

1. CORPORATE INFORMATION

BOARD OF DIRECTORS

Directors	Address	Occupation	Nationality
Dato' Kalimullah bin Masheerul Hassan <i>(Chairman / Independent Non-Executive Director)</i>	1, USJ 2/7, UEP Subang, 47600 Subang Jaya, Selangor Darul Ehsan	Company Director	Malaysian
Dato' Haji Abdul Latif bin Abdullah <i>(Deputy Chairman / Independent Non-Executive Director)</i>	No. 25, Jalan SS19/4, 47500 Subang Jaya, Selangor Darul Ehsan	Company Director	Malaysian
Datuk Kelvin Tan Aik Pen <i>(Managing Director)</i>	TB 3365 Fuji Park, Batu 2 Jalan Sin On, 91000 Tawau, Sabah	Company Director	Malaysian
Tan Aik Sim <i>(Chief Executive Officer/ Executive Director)</i>	23, Lorong Raja Udang 1A, Taman Kingfisher 2, 88450 Kota Kinabalu, Sabah	Company Director	Malaysian
Datuk Azizan bin Abd Rahman <i>(Executive Director)</i>	30 Lorong Taman Pantai 7, Bukit Pantai, 59100 Kuala Lumpur	Company Director	Malaysian
Lim Fook Hin <i>(Executive Director)</i>	13A-06, Fraser Tower East, 5/60, Jalan Gasing, 46000 Petaling Jaya, Selangor Darul Ehsan	Company Director	Malaysian
Tan Aik Hwa <i>(alternate to Datuk Kelvin Tan Aik Pen)</i>	No. 35, Jalan Dato' Khong Kam Tak, 31400 Ipoh, Perak Darul Ridzuan	Company Director	Malaysian
Tan Ek Huat <i>(alternate to Tan Aik Sim)</i>	Lot 12382, Pekan Baru, 36000 Teluk Intan, Perak Darul Ridzuan	Company Director	Malaysian
Tan Aik Yong <i>(alternate to Lim Fook Hin)</i>	No. 205, Taman Jindo, Phase 2, Lorong Palas 2, 88300 Kota Kinabalu, Sabah	Company Director	Malaysian

I. CORPORATE INFORMATION (Cont'd)

AUDIT COMMITTEE

Name	Designation	Directorship
Dato' Kalimullah bin Masheerul Hassan	Chairman	Chairman / Independent Non-Executive Director
Dato' Haji Abdul Latif bin Abdullah	Member	Deputy Chairman / Independent Non-Executive Director
Lim Fook Hin	Member	Executive Director

COMPANY SECRETARIES

- : Lim Fook Hin
(MICPA 909)
13A-06, Fraser Tower East,
5/60, Jalan Gasing,
46000 Petaling Jaya,
Selangor Darul Ehsan
- Chow Yeen Lee
(MAICSA 7047480)
No. 5, Jalan 21/18,
Seapark,
46300 Petaling Jaya,
Selangor Darul Ehsan

REGISTERED OFFICE

- : Suite 702, Block E,
Pusat Dagangan Phileo Damansara 1,
No. 9, Jalan 16/11, Off Jalan Damansara,
46350 Petaling Jaya,
Selangor Darul Ehsan
- Telephone no.: 03 - 7660 6288
Facsimile no.: 03 - 7660 6280
- E-mail address: info@ekowood.com
Website: www.ekowood.com

FACTORY

- : Lot 1-12, Jalan Industri 2/1,
Kawasan Perindustrian Gopeng,
KM 15, Jalan Gopeng,
31600 Gopeng,
Perak Darul Ridzuan
- Telephone no.: 05 - 357 2020
Facsimile no.: 05 - 357 2000

SHOWROOM

- : S 032, 2nd Floor,
Mid Valley Megamall,
Lingkar Syed Putra,
59200 Kuala Lumpur
- Telephone no.: 03 - 2282 0299/ 2283 3275
Facsimile no.: 03 - 2282 9298

1. CORPORATE INFORMATION (Cont'd)

AUDITORS/REPORTING ACCOUNTANTS	:	Ernst & Young Chartered Accountants 21 & 23, Jalan Hussein, 30250 Ipoh, Perak Darul Ridzuan Telephone no.: 05 - 255 6393
SOLICITORS	:	Teh & Lee Advocates & Solicitors Unit 23-3, 3rd Floor, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur Telephone no.: 03 - 2283 2800
PRINCIPAL BANKERS	:	HSBC Bank Malaysia Berhad 138, Jalan Sultan Yussuf, 30000 Ipoh, Perak Darul Ridzuan Telephone no.: 05 - 522 6225 Malayan Banking Berhad 112, Jalan Canning Estate, Ipoh Garden, 31400 Ipoh, Perak Darul Ridzuan Telephone no.: 05 - 547 4644 Bumiputra Commerce Bank Berhad 288 & 290, Jalan Gopeng, Gunung Rapat, 31350 Ipoh, Perak Darul Ridzuan Telephone no.: 05 - 313 5200 RHB Bank Berhad 90 & 92 High Street, 31600 Gopeng, Perak Darul Ridzuan Telephone no.: 05 - 359 1291

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

- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd
(formerly known as Malaysian Share Registration Services Sdn Bhd)
Level 26, Menara Multi Purpose,
Capital Square,
No. 8 Jalan Munshi Abdullah,
50100 Kuala Lumpur

Telephone no : 03 - 2721 2222
- ADVISER, JOINT LEAD
PLACEMENT AGENT,
MANAGING UNDERWRITER
AND UNDERWRITER** : Avenue Securities Sdn Bhd
Level 1, THB Satu,
Jalan Damansara Endah,
Damansara Heights,
50490 Kuala Lumpur

Telephone no.: 03 – 2089 1800 / 03 - 2711 8798
- JOINT LEAD PLACEMENT
AGENT AND UNDERWRITER** : ECM Libra Securities Sdn Bhd
Level 2, 3 & 15,
Menara Olympia,
8, Jalan Raja Chulan,
50200 Kuala Lumpur

Telephone no.: 03 - 2031 9900
- CO-PLACEMENT AGENT** : Mercury Securities Sdn Bhd
Lot 6-05, Level 6,
Menara Milenium,
8, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur

Telephone no.: 03 - 2094 2828
- UNDERWRITERS** : Affin Securities Sdn Bhd
Level 32, Menara Keck Seng,
203, Jalan Bukit Bintang,
55100 Kuala Lumpur

Telephone no.: 03 - 2143 8668

Aseambankers Malaysia Berhad
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur

Telephone no.: 03 - 2059 1888

Mayban Securities Sdn Bhd
Level 5-11, MaybanLife Tower,
Dataran Maybank,
No. 1 Jalan Maarof,
59000 Kuala Lumpur

Telephone no.: 03 - 2297 8888

1. CORPORATE INFORMATION (Cont'd)

- UNDERWRITERS (Cont'd)** :
- PM Securities Sdn Bhd
Ground & 1st Floors,
MUI Plaza, Jalan P. Ramlee,
50250 Kuala Lumpur
- Telephone no.: 03 - 2146 3000
- Southern Investment Bank Berhad
16th Floor Wisma Genting,
Jalan Sultan Ismail,
50250 Kuala Lumpur
- Telephone no. : 03 - 2059 4188
- INDEPENDENT MARKET
RESEARCH CONSULTANTS** :
- Infocredit D&B (Malaysia) Sdn Bhd
Level 9-3A,
Menara Milenium,
8, Jalan Damanela,
Pusat Bandar Damansara,
50490 Kuala Lumpur
- Telephone no.: 03 - 2718 1000
- STOCK EXCHANGE LISTING
SOUGHT** :
- Main Board of Bursa Securities

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2. INFORMATION SUMMARY

The information summary is only a summary of the salient information on the Ekowood Group. Investors should read and understand the whole of this Prospectus prior to making an investment decision. The following summary of information is qualified in its entirety and should be read in conjunction with the more detailed information and financial statements appearing elsewhere in this Prospectus.

2.1 HISTORY AND BUSINESS

Ekowood was incorporated in Malaysia as a private limited company under the Act on 27 May 1994 under the name of Kesuma Cergas Sdn Bhd. It changed its name to TSH-Smallholders Sdn Bhd on 14 December 1994 and to TSH Ekowood Sdn Bhd on 22 February 2001. It was subsequently converted into a public limited company on 25 March 2004. It assumed its present name on 19 April 2004. The authorised share capital of Ekowood is RM200,000,000 comprising 400,000,000 ordinary shares of RM0.50 each of which 168,000,000 ordinary shares of RM0.50 each have been issued and fully paid-up.

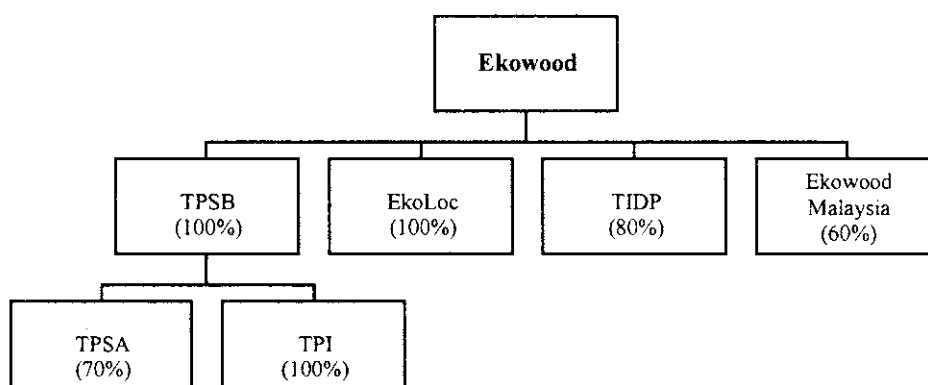
Ekowood's principal activity is the manufacturing and sale of engineered solid hardwood flooring, whilst its subsidiaries are principally involved in the business activities as set out below:

Subsidiaries	Date And Country Of Incorporation	% Effective Equity Interest	Issued And Paid-Up Capital	Principal Activities
EkoLoc	1 August 1996 Malaysia	100%	RM100,000	Supply and installation of engineered solid hardwood flooring and sub-licensing of the strip lock system for manufacturing of engineered solid hardwood flooring that uses mechanical locking system
TPSB	20 October 1997 Malaysia	100%	RM2	Investment holding and trading of engineered solid hardwood flooring
TIDP	29 December 1998 Spain	80%	Euro3,005	Sales of engineered solid hardwood flooring
Ekowood Malaysia	20 March 1995 Malaysia	60%	RM500,000	Supply and installation of engineered solid hardwood flooring
TPI*	3 May 2000 USA	100%	USD1,000	Sales of engineered solid hardwood flooring
TPSA*	21 June 2000 Luxembourg	70%	Euro31,000	Importation and distribution of engineered solid hardwood flooring

* Subsidiary of TPSB

2. INFORMATION SUMMARY (Cont'd)

The existing group structure of Ekowood is depicted in the diagram below:



Further details of the history and business of the Ekowood Group is set out in Section 5.1 of this Prospectus.

2.2 INFORMATION ON PROMOTER/OFFEROR, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY MANAGEMENT OR KEY TECHNICAL PERSONNEL

2.2.1 Promoter/Offeror

The Promoter/Offeror of the Company and its interest upon the completion of the Offer For Sale and the full exercise of the CEO Option pursuant to the CEO Scheme is as follows:

Promoter/ Offeror	< ----- Direct ----- >		< ----- Indirect ----- >	
	No. Of Ekowood Shares Held	% Held	No. Of Ekowood Shares Held	% Held
TSH	100,799,988	60.00	-	-

2.2.2 Substantial Shareholder

The substantial shareholder of Ekowood (holding five percent (5%) or more equity interest in Ekowood) upon the completion of the Offer For Sale and the full exercise of the CEO Option pursuant to the CEO Scheme is as follows:

Substantial Shareholder	< ----- Direct ----- >		< ----- Indirect ----- >	
	No. Of Ekowood Shares Held	% Held	No. Of Ekowood Shares Held	% Held
TSH	100,799,988	60.00	-	-

2. INFORMATION SUMMARY (Cont'd)

2.2.3 Directors

The Directors of Ekowood and their respective shareholdings in Ekowood upon completion of the Offer For Sale and the full exercise of the CEO Option pursuant to the CEO Scheme are as follows:

Directors	< ----- Direct ----- >		< ----- Indirect ----- >	
	No. Of Ekowood Shares Held	% Held	No. Of Ekowood Shares Held	% Held
Dato' Kalimullah bin Masheerul Hassan	420,000	0.25	-	-
Dato' Haji Abdul Latif bin Abdullah	350,000	0.21	-	-
Datuk Kelvin Tan Aik Pen	420,000	0.25	110,249,988*	65.62
Tan Aik Sim	8,400,000	5.00	102,269,988*	60.87
Datuk Azizan bin Abd Rahman	350,000	0.21	-	-
Lim Fook Hin	350,000	0.21	-	-
Tan Aik Hwa	350,000	0.21	110,319,988*	65.67
Tan Ek Huat	350,000	0.21	110,319,988*	65.67
Tan Aik Yong	350,000	0.21	110,319,988*	65.67

Notes:

* Deemed interested by virtue of their respective shareholdings in TSH and the shareholdings of persons connected to them per Section 122A of the Act in Ekowood pursuant to the ESS and the CEO Scheme but excluding their entitlements pursuant to their shareholdings and/or warrant holdings in TSH.

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2. INFORMATION SUMMARY (Cont'd)

2.2.4 Key Management Or Key Technical Personnel

The key management or key technical personnel and their respective shareholdings in Ekowood upon completion of the Offer For Sale and the full exercise of the CEO Option pursuant to the CEO Scheme are as follows:

Key Management/ Key Technical Personnel	Designation	< ----- Direct ----- >		< ----- Indirect ----- >	
		No. Of Ekowood Shares Held	% Held	No. Of Ekowood Shares Held	% Held
Datuk Kelvin Tan Aik Pen	Managing Director	420,000	0.25	110,249,988*	65.62
Tan Aik Sim	Chief Executive Officer / Executive Director	8,400,000	5.00	102,269,988*	60.87
Datuk Azizan bin Abd Rahman	Executive Director	350,000	0.21	-	-
Lim Fook Hin	Executive Director	350,000	0.21	-	-
Tan Aik Hwa	Alternate Director	350,000	0.21	110,319,988*	65.67
Tan Ek Huat	Alternate Director	350,000	0.21	110,319,988*	65.67
Tan Aik Yong	Alternate Director	350,000	0.21	110,319,988*	65.67
Lim Ming Chan	Factory Manager	170,000	0.10	-	-
Choong Wei Theng	Finance Manager	100,000	0.06	-	-
Lim Wai Mun	Production Manager	100,000	0.06	-	-
Nagaraja a/l Jeganathan	Technical Development Manager	80,000	0.05	-	-

Note:

* Deemed interested by virtue of their respective shareholdings in TSH and the shareholdings of persons connected to them per Section 122A of the Act in Ekowood pursuant to the ESS and the CEO Scheme but excluding their entitlements pursuant to their shareholdings and/or warrant holdings in TSH.

The detailed information on the Promoter/Offeror, substantial shareholder, directors and key management or key technical personnel of the Ekowood Group is set out in Sections 6.1, 6.2 and 6.4 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.3 FINANCIAL INFORMATION

2.3.1 Consolidated Results

The following sets out a summary of the consolidated audited results of the Ekowood Group for the past five (5) financial years ended 31 December 1999 to 31 December 2003 and the six (6)-months period ended 30 June 2004. The consolidated profit results should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus.

	<-----Year ended 31 December----->					6-month
	1999 RM	2000 RM	2001 RM	2002 RM	2003 RM	Period Ended 30 June 2004 RM
Revenue	61,956,852	73,140,639	81,129,164	91,112,096	110,675,358	61,887,500
Profit before interest, depreciation, tax and amortisation	11,871,026	15,215,831	13,485,868	19,081,240	25,507,029	14,863,156
Interest expense	(4,720,901)	(4,261,947)	(2,095,338)	(2,213,909)	(2,498,921)	(654,264)
Depreciation	(3,549,989)	(3,787,894)	(3,811,000)	(3,942,782)	(4,313,502)	(2,335,723)
PBT and MI	3,600,136	7,165,990	7,579,530	12,924,549	18,694,606	11,873,169
Taxation	(4,822)	(972,937)	(1,456,935)	(4,646,321)	(3,864,321)	(1,187,609)
PAT but before MI	3,595,314	6,193,053	6,122,595	8,278,228	14,830,285	10,685,560
MI	(17,560)	14,846	(88,823)	238,258	(19,404)	(25,579)
PAT and MI	3,577,754	6,207,899	6,033,772	8,516,486	14,810,881	10,659,981
Weighted average number of shares in issue *	115,906,792	115,906,792	115,906,792	115,906,792	116,204,340	151,002,789
Gross EPS (sen)	3.11	6.18	6.54	11.15	16.09	7.86
Net EPS (sen)	3.09	5.36	5.21	7.35	12.75	7.06

Note:

* Calculated after retrospective adjustments for bonus issue and share split on 1 March 2004.

There were no extraordinary or exceptional items in the past five financial years ended 31 December 1999 to 31 December 2003 and the 6-months period ended 30 June 2004 for the Company and its subsidiaries.

Save for the financial statements for financial year ended 31 December 2003 and 6-months period ended 30 June 2004, of which the financial statements for TIDP, TPI and TPSA were audited for the purposes of submission to the SC and disclosure in this Prospectus, the past financial statements of these subsidiaries have not been audited as they are not required to be audited in their respective countries of origin.

2. INFORMATION SUMMARY (Cont'd)

2.3.2 Proforma Consolidated Balance Sheets As At 30 June 2004

The following table sets out the summary of proforma consolidated balance sheets of the Ekowood Group as at 30 June 2004 as if the Offer For Sale and the Listing And Quotation had been effected on that date. A more detailed proforma consolidated balance sheet of the Group is set out in Section 10.7 of this Prospectus:

	Audited As At 30 June 2004	Proforma I	Proforma II
	RM	RM	RM
PROPERTY, PLANT AND EQUIPMENT	56,614,995	56,614,995	56,614,995
OTHER INVESTMENT	25,000	25,000	25,000
INTANGIBLE ASSETS	426,667	426,667	426,667
GOODWILL ON CONSOLIDATION	131,783	131,783	131,783
	<u>57,198,445</u>	<u>57,198,445</u>	<u>57,198,445</u>
CURRENT ASSETS			
Inventories	59,007,248	59,007,248	59,007,248
Trade receivables	27,760,172	27,760,172	27,760,172
Other receivables	6,633,174	6,099,970	6,099,970
Amount due from customers on contracts	946,420	946,420	946,420
Amount due from related companies	47	47	47
Tax recoverable	125,540	125,540	125,540
Cash and bank balances	3,303,038	3,303,038	3,303,038
	<u>97,775,639</u>	<u>97,242,435</u>	<u>97,242,435</u>
CURRENT LIABILITIES			
Trade payables	2,005,265	2,005,265	2,005,265
Other payables	14,101,696	15,368,492	15,368,492
Due to customer on contracts	296,997	296,997	296,997
Bank borrowings	11,888,995	11,888,995	11,888,995
Tax payable	99,840	99,840	99,840
	<u>28,392,793</u>	<u>29,659,589</u>	<u>29,659,589</u>
NET CURRENT ASSETS	69,382,846	67,582,846	67,582,846
	<u>126,581,291</u>	<u>124,781,291</u>	<u>124,781,291</u>

2. INFORMATION SUMMARY (Cont'd)

	Audited As At 30 June 2004 RM	Proforma I RM	Proforma II RM
Financed by:			
SHARE CAPITAL	84,000,000	84,000,000	84,000,000
SHARE PREMIUM	5,094,104	3,294,104	3,294,104
EXCHANGE RESERVE	(729,274)	(729,274)	(729,274)
RETAINED PROFITS	25,921,947	25,921,947	25,921,947
SHAREHOLDERS' FUNDS	114,286,777	112,486,777	112,486,777
MINORITY INTEREST	130,113	130,113	130,113
	114,416,890	112,616,890	112,616,890
DEFERRED TAX LIABILITIES	6,404,851	6,404,851	6,404,851
AMOUNT OWING TO HOLDING COMPANY	5,759,550	5,759,550	5,759,550
	12,164,401	12,164,401	12,164,401
	126,581,291	124,781,291	124,781,291
NTA PER SHARE	0.68	0.67	0.67

A. Proforma I - Offer For Sale

Proforma I is stated after incorporating the effects of the following:

The estimated listing expenses of approximately RM1.8 million will be set-off against the share premium account.

B. Proforma II - CEO Scheme

This has no impact on the balance sheet of Ekowood.

Ekowood will not be receiving any of the proceeds from the Offer For Sale and the proceeds from the Offer For Sale will be received by TSH as the Promoter/Offeror, which it will utilise for working capital purposes.

2.3.3 Auditors' Qualifications In The Audited Financial Statements Of The Companies In The Ekowood Group

Where the financial statements of Ekowood and its subsidiaries have been audited, there was no qualification in the audited annual financial statements of Ekowood and its subsidiaries throughout the 5 financial years under review.

2. INFORMATION SUMMARY (Cont'd)

2.4 RISK FACTORS

Applicants for the OFS Shares should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus before applying for the OFS Shares. Full details of the risk factors are set out in Section 4 of this Prospectus:

- (i) No prior market for Ekowood Shares;
- (ii) No assurance of value from underwriting;
- (iii) Business risks;
- (iv) Dependence on key management or key technical personnel;
- (v) Control by the Promoter/Offeror and substantial shareholder;
- (vi) Price and supply of raw material;
- (vii) Foreign exchange fluctuations;
- (viii) Competition within the manufacturing of engineered solid hardwood flooring industry and new entrants;
- (ix) Disclosure regarding forward-looking statements;
- (x) Political, economic and regulatory conditions;
- (xi) Failure/delay in the listing;
- (xii) Insurance coverage;
- (xiii) Environmental considerations;
- (xiv) Competition and impact of AFTA;
- (xv) Dependence on particular markets and industries;
- (xvi) Seasonal sales and weather conditions;
- (xvii) Government control and regulations;
- (xviii) Borrowings;
- (xix) Risk associated with security and system disruptions;
- (xx) Risk associated with technology; and
- (xxi) Risk associated with trademarks.

Please refer to Section 4 of this Prospectus for further information concerning the abovesaid risk factors, which should be considered by prospective investors. Investors are advised to carefully consider the risk factors, together with other information contained in this Prospectus before subscribing to any of the OFS Shares, which form the subject of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.5 CONSOLIDATED PROFIT AND DIVIDEND FORECAST

2.5.1 Consolidated Profit Forecast

Financial Year Ending 31 December

	Forecast 2004 RM'000
Revenue	<u>126,904</u>
Consolidated PBT and MI	23,952
Less: Taxation	<u>(2,266)</u>
Consolidated PAT but before MI	21,686
Less: MI	<u>(10)</u>
Consolidated PAT and MI	<u>21,676</u>

Calculated based on the weighted average issued and paid-up share capital of 168,000,000 Ekowood Shares

- Gross EPS (sen)	14.2
- Net EPS (sen)	12.9
- Gross PE multiple (times)	
(i) based on the Offer Price of RM1.05 per share	7.36
(ii) based on the Offer Price of RM1.15 per share	8.07
Net PE multiple (times)	
(i) based on the Offer Price of RM1.05 per share	8.13
(ii) based on the Offer Price of RM1.15 per share	8.91

The profit forecast of the Ekowood Group and the Reporting Accountants' Letter on the Consolidated Profit Forecast are set out in Sections 10.3.1 and 10.3.2 of this Prospectus.

2.5.2 Dividend Forecast

	Forecast 2004
Financial Year Ending 31 December	
Tax-exempt dividend per share (sen)	2.5
Tax-exempt dividend per share (%)	5.0
Tax-exempt dividend yield based on the Offer Price of	
- RM1.05 per share (%)	2.38
- RM1.15 per share (%)	2.17
Net dividend cover (times)	5.16

The details of the dividend forecast of the Ekowood Group are set out in Section 10.6 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.6 PROFORMA CONSOLIDATED NTA AS AT 30 JUNE 2004

Proforma consolidated NTA (RM'000)	112,592
Proforma consolidated NTA per share (RM)	0.67

The detailed calculations of the proforma consolidated NTA of the Ekowood Group are set out in Section 10.7 of this Prospectus.

2.7 PRINCIPAL STATISTICS RELATING TO THE OFFER FOR SALE**2.7.1 Share Capital Of Ekowood**

	RM
<i>Authorised:</i>	
400,000,000 ordinary shares of RM0.50 each	<u>200,000,000</u>
<i>Issued and fully paid-up</i>	
168,000,000 ordinary shares of RM0.50 each	<u>84,000,000</u>
<i>To be offered pursuant to the Offer For Sale</i>	
58,800,012 ordinary shares of RM0.50 each	<u>29,400,006</u>

2.7.2 Classes Of Shares And Ranking

There is only one class of shares in Ekowood, namely, ordinary shares of RM0.50 each, all of which rank pari passu with one another. The OFS Shares rank pari passu in all respects with the other existing issued and fully paid-up ordinary shares of the Company, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by Ekowood in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions. In respect of the whole of any surplus in the event of winding up of the Company, such surplus shall be distributed among the members in proportion to the paid-up capital at the commencement of the winding up, in accordance with the Articles of Association of Ekowood.

At any general meeting of Ekowood, 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 representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may, but need not be, a member of the Company.

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2. INFORMATION SUMMARY (Cont'd)

2.7.3 Offer Price Per Share

- to the existing shareholders and/or warrant holders of TSH, Eligible Executives, eligible directors and eligible Malaysian employees of the Ekowood Group and TSH and the identified Bumiputera investors approved by MITI RM1.05
- to the identified public investors RM1.15

2.8 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**2.8.1 Working Capital**

The Directors of Ekowood are of the opinion that after taking into account the Ekowood Group's cash flow position and banking facilities available to the Ekowood Group, the Ekowood Group will have adequate working capital for the period of twelve (12) months from the issuance of this Prospectus.

2.8.2 Borrowings

As at 17 September 2004 (being the last practicable date prior to the printing of this Prospectus), the total outstanding borrowings of the Ekowood Group from financial institutions amounted to RM16,173,138 comprising the following:

Short term (interest bearing)	RM
Bank overdraft	1,206,138
Bankers' acceptance	<u>14,967,000</u>
	<u>16,173,138</u>

2.8.3 Material Litigation

Save as disclosed below, as at 17 September 2004 (being the last practicable date prior to the printing of this Prospectus) neither Ekowood nor its subsidiaries is engaged in any material litigation either as plaintiff or defendant which has a material effect on the financial position of Ekowood or any of its subsidiaries and the directors of the Company have no knowledge of any proceedings pending or threatened against the Company and its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position and business of the Company and its subsidiaries.

- (i) Ekowood had on 19 September 1997 filed a suit via Suit No. 22-118-1997 in Ipoh High Court against Gopeng Land & Properties Sdn. Bhd. ("Gopeng"), Villa Technobuild Sdn. Bhd. ("Villa") and Chuah Cheng Hoe ("CCH") (practising as CH Chuah Associates) for loss and damages arising from the breach of contract and/or negligence on the part of the defendants as follows:
 - (a) breach of contract and/or negligence by Gopeng in carrying out the infilling works on a piece of land in the Gopeng Industrial Park in accordance with the Sale and Purchase Agreement dated 18 January 1995 between Ekowood and Gopeng resulting in severe damage to the factory buildings and associated external works ("Works") located within and/or nearby the aforesaid land;

2. INFORMATION SUMMARY (Cont'd)

- (b) breach of contract by Villa of the construction contract dated 15 March 1995 in failing to construct the Works in a good or workmanlike manner or with good or proper materials and therefore the Works are not fit for its purpose and cannot be properly used as a wood product factory; and
- (c) breach by CCH of his contract of employment with Ekowood as consultant engineer and/or negligence in failing to exercise due professional skill and care in the performance of his services resulting in the Works containing serious and substantial defects which prevent the Works from being properly and efficiently used as a wood product factory.

In the abovementioned suit, Ekowood claimed against Gopeng and Villa, inter alia, for damages of RM45,160,104.10 and general damages for loss of goodwill to be assessed by the Court and against CCH, inter alia, for the sum of RM16,284,872.89 being the amount paid to Villa under the construction contract, or alternatively, for damages to the sum of RM45,160,369.00 and general damages for loss of goodwill to be assessed by the Court.

The suit is now fixed for case management on 5 January 2005.

The Board, in consultation with the lawyers, is of the opinion that the Company has a fair chance of succeeding in this suit.

- (ii) Gopeng had on 8 November 2001 filed a suit against Ekowood via Suit No. 22-219-01 in Ipoh High Court in relation to the abovementioned Sale and Purchase Agreement dated 18 January 1995 made between Gopeng and Ekowood whereby Gopeng has agreed to sell and Ekowood has agreed to purchase the land in Gopeng Industrial Park.

In the abovementioned suit, Gopeng claimed against Ekowood inter alia for specific performance of the Sale and Purchase Agreement in that Ekowood be ordered to pay to Gopeng the sum of RM3,434,457.04, interests thereon from 1 July 1997 or such other date deemed appropriate, or alternatively for vacant possession of the aforesaid land and damages pursuant to the Sale and Purchase Agreement, and general damages for breach of contract, and costs.

Payment of the principal sum has been provided for in the accounts of Ekowood.

Ekowood has filed its defence and counter-claim to the above suit. Ekowood counter-claimed against Gopeng for general damages, for special damages of RM45,160,104.10 being the cost of inter alia rectification of works damaged by the subsidence of the land and loss of profits, and also claimed for interest from date of judgment and costs. Gopeng has thereafter filed its reply and defence to the counterclaim.

The suit is now fixed for case management on 3 November 2004.

The Board of Directors, in consultation with the lawyers, is of the opinion that the Company has a fair chance of defending the claim and succeeding in the counter-claim.

2. INFORMATION SUMMARY (Cont'd)

2.8.4 Material Commitments

As at 17 September 2004 (being the last practicable date prior to the printing of this Prospectus), there are no material commitments for capital expenditure incurred or known to be incurred by the Ekowood Group which may have a substantial impact on the results or the financial position of the Group.

2.8.5 Contingent Liabilities

As at 17 September 2004 (being the last practicable date prior to the printing of this Prospectus), there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net asset value of the Ekowood Group.

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3. PARTICULARS OF THE OFFER FOR SALE

This Prospectus is dated 30 September 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Forms, has also been lodged with the ROC, and neither the SC nor the ROC takes any responsibility for its contents.

The approval of the SC, which was obtained vide its letter dated 9 August 2004, shall not be taken to indicate that the SC recommends the Offer For Sale and investors should rely on their own evaluation to assess the merits and risks of the Offer For Sale.

An application will be made to Bursa Securities within three (3) Market Days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of Ekowood on the Main Board of Bursa Securities. These Ekowood Shares will be admitted to the Official List of Bursa Securities and the official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of applications for the OFS Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the listing and quotation of the entire issued and fully paid-up share capital of Ekowood on the Main Board of Bursa Securities. Accordingly, monies paid in respect of any Application accepted from the Offer For Sale will be returned in full without interest if the said permission for listing is not granted within six (6) weeks from the date of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of Bursa Securities within the aforesaid time frame.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Ekowood Shares as a Prescribed Security. In consequence thereof, the shares issued through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the aforesaid act and the Rules of Bursa Depository.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in Ekowood Shares including the OFS Shares will be by book entries through CDS accounts. No share certificates will be issued to successful applicants.

Pursuant to the LR, the Company needs to have at least 25% of the issued and paid-up share capital in the hands of public shareholders and a minimum number of 1,000 public shareholders holding not less than 100 Ekowood Shares each upon completion of the Offer For Sale. The Company is expected to achieve this at the point of listing of the entire share capital of Ekowood on the Official List of Bursa Securities. In the event the above requirement is not met pursuant to the Offer For Sale, the Company may not be allowed to proceed with the listing of the entire share capital of Ekowood on the Official List of Bursa Securities. In the event thereof, monies paid in respect of all applications will be returned in full without interest.

No person is authorised to give any information or to make any representation not contained herein in connection with the Offer For Sale and if given or made, such information or representation must not be relied upon as having been authorised by Ekowood. Neither the delivery of this Prospectus nor any Offer For Sale made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Ekowood since the date hereof.

The distribution of this Prospectus and the making of the Offer For Sale in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the OFS Shares in any jurisdiction in which offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

3.1 Opening And Closing Of Application

The Application will open at 10.00 a.m. on 30 September 2004 and will remain open until 5.00 p.m. on 13 October 2004 or such further period or periods as the Directors and/or the Promoter/Offeror of the Company together with the Underwriters in their absolute discretion may decide. Late Applications will not be accepted.

3.2 Dates Of Special Events

The important events and their dates or tentative dates are as follows:

Event	Date
Date of Prospectus	30 September 2004
Opening of Application for the OFS Shares	30 September 2004
Closing of Application for the OFS Shares #	13 October 2004
Event	Tentative Date
Despatch of Notices of Allotment for the OFS Shares to successful applicants	22 October 2004
Listing and Quotation	8 November 2004

Note:

The Directors and/or the Promoter/Offeror of the Company together with the Underwriters may mutually decide to extend the closing date of the Application to a later date. Should the closing date for Application be extended, the dates for the allotment and listing of Ekowood's entire issued and paid-up share capital on the Main Board of Bursa Securities will be extended accordingly. Ekowood will notify the parties via an advertisement in a widely circulated English newspaper in the event there is an extension of time on the closing date of the Application.

3.3 Purposes Of The Offer For Sale

The purposes of the Offer For Sale are as follows:

- (i) to provide the Company access to the capital markets to raise funds to finance the future expansion and continued growth of the Ekowood Group;
- (ii) to provide an opportunity for the Malaysian investors (including all eligible directors and eligible Malaysian employees of the Ekowood Group and TSH) to participate in the equity and continuing growth of the Ekowood Group; and
- (iii) to obtain the listing of and quotation for Ekowood Shares on the Main Board of Bursa Securities.

3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

3.4 Number And Types Of Securities To Be Offered

	RM
<i>Authorised:</i>	
400,000,000 ordinary shares of RM0.50 each	<u>200,000,000</u>
<i>Issued and fully paid-up</i>	
168,000,000 ordinary shares of RM0.50 each	<u>84,000,000</u>
<i>To be offered pursuant to the Offer For Sale</i>	
58,800,012 ordinary shares of RM0.50 each	<u>29,400,006</u>
<i>Offer Price</i>	
- to existing TSH shareholders and/or warrant holders, Eligible Executives, eligible directors and eligible Malaysian employees of the Ekowood Group and TSH and identified Bumiputera investors approved by MITI	RM1.05
- to the identified public investors	RM1.15

There is only one class of shares in Ekowood, namely, ordinary shares of RM0.50 each, all of which rank *pari passu* with one another. The OFS Shares rank *pari passu* in all respects with the other existing issued and fully paid-up ordinary shares of the Company, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by Ekowood in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions. In respect of the whole of any surplus in the event of winding up of the Company, such surplus shall be distributed among the members in proportion to the paid-up capital at the commencement of the winding up, in accordance with the Articles of Association of Ekowood.

At any general meeting of Ekowood, 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 representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may, but need not be, a member of the Company.

3.5 Details Of The Offer For Sale

The OFS Shares are subject to the terms and conditions of this Prospectus.

3.5.1 Existing Shareholders And/Or Warrant Holders Of TSH

The 24,106,412 OFS Shares will be made available for application to the existing shareholders and/or warrant holders of TSH on the basis of one (1) Ekowood Share for every five (5) existing TSH Shares and/or TSH Warrants held as at 23 September 2004.

Fractions of a share arising from the offer for sale to the shareholders and/or warrant holders of TSH will be dealt with by the Board and the Board of Directors of TSH as they may deem fit.

3. PARTICULARS OF THE OFFER FOR SALE *(Cont'd)*

The offer for sale to the existing shareholders and/or warrant holders of TSH will be on a non-renounceable basis.

Although the offer for sale to the existing shareholders and/or warrant holders of TSH will be on a non-renounceable basis, the existing shareholders and/or warrant holders of TSH may nominate up to three (3) persons for the OFS Shares to be received by his/her nominated person(s).

Although the existing shareholders and/or warrant holders of TSH who accept their entitlements for the OFS Shares may nominate a person(s) to receive the said OFS Shares, the entitlements will remain with the existing shareholders and/or warrant holders of TSH. The acceptance will be made by the existing shareholders and/or warrant holders of TSH, who will issue the instructions to the share registrar to credit the OFS Shares into the account(s) of their nominee(s), if applicable.

This is unlike an offer for sale on a renounceable basis, where the existing shareholders and/or warrant holders of TSH may refuse their respective entitlements in favour of a third party and the entitlements will be transferred to the third party.

3.5.2 Eligible Executives Under The ESS

Upon acceptance, 4,200,000 of the OFS Shares will be offered by the Promoter/Offeror to the Eligible Executives under the ESS at an offer price of RM1.05 per share to reward their contribution to the Ekowood Group.

The salient details of the ESS are as follows:

- (i) to participate in the ESS, each Eligible Executive will be required to pay RM1.00 as acceptance of the ESS Shares offered pursuant to the terms of the ESS ("Entitlements"). With the payment of RM1.00 by each Eligible Executive, they are deemed to have accepted TSH's offer to sell the ESS Shares to them vide the ESS and legal ownership of those ESS Shares would pass from TSH to the Eligible Executives;
- (ii) Entitlements which are not accepted by certain Eligible Executives will be reallocated to the remaining Eligible Executives at the discretion of TSH;
- (iii) on the allotment date for the Offer For Sale, the share registrar would allocate the ESS Shares under the ESS to the respective Eligible Executives who will participate in the ESS according to their Entitlements;
- (iv) the tenure of the ESS is for a period of 5 years;
- (v) as the Eligible Executives have not paid for their ESS Shares at the point of acceptance of Entitlements, the Eligible Executives will be required, as part of the ESS to do the following:
 - (a) assign all distributions which are made by Ekowood to TSH (e.g. dividends and bonus). The assignment is in respect of distributions only and do not affect the Eligible Executives' other rights such as the right to vote and the right to sell their ESS Shares;

3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

- (b) open a CDS account with a nominee company, which will either be A.A. Assets Nominees (Tempatan) Sdn Bhd or A.A. Assets Nominees (Asing) Sdn Bhd (collectively known as the "Nominee") with whom their Entitlements will be allotted to by the share registrar;
- (c) provide an irrevocable undertaking that they will not transfer their ESS Shares in their CDS accounts with the Nominee to any other CDS accounts; and
- (d) provide an irrevocable undertaking that in the event they leave the employment of the Ekowood Group, become bankrupt or die during the ESS Period, authority is given to the Nominee to allow the Nominee to accept instructions from TSH to either:
- sell their Entitlements or any balance thereof remaining unexercised within 10 Market Days after the last day of the Eligible Executive's employment. Gains from such disposals will accrue to TSH; or
 - re-allocate all their Entitlements or any balance thereof remaining unexercised to other Eligible Executives within the ESS nominated by TSH at its discretion within 10 Market Days;
- (vi) as the Eligible Executives have not paid for their ESS Shares at the point of acceptance of their Entitlements, a charge will be created over the ESS Shares in favour of TSH;
- (vii) the Eligible Executives can sell any of their ESS Shares at any time subject to the selling price being equal to or above the Offer Price at which the Eligible Executives will be allowed to sell their ESS Shares. Where the Eligible Executives wishes to sell below the Offer Price, the Eligible Executives will be required to deposit an amount equivalent to the aggregate of the Offer Price and the transaction costs relating to such sale with the Nominee at the point of issuing the selling instructions;
- (viii) there is no restriction on the Eligible Executives selling any of their ESS Shares. Gains from all disposals will be received by the Nominee. The Nominee will then release the gains over the ESS Period subject to the following percentages:

<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
20%*1	20%*2	20%*1/*2	20%*1/*2	20%*1/*2

Notes:

*1 Based on the gains from disposal(s) of up to 20% of total Entitlements.

*2 Where the percentage for a particular period is not fully utilised, the percentage not utilised shall be carried forward to the next period and shall not be subject to the maximum percentage for the next period.

- (ix) the balance of any gains not released to an Eligible Executive will be placed in an interest bearing account for the benefit of the Eligible Executives. On the anniversary of each calendar year, the Nominee will release the gains attributable to that period together with the relevant interest earned to the Eligible Executive;

3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

- (x) the Promoter/Offeror may, as it deems fit, adjust the Eligible Executives' Entitlements and/or the Offer Price to ensure that the Eligible Executives continue to enjoy an equitable proportion of the capital of Ekowood, in the event of:
- (a) an alteration of the par value of the ESS Shares by reason of any consolidation, subdivision or conversion;
 - (b) an issue of additional ESS Shares by Ekowood to its shareholders, credited as fully paid, by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund);
 - (c) a capital distribution to shareholders made by Ekowood whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
 - (d) an offer or invitation made by Ekowood to its shareholders whereunder they may acquire or subscribe for new ESS Shares by way of rights; or
 - (e) an offer or invitation made by Ekowood to its shareholders whereunder they may acquire or subscribe for securities convertible into ESS Shares or securities with rights to acquire or subscribe for ESS Shares;
- (xi) Eligible Executives who leave the employment of the Ekowood Group or become bankrupt during the ESS Period will forfeit (will not be entitled to) their Entitlements or any balance thereof remaining unexercised at the time of their cessation of employment or bankruptcy. Any gains remaining in an interest bearing account for the account of such Eligible Executives will also be forfeited in favour of the Promoter/Offeror;
- (xii) the Eligible Executives who die during the ESS Period will forfeit (will not be entitled to) their Entitlements or any balance thereof remaining unexercised at the time of death. However, any gains remaining in an interest bearing account for the account of such Eligible Executive will be given to his/her immediate family member or any person that he/she nominates. The Nominee may dispose of the relevant ESS Shares on Bursa Securities or place them out to investors who are deemed to be public within 10 Market Days at the instructions of the Promoter/Offeror. Alternatively, the Promoter/Offeror may, at its discretion instruct the Nominee to transfer the ESS Shares to other Eligible Executives' Entitlements not exceeding 5% of Ekowood's issued share capital upon re-allocation;
- (xiii) on the expiry of the ESS Period, any ESS Shares not sold by the Eligible Executives would be transferred back to the Promoter/Offeror via Approved Transfers or taken up by Eligible Executives at the prerogative of the Promoter/Offeror. The ESS Shares transferred to the Promoter/Offeror may be sold on Bursa Securities or placed out to nominated investors at the prerogative of the Promoter/Offeror within 10 Market Days; and
- (xiv) the allocation of the Entitlements are based on the performance and level of seniority of the Eligible Executives.

3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

The eligibility criteria to participate in the ESS is as follows:

- (i) any natural person who had attained the age of 18 years on or before the date of offer;
- (ii) a Malaysian citizen or holding a Malaysian permanent residence status for employees;
- (iii) a full time employee of Ekowood or its subsidiaries;
- (iv) all Ekowood directors (executive, non-executive and alternate are inclusive);
- (v) directors of Ekowood's subsidiaries will be at the discretion of the Board;
- (vi) the performance of the employees;
- (vii) the seniority of the employees; and
- (viii) eligible employees and directors who have accepted the ESS, are not eligible for Ekowood's offer for sale via pink form allocation.

The total number of persons eligible to participate in the ESS is 27.

The TSH and Ekowood directors who are eligible to participate in the ESS and their respective Entitlements are as follows:

Directors	Maximum No. Of Entitlements
1. Dato' Kalimullah bin Masheerul Hassan ⁽¹⁾	420,000
2. Dato' Haji Abdul Latif bin Abdullah ⁽¹⁾	350,000
3. Datuk Kelvin Tan Aik Pen ^{(2) (3)}	420,000
4. Datuk Azizan bin Abd Rahman ^{(2) (3)}	350,000
5. Lim Fook Hin ^{(2) (3)}	350,000
6. Tan Aik Hwa ⁽²⁾	350,000
7. Tan Ek Huat ⁽²⁾	350,000
8. Tan Aik Yong ^{(2) (3)}	350,000

Notes:

(1) Non-Executive Directors of Ekowood.

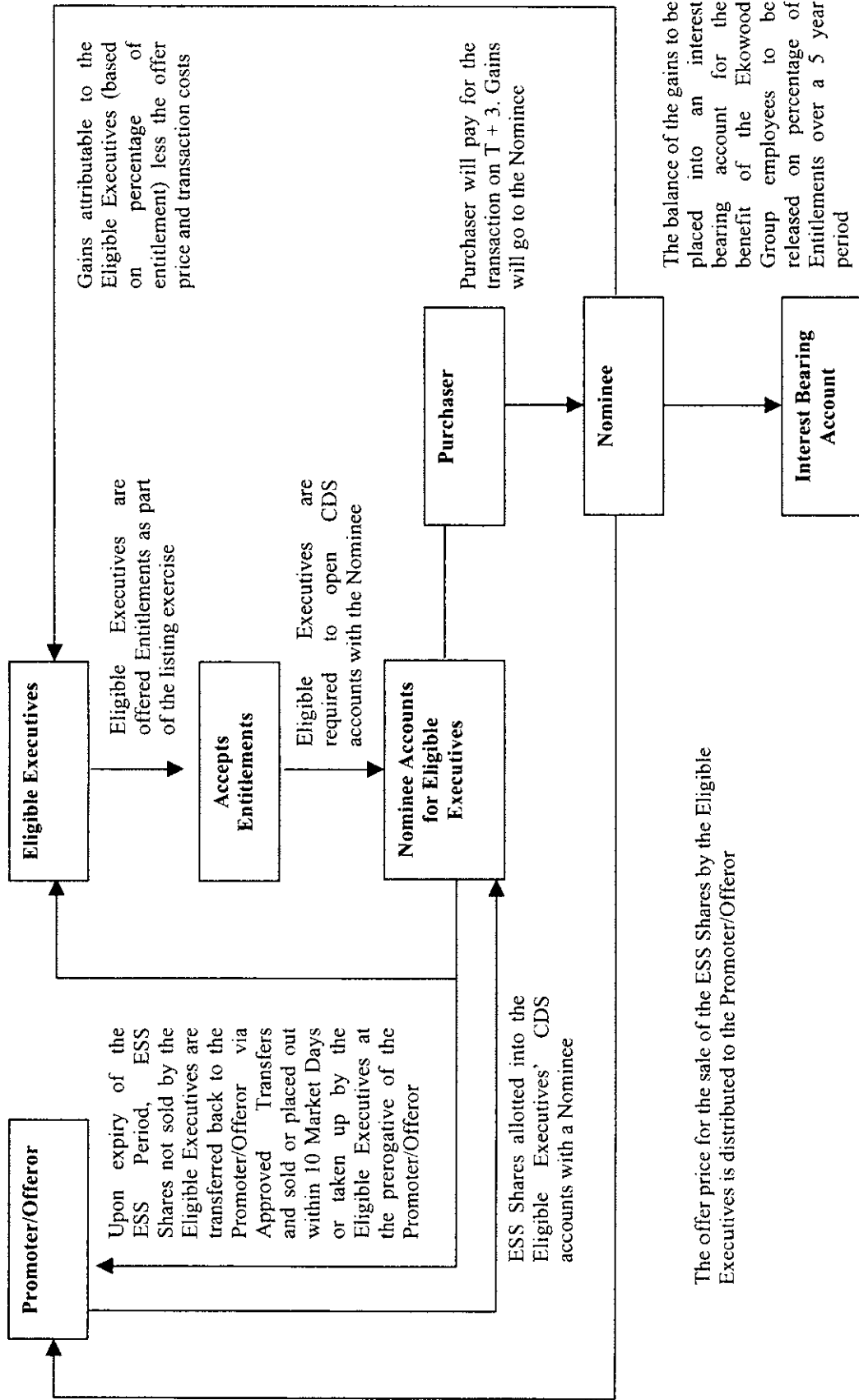
(2) Executive Directors of Ekowood.

(3) Executive Directors of TSH.

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3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

A diagrammatic illustration of the implementation of the ESS is set out below:



3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

3.5.3 Eligible Directors And Eligible Malaysian Employees Of The Ekowood Group And TSH

As part of the Offer For Sale, 4,200,000 of the OFS Shares have been made available for the eligible directors and eligible Malaysian employees of the Ekowood Group and TSH by way of pink form allocation at an offer price of RM1.05 per share, based on their respective positions and number of years of service with a serving period of at least three (3) months as at the date of this Prospectus.

The basis of allocation for the proposed offer for sale via pink form allocation is as follows:

- (i) any natural person who has attained the age of 18 years on or before the date of offer;
- (ii) a Malaysian citizen or holding a Malaysian permanent residence status for employees;
- (iii) all the TSH Directors (executive, non-executive and alternate are inclusive); and
- (iv) eligible TSH Directors who are eligible for the ESS, are not eligible for the pink form allocation.

The total number of persons eligible for pink form allocation is 405.

None of the Directors of Ekowood are eligible for pink form allocation by virtue of their participation in the ESS. The directors of TSH and the subsidiaries of Ekowood who are eligible for pink form allocation and their respective entitlements are as follows:

Directors	Maximum No. Of Entitlements
1. Hajah Siti Rohani bte A. Manan ⁽¹⁾	100,000
2. Datuk Jaswant Singh Kler ⁽¹⁾	100,000
3. William Tully ⁽¹⁾	100,000
4. Dr Tee Choon Hwa ⁽¹⁾	50,000
5. Cheah Tit Boo ⁽²⁾	100,000

Notes:

(1) Non-Executive Directors of TSH.

(2) Executive Director of Ekowood Malaysia.

3.5.4 Identified Bumiputera Investors Approved By MITI

The 24,259,200 OFS Shares to be offered pursuant to the Offer For Sale will be made available to the identified Bumiputera investors approved by MITI at an offer price of RM1.05 per Ekowood Share by way of placement to comply with the NDP requirement of the minimum 30% Bumiputera shareholding.

3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

3.5.5 Identified Public Investors

The 2,034,400 OFS Shares to be offered pursuant to the Offer For Sale will be made available to the identified public investors based on Schedules 2(9), (10) and (11) of the Securities Commission Act, 1993, where the minimum offer would be 250,000 Ekowood Shares per individual with total net assets exceeding RM3 million or corporation with net assets exceeding RM10 million, by way of placement at an offer price of RM1.15 per Ekowood Share.

3.6 Basis Of Arriving At The Offer Price

The offer price of RM1.05 and RM1.15 (by way of placement to identified public investors) per OFS Share were determined and agreed upon by the Company, the Promoter/Offeror and the Underwriters, after taking into account, *inter-alia*, the following factors:

- (i) the Ekowood Group's financial and operating history and conditions;
- (ii) the future prospects of the Ekowood Group;
- (iii) the forecast net PE Multiple of 8.13 times and 8.91 times based on the offer prices of RM1.05 and RM1.15 per OFS Share respectively, and the forecast net EPS of 12.9 sen for the financial year ending 31 December 2004;
- (iv) the forecast gross dividend yield of approximately 2.38% and 2.17% based on the offer prices of RM1.05 and RM1.15 per OFS Share respectively, and the forecast gross dividend per Ekowood Share of 5% for the financial year ending 31 December 2004;
- (v) the proforma consolidated NTA per Ekowood Share as at 30 June 2004; and
- (vi) the qualitative and quantitative factors of the Ekowood Group as outlined in Sections 5 and 10 of this Prospectus.

However, investors should also note that the market price of Ekowood Shares upon Listing are subject to the uncertainties of market forces and other factors, which may affect the price of Ekowood Shares being traded. Investors should form their own views on the valuation of the OFS Shares before deciding to invest in the OFS Shares.

3.7 Estimated Listing Expenses

The estimated listing expenses for the listing exercise is approximately RM1.8 million and shall be borne by Ekowood, with the following estimated breakdown:

	RM'000
Professional fees	700
Fees to the authorities	150
Miscellaneous and contingencies (including printing and advertising fees)	950
Total	<u>1,800</u>

3. PARTICULARS OF THE OFFER FOR SALE *(Cont'd)*

3.8 Underwriting Commission

The Managing Underwriter and the other Underwriters, have entered into an underwriting agreement on 20 September 2004 ("Underwriting Agreement") with the Company and the Promoter/Offeror for the underwriting of:

- (i) the OFS Shares, which are available for application by the existing shareholders and/or warrant holders of TSH, except where the existing shareholders and/or warrant holders of TSH have given irrevocable undertakings to subscribe for their entitlements to the OFS Shares; and
- (ii) the OFS Shares which are available for the eligible directors and eligible Malaysian employees of the Ekowood Group and TSH, except where the eligible directors and eligible Malaysian employees of the Ekowood Group and TSH have given irrevocable undertakings to subscribe for their entitlements to the OFS Shares.

The total OFS Shares to be underwritten is 13,500,000 and the underwriting commission payable by the Promoter/Offeror is at the rate of 1% of the offer price of RM1.05 per share.

3.9 Salient Terms Of The Underwriting Agreement

Note: For the purpose of this section, the definition of Closing Date means the last date and time for the receipt of the applications for the Ekowood Shares offered pursuant to the Offer For Sale in accordance with this Prospectus or such later date as the Company, Promoter/Offeror and the Underwriters may mutually agree upon.

Some of the salient terms of the Underwriting Agreement are as follows:

- (i) Under the provisions of the Underwriting Agreement, the obligations of the Underwriters under Underwriting Agreement shall further be conditional upon:
 - (a) the acceptance for registration and lodgment with the SC and the ROC respectively of this Prospectus together with copies of all documents required under Section 42 of the Act prior to the issuance of this Prospectus;
 - (b) the issuance of this Prospectus (including advertisement of the Prospectus and all other procedures, requirements, letters and documents required under Chapter 3 of the LR) have been complied with within three (3) months from the date of the Underwriting Agreement or such extension as consented by all the Underwriters;
 - (c) Bursa Securities agreeing in principle to the listing of and quotation for (on terms satisfactory to the Managing Underwriter) the entire issued and paid-up share capital of the Company within three (3) months from the date of the Underwriting Agreement or such later date as may be consented by all the Underwriters, and the Underwriters being reasonably satisfied that such listing and quotation will be granted two (2) Market Days (or such other days as Bursa Securities may permit) after the submission to Bursa Securities of the relevant documents required for such listing and quotation for the entire issued and paid-up share capital of the Company have been accepted and the respective Shares are deposited in or transferred to the securities account maintained by the entitled shareholders under the Securities Industry (Central Depositories) Act, 1991;

3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

- (d) there having been, as at any time after the execution of the Underwriting Agreement up to and including the Closing Date, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of the Company and its subsidiaries (which in the reasonable opinion of the Underwriters are or will be material in the context of the Offer For Sale of the OFS Shares) from that set forth in this Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect an extent which is or will be material in any of the representations, warranties and undertakings contained in the Underwriting Agreement if they are repeated on and as of the Closing Date;
- (e) the offering of the OFS Shares not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
- (f) all necessary approvals and consents required in relation to the Offer For Sale including but not limited to governmental approvals having been obtained and are in full force and effects;
- (g) the Underwriters having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 13 of the Underwriting Agreement;
- (h) the delivery to the Managing Underwriter prior to the date of registration of this Prospectus of (aa) a copy certified as true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in a general meeting approving the Underwriting Agreement, this Prospectus, the Offer For Sale and authorising the execution of the Underwriting Agreement and the issuance of this Prospectus; (bb) a certificate dated the date of this Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in paragraph (d) above; and
- (i) the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the Board as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of Underwriting Agreement that will adversely affect the performance or financial position of the Company or its subsidiaries, nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations and/or warranties contained in the Underwriting Agreement as though they have been given and/or made on such date.

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3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

In the event any of the conditions set out above are not satisfied, the Underwriters or any of the Underwriters shall, subject as mentioned below, thereupon be entitled but not bound to terminate the Underwriting Agreement by notice given to the Company not later than three (3) Market Days after the Closing Date and upon such termination, the liabilities of the Company and the Underwriters shall become null and void and none of the parties shall have a claim against the other save for antecedent breaches by the Company, the liability of the Promoter/Offeror for the underwriting commission and claims arising therefrom and that each party shall return any and all monies paid to the other or others under the Underwriting Agreement within seventy-two (72) hours of the receipt of such notice (except for monies paid by the Company for the payment of the expenses as provided in the Underwriting Agreement and the underwriting commission pursuant to it). The Underwriters reserve the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriters' rights under the Underwriting Agreement.

- (ii) Notwithstanding anything contained in the Underwriting Agreement, the Managing Underwriter and/or the Underwriters, acting through the Managing Underwriter may by notice in writing to the Company and the Promoter/Offeror given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the underwritten shares if:
- (a) there is any breach by the Company and/or the Promoter/Offeror of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company and/or the Promoter/Offeror, or by the Closing Date, whichever is earlier; or
 - (b) there is withholding of information of a material nature from the Underwriters, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company and Promoter/Offeror, which, in the opinion of the Managing Underwriter and/or Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Ekowood Group, the success of the Offer For Sale, or the distribution or sale of the OFS Shares; or
 - (c) there shall have occurred, happened or come into effect any material and/or adverse change to the business or financial condition of the Company or the Ekowood Group; or
 - (d) there shall have occurred, happened or come into effect any of the following circumstances:
 - (1) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

3. PARTICULARS OF THE OFFER FOR SALE (Cont'd)

- (2) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter and/or the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); or
- (3) the average KLCI for three (3) consecutive Market Days falls below six hundred (600) points on or before the Closing Date;

which, (in the reasonable opinion of the Managing Underwriter and/or the Underwriters), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Ekowood Group, the success of the Offer For Sale, or the distribution or sale of the OFS Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

- (e) the approval in principle of Bursa Securities for the admission of the Company to the Official List of Bursa Securities or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of Bursa Securities is withdrawn or not procured within six (6) weeks from the date of issue of this Prospectus or such other period as may be specified by the SC; or
- (f) there is failure on the part of the Company and/or the Promoter/Offeror to perform any of their respective obligations contained in the Underwriting Agreement.

Upon such notice(s) being given, the Managing Underwriter and/or the Underwriters shall be released and discharged of its obligations without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, except that the Company and/or the Promoter/Offeror shall remain liable in respect of its obligations and liabilities thereunder including the payment of the underwriting commission pursuant to the Underwriting Agreement and the payment of the costs and expenses as provided in the Underwriting Agreement already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies and for any antecedent breach.

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4. RISK FACTORS

IN EVALUATING AN INVESTMENT IN THE OFS SHARES, PROSPECTIVE INVESTORS SHOULD EVALUATE AND CONSIDER CAREFULLY ALL THE INFORMATION CONTAINED HEREIN (WHICH MAY NOT BE EXHAUSTIVE) INCLUDING BUT NOT LIMITED TO THE GENERAL AND SPECIFIC RISKS WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE EKOWOOD GROUP BEFORE APPLYING FOR THE OFS SHARES.

4.1 No Prior Market For Ekowood Shares

Prior to this Offer For Sale, there has been no public market for Ekowood Shares. There can be no assurance that an active market for Ekowood Shares will develop upon its Listing or, if developed, that such market will be sustained. There can also be no assurance that the Offer Price will correspond to the price at which the Ekowood Shares will be traded on the Main Board of Bursa Securities upon or subsequent to its Listing or that an active market for Ekowood Shares will develop and continue upon or subsequent to its Listing.

The Offer Prices have been determined after taking into consideration a number of factors, including but not limited to, the Ekowood Group's financial and operating history and condition, its prospects and the prospects of the industry within which the Ekowood Group operates. There is no assurance that the Offer Price will correspond to the price at which the Ekowood Shares will be traded on the Main Board of Bursa Securities upon or subsequent to its Listing or that an active market for Ekowood Shares will develop and continue upon or subsequent to its Listing. The price at which Ekowood Shares will trade on the Main Board of Bursa Securities upon or subsequent to the Listing will be dependent upon market forces beyond the control of Ekowood.

4.2 No Assurance Of Value From Underwriting

The OFS Shares to be made available to the eligible Directors and eligible Malaysian employees of the Ekowood Group and TSH by way pink form allocation, except where eligible Directors and eligible Malaysian employees of the Ekowood Group have given their irrevocable undertakings to subscribe for their entitlements, are underwritten at an underwriting commission of 1% on the offer price of RM1.05 per Ekowood Share.

The OFS Shares made available to the existing shareholders and/or warrant holders of TSH will also be underwritten on similar terms, except where shareholders and/or warrant holders have given their irrevocable undertaking to subscribe for their entitlement to the OFS Shares.

However, the Underwriting Agreement dated 20 September 2004 on the abovementioned OFS Shares should not be taken as an indication of the merits or assurance of the value of the OFS Shares.

4.3 Business Risks

The Ekowood Group is principally involved in the manufacturing of timber based products, specifically, engineered solid hardwood flooring. It manufactures, distributes, supplies, delivers and installs the engineered solid hardwood flooring. Therefore, the Group is subject to certain business risks inherent in the timber-related industry. These include but are not limited to, changes in competitive conditions, changes in consumer demands, constraints in labour supply, source of raw materials, capability to diversify, fluctuation in price of products, global economy, entry of new players, increase in production costs, changes in business and credit conditions, changes in technology, product substitution and changes in operating conditions.

4. RISK FACTORS (Cont'd)

The Group seeks to minimise these risks by adopting various measures including:

- (i) product differentiation to meet customer expectations such as its premium product range is targeted for the high end market and the mechanical wood lock system is targeted for the European market;
- (ii) increased emphasis on quality of products and branding;
- (iii) undertaking of product development to enhance existing products and improve production and operational processes;
- (iv) good management practices and increased automation to reduce dependence on labour; and
- (v) strengthening of marketing strategies and distribution network.

Although the Group continuously seeks to minimise these risks, there is no assurance that any changes to these factors will not have an adverse effect on the Group's businesses.

4.4 Dependence On Key Management Or Key Technical Personnel

The activities of the Ekowood Group require skilled technical personnel. Hence to a certain extent, the Ekowood Group's ability to attract and retain its skilled technical personnel, especially qualified and experienced professionals is crucial to sustain an efficient level of operations within the Ekowood Group. If the Ekowood Group is unable to attract and retain its skilled personnel, the performance and future prospects of the Ekowood Group may be affected. Furthermore, the Ekowood Group believes that its continued success depends to a significant extent upon the abilities and continued efforts of its existing key management or key technical personnel. The existing key management or key technical personnel, with their wealth of experience in the manufacturing of engineered hardwood flooring industry, are valuable assets of the Ekowood Group. The loss of any key management or key technical personnel could affect the Ekowood Group's performance and/or the Ekowood Group's continued ability to compete effectively in the industry. For this reason, the Ekowood Group is making continuous efforts to improve on their plans for human resource development with a systematic career progression plan.

Every effort is presently made to attract and retain experienced personnel through, inter-alia, maintaining a conducive working environment and having comprehensive human resource management. Members of the management team are being groomed to ensure continuity of the management team, smooth transition in the management team and to maintain the Ekowood Group's continued ability to compete in the manufacturing of engineered solid hardwood flooring.

4.5 Control By The Promoter/Offeror And Substantial Shareholder

Upon completion of the Offer For Sale and the exercise of all CEO Options pursuant to the CEO Scheme, TSH, the sole Promoter/Offeror and substantial shareholder of Ekowood will hold 100,799,988 Ekowood Shares which represents 60% of the issued and paid-up share capital of Ekowood, and hence will remain the controlling shareholder of the Company.

As a result, it is likely that TSH will be able to effectively control the outcome of certain matters requiring shareholders' approval including the constitution of the Board. Depending on how it chooses to vote and because of the size of its shareholding, the controlling shareholder will have a significant influence over matters requiring the passing of ordinary resolutions from the Company's shareholders, unless it is required to abstain from voting by law and/or the relevant authorities.

4. RISK FACTORS (Cont'd)

4.6 Price And Supply Of Raw Material

In the timber related industry, the availability of timber logs is truly a factor that will impact the growth of any timber processing business.

There is no local central market for timber that facilitates the controlled purchase and distribution of timber. Timber prices are agreed bilaterally between suppliers and customers for each transaction, as such there are no supply agreements. Ekowood sources its timber supplies, ranging from temperate, tropical and African species, from various countries depending on where these species are found. As such, prices vary greatly depending on wood species, product quality/grading, sizes and import/locally sourced. On average for the past 3 years, approximately 30% of Ekowood's timber supplies in terms of value are sourced locally.

Ekowood seeks to reduce the impact of the price of raw materials by competing on quality and monitoring production cost. As such, its premium product range can fetch premium prices in the European market due to its quality.

Although the Group has taken all the appropriate steps mentioned above, there is no assurance that any changes in timber prices and availability of timber logs supply will not adversely affect the financial result of Ekowood.

4.7 Foreign Exchange Fluctuations

On average, approximately 91% of the Group's products are exported in the last 3 financial years from 2001 to 2003. As such, the Group is exposed to foreign exchange fluctuations risk.

Even though the imposition of currency controls via the pegging of the RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the risks arising from the foreign exchange fluctuations, there is no assurance that the currency control will remain and that the future foreign exchange fluctuations arising from, inter alia, the possible lifting of the currency controls or the adjustment of the RM to the USD peg will not adversely affect the financial results of the Ekowood Group.

4.8 Competition Within The Manufacturing Of Engineered Solid Hardwood Flooring Industry And New Entrants

Engineered solid hardwood flooring is a new trend. This industry has a number of established competitors.

Considering that engineered solid hardwood flooring is a new fashion, it invites a number of new competitors into the market. Generally, when new competitors enter a market, they will bring substantial commitment and resources which they are prepared to invest in order to win market share. The degree to which a new entrant can affect the Group depends on two (2) main factors - (i) market growth rates and (ii) the presence or absence of effective barriers to entry.

The barrier to entry to engineered solid hardwood flooring industry is relatively high. One has to invest time and financial resources in order to acquire the right technology and established a sales network.

Ekowood has been accepted as a reputable brand in engineered solid hardwood flooring. Ekowood was voted "Best Engineered Hardwood Flooring" in UK, Ireland and Europe for three consecutive years.

4. RISK FACTORS (Cont'd)

In terms of market growth rate, based on the Independent Market Research Report dated 17 September 2004, Ekowood's market share as at 31 December 2002 was 14%. According to the Independent Market Research Report dated 17 September 2004, the demand for engineered solid hardwood flooring is growing at approximately 47% per year.

Although, the Group will continue to concentrate on finding ways to increase the level and efficiency of output and innovating new products through product development activities coupled with its established Ekowood brand name, there is no assurance that either existing competitors or newcomers would not adversely affect the Group's market shares.

4.9 Disclosure Regarding Forward-Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any statements which are forward-looking in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Ekowood Group, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially for the future results, performance of achievements expressed or implied in such forward-looking statements. Such factors include, inter alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In light of these risks and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not imply that the plans and objectives of the Group will be fully implemented and satisfied.

4.10 Political, Economic And Regulatory Conditions

Like all other business entities, adverse developments in political, economic and regulatory conditions in Malaysia and other countries may adversely affect the financial and business prospects of the Group through potential disruptions in its supplies or its ability to market its products. Other political and economics uncertainties that could unfavourably affect the Group include changes in political leadership, risk of war, expropriation, nationalisation, re-negotiation or nullification of existing sales orders and contracts, changes in interest rates and methods of taxation and currency exchange rules and contracts.

Whilst the Group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic and regulatory factors will not materially affect the Group.

4.11 Failure/Delay In The Listing

The occurrence of any one or more of the following events (which may not be exhaustive) may cause a delay in or non-implementation of the Listing:

- (i) the Underwriters fails to honour its obligations under the Underwriting Agreement dated 20 September 2004; or
- (ii) the Company is unable to meet the public spread requirement, that is, at least 25% of the total number of Ekowood Shares for which listing is sought to be in the hands of the public at the point of its admission to the Main Board of Bursa Securities.

Although the Board will endeavour to ensure compliance by Ekowood of the various listing requirements, including, inter-alia, the public spread requirement imposed by Bursa Securities, for the successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or the non-implementation of the Listing.

4. RISK FACTORS *(Cont'd)*

4.12 Insurance Coverage

The Directors of Ekowood are of the opinion that the major assets of the Group, comprising largely landed properties, plant and machinery and stocks are adequately insured for public liability and fire.

In addition, in its aim to address the operational risk such as fire outbreak, disruptions in electricity supply and other emergency risks which could jeopardise the Group's operations, the Group has implemented the following risk management practice plans:

Breakout of Fire

- (i) Adequate fire extinguishers are put in strategic places as recommended by the insurers and/or Jabatan Bomba and are replaced promptly prior to expiry date;
- (ii) To provide training to security personnel on handling fire fighting equipment; and
- (iii) 1 unit of high-rise platform water tank was built for emergency purposes and staff's consumption only.

Electricity Supply

- (i) The Company has back-up generator sets which are meant for emergency purposes; and
- (ii) Constant maintenance/service work is conducted on a timely basis on the generator sets.

Machineries Condition

- (i) Monthly services are done constantly to ensure that the machineries are maintained properly;
- (ii) To conduct major overhaul in the interval period of 5 years on all major machineries; and
- (iii) Routinely used spare parts are always stored for emergency purposes.

However, there can be no assurance that there will not arise any incident or event which may not be covered or fully covered under such insurance policies obtained which may adversely affect the financial position/performance of the Group. In addition, no assurance can be given that even with the existing management practices/plans in place, the business operations and financial performance of the Group will not be affected in the event one or a combination of operational risk factors crystallise.

4.13 Environmental Considerations

Environmental conservationists have vocally opposed timber-processing businesses, especially where indiscriminate logging occurs. Other environmental concerns include air pollution and disposal of waste products from wood processing.

However, Ekowood is committed to maintaining environmentally sound business practices. Waste discharge from its manufacturing processes are treated and subsequently disposed off in manners which are in compliance with the relevant environmental laws.

As part of the Group's plan to adhere to the National Forestry Policy guidelines, Ekowood has also erected a DOE-approved incinerator on their premises to ensure that wood waste is disposed of in a more "environmentally friendly" manner. It has received the stamp of approval from the DOE for compliance with the Clean Air Act 1978.

Whilst Ekowood continuously seeks to comply with regulations and guidelines concerning environmental preservation, there is no assurance that any further environmental controls and restrictions will not have a material impact on the Group's business.

4. RISK FACTORS *(Cont'd)*

4.14 Competition And Impact Of AFTA

Ekowood Group faces competition from other companies in both its local and overseas markets as it operates in an industry that has a number of established competitors.

With the advent of trade liberalisation brought about by AFTA, the timber related industry must adopt more efficient production systems by utilising automation to improve productivity and quality to survive in the market. In addition, the implementation of AFTA would result in tariffs among the ASEAN Member States, namely Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Laos, Myanmar and Cambodia, for forestry products being below 5% or totally eliminated by 2015, except for those in the highly sensitive list. The Group will potentially benefit from the implementation of AFTA due to the following:

- (i) preferential access into the larger ASEAN market with a population of 530 million;
- (ii) a wider base for competitive sourcing of raw materials from countries in the region; and
- (iii) opportunity to cooperate and collaborate with ASEAN partners to tap both the regional and global markets.

Taking into cognizance that on average 91% of Ekowood's products are exported in the last 3 financial years from 2001 to 2003, Ekowood is currently competing with other competitors globally. Therefore, it is envisaged that AFTA would not materially impact the business of Ekowood. Nevertheless, Ekowood will continue to be focused and take effective measures to maintain its competitiveness, such as diversifying its products range, ensuring superior quality products, branding and improvement in production processes to reduce costs.

4.15 Dependence On Particular Markets And Industries

The Group's major customers are divided into two (2) main segments, namely retail and commercial. Majority of its retail customers are overseas, whilst commercial the customers are locally dominated. Notwithstanding, the Group is not over dependent on a single customer for its revenue base. The top ten (10) customers of the Group represented approximately 41% of the Group's total turnover for the financial year ended 31 December 2003, details of which are set out in Section 5.7 of this Prospectus.

In addition, on average for the past 3 years (2001 - 2003), approximately 91% of Ekowood's products are exported. Ekowood's products are sold in the USA, the UK, Spain, France, Italy and other European countries. In addition, Ekowood also exports its products to Australia and Japan. Ekowood's customers are spread out all over the world.

As such, should there be any adverse economic and market conditions in these particular export countries, the Group's business may be materially affected.

4.16 Seasonal Sales And Weather Conditions

Generally, demand for engineered solid hardwood flooring is subject to changes in line with customers' needs and preferences. The industry is also dependent on the economic development and consumption in its customers' respective countries.

Although, Ekowood's products are not affected by the weather condition, the supply of its raw materials namely the timber logs is affected by weather conditions.

Ekowood is confident that it is able to minimise the risk of seasonal sales by selling to different regions and sourcing its raw material from various suppliers. However, there is no assurance that any adverse changes to these factors will not have a material and significant impact on the Group's performance. The Group does not have insurance coverage for loss of revenue due to these factors.

4. RISK FACTORS (Cont'd)

4.17 Government Control And Regulations

As a timber-based products manufacturer, there are certain approvals and/or licences that need to be obtained from the Government to commence operations. These laws, regulations and licenses may be subject to changes by the Government.

Ekowood has obtained all the required approvals and/or licences in order to commence its operations. Notwithstanding, there is no assurance that, if in the future, changes to these laws, regulations and licences will not have a material and significant impact on the Group's performance.

4.18 Borrowings

The Group's working capital is partly financed by bank borrowings. As such, the Group has interest commitments due to facilities granted by the financial institutions such as overdraft and bankers' acceptance. While every effort is taken to ensure that no adverse effects arise from the loans and interest commitment, no assurance can be given that these commitments in future will not have any material impact on the Group's financial performance.

Please refer to Section 10.2.2 of this Prospectus on the total outstanding borrowings of the Group as at 17 September 2004 (being the last practicable date prior to the printing of this Prospectus).

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

4.19 Risk Associated With Security And System Disruptions

Ekowood Group has taken adequate preventive and precautionary measures through the implementation of security measures such as the installation of alarm system and the engagement of security guards particularly at the warehouse.

Although the management strives to mitigate this risk, no assurance can be given that the security measures are adequate in the long-term to prevent any loss due to theft or robbery.

4.20 Risk Associated With Technology

In order to remain competitive, especially when competing in the global market, the management believes the Group has to continue updating and acquiring new technology to enable Ekowood Group to attain higher productivity and enhance the quality of its products.

While the Group is constantly improving the technology used to remain competitive, no assurance can be given that the Group will be able to maintain its existing market position in the future.

4.21 Risk Associated With Trademarks

Ekowood markets a range of its products under its own brand name "EKOWOOD". However, there can be no assurance that the Group will be able to protect its propriety rights against unauthorised third party copying, use or exploit, any of which could have a material adverse effect on the Group's business operating results and financial conditions.