

1. CORPORATE INFORMATION**BOARD OF DIRECTORS**

Name	Address	Occupation	Directorship	Designation	Nationality
Mohd Alkaf bin Mohd Kahar	Lot 307, Lorong Bayu Nyaman B, Country Heights, 43000 Kajang, Selangor	Director	Independent Non-Executive Director	Chairman	Malaysian
Kuo Wen Chi	8, Westridge Walk, Singapore 117824	Director	Non-Independent Non-Executive Director	Deputy Chairman	Singaporean
Kuo Jen Chang	16, Cairnhill Rise, #04-02, Singapore 229744	Director	Non-Independent Executive Director	Managing Director	Singaporean
Kuo Jen Chiu	12 West Coast Crescent, #05-01, Westcove Condominium, Singapore 128042	Director	Non-Independent Executive Director	Executive Director	Singaporean
Mary Henerietta Lim Kim Neo	No. 2, Jalan Perdana 2/17, Taman Bukit Perdana, 83000 Batu Pahat, Johor	Director	Non-Independent Executive Director	Executive Director	Malaysian
Kuo Huei Chen	Block 116, Clement Street 13, #12-98, Singapore 120116	Director	Non-Independent Non-Executive Director	Non-Executive Director	Singaporean
Yong Kok Fong	34, Jalan Ledang, Taman Johor, 81200 Johor Bahru	Director	Independent Non-Executive Director	Independent Non-Executive Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Mohd Alkaf bin Mohd Kahar	Chairman	Independent Non-Executive Director
Yong Kok Fong	Member	Independent Non-Executive Director
Mary Henerietta Lim Kim Neo	Member	Non-Independent Executive Director

1. CORPORATE INFORMATION (Cont'd)

- COMPANY SECRETARIES** : Leong Oi Wah (f)
MAICSA No: 7023802
21 Jalan 4/54
46050 Petaling Jaya
Selangor
Tel: 03 – 2718 1551
- Leong Siew Foong (f)
MAICSA No: 7007572
No. 3, Jalan Bayam
Taman Kota Besar
81900 Kota Tinggi
Johor
Tel: 07 – 332 3536
- REGISTERED OFFICE** : Suite 6.1A, Level 6,
Menara Pelangi,
Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor
Tel No.: 07 – 332 3536
- HEAD/MANAGEMENT OFFICE** : PLO 22, Parit Raja Industrial Estate
86400 Parit Raja, Batu Pahat
Johor
Tel No.: 07 – 454 1933
Email : efb@tm.net.my
Website: www.evergreengroup.com.my
- AUDITORS AND REPORTING ACCOUNTANTS** : Ernst & Young (AF 0039)
Chartered Accountants
Suite 11.2, Level 11
Menara Pelangi
No. 2, Jalan Kuning
Taman Pelangi, 80400 Johor Bahru
Johor
Tel No.: 07 – 334 1740
- SOLICITORS FOR THE LISTING** : Nik Saghir & Ismail
28th Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur
Tel No.: 03 – 2072 5566
- SOLICITORS FOR THE EXPERT REPORT ON POLICIES OF THAILAND** : Law & Solicitors Limited
9th Floor, Diethelm Tower B,
93/1 Wireless Road, Lumpini,
Phatumwan, Bangkok 10330
Thailand
Tel No.: 66 (0) 2627 3443

1. CORPORATE INFORMATION (Cont'd)

- VALUERS** : Colliers, Jordan Lee & Jaafar (JH) Sdn Bhd (136779-K)
Suite 326, 3rd Floor, Pan Global Plaza,
Jalan Wong Ah Fook,
80000 Johor Bahru
Johor
Tel No.: 07 – 223 2299
- PRINCIPAL BANKERS** : RHB Bank Berhad
Kuching Regional Office,
Lot 363, Jalan Kulas,
PO Box 2049
93740 Kuching,
Sarawak
Tel No.: 082 – 419 294
- Citibank Berhad
Level P1, Menara City Plaza,
21, Jalan Tebrau
80300, Johor Bahru
Johor
Tel No.: 07 – 279 1118
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd (258345-X)
27th Floor, Menara Multi Purpose,
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel No.: 03 – 2693 2075
- REGISTRAR** : Symphony Share Registrars Sdn Bhd (378993-D)
*(formerly known as Malaysian Share Registration
Services Sdn Bhd)*
Level 26, Menara Multi Purpose,
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel No.: 03 – 2721 2222
- ADVISER, SOLE PLACEMENT
AGENT AND MANAGING
UNDERWRITER** : Aseambankers Malaysia Berhad (15938-H)
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel No.: 03 – 2059 1888
- UNDERWRITERS** : Mayban Securities Sendirian Berhad (165630-M)
8th Floor, MaybanLife Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel No.: 03 – 2297 8888
- Malaysian International Merchant Bankers Berhad
(10209-W)
21st Floor, Wisma Cyclecarri
288, Jalan Raja Laut
50350 Kuala Lumpur
Tel No.: 03 – 2691 0200

1. CORPORATE INFORMATION (Cont'd)

- UNDERWRITERS (CONT'D)** : Mercury Securities Sdn Bhd (113193-W)
Lot 6-05, Aras 6 Block Menara
Menara Milenium
8 Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel No.: 03 – 2094 2828
- RHB Securities Sdn Bhd (95060-A) (formerly known as
Rashid Hussain Securities Sdn Bhd)
Level 9, Tower One
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Tel No.: 03 – 9285 2233
- INDEPENDENT BUSINESS AND
MARKET RESEARCH
CONSULTANTS** : Vital Factor Consulting Sdn. Bhd. (266797-T)
75C & 77C Jalan SS22/19
Damansara Jaya
47400 Petaling Jaya
Selangor
Tel No.: 03 – 7728 0248
- LISTING SOUGHT** : Main Board of the Bursa Securities

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2. INFORMATION SUMMARY

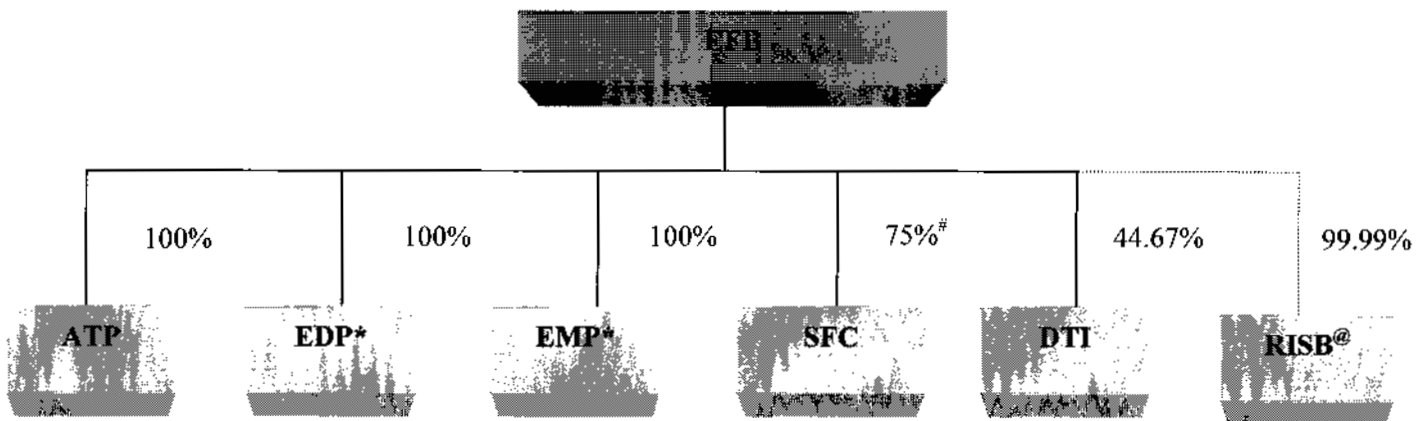
THE INFORMATION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP, AND SHOULD BE READ AND UNDERSTOOD IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE SHARES OF THE COMPANY.

2.1 History and Business

EFB was incorporated in Malaysia on 15 May 1991 as a private limited company under the name Tat Wee Industries (M) Sdn Bhd. The Company changed its name to Evergreen Fibreboard Sdn Bhd on 8 December 1992. On 14 April 2004, the Company changed its status from a private limited company to a public limited company and assumed its present name.

The principal activities of EFB are manufacturing MDF, knocked-down wooden furniture and doors. The subsidiaries and associated company of EFB are involved in manufacturing of particleboard and MDF, lamination of MDF, particleboard and fancy plywood.

The corporate structure of the EFB Group is as follows:



Note:

- # - Based on the number of ordinary shares of SFC in issue
- * - Currently dormant.
- @ - RISB is in the process of being voluntarily wound up and a liquidator has been appointed on 15 January 2005.

As at the date of this Prospectus, EFB has no other subsidiary and associated company other than as disclosed herein. Further details of the history and principal activities of the EFB Group are set out in Section 5 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.2.2 Substantial Shareholders

Name	Nationality	Designation	No. of EFB Shares Held As at 17 January 2005		No. of EFB Shares Held After OFS and Public Issue		%		
			<-Direct -> No. of shares	<-Indirect -> No. of Shares	<-Direct -> No. of shares	<-Indirect -> No. of Shares			
Kuo Wen Chi	Singaporean	Deputy Chairman	34,685,972	8.98	311,138,283 ⁽¹⁾	17,685,972	3.68	215,138,283 ⁽¹⁾	44.82
Kuo Jen Chang	Singaporean	Managing Director	98,903,910	25.60	246,920,345 ⁽²⁾	84,903,910	17.69	147,920,345 ⁽²⁾	30.81
Kuo Jen Chiu	Singaporean	Executive Director	89,746,761	23.23	256,077,494 ⁽²⁾	72,746,761	15.16	160,077,494 ⁽²⁾	33.34
Kuo Huei Chen	Singaporean	Non-Executive Director	63,369,053	16.40	282,455,202 ⁽³⁾	43,369,053	9.03	189,455,202 ⁽³⁾	39.47
Hsu Mei Lan	Singaporean	-	59,118,559	15.30	286,705,696 ⁽⁴⁾	14,118,559	2.94	218,705,696 ⁽⁴⁾	45.56

Notes:

- (1) Deemed interested by virtue of the shareholdings of his spouse and children in EFB pursuant to Section 6A of the Act
- (2) Deemed interested by virtue of the shareholdings of his parents and siblings in EFB pursuant to Section 6A of the Act
- (3) Deemed interested by virtue of the shareholdings of her parents and siblings in EFB pursuant to Section 6A of the Act
- (4) Deemed interested by virtue of the shareholdings of her spouse and children in EFB pursuant to Section 6A of the Act

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2. INFORMATION SUMMARY (Cont'd)

2.2.3 Directors

The relevant details of the existing Board are as follows:

Name	Nationality	Designation	No. of EFB Shares Held As at 17 January 2005		No. of EFB Shares Held After OHS and Public Issue	
			<---Direct--> No. of shares	%	<---Direct--> No. of shares	%
Mohd Alkaf bin Mohd Kahar	Malaysian	Chairman	18,990,065	4.92	23,740,065 [^]	4.95
Kuo Wen Chi	Singaporean	Deputy Chairman	34,685,972	8.98	17,685,972	3.68
Kuo Jen Chang	Singaporean	Managing Director	98,903,910	25.60	84,903,910	17.69
Kuo Jen Chiu	Singaporean	Executive Director	89,746,761	23.23	72,746,761	15.16
Kuo Hwei Chen	Singaporean	Non-Executive Director	63,369,053	16.40	43,369,053	9.03
Mary Henerietta Lim Kim Neo	Malaysian	Executive Director	212,027	0.05	712,027 [*]	0.15
Yong Kok Fong	Malaysian	Independent Non-Executive Director	-	-	250,000 [*]	0.05

Notes:

- (1) Deemed interested by virtue of the shareholdings of his spouse and children in EFB pursuant to Section 6A of the Act
- (2) Deemed interested by virtue of the shareholdings of his parents and siblings in EFB pursuant to Section 6A of the Act
- (3) Deemed interested by virtue of the shareholdings of her parents and siblings in EFB pursuant to Section 6A of the Act
- (4) Deemed interested by virtue of the shareholding of her brother-in-law in EFB pursuant to Section 6A of the Act

* Including the allocation made to them under the 'Pink Form' allocation under the Public Issue, assuming that they fully subscribe for their respective entitlements.

[^] Including the allocation to him approved by MITI of 4,500,000 Public Issue Shares

2. INFORMATION SUMMARY (Cont'd)

2.2.5 Key Management and Technical Personnel of EFB Group

Name	Nationality	Designation	No. of EFB Shares Held As at 17 January 2005			No. of EFB Shares Held After the QFS and Public Issue				
			No. of shares	%	←Indirect →	←Direct →	%	No. of shares	%	←Indirect →
Kuo Wen Chi	Singaporean	Deputy-Chairman	34,685,972	8.98	311,138,283 ⁽¹⁾	80.53	17,685,972	3.68	215,138,283 ⁽¹⁾	44.82
Kuo Jen Chang	Singaporean	Managing Director	98,903,910	25.60	246,920,345 ⁽²⁾	63.91	84,903,910	17.69	147,920,345 ⁽²⁾	30.81
Kuo Jen Chiu	Singaporean	Executive Director	89,746,761	23.23	256,077,494 ⁽²⁾	66.28	72,746,761	15.16	160,077,494 ⁽²⁾	33.34
Mary Henerietta Lim Kim Neo	Malaysian	Executive Director	212,027	0.05	159,027 ⁽³⁾	0.04	712,027*	0.19	181,027 ^{(3)*}	0.04
Chuah Liang Hee	Malaysian	Finance Manager	53,027	0.01	-	-	130,027*	0.03	-	-
Tan Meng How	Malaysian	Assistant Operations Manager	424,027	0.11	-	-	501,027*	0.10	-	-
Amir bin Mohamed	Malaysian	Production Manager	212,027	0.05	-	-	289,027*	0.06	-	-
Khor Seen Loon	Malaysian	Sales & Marketing Manager	-	-	-	-	14,000*	⁽⁴⁾	-	-
Abd Malik Ridzuan bin Jaafar	Malaysian	Electrical Manager	159,027	0.04	-	-	201,027*	0.04	-	-
Christopher Blaise Marshall	Malaysian	Factory Manager	530,027	0.14	-	-	607,027*	0.13	-	-
Philip Wong Hwee Lih	Malaysian	Sales & Marketing Manager	53,027	0.01	-	-	81,027*	0.02	-	-
Chong Yit Choon	Singaporean	Operations Manager	-	-	-	-	28,000*	⁽⁴⁾	-	-
Chieng Heng Nang	Malaysian	Operations Director - SFC	424,027	0.11	-	-	452,027*	0.09	-	-

2. INFORMATION SUMMARY (Cont'd)

Name	Nationality	Designation	No. of EFB Shares Held As at 17 January 2005		No. of EFB Shares Held After the OFS and Public Issue	
			← Direct → No. of shares	← Indirect → %	← Direct → No. of shares	← Indirect → %
Lim Seng Cheong	Malaysian	Assistant Factory Manager	530,027	0.14	607,027*	0.13
Lee Meng Wei	Malaysian	QA/ R&D Manager	212,027	0.05	240,027*	0.05
Haslani Bte Hidir	Malaysian	Logistic Assistant Manager	53,027	0.01	93,027*	0.02
Lay Boon Kean	Malaysian	Human Resource/ Administration Assistant Manager	-	-	25,000*	(4)

Notes:

- (1) Deemed interested by virtue of the shareholdings of his spouse and children in EFB pursuant to Section 6A of the Act
- (2) Deemed interested by virtue of the shareholdings of his parents and siblings in EFB pursuant to Section 6A of the Act
- (3) Deemed interested by virtue of the shareholdings of her brother-in-law in EFB pursuant to Section 6A of the Act
- (4) Negligible

* Including the allocation made to them under the 'Pink Form' allocation under the Public Issue, assuming that they fully subscribe for their respective entitlement

Further details on the Promoters, Substantial Shareholders, Directors, Offerors and key management are set out in Section 6 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.3 Patents, Trademarks and Licenses

The EFB Group has obtained licenses and registrations to manufacture, trade and export / import wood products, from the relevant authorities. The key licenses are obtained from MIDA and MITI. Certain licenses and registrations are valid for only a limited period of time with renewal based on the Group's compliance with requirements imposed by these relevant parties.

Further details of the licenses are set out in Section 5.4.5 of this Prospectus.

2.4 Financial Highlights

The following table sets out a summary of the proforma consolidated results of the EFB Group for the past five (5) financial years ended 31 December 2003 and ten (10) months period ended 31 October 2004.

The proforma consolidated profit and dividend records should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus.

	←-----Audited----->					Audited 10-
	←-----FY Ended 31 December----->					months Ended
	1999	2000	2001	2002	2003	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue*	123,144	143,267	191,287	228,944	250,746	314,580
EBIDTA	38,282	37,251	46,079	62,859	35,799	72,318
Depreciation	(5,593)	(7,956)	(11,241)	(11,691)	(13,425)	(15,564)
Interest expense	(744)	(2,356)	(2,072)	(1,102)	(974)	(2,591)
Operating profit	31,945	26,939	32,766	50,066	21,400	54,163
Exceptional items *	-	-	-	-	-	-
Share of profits of an associate	1,717	1,273	507	251	201	827
PBT#	33,662	28,212	33,273	50,317	21,601	54,990
Taxation**	(4,019)	(6,885)	(286)	(1,448)	124	(10,768)
PAT#	29,643	21,327	32,987	48,869	21,725	44,222
MI	-	-	-	-	-	(4,524)
PAT after MI#	29,643	21,327	32,987	48,869	21,725	39,698
Before Public Issue						
No. of ordinary shares assumed in issue ('000)^	386,340	386,340	386,340	386,340	386,340	386,340
Gross EPS (sen)^	8.71	7.30	8.61	13.02	5.59	14.23
Net EPS (sen)^	7.67	5.52	8.54	12.65	5.62	10.28
Net Dividend (%)^	-	-	2.58	-	12.94	-
After Public Issue						
No. of ordinary shares assumed in issue ('000)^	480,000	480,000	480,000	480,000	480,000	480,000
Gross EPS (sen)^	7.01	5.88	6.93	10.48	4.50	11.46
Net EPS (sen)^	6.18	4.44	6.87	10.18	4.53	8.27
Net Dividend (%)^	-	-	2.08	-	10.42	-

2. INFORMATION SUMMARY (*Cont'd*)

Notes:

The results of RISB were not included in the proforma consolidated results of the Group set out above as RISB is in the process of being voluntarily wound-up and the results have no material effect to the proforma consolidated financial results.

- # *As the financial year/period of EDP for year ended 1999 and DTI for years ended 1999 to 2003 were different from the respective financial year end of the EFB Group, the figures have been arrived at through time apportionment of the audited financial statements of EDP and DTI for the said financial years/ periods under review.*
- * *There were no extraordinary or exceptional items for all the financial years/periods under review.*
- ** *Taxation, in particular deferred taxation, has been reallocated to the respective financial years upon the adoption of MASB 25: Income Taxes, which became effective for financial periods beginning on or after 1 July 2002 and supercedes IAS 12, Accounting for Taxes on Income. MASB 25 requires recognition of deferred tax liabilities or assets for all temporary differences, while the IAS 12 permits an entity not to recognize deferred tax liability or subject to certain conditions, deferred tax assets, where there is reasonable evidence that the timing differences would not reverse in the foreseeable future.*
- ^ *Based on EFB's enlarged paid-up share capital of 386,340,000 ordinary shares of RM0.25 each after the Share Split and Bonus Issue.*
- ^^ *Based on EFB's enlarged paid-up share capital of 480,000,000 ordinary shares of RM0.25 each after the Share Split, Bonus Issue and Public Issue.*

Further details on the proforma audited results of the EFB Group are set out in Sections 10.1, 10.2 and 10.3 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.5 Proforma Consolidated Balance Sheets As At 31 October 2004

The proforma consolidated balance sheet of EFB Group as at 31 October 2004 have been prepared solely to illustrate the effects of the Public Issue and OFS on the assumption that these transactions were effected on that date and should be read in conjunction with the notes and assumptions to the Proforma Consolidated Balance Sheet as set out in Section 10.11 of this Prospectus.

	(1) Audited as at 31.10.04 * RM'000	(2) After (1) and Share Split and Bonus Issue RM'000	(3) After (2) and Public Issue RM'000	(4) After (3) and Utilisation of Proceeds RM'000
Property, Plant and Equipment	242,195	242,195	242,195	251,195
Investment	8,706	8,706	8,706	8,706
Goodwill	1,028	1,028	1,028	1,028
	251,929	251,929	251,929	260,929
Current Assets				
Inventories	36,642	36,642	36,642	36,642
Trade And Other Receivables	62,293	62,293	62,293	62,293
Cash And Bank Balances	103,118	73,118	179,890	133,682
	202,053	172,053	278,825	232,617
Current Liabilities				
Trade And Other Payables	51,839	51,839	51,839	51,839
Dividends Payable	30,000	-	-	-
Short-Term Borrowings	32,696	32,696	32,696	696
	114,535	84,535	84,535	52,535
Net Current Assets	87,518	87,518	194,290	180,082
Total Net Assets	339,447	339,447	446,219	441,011
Capital And Reserves				
Share Capital	36,447	96,585	120,000	120,000
Foreign Exchange Reserve	(2,456)	(2,456)	(2,456)	(2,456)
Share Premium	23,268	-	83,357	78,149
Retained Profits	191,609	154,739	154,739	154,739
Shareholders' Equity	248,868	248,868	355,640	350,432
Minority Interest	17,215	17,215	17,215	17,215
	266,083	266,083	372,855	367,647
Deferred Taxation	18,284	18,284	18,284	18,284
Long-Term Borrowings	55,080	55,080	55,080	55,080
Non-current Liabilities	73,364	73,364	73,364	73,364
	339,447	339,447	446,219	441,011
NTA (RM'000)	247,840	247,840	354,612	349,404
No. Of Shares ('000)	36,447	386,340	480,000	480,000
NTA Per Share (RM)	6.80	0.64	0.74	0.73

Note:

* The balance sheet of RISB was not included in the proforma consolidated balance sheets of the Group set out above as RISB is in the process of being voluntarily wound-up and the results have no material effect to the proforma consolidated balance sheets.

2. INFORMATION SUMMARY (*Cont'd*)

2.6 Auditors' Qualifications

None of the audited financial statements of EFB and its subsidiary and associated companies for the past five (5) financial years ended 31 December 2003 and ten (10) months period ended 31 October 2004 have been subjected to any auditors' qualification.

2.7 Summary of Material Risk Factors

In addition to the general risks associated with any investment in the stock market, there are additional risks in investing in the Company and the Group, especially risks specific to investment in manufacturing and trading in the wood industry.

The Group is subject to the inherent risks in the industry it operates i.e. the reconstituted wood-based panel board industry, which might have a material and adverse effect on the Group's businesses. Applicants for the Public Issue Shares and the OFS Shares should carefully consider the following (which may not be exhaustive and which are elaborated in Section 4 of this Prospectus) in addition to the other information contained in this Prospectus before applying for the Public Issue Shares and the OFS Shares:

- (a) Marketability of EFB Shares;
- (b) Business Risks;
- (c) Financial Risks;
- (d) Foreign Exchange Risks;
- (e) Licenses and Registrations;
- (f) Competition;
- (g) Dependency on Key Management and Key Personnel;
- (h) Ownership and Control of the Group;
- (i) Risks Associated with Breakout of Fire/Energy Crisis/Other Emergency Risks;
- (j) Global Oil Prices;
- (k) Stability of Revenue;
- (l) Restrictive Covenants Under Borrowing Facility Agreements;
- (m) Technology Used or To Be Used by EFB Group and the Rapid Development of Technological Change;
- (n) Forward-Looking Statements;
- (o) Dependency on Major Suppliers and Customers;
- (p) Dependency on Major Products;
- (q) Profit Estimate and Forecast;
- (r) New Investments/Venture;
- (s) Risk Management Plans and Practices;
- (t) Risks associated with Environment;
- (u) Delay in the Listing;
- (v) Timber Certification;
- (w) Implementation of ASEAN Free Trade Area ("AFTA"); and
- (x) Dependency on Particular Market.

Further details of the risk factors are set out in Section 4 of this Prospectus. Investors are advised to carefully consider the risk factors, together with other information contained in this Prospectus before subscribing to any of the EFB Shares, which are the subject of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.8 Profit and Dividend Estimate and Forecast

2.8.1 Consolidated Profit Estimate and Forecast

	Estimate Consolidated Results For FY Ended 31 December 2004 RM'000	Forecast Consolidated Results For FY Ending 31 December 2005 RM'000
Revenue	388,732	519,420
Consolidated PBT	62,862	80,665
Taxation	(12,297)	(6,308)
Consolidated PAT	50,565	74,357
MI	(5,569)	(9,397)
Consolidated PAT after MI	44,996	64,960
Enlarged issued and paid-up share capital ('000)	480,000 [#]	480,000
Gross earnings per share (sen)	13.10	16.81
Net earnings per share (sen)	9.37	13.53
Gross price earnings multiple based on the Issue or Offer price of RM1.14 per ordinary share (times)	8.70	6.78
Net price earnings multiple based on the Issue or Offer price of RM1.14 per ordinary share (times)	12.17	8.43

Note:

The enlarged issued and paid-up share capital in respect of the consolidated profit estimate for the financial year ended 31 December 2004 is for illustration purposes only.

Further details on the notes and assumptions of the Consolidated Profit Estimate and Forecast are set out in Sections 10.6 and 10.7 of this Prospectus.

2.8.2 Dividend Estimate and Forecast

The Board does not intend to declare any dividends for the financial year ended 31 December 2004 but it intends to declare a tax exempt dividend of 3.125 sen per EFB Share or RM15,000,000 for the financial year ending 31 December 2005 based on the enlarged issued and paid-up share capital of 480,000,000 EFB Shares. The Board has full discretion to propose any future dividend payment as and when deemed necessary depending on the future performance of the Group.

Please refer to Section 10.9 of this Prospectus for further details on the Group's dividend policy.

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2. INFORMATION SUMMARY (Cont'd)

2.9 Proforma Consolidated NTA

	RM'000	NTA Per Ordinary Share RM
Proforma Consolidated NTA as at 31 October 2004 (after incorporating the effects of the Bonus Issue, Public Issue and deducting estimated listing expenses)	349,404	0.73 ⁽¹⁾

Note:

1. Based on the enlarged issued and paid-up share capital of 480,000,000 EFB Shares.

Further details are set out in Section 10.11 of this Prospectus.

2.10 Principal Statistics Relating To The Listing

The following statistics relating to the Listing are derived from the full text of this Prospectus and should be read in conjunction with the text.

2.10.1 Share Capital

	RM
<u>Authorised:</u>	
1,200,000,000 ordinary shares of RM0.25 each	300,000,000
<u>Issued and fully paid-up:</u>	
386,340,000 ordinary shares of RM0.25 each	96,585,000
<u>To be issued pursuant to the Public Issue:</u>	
93,660,000 ordinary shares of RM0.25 each	23,415,000
Enlarged share capital	120,000,000
<u>To be offered pursuant to the OFS:</u>	
113,000,000 ordinary shares of RM0.25 each	28,250,000

2.10.2 Issue/Offer Price per EFB Share

RM1.14

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2. INFORMATION SUMMARY (Cont'd)

2.10.3 Class of securities

There is only one class of shares in the Company, namely, ordinary shares of RM0.25 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the then existing issued and paid-up ordinary shares (which includes the OFS 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.

Details of the Public Issue and OFS are set out in Section 3 of this Prospectus.

2.11 Utilisation of Proceeds

The gross proceeds arising from the Public Issue of RM106.772 million would be utilised by the Group in the following manner:

	RM'000	Expected time frame for full utilisation of proceeds
1. Payment of revolving credit & term loan	32,000	By end of 2005
2. Purchase of property and equipment	9,000	By end of 2006
3. Estimated listing expenses	5,208	By mid of 2005
4. Group working capital	60,564	By end of 2006
Total	106,772	

No part of the gross proceeds arising from the OFS, which amounts to RM128.820 million, is receivable by EFB. The gross proceeds from the OFS shall accrue to the Offerors.

Details of the utilisation of proceeds are set out in Section 3.8 of this Prospectus.

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

The EFB Group's working capital, material litigations, material commitments, borrowings and contingent liabilities are as follows:

(i) Working Capital

The Directors of EFB are of the opinion that, after taking into consideration the cashflow position, the banking facilities available and the net proceeds of the Public Issue, the EFB Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(ii) Material Litigations

As at 31 January 2005 (being the latest practicable date of which such amount could be determined prior to the printing of this Prospectus), the Company and its subsidiary and associated companies are not engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant arising in the ordinary course of business, which has a material effect on the financial position of the Group and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and/or adversely affect the position or business of the Group.

2. INFORMATION SUMMARY (Cont'd)

(iii) Material Capital Commitments

Save as disclosed below, as at 31 January 2005 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Directors of EFB are not aware of any capital commitment, which, upon becoming enforceable, may have a material impact on the profit or net asset value of the Group.

	Audited As at 31 October 2004 RM	Unaudited As at 31 January 2005 RM
Authorised and not contracted for	11,686,744	7,243,817 ⁽¹⁾
Authorised and contracted for	2,574,865	3,203,865 ⁽²⁾
Total	14,261,609	10,447,682

Note:

- (1) Acquisition of a piece of industrial land in Segamat, Johor, boiler for Parit Raja plant and installation of second production line in SFC.
 (2) Acquisition of boiler, plant and machinery for MDF production in Malaysia.

The acquisition of boiler, a piece of industrial land in Segamat, Johor and plant and machinery for MDF production in Malaysia, shall be financed from the proceeds raised from the Public Issue, as set out in Section 3.8 note (ii) of this Prospectus.

(iv) Borrowings

Save as disclosed below, as at 31 January 2005 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding.

	Audited As at 31 October 2004 RM	Unaudited As at 31 January 2005 RM
Short term		
Interest bearing	32,695,701	35,189,506
Long term		
Interest bearing	55,080,417	58,371,346
Total outstanding borrowings	87,776,118	93,560,852*^

Notes:

* Out of which USD2.6 million or equivalent to approximately RM9.9 million (Exchange Rate: USD1.00: RM3.80) are foreign borrowings.

^ Out of which Thai Baht495 million or equivalent to approximately RM47.0 million (Exchange Rate: Thai Baht1.00: RM0.0995) are foreign borrowings.

There have been no default on payments of either interest and/or principal amounts in respect of the abovementioned borrowings throughout the past one (1) financial year and the subsequent financial period up to 31 January 2005 (being the latest practicable date prior to the printing of this Prospectus).

(v) Contingent Liabilities

As at 31 January 2005, (being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the Directors of EFB are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net asset value of the Group.

3. DETAILS OF THE PUBLIC ISSUE AND OFS

3.1 Application For Listing And Quotation On The Main Board Of Bursa Securities

This Prospectus is dated 15 February 2005. A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form, has been lodged with the ROC and neither the SC nor the ROC takes any responsibility for its contents.

Approvals has been obtained from the SC for the Listing Scheme on 4 November 2004. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue and Offer For Sale. Investors should rely on their own evaluation to assess the merits and risks of any investments in the Company.

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

An application will be made to the Bursa Securities for admission to the Official List of the Main Board of the Bursa Securities and for permission to deal in and for the listing of and quotation for the entire issued and paid-up ordinary shares of RM0.25 each in EFB including the Public Issue Shares and Offer For Sale Shares, which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the Main Board of the Bursa Securities and official quotation will commence after the receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

Acceptance of the Applications will be conditional upon permission being granted by the Bursa Securities to deal in and for the quotation of the entire enlarged issued and fully paid-up ordinary shares of EFB on the Main Board of the Bursa Securities. Accordingly, monies paid in respect of any Application accepted will be returned in full without interest if the said permission for listing is not granted within six (6) weeks from the date of issue 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 the Bursa Securities within the aforesaid timeframe.

Only an applicant who has a CDS account can make an application by way of the Application Form. The applicant shall furnish his/her CDS account number in the space provided in the Application Form and he/she shall be deemed to have authorized Bursa Depository to disclose information pertaining to the CDS account to Malaysian Issuing House Sdn Bhd or the Company. Where an applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an Application for the Public Issue Shares. If a successful applicant fails to state his/her CDS account number, Malaysian Issuing House Sdn Bhd under the instruction of the Company will reject the Application. In the case of an Application by way of Electronic Share Application, only an applicant who is an individual and has CDS account can make an Electronic Share Application.

Pursuant to the Bursa Securities LR, at least 25% of the listed share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each at the point of listing.

In the event that the above requirement is not met pursuant to the Public Issue and Offer For Sale, the Company may not be allowed to proceed with its listing on the Main Board of Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned without interest in full if the said requirement is not met.

3. DETAILS OF THE PUBLIC ISSUE AND OFS (*Cont'd*)

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

The distribution of this Prospectus is subject to Malaysian laws and the Company and its Advisers take no responsibility for the distribution of this Prospectus and the sale of the Public Issue Shares and Offer For Sale Shares outside of Malaysia. Persons who come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any Public Issue Shares and Offer For Sale Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

The SC and Bursa Securities assume no responsibility for the correctness of any of the statements made or opinion or reports expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of the Company or of its ordinary shares.

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

3.2 Opening and Closing of the Application

The Applications for the Public Issue Shares and Offer For Sale Shares will be accepted from 10.00 a.m. on 15 February 2005 until 5.00 p.m. on 25 February 2005 or for such further period or periods as the Directors of EFB and/or the Offerors together with the Managing Underwriter in their absolute discretion may decide. Should the closing dates of the applications be extended, the dates for balloting and allotment of the Public Issues Shares and OFS Shares, and the listing of and quotation for the entire issued and paid-up share capital of EFB on the Main Board of the Bursa Securities would be extended accordingly. Any change to the closing date of the application will be published in a widely circulated daily Bahasa Malaysia newspaper and English newspaper within Malaysia.

3.3 Important Tentative Dates

Events	Tentative Date
Opening of the Public Issue/ Offer For Sale	: 15 February 2005
Closing of the Public Issue/ Offer For Sale	: 25 February 2005
Balloting Date	: 1 March 2005
Allotment Date	: 10 March 2005
Listing Date	: 11 March 2005

3. DETAILS OF THE PUBLIC ISSUE AND OFS (*Cont'd*)

3.4 Purposes Of The Public Issue and OFS

The purposes of the Public Issue and OFS are as follows:

- (i) to provide additional funds to meet the present and future working capital requirements of the EFB Group;
- (ii) to grant the Company with access to the capital market to raise funds to finance the future growth and expansion of the EFB Group;
- (iii) the listing of EFB Shares on the Main Board of the Bursa Securities is expected to further enhance the Group's corporate reputation and assist the Group in expanding its customer base in Malaysia;
- (iv) to provide an opportunity for the employees of the Group as well as the Malaysian public and institutional investors to participate in the equity and continuing growth of the EFB Group;
- (v) to enable EFB to meet the National Development Policy requirement on 30% Bumiputera shareholding in EFB upon listing; and
- (vi) to obtain the listing of and quotation for EFB Shares on the Main Board of the Bursa Securities.

3.5 Number And Class Of Securities To Be Issued/Offered

	RM
<u>Authorised:</u>	
1,200,000,000 ordinary shares of RM0.25 each	300,000,000
<u>Issued and fully paid-up:</u>	
386,340,000 ordinary shares of RM0.25 each	96,585,000
<u>To be issued pursuant to the Public Issue:</u>	
93,660,000 ordinary shares of RM0.25 each	23,415,000
Enlarged Share Capital	120,000,000
<u>To be offered pursuant to the OFS:</u>	
113,000,000 ordinary shares of RM0.25 each	28,250,000

There is only one class of shares in the Company, namely, ordinary shares of RM0.25 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the existing issued and paid-up ordinary shares (which includes the OFS Shares) in 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 the Company 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 and in respect of any surplus in the event of liquidation of the Company in accordance with its Articles of Association.

3. DETAILS OF THE PUBLIC ISSUE AND OFS (*Cont'd*)

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or a representative or a proxy or an attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by a proxy or by an attorney or by any 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.

3.6 Details Of The Public Issue And The OFS

The Public Issue and OFS of 93,660,000 new EFB Shares and 113,000,000 EFB Shares respectively at the Issue/ Offer Price of RM1.14 per ordinary share are payable in full on application upon such terms and conditions set out in this Prospectus.

3.6.1 Allocation of the Public Issue Shares

The Public Issue Shares shall be allocated in the following manner:

(a) **The Malaysian Public**

24,000,000 Public Issue Shares, representing 5% of the enlarged issued and fully paid-up share capital of EFB, will be made available for application by Malaysian citizens, companies, societies, co-operatives and/or institutions (of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and/or institutions) to be allotted via ballot.

(b) **Eligible Directors and Employees**

6,000,000 Public Issue Shares representing 1.25% of the enlarged issued and fully paid-up share capital of EFB, will be made available for application by the eligible Directors and employees of the EFB Group. Where any eligible Director and/or employee of the EFB Group do not take up the Public Issue Shares allocated herein, those shares will be made available for application by the Malaysian Public.

The criteria for allocation of the Public Issue Shares to be made available for application by the 3 eligible Directors and 773 eligible employees is based on job position, performance and length of service. The eligible Directors and employees will be allocated shares as follows:

Category	Number of Public Issue Shares allocated
Eligible Directors	
1) Yong Kok Fong	250,000
2) Mohd Alkaf Bin Mohd Kahar	250,000
3) Mary Henerietta Lim Kim Neo	500,000
Total eligible Directors	1,000,000
Eligible employees	5,000,000
TOTAL	6,000,000

3. DETAILS OF THE PUBLIC ISSUE AND OFS (Cont'd)

(c) Placees

63,660,000 Public Issue Shares will be made available for application as follows:

- (i) 10,660,000 Public Issue Shares at an issue price of RM1.14 per EFB Share by way of placement to placees identified by the Placement Agent, of which 30% is set aside for Bumiputera investors; and
- (ii) 53,000,000 Public Issue Shares by way of placement to Bumiputera parties approved by the MITI.

The Public Issue Shares as set out in paragraph (c) above will not be underwritten. All the Public Issue Shares under paragraphs (a) and (b) above have been fully underwritten.

3.6.2 Allocation of the OFS Shares

The OFS Shares shall be allocated by way of placement to the following parties:

- (a) 41,500,000 OFS Shares by way of placement to placees to be identified by the Placement Agent; and
- (b) 71,500,000 OFS Shares by way of placement to Bumiputera parties approved by the MITI.

The 113,000,000 OFS Shares above need not be underwritten. Further details of the OFS are set out in Section 5.3.3 herein.

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3. DETAILS OF THE PUBLIC ISSUE AND OFS (Cont'd)**3.6.3 Shareholding Spread**

Upon completion of the Listing Scheme, approximately 220,505,788 EFB Shares or 45.94% of the enlarged share capital of EFB would be in the hands of the public, each holding at least 100 shares. The Company will ensure there are at least 1,000 public shareholders holding not less than 100 shares. A summary of the shareholding spread after the Listing Scheme is as follows:

	No. Of Shares	% Of Enlarged Share Capital
Non Public – Malaysian		
Directors Of EFB		
- Bumiputera*	23,740,065	4.95
- Non-Bumiputera*	962,027	0.20
Total Non Public – Malaysian	24,702,092	5.15
Non-Public Non-Malaysian		
Directors Of EFB		
	218,705,696	45.56
Others	16,086,424	3.35
Total Non-Public Non-Malaysian	234,792,120	48.91
Public – Malaysian		
Existing Shareholders		
- Bumiputera**	1,106,189	0.23
- Non-Bumiputera**	19,484,599	4.06
Bumiputera investors approved by MITI	120,000,000 [^]	25.00
Malaysian Public and eligible employees of EFB Group***	79,915,000	16.65
Total Public – Malaysian	220,505,788	45.94
Enlarged Share Capital	480,000,000	100.00

Notes:

* Assuming that the eligible Directors of the Company subscribe for the 1,000,000 new EFB Shares offered to them pursuant to the Public Issue

** Assuming that the existing shareholders who include eligible employees subscribe for their portion of the 5,000,000 new EFB Shares offered to them under the 'Pink Form' allocation

*** Malaysian public includes any Malaysian citizens, companies, co-operatives, societies and/or institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and/or institutions

[^] Excluding the allocation to Mohd Alkaf bin Mohd Kahar approved by MITI of 4,500,000 Public Issue Shares (i.e. out of the 124,500,000 approved by MITI)

Details of the brokerage fee and underwriting commission relating to the Public Issue and OFS are set out in Section 3.12 of this Prospectus.

3. DETAILS OF THE PUBLIC ISSUE AND OFS (Cont'd)

3.7 Basis of Arriving at the Issue/Offer Price

The Issue/Offer Price of RM1.14 per ordinary share was determined and agreed upon by the Company, Offerors and Aseambankers as the Adviser, Sole Placement Agent and Managing Underwriter based on, inter-alia, the following factors:

- (a) the Group's financial and operating history and conditions as outlined in Section 10 of this Prospectus;
- (b) the prospects of the Group and the industry in which the Group operates as outlined in Section 5.6.2, 5.6.4 and 5.9 of this Prospectus;
- (c) the forecast net PE multiple of 8.43 times based on the forecast net EPS of 13.53 sen for the financial year ending 31 December 2005;
- (d) the proforma Group NTA per share of RM0.73 after the Public Issue for the ten (10) month period ended 31 October 2004; and
- (e) several other factors as disclosed in Section 4.1 of this Prospectus.

3.8 Utilisation of Proceeds

The Public Issue is expected to raise total gross proceeds of RM106.772 million and would be utilised by the Group in the following manner:

	Reference	RM'000	Expected time frame for full utilisation of proceeds
1. Payment of revolving credit & term loan	(i)	32,000	By end of 2005
2. Purchase of property and equipment	(ii)	9,000	By end of 2006
3. Estimated listing expenses	(iii)	5,208	By mid of 2005
4. Group working capital	(iv)	60,564	By end of 2006
Total		106,772	

No part of the gross proceeds arising from the OFS amounting to RM128.820million is receivable by EFB. The gross proceeds from the OFS shall accrue to the Offerors. The Offerors shall bear the stamp duty and other charges including placement fees relating to the OFS.

There is no minimum subscription to be raised from the Public Issue and the OFS.

Notes:

- i) The Group intends to repay its revolving credit facilities and part of a term loan facility with part of the gross proceeds from the Public Issue, as follows:

Lender	Facility (Amount Granted)	Approximate Interest rate	Amount outstanding as at 31/10/2004 RM	Proposed repayment RM
Citibank Berhad	RM15 million	4.350% per annum	15,000,000	15,000,000
Citibank Berhad	RM7 million	4.475% per annum	7,000,000	7,000,000
EON Bank Berhad	RM3 million	3.650% per annum	3,000,000	3,000,000
RHB Bank Berhad	RM10 million	6.000% per annum	8,900,000	7,000,000
			33,900,000	32,000,000

3. DETAILS OF THE PUBLIC ISSUE AND OFS (Cont'd)

- (ii) *The Group also intends to purchase various other equipments to upgrade its existing plants. Details of the purchase plan are as follows:*

	RM'000
<i>Boiler</i>	3,157
<i>Industrial land in Segamat, Johor</i>	1,843
<i>Machineries and equipment for MDF production</i>	4,000
Total	9,000

- (iii) *Estimated listing expenses*

Approximately RM5.208 million will be allocated for the estimated expenses relating to the Listing Scheme. Details of the estimated listing expenses are provided in Section 3.10 below.

- (iv) *Part of the proceeds from the Public Issue of approximately RM60.564 million will be utilised to finance the working capital requirements of the Group.*

Working capital is for the purchase of consumable materials, hiring and upkeep of equipment and to finance the daily operating expenses so as to minimize the external borrowing requirements whilst the Group continues to strengthen its cashflow position. This will enable the Group to finance its working capital requirements from its operating reserves and hence, enjoy interest savings.

3.9 Financial Impact on the Group from the Utilisation of Proceeds

As disclosed in Section 3.8 above, RM32 million of the proceeds from the Public Issue will be utilised to repay RM25 million and RM7 million of the revolving credit and term loan facilities respectively of the Group. This repayment is expected to contribute positively towards reducing the overall interest costs of the Group, and hence, improve earnings in future. Based on an assumed average interest rate of 5%, interest savings as a result of the repayment of the credit facilities is estimated at RM1.6 million per annum.

3.10 Estimated Listing Expenses

The estimated listing expenses for the listing of and quotation for the enlarged issued and paid-up share capital of EFB comprising 480,000,000 ordinary shares of RM0.25 each on the Main Board of the Bursa Securities are as follows:

	To be borne by EFB
	RM
<i>Professional fees and charges</i>	850,000
<i>SC fees</i>	110,000
<i>SC registration fee</i>	5,000
<i>Bursa Securities initial and annual listing fees</i>	59,000
<i>ROC lodgement fee</i>	500
<i>Estimated printing of prospectus, application forms, envelopes and share certificates</i>	450,000
<i>Advertising expenses for prospectus, application forms and envelopes and public relation</i>	550,000
<i>Estimated issuing house and registrar's fee</i>	150,000
<i>Brokerage fees, underwriting commission and placement fees</i>	2,678,000
<i>Others/Contingencies</i>	355,500
Total	5,208,000

3. DETAILS OF THE PUBLIC ISSUE AND OFS (*Cont'd*)

3.11 Underwriting Commission, Brokerage and Placement Fee

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite the 30,000,000 ordinary shares of RM0.25 each in EFB which are made available to the Malaysian Public and eligible Directors and employees of the EFB Group at the Issue Price of RM1.14 each.

Underwriting commission is payable by the Company at the rate of 1.75% of the Issue Price of RM1.14 per ordinary share.

Brokerage relating to the Public Issue is payable by the Company at the rate of 1% of the Issue Price of RM1.14 per ordinary share in respect of successful Applications which bear the stamp of Aseambankers, a member company of the Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or Malaysian Issuing House Sdn Bhd.

Placement fees shall be payable by the Company in respect of the shares as set out in Section 3.6.1 (c) (i) and (ii) above.

The Offerors shall bear the stamp duty (if any) and any other related expenses and fees relating to the OFS. This includes, amongst others, the placement fee payable to the placement agent in respect of the shares as set out in Section 3.6.2 (i) and (ii) above.

3.12 Salient Terms of the Underwriting Agreement

The salient terms of the Underwriting Agreement entered into between EFB, the Managing Underwriter and the Underwriters on 31 January 2005 ("Underwriting Agreement") are as follows:

3.12.1 Notwithstanding anything contained in the Underwriting Agreement, any of the Underwriters may by notice in writing to the Company given at any time before the Closing Date, terminate cancel and withdraw its commitment to underwrite the Public Issue Shares and pursuant thereto terminate the Underwriting Agreement if:

- (a) there is any material breach by the Company of any of the representations, warranties or undertakings contained in Clauses 1 and 2 of the Underwriting Agreement, which is adverse, and being capable of remedy, is not remedied within Thirty (30) days or such number of days (being not less than Thirty (30) days) as stipulated in the notice of such breach given to the Company;
- (b) the Company withholds any information of a material nature from the Underwriters, which, in the reasonable opinion of any Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Public Issue Shares; or

3. DETAILS OF THE PUBLIC ISSUE AND OFS (Cont'd)

- (c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reason of force majeure which would have or can reasonably be expected to have, a material adverse effect on the business or the operations of the Group or the success of the Public Offering or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the parties claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including:
- (i) war, acts of warfare, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy;
 - (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power, civil war, industrial action;
 - (iii) flood, fire, storm, lightning tempest, accident or other Acts of God;
 - (iv) epidemic, explosion, disease, earthquake, hijacking, sabotage or crime; or
 - (v) mobilisation, blockade, embargo, detention, revolution, looting or other labour disputes, any unavailability of transportation or severe economic dislocation, typhoon.
- (d) any government requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial and operational condition of the Company;
- (e) any change or any development material and adverse in national or international monetary, financial (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriters materially and adversely affect the success of the Public Offering and their distribution or sale;
- (f) if the composite index of the Bursa Securities falls below Eight Hundred (800) points for three (3) consecutive Market Days within the period from the date of the Underwriting Agreement until the Closing Date;
- (g) any breach of any representation, warranty, covenant, undertaking or obligation of the Company in the Underwriting Agreement or which is contained in any certificate, statement, or notice provided under or in connection with the Underwriting Agreement or which proves to be incorrect in any material respect which is not capable of remedy, or if capable of remedy is not remedied within Thirty (30) days from the date the Company is notified by the Underwriters of such breach;
- (h) the occurrence of any event or the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained;

3. DETAILS OF THE PUBLIC ISSUE AND OFS (*Cont'd*)

- (i) any withholdings of information by the Company from the Underwriters of information of material nature which is required to be disclosed pursuant to the Underwriting Agreement which in the opinion of the Underwriters, would have or can be reasonably be expected to have, a material adverse effect on the business or operations of the Company; or
- (j) any change in law, regulation, directive, policy or ruling in any jurisdiction which would or is likely to have a material adverse effect on the success of the Public Issue and the distribution of the Issues Shares or the seal of any underwritten shares.

Upon any such notice(s) being given pursuant to paragraph 3.12.1 above, the Underwriters shall be released and discharged from their obligations hereunder whereupon the Underwriting Agreement shall be of no further force and effect and no party shall be under any liability to another in respect of the Underwriting Agreement, save and except that the Company shall remain liable for the Underwriting Commission and Management Fee and for the payment of costs and expenses already incurred prior to or in connection with such termination.

The Underwriters and the Company may confer with a view to deferring the Public Issue or amending its terms or the terms of the Underwriting Agreement and enter into a new underwriting agreement accordingly, but neither the Underwriters nor the Company shall be under any obligation to make a fresh agreement.

3.12.2 The other salient terms of the Underwriting Agreement are as follows:

In consideration of the Managing Underwriter and the Underwriters severally agreeing at the request of the Company to underwrite the Underwritten Shares, the Company hereby represents, warrants and undertakes to the Managing Underwriter and the Underwriters and each of them as follows:

- (a) the Company is duly incorporated and validly existing under the laws of Malaysia;
- (b) save as disclosed by the Company, the Underwritten Shares will be issued (as the case may be) free from any claims, charges, liens, encumbrances or equities, that the Company has and will continue to retain (until completion of the subscription for the Underwritten Shares pursuant to the Public Issue) the unrestricted right to issue such Underwritten Shares and that there is no (nor will there be any) option over the right to acquire any of such Underwritten Shares;
- (c) that the Company shall comply with all the requirements and provisions (inclusive of any amendments) of the Companies Act, 1965 and the listing requirements of the Bursa Securities and the requirements of the SC, MITI and FIC in relation to the Proposals unless exempted therefrom by the relevant authorities;
- (d) that the Company shall obtain the approval of the Bursa Securities for the Listing on the Bursa Securities and the Company shall at all times promptly furnish and deliver all documents, instruments, information, certificates and undertakings as may be necessary or advisable in order to obtain such permission and quotation;

3. DETAILS OF THE PUBLIC ISSUE AND OFS (Cont'd)

- (e) that the Public Offering and the compliance by the Company of its terms do not, and up to and on the Closing Date will not, infringe the terms of, or constitute a default under any trust deed, agreements or other instruments or obligations to which the Company is a party or by which the Company is bound and the execution and issue or delivery by the Company of the Underwriting Agreement and performance of the obligations to be assumed hereunder and in respect of the Public Offering have been duly authorised by the Company so that upon due execution the same will constitute valid and legally binding obligations of the Company;
- (f) that the Public Offering and the issue of the Prospectus and the compliance by the Company with the terms and the terms of the Underwriting Agreement:
- (i) are in accordance with the Memorandum and Articles of Association of the Company; and
- (ii) do not, and up to and on the Closing Date will not, infringe the terms of, or constitute a default under any trust deed, agreement or other instrument or obligation to which the Company is a party or by which it is bound;
- and the execution and issue by the Company of the Underwriting Agreement and the Prospectus and performance of the obligations to be assumed hereunder and thereunder have been duly authorised by the Company so that upon due execution or issue the same will constitute valid and legally binding obligations of the Company in accordance with their respective terms;
- (g) that save and except those disclosed in the Prospectus and further to the best knowledge and belief of the Company, it is not in default under any agreement to which it is bound and that the Company is not engaged in any litigation, arbitration or administrative proceedings which is/are presently current or pending or to the knowledge of the Company threatened, which default, litigation, arbitration or administrative proceedings, as the case may be, might materially and adversely affect the condition of the Company, financially or otherwise;
- (h) the Company is solvent and able to pay its debts as and when it falls due and no event has occurred and no circumstance exists which might result in (i) the Company being deemed unable to pay its debts within the meaning of Section 218(2) of the Companies Act; and (ii) no winding-up proceedings have been instituted and are subsisting or are threatened, pending or current against the Company nor has it commenced any action for its voluntary winding-up;
- (i) no outstanding indebtedness or contingent liability of the Company or its subsidiaries which will materially affect the financial position of the Company or enforceable against it has become payable by reason of default of the Company;
- (j) there are no existing or, to the knowledge of the Company, threatened labour disputes with the employees of the Company which are likely, individually or in the aggregate, to have or may reasonably be expected to have a material adverse effect on the Public Offering;

3. DETAILS OF THE PUBLIC ISSUE AND OFS (Cont'd)

- (k) that save as disclosed in the Prospectus to the best of its knowledge and belief, no other circumstances or situations have arisen which is or are likely to adversely affect the condition of the Company's Group financially or otherwise, or the earnings, affairs or business prospects of the Company or to so affect the success of the Public Offering, and that no material information has been withheld from the Underwriters by the Company which may in any way affect their decision to underwrite the Underwritten Shares;
- (l) that all consents, approvals, authorisations or other orders required by the Company under the laws of Malaysia for or in connection with the Public Offering has been obtained and remain in force and all other actions will be taken by the Company or on its behalf to comply with all legal and other requirements necessary to ensure that the Public Offering will not infringe any existing laws or the terms of any such consent, approval or authorisation;
- (m) that to the best of the knowledge and belief of the Company, no other circumstances or situations have arisen which would affect the success of the Public Offering and that no information has been withheld by the Company from the Managing Underwriter which might in any way affect their decision to underwrite the Underwritten Shares;
- (n) the Company has full power and authority to own, lease and operate its respective assets and properties and to conduct its respective business as presently conducted and described in the Prospectus, and all authorization, approvals or consents as may be required from agencies, regulatory bodies, administrative agencies or governmental bodies for such purposes have been obtained and are valid and do not contain a material burdensome restriction not adequately disclosed in the Prospectus.

The directors of the Company have made all reasonable enquiries to ensure all facts material for the Prospectus have been disclosed, and have verified the completeness and accuracy of all such information and to the best of their knowledge and belief, no material facts has been omitted therefrom. The Company further undertakes with the Managing Underwriter and the Underwriters and each of them:

- (a) that the Prospectus relating to the Public Offering shall be in form and substance satisfactory and acceptable to and approved by the SC and shall not contain any untrue statement or omit to state a material fact required to be stated therein or make any statements which may be misleading;
- (b) that the Company will give to the Managing Underwriter and the Underwriters any or all information which the Managing Underwriter and the Underwriters may need or require affecting the Public Offering and the accounts or affairs of the Company;
- (c) the Company will approve or cause the approval of all applications submitted in respect of the Public Offering except where such applications are not duly completed or signed or which are not accompanied by remittances for the appropriate amounts payable on application or is otherwise deficient for any technical reasons;

3. DETAILS OF THE PUBLIC ISSUE AND OFS (*Cont'd*)

- (d) that the proforma Company's Group's financial performance for the past five (5) years ended 31 December 2003 and ten (10) months period ended 31 October 2004 have been prepared in accordance with the law and on a consistent basis in accordance with accounting principles, standards and practices generally accepted in Malaysia and Thailand (as the case may be) as at the date of the accounts, so as to give a true and fair view of the state of affairs of the said companies at the date of the accounts and of the profits or losses for the period concerned;
- (e) that, save and except as disclosed in the Prospectus, as regards to the Company:
- (i) its business has been carried on in the ordinary course and in accordance with its Memorandum and Articles of Association and so as to maintain the same as a going concern;
 - (ii) it has not disposed of any material assets otherwise than in the ordinary course of carrying on its business;
 - (iii) it has not entered into any contract or commitment of an unusual or onerous nature, which might be material for disclosure;
 - (iv) no dividend or other distribution has been declared made or paid to its members except as provided for in the relevant accounts;
 - (v) no material obligation or liability whether contingent actual or otherwise has incurred, assumed or agreed to be assumed by it otherwise than in the ordinary course of business.
- (For the purpose of sub-paragraphs (ii) and (v) above, the parties hereto agree that the term "material" shall mean any sum, liability or value which exceeds five percent (5%) of the total shareholders' funds of the Company); and
- (f) that they will forthwith notify the Managing Underwriter who shall thereupon inform the other Underwriters of any facts or information or situations or circumstances which they believe may adversely affect the success of the Public Offering and in particular and without prejudice to the generality of the foregoing of any material change affecting any of the aforesaid representations, warranties or agreements at any time prior to the Closing Date and take such steps as may be reasonably requested by the Underwriters or any of them to remedy and/or publicise the same.

The parties hereto hereby agree that with regard to any facts, information, situations and/or circumstances which may be varied or altered post-issuance of the Prospectus and prior to the Closing Date, the same shall be notified by the Company to the Managing Underwriter who shall thereupon notify the other Underwriters of such variation or alteration and such variation or alteration of facts, information, situations and/or circumstances duly notified by the Company shall not constitute breach of the aforementioned undertakings and warranties by the Company.

3. DETAILS OF THE PUBLIC ISSUE AND OFS (*Cont'd*)

3.12.3 The obligations of the Underwriters under the Underwriting Agreement shall be conditional upon the fulfilment of the following (“Conditions Precedent”):

- (a) This Agreement having been duly executed by all parties hereto and duly stamped;
- (b) the Underwriters receiving a copy certified by a director or secretary of the Company to be true and complete and in full force a resolution of the Board of Directors of the Company approving the Prospectus, this Agreement and all other transactions and matters contemplated by it and authorised a person or persons to sign and deliver on behalf of the Company this Agreement;
- (c) the Bursa Securities having agreed in principle, on or prior to the Closing Date to the listing and quotation thereon of the entire issued and paid up ordinary shares of the Company including the Underwritten Shares (and if such approvals shall be conditional, all conditions thereto in terms acceptable to the Underwriters and each of them) and the Underwriters and each of them being reasonably satisfied that such listing and quotation will be granted, after three (3) clear Market Days (as defined in Clause 4.8 of the Underwriting Agreement) the Company shall deliver or cause to be delivered to the Bursa Depository a record of the successful applicants together with such particulars as may be required by the Bursa Depository for the purpose of making appropriate entries in the securities accounts of the respective applicants, together with the scripts (in such denominations as may be specified by the Bursa Depository) registered in the name of the Bursa Depository;
- (d) there not having been, on or prior to the Closing Date any adverse change or any development reasonably likely to involve a prospective adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the Public Offering, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations or warranties contained in Clause 2.1 of the Underwriting Agreement as though they had been given or made on such date;
- (e) the registration of the Prospectus with the SC and subsequent lodgement of the Prospectus with the Companies Commission of Malaysia in accordance with the requirements of Section 42 of the Companies Act 1965 together with copies of all documents required by that Section within fourteen (14) days prior to the Closing Date;
- (f) the completion of the allocation by MITI for the placement of (i) Fifty Three Million (53,000,000) ordinary shares of Sen Twenty Five (RM0.25) each with Bumiputera parties, as per Recital (B)(i)(c)(bb) of the Underwriting Agreement hereof; and (ii) OFS of Seventy One Million and Five Hundred Thousand (71,500,000) ordinary shares of Sen Twenty Five (RM0.25) each, as per Recital B(ii)(b) of the Underwriting Agreement;
- (g) the issuance of and subscription for the Public Issue Shares and the offer for sale of the OFS Shares pursuant to and in accordance with the provisions hereof and in the Prospectus 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 agency, legislative; and

3. DETAILS OF THE PUBLIC ISSUE AND OFS (Cont'd)

- (h) there having been, as at any time hereafter up to and including the Closing Date, no event of default pursuant to the provisions herein contained, and no breach of any representation, warranty, covenant, undertaking or obligation of the Company in the Underwriting Agreement or which is contained in any certificate, statement, or notice provided under or in connection with the Underwriting Agreement or which proves to be incorrect in any material respect.

If any of the foregoing Conditions Precedent set out in the paragraph 3.11.3 above is not satisfied on or before the Closing Date, the Underwriters may, subject to the sub-paragraph below, opt to terminate the Underwriting Agreement by giving notice in writing and delivered to the Company and the Managing Underwriter, and in that event (except for the obligations and liabilities of the Company including the payment of the Underwriting Commission, Management Fees, the payment of costs and expenses as provided in Clause 7.1 of the Underwriting Agreement incurred prior to or in connection with such termination and for any antecedent breach under the Underwriting Agreement) the Underwriting Agreement shall become null and void and of no further force and effect, and the parties hereto shall be released and discharged from their obligations hereunder PROVIDED THAT the Underwriters may at their discretion and subject to such conditions as the Underwriters may impose waive compliance with any of the provisions of paragraph 3.11.3 above.

Notwithstanding anything contained herein, the Underwriters may only terminate the Underwriting Agreement pursuant to the sub-paragraph above, if the approvals from the Underwriters (who collectively hold at least fifty per centum (50%) of the Underwritten Shares) to do so have been obtained.

(Note : All capitalized items shall bear the same meanings as prescribed in the Underwriting Agreement)

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4. RISK FACTORS

Applicants for the Public Issue Shares and OFS Shares should carefully consider the following in addition to all the other relevant information contained elsewhere in this Prospectus, before applying for the Public Issue Shares and OFS Shares:

4.1 Marketability of EFB Shares

Prior to this Public Issue and OFS, there has been no public market for EFB Shares. There can be no assurance that an active market for EFB Shares will develop upon its listing on the Main Board of the Bursa Securities or if developed, such market would sustain. The Issue/Offer Price of RM1.14 per ordinary share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the prospects of the Group and the industry in which the Group operates, the forecast net PE multiple of the Group, the proforma consolidated NTA of the Group, (as set out in Section 3.7 of this Prospectus), as well as the valuation of the Group's properties, plant and machinery, the management of the Group, the market prices for shares of other companies engaged in businesses similar to that of the Group, and the prevailing market conditions at the time the Underwriting Agreement was signed.

There can be no assurance that the Issue/Offer Price will correspond to the price at which EFB Shares will trade on the Main Board of the Bursa Securities upon or subsequent to its listing or that an active market for EFB Shares will develop and continue upon or subsequent to its Listing.

4.2 Business Risks

The Group is involved in the manufacturing of wood products, which is subject to certain risks inherent in the industry. Risks applicable to the wood industry would include fluctuations in prices of raw material, fluctuations in foreign exchange rates or currency controls, changes in the general economic and business conditions and changes in the legal and regulatory framework.

Although EFB continuously seeks to minimise and mitigate business risks, no assurance can be given that any change to these factors will not have a material adverse effect on the business of the EFB Group.

4.2.1 Market Risks

As rubberwood log is a commodity, it is subjected to fluctuations in prices. In some situations, increases in the price of raw materials are not easily passed on to customers. This could impact on the margin or alternatively, if the increase in cost is passed on to customers, the manufacturer may not be price competitive.

Prices of rubberwood logs may also fluctuate due to seasonality whereby during the rainy season, the slowdown in felling activities may contribute to a temporary shortage in supply thus possibly driving the log prices up. As rubberwood log is a commodity, all manufacturers who use it will be equally affected.

However, between 1999 and 2003, prices of rubberwood logs only increased at an average rate of 3.9% per annum. Over the five-year period, prices of rubberwood logs have only increased from RM90 per cubic metre in 1999 to RM105 per cubic metre in 2003.

As a mitigating factor, the Group's main raw materials are those 'by-parts' of the rubberwood, namely the branches of the rubberwood that cannot be used by the millers. As such, the Group does not compete directly with the furniture manufacturers making it less sensitive to rubberwood log price fluctuations.

4. RISK FACTORS (Cont'd)

The Group is also confident that it is able to position itself and adapt its business strategies in accordance to and to capitalise on the prevailing economic and market conditions.

4.2.2 Availability of Raw Materials

Rubberwood is the main raw material for the manufacturing of MDF. For the ten (10) month period ended 31 October 2004, all of the Group's rubberwood supply was sourced locally from their respective country of operations; i.e. Malaysia and Thailand. However, it must be noted that the production of MDF uses mainly branches and smaller diameter rubberwood logs which are deemed unsuitable for the solid wood furniture industry.

Any decline in the supply of raw materials used may impact on the manufacturers of reconstituted wood-based panel board. Between 1999 and 2003, the total acreage of rubber plantation decreased at an average annual rate of 2.7%*. The planted area in Malaysia is dominated by the smallholding sector. The income obtained by smallholders is relatively low resulting from low volume of rubberwood harvested and low latex prices in the world market. This has reduced the investment undertaken by smallholders in rubber forest plantation.

Even though the average annual rate of total acreage of rubber plantation declined between 1999 and 2003, the areas that are replanted with rubber in Malaysia registered an average growth rate of 1.0%* per annum during the same period.

In the event of a shortage in the supply of rubberwood, the Group can use other alternative materials such as off-cuts and shaving in addition to other types of plantation wood for the production of MDF. Furthermore the Group is considering establishing chipping operations within the Association of South East Asia Nations ("ASEAN") region i.e. in an ASEAN country that has ample supply of rubberwood.

Note:

* *Source : Extraction of Assessment of the Reconstituted Wood-Based Panel Board Industry, updated 27 November 2004, prepared by Vital Factor Consulting Sdn Bhd for inclusion in this prospectus*

Currently, the EFB Group does not have any long-term contracts with suppliers of rubberwood. Nevertheless the Group enjoys long-term business relationships with its top rubberwood suppliers, ranging from two (2) to ten (10) years.

In the future, the Group may seek to acquire forestry concession to extract rubberwood and/ or undertake reforestation after extraction. Should this plan materialize, it would facilitate the Group in reducing its dependency on the suppliers of rubberwood.

Other types of raw materials used include Urea Formaldehyde ("UF") glue, veneer logs and veneer sheets. These are primarily imported. The sources of imports are as follows:

- UF glue is imported from Singapore;
- Veneer logs are imported from Belgium, Germany, Solomon Islands and South Africa; and
- Veneer sheets are imported from Japan and Singapore.

4. RISK FACTORS (Cont'd)

4.2.3 Availability of Skilled Workers

Knowledge of and expertise in industrial technology is crucial to the operation of the business and the level of technical skills and knowledge required in the manufacturing of reconstituted wood-based panel board is moderate to high. Although the operations of the business are fully automated, the Group would still require the skill and expertise of machine operators to operate the machineries.

As such, the need for skilled workers coupled with the tight labour market pose a challenge to many companies in sourcing quality personnel in the reconstituted wood-based panel board industry.

The Group has had a relatively stable workforce over the years with low staff turnover. This is owing to the Group's commitment to provide its personnel with the opportunity for training and career advancement, as it believes that people are the most valuable assets of the Group. In addition, the Group continuously tries to enhance productivity via technology and back-office improvements to further mitigate the risk of labour shortage.

4.2.4 Economic, Political And Regulatory Risks

The Group's business, prospects, financial conditions and level of profitability may be affected by the development of the economic, political and regulatory environment in the countries where the Group operates as well as exports to. Any adverse development in political situation, economic uncertainties or changes in the regulatory environment could materially and adversely affect the financial performance of the Group. These risks include, among others, risks of war, terrorism, global economic downturn, epidemic outbreaks, social unrests, changes in interest rates and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs.

Whilst the Group practices prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic developments, which are beyond the Company's control, will not materially affect the Group.

4.2.5 Social Unrest in Thailand

Currently, SFC a subsidiary, operates in Hatyai, in southern Thailand. The recent social unrest in southern Thailand may pose some risk to the Group's operations there. The Thai authorities with the co-operation of the Malaysian authorities are trying to curb these spurts of social unrest. Should the authorities resort to imposing new restrictive regulations/measures to manage the situation such as imposition of martial law, the Group's performance in Thailand may be affected. As stated in Section 4.1.7 herein, a significant amount of the Group's profit is forecasted to be derived from its operations in Thailand.

Currently, it is important to note that the social unrest as mentioned above occurred in the eastern peninsular of southern Thailand and is away from the Group's operations. However, should the social unrest worsen and escalate and/or spread to areas closer to Hatyai, the Group's profitability could be affected.

4. RISK FACTORS (Cont'd)

4.2.6 Disease Outbreaks

As stated in Section 5.4.7 herein, a substantial amount of the Group's products was exported to China for the financial year ended 31 December 2003. As such, the Group's performance is, to a certain degree, dependent on China's economic, political and social conditions.

In the year of 2003, the outbreak of Severe Acute Respiratory Syndrome (commonly known as "SARS") had affected the economy of countries within the East and South-East Asia region, including China (one of the Group's major countries of export).

In light of the above, should there be another outbreak of SARS or any similar epidemic outbreak, the performance of EFB may be affected. However, the governments of the respective countries which are potentially at risk of such outbreaks have taken precautions to prevent another outbreak of SARS, although there can be no assurance that such outbreaks will not occur in the future.

4.2.7 Risks Associated with Substitute Products

There are various different types of substitutes for reconstituted wood-based panel boards. Wood-based substitutes such as solid timber, bamboo, rattan and plywood, as well as non-wood substitutes such as vinyl, concrete, granite, marble and metals, compete with reconstituted wood-based panel board in terms of similar applications and end-user sectors.

However, reconstituted wood-based panel boards including MDF are considered to be the new substitutes for solid wood, plywood and other wood based materials. Reconstituted wood-based panel boards such as MDF has many of the mechanical and physical characteristics of solid wood but without the natural faults. As such, although there are many substitute products for MDF, the major advantages of reconstituted wood-based panel boards over many of these substitute products are as follows:

- (a) low cost, as the production of reconstituted wood-based panel board utilises wood wastes, small-diameter logs and mature trees from wood processing mills;
- (b) more environmentally friendly as mainly plantation wood is utilised as raw materials compared with tropical hardwood-based alternatives; and
- (c) highly versatile in applications.

In fact, the following reconstituted wood-based panel board would represent a closer substitute and higher threat to other wood-based substitutes:

- (a) Chipboard and particleboard provide some cost advantages over plywood for similar applications; and
- (b) MDF is fast becoming the material of choice for kitchen cabinets and cupboards due to its many superior qualities over plywood, such as moldability.

4. RISK FACTORS (Cont'd)

4.2.8 Risks Associated with Interruption

EFB Group did not experience any disruption in business arising from security and system disruption on its operating plants, which have a significant effect on its operations in the past twelve (12) months prior to the date of this Prospectus.

The Directors do not foresee that there would be any disruption to the security and system of the Group's operations which would materially affect the Group's output. In addition, the Group has a regular maintenance schedule for its' machinery and equipment. Notwithstanding this, there is no assurance that security and system disruption will not materially affect the Group's business in the future.

4.2.9 Tax Incentives Under MIDA Pioneer Status

EFB has been granted the Pioneer Status for Reinvestment in Resource-Based Industry under the Promotion of Investments Act, 1986 which exempts up to 70% of their statutory income for a five (5) year period for production of wooden furniture, MDF flush doors and MDF with or without overlay for reinvestment on existing production sites subject to the following conditions:

- (i) Value-added production on wooden furniture and MDF flush doors to achieve a minimum of 50%;
- (ii) Value-added production on MDF with or without overlay to achieve a minimum of 40%;
- (iii) A minimum of 51% of EFB's shares is to be purchased and held by Malaysians (at the point of EFB's listing); and
- (iv) EFB must maintain separate accounts for products approved for the pioneer status tax incentives and for products not approved for the same incentives subject to agreement by the Inland Revenue Board of Malaysia.

Should there be a delay in fulfilling the abovementioned conditions, the Group's taxation would be affected, which would in turn affect the profit after tax of the Group.

4.3 Financial Risks

It is inherent in any business that there are possible limitations to its growth as well as its operating and financial flexibilities as a result of the business's borrowings and non-recoverability of outstanding debts.

Significant fluctuation in the domestic interest rates would affect the financial performance of the Group, as working capital requirements and capital expenditures are financed in part by borrowings and industrial hire purchase respectively. Total banking facilities of the Group was approximately RM233 million as at 31 October 2004, out of which approximately RM87.776 million is still outstanding, whilst hire purchase stood at approximately RM0.8 million as at 31 October 2004.

With the proceeds to be raised from the Public Issue, approximately RM32.0 million will be utilised for repayment of the banking facilities. The Directors of EFB are of the opinion that after taking into account the cashflow position, available banking facilities and gross proceeds from the Public Issue, the Group will have adequate funds to meet its current and immediate working capital and capital expenditure requirements.

Presently, the Group is not exposed to the risk of material bad debts, as their customers have been prompt in meeting their financial commitments.

4. RISK FACTORS (Cont'd)

4.4 Foreign Exchange Risks

Approximately 44% of the Group's total purchases of raw material were imported and 85% of the Group's turnover was exported for the financial year ended 31 December 2003. For the ten (10) month period ended 31 October 2004, approximately 55% of the Group's total purchases of raw material were imported and 82% of the Group's turnover was exported. Due to the Group's purchases and sales in foreign currencies, mainly in USD and EURO, it is therefore subject to foreign exchange fluctuations. In addition, the fact that the Thai Baht is not pegged to any major currencies does pose some foreign exchange risks. The fixed exchange rate of the USD at RM3.80/USD1.00 imposed by the Malaysian government on 1 September 1998 mitigates the foreign exchange risk for the Malaysian Ringgit. To mitigate the foreign exchange risk in relation to the Thai Baht, SFC, a subsidiary of EFB, has borrowings with a financial institution in Thailand, which are therefore considered domestic borrowing for SFC. Save for when required on an ad hoc basis to mitigate its exposure with the EURO, the Group does not have any other hedging arrangement with its principal bankers.

With regards to the Group's main imported raw material supplies, namely glue, in the event that the foreign exchange rates are not in the EFB Group's favour, the Group has the option to source the supply from local suppliers. However, the price of some of the locally purchased raw materials are still susceptible to foreign exchange fluctuations.

4.5 Licences and Registrations

The Group's qualification to operate is based on the licenses and registrations set out in Section 7 of this Prospectus. All of these licences and registrations are valid for only a specific period of time with renewal based on the Group's compliance with those requirements imposed by the relevant parties. There is no assurance that these licences and registrations will be renewed when they expire. The Group, however, will continue to ensure that it is in compliance with the requirements at all times, and is confident about the on-going renewals, as there have been no instances of failure to obtain the renewals in the past.

4.6 Competition

The industry in which the Group is involved in requires prodigious amount of start-up cost. In particular, the MDF sector has moderately high barriers to entry in terms of initial capital outlay, technical know-how, skilled workforce and the requirements for licences and registrations, amongst others.

Whilst new entrants to the industry may find the domestic market difficult to penetrate, the Group is not insulated from competition from the existing foreign/ local manufacturers. The Group, however, has several competitive advantages over its rival companies in that the Group produces consistently high quality products and has an extensive and diversified market penetration with a large customer base. The Group also has the advantage of having a well-established market reputation and strong customer relationship.

In penetrating the overseas markets where the Group has plans to set-up operations, the Group would also be facing relatively high barriers to entry, namely the high start-up cost and the lack of local presence. To minimize the high start-up cost and the Group's inexperience in such markets, the Group expects to enter into joint-ventures with local manufacturers. This mode of penetration is evident in its Thailand operations, where SFC was set-up as a joint-venture.

Given the Group's track record, the Group has fared well in competing with the foreign/ local manufacturers in providing similar products worldwide.

4. RISK FACTORS (Cont'd)

4.7 Dependency on Key Management and Key Personnel

The Group believes that its continued success depends to a significant extent on the abilities and continued efforts of its existing Directors and competent senior management team, and its ability to attract and retain skilled personnel. The Group is committed to providing continuous training to its employees in order to retain key management and personnel.

The Group practices management empowerment where function/department heads are relatively autonomous and have significant decision-making authority within their span of control and within clearly defined boundaries. As such, there is no over-reliance on the Managing Director to be involved in the details and all aspects of the operational and functional areas.

This management philosophy enables the Managing Director to focus on strategic matters and development of the business for growth and success. In addition, within each function, constant on-the-job training is undertaken to enable key staff to deputise the function/department head where necessary.

Nevertheless, the Group has put in place a management succession plan to ensure business continuity.

The Group's management succession plan is based on a two-pronged approach:

- (i) Grooming senior management for succession to Managing Director; and
- (ii) Grooming existing staff and hiring new staff for succession to functional management and executive directors.

Notwithstanding the management succession plan, there is no assurance that any changes to the existing management team of EFB would have no material effect on the business, operations and financial conditions of the EFB Group.

4.8 Ownership and Control of the Group

Upon completion of the Public Issue, EFB's single largest group of shareholders comprise Kuo Wen Chi, Kuo Jen Chang, Kuo Jen Chiu, Kuo Huei Chen and Hsu Mei Lan. Collectively, they hold 48.5% of EFB (please refer to Section 2.2 of this Prospectus). As such, these controlling shareholders of EFB will be able to influence the outcome of certain matters requiring the votes of the Company's shareholders unless they are required to abstain from voting and deliberating by law and/or the relevant authorities.

The Group has made the relevant application to MITI and MIDA for additional tax incentives such as setting off the future Group's profits against the cost of investment in SFC. Should the application result favourably to the EFB Group, the abovementioned non-Malaysian promoters may be required to reduce their shareholdings in EFB further to comply with the maximum equity conditions of not more than 40% foreign shareholding in EFB as may be imposed by MITI and/ or MIDA.

4. RISK FACTORS (*Cont'd*)

4.9 Risks Associated with Breakout of Fire/Energy Crisis/Natural Disasters/Other Emergency Risks

Breakout of fire, disruptions of electricity of supply, as well as floods, amongst other natural disasters, emergency risks and energy crisis would adversely impact the Group's operations.

Interruption in power supply would pose a significant risk to the Group. To prevent the risk of fire from the pressing process during any interruption in power supply, the Group has a back-up generator for this purpose. However, the back-up generator is not sufficient to support the entire manufacturing plant should there be a major energy crisis.

As such, there can be no assurance that even with the existing risk management practices, the Group will not be affected in the event of a fire, flood, energy crisis, natural disasters or other exceptional events.

Insurance Coverage on the Group's assets

At present, the Group's inventory of raw material and finished goods, properties, equipment and machineries are insured against loss and /or damages from fire. As the Group's main raw material, namely rubberwood logs, is less susceptible to fire due to its lower surface area over volume ratio, the Group maintains minimal amount of insurance on the rubberwood logs.

Although all reasonable steps have been taken by the Group to ensure that all its assets are adequately covered by insurance, no assurance can be given that the insurance coverage would be adequate for the replacement cost of the assets of the Group in the future.

4.10 Global Oil Prices

Since the beginning of 2004, global oil prices have risen sharply, reaching as high as USD55 per barrel in October 2004, representing a 60% hike from the start of the year. The EFB Group consumed approximately RM4.8 million worth of fuel constituting 2.52% of its total cost of manufacturing for the financial year ended 31 December 2003 whereas for the ten (10) month period ended 31 October 2004, the Group consumed approximately RM7.4 million worth of fuel constituting 3.4% of its total cost of manufacturing. In view of the rising energy prices, the performance of the EFB Group may be adversely affected due to higher manufacturing cost to be incurred and possibility of increase in selling prices of the Group's products.

4.11 Stability of Revenue

The demand for the Group's products is neither seasonal nor cyclical. The elasticity of demand will be dependent on the end-user industry sectors, and the price of rubberwood logs in the international market.

Some of the major usage and applications of MDF and particleboard include the following:

- (a) **building interiors** including architectural features such as columns and archways, partitions, wall and ceiling panelling, doors, base material for laminated and veneered wood products for flooring and wall panelling, and others;
- (b) **profiling, joinery and millwork applications** including furniture mouldings, joinery, skirting, architectural mouldings, decorative doors, pillars, architraves, window and door components such as frames, sills, stiles, rails, louver blades and panelling, flooring pieces, finger joints and veneer-wrapped mouldings, door stops, door jambs casings and others;
- (c) **household products** including picture frames, toys, game boards, cots, hi-fidelity speaker boxes, shoe heels, snooker tables and others; and

4. RISK FACTORS (Cont'd)

- (d) **furniture and fixtures** including kitchen bench tops, kitchen cabinets, office and household furniture, shelves, computer stands, television casings, built-in furniture, dining sets, bedroom sets, backers of cupboards and drawers, display cabinets and others.

The Group's products are sold to 38 countries including Malaysia, based on the ten (10) month period ended 31 October 2004. The coverage of different markets helps the Group to minimise the dependency on any one particular country or groups of countries.

In 2003, the market size based on production of MDF in Malaysia was estimated at 1.5 million cubic meters. As such, in 2003, EFB Group's market share of MDF in Malaysia was approximately 16% based on the production of 246,391 cubic meters. In 2003, based on production, EFB Group ranked second among manufacturers within the MDF Industry in Malaysia.

(Source: Extraction of Assessment of the Reconstituted Wood-Based Panel Board Industry, updated 27 November 2004, prepared by Vital Factor Consulting Sdn Bhd for inclusion in the prospectus).

4.12 Restrictive Covenants Under Borrowing Facility Agreements

The Group, pursuant to facility/loan agreements 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 of a nature which are commonly contained in credit facility agreements in Malaysia and in Thailand. 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/financier to terminate the relevant credit facility and/or enforce any security granted in relation to that facility. SFC's assets have been mortgaged to the foreign financial institution as collateral for credit facilities granted for the assets purchased. The Board of Directors of EFB is aware of such covenants and shall take precautions necessary to prevent any such breach.

4.13 Technology Used or To Be Used by EFB Group and the Rapid Development of Technological Change

The reconstituted wood-based panel industry promotes and embraces the development of advance technologies to improve and enhance its products. The Directors believe that the new machinery will enable EFB Group to attain higher productivity and enhance the quality of its products. However, the equipment and machinery used in this industry have gone through little change over the last few years as the machine and technology used have long life spans. All the new technological developments originate from the equipment manufacturers.

The Group's personnel are trained by the manufacturers upon purchase of such equipment. While the Group is constantly improving the technology used to remain competitive, no assurance can be given that such improvements would allow the Group to be able to maintain its existing market position in the future.

4. RISK FACTORS (Cont'd)

4.14 Forward-Looking Statements

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

All forward-looking statements are based on estimates and assumptions made by the Board of Directors of the Company, and although believed to be reasonable, 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 EFB Group and the industry, changes in interest rates and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as the plans and objectives of the Group will be achieved.

4.15 Dependency on Major Suppliers and Customers

The Group's customers are primarily retailers and distributors who sell directly to consumer-based product manufacturers and consumers. Any adverse socio-economic factors, such as decline in consumer confidence, expenditure and employment rates will impact on the Group's business. Notwithstanding the aforementioned, the Group has a wider range of wood products marketed for the export market to provide consumer diversity and wider market coverage to minimise the impact of negative socio-economic factors in the local market.

EFB Group is not highly dependent on any one single customer. This is reflected by the fact that its top customer represented approximately only 9.72% of its total revenue for the ten (10) month period ended 31 October 2004. Furthermore, the top 3 customers combined accounted for 16.31% of the total turnover of the Group for the ten (10) month period ended 31 October 2004.

In addition, the Group has developed long-term relationships with its top 3 customers and this, to a certain extent serves as a form of mitigation, taking into account the following:

- Del Mar International has been dealing with the Group for 12 years;
- Ben Thanh Material Company has been dealing with the Group for 5 years; and
- Tonah Trading Co Sdn Bhd has been dealing with the Group for 11 years.

Overall approximately 9 out of its top 10 customers have been dealing with the Group for 5 or more years. Of this, 6 have been dealing with the Group for 9 or more years.

The Group is dependent on suppliers for rubberwood for its manufacturing requirements. Any interruption in the supply of rubberwood would adversely impact the Group's business. To mitigate this dependency, the Group has a diverse pool of suppliers.

In addition, no single supplier contributes more than 20% of total purchases of raw materials in 2003 and in 2004. Please refer to Section 5.8 of this Prospectus for the Group's major suppliers.

The venture into Thailand was to accommodate the Group's integrated expansion plans to meet its existing and future demands for its products. In addition, the abundance of rubberwood supply for its raw material in Thailand had also induced the Group into setting up SFC. With SFC, the Group has a wider thickness range of MDF. As such, dependencies on major customers are likely to be mitigated.

4. RISK FACTORS (Cont'd)

The Group, as highlighted in Section 5.9 herein, the Group intends to invest in wood-chipping machinery as well as establishing a glue resin plant. With these plans, over-dependencies on glue and wood suppliers may, in the future, be somewhat mitigated. The Group is in the midst of negotiating a forestry-concessionaire agreement, whereby the Group would be able to harvest the trees for its MDF, further minimizing the Group's dependency on wood suppliers.

Since no one customer of the Group's products accounts for more than 20% of the Group's sales, the Group does not have any major dependency on any single customer.

Although the Group seeks to limit these risks, no assurance can be given that any change to these factors will not have a material effect on the business of the EFB Group.

4.16 Dependency on Major Product

MDF is the main product produced by the Group where it contributed significantly to the total revenue of the Group for the past five years. MDF has diverse applications due to the advantages offered such as lower cost compared to traditional plywood, and its characteristics, for example versatility in application and moldability*. Some of the major usage and application of MDF and particleboard include building interiors, profiling, joinery and millwork applications, household products and furniture as highlighted in Section 4.11 above. In addition, the production of MDF is more environmentally-friendly, where plantation wood is used for raw materials compared with tropical hardwood-based alternatives.

Based on the reasons above, EFB is expected to fare well notwithstanding the dependency on its main product. In addition, the Company is constantly undertaking research and development to improve its products to better meet customer needs, the process of which facilitates the Company to identify new areas of opportunities and growth.

* *(Source: Assessment of the Reconstituted Wood-Based Panel Board Industry, updated 27 November 2004, prepared by Vital Factor Consulting Sdn Bhd for inclusion in this Prospectus)*

4.17 Profit Estimate and Forecast

This Prospectus contains the consolidated profit estimate and forecast for the EFB Group that has been prepared based on certain assumptions, which the Directors of the EFB Group believe to be reasonable, but which nevertheless, are subject to uncertainties and contingencies.

Due to the basis of assumptions and inherent uncertainties of the profit estimate and forecast and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the profit estimate and forecast that are contained herein.

The future profitability of the Group is dependent to a certain extent on the operations in Thailand, where a substantial amount of the future earnings of the Group is estimated and forecasted to be derived from Thailand. Operations in Thailand will supplement and provide additional capacity to the Group's existing MDF production line, facilitating the Group's expansion plans. The management believes that the profit estimate and forecast is attainable as there is demand for the Group's products in Thailand. In the event that the Group is unable to expand on its customer base in Thailand, the Group expects to still be able to sell its products from Thailand's operations to its existing customers.

In addition, no adverse implication on the operations of the EFB Group in Malaysia is expected from the Thailand operations due to the fact that the Thailand operations are currently producing MDF of different specifications.

4. RISK FACTORS (Cont'd)

Notwithstanding the above, the profit after tax forecast of the Group in respect of the financial year ending 31 December 2005 is subject to EFB obtaining the pioneer certificate as anticipated, whereupon 70% of the statutory income shall be tax-exempt. In the event the pioneer certificate is not obtained as anticipated or is obtained at a materially later date, notwithstanding that the profit before tax may not be affected, the Group's profit after tax would be reduced by the shortfall in the provision for taxation. The quantum of the shortfall and its effect on the profit after tax thereafter would depend on the timing of the pioneer certificate.

4.18 New Investments/Venture

Currently, the EFB Group, through its newly incorporated subsidiary, SFC, has ventured into Thailand in manufacturing of MDF. Whilst opportunities in this market are encouraging, there is the potential risk that these investments will not be successful. In this event, the EFB Group may not recoup the cost of investments amounting to approximately RM27 million and other relevant expenses incurred in respect of the new subsidiary.

However, the management is of the opinion that based on their experience and their local associates, the venture will be beneficial to the Group. In the event that the Group is unable to sell its products to new customers, management is of the opinion that the demand from existing customers is sufficient to absorb the Group's current output.

4.19 Risk Management Plans and Practices

As disclosed in 4.9 above, the EFB Group has adequate insurance policies with licensed insurance companies in Malaysia, which provide comprehensive coverage against material damage to its assets like property, machinery and equipment and group accident as a result of explosions, fire and natural disasters.

The Group has put in place the following risk management or practices to mitigate its risks associated with fire and other factors:

- (i) The EFB Group has a strict policy of practicing and maintaining safety standards including its own 24-hour security with closed circuit television monitoring each area of the manufacturing plant to maintain the highest level of security including the risk of a fire;
- (ii) As part of the Group's safety procedures, the Group has a fire protection water sprinkler system covering the entire manufacturing plant, which will be activated automatically in the event of a fire; and
- (iii) The Group has adequate insurance coverage on the manufacturing plant, production equipment and machinery, and office equipment against any risk of fire. To prevent the risk of fire from the pressing process during any interruption in power supply, the Group has a back-up generator for this purpose. However, the back-up generator is not sufficient to support the entire manufacturing plant should there be a major energy crisis. Although interruption of electricity supply may pose a significant risk, the Group has not taken any coverage against the disruption in electricity supply. This is because management is of the view that such occasions of breakout in electricity supply is rare.

The EFB Group has established an in-house committee comprising of members from different management levels. The committee meets every three months to discuss and resolve safety matters and environmental issues faced by the employees.

4. RISK FACTORS (Cont'd)

For the various risks to which EFB is exposed in its day-to-day operations and to complement its insurance programme, EFB has an Emergency Response Plan (“ERP”) to deal with emergencies at its office and operational facilities. The emergency actions cover fire, power outage, crimes, natural disasters, and serious injury or death. The ERP is in accordance with the current local statutes and regulations and is designed to minimize risks and to develop and maintain EFB’s ability to respond to any interruption in its operations and promptly restore its main business functions.

4.20 Risks associated with Environment

Some of the main environmental issues faced by the companies involved in the manufacture of reconstituted wood panel include:

- disposal of bulk waste comprising timber materials;
- control of smoke emission from the boiler;
- wood dust in working areas and its control and disposal; and
- wastewater from boiler containing wood based sludge.

Wood dust created in the air in working areas and its control as well as its disposal, if left unchecked, is flammable and can be an explosive hazard. In addition, constant inhalation of wood dust which acts as carriers of paint lacquers, wood preservatives and residual formaldehyde from adhesives may cause respiratory problems and other health problems.

To mitigate these risks, the Group has taken several measures as listed below:

- (a) To ensure a clean working environment, the Group has installed a centralised suction and air filtration system to minimise combustion. The system serves to minimise air pollution, particularly from wood dust created during the manufacturing process. In addition, workers are provided with dust masks and protective glasses, which minimise breathing in the wood dust and protect the eyes respectively;
- (b) The Group has installed a sprinkler system as well as heat and spark detectors which are attached to the machinery for fire protection; and
- (c) The Group has also an in-house water treatment facility to recycle the wastewater containing wood-based sludge from boilers to be re-used in the manufacturing process. The sludge created through the water treatment process is transported and disposed by Kualiti Alam Sdn Bhd.

4.21 Delay in the Listing

The success of the listing exercise is also exposed to the risk that it may be delayed should the following occur:

- (i) the Bumiputera investors approved by the MITI fail to take up the portion of the Public Issue Shares and OFS Shares;
- (ii) the underwriters fail to honour their obligations under the underwriting agreement; and
- (iii) the Company is unable to meet the public spread requirement i.e. at least 25% of the listed share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 ordinary shares of RM0.25 each in EFB at the point of listing.

4. RISK FACTORS (Cont'd)

4.22 Timber Certification

Certification of timber products is becoming increasingly important in Europe and North America. Wood-based producing markets that do not provide a credible certification system are likely to face bans on timber trade in the Europe and North American markets.

In situations where markets constitute strong consumer preferences for certified products, certification is viewed as a powerful means of raising forest management performance. As relevant bodies such as the Forest Stewardship Council ("FSC") and World Wildlife Fund ("WWF") achieve the status of sole certification system, it will create a monopoly position in timber certification in Europe. Hence, the certified members will ultimately be committed to purchase and sell only certified timber products as well as setting their own targets and timetable for trading certified timber products.

In response to the requirement for certified or 'green' timber by major export markets, particularly European countries, Malaysia itself has come up with its own certification system to provide a credible alternative to the FSC certification system and to counter the effect of the system in Europe and North America.

The Malaysian Timber Certification Council ("MTCC") is the organisation that plans and operates a voluntary national timber certification scheme to provide assurance to buyers of Malaysian timber products that have been sourced from sustainably managed forests.

The standards of the national timber certification being used by MTCC are in accordance with the Malaysian Criteria Indicators, Activities and Standards of Performance for Forest Management Certification. This is based on the standards used under the Malaysia-Netherlands cooperation programme in timber certification.

MTCC also issues Chain-of-Custody ("CoC") to local manufacturers and exporters who have interest in registering their wood-products. Between 14 December 2001 and 12 April 2002, 26 wood-based manufacturers and exporters have been awarded with CoC certification on various scopes of wood-products manufacturing.

EFB has been accredited with CoC by FSC since 2003. This provides customers with the assurance that certain proportion of the Group's products are derived from a well-managed forest under a programme that is accredited by the FSC.

4.23 Implementation of ASEAN Free Trade Area ("AFTA")

With the implementation of AFTA through Common Effective Preferential Tariff ("CEPT"), the reduction of import duties ranging from 0% to 5% on a wide range of products may make imports competitive against locally manufactured products.

CEPT is the mechanism by which tariffs on goods traded within the ASEAN region, which meet a 40% ASEAN content requirement, are subjected to a reduction of the above-mentioned range of tariff from 2003 onwards (2006 for Vietnam, 2008 for Laos and Myanmar).

Fibreboard is subjected to import duties ranging from 5% to 15% which is higher than the general AFTA CEPT rate. This offers some form of protection against imports of fibreboard.

(Source: Extraction of Assessment of the Reconstituted Wood-Based Panel Board Industry, updated 27 November 2004, prepared by Vital Factor Consulting Sdn Bhd for inclusion in this Prospectus)

4. RISK FACTORS (Cont'd)

For the financial year ended 31 December 2003, the local market contributed 15.2% of the Group's revenue, whereas for the ten (10) month period ended 31 October 2004, the local market contributed 17.8% of the Group's revenue. From that perspective, AFTA would not have a significant impact on EFB Group's business. However no assurance can be given that any further reduction to the import duties will not have a material impact on the business of EFB Group.

4.24 Dependency on a Particular Market

The Group is relatively dependent on the China market. This is reflected by the fact that for the financial year ended 31 December 2003 and ten (10) month period ended 31 October 2004, China contributed 22.5% and 19.9% of total revenue respectively. As such, any downturn in the China market would have a material impact on the business of the Group.

However, the Group services a wide spread of customers within China. For the financial year ended 31 December 2003 and ten (10) month period ended 31 October 2004, the Group's China market comprised 82 and 70 customers respectively.

Furthermore, the Group exports its products to many provinces within China namely:

- Guangdong;
- Fujian;
- Jiang Su;
- Zhe Jiang;
- Shanghai;
- Beijing;
- Fujian;
- Shangdong; and
- Hong Kong.

In addition to China, EFB Group has an extensive coverage of the market that extends to 38 countries including Malaysia for the ten (10) month period ended 31 October 2004. The coverage of different markets helps the Group to minimise the dependency on any one particular country or groups of countries.

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