3. PARTICULARS OF THE IPO

This Prospectus is dated 10 March 2004.

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

The approval of the SC obtained vide its letter dated 19 December 2003 shall not be taken to indicate that the SC recommends the IPO, and that investors should rely on their own evaluation to assess the merits and risks of the IPO.

An application will be made to the MSEB within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of EKIB on the Second Board of the MSEB. These EKIB Shares will be admitted to the Official List of the MSEB and the official quotation will commence upon 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. Acceptance of applications for the Public Issue Shares and Offer for Sale Shares will be conditional upon permission being granted by the MSEB to deal in and for the quotation of the entire enlarged issued and fully paid-up share capital of EKIB on the Second Board of the MSEB. 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 MSEB within the aforesaid time frame.

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

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

Applicants of the IPO Shares must have a CDS account. 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. In the case of an application by way of Electronic Share Application ("ESA"), the applicant shall furnish his/her CDS account number to the participating financial institution in the ESA by keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her ESA requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares and Offer for Sale Shares by way of ESA.

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 EKIB. 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 EKIB since the date hereof.

The distribution of this Prospectus and the making of the IPO 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 or to buy any Public Issue Shares and 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.

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

3.1 OPENING AND CLOSING OF APPLICATIONS

Applications will be accepted from 10.00 a.m. on 10 March 2004 and close at 5.00 p.m. on 18 March 2004 or for such further period or periods as the directors of EKIB in their absolute discretion may decide. Late applications will not be accepted.

3.2 DATES OF SPECIAL EVENTS

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

Event	Date
Date of Prospectus	10 March 2004
Opening of Application for the Public Issue and Offer for Sale	10 March 2004
Closing of Application for the Public Issue and Offer for Sale	18 March 2004

Event	Tentative Date
Date of Balloting of Application	22 March 2004
Despatch of Notices of Allotment for the EKIB Shares to successful applicants	29 March 2004
Listing of and quotation of EKIB's entire enlarged issued and paid-up share capital on the Second Board of the MSEB	30 March 2004

Note:

* *The directors of EKIB and the Underwriters may mutually decide to extend the closing date of the application to a further date or dates. Should the closing date of the application be extended, the dates for the balloting, allotment and listing of EKIB's entire issued and paid-up share capital on the Second Board of the MSEB might be extended accordingly. Where the closing date of the application for the IPO Shares is extended from the original closing date, the notice of such extension(s) will be advertised in a widely circulated newspaper.*

3. PARTICULARS OF THE IPO *(cont'd)*

3.3 PURPOSES OF THE IPO

The purposes of the IPO are as follows:

(i) To further enhance the EKIB Group's corporate profile and assist the EKIB Group in expanding its customer base both in Malaysia and overseas with the Listing of EKIB;

(ii) To provide the Company access to the capital market to raise funds to finance the future expansion and continued growth of the EKIB Group;

(iii) To provide an opportunity for the Malaysian investors (including Bumiputera investors and all eligible directors, employees, suppliers and customers of the EKIB Group) to participate in the equity and continuing growth of the EKIB Group; and

(iv) To obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of 80,002,000 EKIB Shares on the Second Board of the MSEB.

3.4 NUMBER AND TYPES OF SECURITIES TO BE ISSUED/OFFERED

	RM
Authorised:	
100,000,000 ordinary shares of RM0.50 each	50,000,000
Issued and fully paid-up as at the date of this Prospectus	
66,782,000 ordinary shares of RM0.50 each	33,391,000
To be issued as fully paid-up pursuant to the Public Issue	
13,220,000 ordinary shares of RM0.50 each	6,610,000
	40,001,000
Offer for Sale	
3,580,000 ordinary shares of RM0.50 each	1,790,000
Issue/Offer Price	**0.85**

There is only one class of shares in EKIB, namely, ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares and 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 EKIB in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions. In respect of the whole of any surplus in the event of winding up of the Company, such surplus shall be distributed among the members in proportion to the paid-up capital at the commencement of the winding up, in accordance with the Articles of Association of EKIB.

3. PARTICULARS OF THE IPO *(cont'd)*

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

3.5 DETAILS OF THE IPO

The Public Issue Shares and Offer for Sale Shares issued at an issue/offer price of RM0.85 per share are payable in full upon application. The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the Public Issue Shares and Offer for Sale Shares will be allocated in the following manner:

(i) Malaysian Public

4,020,000 of the Public Issue Shares and 1,980,000 of the Offer for Sale Shares are made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) Bumiputera Investors Identified and Approved by MITI

9,200,000 of the Public Issue Shares have been made available for application by the Bumiputera investors identified and approved by MITI.

(iii) Eligible Directors, Employees, Suppliers and Customers

1,600,000 of the Offer for Sale Shares have been made available for application by the eligible directors, employees, suppliers and customers of the EKIB Group; and

The 4,020,000 Public Issue Shares to be made available to the Malaysian Public referred to in sub-section (i) above have been fully underwritten at an underwriting commission of 2.0% of the issue price of RM0.85 per share.

Any Offer for Sale Shares in respect of paragraph (iii) above not subscribed for by the eligible directors, employees, suppliers and customers of the EKIB Group will be allocated to the other directors, employees, suppliers and customers of the EKIB Group in a fair and equitable manner.

The Offer for Sale Shares in paragraphs (i) and (iii) are not underwritten. In the event of an undersubscription by the Malaysian Public and the eligible directors, employees, suppliers and customers of the EKIB Group, the Offer for Sale Shares will revert back to the Offerors.

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3.6 ALLOCATION OF OFFER FOR SALE SHARES TO ELIGIBLE DIRECTORS, EMPLOYEES, SUPPLIERS AND CUSTOMERS

As part of the Listing Scheme, 1,600,000 of the Offer for Sale Shares have been made available for the eligible directors, employees, suppliers and customers of the EKIB Group.

The details of the allocation of the Offer for Sale Shares to the eligible directors of EKIB are as follows:

Name of Director	No. of Shares reserved for each eligible Director
Tan Sri Dato' Kamaruzzaman	50,000
Wong Kong Foo	100,000
Lim Yew Hoe	100,000
Datuk Yahya Bin Ya'acob	25,000
Datuk Fong Weng Phak	25,000
Ahmad Ghazali Bin Md. Kassim	25,000
Total	325,000

The allocation of the Offer for Sale Shares to the eligible employees of the EKIB Group are based on the following criteria:

- Malaysian citizens unless they are management, executives, technical or supervisory employees;
- They must have attained 18 years of age on the date of allocation; and
- Designation/level and length of service with the EKIB Group.

The Board is given the discretion to determine the allocation of the Offer for Sale Shares to the eligible directors and employees of the EKIB Group. The details of the allocation of the Offer for Sale Shares to the eligible directors and employees are as follows:

Category	Years of service	No. of EKIB Shares allocated '000	No. of eligible directors/ employees
Directors of the EKIB Group	<5years	175	7
(inclusive of the	5 to 10 years	100	2
abovementioned Directors)	>10 years	200	2
Managerial	<5 years	392	20
	5 to 10 years	135	4
	>10 years	40	1
Executive/Supervisor	<5 years	122	26
	5 to 10 years	115	9
	>10 years	25	1
Clerical/Technician	<5 years	11	10
	5 to 10 years	15	6
	>10 years	3	1
Factory worker	<5 years	8	13
	5 to 10 years	17	10
	>10 years	6	3
		1,364	115

The allocation of 236,000 of the Offer for Sale Shares to an aggregate of 30 suppliers and customers of the EKIB Group is based on the length of relationship with the EKIB Group.

3.7 BASIS OF ARRIVING AT THE ISSUE/OFFER PRICE

The issue/ offer price of RM0.85 per share was determined and agreed upon by the Company and Alliance, as the Advisor and Managing Underwriter, based on various factors after taking into account, inter-alia, the following factors:

(i) The proforma historical performance of the EKIB Group for the past five (5) financial years ended 31 December 1998 to 2002 and the consolidated audited results for the ten (10)-month financial period ended 31 October 2003, as outlined in Section 11.1 of this Prospectus;

(ii) The overview and prospects of the industry in which the EKIB Group operates as outlined in Sections 5.6 and 5.9 of this Prospectus;

(iii) Forecast PE Multiple and Earnings

The forecast profit after taxation of the EKIB Group for the financial year ending 31 December 2004 is approximately RM9.6 million. Based on the weighted average number of EKIB Shares in issue, its forecast net EPS would be 13.2 sen. Accordingly, the issue/offer price of RM0.85 per share represents a forecast net PE multiple of 6.44 times.

(iv) Proforma Consolidated NTA

The proforma consolidated NTA after the IPO based on the proforma consolidated balance sheets as at 31 October 2003 is RM46.599 million or RM0.58 per share, based on the enlarged share capital of 80,002,000 EKIB Shares.

The issue price of RM0.85 per share thus represents a premium of 27 sen or 47% over the NTA per share of RM0.58.

(v) Dividend Forecast

The Company forecasts to declare a tax-exempt dividend of 3.0% for the financial year ending 31 December 2004. Based on the enlarged share capital of 80,002,000 EKIB Shares, this translates into a dividend yield of 1.76% based on the issue/ offer price of RM0.85 per share.

The corresponding dividend cover is 8.01 times based on the consolidated profit after taxation attributable to shareholders of EKIB for the financial year ending 31 December 2004.

The directors of EKIB and Alliance are of the opinion that the Issue/Offer Price is fair and reasonable after careful consideration of the abovementioned factors.

However, investors should also note that the market price of EKIB Shares upon the Listing of EKIB is subject to the vagaries of market forces and other uncertainties, which may affect the price of EKIB Shares being traded. Investors should form their own views on the valuation of the Public Issue Shares and Offer for Sale Shares before deciding to invest in the Public Issue Shares and Offer for Sale Shares.

3.8 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of RM11,237,000 for the EKIB Group whilst none of the gross proceeds of the Offer for Sale will be receivable by EKIB as the gross proceeds of the Offer for Sale amounting to RM3,043,000 will accrue entirely to the Offerors.

The expenses for the Public Issue comprising underwriting commission, placement fee, brokerage, registration fee, professional fees, SC's fee, advertising fee and other fees incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of EKIB on the Second Board of the MSEB, estimated at RM1.8 million shall be borne by the Company.

The gross proceeds from the Public Issue amounting to RM11,237,000 shall be utilised in the manner set out below:

	Note	RM	Time Frame for Utilisation
Purchase of machinery	1	3,000,000	By 31.12.2004
Upgrading of weaving machines	2	500,000	By 31.12.2004
Purchase of test equipment	3	500,000	By 31.12.2004
Working capital	4	5,437,000	By 30.06.2004
Estimated listing expenses	5	1,800,000	By 30.06.2004
Total Utilisation		11,237,000	

Notes:

1. *Purchase of machinery*

	RM
Purchase of used machinery from United Chemical Industries Berhad ("UCI") pursuant to the conditional sale and purchase agreement entered into between ATF and UCI on 30 April 2003 which consist of the following major machinery:	*2,500,000*
• *Extrusion Machine (3 units)*	
• *Weaving Machine (40 units)*	
• *Lamination Machine (2 units)*	
• *Circular Loom Machine (2 units)*	
• *Lab Equipment and Spare Parts*	
Calendering Machine (1 unit)	*500,000*
	3,000,000

The additional machinery to be purchased by the EKIB Group from UCI is expected to increase its production capacity by approximately 20% to 30% subject to upgrading of all machinery after the proposed acquisition. ATF is currently renting the factory premises from UCI and using its machinery for the production of its industrial fabrics and woven geotextiles. Currently, the EKIB Group is running at an average capacity of approximately 71% for its products.

2. *The EKIB Group intends to upgrade four (4) units of the 40 units of the weaving machines which will be purchased from UCI.*

3. PARTICULARS OF THE IPO *(cont'd)*

3. *Purchase of following test equipment:*

	RM
Fibre Testing Equipment	*160,000*
UV Accelerated Weathering Box	*120,000*
Water Permeability Tester	*84,000*
Mullen Bursting Strength Tester	*64,000*
Air Permeability Tester	*38,000*
Compressor with Filter	*19,000*
Viscosity Meter	*15,000*
	500,000

4. *Working Capital*

Approximately RM5,437,000 from the proceeds of the Public Issue are proposed to be used for the working capital purposes for EKIB Group. The funds will be used to finance day-to-day operations of the EKIB Group and will result in substantial interest savings compared to having to obtain credit facilities from various financial institutions. The funds are to be allocated to the following:

		RM
(i)	*EKSB*	*2,000,000*
(ii)	*EKM*	*1,437,000*
(iii)	*KESB*	*1,000,000*
(iv)	*ATF*	*500,000*
(v)	*FIT*	*500,000*
		5,437,000

5. *The estimated listing expenses of RM1,800,000 consists of:*

	RM
MSEB's initial listing fee[1]	*5,000*
Prospectus lodgement fee with ROC	*500*
Prospectus registration fee with SC	*5,000*
SC processing fee[2]	*50,000*
Issuing house fee and other disbursement	*100,000*
Advertisement of Prospectus	*30,000*
Printing of application forms, share certificates and Prospectus	*240,000*
Professional advisory fee	*1,200,000*
Underwriting commission[3]	*68,340*
Brokerage fee[4]	*34,170*
Contingencies	*66,990*
Total	*1,800,000*

3. PARTICULARS OF THE IPO *(cont'd)*

Notes:

1. *Initial listing fees comprise the lower of the following:*
   (a) *RM250 per million RM or part thereof of the issued capital of the company i.e. RM250 x (RM40,001,000/1,000,000) = RM10,000; or*
   (b) *A minimum fee of RM1,000 and a maximum of RM5,000 is payable for initial listing.*
2. *Nominal fee + (0.05% of the issued capital to be listed on the stock exchange) i.e. RM30,000 + (0.05% x 40,001,000) = RM50,000.*
3. *2.0% of the amount of shares underwritten i.e. 2.0% x 4,020,000 x RM0.85=RM68,340*
4. *1.0% of the amount of 4,020,000 of the Public Issue Shares i.e. 1.0% x 4,020,000 x RM0.85 =RM34,170.*

There is no minimum subscription to be raised from the Public Issue as the Public Issue in respect of the 4,020,000 Public Issue Shares available for subscription by the Malaysian Public will be fully underwritten.

3.9 BROKERAGE AND UNDERWRITING COMMISSION

The Underwriters as stated in Section 3.10 below, have entered into an underwriting agreement on 27 February 2004 with the Company for the underwriting of 4,020,000 of the Public Issue Shares, which are available for application by the Malaysian Public ("Underwritten Shares"). Underwriting commission is payable by the Company in respect of the 4,020,000 Public Issue Shares at the rate of 2.0% of the issue price of RM0.85 per share.

Brokerage relating to the 4,020,000 Public Issue Shares and the 1,980,000 Offer for Sale Shares made available for application by the Malaysian Public is payable by the Company and the Offerors respectively, at the rate of 1.0% on the Issue Price of RM0.85 per share in respect of successful applications bearing the stamp of Alliance, member companies of the MSEB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS. No brokerage is payable by the Company on the 9,200,000 Public Issue Shares made available for application by Bumiputera investors identified and approved by MITI. In addition, no brokerage is payable by the Offerors on the 1,600,000 Offer for Sale Shares made available for application by the eligible directors, employees, suppliers and customers of the EKIB Group.

3.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Note: For the purpose of this Section 3.10, the definition of Closing Date means the last date and time for the receipt of the applications for the EKIB Shares offered pursuant to the IPO in accordance with the Prospectus or such later date as the Company and the Managing Underwriter may mutually agree upon.

3.10.1 In consideration of the Underwriters agreeing at the request of the Company to underwrite the Underwritten Shares, the Company hereby represent, warrant and undertake to the Underwriters as follows:

(a) the Prospectus will be in a form and substance satisfactory and acceptable to the SC and will not contain any untrue statement or omit to state any material fact required or necessary to be stated therein so as to make the statements therein misleading;

(b) the Company will advertise the Prospectus in accordance with the requirements of the SC;

(c) the Company will comply with all requirements and provisions of the Act, Securities Commission Act 1993 and the Listing Requirements of MSEB in relation to the IPO, unless exempted therefrom by the relevant authorities, and will comply with all conditions, if any, imposed by the relevant authorities;

(d) the implementation of the IPO will not result in any default in, or breach of, any of the covenants, terms, conditions, or provisions of the Memorandum and Articles of Association of the Company or any trust deed or material agreement or other instrument or obligations to which the Company is a party or by which it is bound;

(e) except as disclosed in the Prospectus, neither the Company nor any of its subsidiaries is a party to any litigation, arbitration or any other legal proceedings of a material nature pending, threatened or otherwise in Malaysia or elsewhere, or is aware of any evidence, information or facts likely to give rise to any proceedings;

(f) except as disclosed in the Prospectus, neither the Company nor any of its subsidiaries have any contingent liabilities or capital commitments save as may be disclosed in the audited accounts of the Company for the period ended on 31 October 2003 or in writing by the Company to the Underwriters prior to the date of the underwriting agreement;

(g) except as disclosed in the Prospectus, to the best knowledge of the Company, no circumstances or situations have arisen in connection with the financial condition or business of the Company or any of its subsidiaries which is or are likely to materially and adversely affect the success of the IPO or which renders any statement in the Prospectus inaccurate or untrue in any material respect, and no material information has been withheld from the Underwriters which may in any way affect their decision to underwrite the Underwritten Shares;

(h) the Company will promptly and without any delay whatsoever notify the Underwriters of any facts, information, situations or circumstances affecting the financial condition or business of the Company or any of its subsidiaries which the Company believes may materially and adversely affect the success of the IPO and the Company will, at any time prior to the Closing Date, take such steps as may be reasonably requested by the Underwriters to remedy and publicise the same;

(i) the Company will, at any time prior to the Closing Date, promptly give to the Underwriters any or all information which the Underwriters may reasonably require affecting the accounts or affairs of the Company or any of its subsidiaries PROVIDED ALWAYS that the Underwriters shall not divulge, pass on or otherwise communicate such information to any person without the prior written consent of the Company and PROVIDED FURTHER that the Underwriters shall take reasonable steps to protect the confidentiality of all confidential or non-public information provided to the Underwriters pursuant to this Clause;

(j) the Company will fix a date which will not exceed a period of three months from the date of registration of the Prospectus with the SC, or such later date as may be agreed by the Company and the Managing Underwriter, as the Closing Date;

(k) the Company will give due notice to the Underwriters of the Closing Date;

(l) all consents, approvals, authorisations or other orders required by the Company under the laws of Malaysia for or in connection with the IPO will (if not already obtained as at the date hereof) be obtained and be in force and all actions will be taken by the Company to comply with all legal and other requirements necessary to ensure that the IPO will not infringe any existing laws or the terms of any such consents, approvals or authorisations;

(m) the execution and issuance or delivery by the Company of the underwriting agreement and performance of its obligations to be assumed hereunder and in respect of the IPO have been duly authorised by the Company insofar as such authorisation is necessary so that upon due execution, the same will constitute valid and legally binding obligations of the Company;

(n) there is no action, proceeding, claim or investigation pending against the Company before any court or administrative authority which, if determined against the Company, as the case may be, may reasonably be expected to have a material adverse effect on its ability to perform the obligations hereunder. No order has been made, petition filed or resolution passed for the winding up, dissolution or liquidation of the Company or for the appointment of a liquidator, receiver, custodian or trustee for all of any part of its property or assets or for an administration order in respect of it. The Company has not commenced any proceeding for itself under any bankruptcy, reorganisation, composition, arrangement, adjustment of debt, release of debtors, dissolution, insolvency, liquidation or similar law of any jurisdiction and there has not been commenced against it or him any such proceeding.

(o) the draft Prospectus annexed to the underwriting agreement has been approved in principle by the board of directors of the Company;

(p) the business of the Company and its subsidiaries has been carried on in the ordinary course and in accordance with the Memorandum and Articles of Association of the Company and its subsidiaries; and

(q) the Company will apply and obtain the approval-in-principle of the MSEB for the listing of and quotation for the entire enlarged share capital of the Company.

3.10.2 Upon any breach of the warranties or representations or undertakings set out above, failure to perform any of the said agreements or any change rendering any of the said warranties representations undertakings or agreements inaccurate in any material respect coming to the notice of the Underwriters prior to the Closing Date, any Underwriter shall be entitled at its discretion (but not bound) by notice to the Company and the Managing Underwriter to elect to treat such breach, failure or change as releasing and discharging it from its obligations hereunder PROVIDED THAT the Company shall remain liable for the payment of the costs and expenses referred to under the underwriting agreement which are incurred prior to or in connection with such release and discharge AND PROVIDED FURTHER THAT failure to make such election as aforesaid shall be without prejudice to the right of any Underwriter to treat any further or other breach, failure or change as releasing and discharging the Underwriters from its obligations as aforesaid.

The agreement of the Underwriters to underwrite the Underwritten Shares is entered into on the basis of the aforesaid representations, warranties, undertakings and agreements. Without prejudice to the other rights and remedies of the Underwriters, the Company undertakes with the Underwriters that it will hold the Underwriters fully and effectually indemnified from and against any and all losses liabilities costs claims charges actions proceedings damages expenses or demands which the Underwriters may incur or which may be made against it as a result of or arising out of or in relation to any misrepresentation or alleged misrepresentation by the Company or any breach or alleged breach of any of the aforesaid representations or warranties undertakings or agreements and such indemnity shall extend to include all costs (including legal costs) charges and expenses which the Underwriters may reasonably pay or incur in disputing or defending any claim or action or other proceeding in respect of which indemnity may be sought against the Company .

The obligations of the Underwriters under the underwriting agreement are conditional upon:

(a) the underwriting agreement having been duly executed by all parties hereto;

(b) the MSEB having agreed in principle to the listing and quotation of the entire enlarged share capital of the Company on the Second Board of the MSEB and receipt of confirmation from the MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;

(c) there not having been, any adverse change or any development reasonably likely to involve a prospective adverse change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that set forth in the Prospectus which is material in the context of IPO and the listing of and quotation for the entire enlarged share capital of the Company on the Second Board of MSEB or the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any of the representations or warranties and undertakings contained in the underwriting agreement as though they had been given or made on such date;

(d) the delivery to the the Managing Underwriter on the Closing Date of a certificate from the directors of the Company stating that to the best of their knowledge and belief, having made all reasonable enquiries, there has been no adverse change, development or event as referred to in Section 3.10.1 (g) above and as at such date, the Company has not committed a breach of any of its covenants herein;

(e) the delivery to the SC and the ROC the Prospectus for registration and lodgement respectively, in accordance with the requirements of the Securities Commission Act, 1993 and the Act together with copies of all documents required by the aforesaid legislations and the issue by the SC of the relevant certificate of registration;

(f) the Managing Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the costs and expenses under the underwriting agreement.

3.10.3 If any of the foregoing conditions is not satisfied on or before the Closing Date the Underwriters shall thereupon be entitled to terminate the underwriting agreement by notice in writing delivered to 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 under the underwriting agreement which are incurred prior to or in connection with such termination and such release and discharge. The Underwriters may, however, at its discretion and subject to such conditions as the Underwriters may impose, waive compliance with any of the provisions of this clause.

Notwithstanding anything herein contained the Underwriters or any of them acting through the Managing Underwriter may at any time before the Closing Date by notice in writing delivered to the Company terminate its obligations under the underwriting agreement if in the opinion of the Managing Underwriter there shall have been:-

(a) a change in the national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates or stock-market condition as would in the opinion of the Managing Underwriter materially and adversely affect the business, financial condition or prospect of the Company, prejudice materially the success of the IPO and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market); or

(b) 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 Underwriters (including without limitation, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents) which is likely to have the effect of making any material part of the underwriting agreement incapable of performance with its terms pursuant to the underwriting thereof;

3. PARTICULARS OF THE IPO *(cont'd)*

and thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses under the underwriting agreement incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.

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4. RISK FACTORS

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

4.1 NO PRIOR MARKET FOR THE EKIB SHARES

Prior to this IPO, there has been no public market for EKIB Shares. There can be no assurance that an active market for EKIB Shares will develop upon its listing on the Second Board of the MSEB or, if developed, that such market will be sustained.

The issue/offer price of RM0.85 per share has been determined after taking into consideration a number of factors, including but not limited to, the EKIB Group's financial and operating history, its prospects and the prospects of the geosynthetics industry in which the EKIB Group operates within, the forecast PE multiple, forecast net earnings and dividend forecast of the EKIB Group and the proforma consolidated NTA of the EKIB Group, all of which are set out in Section 3.7 of this Prospectus. There is no assurance that the issue/offer price will correspond to the price at which the EKIB Shares will be traded on the Second Board of the MSEB upon or subsequent to its Listing or that an active market for EKIB Shares will develop and continue upon or subsequent to its Listing. The price at which EKIB Shares will trade on the Second Board of the MSEB upon or subsequent to the Listing will be dependent upon market forces which are beyond the control of EKIB.

4.2 NO ASSURANCE OF VALUE FROM UNDERWRITING

4,020,000 of the Public Issue Shares are to be underwritten by the Underwriters. The underwriting commission is payable by EKIB at a rate of 2.0% of the issue/offer price of RM0.85 per share with regard to the Public Issue Shares made available for the Malaysian Public. However, the agreement of the Underwriters to underwrite up to 4,020,000 of the Public Issue Shares should not be taken as an indication of the merits or assurance of the value of the IPO Shares.

4.3 BUSINESS RISKS

The principal business activities of the EKIB Group are the manufacturing, marketing, trading of geosynthetic products and the provision of technical, designing and installation services, in particular geosynthetics engineering solutions for civil engineering applications. Like other business enterprises, the EKIB Group is not insulated from general business risk and is subject to certain business risks inherent in the geosynthetics industry. This may include the general downturn in the infrastructure and construction sectors, possible increase in operating and capital costs due to increase in the cost of raw materials, constraints in labour supply, constraints in machine capacity, entry of new players, changes in interest rate and credit conditions, fluctuations in foreign exchange rates, fluctuation in demand for geosynthetic products, introduction of new or superior technology or substitute products by competitors, changes in legal and environmental framework within which the industry operates.

Although the EKIB Group seeks to limit these risks through, inter-alia, increasing the EKIB Group's product range, developing and maintaining a large and diversified customer base, having contractual terms for projects undertaken, having a diversified pool of suppliers, prudent management policies and improving its technological competence especially in research and development, no assurance can be given that any changes to the above factors will not have a material adverse effect on the EKIB Group's business and financial conditions.

4.4 OPERATIONAL RISKS

Other risks which are also inherent to the geosynthetics industry include fire outbreaks and the disruption of electricity supply, which would affect the EKIB Group's business operations. In addressing these inherent risks, the EKIB Group has in place the following risk management practices/plan:

(i) The EKIB Group has formed a Safety & Health Committee (consisting of senior management and operational staff of the EKIB Group) which role is to create sense of responsibility towards safety and accident prevention among employees at work. The members of the Safety & Health Committee had attended fire fighting drill organised by the Jabatan Bomba Rawang which entails method of handling fire fighting equipment and proper procedures to be carried out should fire occur in the factories. The said members are responsible for the provision of such training to the factory workers.

(ii) The EKIB Group has made arrangements with the Jabatan Bomba Rawang to conduct fire drills and these drills are to be carried out on a semi-annual basis.

(iii) The factory premises are guarded 24 hours a day with a minimum of one (1) guard per shift. The guard house is installed with telephone lines to alert the nearest fire station and key personnel when the need arises. Emergency telephone numbers including those of key personnel are listed on an enlarged font, laminated and placed on strategic places in the guard house and within the factory premises.

(iv) Fire fighting system i.e. fire hydrants, hose reels and fire extinguishers have been installed in all the EKIB Group's factories. Specialist contractors registered with the Malaysian Fire Protection Association have been engaged to maintain and upkeep all the said fire fighting equipment.

(v) The EKIB Group has good relationships with the suppliers of generator sets suitable for the EKIB Group's factories usage. When need arises, these generator sets would be available at short notice, minimising any disruption to the EKIB Group's key production processes.

(vi) The EKIB Group has purchased insurance coverage on inter-alia, fire consequential loss, fire of factory building, plant and machinery, stocks and office equipment. The EKIB Group has not taken coverage against disruption in electricity supply as the Board of EKIB is of the view that the operations of its factories will not be significantly affected in the event of such disruption as a result of the mitigating factor listed in sub-section (v) above.

However, no assurance can be given that even with the existing risk management practices/plan in place, the business operations of the EKIB Group will not be affected in the event of a fire and energy crisis.

4.5 DEPENDENCE ON KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

The activities of the EKIB Group require skilled technical personnel. Hence to a certain extent, the EKIB Group's ability to attract and retain its skilled technical personnel, especially qualified and experienced professionals, is crucial to sustain an efficient level of operations within the EKIB Group. If the EKIB Group is unable to attract and retain its skilled personnel, the performance and future prospects of the EKIB Group may be affected. Further, the EKIB Group believes that its continued success depends to a significant extent upon the abilities and continued efforts of its existing key management and key technical personnel. The existing key management or key technical personnel, with their wealth of experiences in the geosynthetics industry, are valuable assets to the EKIB Group. The loss of any key management and key technical personnel could affect the EKIB Group's performance and/or the EKIB Group's continued ability to compete effectively in the geosynthetics industry.

4. RISK FACTORS *(cont'd)*

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

The EKIB Group has a management succession plan which is to continue to hire professional personnel and provide on the job training in technical and management skills internally because the EKIB Group believes that the continued success and future growth of the EKIB Group is dependant on the ability and dedication of these key management and key technical personnel. In order to ensure these personnel will continue to be motivated and dedicated to the EKIB Group, the EKIB Group had implemented an employees' share allocation scheme. In addition, in order to further reward these employees, EKIB Group has proposed for a second employees' share allocation scheme by offering them new EKIB Shares which form part of the Listing Scheme.

4.6 CONTROL BY THE PROMOTERS

Upon completion of the IPO, the Promoters will effectively and collectively hold an aggregate of 40,143,021 EKIB Shares (direct shareholding) which represents approximately 50.2% of the enlarged issued and paid-up share capital of EKIB of 80,002,000 EKIB Shares upon completion of the IPO and hence will be the controlling shareholders of the Company.

Depending on how they choose to vote and the size of their collective shareholdings, the Promoters may have a significant influence over matters requiring the passing of ordinary resolutions, unless they are required to abstain from voting by law and/or the relevant authorities.

4.7 SUPPLY OF RAW MATERIALS

The long term viability of the EKIB Group depends significantly on the long term sustainable supply and cost of high tenacity polyester yarn, being the major raw material components used for the manufacture of woven geotextiles. For the ten (10)-month financial period ended 31 October 2003, Honeywell Sysko Co. Inc. ("Honeywell") was the single largest supplier of high tenacity polyester yarn to the EKIB Group, accounting for approximately 29.5% of EKIB Group's total purchases. Honeywell is EKIB's preferred supplier due to its product quality, reliability and prompt delivery.

The EKIB Group believes that the risk of over dependency on Honeywell is mitigated in view that Honeywell has been supplying high tenacity polyester yarn to EKIB Group for more than eight (8) years since 1995. The EKIB Group is confident that the long term relationship that the Company has nurtured with Honeywell, will ensure the EKIB Group obtains regular and adequate high tenacity polyester yarn supply at competitive prices in the future. The risk of shortage of supply of high tenacity polyester yarn is further mitigated in view that high tenacity polyester yarn is a commodity, not only produced for the usage in geosynthetics industry but also widely produced for usage in various other industries. Some of the products that use high tenacity polyester yarn are tyre cords, ropes, coated fabric (use for signage), power transmission belts and conveyor belt. The key management of EKIB Group has vast experience and is well versed with the market trends of the prices and availability of high tenacity polyester yarn and is always on the look out for alternative suppliers to broaden the Group's existing pool of suppliers and to ensure cost efficiency.

Similarly, the EKIB Group, depends on the long term sustainable supply and cost of polypropylene and polyester fibres, being the major raw material components used for the manufacture of non-woven geotextiles. For the ten (10)-month financial period ended 31 October 2003, Sam Heung Co., Ltd ("Sam Heung") was the single largest supplier of polypropylene and polyester fibres to the EKIB Group, accounting for approximately 10.4% of EKIB Group's total purchases. In mitigation, this dependency has been reduced in view of the vertical integration of the EKIB Group's business as the EKIB Group expanded into upstream activities to undertake manufacture of polypropylene fibres in 2001 under FIT. For the ten (10)-month financial period ended 31 October 2003, FIT contributed approximately 67.0% of the supply of polypropylene fibres used by KESB for the production of non-woven geotextiles. In addition, Sam Heung has been supplying polypropylene and polyester fibres to the EKIB Group for more than seven (7) years since 1997. The EKIB Group is confident that the long term relationship that the Company has nurtured with Sam Heung, will ensure that the EKIB Group obtains regular and adequate supply of polypropylene and polyester fibres at competitive prices in the future. The EKIB Group also sources polypropylene and polyester fibres from its other existing suppliers.

However, in the event that the EKIB Group can no longer source the high tenacity polyester yarn and polypropylene and polyester fibres from its major suppliers, there can be no assurance that the operations of the EKIB Group will not be materially affected.

4.8 FOREIGN EXCHANGE FLUCTUATIONS

For the ten (10)-month financial period ended 31 October 2003, approximately 5.8% and 68.2% of the EKIB Group's revenue and purchases of raw material respectively were denominated in foreign currencies. Therefore, the EKIB Group is exposed to foreign exchange fluctuations. The risk of foreign exchange fluctuations has been limited since the introduction of selective capital controls by the Government since September 1998 whereby the RM has been pegged to the USD at RM3.80 to USD1. Any revision or removal of the peg could expose the EKIB Group to foreign exchange risks and may have a material impact on the financial position of the EKIB Group.

In order to minimise the risk of foreign exchange fluctuation, it has always been the practice and concerted effort of the management of EKIB, wherever possible, to hedge against fluctuations in foreign currency exchange rates. The EKIB Group has adequate foreign exchange forward contract lines for any future hedging of foreign exchange fluctuations when required.

4.9 COMPETITION

The EKIB Group faces competition from existing competitors, both domestically and from abroad as well as potential new entrants to the industry. Domestically, the EKIB Group operates primarily under normal competitive conditions in view that there are only three (3) major manufacturers of geosynthetic products and another three (3) manufacturers that produce small quantity of geosynthetic products in Malaysia. In addition, there are approximately twenty (20) other companies that import geosynthetics.

(Source: Independent Assessment of the Geosynthetics Industry prepared by Vital Factor)

Despite the competition, the EKIB Group is confident that the EKIB Group will be able to maintain its existing competitive edge and market share in the future as it has the following distinct advantages over its competitors in the following areas:

(i) For the ten (10)-month financial period ended 31 October 2003, the EKIB Group had a large and diverse customer base comprising approximately 390 customers. This customer database also covers diverse end-user segments.

(ii) The EKIB Group commenced operations in 1993 and over the years, the EKIB Group has developed a reputation as an established supplier of geosynthetic products and materials. This reputation is further reinforced when the EKIB Group moved into manufacturing of in-house geosynthetic products including geotextiles, geogrids and geocomposites. The EKIB Group's established reputation is reflected by the fact that approximately 50% of its top 20 customers have been with the EKIB Group for three (3) or more years. In addition, the EKIB Group has also established a good track record and the required technical expertise as a manufacturer of geosynthetics in view of its involvement in prominent projects such as Kuala Lumpur International Airport, formation of two (2) artificial islands off Pantai Kok, Pulau Langkawi and Sungai Klang Flood Mitigation Project. As such, manufacturers that have strong track record would have a significant advantage in securing new contracts.

(iii) The EKIB Group can attest to the quality in its products in the following manner:

(a) The standard of quality of its finished products including geotextiles, geocomposites and geogrids can meet the specification of export markets; and

(b) The internal quality checks on raw material through every stage of its manufacturing process reaffirms the EKIB Group's internal quality assurances. This is supported by the accreditation of ISO 9001:2000 for both EKSB and KESB.

(iv) The EKIB Group has successfully gained in-roads into the export markets and this provides a platform to further expand its export activities. For the ten (10)-month financial period ended 31 October 2003, EKIB Group's export revenue contributed 5.8% of its total revenue.

The EKIB Group also faces competition from potential new entrants. However, this is mitigated by the relatively high barriers of entry. This is mainly predicated by the medium to high capital cost required for setting-up a manufacturing facility as well as the relatively high technical know-how and product knowledge required.

However, there can be no assurance that EKIB will be able to increase its market share in the future in light of competition from existing players and/or potential new entrants to this industry.

4.10 DOMESTIC BORROWINGS OF THE EKIB GROUP

As at 20 February 2004, the EKIB Group's long-term and short-term bank borrowings amounted to approximately RM29.6 million. All the loans of the EKIB Group are local and interest bearing and thus, any upward fluctuation in interest rates may have a material impact on the future profitability of the EKIB Group. Furthermore, there can be no assurance that the principal bankers will not withdraw the financing facilities that are presently granted to the EKIB Group.

In mitigating the risk mentioned above, part of the proceeds from the IPO will be utilised for working capital of the EKIB Group which will reduce some of the Group's reliance on bank borrowings in financing its projects. Future capital investments will also be partly financed through proceeds from the Public Issue as disclosed in Section 3.8 of this Prospectus. In addition, the EKIB Group has continuously maintained a cordial relationship with its principal bankers.

4. RISK FACTORS *(cont'd)*

4.11 ESTIMATE, FORECAST AND FORWARD LOOKING STATEMENTS

The Prospectus contains the profit estimate and forecast for the EKIB Group for the financial years ended/ending 31 December 2003 and 2004 respectively that have been prepared based on assumptions that are subject to uncertainties and contingencies. The directors of EKIB have considered the assumptions used in the preparation of the profit estimate and forecast to be reasonable at this point in time. Due to the inherent uncertainties underlying the profit estimate and forecast, and given that events and circumstances frequently do not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be realised and actual results may differ materially from those shown. Investors are deemed to have read and understood the description of the assumptions and uncertainties underlying the profit estimate and forecast contained herein.

In addition, certain statements in this Prospectus are based on historical data which may not be reflective of future results. Other statements which are forward looking in nature are based on estimates and assumptions made by the Board of EKIB, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such forward looking statements. The inclusion of a forward looking statement in this Prospectus is no assurance that the plans and objectives of the EKIB Group will be achieved.

4.12 POLITICAL, ECONOMIC, SOCIAL AND REGULATORY CONDITIONS

Adverse developments in political, social, economic and regulatory conditions in Malaysia and other countries where the EKIB Group may source its supplies or market its products could materially and adversely affect the financial prospects of the EKIB Group. Political and economic uncertainties include (but not limited to) risks of war, epidemics, expropriation, nationalisation, changes in interest rates and methods of taxation and currency exchange controls.

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

4.13 ADEQUACY OF INSURANCE COVERAGE ON THE EKIB GROUP'S ASSETS

As at 31 October 2003, the net book value of properties, plant and machinery of the EKIB Group is approximately RM37.4 million which have insurance coverage amounting to approximately RM53.9 million. The EKIB Group has also taken additional insurance coverage of RM15.6 million on its assets and business operations to cover against consequential losses arising from the damage or loss of its assets and disruption to operations. Although the EKIB Group has taken the necessary measures to insure its assets adequately, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential loss arising from the damage or loss of the assets.

4.14 DEPENDENCE ON THE INFRASTRUCTURE AND CONSTRUCTION SECTORS

The EKIB Group's products are mainly sold to construction-based companies, on a project to project basis. The nature of the infrastructure and construction sectors is such that retainer or recurrent business is not assured as demand for geosynthetic products tends to depend on the design requirements of specific project. As such, the future profitability of the EKIB Group may be dependent to a certain extent on the prospects of the infrastructure and construction sectors. Hence, with the absence of recurrent business due to the nature of the infrastructure and construction sectors, the EKIB Group is at risk to lower turnover should it not be able to secure new contracts.

However, the above risk is mitigated by the fact that over the past few years, the Government has increased public spending in order to stimulate economic growth. The areas which have benefited from this are the infrastructure and construction sectors. Geosynthetic products are applied in various segments of the infrastructure and construction sectors, such as infrastructure development, building and construction, general civil engineering construction, bridge construction, road and pavement construction, irrigation and flood control system, railway track construction, slope and coastal protection system, reclamation work, airport construction and waste containment system.

The EKIB Group has remained resilient during weak economic conditions in the past as the EKIB Group was able to register profits due to the EKIB Group's successful participation in various public sector projects initiated by the Government which minimised the impact of the economic downturn as payments from the Government were guaranteed.

In addition, over dependency on the infrastructure and construction sectors is further mitigated by the EKIB Group's intention to extend its range of products to include new applications such as filters, car mats, carpet backing and industrial bulk bags as well as expanding its export markets.

Notwithstanding the above, there is no assurance that there will be sustained demand for the EKIB Group's products from the infrastructure and construction sectors and should such demand cease or reduce, there can be no assurance that the future profitability of the EKIB Group will not be affected.

4.15 FAILURE/DELAY IN THE LISTING

The listing exercise of EKIB on the Second Board of the MSEB is exposed to the risk that it may fail or be delayed should the following events occur:

(i) The Bumiputera investors identified and approved by MITI fail to subscribe for the portion of the Public Issue Shares allocated to them; or

(ii) The Company is unable to meet the public spread requirement of at least 25% of the issued and paid-up share capital of the Company being held by a minimum of 1,000 public shareholders holding not less than 100 EKIB Shares each.

Although the directors of EKIB and Alliance, as Advisor, will endeavour to ensure that the Company complies with the listing requirements of as required by various authorities, no assurance can be given that the abovementioned factors will not cause a delay in or failure of the listing exercise of EKIB on the Second Board of the MSEB.

4.16 IMPLEMENTATION OF ASEAN FREE TRADE AREA ("AFTA")

The reduction of import duties to 0% to 5% with the implementation of AFTA through common effective preferential tariff ("CEPT") has made imports very competitive against locally manufactured products. CEPT is the mechanism by which tariffs on goods traded within the Asean region, which meet a 40% Asean content requirement, will be subjected to a reduction of the abovementioned range of tariff by 2003 (2006 for Vietnam, 2008 for Laos and Myanmar). Thus the implementation of AFTA has resulted in imports being competitive against locally manufactured geosynthetic products.

Foreign manufacturers of geosynthetic products making in-roads into the Malaysian market upon the implementation of AFTA would need to invest significant effort and time to develop and market their products to gain acceptance. This would provide some advantages to existing local players at least in the short to medium term. Local players with good track record, established integrated distribution and a wide range of products would be in a better position to face the increased competitive pressure from the potential new players in the market. A significant proportion of the requirements of geosynthetic products require customisation. As such, manufacturers that are located in Malaysia would have an advantage over imports as local manufacturers can liaise closely with customers and undertake prototyping and testing to meet customers' technical specifications.

Currently, some of the staple fibres are subject to import duties of 5%. With the implementation of AFTA and the subsequent reduction or removal of duties on raw materials, local producers would be able to price their products more competitively. From this prospective, the implementation of AFTA would benefit local manufacturers in the geosynthetics industry.

4.17 THREAT OF SUBSTITUTES

There are various different types of substitutes for geosynthetic products and materials and this comes in different forms and types of materials and engineering systems. As for types of materials specially graded sands and gravels or other types of materials may be used as substitutes. In some cases, different engineering systems or methods may be used as substitutes. Some examples include the following:

- for soil consolidation, piling may be used instead of vertical geodrains;

- for slope stabilisation, gabions may be used instead of geogrids;

- for a variety of situations, concrete structures, stone columns and sand columns may be used instead of geotextiles and geogrids; and

- for road construction, a thicker layer of sub-grade may be used instead of geotextiles to provide a stronger road base and an even distribution of load.

However, geosynthetic products have many advantages over other types of systems and methods including space savings, cost effectiveness, convenience, ease of installation, material quality control, construction control and technical superiority. There are no direct substitutes for geosynthetic products per se. This is mainly due to the fact that there are no other feasible materials that can provide the same flexibility or properties similar to geosynthetic products. Aggregates, for example are subject to variations caused by weather, handling and placement.

As such, although there are substitute products, geosynthetic products continue to represent the more cost-effective, practical and effective solution to civil engineering and environmental works. These benefits are some of the main reasons for the continual growth of the geosynthetic products in the world market.

4.18 FLUCTUATION IN PRICES OF RAW MATERIALS

As polymer is a commodity, the cost of sourcing this commodity as raw materials for the production of fibres and yarn is subjected to fluctuation in world prices. In some situations, increases in the price of raw materials are not easily passed onto users. This could impact the margin or alternatively, if the increase in cost is passed onto users, the manufacturer may not be price competitive against alternative solutions. Notwithstanding, manufacturers with strong financial stability are able to hold stocks of this raw materials to cushion against fluctuations in prices. As this raw material is a commodity, it is therefore subject to world prices and hence all manufacturers that use this material are equally affected.

4.19 OVER-DEPENDENCY ON IMPORTED FIBRES AND YARN

Although Malaysia has its own supply of fibres and yarn, most of the locally produced fibres and yarn are catered to usage within the Textiles and Apparel Industry. These locally produced fibres and yarn are often not suitable to be used as raw materials for the production of geosynthetics. Currently, there are only a few established local geosynthetic producers. Hence the capacity of local production of fibres and yarn is small and the range of products available is limited. Thus, a significant amount of fibres and yarn are imported to meet the demand for the manufacture of geosynthetics.

Geosynthetic manufacturers that also produce fibres and yarn are in an advantageous position to reduce dependency on imported raw materials and this reduces the exposure to foreign exchange risk. Currently, the EKIB Group produces polypropylene fibres for its production of non-woven geotextiles. The Group has plans to commence production of polyester fibres. This upstream vertical integration has enabled the Group to become self-sufficient in terms of raw materials supply.

In addition, fibres and yarn are commodity items and are available in many overseas countries. The likelihood of a world shortage is low.

4.20 DELAY IN OBTAINING CERTIFICATES OF FITNESS FOR THE EKSB FACTORY EXPANSION AND BOILER OWNED BY FIT

EKSB constructed an extension to its factory on H.S. (D) 28284, No. P.T. 10356, Mukim Rawang, Daerah Gombak, Selangor Darul Ehsan . The building plan for the extension had been approved by the Majlis Perbandaran Selayang on 11 February 2002 and construction of the extension had been completed in accordance to the approved building plan. The certificate of fitness ("CF") for the extension to the factory is pending clearance from the Jabatan Bomba dan Penyelamat, Shah Alam on the adequacy of the fire fighting facility. In view that the building plan has already been approved by the authorities, EKSB does not foresee any problems in obtaining the CF and will take the necessary steps in order the meet all additional conditions (if any) imposed by the authorities so as to expedite the issuance of the CF. However EKSB does not anticipate any major disruption to its production line as a result of the additions or alterations (if any).

FIT is currently utilising a boiler for the production of its fibres.The boiler came as part of FIT's entire fibre production line which was designed, fabricated and tested in Korea prior to commissioning in Malaysia. The technical drawings from the boiler manufacturer in foreign language has been translated and an application has been made to the relevant authorities to obtain a certificate of fitness for the boiler. In the event that FIT is not able to obtain the certificate of fitness for its boiler it will cease using the said boiler and acquire a new boiler. The new boiler is expected to cost RM100,000. However, FIT does not anticipate a material disruption to its production line as a result of any changeover to a new boiler.

4. RISK FACTORS *(cont'd)*

4.21 RISKS ASSOCIATED WITH INVESTMENT ACTIVITIES

The Group intends to purchase additional machineries from United Chemical Industries Berhad (UCI) to increase its production of industrial fabrics and woven geotextiles by approximately 20% to 30%. However, there is no guarantee that the there will be a continuous market demand for the products to be produced with the machines. In the event that there is reduced demand for the Group's products, the machines may be left idle and not generating any income. Furthermore, as the machines to be purchased are not new, they may require repairs to bring them into working condition.

The risks associated with the abovementioned investment can be mitigated by the fact that the machinery to be purchased is highly versatile and can be used to manufacture industrial bulk bags as well as different types of geo-textiles. As such, the demand from different market segments may off-set any idle time as a result of the reduced demand from a particular market segment. Furthermore, the Group has been renting UCI's factory and using its machineries since April 2003. Thus, the Group has been able to assess the condition of the machinery and evaluate the costs involved to repair and bring into working condition prior to completing the purchase.

4.22 RISKS RELATING TO NEW PRODUCTS AND DEVELOPING NEW MARKETS

The Group has projected to invest in capital expenditure, i.e., purchase of equipment, for the production of new products such as filters, car mats, carpet backing and industrial bulk bags as well as expansion of its export markets. There can be no certainty as to the demand for these products as the Group has not previously established a market for these products. Whilst these products represent opportunities for the Group to further expand its business, there is potential risk that the investment will not be successful and that the Group may suffer losses as a result. The Directors of EKIB will ensure that proper market assessment is carried out prior to investing in the production of new products and expansion of its export markets in order to reduce the risks involved.

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