM
<i>Authorised</i>		
500,000,000 ordinary shares of RM1.00 each	500,000,000	500,000,000
<i>Issued and fully paid-up as at LPD</i>		
122,600,002 ordinary shares of RM1.00 each	122,600,002	122,600,002
<i>To be issued and fully paid-up pursuant to the Rights Issue</i>		
27,338,319/25,000,000 new ordinary shares of RM1.00 each	27,338,319	25,000,000
	149,938,321	147,600,002
<i>To be issued pursuant to the full conversion of ECB ICULS</i>		
77,400,000 new ordinary shares of RM1.00 each	77,400,000	77,400,000
<i>To be issued pursuant to the full conversion of ECB RCSLS A and ECB RCSLS B</i>		
48,500,000 new ordinary shares of RM1.00 each	48,500,000	48,500,000
	275,838,321	273,500,002
<i>To be offered for sale pursuant to the Offer for Sale</i>		
Up to 24,962,409 ordinary shares of RM1.00 each	24,962,409	24,962,409

There is currently only one (1) class of shares in ECB, namely ordinary shares of RM1.00 each. The Rights Shares and Offer Shares will rank pari passu in all respects with the other issued and paid-up ordinary shares of ECB including voting rights and will be entitled to all rights, dividends and distributions, the entitlement date of which is subsequent to the date of allotment of the Rights Shares and Offer Shares.

At any general meeting of ECB, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or a representative or proxy or attorney of a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ECB Share. A proxy may, but need not be, a shareholder of ECB and if he is not a shareholder of ECB, he needs not be an advocate, an approved company auditor, or a person approved by the ROC.

Subject to any special rights attaching to any share that may be issued by ECB in the future, the shareholders of ECB shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by ECB as dividends and other distributions and the whole of any surplus in the event of liquidation of ECB in accordance with the Articles of ECB.

### 5.2 Particulars of the Rights Issue and Offer for Sale

#### 5.2.1 Rights Issue at an Issue Price of RM1.00 per Rights Share

Pursuant to the Proposals, only the Entitled Shareholders are entitled to the Rights Issue. The ECB Shares issued pursuant to the Equine Acquisition and Debt Restructuring are not entitled to the Rights Issue. Similarly, the creditors' agent of ECB who has undertaken not to participate in the Rights Issue is also not entitled to the Rights Issue.

Based on the 3,037,591 ECB Shares issued to the Entitled Shareholders pursuant to the Capital Reduction and Consolidation and Share Swap, the renounceable rights issue will comprise the issuance of up to 27,338,319 new ECB Shares on the basis of nine (9) Rights Shares for every one (1) ECB Share held by the Entitled Shareholders.

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**5. DETAILS OF THE RIGHTS ISSUE AND OFFER FOR SALE (CONT'D)**

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The Rights Issue is subject to a minimum subscription amount of RM25,000,000 or 25,000,000 ECB Shares, after taking into consideration the minimum funding requirements set out in Section 5.7.1 of this Prospectus. This represents 91.45% of the 27,338,319 new ECB Shares to be issued pursuant to the Rights Issue.

The amount in excess of the Minimum Subscription is not required to be underwritten and have not been underwritten.

Fractional Rights Shares arising from the Rights Issue shall be disregarded and the aggregate of such fraction will be dealt with on such terms and at such time as the Directors of ECB may in its discretion deem fit and expedient.

DPLSK has provided an irrevocable written undertaking to subscribe for the unsubscribed portion of the Rights Issue up to the Minimum Subscription amount. In the event DPLSK is required to subscribe for the Rights Shares under the Minimum Subscription and the Offer Shares are not taken up by the Malaysian public, ECB will not have the requisite public spread of 25% as required by the SC and KLSE for listing on the KLSE. However, on 5 May 2003, the SC has granted its approval for ECB to comply with the 25% public spread within six (6) months from the date of Listing.

On 24 June 2003, ECB submitted an application to the KLSE for an extension of time of six (6) months to comply with the 25% public spread requirement from the date of Listing in the event ECB does not have the required 25% public spread upon completion of the Rights Issue and Offer for Sale. The KLSE had on 15 July 2003 advised that the said application will only be considered upon determination by ECB of the actual level of public shareholding spread in ECB after the completion of the Rights Issue and Offer for Sale.

As the securities of ECB are prescribed securities, the Rights Shares to be issued pursuant to the Rights Issue will be credited directly into the CDS accounts of the respective Entitled Shareholders and/or their renounee(s) (if applicable). No physical share certificates will be issued, but notices of allotment will be despatched to the Entitled Shareholders and/or their renounee(s) (if applicable) within 15 Market Days from the last day and time for acceptance and payment of the Rights Issue.

**5.2.2 Offer for Sale at an Offer Price of RM1.00 per Offer Share**

The Offer for Sale of up to 24,962,409 ECB Shares at RM1.00 each are subject to the terms and conditions of this Prospectus and will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Offer Shares are not underwritten and the offer is on a best effort basis. Any unsubscribed Offer Shares will be retained by the Offeror.

**5.3 Opening and Closing of Application**

Applications for the Rights Shares and Offer Shares will be accepted from 10.00 a.m. on 23 September 2003 to 5.00 p.m. and 8.00 p.m. respectively on 9 October 2003 or for such further date or dates as the Directors of ECB and the Offeror (in respect of the Offer for Sale) may in their absolute discretion mutually decide. Late applications will not be accepted.

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**5. DETAILS OF THE RIGHTS ISSUE AND OFFER FOR SALE (CONT'D)**


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**5.4 Important Tentative Dates****5.4.1 Rights Issue**

In relation to the Rights Issue, the following events are intended to take place on the following tentative dates:

<b>Event</b>	<b>Tentative Date</b>
(i) Entitlement or record date	19 September 2003 at 5.00 p.m.
(ii) Last day and time for splitting	30 September 2003 at 5.00 p.m.
(iii) Last day and time for sale and transfer of provisional allotment of rights	9 October 2003 at 5.00 p.m.
(iv) Last day and time for acceptance and payment	9 October 2003 at 5.00 p.m.
(v) Last day and time for excess shares application and payment	9 October 2003 at 5.00 p.m.
(vi) Allotment of the Rights Shares	End October 2003
(vii) Listing	End October 2003

**5.4.2 Offer for Sale**

In relation to the Offer for Sale, the following events are intended to take place on the following tentative dates:

<b>Event</b>	<b>Tentative Date</b>
(i) Opening of application for the Offer Shares	23 September 2003
(ii) Closing of application for the Offer Shares	9 October 2003 at 8.00 p.m.
(iii) Balloting for application for the Offer Shares	Mid October 2003
(iv) Allotment of the Offer Shares	End October 2003
(v) Listing	End October 2003

The above timetables are tentative and subject to changes which may be necessary to facilitate implementation procedures. The applications for the Rights Issue and Offer for Sale will close at the time and date as stated above or such other later date or dates as the Directors of ECB and the Offeror (in the case of the Offer for Sale) may in their absolute discretion mutually decide.



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**5. DETAILS OF THE RIGHTS ISSUE AND OFFER FOR SALE (CONT'D)**

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**5.5 Basis of Arriving at the Rights Price and Offer Price**

The issue price of RM1.00 per Rights Share and Offer Share is based on the par value of the ECB Shares and also after taking into account, amongst others, the following factors:

- (i) The forecast net PE Multiple of approximately 10.78 times based on the forecast net EPS of the ECB Group for the financial year ending 31 March 2004 of 9.28 sen and the enlarged issued and paid-up share capital of 149,938,321 ECB Shares (assuming full subscription of the Rights Issue);
- (ii) The future plans, strategies and prospects of the ECB Group as set out in Section 7.7 of this Prospectus;
- (iii) The proforma Group NTA per ordinary share of RM1.44 (assuming full subscription of the Rights Issue) after the Rights Issue and Offer for Sale as set out in Section 14.8 of this Prospectus; and
- (iv) The qualitative and quantitative factors as set out in Section 7 of this Prospectus.

Investors should note that the market price of ECB Shares upon Listing is subject to the vagaries of market forces and other uncertainties. Investors should form their own view on the valuation of the Rights Shares and Offer Shares before deciding to invest in the Rights Shares and Offer Shares.

**5.6 Purposes of the Rights Issue and Offer for Sale**

**5.6.1 Rights Issue**

The purposes of the Rights Issue are as follows:

- (i) To provide opportunities for the Entitled Shareholders to participate in the future growth of the ECB Group; and
- (ii) To raise funds for the items stated in Section 5.7 of this Prospectus.

**5.6.2 Offer for Sale**

The purposes of the Offer for Sale are as follows:

- (i) To provide an opportunity for the Malaysian public to participate in the future growth of the ECB Group by way of equity participation; and
- (ii) To repay the Former Unsecured Creditors in cash.

In addition, the Rights Issue and Offer for Sale will facilitate ECB to obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of ECB on the Main Board of the KLSE.

## 5. DETAILS OF THE RIGHTS ISSUE AND OFFER FOR SALE (CONT'D)

### 5.7 Proceeds of the Rights Issue and Offer for Sale

#### 5.7.1 Rights Issue

The proceeds of between RM25,000,000 and RM27,338,319 are expected to be raised from the Rights Issue. The gross proceeds raised are to be utilised in the following manner:

	Scenario A RM 000	Scenario B RM 000
Purchase consideration for the STS Acquisition	3,027	3,027
Settlement of amount owing by STS to KLIH pursuant to the STS Acquisition	8,972	8,972
Working capital for the ECB Group	11,339	9,001
Estimated expenses for the Proposals <sup>(2)</sup>	4,000	4,000
	27,338	25,000

**Notes:**

<sup>(1)</sup> Save for the working capital for the ECB Group, the gross proceeds raised are expected to be utilised by the end of the fourth (4<sup>th</sup>) quarter of 2003.

<sup>(2)</sup> Estimated expenses for the Proposals amounting to approximately RM4 million consist of the following:

	RM 000
Professional fees	3,300
Fees payable to the SC	180
Fees payable to the KLSE including initial and annual listing fees	80
Issuing house fees	110
Printing and advertisement of Prospectus	330
Total	4,000

#### 5.7.2 Offer for Sale

All proceeds of the Offer for Sale amounting up to RM24,962,409 shall accrue to the Offeror and no part of the proceeds is receivable by ECB.

### 5.8 Brokerage

Brokerage relating to the Offer for Sale by the Offeror is payable by the Offeror at the rate of one percent (1.0%) of the issue price of RM1.00 per Offer Share in respect of successful applications which bear the stamps of either CIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH.

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## 6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

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### 6.1 Overview of the Malaysian Economy

The Malaysian economy remains resilient to post a higher real gross domestic product (“GDP”) growth in the first half of 2003, despite the adverse external economic environment. While the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) in the region had some transitory negative effects on tourism-related industries, it did not significantly impact the overall performance of the economy in the first half of 2003. Consumer and business sentiments are expected to be further enhanced following the containment of SARS and better world economic outlook anticipated for the rest of 2003. Hence, growth momentum is envisaged to continue in the second half of 2003. Overall growth for 2003 is estimated at 4.5%. Growth is expected to be across the board, driven largely by services and manufacturing output.

The economic outlook for 2004 is envisaged to be favourable. Real GDP growth is expected to gain momentum and register a higher rate of 5.5% to 6.0% in 2004. Growth is expected to emanate from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures.

*(Source: Economic Report 2003/2004)*

### 6.2 Malaysian Property Market

#### 6.2.1 Market Overview

While the residential sub-sector remained strong, overall demand for properties of all kinds was generally moderate. Demand for affordable and landed houses in choice locations with good accessibility, however, was sustained. Several factors lent support to residential development in 2002. The most significant factors were the promotion of home ownership via the stamp duty waiver in the first half of 2002 and attractive financing packages with very competitive rates offered by financial institutions.

The non-residential sub-sector remained subdued as construction of purpose-built office and retail space during 2002 was supported mainly by on-going projects. Although the overhang of office and retail space sub-sectors improved during the first (1<sup>st</sup>) half of 2002, it continued to account for the bulk of the total overhang in the property sector. New office projects that started construction during the first (1<sup>st</sup>) nine (9) months of 2002 constituted only 2% of the total office space that was under construction. Overall, with the decline in incoming supply, the average occupancy rate for office space stabilised at 78% as at end-September 2002.

In residential sub-sector, there has been an increase in property overhang and the take-up rate for newly-launched projects during the first half of 2002 was low. Activity in the non-residential sub-sector will continue to be affected by the oversupply situation.

*(Source: BNM Annual Report 2002)*

Overall, the property market in Selangor for 2002 showed an improvement in transaction activity over 2001, driven primarily by the huge increase in transactions in the primary residential property sector. However, without taking into account transactions that have been waived from stamp duty, residential market activity registered a drop of 13.5% in volume and a reduction of 10.2% in value of transactions. This could be due to the greater activity in the primary residential sector as purchasers were attracted not only by the waiver and incentives offered by developers but also a preference for new units.

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**6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (CONT'D)**

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The commercial sector recorded an increase of 13.8% in 2002 compared to a contraction of 3.8% in 2001. There was a substantial increase in transactions of vacant commercial plots and retail lots that managed to offset decreases in the shop sub-sector.

*(Source: Property Market Report 2002)*

**6.2.2 Market Outlook**

The residential sector, the main sector driving the property market, is expected to remain active in 2003 although slower activity may be seen in the earlier months. A drop in the volume of transactions, noted in the final quarter of 2002 compared to increases year-on-year since 1999 suggested that the waiver has lured away some demand that would otherwise have taken place in the latter half of 2002.

Activity in the early part of 2003 may indicate lower demand, an after effect of expiry of the stamp duty waiver for new houses by the Government and also the result of war in Iraq. The low interest rates, competition among banks for a bigger share of housing loans as well as incentives from developers will continue to support activity. The strong demand for affordable houses of RM150,000 and below, accounting for 74.7% of the volume of transactions in 2002 should continue in the year 2003.

*(Source: Property Market Report 2002)*

In response to the stimulus package as announced by the Prime Minister on 21 May 2003 and stronger economic growth as well as lower interest rates, the number of property transactions is expected to pick up in the second half of 2003, after registering a decline of 5.8% to 111,934 transactions in the first half of 2003 (January-June 2002: 118,858 transactions). The decline of 11.0% is due to lower number of residential property transactions. Commercial and industry properties transactions meanwhile recorded an increase of 5.0% and 9.6%, respectively during the six (6) months period in 2003.

*(Source: Economic Report 2003/2004)*

**6.2.3 Industry Life Cycle**

The performance of the property development industry is cyclical in nature and is linked to the state of the general Malaysian economy. Its growth is highly correlated to the economic health and political stability of the country.

With its numerous linkages to other sectors of the Malaysian economy, the property development sector is used as a tool to enhance growth in the national economy.

**6.2.4 Industry Players and Competition**

The property development industry is highly competitive in nature with a large number of players, which include listed and non-listed companies. Among the key players in this industry within the vicinity of the major property development projects of ECB in the Selangor Darul Ehsan area are Sime UEP Properties Berhad, MK Land Holding Berhad, Talam Corporation Berhad, Europlus Berhad and LBS Bina Group Berhad.

Intense competition exists where there are few developers developing projects within the same vicinity or in close proximity to each other. Therefore, the success of a market player is largely dependent on the ability of a developer to deliver attractively priced, innovative, well-designed and quality housing schemes to the property buyers.

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**6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (CONT'D)**

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Generally, the competitive advantages of the ECB Group are its affordable pricing as well as the location of its land bank which are primarily situated in high growth areas. In addition, the Group's concept of affordable, convenient and conducive housing schemes that are information technology infused are the key strategies to compete and excel against its competitors.

The Directors of ECB believe that with the business acumen, vision, leadership and know-how of personnel within the Group, ECB will be able to compete efficiently and effectively in the property development sector.

**6.2.5 Government Policies, Incentives and Legislation**

Under the Eighth Malaysian Plan, the development of low-cost housing will be expedited to ensure that those who are eligible will be provided houses, either for rent or sale. In this regard, there will be a change in the implementation strategy, whereby the Federal Government will be involved directly in the selection of suitable locations to expedite construction and to reduce the problem of mismatch between supply and demand for houses. The state governments will handle the sales as well as the arrangements for end-financing with the financial institutions and will continue to be responsible for the selection of buyers or tenants. A revolving fund will be established to finance the project.

*(Source: Eighth Malaysian Plan)*

The Government has also promoted the property development industry through various initiatives such as the recent economic stimulus package which was announced by the Government on 21 May 2003. The economic stimulus package contained plans to help reduce the overhang of residential properties by offering incentives such as exemption from stamp duty for purchase of houses below RM180,000 and exemption from real property gains tax for a year beginning 1 June 2003. Foreign purchase of residential properties in Malaysia has also increased following the liberalisation of the FIC guidelines on foreign home ownership which took effect in April 2001.

The Group is governed by legislation such as the Malaysian Construction Industry Development Board Act, 1994, Housing Developers (Control and Licensing) Act, 1996, Occupational Safety and Health Act, 1994, the Environmental Quality Act, 1974 and regulations made under such legislation. In addition, the Group is also required to adhere to the regulations under CIDB, the body established under the Malaysian Construction Industry Development Board Act, 1994 which is responsible for regulating and improving the property development and construction industries by means of providing consultancy, quality accreditation, research and development, promoting of high technology as well as manpower training services.

**6.2.6 Contribution to Economic Growth**

The property sector can be considered as important contributor to the Malaysian economy. In addition to its own activities, the property sector is linked to and provides business to various supporting industries including manufacturers and suppliers of cement, steel bars and other building materials, the transportation industry and the service industries such as engineering consultancy and architectural and design services. The property sector has also been instrumental in providing a relatively high number of jobs for the country's workforce.

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**6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (CONT'D)**

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**6.2.7 Ease of Entry of New Players**

The property sector consists of large and small property firms competing side-by-side. The following are possible barriers for entry to new players in the property sector in which the Group operates:

- (a) Requirement for skilled and experienced technical manpower with extensive property development experience as well as project management expertise;
- (b) Established market presence with a proven track record for the successful delivery of projects;
- (c) Requirement for access to funds to commence any new projects, especially property development projects on a large scale;
- (d) Substantial goodwill and reputation built up over the years with its customers, suppliers and subcontractors alike; and
- (e) The scarcity in land for property development especially in the growth region within the Multimedia Super Corridor.

With continuing support from its bankers, internally generated resources and experienced and knowledgeable personnel, the Directors of ECB believe that the ECB Group has the necessary attributes to further excel in the property sector.

**6.2.8 Reliance on and Vulnerability to Imports**

The Directors of ECB believe that the local property sector does not rely significantly on imported materials. Amongst the construction materials used by the Group in its operations are cements, steel bars, timber, plywood and piles which can easily be sourced from established manufacturers and traders throughout Malaysia. In general, no particular manufacturer is thought to be able to dictate the price of the construction materials and the market for supplies of construction materials can be considered to be relatively competitive.