

1. INFORMATION SUMMARY

The following information is only a summary of the salient information about the EHB Group. Investors should read and understand the Prospectus in its entirety prior to deciding whether to invest in the Shares of the Company.

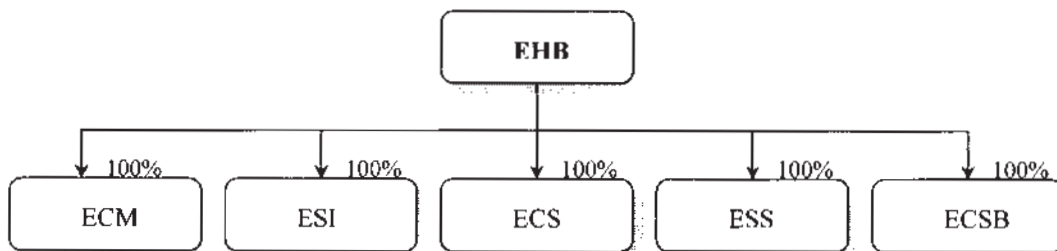
1.1 History and Business

EHB was incorporated in Malaysia as a public limited company on 24 March 2004 under the Act. It was established to become the investment holding company of the EHB Group in conjunction with the listing of the Company on the Second Board of Bursa Securities. The principal activities of the Company's subsidiaries are as follows:

Subsidiaries	Date / Country of incorporation	% effective equity interest	Issued & paid-up capital RM	Principal activities
ECM	02.10.1987 Malaysia	100	800,048	Manufacturing and marketing of furniture
ECS	19.06.1984 Malaysia	100	660,012	Trading of furniture, furniture fabric material and other furniture components
ESS	29.02.1996 Malaysia	100	200,000	Trading of office furniture
ESI	17.08.1983 Malaysia	100	2,000,000	Manufacturing and trading of office furniture, partition, chairs and panels
ECSB	21.09.1990 Malaysia	100	2	Holds the industrial designs and trademarks of the Group

Further information on the subsidiaries is set out in Section 4.5 of this Prospectus.

The Group's corporate structure as at the date of this Prospectus is depicted as follows:



Further details on the business overview are provided in Section 4.4 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

1.2 Promoters, Substantial Shareholders, Directors and Key Management

The beneficial interests, direct and indirect, of the promoters, substantial shareholders, directors and key management in the Shares of the Company after the Public Issue are as follows:

	Designation	*Direct		Indirect		
		No. of Shares	%	No. of Shares	%	
Promoters						
Dato' Mohd Haniff Bin Abd Aziz	Non-Executive Chairman	12,150,000	15.00	12,150,000	15.00	
Lew Fatt Sin	Group Managing Director	18,019,812	22.25	-	-	
Law Sim Shee	Executive Director	10,782,163	13.31	-	-	
Teh Hock Toh	Executive Director	7,290,001	9.00	-	-	
Substantial shareholders						
Dato' Mohd Haniff Bin Abd Aziz	Non-Executive Chairman	12,150,000	15.00	12,150,000	15.00	
Lew Fatt Sin	Group Managing Director	18,019,812	22.25	-	-	
Law Sim Shee	Executive Director	10,782,163	13.31	-	-	
Teh Hock Toh	Executive Director	7,290,001	9.00	-	-	
NASB	-	12,150,000	15.00	-	-	
Directors						
Dato' Mohd Haniff Bin Abd Aziz	Non-Executive Chairman	12,150,000	15.00	12,150,000	15.00	
Lew Fatt Sin	Group Managing Director	18,019,812	22.25	-	-	
Law Sim Shee	Executive Director	10,782,163	13.31	-	-	
Lew Hin	Executive Director	357,841	0.44	-	-	
Teh Hock Toh	Executive Director	7,290,001	9.00	-	-	
Foong Yein Teng	Executive Director	-	-	-	-	
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	Independent Non-Executive Director	-	-	-	-	
Ng Wai Pin	Independent Non-Executive Director	-	-	-	-	
Pua Kah Ho	Independent Non-Executive Director	-	-	-	-	

1. INFORMATION SUMMARY (Cont'd)

	Designation	*Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Key management					
Kor Hong Beng	Technical Director	30,000	0.04	-	-
Tan Hong Ket	Business Development Manager - International	55,000	0.07	-	-
Cheong Chan Leong	Business Development Manager - Local Marketing	55,000	0.07	-	-
Chia Yoke Foon	Business Development Manager - Local Marketing	40,000	0.05	-	-
Chai Kim Cheong	Operations Manager	30,000	0.04	-	-
Tan Poh Yong	Store & Purchasing Manager	55,180	0.07	-	-
Lee Ong Kiat	Project Manager	40,000	0.05	-	-
Goh Ka Ting	Finance Manager	40,000	0.05	-	-

Notes:

* Based on the assumption that all key management of the EHB Group will fully subscribe to their respective entitlements in respect of Public Issue Shares reserved for the eligible employees of the EHB Group pursuant to the Public Issue.

^ Deemed interest by virtue of Section 6A(4) of the Act held through NASB.

Further information on the promoters, substantial shareholders, directors and key management are provided in Section 5 of this Prospectus.

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1. INFORMATION SUMMARY *(Cont'd)*

1.3 Financial Highlights

1.3.1 Historical Financial Information

The following table is extracted from the Accountants' Report set out in Section 10 of this Prospectus and should be read in conjunction with the notes thereto.

The following is a summary of the proforma consolidated results of EHB for the past five (5) financial years ended 31 December 1999 to 31 December 2003 and the six (6)-month period ended 30 June 2004, and are provided for illustration purposes based on the audited financial statements of the subsidiaries of EHB, prepared on the assumption that the existing group structure of EHB had been in existence throughout the financial years/period under review:

	←-----Financial year ended 31 December----->					6 months ended
	1999	2000	2001	2002	2003	30.06.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	24,494	31,775	28,435	40,372	52,922	28,379
EBITDA	6,200	5,966	5,993	7,475	9,575	4,896
Finance cost	(1,381)	(1,469)	(1,236)	(1,177)	(1,080)	(429)
Depreciation	(1,512)	(1,602)	(1,667)	(1,847)	(2,259)	(1,363)
Amortisation	-	-	-	-	-	-
PBT	3,307	2,895	3,090	4,451	6,236	3,104
Taxation	(94)	(721)	(624)	(1,291)	(1,609)	(417)
PAT	3,213	2,174	2,466	3,160	4,627	2,687
No. of ordinary shares in issue ('000) ^	60,750	60,750	60,750	60,750	60,750	60,750
Gross EPS# (sen)	5.4	4.8	5.1	7.3	10.3	*10.2
Net EPS# (sen)	5.3	3.6	4.1	5.2	7.6	*8.8
Net dividend rate (%)	-	-	-	-	-	-

Notes:

* *Annualised.*

^ *Based on the number of ordinary shares assumed in issue after the Acquisitions and Rights Issue but before the Public Issue.*

The gross and net EPS have been calculated by dividing PBT and PAT respectively for the financial years/period by the number of ordinary shares assumed in issue.

1. *There were no exceptional or extraordinary items, share of profits/losses from associated company and joint ventures and minority interest during the financial years/period under review.*
2. *Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation. The change in accounting policy has been applied retrospectively and comparatives have been restated.*

1. INFORMATION SUMMARY (Cont'd)

1.3.2 Proforma Consolidated Balance Sheets

The proforma consolidated balance sheets of EHB as at 30 June 2004 have been prepared for illustrative purposes only to show the effects on the financial statements of the EHB Group as at 30 June 2004 had the Acquisitions, Rights Issue and Public Issue been completed on that date, and should be read together with the notes and assumptions to the proforma consolidated balance sheets of EHB set out in Section 9.10 of this Prospectus.

	Audited as at 30 June 2004 RM'000	Proforma (I) RM'000	Proforma (II) RM'000	Proforma (III) RM'000	Proforma (IV) RM'000
Fixed Assets	-	21,551	21,551	21,551	29,551
CURRENT ASSETS					
Stocks	-	7,020	7,020	7,020	7,020
Trade debtors	-	18,153	18,153	18,153	18,153
Other debtors	412	2,640	2,640	2,640	2,640
Amount due from directors	-	882	882	882	882
Tax recoverable	-	228	228	228	228
Fixed deposits	-	200	200	200	200
Cash and bank balances	~	579	7,659	22,847	5,247
	412	29,702	36,782	51,970	34,370
CURRENT LIABILITIES					
Trade creditors	-	7,334	7,334	7,334	7,334
Other creditors and accruals	4	2,843	2,843	2,843	2,843
Amount due to related company	415	-	-	-	-
Hire purchase creditors	-	1,133	1,133	1,133	1,133
Bank borrowings	-	11,685	11,685	11,685	3,685
Provision for taxation	-	128	128	128	128
	419	23,123	23,123	23,123	15,123
NET CURRENT (LIABILITIES) / ASSETS	(7)	6,579	13,659	28,847	19,247
	(7)	28,130	35,210	50,398	48,798
Financed By:					
SHARE CAPITAL	*	23,295	30,375	40,500	40,500
RESERVE ON CONSOLIDATION		2,682	2,682	2,682	2,682
SHARE PREMIUM	-	403	403	5,466	3,866
ACCUMULATED LOSSES	(7)	(7)	(7)	(7)	(7)
SHAREHOLDERS' FUNDS	(7)	26,373	33,453	48,641	47,041
Hire purchase creditors	-	1,098	1,098	1,098	1,098
Term loans	-	215	215	215	215
Deferred taxation	-	444	444	444	444
	(7)	28,130	35,210	50,398	48,798
(Net liabilities) / NTA (RM'000)	(7)	26,373	33,453	48,641	47,041
(Net liabilities) / NTA per Share (RM)	(1,750)	0.57	0.55	0.60	0.58

~ Negligible.

* The share capital was RM2 comprising four (4) shares of RM0.50 each.

1. INFORMATION SUMMARY (Cont'd)

- Proforma I : Incorporates the Acquisitions
 Proforma II : After Proforma I and Rights Issue
 Proforma III : After Proforma II and Public Issue
 Proforma IV : After Proforma III and utilisation of proceeds

1.3.3 Auditors' Qualification

The audited financial statements of the Company and its subsidiaries for the past five (5) financial years ended 31 December 1999 to 31 December 2003 and the six (6)-month period ended 30 June 2004 have not been subjected to any auditors' qualifications.

1.3.4 Estimate and Forecast

Set out below is a summary of the profit estimate and forecast of the EHB Group for the financial years ending 31 December 2004 and 31 December 2005 respectively. Investors should review the financial estimate and forecast taking into account the various assumptions underlying the estimate and forecast contained in Section 9.5 of this Prospectus.

(i) Consolidated Profit Estimate and Forecast

<u>Financial years ending 31 December</u>	Estimate 2004 RM'000	Forecast 2005 RM'000
Consolidated PBT (RM'000)	7,985	9,657
Less: Taxation	(2,111)	(2,830)
Consolidated PAT (RM'000)	5,874	6,827
Less: Pre-acquisition profit ¹	(3,698)	-
Consolidated PAT attributable to shareholders of EHB	<u>2,176</u>	<u>6,827</u>

Based on the enlarged issued and paid-up share capital:

Net EPS ² (sen)	7.3	8.4
Net PE Multiple based on the issue price of RM0.75 per Share (times)	10.3	8.9

Based on weighted average number of shares in issue³:

Net EPS ⁴ (sen)	31.5	8.6
Net PE Multiple based on the issue price of RM0.75 per Share (times)	2.4	8.7

Notes:

- The Acquisitions were completed on 1 October 2004 and the pre-acquisition profit relates to profit generated for the period from 1 January 2004 to 30 September 2004.
- Based on the consolidated PAT but before pre-acquisition profit and the enlarged issued and paid-up share capital of 81,000,000 Shares.
- On the assumption that the Public Issue is completed at the end of January 2005, the weighted average number of shares in issue are 18,676,757 and 79,312,500 for 2004 and 2005 respectively.
- Based on the consolidated PAT but before pre-acquisition profit and the weighted average number of shares in issue.

Further information on the consolidated profit estimate and forecast of the EHB Group is set out in Section 9.5 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

(ii) Dividend Estimate and Forecast

The Directors of EHB intends to pursue a dividend policy in line with its profitability which would allow shareholders to participate in the profits of the Group while at the same time leaving sufficient reserves for the future growth of the Group.

The Directors are of the opinion that it would be more beneficial for the EHB Group to conserve excess cash flow for the expansion of the Group and accordingly, do not intend to declare any dividends for the financial years ending 31 December 2004 and 31 December 2005.

1.4 Risk Factors

There are a number of risk factors (which may not be exhaustive), both specific to EHB Group and relating to the general business environment, which may impact the operating performance and financial position of the Group and affect the achievability of the estimate and forecast. To appreciate the risk factors associated with an investment in EHB, this Prospectus should be read in its entirety. Details of the key risk factors listed below, of which investors should be aware, are set out in Section 3 of this Prospectus:

- (i) Business risks;
- (ii) Competition;
- (iii) Supply and prices of raw materials;
- (iv) Lack of design innovations;
- (v) Foreign exchange fluctuations;
- (vi) Insurance coverage and risk of business disruption;
- (vii) Dependence on key personnel;
- (viii) Dependence on projects;
- (ix) Delay in the completion of projects;
- (x) Supply of labour;
- (xi) Impact of AFTA;
- (xii) Control by substantial shareholders;
- (xiii) Borrowings;
- (xiv) No prior market for EHB Shares;
- (xv) Profit estimate and forecast; and
- (xvi) Forward-looking statements.

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1. INFORMATION SUMMARY (Cont'd)

1.5 Principal Statistics relating to the Public Issue

(i) Share Capital	RM
<i>Authorised:</i>	
100,000,000 ordinary shares of RM0.50 each	<u>50,000,000</u>
<i>Issued and fully paid-up:</i>	
60,750,000 ordinary shares of RM0.50 each	30,375,000
<i>To be issued pursuant to the Public Issue:</i>	
20,250,000 new ordinary shares of RM0.50 each	10,125,000
Enlarged issued and paid-up capital	<u>40,500,000</u>
 (ii) Issue Price per Public Issue Share	 0.75
 (iii) Proforma Consolidated NTA	
Proforma Consolidated NTA as at 30 June 2004 (after taking into account the Public Issue and estimated listing expenses of RM1.6 million)	47,041,000
Proforma Consolidated NTA per Share (based on the enlarged share capital of 81,000,000 Shares)	0.58

(iv) Classes of Shares and Ranking

There is only one class of shares in EHB namely ordinary shares of RM0.50 each. The Public Issue Shares will rank pari passu in all respects with the existing issued and paid-up ordinary shares in the Company including voting rights and dividends and/or distributions that may be declared subsequent to the date of allotment thereof.

1.6 Utilisation of Proceeds

The gross proceeds of approximately RM22.3 million from the Rights Issue and Public Issue accruing to the Company will be utilised in the following manner:

	RM'000	Timeframe for utilisation of proceeds from the date of listing
Construction of new plant	5,000	Within 2 years
Purchase of machinery, moulds and tools	3,000	Within 2 years
Repayment of borrowings	8,000	Within 6 months
Working capital	4,667	Within 6 months
Estimated listing expenses	1,600	Within 6 months
	<u>22,267</u>	

Further information on the utilisation of proceeds is provided in Section 2.6 of this Prospectus.

1.7 Working Capital

The Directors of the Company are of the opinion that after taking into account the cash flow position including the proceeds from the Rights Issue, Public Issue and the banking facilities available, the EHB Group has adequate working capital for a period of twelve (12) months from the date of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

1.8 Borrowings

As at 6 December 2004, the total bank borrowings of the Group comprising term loans, overdraft and other banking facilities, all of which are domestic borrowings and are interest bearing, are as follows:

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Bills payable*	1,483	-	1,483
Bank overdraft*	295	-	295
Hire purchase	1,132	1,291	2,423
Term loan	545	98	643
	<u>3,455</u>	<u>1,389</u>	<u>4,844</u>

* *Approximately RM3.5 million have been repaid via proceeds from the Rights Issue.*

Save as disclosed above, the Group does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding, convertible debt outstanding, guarantees or other borrowings on that date.

There has been no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past financial year ended 31 December 2003 or the subsequent financial period thereof, immediately preceding the date of this Prospectus.

1.9 Material Litigation

As at 6 December 2004, neither EHB nor its subsidiaries is engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors of the Company have no knowledge of any proceedings pending or threatened against the Company and its subsidiaries or any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company and its subsidiaries.

1.10 Material Capital Commitments

Save as disclosed below, as at 6 December 2004, the Group has not contracted any capital commitments, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group:

Purchase of fixed assets comprising machinery and equipment	<u>RM'000</u> <u>1,661</u>
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1.11 Contingent Liabilities

As at 6 December 2004, the Directors of EHB are not aware of any contingent liabilities, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

2. PARTICULARS OF THE PUBLIC ISSUE

2.1 Introduction

This Prospectus is dated 28 December 2004.

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

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Second Board of Bursa Securities is not to be taken as an indication of the merits of the Company and its subsidiaries or of its Shares.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed EHB Shares as a prescribed security. In consequence thereof, the Public Issue Shares will be deposited directly with the Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of the Depository.

Approval-in-principle has been obtained from Bursa Securities on 18 October 2004 for the admission of EHB to the Official List of the Second Board of Bursa Securities and for the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of EHB, including the Public Issue Shares which are the subject of this Prospectus, on the Second Board of Bursa Securities. These Shares will be admitted to the Official List of the Second Board of Bursa Securities and official quotation will commence upon receipt of confirmation from the Depository that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants.

Acceptance of the applications will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for the entire enlarged issued and fully paid-up ordinary shares of the Company on the Second Board of Bursa Securities. Accordingly, monies paid in respect of any application accepted 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 Bursa Securities within the aforesaid timeframe.

Pursuant to the Listing Requirements of Bursa Securities, at least 25% of the total number of shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the Public Issue and at the point of listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the Second Board of Bursa Securities. In the event thereof, monies paid in respect of all applications will be returned without interest.

In the case of an application by way of Application Form, the applicant must state his/her CDS account number in the space provided in the Application Form. Where an applicant does not presently have a CDS account, the applicant should open a CDS account at an ADA prior to making an application for the Public Issue Shares. In the case of an application by way of ESA, only an applicant who has a CDS account can make an ESA and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by keying in his/her CDS account number if the instruction 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 by way of ESA.

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

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The distribution of this Prospectus and the sale of the Public Issue Shares are subject to Malaysian law and the Company or Hwang-DBS takes no responsibility for the distribution of this Prospectus and/or sale of the Public Issue Shares outside Malaysia. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any Public Issue Shares in any jurisdiction in which such offer is not authorised or lawful or to any person to whom it is unlawful to make such offer.

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

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2.2 Indicative Timetable

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities is set out below:

Events	Tentative Date
Opening date of Application	28 December 2004
Closing date of Application	*11 January 2005
Balloting of Application	14 January 2005
Allotment of shares	18 January 2005
Despatch of Notices of Allotment	24 January 2005
Listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities	25 January 2005

* *This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The Directors and the Underwriter may in their discretion mutually decide to extend the closing date of the application to a later date. Should the closing date of the application be extended, the dates for the allotment of the Public Issue Shares and the listing of and quotation for the entire enlarged issued and paid-up share capital of EHB on the Second Board of Bursa Securities would be extended accordingly. EHB will notify the public via an advertisement in a widely circulated English and Bahasa Malaysia newspaper in the event there is an extension of time on the closing date of the application.*

2.3 Purposes of the Public Issue

The purposes of the Public Issue are as follows:

- (a) To enable the Company to gain access to the capital market to raise funds for future expansion and continued growth of the EHB Group;
- (b) To provide an opportunity for the eligible employees and business associates of the EHB Group and the Malaysian public to participate in the continuing growth of the Group by way of equity participation; and

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

- (c) To obtain listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of EHB on the Second Board of Bursa Securities, which is expected to enhance the business, profile and future prospects of the Group.

2.4 Details of the Public Issue

The Public Issue of 20,250,000 new Shares is an invitation by the Company to eligible employees and business associates of the EHB Group and the Malaysian public to apply for the Public Issue Shares at an issue price of RM0.75 per ordinary share, payable in full on application upon the terms and conditions of this Prospectus.

The Public Issue Shares, upon allotment and issue, will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares in the Company including voting rights and dividends and/or distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

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

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company in accordance with the Articles of Association of the Company.

The Public Issue Shares totalling 20,250,000 Shares shall be allocated in the following manner:-

(a) Eligible Employees and Business Associates

3,000,000 new Shares representing 3.7% of the enlarged issued and paid-up share capital of EHB are reserved for application by eligible employees and business associates of the EHB Group.

Of the said 3,000,000 new Shares, 2,062,000 Shares have been allocated to 224 eligible employees of the EHB Group. The allocation of the Shares to the eligible employees of the EHB Group, as approved by the Board of EHB, is generally based on seniority in ranking, length of service and contribution to the success of the Group.

The remaining 938,000 Shares were allocated to a total of 46 eligible business associates of the EHB Group. The allocation of the Shares to the business associates of the EHB Group, as approved by the Board of EHB, is generally based on their respective contribution and continual support to the Group.

Any of the above Shares that are not subscribed for by the eligible employees and business associates of the EHB Group will be made available for placement to identified places.

(b) Malaysian Public

6,000,000 new Shares representing 7.4% of the enlarged issued and paid-up share capital are 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, to be allocated via ballot.

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

(c) Private Placement

11,250,000 new Shares representing 13.9% of the enlarged issued and paid-up share capital will be placed with identified investors by the placement agents.

The Public Issue Shares in (b) above have been fully underwritten at an underwriting commission of 1.5%.

2.5 Pricing of the Public Issue Shares

The Issue Price of RM0.75 per Share was determined and agreed upon by the Company and Hwang-DBS as the Adviser and Underwriter, after taking into consideration the following factors:

- (i) the Group's estimate and forecast net EPS of 7.3 sen and 8.4 sen for the years ending 31 December 2004 and 31 December 2005 respectively, computed based on the enlarged issued and paid-up share capital of 81,000,000 Shares, and the estimate and forecast net PE Multiple of approximately 10.3 times and 8.9 times respectively;
- (ii) the Group's operating and financial history and conditions as described in Sections 4 and 9 of this Prospectus;
- (iii) the industry review, future plans and strategies and outlook of the Group as described in Section 4 of this Prospectus; and
- (iv) the proforma consolidated NTA per Share of EHB of RM0.58 as at 30 June 2004.

2.6 Proceeds of the Public Issue and Utilisation of Proceeds

The gross proceeds of approximately RM22.3 million from the Rights Issue and Public Issue accruing to the Company will be utilised in the following manner:

	Notes	RM'000	Timeframe for utilisation of proceeds from the date of listing
Construction of new plant	(a)	5,000	Within 2 years
Purchase of machinery, moulds and tools	(b)	3,000	Within 2 years
Repayment of borrowings	(c)	8,000	Within 6 months
Working capital	(d)	4,667	Within 6 months
Estimated listing expenses	(e)	1,600	Within 6 months
		22,267	

(a) Construction of New Plant

In line with its expansion plan, the Group intends to construct a new plant on a parcel of leasehold industrial land located at Lot 11, Jalan Perusahaan Satu, Kawasan Perindustrian Batu 20, Jalan Rawang, 48000 Rawang, Selangor Darul Ehsan, with a total area of 122,407 sq. ft. to house the production facilities for metal products fabrication. Construction is scheduled to commence in July 2005 and the total cost of construction for the new factory is estimated at RM5 million. The new factory is scheduled to be completed in March 2006 and operational by July 2006, and will increase production capacity by another 50%.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(b) Purchase of Machinery, Moulds and Tools

An amount of RM3 million from the Rights Issue and Public Issue proceeds has been earmarked for the purchase of machinery, moulds and tools for both the existing manufacturing plants and the new factory to be constructed. The machinery, moulds and tools that have been identified to be purchased are as follows:

	RM'000
Wood processing machine	1,900
Conveyor epoxy coating plant	500
Air supply system	100
Moulds and toolings	500
	3,000

(c) Repayment of Borrowings

The Group will utilise RM8 million of the proceeds from the Rights Issue and Public Issue to repay its bank borrowings. As at 6 December 2004, the Group has partially repaid approximately RM3.5 million of the bank borrowings via the proceeds from the Rights Issue. The repayment of borrowings is expected to contribute to a total interest savings of approximately RM510,000 per annum based on average interest rate of 6.38% per annum.

The actual amount of bank borrowings outstanding upon listing of EHB on the Second Board of Bursa Securities may vary as the Group is servicing/repaying its bank borrowings continuously. In the event of any variance in the actual amount of bank borrowings to be repaid using the proceeds from the Rights Issue and Public Issue, any excess proceeds shall either be utilised to repay other borrowings of the Group or for working capital purpose.

(d) Working Capital

The Group utilises trade facilities and short-term borrowings to meet its working capital requirements for the purchase of raw materials. In anticipation of increase in sales volume in line with the Group's expansion plan, EHB intends to allocate approximately RM4.7 million to finance the Group's general working capital, operating and administrative requirements.

(e) Estimated Listing Expenses

The estimated listing expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of EHB on the Second Board of Bursa Securities, to be borne by the Company, are as follows:

	RM'000
Professional fees	828
Fees to authorities	61
Advertisement and printing	200
Underwriting commission, placement fee, management fee and brokerage	330
Issuing house	80
Contingencies	101
Total estimated listing expenses	1,600

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.7 Brokerage and Underwriting Commission

Brokerage relating to the Public Issue Shares will be paid by the Company at the rate of 1% of the Issue Price of RM0.75 per Public Issue Share in respect of successful applications bearing the stamp of Hwang-DBS, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

An underwriting agreement was entered into between the Company and Hwang-DBS on 18 October 2004 to appoint Hwang-DBS as the Underwriter to underwrite 6,000,000 Public Issue Shares to be made available to the Malaysian public. Underwriting commission is payable by the Company at the rate of 1.5% of the Issue Price of RM0.75 per Public Issue Share.

2.8 Salient Terms of the Underwriting Agreement

The Underwriting Agreement dated 18 October 2004 between EHB and Hwang-DBS contains certain clauses as extracted below which may allow the Underwriter to withdraw from its obligations under the Underwriting Agreement. The terms used in this section shall have the same meanings as ascribed thereto in the Underwriting Agreement:

(a) Conditions Precedent for Underwriting

The several obligations of the Underwriter under this Agreement shall further be conditional upon:

- (i) **CCM & SC:** the lodgment and acceptance for registration with the CCM and the SC respectively of the Prospectus together with copies of all documents required under Section 42 of the Companies Act prior to the issuance of the Prospectus to the public;
- (ii) **Issue of Prospectus:** the issuance of the Prospectus (including advertisement of the Prospectus and all other procedures, requirements, letters and documents required under Chapter 3 of the Listing Requirements) have been complied with to the public within three (3) months from the date hereof or such extension as consented by the Underwriter;
- (iii) **Bursa Securities Approval for Quotation:** Bursa Securities agreeing in principle to the listing of and quotation for (on terms satisfactory to the Underwriter) the entire issued and paid-up share capital of the Company within three (3) months from the date hereof or such later date as consented by the Underwriter prior to the issuance of the Prospectus, and the Underwriter being reasonably satisfied that such listing and quotation will be granted three (3) Market Days (or such other days as Bursa Securities may permit) after the submission to Bursa Securities of the relevant documents required for such listing and quotation for the entire issued and paid-up share capital of the Company have been accepted and the respective Shares are deposited in or transferred to the securities account maintained by the entitled shareholders under the Securities Industry (Central Depository) Act, 1991;
- (iv) **Material Adverse Condition:** there having been, as at any time hereafter up to and including the Closing Date, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of the Company and its subsidiaries (which in the reasonable opinion of the Underwriter are or will be material in the context of the issue of the Initial Public Offering Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect an extent which is or will be material in any of the representations, warranties and undertakings contained in Clauses 3.1 and 3.2 of the Underwriting Agreement if they are repeated on and as of the Closing Date;

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

- (v) **No Prohibition by Laws on the Initial Public Offering:** the issue, offering and subscription of the Initial Public Offering Shares in accordance with the provisions hereof and the Prospectus are not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
- (vi) **Approvals:** all necessary approvals and consents required in relation to the Initial Public Offering including but not limited to governmental approvals having been obtained and are in full force and effects;
- (vii) **Payment of Expenses:** the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 13 of the Underwriting Agreement;
- (viii) **Resolutions:** the delivery to the Underwriter prior to the date of registration of the Prospectus of (aa) a copy certified as true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Initial Public Offering and authorising the execution of this Agreement and the issuance of the Prospectus; (bb) a certificate dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 4.1(d) of the Underwriting Agreement;
- (ix) **Report & Confirmation:** the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Company or its subsidiaries nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations and/or warranties contained in Clause 3 of the Underwriting Agreement as though they have been given and/or made on such date;
- (x) **Public Shareholding Spread:** the public shareholding spread is met;
- (xi) **Execution of Agreement:** this Agreement having been duly executed by all Parties and stamped; and
- (xii) **Composite Index of Bursa Securities:** the Composite Index of Bursa Securities is at no less than 600 points on or prior to 5.00 p.m. on the Closing Date.

Non-Fulfilment of Conditions Precedent: in the event any of the foregoing conditions are not satisfied on or before the Closing Date or Extended Closing Date, the Underwriter shall, subject as mentioned below, thereupon be entitled but not bound to terminate this Agreement by notice given to the Company not later than three (3) market days after the Closing Date and upon such termination, the liabilities of the Company and the Underwriter shall become null and void and none of the parties shall have a claim against the other save for antecedent breaches by the parties and claims arising therefrom and that each party shall return any and all moneys paid to the other or others under this Agreement within seventy-two (72) hours of the receipt of such notice (except for monies paid by the Company for the payment of the expenses as provided in Clause 13 of the Underwriting Agreement). The Underwriter reserves the right to waive any of the conditions aforesaid any condition so waived shall be deemed to have been satisfied in relation to it provided however such waiver shall not prejudice the Underwriter's rights under this Agreement.

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

(b) Termination, Lapse of Agreement or Force Majeure

Notwithstanding anything herein contained, if there shall have occurred, happened or come into effect, any of the following circumstances, on or before the Closing Date or the Extended Closing Date as the case may be, namely:

- (i) **Breaches in Representations, Warranties or Undertakings:** there is any breach by the Company of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company or by the Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriter, which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Initial Public Offering, or the distribution or sale of the Initial Public Offering Shares; or
- (ii) **Information Withheld:** there is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Initial Public Offering, or the distribution or sale of the Initial Public Offering Shares; or
- (iii) **Material and/or Adverse Changes:** there shall have occurred, happened or come into effect any material and/or adverse change to the business or financial condition of the Company or the Group; or
- (iv) **Force Majeure/Lapse of Agreement:** there shall have occurred, happened or come into effect any of the following circumstances:
 - (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (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 Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war);

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

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

if in the reasonable opinion of the Underwriter that the success of the Initial Public Offering is seriously and/or materially jeopardised by the Kuala Lumpur Composite Index falling below 600 points for 3 consecutive Market Days at any time between the date of this Agreement and up to and including the Closing Date;

the obligations of the parties to this Agreement that remain executory at such time shall be suspended unless otherwise agreed in writing by the parties, and the parties shall agree to an Extended Closing Date.

In the event the obligations of the parties to this Agreement are suspended, the parties shall endeavour to proceed with the underwriting of the Underwritten Shares on terms as may be mutually agreed between the parties; or

In the event the obligations of the parties to this Agreement are suspended and the parties fail to agree to proceed with the underwriting of the Underwritten Shares before the Extended Closing Date, this Agreement shall be terminated and shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches and any ancillary expenses incurred by the Underwriter under or pursuant to the terms of this Agreement.

- (v) **Withdrawal or Non-Procurement of Approval for Listing by Bursa Securities:** the approval in principle of Bursa Securities for the admission of the Company to the Official List of Bursa Securities or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of Bursa Securities is withdrawn or not procured within six (6) weeks from the date of issue of Prospectus or such other period as may be specified by the SC; or
- (vi) **Failure to Perform Obligations:** there is failure on the part of the Company to perform any of its obligations herein contained.
- (vii) **Underwriter Obligations Discharged:** Upon such notice(s) being given under Clause 14.1 of the Underwriting Agreement, the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of its obligations and liabilities for the payment of the costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies and for any antecedent breach.

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3. RISK FACTORS

There are a number of risk factors, both specific to the EHB Group and relating to the general business environment, which may impact on the operating performance and financial position of the Group and affect the achievability of the estimate and forecast. Investors should carefully consider the following factors (which may not be exhaustive) which may have a significant impact on the future performance of the Group before applying for the Public Issue Shares.

(i) Business Risks

The EHB Group is not insulated from general business risks as well as certain risks inherent in the industry in which it operates. 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 and increase in labour costs, changes in law and tax legislation affecting the industry, changes in business and credit conditions, increase in oil prices, fluctuations in foreign exchange rates, interest rate hike and fluctuation in the supply and pricing of raw materials.

Any adverse development in the political situations and economic uncertainties in Malaysia and/or other countries which EHB Group has business links, directly or indirectly could materially and adversely affect the financial performance of the Group. These include risks of war, global economic downturn, expropriation, nationalisation, unfavourable change in government policy and regulations such as foreign exchange rates and methods of taxation and currency exchange controls.

The Group's revenue will also depend on the timely completion of the projects, which will affect the timing of income recognition in the relevant financial periods of the Group.

Although the Group seeks to limit these business risks through, inter alia, prudent management policies, maintaining good business relationships with its customers, having a large pool of suppliers, expansion of its client base in both local and export markets, careful contractual terms, close project supervision and planning, and effective human resource management, no assurance can be given that any change in any of these factors will not have a material adverse effect on the Group's business.

(ii) Competition

The EHB Group faces competition from various competitors, both domestically and abroad, and from potential new players in the industry. In particular, there has been increasing competition from furniture manufacturers in the other Asian countries, especially China, which has emerged as the second ranked furniture exporting country after Italy, and Vietnam. The possibility of increased competition from these competitors may cause the Group to lose its market share and consequently result in lower profit margins thereby affecting the financial performance of the Group. Nevertheless, the Group is confident that it will be able to maintain its competitive advantage by ensuring prompt delivery, consistent high quality products, continuous product development and improvement, innovative product designs, implementation of cost control measures and increasing production efficiency. However, there can be no assurance that the Group will not be affected by the competitive strategy adopted by the other players within the same industry and that the Group will always be able to maintain its existing market share in the future.

3. RISK FACTORS *(Cont'd)*

(iii) Supply and Prices of Raw Materials

The main raw materials used in the production of office furniture by the Group are medium density fibreboard, steel sheets, tubes, iron and steel pipes, plastic, sponge and fabrics. The Group purchases its raw materials from a pool of suppliers who have an established track record and are able to provide constant supply at competitive prices promptly. While the Group maintains a long term relationship with major suppliers, no assurance can be given that there will be continuous sufficient supply of raw materials. However, the Directors and key management of the Group are confident that the long term relationship which they have established with the suppliers will enable the Group to obtain regular and adequate supply of raw materials at competitive prices. The management is able to identify additional suppliers to procure supply of raw materials should the need arise.

The Group is also exposed to the risk of fluctuation in prices of raw materials. Notwithstanding this risk, the Group may still be able to maintain reasonable profits if it can pass the increase in cost to its customers. Furthermore, the management of the Group has extensive experience in purchasing raw materials and is well versed with the market trends of the raw materials prices and their availability.

(iv) Lack of Design Innovations

Marketability of furniture depends to a certain extent on the design innovations and changing styles. Currently, it is not uncommon for furniture designs to be provided by the buyers, especially in the more established foreign markets. There seems to be lack of original design, and most of the designs arise from modifications and redesigning of existing designs sourced from magazines, brochures, catalogues and overseas furniture fairs and exhibitions. In the long run, the lack of design innovations by furniture manufacturers may lead to loss of market share in the domestic and global market.

The EHB Group places strong emphasis on R&D to ensure that its products are innovative and of high quality, and conform to the stringent standards set by its customers. In order to stay ahead of competition and maintain its market reputation, the EHB Group established its in-house R&D team in 1995 to focus on product innovation and development, and process improvements. The EHB Group's R&D team is entrusted with the following tasks:

- (i) development of new and innovative products;
- (ii) conduct market study and research;
- (iii) review and recommend process improvements to optimise operational efficiency; and
- (iv) sourcing of new materials to improve product quality and economics.

The R&D team is responsible for performing market research on the latest trends and products in the office furniture industry, receiving customer feedback through the sales and marketing team, and brainstorming to generate ideas for new product designs and concepts. The R&D team uses the AutoCAD software to simulate 3-dimensional models of their designs of chairs and system furniture. Designs which show promise are transformed into prototypes which are subject to tests and visual inspections to assess their ergonomics, aesthetics, functionality, style, comfort and economics before being approved for commercial production. The R&D team also periodically reviews the production layout, process flows, as well as the production methods and technology employed to maximise production efficiency. Furthermore, the R&D team also actively sources for new materials through trade journals and expeditions to international trade fairs and exhibitions which can enhance the quality, durability and aesthetics of the end products.

3. RISK FACTORS (Cont'd)

(v) **Foreign Exchange Fluctuations**

The Group is exposed to foreign exchange risks through its exports to other countries such as Iceland, Japan, South America, Europe, India, Pakistan, Bangladesh, South East Asia and Central America. The Group also imports some of its raw materials, in particular fabrics, from the United Kingdom, Taiwan and USA. The Group's exports to and import of raw materials from the said countries are mainly denominated in USD, which is currently being pegged to RM at USD1.00 to RM3.80 and thus, the Group does not expect to be materially affected by fluctuation in exchange rates in the foreseeable future. Nevertheless, there can be no assurance that the RM peg will be maintained and that any future significant fluctuations in exchange rates will not have an impact on the financial performance of the Group.

(vi) **Insurance Coverage and Risk of Business Disruption**

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operations. In ensuring that such risks are minimised, the Group reviews and ensures coverage for its assets on a continuous basis. At present, the Directors believe that the Group is insured against unforeseen events such as fire and lightning, malicious damage, theft and burglary. In addition, the Group has also installed adequate fire fighting systems, such as sprinkler systems, fire hydrants, hose reels and fire extinguishers, in the building premises and exercise stringent security measures to minimise risk of fire breakout. The Group did not experience any disruption in business arising from energy disruptions which have a significant impact on the Group's operations for the past twelve (12) months. The management of EHB Group is of the view that power failure or blackout would not pose critical risks or have any material impact on the Group's operations.

Although the Group has taken the necessary steps to insure its assets and to mitigate the risk of fire hazards, 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 of the Group.

(vii) **Dependence on Key Personnel**

As in any other business, the EHB Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management team. The loss of any of the EHB Group's Directors and key members of the senior management team could adversely affect the EHB Group's continued ability to manage its operations effectively and competitively.

The Directors of EHB recognise the importance of the Group's ability to attract and retain its key personnel and have in place a human resource strategy, which includes a suitable compensation package and a human resource training and development program for all supporting employees in all key functions of the Group's operation. The Group has made continuous efforts to strategically develop a dynamic and strong management team and groom the younger members of the senior management team in assisting senior key personnel to operate and manage the Group's activities. As such, the loss of any key personnel is therefore, not expected to cause any major disruption to the Group's operations.

3. RISK FACTORS (Cont'd)

(viii) Dependence on Projects

A significant portion of the EHB Group's revenue is derived from projects, both locally and abroad. For the financial year ended 31 December 2003, revenue from projects made up 88% of local sales and 81% of export sales, or 85% of total sales. The Directors of the Group believe that projects will continue to feature strongly in its revenue going forward. As such, the financial performance of the Group, to a large extent, hinges on the Group's continued success to secure a steady stream of projects to sustain its revenue. Such dependency on projects affects the predictability, sustainability and consistency of the Group's revenue. In the event of a drought in the number of projects available in the market or limited success of the Group in bidding for new projects, the Group's revenue will be adversely affected.

The Directors of EHB Group believe that the outlook for the industry is positive and is confident that it will continue to secure new projects given the Group's established track record and reputation. This is evident from the fact that project-based revenue has continued to record double-digit growth annually since 1999, with the exception of 2001 where project-based revenue fell by approximately 9.7% due to depressed market conditions. Nonetheless, the Directors believe that the Group will continue to expand into new markets and develop new distribution channels in order to diversify its earning base and smoothen its revenue fluctuations.

(ix) Delay in the Completion of Projects

The Group has and will continuously endeavour to complete projects awarded within the time stipulated. However, risk for delays in completion of projects is prevalent as the various projects of which the Group is involved in are also dependent on various external factors, including among others, the delay in implementation of projects by the end /principal client(s), the cost competitiveness of the prices of materials and the availability of adequate supply of labour. Payment of liquidated ascertained damages for late completion is normally stipulated in the letter of award or contract. Any delays in the completion of project and claims for liquidated damages for late completion may significantly and adversely affect the Group's profitability and cashflow position.

(x) Supply of Labour

The furniture manufacturing sector is relatively labour intensive, hence the availability of adequate labour supply is essential to the smooth operations of the manufacturing business. Due to the reliance on manual labour, the furniture industry suffers from shortage of skilled and semi-skilled labour. The shortage of skilled labour has forced most of the furniture manufacturers to source their workforce from foreign countries. As at 6 December 2004, the EHB Group employs 139 foreign workers to sustain and facilitate its labour intensive operations. Although the Group is not facing any labour shortage presently, any shortage of labour or the increase in labour cost in the future may affect the competitiveness of the Group's business. Furthermore, any change in immigration and labour policies by the Government in respect of foreign workers may also affect the Group's performance. Although the Group seeks to limit the reliance on foreign labour through automating its operations as much as possible and to outsource the manufacturing of certain parts of their products to other manufacturers, there can be no assurance that any change in Government regulations regarding foreign labour will not have an adverse impact on the Group's performance.

3. RISK FACTORS *(Cont'd)*

(xi) Impact of AFTA

The advent of the trade liberalisation arising from the reduction of tariffs and other trade barriers amongst the country members of the AFTA including Malaysia, has and is expected to continue to pose many challenges as well as opportunities for manufacturers. The creation of the ASEAN market through AFTA provides enormous potential for market expansion of Malaysian companies. While there is now a wider variety of quality goods produced regionally at lower prices, this also means that there is increasing competition for domestic industries for certain products due to the liberalised Malaysian market.

Since 1987, the EHB Group has been exporting its products overseas and its current export markets include countries such as Iceland, Japan, South America, Europe, India, Pakistan, Bangladesh, South East Asia and Central America. The Group is continuously looking at ways to improve production efficiency as well as maintain its competitive advantage through prompt delivery, consistent high quality products, continuous product development and improvement, innovative product designs, implementation of cost control measures and increasing production efficiency. While the Group's raw materials are mainly sourced locally, the implementation of AFTA creates an alternative source of raw materials for EHB, which could potentially result in production cost savings. AFTA would also enable EHB to access a wider market for its products with minimal tariffs. The Directors of EHB do not expect the implementation of AFTA to have a material impact on the Group's office furniture business.

(xii) Control by Substantial Shareholders

EHB is controlled by the substantial shareholders, namely Lew Fatt Sin, Law Sim Shee, Dato' Mohd Haniff Bin Abd Aziz, Teh Hock Toh and NASB, who collectively hold 75% of the Company's issued and paid up capital after the Public Issue. Consequently, the aforesaid shareholders may be able to influence the outcome of certain matters such as the election of directors and the approval of business ventures requiring the vote of the Company's shareholders unless it is required to abstain from voting by law and/or by the relevant authorities.

The introduction of corporate governance that requires the formation of Audit Committee, which includes a minimum of two (2) independent non-executive directors, may effectively help to promote transparency in all material transactions and the EHB Group's accountability, thereby representing the interests of the minority shareholders and general public at large. The above substantial shareholders would also be required to abstain from voting if there is any related-party transaction, which may pose as a conflict to the interest of the Company.

(xiii) Borrowings

The Group will utilise RM8 million of the proceeds from the Rights Issue and Public Issue to repay its bank borrowings. As at 6 December 2004, the Group has partially repaid approximately RM3.5 million of the bank borrowings via the proceeds from the Rights Issue. The aforesaid borrowings are all domestic borrowings and interest-bearing. Fluctuation of the interest rates may have a material effect on the Group's profitability. However, the Group plans to utilise RM8 million of the proceeds raised from the Rights Issue and Public Issue towards the repayment of bank borrowings, after which the Group's future financial performance will be less encumbered by the cost of borrowings which are subject to volatility in interest rates.

3. RISK FACTORS *(Cont'd)*

The credit facilities of the Group may also be subject to periodic review by the banks or financiers and contain certain covenants which may limit the Group's operating and financial flexibility. Any act or omission by the Group that breaches such covenants may give rise to rights by the banks or financiers to terminate the relevant credit facilities and/or enforce any security granted, in relation to those credit facilities. These covenants are commonly contained in credit facility agreements in Malaysia. There can be no assurance that the aforesaid breaches will not have any adverse effect on the Group's operational and financial results. The EHB Group has not in the past and is not presently in breach of any such covenants of any credit facility granted to the Group and will at all times take all reasonable efforts to observe such covenants.

(xiv) No Prior Market for EHB Shares

Prior to this Public Issue, there has been no public market for EHB's shares. There can be no assurance that an active market for EHB's shares will develop upon its listing on the Second Board of Bursa Securities or, if developed, that such market will be sustained. The Public Issue price of RM0.75 per Share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies involved in businesses similar to that of the Group and the prevailing market conditions. There can be no assurance that the Public Issue price will correspond to the price at which EHB Shares will trade on Bursa Securities upon or subsequent to its listing or an active market for EHB Shares will develop and continue upon or subsequent to its listing. The price at which the EHB Shares will be traded may be higher or lower than the Public Issue price.

(xv) Profit Estimate and Forecast

This Prospectus contains the consolidated profit estimate and forecast of EHB that are based on assumptions which the Directors deem to be reasonable, but which nevertheless are subject to uncertainties and are contingent in nature. Due to the subjective judgements and inherent uncertainties of the consolidated profit estimate and forecast and as events and circumstances frequently do not occur as expected, there can be no assurance that the consolidated profit estimate and forecast contained herein will be realised and actual results may be materially different from the forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit estimate and forecast that are contained herein.

Investors are advised to read carefully the assumptions made in this Prospectus of the consolidated profit estimate and forecast as set out in Section 9.5 of this Prospectus.

(xvi) Forward Looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by the Board of Directors of the Company, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Although the EHB Group believes that the expectations reflected in such forward-looking statements are reasonable at this point in time, there can be no assurance that such expectations will prove to have been correct.