

CORPORATE INFORMATION**BOARD OF DIRECTORS**

Name	Address	Occupation	Nationality
Ewe Eng Kah (Chairman & Managing Director)	488E-25-5, Jalan Burma 10350 Penang	Director	Malaysian
Ewe Kim Siang (Executive Director)	166-32-3, Persiaran Gurney 10250 Penang	Director	Malaysian
Muttaqin Bin Othman (Non-Executive Director)	355-U, Persiaran Sungai Glugor 2 11700 Penang	Director	Malaysian
Ong Kim Nam (Independent Non-Executive Director)	5, Jalan Chengai 11200 Tanjung Bungah Penang	Chartered Accountant	Malaysian
Ahmad Badry Bin Azahari (Independent Non-Executive Director)	173, Lorong Datok Madon Gua Chempedak 08800 Yan Kedah	Director	Malaysian

AUDIT COMMITTEE

Name	Position	Directorship in Eng Kah Corporation
Ong Kim Nam	Chairman	Independent Non-Executive Director
Ewe Kim Siang	Member	Executive Director
Ahmad Badry Bin Azahari	Member	Independent Non-Executive Director

COMPANY SECRETARY

: Ch'ng Lay Hoon
(MAICSA 0818580)
46-4-8, Jalan Besi
Cangkat Green Lane
11600 Penang

REGISTERED OFFICE

: Suite 12-A, Level 12, Menara Northam
No. 55, Jalan Sultan Ahmad Shah
10050 Penang
Telephone : 04-228 0511
Email : chlh@pd.jaring.my

HEAD/ MANAGEMENT OFFICE

: Plot 95, Hala Kampung Jawa 2
Kawasan Perindustrian Bayan Lepas
11900 Penang
Telephone : 04-643 5180
Email : engkahpg@engkahp.po.my

CORPORATE INFORMATION (Cont'd)

PRINCIPAL BANKERS

: HSBC Bank Malaysia Berhad (127776-V)
1, Downing Street
10300 Penang

RHB Bank Berhad (6171-M)
Penang Area Business Centre
1st & 2nd Floor
2784 & 2785
Jalan Chain Ferry
Taman Inderawasih
13600 Prai
Penang

Southern Bank Berhad(5303-W)
90, Jalan Mayang Pasir
Bandar Bayan Baru
11950 Bayan Lepas
Penang

AUDITORS AND REPORTING ACCOUNTANTS

: JB Lau & Associates (AF0042)
51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

SOLICITORS FOR THE IPO

: JB Lim & Associates
Straits Chambers
No. 1, Lintang Selat
Taman Selat
12000 Butterworth
Seberang Perai
Penang

SOLICITORS FOR THE COMPANY

: Chuah Teo & Co.
39-2, Jalan Tanjung
SD 13/1, Bandar Sri Damansara
52200 Kuala Lumpur

Tang Khye Kian & Co.
1st Floor, No. 11, Church Street
10200 Penang

VALUERS

: Arthur Lim Valuers Sdn Bhd (253401-P)
Penthouse Floor, Roof Top Unit
Bangunan Mayban Trust
No. 3, Lebuhr Penang
10200 Penang

HENRY BUTCHER, Lim & Long Sdn Bhd (160636-P)
25 Jalan Yap Ah Shak
Off Jalan Dang Wangi
50300 Kuala Lumpur

CORPORATE INFORMATION (Cont'd)

- ISSUING HOUSE** : MIDF Consultancy and Corporate Services
Sendirian Berhad (11324-H)
12th Floor, Bangunan MIDF
195A, Jalan Tun Razak
50400 Kuala Lumpur
- REGISTRAR** : Plantation Agencies Sdn Berhad (2603-D)
3rd Floor, Standard Chartered Bank Chambers
Beach Street
10300 Penang
- ADVISER AND MANAGING UNDERWRITER** : Malaysian International Merchant Bankers Berhad
(10209-W)
12th Floor, Wisma Cyclecarri
288, Jalan Raja Laut
50350 Kuala Lumpur
- UNDERWRITERS** : Malaysian International Merchant Bankers Berhad
(10209-W)
12th Floor, Wisma Cyclecarri
288, Jalan Raja Laut
50350 Kuala Lumpur
- : KAF-Seagroatt & Campbell Securities Sdn Bhd
(134631-U)
30th Floor, Menara Weld
No. 76, Jalan Raja Chulan
50200 Kuala Lumpur
- A.A. Anthony & Co Sdn Bhd (13662-K)
No. 41-1-1 & 41-2-1
Jalan Cantonment
10250 Penang
- AmMerchant Bank Berhad (23742-V)
(Formerly known as Arab-Malaysian Merchant
Bank Berhad)
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
- INDEPENDENT MARKET RESEARCH
CONSULTANT** : Taylor Nelson Sofres Malaysia Sdn Bhd (19285-V)
26th Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
- LISTING SOUGHT** : Second Board of the KLSE

1.0 SUMMARY OF INFORMATION

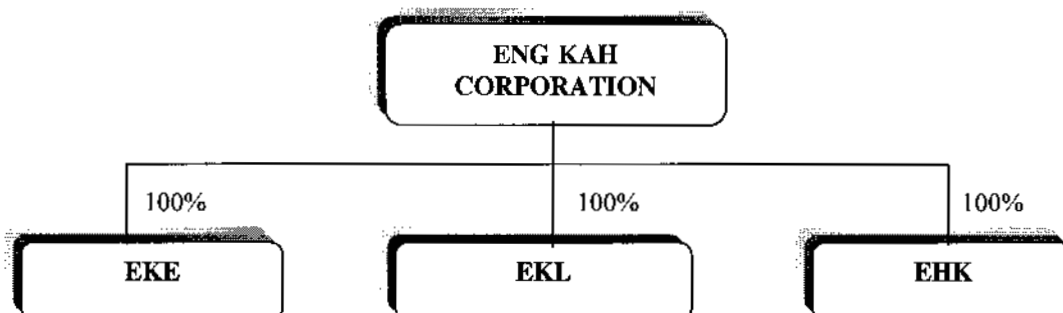
The Summary of Information is only a summary of the salient information about the Company and is derived from the full text of this Prospectus. Investors should read and understand the whole Prospectus prior to deciding whether or not to invest in the shares of the Company.

1.1 History and Principal Activities

Eng Kah Corporation was incorporated in Malaysia under the Companies Act, 1965 on 19 June 1997 as a public limited company under its present name. The Company is an investment holding company whilst the principal activities of its subsidiary companies are as follows:-

Name of Subsidiary Company	Date/ Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest held by Eng Kah Corporation %	Principal Activities
EKE	14.08.1985/ Malaysia	RM2,399,997	100.00	Contract manufacturing of perfumery, cosmetic, skin care, toiletry and household products.
EKL	28.11.1994/ Malaysia	RM1,000,000	100.00	Contract manufacturing of personal, household and toiletry products.
EHK	29.11.1999/ Hong Kong	HK\$1,000	100.00	Dormant.

The Group's corporate structure is as follows:-



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1.0 SUMMARY OF INFORMATION *(Cont'd)*

The principal products manufactured by the Group can be classified into the following five (5) main categories:-

- (i) perfumery products such as perfume spray, eau de toilette, eau de cologne, eau de parfum, deodorant stick/perfumed stick, rosewater etc.;
- (ii) cosmetic products such as compact powder, liquid foundation, eyeshadow, lipstick, blush on powder/cream, beauty kit etc.;
- (iii) skin care products such as cleanser, scrub, moisturiser, cream, lotion, masque, sunscreen products etc.;
- (iv) toiletry products such as hair spray, hair mousse, talcum powder, body shampoo, hair shampoo etc.; and
- (v) household products such as dishwasher, detergent, toilet bowl cleaner, floor cleaner, auto cleaner, commercial cleaner etc.

Detailed information on the Group's history and principal activities are set out in Section 4.1, Section 4.4 and Section 4.5 of this Prospectus.

1.2 Ownership and Management

The founder of the Eng Kah Group, Mr Ewe Eng Kah is the Chairman and the Managing Director of Eng Kah Corporation. He is responsible for steering the direction and development of the Group. He also oversees the business and is assisted by the other Board members. Mr Ewe Eng Kah has more than 29 years of experience and expertise in the manufacture of perfumery, cosmetic, skin care, toiletry and household products coupled with a wide exposure to the new designs and packaging range of products.

The Board of Directors is supported by a management team who are qualified and experienced in their respective field of work. Further information on the management team is set out in Section 5.0 of this Prospectus.

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1.0 SUMMARY OF INFORMATION (Cont'd)**1.3 Promoters, Substantial Shareholders, Directors and Key Management****1.3.1 Promoters**

Name	Nationality	Designation	After the IPO			
			Direct		Indirect	
			No. of Shares	%	No. of Shares	%
Ewe Eng Kah *	Malaysian	Chairman & Managing Director	20,399,090	51.00	512,675 ⁺	1.28 ⁺
Ewe Kim Siang *	Malaysian	Executive Director	512,692	1.28	-	-

Notes:-

+ Deemed interested by virtue of the shares held by his wife, Neoh Lay Hwa.

* Ewe Eng Kah is the brother of Ewe Kim Siang.

1.3.2 Substantial Shareholders

Name	Nationality	Designation	After the IPO			
			Direct		Indirect	
			No. of Shares	%	No. of Shares	%
Ewe Eng Kah *	Malaysian	Chairman & Managing Director	20,399,090	51.00	512,675 ⁺	1.28 ⁺
Muttaqin Bin Othman	Malaysian	Non-Executive Director	8,171,562	20.43	-	-
Neoh Lay Hwa	Malaysian	Shareholder	512,675	1.28	20,399,090 [#]	51.00 [#]

Notes:-

+ Deemed interested by virtue of the shares held by his wife, Neoh Lay Hwa.

Deemed interested by virtue of the shares held by her husband, Ewe Eng Kah.

* Ewe Eng Kah is the brother of Ewe Kim Siang.

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1.0 SUMMARY OF INFORMATION (Cont'd)

1.3.3 Directors

Name	Nationality	Designation	After the IPO			
			Direct		Indirect	
			No. of Shares	%	No. of Shares	%
Ewe Eng Kah *	Malaysian	Chairman & Managing Director	20,399,090	51.00	512,675 ⁺	1.28 ⁺
Ewe Kim Siang *	Malaysian	Executive Director	512,692	1.28	-	-
Muttaqin Bin Othman	Malaysian	Non-Executive Director	8,171,562	20.43	-	-
Ong Kim Nam	Malaysian	Independent Non-Executive Director	9,000 [^]	#	-	-
Ahmad Badry Bin Azahari	Malaysian	Independent Non-Executive Director	9,000 [^]	#	-	-

Notes:-

+ Deemed interested by virtue of the shares held by his wife, Neoh Lay Hwa.

* Ewe Eng Kah is the brother of Ewe Kim Siang.

[^] Based on their respective entitlements pursuant to the allocation of shares to eligible Directors and employees of the Eng Kah Group.

Immaterial.

1.3.4 Key Management

Name	Nationality	Designation	After the IPO			
			Direct [*]		Indirect	
			No. of Shares	%	No. of Shares	%
Lim Mei Ning	Malaysian	General Manager	1,000,000	2.50	-	-
Seah Chooi Leong	Malaysian	Senior Finance Manager	480,000	1.20	-	-
Yew Loo Eng	Malaysian	Production Manager	9,000	#	-	-
Boey Mei Keat	Malaysian	Assistant Administrative Manager	9,000	#	-	-
Chan Peoi Peoi	Malaysian	Technical Manager	9,000	#	-	-
Yeap Sor Cheng	Malaysian	Material Planning Executive	9,000	#	-	-
Hum Lai Har	Malaysian	Purchasing Executive	9,000	#	-	-

Notes :-

* Based on their respective entitlements pursuant to the allocation of shares to eligible Directors and employees of the Eng Kah Group.

Immaterial.

The key management staff has any direct/ indirect interests in Eng Kah Corporation prior to the IPO.

Detailed information on the promoters, Directors, substantial shareholders, as well as the key management is set out in Section 5.0 of this Prospectus.

1.0 SUMMARY OF INFORMATION (Cont'd)

1.4 Proforma Consolidated Income Statements

The following table is a summary of the proforma consolidated income statements of the Eng Kah Group for the last five (5) financial years ended 31 December 2001 prepared based on the assumption that the current structure of the Group has been in existence since 1 January 1997. The proforma consolidated income statements of the Eng Kah Group are prepared for illustrative purposes and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10.0 of this Prospectus.

Financial Year Ended 31 December	Proforma Group				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	31,099	29,626	34,696	42,180	48,023
EBITDA	7,716	6,294	8,240	9,773	11,471
Interest expenses	(1,154)	(1,746)	(1,061)	(748)	(787)
Depreciation	(1,140)	(1,237)	(1,281)	(1,413)	(1,550)
Amortisation	-	-	-	-	-
PBT	5,422	3,311	5,898	7,612	9,134
Less : Taxation ⁽ⁱ⁾	(1,407)	(672)	(151)	(1,075)	(2,680)
PAT	4,015	2,639	5,747	6,537	6,454
Number of shares in issue ⁽ⁱⁱ⁾ ('000shares)	27,633	27,633	27,633	27,633	27,633
Gross EPS ⁽ⁱⁱⁱ⁾ (RM)	0.20	0.12	0.21	0.28	0.33
Net EPS ⁽ⁱⁱⁱ⁾ (RM)	0.15	0.10	0.21	0.24	0.23
Gross dividend rate (%)	(iv)	-	(v)	(vi)	-

Notes:-

- (i) Adjustments had been made to incorporate and to reallocate the over/ under provisions of taxation to the relevant years. For the reconciliation of taxation, please refer to Item 5.2 note (iii) for EKE and EKL respectively of the Accountants' Report in Section 10.0 of this Prospectus.
- (ii) Based on the shares issued pursuant to the Acquisitions and before the Rights Issue and Public Issue.
- (iii) The Gross EPS and Net EPS were calculated based on the proforma PBT and PAT respectively and the issued and paid-up share capital of 27,632,578 shares after the Acquisitions but before the Rights Issue and Public Issue.
- (iv) Consists of interim tax exempt dividend of 85%.
- (v) Consists of interim tax exempt dividend of 17%.
- (vi) Consists of interim tax exempt dividend of 125% and final tax exempt dividend of 50%.

1.0 SUMMARY OF INFORMATION (Cont'd)

Notes:-

- (vii) *In 1997, the turnover increased by 24% to RM31.099 million due to increased orders from existing customers and a new account from a multi-national company.*

In 1998, the turnover decreased by 5% to RM29.626 million due to the full impact of the Asian financial crisis.

In 1999, the turnover increased by 17% to RM34.696 million due to the recovery of the Malaysian economy and EKE was awarded Good Manufacturing Practice status and as a result of this, existing and new customers began to increase their orders.

In 2000, the turnover increased by 22% to RM42.180 million due to the introduction of a new product and the increased orders from existing customers.

In 2001, the turnover increased by 14% to RM48.023 million due to increased orders from existing customers.

- (viii) *The PBT increased by 11% to RM5.422 million in 1997 due to increased turnover.*

However, the PBT decreased by 39% to RM3.311 million in 1998 due to the full impact of the Asian financial crisis. As a result, the Group's cost of sales increased, as a portion of its raw materials are purchased in USD. Coupled with this, the Group incurred higher interest expenses due to the tightening of credit which led to higher interest regime.

The PBT increased by 78% to RM5.898 million in 1999 due to increased turnover and lower interest expense.

The PBT increased by 29% to RM7.612 million in 2000 due to increased turnover and lower interest expense.

The PBT increased by 20% to RM9.134 million in 2001 due to increased turnover and increased sales of higher margin products.

- (ix) *The lower taxation charge for 1997, 1998 and 2000, except for 1999, was due to the claim and availability of reinvestment allowance under the Income Tax Act, 1967.*

The taxation expense in 1999 represents deferred taxation. There was no current taxation charge for that year as it was a tax free year.

The disproportionate taxation charge in 2001 was due to certain expenses being disallowed as deduction for tax purposes.

- (x) *There were no extraordinary items and/ or exceptional items in respect of the years under review.*

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1.0 SUMMARY OF INFORMATION (Cont'd)

1.5 Proforma Consolidated Balance Sheets

The Proforma Consolidated Balance Sheets of the Eng Kah Group as at 31 December 2001 as set out below have been prepared for illustrative purposes only to show the effects of the transactions described below on the assumption that the respective transactions have been completed on that date:-

		(A)	(B)	(C)
	Company Audited as at 31.12.2001 RM'000	Proforma Group After Acquisitions RM'000	Proforma Group After (A) and Rights Issue RM'000	Proforma Group After (B) and Public Issue RM'000
PROPERTY, PLANT AND EQUIPMENT	-	24,115	24,115	26,615
NEGATIVE GOODWILL	-	(2,832)	(2,832)	(2,832)
CURRENT ASSETS				
Inventories	-	9,600	9,600	9,600
Trade debtors	-	14,471	14,471	14,471
Other debtors, deposits and prepayments	-	958	958	958
Tax recoverable	-	121	121	121
Fixed deposits with licensed banks	-	2,472	2,472	2,472
Cash and bank balances	*	3,430	10,033	11,286
	*	31,052	37,655	38,908
CURRENT LIABILITIES				
Trade creditors	-	7,969	7,969	7,969
Other creditors and accruals	13	1,943	1,943	1,943
Bank borrowings	-	5,993	5,993	4,401
Provision for taxation	-	447	447	447
Proposed dividend	-	1,200	1,200	1,200
	13	17,552	17,552	15,960
NET CURRENT(LIABILITIES)/ASSETS	(13)	13,500	20,103	22,948
	(13)	34,783	41,386	46,731
FINANCED BY :				
SHARE CAPITAL	*	27,633	33,982	40,000
SHARE PREMIUM	-	1,105	1,359	4,874
ACCUMULATED LOSSES	(13)	(13)	(13)	(13)
SHAREHOLDERS' FUNDS	(13)	28,725	35,328	44,861
DEFERRED TAXATION	-	1,400	1,400	1,400
LONG TERM LIABILITIES	-	4,658	4,658	470
	(13)	34,783	41,386	46,731
(NTL)/NTA per share (RM)	(6,500)	1.14	1.12	1.19

Notes :

* Denotes 2 ordinary shares of RM1.00 each.

+ Estimated listing expenses of RM1,300,000 will be written off against the share premium account.

1.0 SUMMARY OF INFORMATION (Cont'd)

1.6 Audit Qualifications

The audited accounts/ financial statements of the Eng Kah Group, namely EKE and EKL were not subject to any audit qualifications for the past five (5) financial years ended 31 December 1997 to 2001. As for EHK, there were also no audit qualifications for the audited accounts/ financial statements for the financial period from 29 November 1999 (Date of Incorporation) to 31 December 1999 and the two (2) financial years ended 31 December 2000 to 2001.

1.7 Summary of Material Risk Factors

Applicants for the IPO Shares should carefully consider the following risks factors summarised from Section 3 herein (which may not be exhaustive), in addition to other information contained elsewhere in this Prospectus, before applying to subscribe for the IPO Shares:-

- (a) No prior market for Eng Kah Corporation shares;
- (b) Business risks;
- (c) Formulation protection;
- (d) Cyclical or seasonal sales;
- (e) Dependency on major customers and suppliers;
- (f) Insurance coverage;
- (g) Risks of business disruption;
- (h) Competition;
- (i) Political, social and economic considerations;
- (j) Legal uncertainties and government control/ regulation;
- (k) Dependency on key personnel;
- (l) Ownership and control; and
- (m) Profit forecast.

Please refer to Section 3.0 of this Prospectus for further details on the "Risk Factors".

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1.0 SUMMARY OF INFORMATION (Cont'd)**1.8 Principal Statistics Relating to the IPO****1.8.1 Share Capital**

	RM
<i>Authorised:-</i>	
50,000,000 ordinary shares of RM1.00 each	50,000,000
<i>Issued and fully paid-up:-</i>	
33,982,000 ordinary shares of RM1.00 each	33,982,000
<i>To be issued pursuant to the Public Issue</i>	
6,018,000 new ordinary shares of RM1.00 each	6,018,000
<i>Enlarged Issued and Paid-up Share Capital</i>	<u>40,000,000</u>

1.8.2 IPO Price Per Share

IPO price per share RM1.80

The factors taken into consideration in the pricing of the IPO Shares are set out in Section 2.6 of this Prospectus.

1.8.3 Proforma Consolidated NTA as at 31 December 2001

Proforma consolidated NTA (after incorporating adjustments for the Rights Issue, Public Issue and after deducting estimated listing expenses of RM1,300,000)	(RM'000)	47,693
Proforma consolidated NTA per share (based on the enlarged share capital)	(RM)	1.19

Details of the Proforma Consolidated NTA are set out in Section 9.9 of this Prospectus.

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1.0 SUMMARY OF INFORMATION *(Cont'd)*

1.8.4 Consolidated Profit Forecast

Financial Year Ending 31 December 2002

		RM'000
Turnover		55,805
PBT		12,871
Taxation		(2,249)
PAT		10,622
Minority interest		(225)
PAT and minority interest		10,397
Pre-acquisition profit		(4,787)
PAT, minority interest and pre-acquisition profit		5,610
Weighted average number of shares in issue ⁽ⁱ⁾	('000)	24,285
Enlarged number of shares in issue	('000)	40,000
Net EPS ⁽ⁱⁱ⁾	(sen)	23.10
Fully diluted EPS ⁽ⁱⁱⁱ⁾	(sen)	25.99
Net PE Multiple ^(iv)	(times)	7.79
Fully diluted net PE Multiple ^(iv)	(times)	6.93

Notes:-

- (i) *The weighted average number of shares in issue is calculated based on the assumption that the Public Issue is completed by mid August 2002.*
- (ii) *Calculated based on the PAT, minority interest and pre-acquisition profit over the weighted average number of shares in issue.*
- (iii) *Calculated based on the PAT and minority interest over the enlarged number of shares in issue.*
- (iv) *Based on the IPO price of RM1.80 per share.*

Further notes and assumptions on the consolidated profit forecast are set out in Section 9.5 of this Prospectus.

1.8.5 Dividend Forecast

Financial Year Ending 31 December 2002

Gross dividend per share	(sen)	8.00
Net dividend per share	(sen)	5.76
Net dividend yield based on the IPO price of RM1.80 per share	(%)	3.20
Net dividend cover (based on PAT and minority interest)	(times)	4.51

1.0 SUMMARY OF INFORMATION (Cont'd)**1.9 Class of Shares**

There is only one class of shares in the Company, namely, ordinary shares of RM1.00 each. The IPO Shares rank *pari passu* in all respects with the existing issued and fully paid-up ordinary shares of the Company, including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of the issue and allotment of the IPO Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the shareholders of ordinary shares in the Company shall be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company in accordance with the Company's Articles of Association.

At every general meeting of the Company, every shareholder shall be entitled to vote in person or by proxy or by attorney or by other duly authorised representative. On a show of hands, every person who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and in the case of 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.

1.10 Utilisation of Proceeds

The gross proceeds from the Offer for Sale of RM2,478,600 will accrue entirely to the Offerors. The Offerors shall bear all expenses such as brokerage relating to the Offer Shares estimated at RM25,000.

The total gross proceeds of RM17,435,799 (arising from the Public Issue and Rights Issue of RM10,832,400 and RM6,603,399 respectively) will accrue to the Company and will be utilised in the following manner:-

	RM'000
Repayment of bank borrowings	5,780
Purchase of machineries	2,500
Working capital	7,856
Estimated listing expenses	1,300

	17,436
	=====

Details of the proposed utilisation of proceeds are set out in Section 2.7 of this Prospectus.

1.11 Material Litigation, Capital Commitments and Contingent Liabilities**(i) Material Litigation**

Save as disclosed below, as at 19 June 2002 (being the latest practicable date prior to the registration of this Prospectus), neither Eng Kah Corporation nor any of its subsidiary companies are engaged in any material litigation, either as plaintiff or defendant and the Directors of the Eng Kah Group are not aware of any proceedings pending or threatened against the Company or its subsidiary companies or of any facts likely to give rise to any proceedings which might materially or adversely affect the position or business of the Eng Kah Group.

(a) A pending civil proceeding instituted by EKE (as plaintiff) against Tohtonku Sdn Bhd (as Defendant) under Civil Suit No: 52-1140-97, Penang Session Court whereunder EKE has made the following claims:-

- (i) RM188,256.30 as at 21 August 1990 being the unpaid price for goods sold and delivered;
- (ii) interest of RM14,137.04 as at 15 July 1990;

1.0 SUMMARY OF INFORMATION (Cont'd)

- (iii) further interests to accrue at the rate of two (2) per centum per mensem from 16 July 1990 until full settlement;
- (iv) RM296,288.52 as at 17 September 1990 being special damage for stock purchased and kept by EKE for the Defendant's use; and
- (v) interest on the said RM296,288.52 at the rate of 8.0% per month from the date of filing of the Summons until full settlement.

The solicitors acting for EKE for the above proceeding, Messrs Tang Khye Kian & Co., is of the opinion that EKE has a "good chance of winning" the abovementioned suit. The case is now pending the administrative transfer from the jurisdiction of the Session Court to that of the High Court.

- (b) Kheng Bee Construction Sdn Bhd ("Contractor") has instituted a civil suit under Shah Alam High Court Summons No. MT3-22-434-2001 against EKE for a sum of RM296,350.40, being the balance payment of the contract price arising from a construction contract made in July 1997 for certain extension and renovation works in EKL's factory premise at No. 14A, Kawasan MIEL, Jalan Modal 23/2, Shah Alam, Selangor ("the Project").

The consultant, Draften Design Management (M) Sdn Bhd ("Consultant"), for the Project has advised EKE that EKE is entitled to claim liquidated damages in a sum of RM318,000 against the Contractor for the failure and delay on the part of the Contractor in completing the Project within the stipulated contractual period.

The solicitors acting for EKE, Messrs Chuah Teo & Co has filed a Statement of Defence and counter-claim against the Contractor whereunder EKE counter-claimed for RM318,000 being the agreed liquidated damages payable by the Contractor for late completion of the Project.

Messrs Chuah Teo & Co has also filed a Summons-in-Chambers for leave to issue a Third Party Notice against the Consultant so that in the event there is a liability being established against EKE, the Consultant shall be made liable to apportion the said claim.

Messrs Chuah Teo & Co is of the opinion that EKE has a good and valid defence and is likely to succeed in the counter-claim.

(ii) Capital Commitments

The Group has capital commitments as at 19 June 2002 (being the latest practicable date prior to the registration of this Prospectus), amounting to RM217,649 in respect of capital expenditure contracted but not provided for.

(iii) Contingent Liabilities

As at 19 June 2002 (being the latest practicable date prior to the registration of this Prospectus), the Group has no contingent liabilities.

Save as disclosed above, the Eng Kah Group does not have any loan capital or convertible debt securities outstanding or created but unissued nor any mortgages, charges or contingent liabilities outstanding.

Details of the above are set out in Section 9.4 of this Prospectus.

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2.0 DETAILS OF THE IPO

This Prospectus is dated 28 June 2002.

A copy of this Prospectus has been registered by the SC and lodged with the CCM and neither the SC nor the CCM takes any responsibility for its contents.

The approval of the SC obtained vide its letters dated 26 February 2001 and 4 March 2002 shall not be taken to indicate that the SC recommends the IPO. Investors are advised to make their independent assessment of Eng Kah Corporation and should rely on their own evaluation to assess the merits and risks of any investment.

An application shall be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List of the Second Board of the KLSE and for dealing in and quotation for the entire issued and paid-up shares of the Company, including the IPO Shares, which are the subject of this Prospectus. These shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed Eng Kah Corporation shares as a CDS counter. In consequence thereof, the shares issued/offered through this Prospectus will be deposited directly with the MCD and any dealings in these Eng Kah Corporation shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by the KLSE to deal in and quotation for the entire enlarged issued and fully paid-up share capital of Eng Kah Corporation on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the IPO will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the KLSE within the aforesaid timeframe. Admission to listing is not being sought on any other stock exchange.

Pursuant to the SC Guidelines, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 750 public shareholders (of which at least 500 shareholders are members of the public who are not employees of the Eng Kah Group) holding not less than 1,000 shares each upon completion of the IPO, and at the point of listing. In the event that the above requirement is not met pursuant to the IPO, the Company may not be allowed to proceed with the listing on the Second Board of the KLSE.

In the case of an application by way of Application Form, an applicant should state his/her CDS Account number in the space provided in the Application Form if he/she presently has such an account. Where an applicant does not presently have a CDS Account, he/she should state in the Application Form his preferred ADA Code. Where an applicant already has a CDS account, he/she should not complete the preferred ADA Code. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Eng Kah Corporation and/or the Offerors. Neither the delivery of this Prospectus nor any IPO 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 Eng Kah Corporation or the Group since the date hereof.

2.0 DETAILS OF THE IPO (Cont'd)

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

The SC and KLSE assume no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Second Board of the KLSE is not to be taken as an indication of the merits of the Company or of its shares.

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

2.1 Opening and Closing Dates of the Application

The Application Lists will open at 10.00 am on 12 July 2002 and will remain open until 8.00 pm on the same day or for such further period or periods as the Directors of Eng Kah Corporation and/or Offerors in their discretion may decide.

2.2 Dates of Special Events

Events	Date Year 2002
Opening date of the IPO	28 June
Closing date of the IPO	12 July
Tentative balloting date	19 July
Tentative allotment date	2 August
Tentative listing date	8 August

2.3 Purposes of the IPO

The purposes of the IPO are as follows:-

- (a) to provide an opportunity for the eligible employees of the Eng Kah Group and the Malaysian investing public to participate in the equity and in the continuing growth of the Group;
- (b) to enable Eng Kah Corporation to gain access to the capital markets to tap external sources of debt and equity funds for future expansion, diversification, modernisation and continued growth of the Group;
- (c) to obtain listing of and quotation for the entire issued and paid-up share capital of Eng Kah Corporation on the Second Board of the KLSE; and
- (d) to comply with National Development Policy requirements in respect of Bumiputera equity participation.

2.0 DETAILS OF THE IPO (Cont'd)

2.4 Number and Class of Securities to be Issued

	RM
<i>Authorised:-</i>	
50,000,000 ordinary shares of RM1.00 each	50,000,000 =====
<i>Issued and fully paid-up:-</i>	
33,982,000 ordinary shares of RM1.00 each	33,982,000
<i>To be issued pursuant to the Public Issue:-</i>	
6,018,000 new ordinary shares of RM1.00 each	6,018,000 -----
<i>Enlarged Issued and Paid-up Share Capital</i>	40,000,000 =====
 <i>Offer For Sale reserved for Bumiputera investors approved by MITI</i>	
1,377,000 ordinary shares of RM1.00 each	RM1,377,000
 <i>IPO Price per share</i>	 RM1.80

The IPO price of RM1.80 per share is payable in full on application.

There is only one class of shares in the Company, namely, ordinary shares of RM1.00 each. The IPO Shares rank pari passu in all respects with the existing issued and fully paid-up ordinary shares of the Company, including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of the issue and allotment of the IPO Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the shareholders of ordinary shares in the Company shall be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company in accordance with the Company's Articles of Association.

At every general meeting of the Company, every shareholder shall be entitled to vote in person or by proxy or by attorney or by other duly authorised representative. On a show of hands, every person who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and in the case of 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.

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2.0 DETAILS OF THE IPO (Cont'd)

2.5 Details of the IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, will be allotted in the following manner:-

(a) Approved Bumiputera Investors

1,377,000 Offer Shares have been reserved for Bumiputera investors approved by MITI.

(b) Eligible Directors, Employees, Customers and Suppliers of the Eng Kah Group

2,000,000 Issue Shares have been reserved for the eligible Directors, employees, customers and suppliers of the Eng Kah Group.

(c) Malaysian Investing Public

4,018,000 Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The 1,377,000 Offer Shares in respect of paragraph 2.5(a) are not underwritten. The 4,018,000 Issue Shares under paragraph 2.5(c) above have been fully underwritten. Any Issue Shares under paragraph 2.5(b) above not taken up by the eligible Directors, employees, customers and suppliers of the Eng Kah Group will be made available for application by the Malaysian investing public and will be underwritten by the Managing Underwriter.

2.6 Basis of Arriving at the IPO Price

The IPO price of RM1.80 per share was determined and agreed upon by the Company and MIMB, as Adviser and Managing Underwriter, based on various factors including:-

- (a) the historical performance of the Eng Kah Group for the past 5 financial years ended 31 December 2001.
- (b) the forecast net PE Multiple of 7.79 times based on the proforma forecast net EPS of 23.10 sen and the IPO price of RM1.80 per share.
- (c) the business and prospects of the Eng Kah Group as outlined in Sections 4.6 and 4.7 of this Prospectus.
- (d) the proforma consolidated NTA of RM1.19 per share as at 31 December 2001.

Applicants for the IPO Shares should note that the market price of Eng Kah Corporation shares upon listing on the Second Board of the KLSE is subject to the vagaries of market forces and other uncertainties which may affect the market price of Eng Kah Corporation shares being traded.

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2.0 DETAILS OF THE IPO (Cont'd)**2.7 Utilisation of Proceeds****2.7.1 Proceeds of the Rights Issue and Public Issue**

Based on the Issue price of RM1.80 per share and the Rights Issue price of RM1.04 per share respectively, the total gross proceeds of RM17,435,799 arising from the Public Issue of RM10,832,400 and Rights Issue of RM6,603,399 shall accrue to the Company and will be utilised in the following manner:-

	Notes	RM'000	Expected Completion of the Utilisation of Proceeds
Repayment of bank borrowings	(a)	5,780	February 2003
Purchase of machineries	(b)	2,500	February 2003
Working capital	(c)	7,856	February 2003
Estimated listing expenses	(d)	1,300	February 2003
		17,436	

Notes:-

- (a) The repayment of bank borrowings will result in an estimated interest savings of RM415,000 per annum, assuming an average interest rate of 7.18% per annum.
- (b) The purchase of plant and machinery is to increase production capacity and to upgrade old machinery.
- (c) The working capital will be used to purchase raw materials for the manufacturing operations of the Group.
- (d) All expenses incidental to the listing and quotation for the entire issued and paid-up share capital of Eng Kah Corporation on the Second Board of the KLSE, estimated at RM1,300,000, shall be borne by the Company including underwriting commission, brokerage and registration fee relating to the Issue Shares. Any variation in the actual listing expenses from the estimated amount will be adjusted against the working capital. The details of listing expenses are as follows:-

Estimated Listing Expenses	RM'000
Fees payable to the authorities (SC, KLSE and CCM)	55
Issuing house fee and disbursements	80
Advertisement and translation of Prospectus	50
Printing of application form, share certificate and Prospectus	157
Estimated Professional fees	500
Underwriting commission @ 1.75% and management fees	290
Brokerage fees @ 1%	108
Contingencies	60
Total	1,300

- (e) The above proceeds amounting to RM17.436 million are expected to be fully utilised within 6 months after the listing date.

There is no minimum subscription to be raised from the Public Issue as the Issue Shares, where applicable, are fully underwritten. The proceeds from the Rights Issue amounting to RM6,603,399 were received on 19 June 2002.

2.0 DETAILS OF THE IPO (Cont'd)**2.7.2 Proceeds of the Offer for Sale**

No part of the proceeds of the Offer for Sale is receivable by Eng Kah Corporation. The gross proceeds of the Offer for Sale of RM2,478,600 will accrue entirely to the Offerors. The Offerors shall bear all expenses such as brokerage relating to the Offer Shares estimated at RM25,000.

2.8 Financial Impact from the Utilisation of Proceeds**Cashflow for Financial Year Ending 31 December 2002**

Inflow	RM'000
Gross proceeds from the Rights Issue and Public Issue	17,436
Outflow	
Repayment of bank borrowings	(5,780)
Purchase of machinery	(2,500)
Working Capital	(7,856)
Estimated listing expenses	(1,300)

	0
	=====

The impact on the consolidated balance sheets of the Eng Kah Group is reflected in the Proforma Consolidated Balance Sheets in Section 9.9 of this Prospectus.

2.9 Brokerage and Underwriting Commission

Brokerage is payable by the Company and the Offerors in respect of the IPO Shares at the rate of 1% of the IPO price of RM1.80 per share in respect of successful applications bearing the stamp of MIMB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Managing Underwriter and the Underwriters as mentioned earlier in this Prospectus have agreed to underwrite the 4,018,000 Issue Shares, which are available for subscription by the Malaysian investing public. Any of the 2,000,000 Issue Shares not taken up by the eligible Directors, employees, customers and suppliers of the Eng Kah Group under Section 2.5(b) of this Prospectus will be made available for application by the Malaysian investing public and will be underwritten by the Managing Underwriter.

Underwriting commission is payable by the Company at the rate of 1.75% of the Issue Price of RM1.80 per share in respect of the Issue Shares which are required to be underwritten. Management fees of RM100,000 will be payable by the Company to certain underwriters.

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2.0 DETAILS OF THE IPO (Cont'd)

2.10 Salient Terms of the Underwriting Agreement

In accordance with the underwriting agreement dated 29 May 2002 ("the Underwriting Agreement"), upon any material breach of the warranties or representations, or any material failure to perform any of the agreements or undertakings or any change rendering any of the said warranties, representations or agreements inaccurate in a material respect prior to the closing date of the Public Issue, the Underwriters shall by way of prior written notice to the Managing Underwriter at any time before the Closing Date, be entitled to terminate their obligations under the Underwriting Agreement.

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

Clause 3.1

"In consideration of the Underwriters severally agreeing at the request of the Company to underwrite the Underwritten Shares ("the Public Issue Shares amounting to 4,018,000 new shares"), the Company hereby irrevocably represent, warrant and undertake with the Underwriters, inter-alia, that:-

- *the Prospectus shall be in form and substance satisfactory and acceptable to and approved by the SC,..... and the same shall be registered with the SC and lodged with the CCM;*
- *the Prospectus will contain all information which is material in the context of the Offer for Sale and the Public Issue, and the information contained therein:*

- (i) will be true, complete and accurate in all respects;*
- (ii) will not omit any material fact required or necessary to be stated therein with regard to the Offer for Sale and the Public Issue; and*
- (iii) in light of the circumstances under which such information is made, is not misleading in any respect;*

and that the directors of the Company have made reasonable enquiries to ascertain all facts material for disclosure in the Prospectus and have reasonably verified the completeness and accuracy of all such information and that no material fact has been omitted which would have made any statement contained therein misleading or untrue.

- *the Offer for Sale, the Public Issue and the issue of the Prospectus and the compliance by the Company with the terms under this Agreement:-*
 - (i) are in accordance with and do not conflict with or do not result in a default or breach of any of the covenants, terms, conditions, provisions of the Memorandum and Articles of Association of the Company; or*
 - (ii) do not infringe the terms and conditions of or constitute a default under any law, judgment, any order license, permit, consent, trust deed, agreement or any other instrument or obligation to which the Company or any of its subsidiaries is a party or by which it is bound or affected; and*
 - (iii) do not, and up to and on the Closing Date will not infringe the terms and conditions of or constitute a default under any law, judgment, any order license, permit, consent, trust deed, agreement or any other instrument or obligation to which the Company or any of its subsidiaries is a party or by which it is bound or affected.*

2.0 DETAILS OF THE IPO (Cont'd)

and the execution and issue or delivery of this Agreement and the Prospectus and the performance of its obligations hereunder have been duly authorised by the Company so that upon the execution or issue or delivery thereof the same shall constitute valid and legally binding obligations of the Company.

- *save and except for litigation as disclosed in the Prospectus, no litigation, arbitration, administrative proceedings (including investigations or inquiries by the CCM, KLSE or SC), criminal charge or investigation, current or pending or any other legal proceedings of a material nature pending, threatened or otherwise in Malaysia or elsewhere against the Company and/or its subsidiary companies, and which is likely to materially and adversely affect the application for the Underwritten Shares and the Company (after making due and careful enquiry) is not aware of any evidence, information or facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company and/or its subsidiary companies;*
- *save and except as disclosed in the Prospectus, no circumstances or situations have arisen which are or are likely to adversely affect the condition of the Company and/or its subsidiary companies, financial or otherwise, or the earnings, affairs or business prospects of the Company and/or its subsidiary companies so to affect the success of the Offer for Sale and/or the Public Issue and that no material information has been withheld by the Company from the Underwriters which may in any way affect their decision to underwrite the Underwritten Shares;*
- *that all consents, approvals, authorizations or other orders required by the Company under the laws of Malaysia in connection with the Offer for Sale and/or the Public Issue shall be obtained or if granted subject to conditions, such conditions will be fulfilled to the satisfaction of the Underwriters by the due date therefore and will remain in full force and effect and all other actions will be taken by the Company to comply with all legal and other requirements necessary to ensure that the Offer for Sale and/or the Public Issue will not infringe any existing laws or the terms of any such consent, approval or authorization."*

Clause 4.1

"The several obligations of the Underwriters under this Agreement shall be, inter-alia, conditional upon:-

- *the registration and lodgment of the Prospectus and the accompanying documents in accordance with the requirements of the SC Act, 1993 on or before their issue, circulation or distribution to the Public, with the SC and the CCM;*
- *there not having been, on or prior to the Closing Date, in the opinion of the Underwriters any adverse change or development reasonably likely to involve a prospective adverse change in the condition (financial or otherwise) of the Company and/or its subsidiary companies which is material in the context of the Offer for Sale and/or the Public Issue, nor the occurrence of any event rendering untrue or inaccurate any representations or warranties contained in this Agreement;*
- *the listing and quotation of all the ordinary shares of the Company having been approved by members of the Company at its extraordinary general meeting and by all relevant regulatory authorities;*
- *all necessary consents and approvals including the approval in principle of the KLSE required for the admission to the official list of the KLSE and dealing in and quotation of the shares to be issued having been obtained on terms which are, in the Underwriter's reasonable opinion, satisfactory and the same remaining valid and continuing to be in full force and effect on the Listing Date and that all conditions imposed by the KLSE have been fully complied with; and*
- *the Offer for Sale and the Public Issue having been approved by the SC, FIC and MITI and/or any other relevant authority or authorities."*

2.0 DETAILS OF THE IPO (Cont'd)

Clause 4.2

"If any of the foregoing conditions is not satisfied on or before the Closing Date the Underwriters shall thereupon be entitled to terminate this Agreement by notice in writing delivered to the Managing Underwriter and the Company and in that event the parties hereto shall be released and discharged from their obligations hereunder **PROVIDED THAT** in such event the Company shall remain liable for the payment of the costs and expenses referred to in Clause 8.2 which are incurred prior to or in connection with such termination and such release and discharge **PROVIDED HOWEVER THAT** the Underwriters may at its discretion and subject to such conditions as the Underwriters may impose, waive compliance with any of the provisions of this Clause."

Clause 7.1

"(a) Notwithstanding anything herein contained, the Underwriters or any of them may at any time before the Closing Date by notice in writing to the Company terminate their respective obligations under this Agreement if in the reasonable opinion of the Underwriters:-

- (i) there is any material breach by the Company of any of the representations, warranties or undertakings contained herein which, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to the Company;
- (ii) the Company withholds any information of a material nature from the Underwriters, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the Group taken as a whole, the success of the Offer for Sale and/or the Public Issue; or
- (iii) there is withholding of information of a material nature from the Underwriters, which, if capable of remedy, is not remedied within such number of days as stipulated in the notice requesting for such information from the Company, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the Group taken as a whole, the success of the Offer for Sale and/or Public Issue; or
- (iv) there shall have occurred, happened or come into effect any material and adverse change to the financial condition, earnings, affairs, business or prospects of the Company, any of its subsidiaries and the Group taken as a whole;
- (v) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reason of force majeure which would have or can reasonably be expected to have, a material adverse effect on the financial condition (including the earnings, affairs, business, operations or prospects) or otherwise of the Company, any of its subsidiaries or the Group taken as a whole or the success of the Offer for Sale and/or Public Issue, or its acceptance or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including:-
 - (aa) war, acts of warfare, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy;
 - (bb) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power, civil war, industrial;

2.0 DETAILS OF THE IPO (Cont'd)

- (cc) *flood, fire, storm, lightning tempest, accident or other Acts of God; or*
- (dd) *epidemic, explosion, disease, earthquake, hijacking, sabotage or crime;*
- (vi) *any government requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial condition, earnings, affairs, business or prospects of the Company, any of its subsidiaries or the Group taken as a whole;*
- (vii) *the composite index of the KLSE falling and closing below six hundred (600) points at any time between the effective date of this Underwriting Agreement and the Closing Date;*
- (viii) *any adverse change in national, regional or international monetary, financial or economic conditions or exchange control or currency exchange rates; or*
- (ix) *the Closing Date does not occur on or before 31 July 2002.*
- (h) *Upon such notice(s) of termination being given pursuant to the provisions herein, the Underwriters will be released and discharged of their obligations without prejudice to their rights; and*
- (c) *This Agreement will thereafter be of no further force or effect and no party will be under any liability to any others in respect of this Agreement, except that the Company will remain liable in respect of any of its obligations and liabilities under these presents, for the payment of the costs and expenses already incurred up to the date on which such notice was given and for the payment of any taxes, duties or levies."*

Clause 7.2

"In the event of termination pursuant to Clause 7.1 hereof, the respective parties hereto shall be released and discharged from their obligations hereunder, save and except that the liability of the Company for the payment of costs and expenses as provided in Clause 8.2 hereof incurred prior to or in connection with such termination shall remain and shall not be affected by such termination."

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3.0 RISK FACTORS

Before making an investment decision, potential investors should carefully consider the following risk factors (which are not exhaustive) in addition to all the other relevant information contained elsewhere in this Prospectus, before applying for the IPO Shares.

(a) **No Prior Market for Eng Kah Corporation Shares**

Prior to this IPO, there has been no public market for Eng Kah Corporation shares. The IPO price of RM1.80 per share has been determined after taking into consideration a number of factors, including but not limited to, the Eng Kah Group's history, financial and operating conditions, the future prospects of the Group and the industry in which the Group operates, the strength of the management of the Group, the market prices for shares of companies engaged in business similar to that of the Eng Kah Group. There can be no assurance that the IPO price will correspond to the price at which Eng Kah Corporation shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for Eng Kah Corporation shares will develop or, if developed, that such market will be sustained.

(b) **Business Risks**

The Eng Kah Group is principally involved in the contract manufacturing of a wide range of perfumery, cosmetic, skin care, toiletry and household products. As such, the Group is subject to the inherent risks existing in the cosmetic and toiletry industry. For example, the Group may be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian economy, entry of new players, constraints in labour supply, changes in law and tax legislation affecting the industry, increase in production cost, changes in business and credit conditions and introduction of new technologies.

Although the Group seeks to limit these risks through inter-alia, maintaining good business relationships with its customers and suppliers, increasing automation to reduce dependency of labour, efficient cost control and increasing product range, no assurance can be given that a change in any of these factors will not have a material adverse effect on the Group's business.

(c) **Formulation Protection**

The formulation created by the Group are the "trade secrets" of the business and are kept under tight control and protection. Measure has been taken to prevent physical destruction of the formulation by keeping the formulation off-site by a senior management staff.

Similarly for formulation which the Group provides to its customers for safety testing of contents, the customers sign Confidentiality Agreements with the Eng Kah Group for protection of the Group's confidential information (which includes product formulation) and to prohibit customers from using the formulation obtained for the customers' in-house manufacturing or for use by the customers' other contract manufacturers.

In the event of any default or breach of the Confidentiality Agreements entered into between the Group and its customers, the Group is entitled to obtain injunctive relief as well as to claim for monetary damages or compensation against the party in default or breach.

Although steps have been taken by the management to protect its in-house formulation, no assurance can be given that none of its in-house formulation can be reproduced by another company.

3.0 RISK FACTORS (Cont'd)

(d) **Cyclical or Seasonal Sales**

The sales of perfumery, cosmetic, skin care, toiletry and household products is subject to the growth of the Malaysian economy. The Group does not experience any cyclical sales fluctuations although the sales for the Group's products are marginally higher in the second half of the year due to higher demand for the Group's products during festive seasons. The turnover for the second half of 2001 is approximately 0.6% higher than the first half of 2001.

However, there is no assurance that the Group will be able to maintain its sales and that the growth in the manufacturing industry will move in tandem with the growth in the Malaysian economy in the future.

(e) **Dependency on Major Customers and Suppliers**

The Group's profitability is not dependent on a single customer or group of customers or industry. The Group has established long-term relationships with its customers which consist of multi-national corporation, direct selling, trading, manufacturing and public listed companies. As a contract manufacturer, the Group not only manufactures the products according to the formulation given, it also provides in-house formulations, suitable packaging materials, artwork design for labels and unit boxes.

The Group has also established long-term relationships with a number of suppliers. As such, the Group faces minimal disruption in the supply of raw materials for its production. However, there is no formal contract entered into between the Eng Kah Group and its major suppliers. The normal course of dealings between the parties are such that the Group will issue purchase orders to its suppliers and the respective suppliers will deliver the goods within the time stipulated and the payment terms for the suppliers are between 30 to 90 days' credit.

Accordingly, the Group is not dependent on any single customer or supplier. However, no assurance can be given that the Group would be able to enjoy a wide base of customers and suppliers in the future.

(f) **Insurance Coverage**

At present, the Directors of Eng Kah Corporation believe that the Group's raw materials, finished products and all other assets are adequately insured against unforeseen events such as fire, riots, strikes, theft, damage, storm, flood etc. Although the Group has taken the necessary measures to ensure that its assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for replacement cost of all assets or any consequential loss arising from the damage or loss of the assets.

(g) **Risks of Business Disruption**

The Group did not experience any disruption in business that had a significant effect on its operations for the past twelve (12) months prior to 19 June 2002 (being the latest practicable date prior to the registration of this Prospectus). Should any problem arise from the automated manufacturing process, it can be overcome temporarily by switching to manual manufacturing process, which is less efficient, but would ensure continuous production.

3.0 RISK FACTORS (Cont'd)

(h) **Competition**

The Group faces competition from both local and foreign companies. Some of these companies have more extensive financial, marketing, research and development ("R&D") resources than the Group and may enjoy superior name recognition in the market. The Group may also face competition from new market entrants. Nevertheless, the Group is taking every measure to maintain or increase its competitive edge by intensifying and broadening its product range, developing and improving in-house formulation, implementing cost reduction and productivity enhancement programs and expanding its R&D activities. Although the management strives to mitigate these risks, no assurance can be given that the Group will be able to maintain its existing market share in the local and export markets in the future.

(i) **Political, Social and Economic Considerations**

Like all other business entities, changes in political and economic conditions in Malaysia or other countries where the Eng Kah Group sells its products to, could materially and adversely affect the financial and business prospects of the Eng Kah Group and the markets of its end products. Other political, economic and regulatory uncertainties include risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and methods of taxation. Whilst the Eng Kah Group will continue to take effective measures such as prudent financial management and efficient operating procedures, there can be no assurance that adverse political and economic factors will not materially affect the Group.

(j) **Legal Uncertainties and Government Control/Regulation**

The products manufactured by the Eng Kah Group for its customers are governed by certain manufacturing/ contractual agreements entered into with its customers. To the best knowledge of the Directors of the Group, any contracts, where applicable, entered or to be entered into are within the Group's legal capacity. However, changes or amendments to the law and regulations may affect the Group's performance and profitability.

The Malaysian Government does, from time to time, adopt policies and implement guidelines that may affect businesses in Malaysia and the Government agencies are empowered to introduce new policies and guidelines from time to time, which may affect the business of the Group.

For example, starting from 1 January 2002, all cosmetic products must be registered with the National Pharmaceutical Bureau in a move to regulate the beauty care industry. The Ministry has given a time period of up to 2004 for all products categorised under the Cosmetic Registration to be registered before it can be marketed. In line with this, all product brand owners must ensure that the products are registered before it can be marketed. The Eng Kah Group, being a contract manufacturer also plays an integral role to ensure that all the products manufactured by the Eng Kah Group are registered by its customers before it commences production.

As such, there can be no assurance that the future growth and performance of the Group would remain favourable in the event of any change in Government policies within and outside Malaysia.

(k) **Dependency on Key Personnel**

The Eng Kah Group believes that its continuing success will depend on the skills, abilities, experience, competence and continuing efforts of its existing Board of Directors and its senior management team. The loss of any key member of the Group's senior management may, to a certain extent, affect the Group's continuing ability to maintain and improve its performance. As such, the Group's future success will also depend on its ability to attract, retain and motivate skilled personnel by creating promotional opportunities within the Group.

3.0 RISK FACTORS (Cont'd)

Nevertheless, on-going efforts are being made by the Group to groom the younger members of the management team to assume more responsibilities, hence ensuring a smooth transition should changes occur.

(l) Ownership and Control

Upon the completion of the IPO, Ewe Eng Kah, the Chairman and Managing Director of Eng Kah Corporation and Neoh Lay Hwa, person deemed to be connected with him as defined by Section 122A of the Companies Act, 1965 will effectively and collectively hold a total of approximately 52.28% of the enlarged issued and paid-up share capital of Eng Kah Corporation.

As a result, the abovementioned shareholders will be able to control the outcome on matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

(m) Profit Forecast

This Prospectus contains the profit forecast of the Group that are based on assumptions that the Directors of Eng Kah Corporation deemed to be reasonable at the time of the issuance of the Prospectus, but are, nonetheless subject to uncertainties and contingencies. Although due care and careful enquiry have been exercised in preparing the profit forecast, due to the inherent uncertainties of profit forecast and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the profit forecast contained herein.

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