

2. SUMMARY INFORMATION

This is a summary of the salient information in the Prospectus. It does not contain all the information that may be important to you. You should read and understand the entire Prospectus carefully before you decide to invest in the Public Issue.

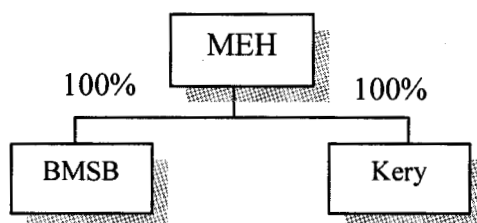
2.1 Incorporation And Principal Activities

Our Company was incorporated in Malaysia as a private limited company under the Act on 29 November 2004 under the name of Zejora Ehsan Sdn Bhd. Our Company changed its name to its current form on 8 February 2005 and was incorporated to facilitate the Acquisition and the Listing. To facilitate our proposed listing on the Main Board of Bursa Securities, our Company was subsequently converted into a public limited company on 10 January 2007.

Our Company is principally involved in investment holding whilst our subsidiaries are principally involved in the following business activities:

Subsidiaries	Date And Country Of Incorporation	% Effective Equity Interest	Issued And Paid-Up Capital	Principal Activities
BMSB	2 January 1997 Malaysia	100.00	RM1,000,000	Turnkey contractor
Kery	7 February 1994 Malaysia	100.00	RM1,000,000	Turnkey contractor

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



2.2 History and Background

Our Group comprises MEH, BMSB and Kery. The founder of our Group, Dato' Yap Suan Chee has been actively involved in the construction and property development industries for more than 20 years.

Dato' Yap Suan Chee established our Group in the 1990s and our Group has been involved in the construction sector since May 1994 when Kery commenced its operations. Dato' Yap Suan Chee together with his business partners, Ir Tan Hong Hing @ Tan Eng Hing, En. Radzulai Bin Yahaya, Pn. Zaitun Binti Dato' Seri Abu Bakar and Dato' Mohd Zain Bin Yahya expanded our Group's operations from general contracting to specialised construction management. Through a combination of our promoters' strong relationships with our clients as well as expertise in construction industry, our Group was able to secure major contracts for construction of roads and bridges as well as building works such as residential houses, apartments and sewerage treatment plants for both the government/quasi government institutions.

2. SUMMARY INFORMATION *(cont'd)*

Our Group is mainly involved in turnkey construction. A turnkey contractor provides for the complete planning, design, engineering, procurement, construction and start-up of a construction project for a fixed price and often includes a financing component. As a turnkey contractor, our Group focuses on construction management. Our promoters saw a lack of professionalism in the niche market of project management and hence capitalised on it by building up our track record as a specialised construction management company.

Construction management involves professional managing of planning, design, and construction of a project from inception to completion within specified financial and time constraints. We offer our clients pre-planning, design, construction, engineering and management expertise to provide the best possible project outcome working together with pre-selected sub-contractors with vast and varied construction specialisation.

By specialising in construction management, we are highly flexible as:

- Unlike many of our competitors who rely on foreign labourers, we focus on knowledge workers who are professionals in planning and designing;
- We need not invest heavily in construction machineries and plants as we are able to leverage on our sub-contractors' core competencies; and
- We are able to initiate and negotiate a wide range of construction work in collaboration with our business partners.

Our subsidiary, Kery is a Class "A" contractor with Pusat Khidmat Kontraktor, Ministry of Entrepreneurial Development since 2003. In addition, both BMSB and Kery are also registered Class G7 contractors with Construction Industry Development Board, which enables them to tender for government and private sector projects of any size and value of work.

With a profit track record of approximately RM69 million over the past five years, our promoters and directors believes that seeking listing is the next important step in firmly establishing our Group as a Tier-1 contractors. To date, our completed projects has a contract value of approximately RM210 million and we have also secured on-going projects involving the construction of flood mitigation works, roads, highways and residential houses with a total contract value of approximately RM1.2 billion. Most of the construction projects carried out by our Group comprises of projects undertaken by government and quasi government bodies such as JKR, DBKL, PKNS, Jabatan Pengairan & Saliran, Majlis Perbandaran Selayang and TPPT.

2.3 Information on Promoters, Substantial Shareholders and Directors

Our Promoters are Dato' Yap Suan Chee, Ir Tan Hong Hing @ Tan Eng Hing, Zaitun Binti Dato' Seri Abu Bakar, Radzulai Bin Yahaya and Dato' Mohd Zain Bin Yahya.

Our substantial shareholders are MECSB, SPEK, Desalink and AESB.

Other substantial shareholders by virtue of Section 6A of the Act are as follows:

- through MECSB, AESB and HMSB: Dato' Yap Suan Chee and Datin Teng Siew Kean
- through SPEK and Desalink: Zaitun Binti Dato' Seri Abu Bakar
- through Desalink: Radzulai Bin Yahaya
- through SPEK: Dato' Mohd Zain Bin Yahya

2. SUMMARY INFORMATION (cont'd)

Directors of our Company are listed below:

Name	Designation
Dato' Dr. Ku Abd Rahman Bin Ku Ismail	Independent Non-Executive Chairman
Dato' Yap Suan Chee	Managing Director
Ir Tan Hong Hing @ Tan Eng Hing	Executive Director
Radzulai Bin Yahaya	Executive Director
Dato' Mohd Zain Bin Yahya	Non Independent Non-Executive Director
Datuk Alias Bin Ali	Independent Non-Executive Director
Datuk Iskandar Dzakurnain Bin Badarudin	Independent Non-Executive Director
Lim Tong Hee	Executive Director

Detailed information on the Promoters, substantial shareholders and directors is set out in Sections 6.1 and 6.2 of this Prospectus.

2.4 Financial Information

2.4.1 Proforma Consolidated Results

The following sets out a summary of the proforma consolidated audited results of our Group for the past three (3) financial years ended 31 August 2004 to 31 August 2006, prepared on the assumption that our Group structure has been in existence throughout the years under review. The proforma consolidated profit records should be read in conjunction with the accompanying notes and assumptions included in the Proforma Consolidated Financial Information set out in Section 10 of this Prospectus.

	<-----Financial year ended 31 August----->		
	2004 RM'000	2005 RM'000	2006 RM'000
Revenue	81,326	133,299	144,203
Gross profit	21,098	24,615	32,962
Profit before depreciation, amortisation, interest and taxation	20,305	23,054	31,816
Depreciation	(181)	(176)	(176)
Interest expense	(30)	(28)	(2)
PBT	20,094	22,850	31,638
Taxation	(5,624)	(6,668)	(8,971)
PAT	14,470	16,182	22,667
Number of MEH Shares assumed in issue ('000)	120,000	120,000	120,000
Gross profit margin (%)	25.94	18.47	22.86
Gross EPS (sen)	16.75	19.04	26.37
Net EPS (sen)	12.06	13.49	18.89

Notes:

- (1) Assuming that the Acquisitions have been effected throughout the financial years/periods under review.
- (2) There were no exceptional and extraordinary items during the respective financial years/period under review.
- (3) There were no minority interests during the respective financial years/period under review.
- (4) The proforma consolidated audited results were prepared in accordance with approved accounting standards in Malaysia.

2. SUMMARY INFORMATION *(cont'd)*

2.4.2 Proforma Consolidated Balance Sheets

The following table sets out the summary of proforma consolidated balance sheets of our Group as at 31 August 2006 as if the Listing had been effected on that date. The proforma balance sheets have been extracted from and should be read in conjunction with the accompanying notes and assumptions included in the proforma balance sheet set out in Section 10.9 of this Prospectus:

	Proforma I Existing as at 31 August 2006 RM'000	Proforma II After I And Acquisitions RM'000	Proforma IV After III and Public Issue and Utilisation of Proceeds RM'000
PROPERTY, PLANT AND EQUIPMENT	-	967	967
GOODWILL ON CONSOLIDATION	-	487	487
CURRENT ASSETS			
Trade receivables	-	50,310	50,310
Other receivables	360	8,329	8,329
Due from contract customers	-	38,747	38,747
Cash and bank balances	-	2,244	35,450
	360	99,630	132,836
CURRENT LIABILITIES			
Trade payables	-	33,604	33,604
Other payables	847	1,602	1,602
Due to contract customers	-	1,625	1,625
Hire-purchase payable	-	49	49
Taxation	-	7,092	7,092
	847	43,972	43,972
NET CURRENT ASSETS /(LIABILITIES)	(487)	55,658	88,864
NON CURRENT LIABILITIES			
Hire-purchase payable	-	(43)	(43)
Deferred tax liabilities	-	(18)	(18)
NET ASSETS	(487)	57,051	90,257
FINANCED BY:			
Share Capital	*	13,971	27,723
Share Premium	-	-	19,454
Retained Profit	(487)	43,080	43,080
SHAREHOLDERS' FUND	(487)	57,051	90,257
No. of ordinary shares ('000)	*	92,495	120,000
NTA per MEH share (RM)	(121,750)	0.62	0.75

Note:

* represents RM2 consisting of 4 MEH Shares.

2. SUMMARY INFORMATION *(cont'd)*

2.4.3 Auditors' Qualifications

No audited financial statements of our Company were available for the financial year ended 31 August 2004 as our Company was only incorporated on 29 November 2004. Where the financial statements of our Company and subsidiaries had been audited, there was no audit qualification in the audited financial statements.

2.5 Risk Factors

You should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus before applying for the Public Issue Shares or purchasing the Offer for Sale Shares. Full details of the risk factors are set out in Section 4.0 of this Prospectus:

- (a) Risks relating to our business:
 - (i) Business risks;
 - (ii) Dependence on joint venture and consortium agreements;
 - (iii) Delay in completion of construction projects;
 - (iv) Defects liability;
 - (v) Customer concentration;
 - (vi) Related party transactions;
 - (vii) Supply and cost of raw material;
 - (viii) Competition;
 - (ix) Dependence on key management personnel;
 - (x) Control by the substantial shareholders;
 - (xi) Political and economical risks;
 - (xii) Regulatory framework; and
 - (xiii) Other general risks;
- (b) Risks relating to our Share
 - (i) No prior market for MEH Shares;
 - (ii) Failure/delay in the Listing; and
 - (iii) Dividend payment;

2. SUMMARY INFORMATION *(cont'd)*

- (c) Other risks
- (i) Termination of the Underwriting Agreement;
 - (ii) Disclosure regarding forward-looking statements; and
 - (iii) Achievability of Profit Forecast.

You should refer to Section 4 of this Prospectus for further information concerning the abovesaid risk factors. You are advised to carefully consider the risk factors, together with other information contained in this Prospectus before subscribing to any of the Public Issue Shares or purchasing the Offer Shares, which form the subject of this Prospectus.

2.6 Consolidated Profit And Dividend Forecast

2.6.1 Consolidated Profit Forecast

Financial Year Ending 31 August	Forecast 2007 RM'000
Revenue	236,924
Consolidated PBT	35,257
Add/ Less: Taxation	(9,898)
Consolidated PAT	25,359
Less: pre-acquisition profit	(8,453)
Consolidated PAT attributable to shareholders	16,906
Weighted average number of MEH Shares in issue after Listing ('000 Shares)	*73,581
- Net EPS (sen)	22.98
- Net PE multiple based on the Issue Price/Offer Price (times)	5.57

* *The weighted average number of MEH Shares in issue is computed on the basis that the Acquisitions was completed on 3 January 2007 and on the assumption that the Public Issue is completed on 19 March 2007*

The profit forecast of our Group and the Reporting Accountants' letter are set out in Section 10.5.2 of this Prospectus.

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2. SUMMARY INFORMATION *(cont'd)*

2.6.2 Dividend Forecast

For the financial year ending 31 August 2006, we declared a dividend of RM16 million to our shareholders. The dividend forecast for the financial year ending 31 August 2007 is as follows:

Financial Year Ending 31 August	Forecast 2007
Gross dividend per share (sen)	7.29
Net dividend per share (sen)	5.25
Net dividend yield based on the Issue/Offer Price (%)	4.10
Net dividend cover (times)	*4.03

* *Based on proforma consolidated PAT of RM25.359 million and proposed net dividend of RM6.3 million.*

The details of the dividend forecast of our Group are set out in Section 10.8 of this Prospectus.

2.7 Proforma Consolidated NTA As At 31 August 2006

	NTA RM'000	NTA Per Share RM
Proforma consolidated NTA after the Listing	89,770	0.75

The detailed calculations of the proforma consolidated NTA of our Group are set out in Section 10.9 of this Prospectus.

2.8 Details of the Initial Public Offering

- Initial Public Offering : Collectively, the Public Issue and Offer for Sale
- Public Issue : The Public Issue will be allocated in the following manner:
- (a) 6,000,000 Public Issue Shares will be offered to the Malaysian citizens, companies, societies, co-operatives and institutions by way of balloting;
 - (b) 6,289,100 Public Issue Shares will be offered to the identified investors via placement;
 - (c) 4,000,000 Public Issue Shares has been reserved for the eligible Directors, employees and business associates of our Group via placement; and
 - (d) 11,215,900 Public Issue Shares will be reserved for Bumiputera investors approved by MITI via placement.
- Offer for Sale : 4,000,000 Offer for Sale Shares will be allocated to identified Bumiputera investors approved by MITI.
- Issue price / Offer price per Share : RM1.28

2. SUMMARY INFORMATION *(cont'd)*

2.9 Utilisation Of Proceeds

The Public Issue is expected to raise gross proceeds of RM35 million. The proceeds are expected to be utilised in the following manner:

	Amount RM'000	Expected Time Frame For Utilisation From The Date Of Listing
Financing projects pursuant to the Private Finance Initiatives	18,000	24 months
Working capital	13,206	24 months
Overseas expansion	2,000	24 months
Estimated listing expenses	2,000	6 months
Total	35,206	

A detailed commentary of the above proceeds is set out in Section 3.8 of this Prospectus.

2.10 Material Litigation, Material Commitments, Indebtedness And Contingent Liabilities

2.10.1 Material Litigation

As at the LPD, our Group is not engaged in any material litigation either as plaintiff or defendant which has a material effect on our Group's financial position and our Directors have no knowledge of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially affect the position and business of our Group.

2.10.2 Material Commitments

As at the LPD, there are no material commitments for capital expenditure incurred or known to be incurred by our Group, which may have a substantial impact on the results or the financial position our Group:

2.10.3 Indebtedness

As at the LPD, our Group does not have any outstanding borrowings.

2.10.4 Contingent Liabilities

As at the LPD, there are no contingent liabilities, which upon becoming enforceable, may have a material impact on the profit or net asset value of our Group.

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE

This Prospectus is dated 26 February 2007.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

The SC has approved the Public Issue and Offer for Sale and the approvals shall not be taken to indicate that the SC recommends the Public Issue and/or Offer for Sale, and investors should rely on their own evaluation to assess the merits and risks of the Public Issue and Offer for Sale.

Application will be made to the Bursa Securities for admission to the Official List and for the listing of and quotation for the entire enlarged issued and fully paid-up share capital of our Company on the Main Board of Bursa Securities. These MEH Shares will be admitted to the Official List of Bursa Securities and the official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the Applications will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of the entire enlarged issued and fully paid up ordinary share capital of MEH on the Main Board of Bursa Securities. Any allotment made on an application to subscribe for securities in pursuance to this Prospectus shall be void if the permission is not applied for in the form for the time being required by Bursa Securities before the third day on which the Bursa Securities is open after the date of issue of the Prospectus or the permission is not granted before the expiration of six weeks from the date of issue of the Prospectus or such longer period as may be specified by the SC, provided that the applicant is notified by or on behalf of Bursa Securities within the six weeks or such longer period as may be specified by the SC. Where permission has not been applied for, or has not been granted by the exchange as mentioned above, our Company shall forthwith repay without interest all monies received from the applicant. If any such monies are not repaid within 14 days after the corporation becomes liable to repay it, the provision of sub-section 52(2) of the Securities Commission Act, 1993 shall apply accordingly.

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

Following the above, in accordance with Section 29 of Central Depositories Act, all dealings in the securities of our Company including the Public Issue Shares will be by book entries through CDS accounts. No share certificates will be issued to successful applicants.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications **must have a CDS account.**

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

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE *(cont'd)*

We have not authorised any person to give any information or 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 us. Neither the delivery of this Prospectus nor any Public Issue and Offer for Sale made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Company since the date hereof.

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

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3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE (cont'd)

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

3.1 Opening And Closing Of Application

The Application will open at 10.00 a.m. on 26 February 2007 and will remain open until 5:00 p.m. on 5 March 2007 or for such further period or periods as our Directors and Underwriter in their absolute discretion may mutually decide. Late applications will not be accepted.

3.2 Important Dates

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

Event	Indicative Date
Date of Prospectus / Opening date of Applications for the Public Issue Shares / Offer for Sale Shares	26 February 2007
Closing date of Applications for the Public Issue Shares/ Offer for Sale Shares	5 March 2007 5.00 p.m.
Date of Balloting of Applications	7 March 2007
Despatch of Notices of Allotment for the MEH Shares to successful applicants	14 March 2007
Listing of and quotation for MEH's entire enlarged issued and paid-up share capital on the Main Board of Bursa Securities	19 March 2007

Our Directors and the Underwriters may mutually decide, at their absolute discretion to extend the closing date of the applications to a later date. Should the closing date of the applications be extended, the dates for the balloting, allotment and listing of our Company's entire enlarged issued and paid-up share capital on the Main Board of Bursa Securities might be extended accordingly. We will notify all parties via advertisements in widely circulated English and Bahasa Malaysia newspapers in the event there is an extension of time on the closing date of the applications.

3.3 Purposes Of The Public Issue And The Offer For Sale

The purposes of the Public Issue and Offer for Sale are as follows:

- (i) To raise funds for our Group's operations, details of which are elaborated in Section 3.8 of this Prospectus;
- (ii) to provide our Company with the flexibility in its choice of financing alternatives to finance its future expansion and enable it to enter into ventures that will enhance its future profitability; and
- (iii) to provide an opportunity for the Malaysian public, institutional investors, eligible directors and employees of our Group and other persons who have contributed to its success to participate directly in the equity and continuing growth of our Group.

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE *(cont'd)*

3.4 Number And Types Of Securities To Be Issued

	RM
Authorised:	
200,000,000 ordinary shares of RM0.50 each	100,000,000
Issued and fully paid-up:	
92,495,434 ordinary shares of RM0.50 each	46,247,717
To be issued as fully paid-up pursuant to the Public Issue	
27,505,000 ordinary shares of RM0.50 each	13,752,500
	60,000,217

Offer for Sale of 4,000,000 ordinary shares of RM0.50 each

Based on the Issue Price of RM1.28 per Share, the market capitalisation of our Company on the Main Board of Bursa Securities upon Listing is approximately RM153.6 million.

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

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

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

3.5 Details Of The Public Issue

The Public Issue Shares issued at the Issue Price are payable in full upon application and will be offered in the following manner:

(i) Malaysian Public

6,000,000 Public Issue Shares will be offered to the Malaysian citizens, companies, societies, co-operatives and institutions by way of balloting at the Issue Price.

(ii) Identified Investors

6,289,100 Public Issue Shares will be offered to the identified investor via placement at the Issue Price.

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE (cont'd)

(iii) Eligible Directors, Employees And Business Associates Of Our Group

4,000,000 Public Issue Shares have been reserved for eligible Directors, employees and business associates of our Group at the Issue Price. Any Public Issue Shares not subscribed by the eligible directors, employees and business associates of our Group will be made available for application by the Malaysian citizens, companies, societies, co-operatives and institutions by way of balloting at the Issue Price.

(a) Eligible Directors and Employees

The allocation to eligible employees of our Group is based on the following criteria:

- (i) the length of service and performance of the eligible employees of our Group; and
- (ii) the designation of the eligible employees who are confirmed employees of our Group as at the LPD.

Based on the criteria set out above, up to 800,000 Public Issue Shares have been allocated to a total of 37 eligible employees (excluding 4 Executive Directors) under the pink form allocation.

The eligible Directors of our Group are allocated up to 1,070,000 Public Issue Shares each. The details of the allocation to the eligible Directors are as follows:

Name of Directors	No. of MEH Shares allocated
Dato' Dr. Ku Abd Rahman Bin Ku Ismail	1,000,000
Dato' Yap Suan Chee	-
Ir Tan Hong Hing @ Tan Eng Hing	-
Radzulai Bin Yahaya	-
Dato' Mohd Zain Bin Yahya	-
Datuk Alias Bin Ali	-
Datuk Iskandar Dzakurnain Bin Badarudin	-
Lim Tong Hee	70,000

(b) Business Associates

2,130,000 Public Issue Shares has been reserved for up to 20 of our business associates and is allocated based, inter-alia, the length of relationship (at least three (3) months), value of transaction, contribution and support of such business associates to our Group as at the LPD (excluding persons connected to our Directors).

(iv) Identified Bumiputera Investors Approved By MITI

11,215,900 Public Issue Shares will be reserved for Bumiputera investors approved by MITI.

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE (cont'd)

The Public Issue Shares to be made available to the Malaysian public referred to in sub-section (i) have been fully underwritten at an underwriting commission of 2.0% above the Issue Price whilst the Public Issue Shares to be made available to the eligible directors, employees and business associates of our Group referred to sub-section (iii) above have been fully underwritten at an underwriting commission of 1.0% of the Issue Price .

The Public Issue Shares which are reserved for the identified investors under sub-section (ii) above and the Public Issue Shares reserved for the Bumiputera investors approved by MITI under sub-section (iv) above will not be underwritten as irrevocable undertakings to subscribe for the said Public Issue Shares have been procured from the respective identified investors.

3.6 Details Of The Offer For Sale

The Offer for Sale shall be subject to the terms and conditions of this Prospectus and upon acceptance, the Offer for Sale Shares will be allocated to identified Bumiputera investors approved by MITI. The Offer for Sale Shares reserved for the identified Bumiputera investors approved by MITI will not be underwritten as irrevocable undertakings to subscribe for the said Offer for Sale Shares have been procured from them.

3.7 Basis Of Arriving At The Issue Price And The Offer Price**(a) Issue Price/Offer Price**

The Issue Price/Offer Price was determined and agreed upon by the Company and MIMB, as the Adviser, Underwriter and Placement Agent, based on various factors after taking into account, inter-alia, the following factors:

- (i) the forecast net PE multiple of 5.57 times, based on the forecast consolidated net EPS of 22.98 sen for the FYE 31 August 2007;
- (ii) our Group's net EPS of 18.89 sen (computed based on proforma consolidated audited financial statements for the FYE 31 August 2006 and enlarged issued and paid-up share capital after the Proposed Listing of 120 million MEH Shares) and the net PE multiple of 6.78 times;
- (iii) the forecast net dividend yield of 4.10% for the FYE 31 August 2007;
- (iv) our Group's operating and financial history as outlined in Section 5.1 of the Prospectus;
- (v) the overview and prospects of the industry in which our Group operates as outlined in Sections 5.4 and 5.5 of the Prospectus;
- (vi) our Group's business growth potential and revenue prospects as outlined in Sections 5 of this Prospectus; and
- (vii) the proforma consolidated NTA after the Listing of RM0.75 per share, based on the enlarged issued and paid-up share capital of 120 million MEH Shares.

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE *(cont'd)*

However, you should also note that the market price of MEH Shares upon Listing are subject to the uncertainties of market forces and other factors, which may affect the price of MEH Shares being traded. You should form your own views on the valuation of the Public Issue Shares and/or Offer for Sale Shares before deciding to invest in the Public Issue Shares and/or Offer for Sale Shares.

3.8 Utilisation Of Proceeds

(a) Proceeds From The Public Issue

The Public Issue is expected to raise gross proceeds of RM35 million for our Group.

Our company will bear the expenses for the Public Issue comprising underwriting commission, placement fees, brokerage, registration fees, professional fees, SC's fee, advertising fees and other fees incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the Main Board of Bursa Securities which is estimated at RM2 million.

The gross proceeds from the Public Issue amounting to RM35 million shall be utilised in the manner set out below:

	Notes	RM'000	Expected time frame for utilisation from the date of Listing
Financing projects pursuant to the Private Finance Initiatives	1	18,000	24 months
Working capital	1	13,206	24 months
Overseas expansion	2	2,000	24 months
Estimated listing expenses	3	2,000	6 months
Total		<u>35,206</u>	

Notes:

- (1) *Our Group has chartered steady growth in recent years and is expected to continue in the foreseeable future. As a consequence, our Group will use the proceeds raised from the Public Issue to finance the initial start up cost of our new projects pursuant to private finance initiatives which generally ranges from 5% to 10% of the contract value. This is also in line with the government's call for private finance initiatives under the privatisation programme, which will offer more opportunities for private sector participation in the development of infrastructure and utilities as stipulated under the Ninth Malaysian Plan 2006-2010. The private finance initiatives involves the private sector to finance and manage a package of capital investment and services including the construction, management, maintenance, refurbishment and replacement of public sector asset such as buildings, infrastructure, equipment and other facilities. We have already expressed our interest in participating in the private finance initiatives programme to the relevant authorities. The allocation for working capital is expected to strengthen the liquidity and cashflow position of our Group as we would have additional funds for payments to our sub-contractors and suppliers in respect of our Group's projects.*

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE (cont'd)

- (2) *The proceeds raised will also be utilised for our overseas market expansion especially to the United Arab Emirates as we have expressed intent to the Economic Planning Unit who is in the midst of enhancing our country's economic interest in the Gulf countries particularly the United Arab Emirates. The proceeds are expected to be used for overseas market and preliminary feasibility research as well as to fund travelling and lodging expenses of our staff to be stationed there. Nonetheless, the exact allocation will be determined as and when the business opportunities arise.*
- (3) *The estimated RM2,000,000 in respect of expenses and fees incidental to the Listing shall be borne by our Company is expected to comprise the following:-*

	RM
<i>Fees to authorities</i>	<i>130,000</i>
<i>Issuing house and registrar expenses</i>	<i>120,000</i>
<i>Printing, advertisement and other related expenses</i>	<i>250,000</i>
<i>Underwriting commission, placement fees and brokerage</i>	<i>560,000</i>
<i>Professional advisory fees</i>	<i>850,000</i>
<i>Contingencies</i>	<i>90,000</i>
	<u><i>2,000,000</i></u>

(b) Proceeds From The Offer For Sale

The gross proceeds from the Offer for Sale of RM5.1 million shall accrue to MECSB and will not be received by our Company. MECSB shall bear for brokerage, placement fees and all other expenses relating to the Offer for Sale.

(c) Financial Impact From the Utilisation of Proceeds

The financial impact from the utilisation of proceeds on the consolidated balance sheets of our Group is reflected in the proforma consolidated balance sheet in Section 10.9 of this Prospectus.

Our Group will utilise the proceeds raised from the Public Issue to finance the initial start up cost of our new projects and for overseas market expansion which is expected to contribute positively to the earnings of our Group. As at the LPD, our Group does not have any outstanding borrowings and we will be able to maintain our zero-gearing policy by financing the initial start up cost of our new projects through the proceeds from the Public Issue.

3.9 Brokerage, Underwriting Commission And Placement Fee

The Managing Underwriter as stated in Section 3.10 below, has entered into an underwriting agreement on 30 January 2007 with our Company for the underwriting of 10,000,000 Public Issue Shares comprising 6,000,000 MEH Shares which are available for application by the Malaysian public at an rate of 2.0% of the Issue Price and 4,000,000 MEH Shares which are available for application by the eligible Directors and employees and business associates of our Group at the rate of 1.0% of the Issue Price (collectively the "Underwritten Shares").

Brokerage is payable by our Company at the rate of 1.0% on the Issue Price in respect of successful applications bearing the stamp of MIMB, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or Issuing House.

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE (cont'd)

Placement fee is payable by our Company to MIMB in respect of 17,505,000 Public Issue Shares and MECSB shall bear the placement fee for the 4,000,000 Offer for Sale Shares. The placement will be undertaken by the placement agent, at the rate of 1% of the Issue Price or Offer Price.

3.10 Salient Terms Of The Underwriting Agreement

The following are extracts of some of the salient terms contained in the underwriting agreement dated 30 January 2007 ("Agreement") including terms which allow the Underwriters to withdraw from the underwriting obligation after the opening of the Public Issue. The capitalised terms and numbering references used in this section shall have the respective meanings and numberings as ascribed thereto in the Agreement

"4.1 Details

The obligations of the Underwriter to underwrite the Underwritten Shares under this Agreement are conditional on the performance by the Company of its obligations under this Agreement and on:

4.1.1 The Underwriter receiving the reports or confirmation, stating and confirming that:

4.1.1.1 there has been no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole from that provided in the Prospectus to the satisfaction of the Underwriter at the Closing Date; or

4.1.1.2 there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking in Clause 9 (Representations, Warranties and Undertakings) untrue or inaccurate or result in a material breach of this Agreement by the Company to the satisfaction of the Underwriter at the Closing Date;

For the purpose of this clause the opinion of materiality or otherwise shall be that of the Underwriter whose opinion shall be final and binding on the Company.

4.2 Prospectus

4.2.1 The issue of the Prospectus not later than three (3) months from the date of this Agreement or such later date as the Underwriter and the Company may from time to time agree;

4.2.2 The registration of the Prospectus and such other documents as may be required in accordance with the SCA in relation to the IPO Shares with the SC and its lodgement with the ROC by the Issue Date;

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE (cont'd)

- 4.2.3 *Bursa Malaysia having agreed in principal prior to or after the date of the Prospectus for the admission of the Company to the Official List and the listing of and quotation for its entire issued and paid up share capital on the Main Board of Bursa Malaysia being obtained on terms acceptable to the Underwriter remaining in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the IPO Shares has been completed) have been complied with or the Underwriter being reasonably satisfied that such listing of and quotation for will be granted three (3) Market Days (or such other days Bursa Malaysia may permit) after the application of the IPO have been accepted and the IPO Shares are deposited in or transferred to the relevant securities accounts maintained by the entitled shareholders under the SC Act;*
- 4.2.4 *All other necessary approvals and consents required in relation to the IPO including but not limited to governmental approvals having obtained and are in full force and effect;*
- 4.2.5 *The Underwriter being satisfied that the Company will, following completion of the IPO Shares be admitted to the Official List and its share capital be listed and quoted on the Main Board of Bursa Malaysia within three (3) months from the date of the Prospectus;*
- 4.2.6 *The Underwriter receiving a copy certified by a director or secretary of the Company to be a true and accurate copy and in full force and effect of a resolution of the Directors in form and substance acceptable to the Underwriter:*
- 4.2.6.1 *approving the Issue Documents, this Agreement and the transactions contemplated by it;*
- 4.2.6.2 *authorising a person to sign and deliver this Agreement on behalf of the Company; and*
- 4.2.6.3 *authorising the issuance of the Issue Documents;*
- 4.2.7 *This Agreement being signed by all parties and stamped;*
- 4.2.8 *The IPO not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the IPO and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the IPO and/or listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of Bursa Malaysia have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;*
- 4.2.9 *The Underwriter being satisfied that the Company has complied with and that the IPO is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;*
- 4.2.10 *The IPO being approved by the shareholders of the Company in an extraordinary general meeting.*

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE (cont'd)

4.2.11 *Duly executed letters of undertaking from the approved Bumiputra investors referred to item (c) and identified investors referred to item (d) of the Public Issue Shares hereto in a form acceptable to the Underwriter before the issuance of the Prospectus; and*

4.2.12 *Duly executed letters of undertaking from the Bumiputra investors referred to the Offer for Sale hereto in a form acceptable to the Underwriter before the issuance of the Prospectus.*

14. TERMINATION

14.1 *Notwithstanding anything contained in this Agreement, the Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel and withdraw its Underwriting Commitment if:-*

14.1.1 *there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 9 (Representations, Warranties and Undertakings), which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company or by the Closing Date, whichever is earlier from the Underwriter, which is required to be disclosed pursuant to this Agreement which, in the opinion of the 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 IPO, or the distribution or sale of the IPO Shares; or*

14.1.2 *there is failure on the part of the Company to perform any of its obligations contained in this Agreement; or*

14.1.3 *there is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the 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 IPO, or the distribution or sale of the Public Issue Shares; or*

14.1.4 *there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or*

14.1.5 *there shall have occurred, or happened any of the following circumstances:-*

14.1.5.1 *any material adverse change, or any development involving a prospective material adverse change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE (cont'd)

14.1.5.2 any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

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

14.1.6 the Composite Index of Bursa Malaysia is at less than Nine Hundred (900) points.

14.1.7 there is a failure on the part of the Company in :-

- (a) providing the particulars of persons who is supposed to apply and pay for the Shares stated in Recital E(i) and (ii)(d); or
- (b) ensuring that the persons who are supposed to apply and pay for the shares stated in Recital E(i) and (ii)(d) do so.

14.2 Upon any such notice(s) being given pursuant to Clause 14.1 (Termination), the Underwriter shall be released and discharged of its obligations without prejudice to its rights under this Agreement, and where the Underwriter has terminated or withdrawn its Underwriting Commitments pursuant to Clause 14.1 (Termination), this Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of this Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities under Clause 10 (Costs and Expenses) for the payment of costs and expenses already incurred up to the date of or in connection with such termination and under Clause 6.3.2 (Prospectus and Listing) for the payment of any taxes, duties or levies, and for any antecedent breach.

14.3 In the event any of the conditions set forth in Clause 4.1 are not satisfied on or before the Closing Date, the Underwriter shall, subject as mentioned below in this clause, be entitled to forthwith terminate this Agreement by notice in writing given to the Company whereupon the following shall take place within seventy two (72) hours of the receipt of such notice:-

14.3.1 the Company shall be liable to the Underwriter for the payment only of cost and expenses reasonably incurred by the Underwriter pursuant to this Agreement prior to the termination. In this respect, the Underwriter shall provide to the Company, documentary evidence evidencing these cost and expenses if requested by the Company; and

3. PARTICULARS OF THE PUBLIC ISSUE AND THE OFFER FOR SALE *(cont'd)*

14.3.2 *each party shall return all moneys (if any) paid without interest to the other under this Agreement within three (3) Market Days of the receipt of such notice of termination from the Underwriter and thereafter, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches."*

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4. RISK FACTORS

YOU SHOULD EVALUATE AND CONSIDER CAREFULLY ALL THE INFORMATION CONTAINED HEREIN INCLUDING BUT NOT LIMITED TO THE GENERAL AND SPECIFIC RISKS WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP BEFORE APPLYING FOR THE PUBLIC ISSUE SHARES.

(A) RISKS RELATING TO OUR BUSINESS**4.1 Business Risk**

Our Group is subject to certain risks inherent in the construction sector. These may include changes in general economic conditions and political conditions, inflation, interest rates and exchange rates of foreign currencies and changes in business conditions such as, but not limited to, deterioration in prevailing market conditions, labour and material supply shortages, increase in costs of labour and materials, non-performance or unsatisfactory performance of sub-contractors.

Although we seek to limit these risks through, inter-alia, a careful identification of the type of construction projects, prudent financial policy, maintenance of a large pool of sub-contractors whom we have long term relationships, close supervision on our construction projects and effective human resource management, no assurance can be given that any change to these factors will not have a material adverse effect on our Group's business.

4.2 Dependence on Joint Venture and Consortium Agreements

Due to the nature of certain projects available within the construction industry, our Group has relied on joint venture and consortium partners to secure contracts. There is no assurance that such joint venture or consortium partners will continue in future to maintain its relationship with our Group. However, our Group has maintained cordial rapport with its joint venture or consortium partners and thus far has been able to deliver our obligations under the joint venture or consortium agreements.

4.3 Delay in Completion of Construction Projects

Completion of a construction project is also dependent on external factors, amongst others, obtaining permits or approvals from the government agencies or authorities, adequacy of materials and availability of workers. Delays in construction projects could result in legal uncertainties, liabilities, reduced efficiency and lower returns. As such, delays may have a direct impact on our Group's future earnings.

To mitigate the risk of delays in completion of projects, our Group practices good and efficient project management skills. Our Group also appoints reliable suppliers and sub-contractors of materials in order to complete a construction project within schedule and budget.

4.4 Defects Liability

Construction contracts commonly stipulate a defects liability period for its work done which ranges from 12 to 24 months from the official handing over of the completed projects, depending on the nature of the contract. This is to allow for the contractor to be liable for any repair work, reconstruction or rectification of any fault or defects, which may surface or be identified during the defects liability period.

4. RISK FACTORS *(cont'd)*

There is no assurance that any disputes arising during this defects liability period will not have a material impact on our Group. However, our Directors believe that with our experience and expertise and by working closely with our clients to ensure that all work specifications are met, the defects of our projects shall be reduced to a minimal level.

4.5 Customer Concentration

Our Group's past performance is attributable to contracts secured from government related agencies such as PKNS, JKR, TPPT Sdn Bhd (a wholly-owned subsidiary of Bank Negara Malaysia) and Jabatan Pengairan & Saliran. Due to credit risks and unstable payment frequently associated with private sector projects, our Group generally adopts a prudent policy when selecting and tendering for projects. Accordingly most of the projects undertaken by our Group are awarded by the Government or Government related agencies. These government bodies have practically no credit risks and payments are generally more predictable and timely.

Although our Group continues to build and maintain relationships with such agencies whose creditworthiness minimises collection risk, no assurance can be given that such relationships will continue indefinitely. As the contracts with our key customers have several years to expiry, our Group strives to continue to deliver its completed contracts/projects with high quality and in a timely manner. Nonetheless, our Group has maintained cordial rapport with them and thus far has been able to deliver our obligation when undertaking such government jobs.

To mitigate the risk of dependence on government contracts, our Group will be exploring construction opportunities abroad. Further, negotiations are ongoing with several private sector clients to diversify our Group's client base.

4.6 Related Party Transactions

Our Group engages in some transactions with companies where certain of our Directors and substantial shareholders have an interest. Please refer to Section 9 for detailed disclosure of the related party transactions entered into by our Group. Most of the related party transactions are construction contracts awarded by property development companies where certain of our Directors and substantial shareholders have interest. These property development companies have entered into privatisation agreements with Government related agencies for the development of certain residential areas. The construction contracts are awarded to our Group as it would minimise risk of disputes between the developer and the turnkey contractor which may bring discomfiture to the respective Government related agencies.

We have taken steps to resolve any conflict of interest that may arise from the related party transactions such as the monitoring of all related party transactions by the audit committee comprising of a majority of independent directors. A tender committee comprising certain senior management who has no conflict of interest in the particular project is set up to ensure that the transactions are undertaken at arm's length and on normal business terms consistent with our usual business practices and policies.

The Act and other relevant regulations provides certain protection to shareholders including but not limited to mandatory shareholder approvals for all related party transactions and the abstinence from voting by shareholders who have an interest in the transaction. Our Directors believe that such transactions were contracted in the ordinary course of business, in the best interests of our Company and on an arm's length basis.

4. RISK FACTORS *(cont'd)*

4.7 Supply and Cost of Raw Materials

The main raw materials used by our Group in our operation are timber, bricks, steel, cement, tiles, reinforced concrete piles, quarry products and other construction/engineering related materials which are obtained locally. Our Group procures our raw materials from a varied base of suppliers and as such, there is no over-dependence on any single supplier. We do not foresee that there will be any difficulties in procuring construction materials at a competitive price as we source our supplies from a large base of suppliers. However, there can be no assurance that any shortage and increase to the cost of construction materials will not have any adverse impact on our Group's financial performance.

4.8 Competition

Our Group faces competition from other construction companies which include various listed and non listed companies. Intense competition may result in highly competitive pricing in order to secure a contract, which may consequently affect the financial performance of our Group. However, our subsidiary, Kery is a Class "A" contractor with Pusat Khidmat Kontraktor, Ministry of Entrepreneurial Development and both BMSB and Kery are Class G7 contractors with the Construction Industry Development Board which enables them to tender for government and private sector projects of any size and amount. We seek to stay competitive by actively participating in competitive bidding and negotiation to secure contracts and continuing our efforts in maintaining our competitive edge in terms of cost efficiency and services quality and reliability. However, no assurance can be given that our Group will be able to compete effectively with current and new entrants into the construction sector in the future.

4.9 Dependence on Key Management Personnel

The success of our Group will depend to a significant extent upon the abilities and continued efforts of our current key management team. The loss of any member of our key management team may have an adverse impact on our operations. The future success of our Group will also depend upon our ability to attract and retain skilled personnel. Every effort is currently being made to groom younger members of our management team to slowly take over from the senior members to ensure a smooth transition in our management team should changes occur and to allow our Group to continue to compete in the future. Based on the long support of our key management personnel who have been with our Group since the early days, we are confident that they will continue their dedication and commitment with our Group

4.10 Control by the Substantial Shareholders

Upon the listing of our Group on Bursa Securities, Dato' Yap Suan Chee will hold indirectly, approximately 54.62% of the enlarged issued and paid-up share capital of our Company. As a result, he will be able to effectively control the outcome of certain matters requiring the vote of our shareholders, unless he is required to abstain from voting by law and/or the relevant authorities.

4.11 Political and Economic Risks

Like all other business entities, changes in political and economic conditions in Malaysia, could materially and adversely affect the financial and business prospects of our Group. Amongst the political, economic and regulatory uncertainties are the changes in political leadership, expropriation, nationalisation, re-negotiation or nullification of existing sales orders and contracts, interest rates, method of taxation and currency exchange rates.

4. RISK FACTORS (cont'd)

While our Group will seek to limit the impact of such risk to its business, there is no assurance that any change in the above factors will not have a material adverse effect on the business and operations of our Group. We have adopted a prudent policy in ensuring that the credit risks of our clients are low and have maintained a low or zero gearing, thus allowing our Group to escape the burden of high financing costs experienced by many companies especially during the economic downturn.

4.12 Regulatory Framework

Our Group's operations are governed by the terms of the licenses awarded by Pusat Khidmat Kontraktor of the Ministry of Entrepreneur Development and the Construction Industry Development Board, which sets out the types and nature of activities in which a construction company can undertake. We are also subject to, amongst others, the Occupational Safety and Health Act, 1994 and the Environment Quality Act, 1974. Further to the above, construction work carried out of the sites are often subject to directives and terms imposed by utilities companies and government agencies such as *Jabatan Pengairan dan Saliran Malaysia* as well as *Jabatan Perkhidmatan Pembetulan*.

Although our Group has always worked to ensure strict compliance with these rules and regulations, no assurance can be given that any future changes to the present rules and regulations will not have an impact on our Group's operations.

4.13 Other General Risks

Our Group is subject to other general risks associated with our business which may affect the operations and financial performance of our Group, such as breakout of fire, energy crisis, flood, theft, accident and others. In order to minimise disruptions to the operations of our Group, we have place certain risk management plans and pre-emptive measures as follows:

- (i) the construction site of the project is always patrolled by security guards to prevent any theft of construction plants and machinery; and
- (ii) safety manuals and policies are adhered to by the construction workers to minimise occurrence of accidents.

(B) RISKS RELATING TO OUR SHARES**4.14 No Prior Market For MEH Shares**

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

4.15 Failure/Delay In The Listing

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

- (i) the underwriter fails to honour its obligations under the Underwriting Agreement;

4. RISK FACTORS *(cont'd)*

- (ii) our Company is unable to meet the public spread requirement, that is, at least 25% of the total number of shares for which listing is sought to be in the hands of the public at the point of its admission to the Main Board of Bursa Securities; or
- (iii) the Bumiputera investors approved by MITI fail to take up the respective Public Issue Shares and/or Offer for Sale Shares allocated to them.

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

4.16 Dividend Payment

Our Company, an investment company derives our income mainly from dividends received from our subsidiary companies. As such, our ability to pay the forecast dividend set out in Section 10.8 of this Prospectus and our ability to sustain such dividend policy in future are largely dependent on the performance of our subsidiary companies. The actual dividend to be proposed and declared by our Directors may be different from the dividend forecast in this Prospectus.

(C) OTHER RISKS**4.17 Termination of Underwriting Agreement**

The Underwriting Agreement allows the underwriter to terminate the Underwriting Agreement if the Underwriter is of the opinion that the success of the Listing is likely to be materially and adversely affected by certain events as set out in Section 3.10 of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if in the reasonable opinion of the Underwriter any of such event occur. If as a result of the termination the Listing cannot be completed, all monies paid in respect of all applications will be returned in full to the applicants without interest.

4.18 Disclosure Regarding Forward-Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any statements, which are forward-looking in nature, such as the consolidated profit forecast of our Group, are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by our Group, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially for the future results, performance, achievements expressed or implied in such forward-looking statements. Such factors include, inter alia, general economic and business conditions, competition and the impact of new laws and regulations affecting our Group. In light of these risks and other uncertainties, the inclusion of any forward-looking statements in this Prospectus, such as the consolidated profit forecast of our Group, should not imply that the plans and objectives of our Group will be fully implemented and satisfied. No statement made herein as to the future of our Group can be construed as an assurance that any estimate, forecast, proposal or expectation of our Group will be realised.

4. RISK FACTORS *(cont'd)*

4.19 Achievability of Profit Forecast

This Prospectus contains our consolidated profit forecast which was prepared based on various assumptions which our Directors deem reasonable, but are nevertheless subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of the consolidated profit forecast, there can no assurance that our consolidated profit forecast will be realised and the actual results may be different from the forecast. You are advised to read and understand the basis and assumptions underlying the consolidated profit forecast as set out in Section 10.5.2 of this Prospectus.

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5. INFORMATION ON OUR GROUP

5.1 Details On Our Group

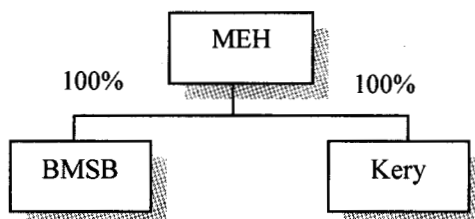
5.1.1 Incorporation And Principal Activities

Our Company was incorporated in Malaysia as a private limited company under the Act on 29 November 2004 under the name of Zejora Ehsan Sdn Bhd before changing its name to its current form on 8 February 2005. Subsequently, it was converted into a public limited company on 10 January 2007. It was incorporated to facilitate the Acquisition and the Listing.

Our Company is principally involved in investment holding whilst our subsidiaries are principally involved in the following business activities:

Subsidiaries	Date And Country Of Incorporation	Effective Equity Interest %	Issued And Paid-Up Capital	Principal Activities
BMSB	2 January 1997 Malaysia	100.00	RM1,000,000	Turnkey contractor
Kery	7 February 1994 Malaysia	100.00	RM1,000,000	Turnkey contractor

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



5.1.2 History And Background

Our Group comprises MEH, BMSB and Kery. The founder of our Group, Dato' Yap Suan Chee has been actively involved in the construction and property development industries for more than 20 years.

Dato' Yap Suan Chee established our Group in the 1990s and our Group has been involved in the construction sector since May 1994 when Kery commenced its operations. Dato' Yap Suan Chee together with his business partners, Ir Tan Hong Hing @ Tan Eng Hing, En. Radzulai Bin Yahaya, Pn. Zaitun Binti Dato' Seri Abu Bakar and Dato' Mohd Zain Bin Yahya expanded our Group's operations from a general contracting to specialised construction management. Through a combination of our promoters' strong relationships with our clients as well as expertise in construction industry, our Group was able to secure major contracts for construction of roads and bridges as well as building works such as residential houses, apartments and sewerage treatment plants for both the government/quasi government institutions.

5. INFORMATION ON OUR GROUP *(cont'd)*

Our Group is mainly involved in turnkey construction. A turnkey contractor provides for the complete planning, design, engineering, procurement, construction and start-up of a construction project for a fixed price and often includes a financing component. As a turnkey contractor, our Group focuses on construction management. Our promoters saw a lack of professionalism in the niche market of project management and hence capitalised on it by building up our track record as a specialised construction management company in a competitive construction sector.

Construction management involves professional managing of planning, design, and construction of a project from inception to completion within specified financial and time constraints. We offer our clients pre-planning, design, construction, engineering and management expertise to provide the best possible project outcome working together with pre-selected sub-contractors with different construction specialisation that have been collaborating with us.

By specialising in construction management, we are highly flexible as:

- Unlike many of our competitors who rely on foreign labourers, we focus on knowledge workers who are professionals in planning and designing;
- We need not invest heavily in construction machineries and plants as we are able to leverage on our sub-contractors' core competencies; and
- We are able to initiate and negotiate a wide range of construction work in collaboration with our business partners.

Our subsidiary, Kery is a Class "A" contractor with Pusat Khidmat Kontraktor, Ministry of Entrepreneurial Development since 2003. In addition, both BMSB and Kery are also registered Class G7 contractors with Construction Industry Development Board which enables them to tender for government and private sector projects of any size and amount.

With a profit track record of approximately RM69 million over the past five years, our promoters and directors believes that seeking listing is the next important step in firmly establishing our Group as a Tier-1 contractors. To date, our completed projects has a contract value of more than RM210 million and we have also secured on-going projects involving the construction of flood mitigation works, roads, highways and residential houses with a total contract value of approximately RM1.2 billion. Most of the construction projects carried out by our Group comprises of projects undertaken by government and quasi government bodies such as JKR, DBKL, PKNS, Jabatan Pengairan & Saliran, Majlis Perbandaran Selayang and TPPT Sdn Bhd (a subsidiary of Bank Negara Malaysia).

5.1.3 Share Capital

Our Company's present authorised share capital is RM100,000,000 comprising 200,000,000 MEH Shares. As at the LPD, the issued and paid-up share capital of our Company is RM46,247,717 comprising 92,495,434 MEH Shares.

5. INFORMATION ON OUR GROUP (cont'd)

The changes in the issued and paid-up share capital of our Company since incorporation is as follows:

Date Of Allotment	No. Of Shares	Par Value RM	Type Of Issue	Cumulative Issued And Paid-Up Share Capital RM
29.11.2004	2	1.00	Subscribers' shares	2
01.06.2006	4	0.50	Share split from par value of RM1.00 per share to par value of RM0.50 per share	2
03.01.2007	92,495,430	0.50	Issued pursuant to the Acquisitions	46,247,717

5.1.4 Subsidiaries And Associated Companies

As at the LPD, our Company does not have any associated companies. Details of our subsidiaries are as follows:

(I) BMSB

(a) History And Business

BMSB was incorporated in Malaysia as a private limited company under the Act on 2 January 1997. BMSB is principally a turnkey contractor.

(b) Share Capital

The present authorised share capital of BMSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and fully paid-up share capital of BMSB since its incorporation are as follows:

Date Of Allotment	No. Of Shares	Par Value RM	Type Of Issue	Cumulative Issued And Paid-Up Share Capital RM
02.01.1997	2	1.00	Subscribers' shares	2
01.11.1999	249,998	1.00	Cash	250,000
29.08.2002	750,000	1.00	Cash	1,000,000

(c) Subsidiaries And Associated Companies

BMSB does not have any subsidiaries or associated companies.

(d) Substantial Shareholders

BMSB is our wholly owned subsidiary.

5. INFORMATION ON OUR GROUP *(cont'd)*

(II) Kery

(a) History And Business

Kery was incorporated in Malaysia as a private limited company under the Act on 7 February 1994. Kery is principally a turnkey contractor.

(b) Share Capital

The present authorised share capital of Kery is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and fully paid-up share capital of Kery since its incorporation are as follows:

Date Of Allotment	No. Of Shares	Par Value RM	Type Of Issue	Cumulative Issued And Paid-Up Share Capital RM
07.02.1994	2	1.00	Subscribers' shares	2
05.07.1996	499,998	1.00	Cash	500,000
08.09.1998	200,000	1.00	Cash	700,000
26.07.2002	50,000	1.00	Cash	750,000
20.11.2003	250,000	1.00	Cash	1,000,000

(c) Subsidiaries And Associated Companies

Kery does not have any subsidiaries or associated companies.

(d) Substantial Shareholders

Kery is our wholly owned subsidiary.

5.2 Listing Scheme

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the Main Board of Bursa Securities, we had implemented the following proposals which have been approved by the SC and MITI on 6 December 2006 and 11 September 2006 respectively. The Listing comprises the following stages, which are inter-conditional and shall be viewed as one exercise to be undertaken to facilitate Listing:

Stage 1	:	Acquisitions;
Stage 2	:	Shareholders' Arrangement;
Stage 3	:	Public Issue;
Stage 4	:	Offer For Sale; and

5. INFORMATION ON OUR GROUP (cont'd)

Stage 5 : Listing and quotation of our Company on the Main Board of Bursa Securities.

5.2.1 Acquisitions

(a) BMSB Acquisition

Our Company acquired the entire equity interest of BMSB for a total purchase consideration of RM35,450,919 satisfied via the issuance of 70,901,838 new MEH Shares at par. The purchase consideration for the BMSB Acquisition was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NTA of BMSB as at 31 March 2006 of RM35,450,919.

Details of the BMSB Acquisition are as follows:

Vendors of BMSB	No. of shares acquired	Purchase consideration (RM)	No. of MEH Shares issued
Dato' Yap Suan Chee	350,000	12,407,821	24,815,643
Datin Teng Siew Kean	100,000	3,545,092	7,090,184
Zaitun Binti Dato' Seri Abu Bakar	75,000	2,658,819	5,317,638
Radzulai Bin Yahaya	75,000	2,658,819	5,317,638
AESB	400,000	14,180,368	28,360,735
Total	1,000,000	35,450,919	70,901,838

(b) Kery Acquisition

Our Company acquired the entire equity interest of Kery for a total purchase consideration of RM10,796,796 satisfied via the issuance of 21,593,592 new MEH Shares at par. The purchase consideration for the Kery Acquisition was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NTA of Kery as at 31 March 2006 of RM10,796,796.

Details of the Kery Acquisition are as follows:

Vendors of Kery	No. of shares acquired	Purchase consideration (RM)	No. of MEH Shares issued
Dato' Yap Suan Chee	180,000	1,943,423	3,886,847
Radzulai Bin Yahaya	400,000	4,318,718	8,637,437
Ir Tan Hong Hing @ Tan Eng Hing	100,000	1,079,680	2,159,359
Dato' Mohd Zain Bin Yahya	70,000	755,776	1,511,551
HMSB	250,000	2,699,199	5,398,398
Total	1,000,000	10,796,796	21,593,592

The Acquisition was completed on 3 January 2007 and resulted in the issued and paid-up share capital of our Company increasing from RM2 to RM46,247,717.

5. INFORMATION ON OUR GROUP (cont'd)

5.2.2 Shareholders' Arrangement

After the Acquisitions, our shareholders will undertake the Shareholders' Arrangements as follows:

(a) Shareholders' Arrangement I

Dato' Yap Suan Chee and Datin Teng Siew Kean will transfer their entire shareholdings in our Company after the Acquisitions to MECSB.

(b) Shareholders' Arrangement II

Zaitun Binti Dato' Seri Abu Bakar and Dato' Mohd Zain Bin Yahya will transfer their entire shareholdings in our Company after the Acquisitions to SPEK.

(c) Shareholders' Arrangement III

Radzulai Bin Yahaya will transfer his entire shareholdings in our Company after the Acquisitions to Desalink.

Upon completion of the Proposed Shareholders' Arrangements, the effects on the shareholdings of our company are as follows:-

Shareholder	To be acquired/(disposed) pursuant to:				
	After the Proposed Acquisitions	Proposed Shareholders' Arrangement I	Proposed Shareholders' Arrangement II	Proposed Shareholders' Arrangement III	After Proposed Shareholders' Arrangement
Dato' Yap Suan Chee	28,702,490	(28,702,490)	-	-	-
Datin Teng Siew Kean	7,090,184	(7,090,184)	-	-	-
Zaitun Binti Dato' Seri Abu Bakar	5,317,638	-	(5,317,638)	-	-
Radzulai Bin Yahaya	13,955,075	-	-	(13,955,075)	-
AESB	28,360,735	-	-	-	28,360,735
Ir Tan Hong Hing @ Tan Eng Hing	2,159,359	-	-	-	2,159,359
Dato' Mohd Zain Bin Yahya	1,511,551	-	(1,511,551)	-	-
HMSB	5,398,398	-	-	-	5,398,398
MECSB	-	35,792,674	-	-	35,792,674
SPEK	-	-	6,829,189	-	6,829,189
Desalink	-	-	-	13,955,075	13,955,075
Total	92,495,430	-	-	-	92,495,430

5. INFORMATION ON OUR GROUP *(cont'd)*

The Shareholders' Arrangement will be effected prior to completion of the Listing.

5.2.3 Public Issue

To facilitate the listing of and quotation for our Company's entire enlarged issued and paid-up share capital on the Main Board of Bursa Securities and to comply with the Listing Requirements and the SC with regards to shareholding spread, our Company shall undertake a Public Issue of 27,505,000 new MEH Shares at the Issue Price.

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

Public Issue	Number Of Shares ('000)	% Of The Enlarged Share Capital Of The Company
To Bumiputera investors approved by MITI	11,215,900	9.35
To the Malaysian public	6,000,000	5.00
To the eligible directors, employees, and business associates of our Group	4,000,000	3.33
To identified investors	6,289,100	5.24
Total	<u>27,505,000</u>	<u>22.92</u>

Upon completion of the Public Issue, our Company's issued and paid-up share capital will be further increased from RM46,247,717 to RM60,000,217.

5.2.4 Offer For Sale

In conjunction with the Public Issue, the Offeror will offer for sale 4,000,000 MEH Shares at the Offer Price to identified Bumiputera investors approved by MITI.

5.2.5 Listing

Our Company will seek the listing of and quotation for our entire enlarged share capital of 120,000,434 MEH Shares on the Main Board of Bursa Securities.

5.3 Business Overview

The objectives of our Group are to:

- (a) Provide total solution to clients from design, engineering to construction;
- (b) Cost effective design and construction;
- (c) Provide a professional approach towards managing our client's projects; and
- (d) Minimise on the wastage and idle time cost.

5. INFORMATION ON OUR GROUP *(cont'd)*

5.3.1 Principal Products and Services

Our Group is involved in turnkey construction. A turnkey contractor provides for the complete planning, design, engineering, procurement, construction and start-up of a construction project for a fixed price and often includes certain elements of financing. As a turnkey contractor, our Group focuses on construction management, which involves providing professional service that applies effective management techniques to the planning, design, and construction of a project from inception to completion for the purpose of controlling time, cost and quality. Hence, we apply our construction management expertise toward providing high-quality turnkey construction services to our clients such as consultation on building technicalities and design as well as project management.

As part of our construction management business, we are also active in conceptualising and initiating construction projects. We are on a constant look out to identify infrastructure problems and opportunities where we are able to offer our services to potential clients. Through our own initiatives, we have successfully secured several construction contracts.

Our contracts include building and civil engineering works for government, quasi government and private sector projects which includes the following:

- (a) Design, construction and maintenance of roads, bridges, highways, highway interchanges, flood mitigation projects and other infrastructure construction; and
- (b) Building works of housing development schemes, commercial buildings, water reservoirs and sewerage treatment plants.

We are the main contractor for most of the projects undertaken by our Group. This enables us to carry out our role effectively as the construction manager for the overall project. For efficiency and cost-effectiveness purpose, our Group sub-contracts portions of the construction works to third parties, particularly works which is highly specialised or labour intensive in nature. This allows our Group to fully utilise our resources and capabilities to undertake other aspects of the project, which is more cost effective to our operation.

Being focused on construction management, our Group has been able to minimise overheads, which are often carried by the conventional construction companies as a result of investment in highly specialised construction assets in terms of property, plant and equipments as well as large pool of labour.

At present, our Group is concentrating on securing projects from the government and government-related agencies. Our Group has adopted a prudent policy of selective tendering for private sector projects due to the higher credit risk and unstable payment patterns frequently associated with private sector projects. We believe that the impact of a property downturn will be less severe to our Group as government/quasi government related contracts mainly pertaining to buildings and infrastructure works are generally less vulnerable to property downturn. The fact that our Group has been able to remain profitable while maintaining a low level of gearing for the past five (5) years is testimony to this.

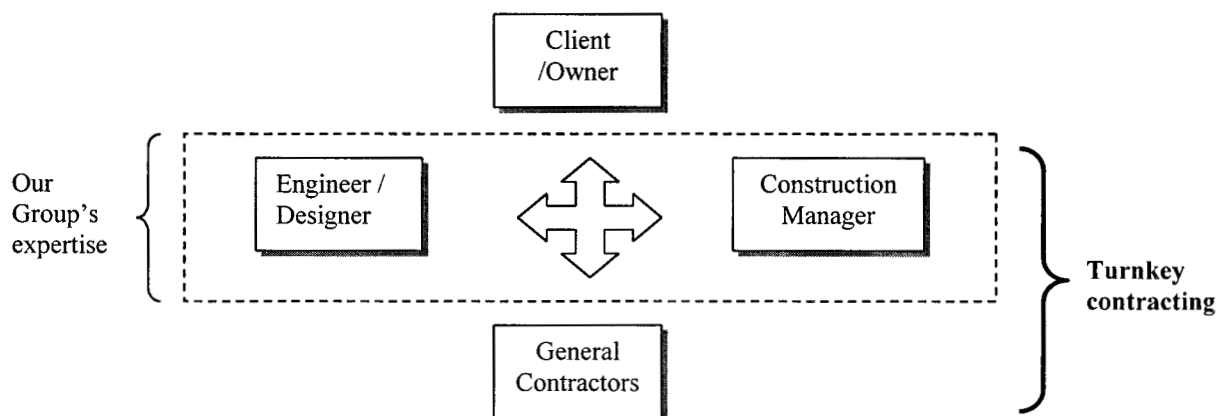
5. INFORMATION ON OUR GROUP *(cont'd)*

Our Group is principally based in Kuala Lumpur. However, we do not restrict our operations to a particular area and have successfully undertaken projects in various other locations such as Kedah, Penang, Selangor & Johor. The locations of our current on-going construction projects are disclosed in Section 5.3.4 of this Prospectus.

5.3.2 Operation of our Group

(a) Construction Management

A typical construction project revolves around the following parties:



Our construction management expertise offer our clients with pre-planning, design, construction, engineering and management expertise that can assure the best possible project outcome no matter what type of project undertaken.

As such, we are able to bid for or propose to our prospective clients for almost any type of construction projects. Combined with various sub-contractors who have their own cost effectiveness depending on the types of construction works, we can bid for and execute highly complex projects with minimal expense.

The construction management process of our Group is as follows:-

- (a) Our senior management identifies the project;
- (b) A proposal committee comprising project manager, finance manager, architect, engineers, land surveyor, geologist, quantity surveyor and other relevant professionals and personnel will be set up to participate, discuss and prepare a conceptual proposal;
- (c) The conceptual proposal and feasibility paper will be presented to the client after approval from our senior management;
- (d) Upon confirmation of the proposal from the client, a detailed design and breakdown of the Bill of Quantities will be presented to the client for price negotiation;
- (e) Letter of award will be issued by client upon finalisation of pricing;
- (f) Preparation of construction drawings, contract documentation;

5. INFORMATION ON OUR GROUP *(cont'd)*

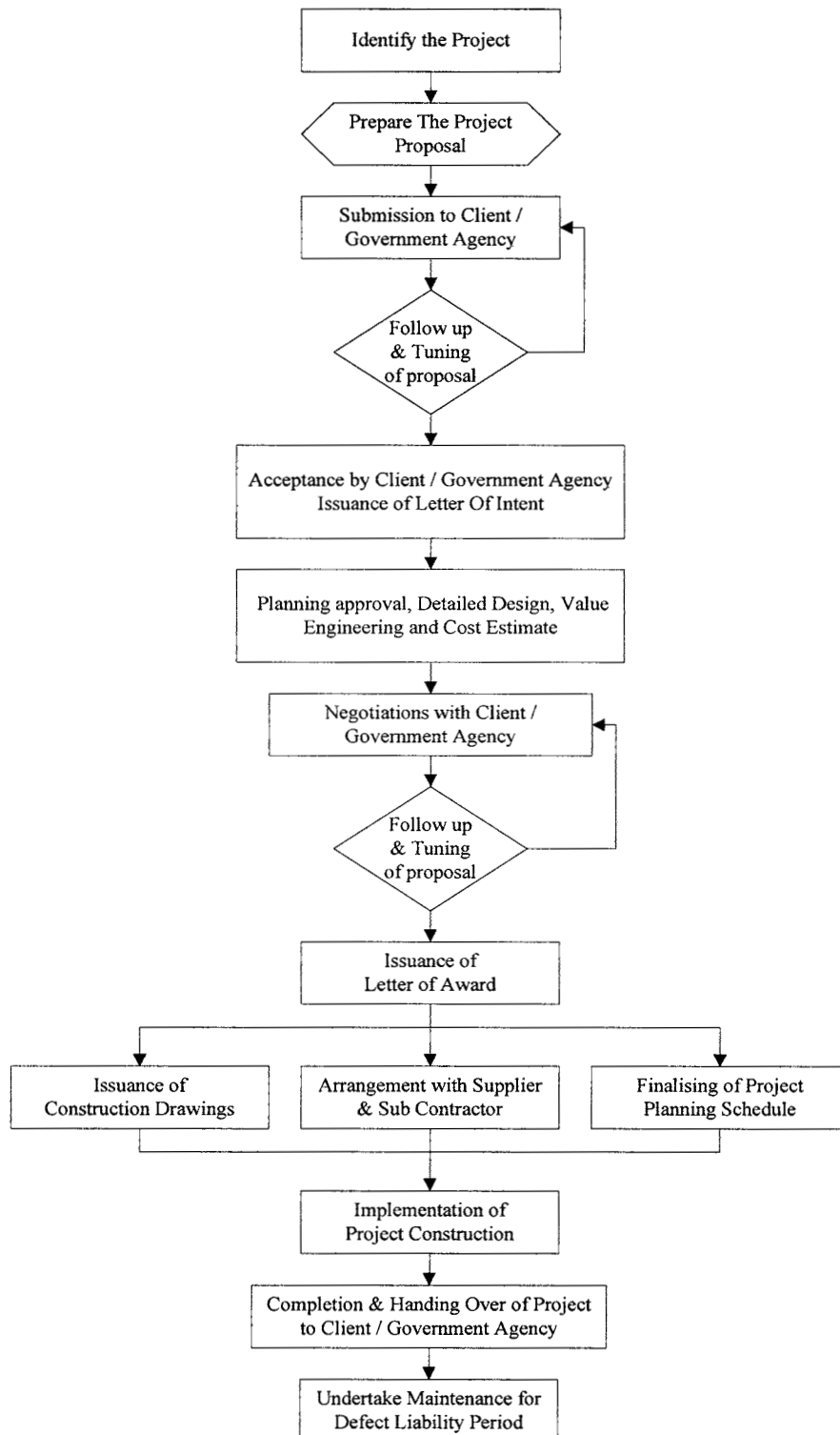
- (g) Our project manager will plan out the project schedule and arrange for physical commencement;
- (h) Our project manager will also coordinate with the finance manager, sub-contractors, suppliers, site personnel and other consultants on the technical and financial matters and monitor the work progress to ensure of following:
 - (i) Smooth work progress and minimise problems;
 - (ii) Maintain a safe and healthy working environment;
 - (iii) Ensure compliance with requirements and standards by Government agencies;
 - (iv) Quality Control;
 - (v) Minimise wastage;
 - (vi) Minimise idling time; and
 - (vii) Prepare monthly report and cashflow forecast report.
- (i) Upon completion of the construction works, arrangement for handing over of the project to the client will be made.

Our project manager will arrange for all necessary manpower for defects and routine maintenance work for the stipulated defect liability period in the contract.

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5. INFORMATION ON OUR GROUP (cont'd)

A flow-chart of our Group's construction management process is as follows:



5. INFORMATION ON OUR GROUP (cont'd)

(b) Marketing Strategies

Our senior management headed by Dato' Yap Suan Chee and Ir. Tan Hong Hing @ Tan Eng Hing are responsible for the overall marketing and contract biddings for our Group. As our senior management has good relationships with various government agencies, our Group has been successful in securing contracts via direct negotiations as well as other tenders by invitation.

We have often adopted direct negotiation approach in securing contracts and such negotiations are generally on a fast track basis where clients do not have sufficient time to call for a tender or are in fact initiated by the contractors themselves. Thus, these projects are awarded based on the credentials of the contractors and such contracts normally generate a higher margins and track record. Whilst our marketing personnel are on a constant look out for open tenders, the competition for such contracts are heavily saturated as more often than not contractors bid for contracts with minimal or no margins to merely ensure that operations are sustained.

We have a team of highly experienced and skilled engineering consultants and project managers who are able to initiate and seize construction opportunities by identifying the need for construction solutions. Kindly refer to Section 5.3.4 for further details on our secured projects, which were initiated by us.

(c) Turnkey Construction

Under the turnkey construction system, the contractor participates with the architect and engineering consultants from the design stage of the construction project. This allows the contractor to contribute their building expertise and practical knowledge to enhance the conception of the project and to identify potential problem areas before construction commences. The participation of the contractor at the design stage may result in potential cost savings, increased efficiency, shorter project duration and less material wastage.

Our Group's capability in turnkey construction coupled with our construction management expertise especially in our core skills in designing and planning of all aspects of a construction projects has enabled us to assist our clients especially those involved in property development from the stage of design of the project, actual construction to marketing as well as sales to end customers.

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5. INFORMATION ON OUR GROUP *(cont'd)*

5.3.3 Completed Projects

Details of our Group's completed projects, with contract value of approximately RM210 million, as at LPD are as follows:

	Client	Project Description	Completion Date	Project / Contract Value (²)(RM'000)
1.	Pembinaan AHT Sdn Bhd	Construction works for 114 units of double storey terrace houses and 1 unit of TNB substation on Lot 1092 and part of Lot 1536, Mukim Cheras, Daerah Hulu Langat, Selangor.	January 2005	10,489
2.	PKNS	Turnkey construction for Bayu Damansara for 334 units of double storey terrace houses and 38 units of semi-detached houses on part of Section 11, Kota Damansara, Selangor	Aug 2004	106,039
3.	JKR via Konsortium Nusa Baiduri Sdn Bhd, Brem Maju Sdn Bhd, Seberang Cempaka Sdn Bhd	Project to construct Jambatan Baru 2, next to Jambatan Merdeka and to construct Jambatan Baru Pinang Tunggal Pakej 'A'	June 2005	10,289
4.	TPPT/ MEDSB ⁽¹⁾	Building works for Phase 1B consisting of 90 units double storey terrace houses and 3 units TNB substations at Taman Ehsan Jaya on part of Lot 1993, Mukim Plentong, Johor	June 2004	5,797
5.	TPPT / MEDSB ⁽¹⁾	Building works for Phase 1ASS consisting of 36 units single storey terrace houses at Taman Ehsan Jaya on part of Lot 1993, Mukim Plentong, Johor	June 2004	2,310
6.	TPPT/ MEDSB ⁽¹⁾	Piling and building works of Phase 1A consisting of 53 units double storey terrace houses Type A and 2 units Type B at Taman Ehsan Jaya on part of Lot 1993, Mukim Plentong, Johor	May 2004	5,900
7.	TPPT / MEDSB ⁽¹⁾	Civil & structure works for bioclear extended aeration sewage treatment plant for Taman Ehsan Jaya on part of Lot 1993, Mukim Plentong, Johor	Dec 2003	1,729
8.	TPPT / MEDSB ⁽¹⁾	Mechanical & electrical works for bioclear extended aeration sewage treatment plant for Taman Ehsan Jaya on part of Lot 1993, Mukim Plentong, Johor	Dec 2003	1,012

5. INFORMATION ON OUR GROUP (cont'd)

	Client	Project Description	Completion Date	Project / Contract Value ⁽²⁾ (RM'000)
9.	TPPT / MEDSB ⁽¹⁾	Earthworks and retaining works for Parcel E comprising Phase 1A(125 units) and Phase B(180) units terrace house at Taman Ehsan Jaya on part of Lot 1993, Mukim Plentong, Johor	June 2002	1,209
10.	TPPT / MEDSB ⁽¹⁾	Construction works for monsoon drainage at Taman Ehsan Jaya on part of Lot 1993, Mukim Plentong, Johor	August 2005	1,235
11.	Majlis Perbandaran Selayang via DSB Development Sdn Bhd	Turnkey construction for overall infrastructure works, 1 block low cost apartment, 9 units low cost shop and 1 unit sewerage treatment plant at Desa Sri Bayu on part of Lot 927, 948 and 894, Batu 16, Rawang, Selangor	March 2006	15,010
12.	JKR via MESB	Turnkey project for building a link road at Free Trade Zone, Pusat Bandar Seaport, Damansara Jaya ("Majlis Link")	August 2006	52,746

Notes:

- (1) TPPT entered into a privatisation agreement with MEDSB for the privatisation of the development of Taman Ehsan Jaya at Mukim Plentong, Johor.
- (2) The above valuse include all variation orders and claims received including the defects liability period.

5.3.4 On-Going and Secured Projects

As at 31 August 2006 (being the date of our latest audited financial statement), our Group's on-going and future projects amounted to approximately RM1.2 billion, of which approximately RM205.75 million revenue has already been recognised in our Group's audited financial statements as at 31 August 2006. The details of the on-going and secured construction projects are as follows:-

	Client	Project Description	Commencement / Expected Commencement Date	Expected Completion Date	Project / Contract Value (RM'000)
1.	PKNS	Turnkey construction for earthworks, retaining walls, piling works, building structure, infrastructure and landscaping works for 63 units of double storey terrace house and 12 units of semi-detached houses on part of Section 11, Kota Damansara, Selangor	Jan 2005	Dec 2006	23,847
2.	Jabatan Pengairan & Saliran ⁽¹⁾	Turnkey project for flood mitigation at Kawasan Bertam - Kepala Batas, Daerah Seberang Perai Utara, Pulau Pinang	Jan 2005	Feb 2009	168,797

5. INFORMATION ON OUR GROUP (cont'd)

	Client	Project Description	Commencement / Expected Commencement Date	Expected Completion Date	Project / Contract Value (RM'000)
3.	PKNS ⁽²⁾	Mixed development projects in Bernam Jaya measuring approximately 51 acres of land	Sept 2009	Aug 2014	55,034
4.	JKR ⁽³⁾	Highway project "Trans Eastern Kedah Interland" from Durian Burung ke Kupang, Kedah ("TEKIH")	Sept 2005	Aug 2008	287,000
5.	JKR via Konsortium MESB & Desa Purnama Sdn Bhd	Turnkey project to upgrade Laluan Persekutuan 54 at Sungai Buloh, Selangor ("FR54")	Apr 2005	Apr 2007	86,279
6.	DBKL / MLSB ⁽⁴⁾	Turnkey construction to develop land held under Lot 1252, 13562, 4643, 6016 & 11646 at Jinjang Utara, Mukim Batu, Kuala Lumpur known as "Taman Aman Putra"	Oct 2004	Oct 2010	523,419
7.	TPPT / MEDSB ⁽⁵⁾	Turnkey construction for infrastructure works such as earthworks, temporary earth drain, silt trap, road, kerb, pavement, storm water system and sewer pipeline at Taman Ehsan Jaya on part of Lot 1993 and piling works on Lot PTD 169577 – 169640, Mukim Plentong, Johor	Nov 2005	Sept 2007	8,104
8.	TPPT / MEDSB ⁽⁵⁾	Construction of 281 double storey terrace houses on Lot PTD 170045-PTD170260, PTD 172061-PTD170277 & PTD170281-PTD170328 and 1 unit of twin TNB substation and includes a variation order for construction of a theme park on Lot PTD 170279 for Phase 18, 19 & 20 of Taman Ehsan Jaya, Mukim Plentong, Johor	May 2006	April 2008	31,640
9.	PKNS / Bonus Focus (M) Sdn Bhd ⁽⁶⁾	Turnkey construction for Bayu Perdana, Phase 2 for 41 units of double storey terrace houses and Phase 3 comprising 90 units of double storey houses and 12 units of semi detached houses on part of Section 11, Kota Damansara	May 2006	April 2009	34,383
10.	TPPT / MEDSB ⁽⁵⁾	Construction of main monsoon drain at Taman Ehsan Jaya on part of Lot 1993, Mukim Plentong, Johor	August 2006	March 2007	2,941
Total					1,221,444

5. INFORMATION ON OUR GROUP (cont'd)

Notes:

- (1) *This is a joint venture between Kery and Pertubuhan Peladang Kawasan Lahar Bubu.*
- (2) *Although the contract has been secured via the privatisation agreement between PKNS and BMSB dated 5 November 1999, final construction cost and award is still subject to negotiation.*
- (3) *This is a joint venture between Kery and Bina Darulaman Berhad.*
- (4) *DBKL entered into a privatisation agreement with MLSB for the privatisation of the development of Taman Aman Putra at Jinjang Utara, Mukim Batu, Kuala Lumpur.*
- (5) *TPPT entered into a privatisation agreement with MEDSB for the privatisation of the development of Taman Ehsan Jaya at Mukim Plentong, Johor.*
- (6) *PKNS entered into a privatisation agreement with Bonus Focus (M) Sdn Bhd for the privatisation of the development of Bayu Perdana at Section 11, Kota Damansara, Selangor.*

Further details of our major on going projects with contract value above RM50 million as well as the recently completed 'Majlis Link' project are set out below:

(a) Taman Aman Putra

This turnkey construction project comprise of approximately 2,236 units low cost apartments, 1,000 units low medium cost apartments (i.e. Phase 1 of the project which has been completed), 3,218 units of medium cost apartments along with 394 units of commercial or office lots. The total area of construction measures 96.4 acres of land. The contract is awarded to Kery by MLSB with the consent of DBKL. Kery co-operated with MLSB to initiate the proposal to DBKL to relocate 1,968 units of DBKL long houses and about 200 units of squatter houses to the low cost apartments held in Jinjang Utara, Kuala Lumpur. This is in line with the government's efforts to improve the people's quality of housing and living.

(b) Trans Eastern Kedah Interland Highway (TEKIH)

Although the TEKIH project was conceptualised by the Kedah State Government back in the early nineties, it was not approved for implementation until recently due to funding and other issues. Together with Bina Darulaman Berhad, Kery approached the Federal Government with a turnkey proposal to implement and complete the TEKIH project. This construction project involves the construction of a 115 kilometre dual-lane single carriageway road from Durian Burung to Kupang in Kedah. This highway will connect the inlands of Kedah with the more developed west coast through the existing East-West Highway. This highway will link to a new gateway to Thailand at Kota Putra. Besides the construction of the road, the general scope of work includes construction of road pavement, junctions, slope protection and stabilisation works, a total of 13 bridges, drains and culverts, landscaping, road furniture and street lighting. TEKIH is being implemented in 2 packages of which Package A consisting of 74.5 kilometres is awarded to the BDB-KERY Joint Venture.

5. INFORMATION ON OUR GROUP *(cont'd)*

(c) Flood mitigation at Kawasan Bertam - Kepala Batas

In view of serious social impact and financial losses that resulted from the frequent occurrence of floods in Bertam and Kepala Batas, proposals were made by our Group in collaboration with Pertubuhan Peladang Kawasan Lahar Bubu to JPS to resolve the flood problems. The Bertam – Kepala Batas area is currently an agricultural and industrial hub located in the District of Seberang Perai Utara, Pulau Pinang and a large portion of this area is subject to frequent flooding as it is a low lying terrain with generally flat land. Further, the existing drainage systems are inadequate and rapid urbanisation has worsened the flooding situation. As such, our Group will undertake flood mitigation and drainage improvement measures such as the construction of retention ponds, channel improvement, construction of new drains, installation of flap gates at drainage outlets, improvement of all existing road side drains and construction of flood protection bunds.

(d) FR 54

Recognising existing overcongestion which led to impeded traffic flow at Sungai Buloh along Federal Route 54 (which connects to Jalan Kepong, Lebu Raya Damansara Puchong as well as various residential areas at Sungai Buloh) and various rapid development sites along Federal Route 54, our Group proposed to the Government a solution by upgrading, expanding and widening the existing route which includes the construction of 2 new interchanges. The project involves the construction of new bridges, road upgrades, widening and improvement of road alignment, drainage works, utility relocation, traffic management, street lighting and landscaping.

(e) Majlis Link

This is another project initiated by our Group to the Government with the objective to solve the traffic congestion problem from the Free Trade Zone to Federal Highway in SS8 Petaling Jaya. This project involves the construction of a 1.5 kilometre road, which serves as a new direct elevated linkage from the Federal Highway and the Free Trade Zone and the widening of the existing road to Lebu Raya Damansara Puchong. Besides the construction of this new link road, this project includes the construction of 5 bridges as well as the widening of the existing Jalan 8/2 towards the Subang Jaya exit. This project also includes the improvement of the existing road and drainage at Seaport town centre.

5.3.5 Future Projects

In addition to the above, our Group has continuously sought for new projects to further strengthen our Group's income stream revenue. As at the LPD, we have negotiated and tendered for projects with total contract revenue of approximately RM1.1 billion in the following segments:

Description	RM'000
Infrastructure consisting of water works & flood mitigation	600,000
Buildings consisting of government facility as well as for mixed development	527,414
Upgrading of existing roads and bridges	6,734
	<u>1,134,148</u>

5. INFORMATION ON OUR GROUP *(cont'd)*

5.3.6 Availability Of Resources**(a) Construction Management Personnel**

Our Group believes that it has experienced, professionally qualified and capable Construction Management personnel. These personnel also work closely with various project consultants engaged by our Group as and when needed to provide clients with D&B plans, which have design innovation, architectural aesthetics and practical functionalities.

(b) Subcontracting

After our Group has completed the design and planning, specialised sub-contractors are engaged during the implementation stage. We often engage and consult our sub-contractors even during the preliminary stage of negotiation with clients to ensure that all parties are aware of our design specifications and timing involved. The specialised sub-contracts given out by our Group include piling works, mechanical & electrical works, glass and aluminium installation etc.

Our Group has a pool of specialised sub-contractors who have the required experience and capabilities to carry out the sub-contract works competitively. As all projects are subdivided into separate packages to enable efficiency and cost effectiveness, many contractors who specialise in different aspects of construction will be needed. Accordingly, there is a large pool of sub-contractors in different specialisation and hence our Group has many options in the selection of sub-contractor thus ensuring that all projects undertaken can be completed timely and successfully without problems of underperforming sub-contractors.

To date, our Group has managed to establish healthy working relationships with our subcontractors, which has allowed our Group to meet our deliverables in the required work schedule. Our Group monitors the work of our sub-contractors to ensure that the quality of work is maintained for all its projects. Our primary subcontractors include Ho Hup Construction Company Berhad, Brem Holding Berhad, Suhati Sdn Bhd , Uritec Team (M) Sdn Bhd, Istimewa Teguh Sdn Bhd and Tropical Profile Sdn Bhd which are established players in the construction industry. The list of our Group's sub-contractors is set out in Section 5.3.11 below.

(c) Raw Materials

The main raw materials used by our Group in its operation are timber, bricks, steel, cement, tiles, reinforced concrete piles, quarry products and other construction/engineering related materials, which are obtained locally. Our Group procures the raw materials from a varied base of suppliers and as such, there is no over-dependence on any single supplier. Further, we have in the past been able to secure a steady supply of materials for our operations at relatively stable and competitive prices and our management is confident that we will continue to be able to procure raw materials in the future without any major difficulties.

5. INFORMATION ON OUR GROUP (cont'd)

5.3.7 Key Achievements and Milestones

Among the key achievements and milestones of our Group are as follows:-

- (a) We have established ourselves as a formidable contractor and are able to secure various contracts from government related agencies.
- (b) Our Group built a 7 span bridge crossing Muda River (Jambatan Baru Pinang Tunggal, Pinang) on a fast track basis, with physical completion in 3 months and 3 weeks. This design and build project was considered to be completed in record time by JKR.
- (c) Successfully completed projects of our Group, the majority of which involve construction management are detailed in Section 5.3.3 above.

5.3.8 Competitive Advantages

The competitive advantages of our Group are as follows:-

(a) Effective Construction Management

Although construction may be thought of as a single activity, it is in fact a feat of multitasking. A typical construction assignment is managed by the project manager, supervised on site by the design engineer and foreman, and scrutinised closely by the clients.

The successful execution of a project often is the result of effective planning than anything else. Our Group pride ourselves as an experienced construction management firm which provides professional services that applies effective management techniques to the planning, design, and construction of a project from inception to completion for the purpose of controlling time, cost and quality. Our expertise as construction managers have also allowed us to maintain a lean staff force which is focused on retaining knowledge-based personnel instead of other labour intensive staff. Thus, our Group need not support a large number of employees which often means bidding for contracts with low or no margins that is currently prevalent in our construction industry.

Coupled with our turnkey contracting capabilities, our Group's clients are able to gain higher value for their project, with less material wastage, shorter construction period and other potential cost savings.

We believe that our construction management experience which is incorporated into our proposals and tenders add value to our clients as:

- Prior to start of physical construction, we ensure that construction design is both aesthetically successful and responsive to project goals;

Further, while the construction is underway, our client is assured that we will:

- Ensure that all contractors, subcontractors and other participants fully understand the project's design and requirements at every stage;

5. INFORMATION ON OUR GROUP (cont'd)

- Deliver timely and clear reports to the client concerning construction progress, milestones, and other elements;
- Manage the change order process for maximum effectiveness while minimising delay and costs; and
- Monitor the construction process to anticipate difficulties, resolve issues early, and keep the work flowing.

(b) Capability To Undertake Turnkey Construction

We focus our resources to undertake turnkey construction projects in which profit margins are generally higher than conventional projects due to input of our Group's technical expertise in designing the project. With construction management, our Group is able to participate in the project from the early designing stage together with the architect and engineering consultant thus contributing their experience and practical knowledge to enhance the quality of the project and to resolve any potential problems before construction work commences.

(c) Minimum Liquidity Risks

As our Group is concentrated on construction management, our key asset is our skilled and knowledge engineering consultants. We have minimum exposure to liquidity risks as we do not maintain a large number of labour workers and we are also not required to maintain high valued construction equipments. Throughout the years, we have been able to maintain a lean and cost efficient organisation structure.

The financing of the construction projects are usually shared between us and our pool of sub contractors. We provide the technical know how in the planning and design of the construction projects while engaging various sub contractors to undertake various portions of the construction works, particularly works which are highly specialised or labour intensive in nature.

(d) Ability to Initiate Construction Projects

With our construction management expertise, we are able to identify, conceptualise and initiate construction projects. Our Group has been able to identify infrastructure problems, conduct analysis and feasibility studies then propose solutions to the authorities.

With our initiatives and in depth knowledge of the construction industry, we were able to provide innovative solutions to our clients, which differentiates us from conventional construction companies. We do not only compete in open bids and tenders for contracts, we create business opportunities by identifying infrastructure problems and presenting possible solutions to our potential clients. The Majlis Link contract was secured through our ability to identify the traffic flow problems at the Free Trade Zone, Pusat Bandar Seaport, Petaling Jaya and subsequently providing a solution to JKR.

We have proven that we are able to provide innovative solutions to our clients and as such despite the intense competition amongst the construction industry, we were able to secure contracts from various government and government related institutions such as JKR, Jabatan Pengairan and Saliran, PKNS and DBKL.

5. INFORMATION ON OUR GROUP (cont'd)

(e) Prudent client selection

Our Group generally adopts a prudent policy when selecting and tendering for projects due to credit risks and unstable payment frequently associated with private sector projects. Accordingly most of the projects undertaken by our Group are awarded by the Government or Government related agencies such as JKR, Jabatan Pengairan & Saliran, DBKL and PKNS. These government bodies have practically no credit risks and payments are generally more predictable and timely.

(f) Prudent financial management

Our Group practises cost effective measures in carrying out our business activities, which allows us to focus on our core expertise i.e., design and planning. Construction works are then carried out by carefully selected subcontractors who possess the necessary experience and resources. As such, overhead costs of our Group are kept to a minimum. With this approach, direct employment of foreign workers are also not required thereby avoiding the common problems associated with the employment of foreign workers.

Currently, works carried out by our Group are mainly financed through internally generated funds. Our management believes that their approach has helped our Group to avoid significant level of borrowings and financial cost, and hence has enhanced its earnings.

(g) Established Relationship With Business Associates

Our Group has good working relationships with our business associates including joint venture or consortium partners and sub-contractors in order to foster greater cooperation and efficiency in competing for and also timely completion of projects.

Our Group's timely payments to our sub-contractors have enabled our Group to cultivate a strong relationship with our sub-contractors and suppliers.

As we concentrate a significant amount of our efforts on our turnkey contracting and construction management niche, the constant cooperation and early consultation with our subcontractors prior to any award of projects has allowed our Group to maintain our competitiveness in terms of pricing and timely delivery.

(h) Experienced Technical And Management Team

Our Group is led by Dato' Yap Suan Chee who has more than 20 years of experience in the construction and its related industries. Supported by a team of qualified and experienced technical and management staff, our management believes that we have made our Group a formidable player not only as a turnkey contractor but also as a total solution provider to clients from design, engineering and construction in the construction industry.

5. INFORMATION ON OUR GROUP *(cont'd)*

5.3.9 Product Quality Assurance

Our Group is committed to continuously improve the quality and standards of our systems and work processes applied in the execution of projects. All projects awarded by government or private sectors have been executed by our Group in accordance with a comprehensive quality management system, which sets out the general procedures for implementation, criteria and timeframe for efficient quality management.

5.3.10 Major Customers

As our Group is cautious in undertaking private sector projects that will expose our Group to higher credit risks, we believe that our clients, which primarily comprise of government agencies are able to provide a more stable revenue streams.

Details of our major customers which individually contributed to 10% or more of revenue, for the past 3 FYE 2006 are as follows:

Name	Project Undertaken	2004 % of the total sales of our Group	2005	2006
JKR via MESB	Turnkey project for building a link road at Free Trade Zone, Pusat Bandar Seaport, Damansara Jaya ("Majlis Link")	-	14.34	23.52
JKR via Konsortium MESB & Desa Purnama Sdn Bhd	Turnkey project to upgrade Laluan Persekutuan 54 at Sungai Buloh, Selangor ("FR54")	-	-	29.60
DBKL / MLSB	Turnkey construction to develop land held under Lot 1252, 13562, 4643, 6016 & 11646 at Jinjang Utara, Mukim Batu, Kuala Lumpur known as "Taman Aman Putra"	24.70	47.87	13.40
PKNS	Turnkey construction for Bayu Damansara consist of 334 units of double storey terrace houses and 38 units of semi-detached houses on part of Section 11, Kota Damansara, Selangor	49.07	-	-
JKR via Konsortium Nusa Baiduri Sdn Bhd, Brem Maju Sdn Bhd, Seberang Cempaka Sdn Bhd	Project to construct Jambatan Baru 2, next to Jambatan Merdeka and to construct Jambatan Baru Pinang Tunggal Pakej 'A'	11.11	-	-
Majlis Perbandaran Selayang via DSB Development Sdn Bhd	Turnkey construction for overall infrastructure works, 1 block low cost apartment, 9 units low cost shop and 1 unit sewerage treatment plant at Desa Sri Bayu on part of Lot 927, 948 and 894, Batu 16, Rawang, Selangor	-	10.18	-

5. INFORMATION ON OUR GROUP *(cont'd)*

Name	Project Undertaken	2004 % of the total sales of our Group	2005	2006
TPPT / MEDSB	Construction of houses and infrastructure works at Taman Ehsan Jaya on part of Lot 1993, Mukim Plentong, Johor	10.70	-	12.12

5.3.11 Major Suppliers and Sub Contractors

Details of our major suppliers which individually contributed to 10% or more of the cost of sales, for the past 3 FYE 2006 which comprise subcontractors of our Group are as follows:

Name of subcontractor	Services provided	2004 % of the total cost of sales of our Group	2005	2006
Ho Hup Construction Company Berhad	Road & Bridge Construction	-	21.80	29.22
Brem Holding Berhad	Earthworks, Infrastructure & Building	30.34	50.99	15.30
Suhati Sdn Bhd	Road works	-	-	18.76
Uritec Team (M) Sdn Bhd	Water piping diversion	-	-	14.74
Istimewa Teguh Sdn Bhd	Building Construction	28.67	-	-
Tropical Profile Sdn Bhd	Bridge Construction	15.44	-	-

Save for Brem Holding Berhad, none of our major suppliers or sub contractors contributes to more than 50% of the cost of sales for the past 3 financial years. We have maintained a good working relationship with our pool of suppliers and sub contractors. Although we have not experienced a shortage of suppliers or sub contractors, we constantly review our relationships with our existing suppliers and sub contractors and establishing relationships with new suppliers and sub contractors to ensure a broad base of suppliers and sub contractors, competitive pricing as well as delivery of good quality work.

5.3.12 Interruption To Operations Of Our Group

Our Group has not experienced any disruptions in business, which had a significant effect on our operations during the 12 months period prior to the date of this Prospectus.

5. INFORMATION ON OUR GROUP *(cont'd)*

5.3.13 Employees

As at the LPD, our Group has a total of 41 employees. Our employees do not belong to any labour union and we enjoy a cordial relationship with them. A breakdown of the employees is illustrated below.

Employees Categories	No. of Employees	Average Years in Service
Senior Management	*8	8.9
Managerial and Professional	6	4.2
Technical and Supervision	14	3.6
Clerical	7	5.6
General Workers	6	3.3
Total	41	

* Including Executive Directors and directors of our subsidiaries

Our Group's business is supported by competent personnel with sound industry knowledge and hands-on experience and expertise. In ensuring that our Group's personnel remains competent and attuned to industry changes, we encourage our employees to regularly attend courses organised by the Construction Industry Development Board, Institute of Engineers Malaysia and other construction organisations.

5.4 Industry Overview

5.4.1 Overview Of The Malaysia Economy

The Malaysian economy remains resilient despite moderation in the growth of global economy amidst high oil prices and less accommodative monetary policy, particularly in the United States of America. The nation continues to sustain its growth momentum, with strong domestic demand providing the impetus for the expansion in domestic economic activities.

Economic fundamentals have further strengthened while domestic demand continued to be resilient amidst firm consumer spending as well as continued uptrend in private investment activities. These factors, coupled with pro-active measures by Government to promote economic activities provided the enabling environment for the Malaysian economy to expand favourably, albeit at a lower rate of 4.9% in the first half of 2005, compared with 8.1% during the same period of 2004. Despite sharp increases in oil prices, the Malaysian economy is expected to register 5.1% growth in the second half of the year, with growth for the year averaging 5%. Growth is expected to be broad based with major sectors recording positive growth, backed by recovery in global electronics demand. The continuing build-up in international reserves arising from larger current account surplus and inflows of foreign capital has also strengthened domestic macroeconomic fundamentals.

Moving forward, current trends in the global environment point to a more challenging external sector in 2006. While the global economy is expected to expand, there are still downside risks on the horizon. In particular, uncertainties still remain with respect to adjustments in the imbalances brought about by the sharp increases in oil prices. Given the likely pressure on general price levels, interest rate policy is likely to continue to tighten with rates expected to gradually continue its upward trend, especially in the United States of America.

5. INFORMATION ON OUR GROUP *(cont'd)*

Cognizant of the immediate impact of a potential slowing down of the global economy, Budget 2006 will put in place pro-active measures to further strengthened domestic economic activities in the immediate and short times. The strategy will be to focus on providing a more conducive and enabling environment for a more dynamic private sector; developing soft infrastructure, particularly human capital to ensure optimal utilization of existing infrastructure; as well as measures to ensure Malaysians continue to benefit from economic progress and improved quality of life.

In this context, the prospects for the Malaysian economy remains favourable, supported by both domestic and external demand. The Government is confident that with the strength of the economy and its strong fundamentals, Malaysia will achieve a gross domestic product ("GDP") growth of 5.5% in 2006.

For the medium term, the Government is formulating the policy directions and strategic thrusts of the Ninth Malaysian Plan ("9MP"), 2006-2010, as well as the second phase of Vision 2020. The 9MP will lay the foundation for strengthening of the medium and long-term development as well as prospects of the Malaysian economy.

(Source: Economic Report 2005/2006)

5.4.2 Overview and Prospects of the Construction Sector

(a) Sectoral Overview

The construction sector contracted by 2.2% during the first half of 2005 (January-June 2004: -0.3%) due mainly to lower civil engineering activity. The residential sub-sector, however, remained active while the non-residential sub-sector improved further during the period as business confidence and consumer sentiment remained strong. For the years as a whole, the sector is envisaged to register a smaller contraction of 1.1% (2004: -1.5%) on account of some improvement in civil engineering activity in the second half.

Activity in the civil engineering sub-sector tapered off during the first half of 2005, partly due to the reduction in the number and value of infrastructure contracts awarded compared to the corresponding period last year. Increasing private sector construction activities, especially in oil and gas fabrication as well as water pipe-lying projects, cushioned the contraction in public civil engineering works. Ongoing major projects include the Stormwater Management and Road Tunneling ("SMART") project for flood mitigation and traffic dispersal in Kuala Lumpur, KL-Putrajaya Highway, upgrading of Kuching International Airport as well as construction of Low Cost Carrier Terminal at Kuala Lumpur International Airport ("KLIA"). In addition, the implementation of the RM500 million maintenance works on existing public buildings and facilities are expected to further support the sub-sector.

(Source: Economic Report 2005/2006)

(b) Future Prospects

The construction sector is set to recover next year. Growth is expected to increase by 3% (2005: -1.1%), spurred by a turnaround in the civil-engineering sub-sector, following implementation of new infrastructure projects under the 9MP. Likewise, activities in the residential and non-

5. INFORMATION ON OUR GROUP (cont'd)

residential sub-sectors are also envisaged to remain active, supported by sustained demand for houses and purpose-built offices.

(Source: Economic Report 2005/2006)

During the 9MP, the average growth of the construction sector is expected to be 3.5 per cent per annum. The implementation of infrastructure projects as well as residential and commercial development is expected to generate growth for this sector. For housing, among others, *Syarikat Perumahan Negara Berhad* will continue with its efforts to develop more affordable housing units, particularly for the low-income group. Among the new infrastructure projects that will be implemented are construction works on roads, airports, water supply and rail based transportation.

Infrastructure and utilities development will be undertaken through the coordinated efforts of ministries and agencies. Road development will be undertaken by the Ministry of Works. Transport-related project including road safety will be undertaken by the Ministry of Transport. The Ministry Of Energy, Water and Communications will spearhead water supply and sewerage services development while the Ministry of Rural and Regional Development will undertake the rural roads and “Bekalan Air Luar Bandar” programmes. The Ministry of Natural Resources and Environment will oversee the implementation of flood mitigation projects. A total of RM46.8 billion will be allocated to develop the respective subsectors.

During the 9MP, the development of the housing sector will continue to focus on the provision of adequate, affordable and quality houses for all Malaysians. Towards this end, the private sector will undertake the lead role while the public sector will provide the necessary support and regulatory measures to ensure efficiency. To meet the needs of the low-income group, emphasis will continue to be given to the development of low- and low-medium cost houses at suitable locations provided with adequate public amenities. To improve the quality of life of the urban population, the provision of urban services will focus on expanding the scope of coverage of the local authorities, creating a safe living environment, increasing people participation as well as ensuring sustainable urban planning and development.

Greater private sector involvement in the construction of low-cost houses will be encouraged to ensure adequate supply of affordable houses to meet the needs of the low-income group. To facilitate this, current housing policies and strategies as well as legislation will be reviewed. These will include the requirement for private housing developers to surrender to the Government the land allocated for low-cost houses in their mixed-development project in the event that the project fails. During the 9MP period, the private sector is targeted to construct a total of 80,400 low-cost houses.

The streamlining of the privatisation programme will also contribute towards further strengthening private sector participation in economy. Emphasis will be given to government-initiated projects based on national priority. The selection of concessionaries will be made through an open binding process. The 9MP will also see the introduction of the private finance initiative (“PFI”) under the privatisation programme, which will offer more opportunities for private sector participation in the development of infrastructure and utilities.

5. INFORMATION ON OUR GROUP *(cont'd)*

The use of PFI will facilitate greater participation of the private sector in the areas of management, operations and maintenance to improve the delivery of infrastructure facilities and public services.

An effective mechanism will be developed to expedite the procurement process and respond to the demands of the contract details as required in the PFI approach. Measures will also be undertaken to establish long-term financing schemes through local financial institutions, including the Employees Provident Fund, facilitate the financing of PFI projects, which normally have long gestation periods. As PFI projects are complex in nature and require new skills and support services, intensive training will be provided to enhance the capacity and expertise of the public sector personnel involved in the negotiation and monitoring of projects.

To enhance the viability and sustainability of projects, emphasis will be placed on optimal distribution of risks between the public and private sectors. The Government will continue to facilitate project implementation, particularly through legislation and land cost support while the private sector's capability will be utilized in managing risks associated with design, construction, operations and maintenance.

(Source: Ninth Malaysia Plan 2006-2010)

5.4.3 Nature of the Construction Industry

(a) Legislation and Regulation

Our Group is governed by legislation such as the Malaysian Construction Industry Development Board Act, 1994, Housing Developers (Control and Licensing) Act 1996, Occupational Safety and Health Act, 1994, the Environmental Quality Act, 1974 and the regulations made under such legislation. Further, our Group is also subject to the legislation under the Malaysian Construction Industry Development Board ("CIDB"), the body established under the Malaysian Construction Industry Development Board Act, 1994 which is responsible for regulating and improving the industry by providing consultancy, quality accreditation, research coordination, the use of high technology as well as manpower training services. All contractors (except for those with less than three (3) workers) have to be registered with CIDB.

In addition, our Group is also subject to the terms of licences awarded by Pusat Khidmat Kontraktors (PKK) and CIDB. For example, Kery is registered with the Pusat Khidmat Kontraktor and CIDB as a Class A and G7 contractor respectively. This licence and registration allow our Group to tender for government and private sector projects of any size and amount.

(b) Industry Life Cycle

The construction industry is cyclical in nature and is highly dependent on the general economic performance of Malaysia. Its growth is highly correlated to the economic health and political stability of Malaysia. With its numerous linkages to other sectors, the construction industry is used as a supporting tool to spur the Malaysian economy growth. The Government had, for instance, allocated RM46.8 billion under the 9MP for the

5. INFORMATION ON OUR GROUP *(cont'd)*

construction of infrastructure and utilities development to act as pre-emptive measures to weather the effect of the global economic slowdown.

(c) Industry Competition

The construction industry is highly competitive in nature with a large number of players, which include listed and non-listed companies. The level of competition varies according to the sub-sector, with the residential construction sector relatively more competitive compared to the non-residential property construction sector, due to the differences in scale of projects as well as technical expertise required between the two sub-sectors.

Major players in the construction industry include Roadbuilder Holdings (M) Berhad, MTD Capital Berhad, IJM Corporation Berhad, Gamuda Berhad and Sunway Construction Berhad who are mainly focused on large-scale infrastructure and commercial projects.

(d) Barriers To Entry

The construction industry consists of large and small construction firms competing side by side. Possible barriers of entry for new players into the construction industry include:

- (a) Requirement of skilled and experienced technical manpower with extensive construction experience as well as project management expertise;
- (b) Established market penetration for a contractor providing comprehensive construction and engineering services;
- (c) Substantial goodwill and reputation built-up with clients, suppliers and subcontractors; and
- (d) Significant capital outlay and strong financial position especially to undertake turnkey contracts for large projects.

5.5 Future Plans, Strategies And Prospects Of Our Group

(a) Strengthen and Capitalise on Turnkey Construction

Our Group intends to establish itself as one of the niche construction managers in the construction sector in the next five years. With our Group's established track record, our Group is confident that we will be able to build on our ability to initiate construction projects and compete for more projects in Peninsular Malaysia.

We will actively expand our involvement in construction management by further enhancing our existing team with the necessary skills, which will allow them to undertake more complex and sophisticated building designs. As construction management is a professional discipline better known in foreign countries, we intend to invest in our human capital resources to upgrade and encourage them to participate in relevant seminars and courses to improve our core competencies in construction management. We believe that this will further enhance our Group's chances in securing direct negotiation contracts as well as maintaining our competitiveness in pricing.

5. INFORMATION ON OUR GROUP (cont'd)

(b) Participation in Private Financing Initiatives

In conjunction with the 9MP, we plan to be more involved in the private finance initiatives programme especially with the receipt of our Public Issue proceeds. The private finance initiative involves the transfer to the private sector of the responsibility to finance and manage capital investment and services involving the construction, management, maintenance, refurbishment and replacement of public sector assets such as building, infrastructure, equipment and other facilities. We expect that our participation in the private finance initiative programme would be successful given our track record in turnkey construction.

(c) Overseas Expansion

As part of our expansion strategies, we will be exploring construction opportunities abroad. We have identified the United Arab Emirates as our first overseas venture as we have expressed intent to the Economic Planning Unit who is in the midst of enhancing our country's economic interest in the Gulf countries especially United Arab Emirates. For overseas projects, our plan is to undertake contracts on a joint venture basis with the local contractors in the overseas market. We will provide our construction management expertise while the local contractors will provide the human resources and local knowledge on the overseas project. Nonetheless, we intend to adopt a cautious approach in our ventures abroad by focusing on projects financed and promoted by established organisations such as government/quasi government bodies.

Nonetheless, we will continue to adopt prudent policies of selective bidding for contracts tendered as well as maintaining low gearing levels to avoid unnecessary interest servicing and hence strengthening our ability to withstand any future economic slowdown.

Based on the foregoing, we believe that our prospects are encouraging as we are well positioned to the capture more market share in the construction sector which is expected to remain favorable with construction projects initiated by the Government through the 9MP. Furthermore, our current know how in construction management provides us with a competitive edge to initiate more projects as well as to expand geographically and ultimately generate further growth.

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