

1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Occupation	Nationality
Datuk Haji Ibrahim Bin Haji Ahmad (<i>Non-Executive Chairman</i>)	17 Jalan 1/9C, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.	Director	Malaysian
Ho Sue San @ David Ho Sue San (<i>Managing Director</i>)	51, Jalan Chin Hwa, Chateau Garden, 30250 Ipoh, Perak Darul Ridzuan.	Director	Malaysian
Chuah Chaw Teo (<i>Independent Non-Executive Director</i>)	4, Persiaran 8, Arena Kepayang Putra, Fair Park, 31400 Ipoh, Perak Darul Ridzuan.	Chemist	Malaysian
Leong Kwok Yee (<i>Independent Non-Executive Director</i>)	12, Lorong Bruas, Damansara Height, 50490 Kuala Lumpur.	Chartered Accountant	Australian
YM Raja Shamsul Kamal Bin Raja Shahrizzaman (<i>Non-Executive Director</i>)	1, Jalan 4/6, 40000 Shah Alam, Selangor Darul Ehsan.	Director	Malaysian

AUDIT COMMITTEE

Name	Position	Directorship in the Company
Leong Kwok Yee	Chairman	Independent Non-Executive Director
Ho Sue San @ David Ho Sue San	Member	Managing Director
Chuah Chaw Teo	Member	Independent Non-Executive Director

COMPANY SECRETARIES :

Goh Tian Hock (MIA 8222),
15, Dataran Perajurit 3,
Taman Kemuncak,
31400 Ipoh,
Perak Darul Ridzuan.

Ng Yuet Seam (MAICSA 7005639)
1, Lorong Evergreen,
Taman Bunga Raya,
31650 Ipoh,
Perak Darul Ridzuan.

REGISTERED OFFICE :

121, Jalan Tunku Abdul Rahman (formerly Jalan Kuala Kangsar),
30010 Ipoh,
Perak Darul Ridzuan.
Telephone: +6 05 506 0690
Facsimile: +6 05 506 1215

1. CORPORATE DIRECTORY (continued)

- HEAD OFFICE** : Lot 56442, 7½ Miles Jalan Ipoh-Chemor,
31200 Chemor,
Perak Darul Ridzuan.
Telephone: + 6 05 201 4192
Facsimile: +6 05 201 4213
E-mail: carotech@pd.jaring.my
Website: www.tocotrienol.org
- AUDITORS AND REPORTING ACCOUNTANTS** : PricewaterhouseCoopers,
1st Floor, Standard Chartered Bank Chambers,
21-27, Jalan Dato' Maharaja Lela,
P. O. Box 136,
30710 Ipoh,
Perak Darul Ridzuan.
- LEGAL ADVISER** : Zain & Co.,
6th Floor, Bangunan Dato' Zainal,
23, Jalan Melaka,
50100 Kuala Lumpur.
- VALUER** : Colliers Jordan Lee & Jaafar Sdn Bhd,
Suites 1, 2 & 3, Tingkat Satu,
Labrooy House,
Jalan Dato Sagor,
30000 Ipoh,
Perak Darul Ridzuan.
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd,
27th Floor, Menara Multi-Purpose,
Capital Square,
No. 8 Jalan Munshi Abdullah,
50100 Kuala Lumpur.
- SHARE REGISTRAR** : Tenaga Koperat Sdn Bhd,
20th Floor, Plaza Permata,
Jalan Kampar, Off Jalan Tun Razak,
50400 Kuala Lumpur.
- INDEPENDENT MARKET RESEARCHER** : Infocredit D&B (Malaysia) Sdn Bhd,
Level 9-3A, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur.
- PRINCIPAL BANKERS** : OCBC Bank (M) Berhad,
2, Jalan Dato' Maharaja Lela,
30000 Ipoh,
Perak Darul Ridzuan.
- Bank Pembangunan & Infrastruktur Malaysia Berhad,
28, Medan Istana,
Bandar Ipoh Raya,
30300 Ipoh,
Perak Darul Ridzuan.
- Southern Bank Berhad,
Ground Floor, Plaza Teh Teng Seng,
227, Jalan Kampar,
30250 Ipoh,
Perak Darul Ridzuan.

1. CORPORATE DIRECTORY (continued)

RHB Bank Berhad,
Lots 2, 4, 6 and 8, Jalan Tun Sambanthan,
30000 Ipoh,
Perak Darul Ridzuan.

Bumiputera-Commerce Bank Berhad,
112, Jalan Sultan Idris Shah,
30000 Ipoh,
Perak Darul Ridzuan.

**ADVISER, SPONSOR AND
UNDERWRITER** : OSK Securities Berhad,
20th Floor, Plaza OSK,
Jalan Ampang,
50450 Kuala Lumpur.

LISTING SOUGHT : MESDAQ Market of Bursa Securities

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2. INFORMATION SUMMARY

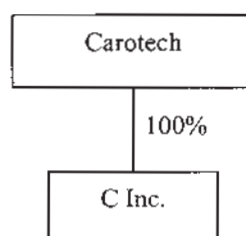
This information summary is only a summary of the salient information about the Group and is derived from the full text of this Prospectus. Investors should read and understand the whole Prospectus prior to deciding whether to invest in the Issue Shares of the Company.

2.1 HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated in Malaysia as Carotech Sdn Bhd, a private limited company under the Act on 16 July 1990. On 5 December 2003, the Company converted into a public limited company and assumed its present name. The principal activities of the Company are the extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing pharmaceutical, phytonutrient and oleochemical products.

The Company has a subsidiary, C Inc., which was incorporated in the US on 8 October 1999. All of its current issued and paid-up share capital of USD97,500 divided into 975 common shares is presently held by the Company. The principal activity of C Inc. is of a sales agency and marketing of pharmaceutical, phytonutrient and oleochemical products for the US market.

The structure of the Group may be diagrammatically represented as follows:-



The Company is a 69.9% owned subsidiary of Hovid. Hovid has its humble beginnings in 1945 selling herbal tea from a single tea stall. Hovid started with one (1) product, the "Ho Yan Hor" herbal tea, which was formulated by Hovid's founder, Dr. Ho Kai Cheong. In the 1980s, DH, the son of the founder, led Hovid into a new phase of development into the fields of pharmaceuticals and mainstream medical approaches. Since then, Hovid has grown to become one (1) of Malaysia's leading integrated pharmaceutical manufacturers with a global presence, certified by PIC/S and WHO's GMP. Hovid is currently seeking listing and quotation for its entire enlarged issued and paid-up ordinary share capital of RM47,630,000 comprising 95,260,000 shares of RM0.50 each on the Second Board of Bursa Securities. The SC had on 26 October 2004 approved Hovid's listing. Hovid issued a prospectus dated 15 March 2005 and the tentative listing date is 5 April 2005.

The Company owns and operates an integrated plant for the commercial extraction of, inter alia, tocotrienol complex, mixed carotene complex and phytosterols from palm oil through a patented process involving a sophisticated and specialised high vacuum-low temperature distillation technology. The plant was commissioned and full production commenced in 1995, and the Company has since carved a niche as one of the world's leading suppliers of palm tocotrienol with the US, Europe, Japan and Australia making up the main markets.

The Company's head office and plant are located in Chemor, Perak, Malaysia, while C Inc. is based in New Jersey, US.

Further information on history and principal activities of the Group are set forth in section 5 of this Prospectus.

2. INFORMATION SUMMARY (continued)**2.2 OWNERSHIP AND MANAGEMENT****2.2.1 Promoter**

The direct and indirect interests of the promoter of the Company in the issued and paid-up share capital of the Company after the Public Issue are as follows:-

Promoter	Country of incorporation	After Public Issue			
		Direct		Indirect	
		Number of Carotech Shares	Percentage of share capital %	Number of Carotech Shares	Percentage of share capital %
Hovid	Malaysia	145,567,450	51.1	-	-

2.2.2 Substantial shareholders

The direct and indirect interests of the substantial shareholders of the Company in the issued and paid-up share capital of the Company after the Public Issue (assuming full subscription of the Issue Shares reserved for them under the preferential share allocation scheme pursuant to the Public Issue) are as follows:-

Substantial shareholders	Nationality/ Country of incorporation	After Public Issue			
		Direct		Indirect	
		Number of Carotech Shares	Percentage of share capital %	Number of Carotech Shares	Percentage of share capital %
Hovid	Malaysia	145,567,450	51.1	-	-
CAV	Malaysia	26,590,320	9.3	-	-
EQL	British Virgin Islands	22,722,250	8.0	-	-
DH	Malaysian	182,000	0.1	145,567,450 ¹	51.1
CAHB	Malaysia	-	-	26,590,320 ²	9.3
ASC	British Virgin Islands	-	-	22,722,250 ³	8.0

Notes:-

1. Deemed interested pursuant to Section 6A of the Act by virtue of his interest in Hovid.
2. Deemed interested pursuant to Section 6A of the Act by virtue of its interest in CAV.
3. Deemed interested pursuant to Section 6A of the Act by virtue of its interest in EQL.

2. INFORMATION SUMMARY (continued)**2.2.3 Directors**

The direct and indirect interests of the directors of the Company in the issued and paid-up share capital of the Company after the Public Issue (assuming full subscription of the Issue Shares reserved for them under the preferential share allocation scheme pursuant to the Public Issue) are as follows:-

Directors	Nationality	After Public Issue			
		Direct		Indirect	
		Number of Carotech Shares	Percentage of share capital %	Number of Carotech Shares	Percentage of share capital %
DH	Malaysian	182,000	0.1	145,567,450 ¹	51.1
Chuah Chaw Teo	Malaysian	400,780	0.1	-	-
Datuk Haji Ibrahim bin Haji Ahmad	Malaysian	13,000,000	4.6	-	-
Leong Kwok Yee	Australian	-	-	-	-
Raja Shamsul Kamal Bin Raja Shahrुzzaman	Malaysian	-	-	-	-

Note:-

1. Deemed interested pursuant to section 6A of the Act by virtue of his interest in Hovid.

2.2.4 Key management and technical personnel

The direct and indirect interests of the key management and technical personnel of the Group, other than DH, in the issued and paid-up share capital of the Company after the Public Issue (assuming full subscription of the Issue Shares reserved for them under the preferential share allocation scheme pursuant to the Public Issue) are as follows:-

Key management and technical personnel	Nationality	After Public Issue			
		Direct		Indirect	
		Number of Carotech Shares	Percentage of share capital %	Number of Carotech Shares	Percentage of share capital %
Leong Weng Hoong	Malaysian	5,071,640	1.8	-	-
Goh Tian Hock	Malaysian	1,060,080	0.4	-	-
Chin Hui Ling	Malaysian	61,000	^	-	-
Liew Kok Kin	Malaysian	15,000	^	-	-
Ling Hiong Chew	Malaysian	15,000	^	-	-
Chan Yuen Teng	Malaysian	60,000	^	-	-

Note:-

^ Negligible

Details of the promoters, substantial shareholders and directors of the Company, and the key management and technical personnel of the Group, and their direct and indirect interests in the issued and paid-up share capital of the Company, are set forth in section 6 of this Prospectus.

2. INFORMATION SUMMARY (continued)

2.3 PRODUCTS

The Company currently produces five (5) products, comprising three (3) main phytonutrient products, and two (2) co-products that are co-produced during the extraction process. The Company's three (3) main products are:-

- a full-spectrum tocotrienol complex product marketed under the brand name "Tocomin";
- a mixed carotene complex product marketed under the brand name "Caromin"; and
- phytosterol products;

in forms ranging from concentrated oil suspension, beadlets and water-dispersible powders and emulsions. These three (3) main phytonutrient products are produced to the specific needs and requirements of clients, and are mainly used in dietary supplements, pharmaceutical products, functional food and beverage products, and cosmetic and personal care applications.

The Company's two (2) co-products are:-

- refined palm fatty acid methyl ester; and
- crude glycerine.

These two (2) co-products are used mainly in the production of down-stream oleochemical products such as fatty alcohol and refined glycerine.

The word "phyto" means plants in Greek; "phytonutrients" or "phytochemicals" refer to substances found in plants that are the crucial components of a plant's defence systems against disease, predators, sunlight and oxidation. These substances often impart vibrant colours, flavours and aromas and if extracted, may act as disease-fighting substances or beneficial for health if taken as part of one's diet. There are five (5) main groups of phytonutrients in the commercial market, namely vitamin E; carotenoids; flavonoids; isoflavones and phytosterols.

More often than not, tocotrienols are commonly mistaken as vitamin E which is a generic name for four (4) pairs of stereoisomers that are derivatives of tocopherols and tocotrienols. There are eight (8) naturally occurring isomers, a family of four (4) tocopherols (alpha, beta, gamma and delta) and four (4) tocotrienols (alpha, beta, delta and gamma). Tocotrienols are mostly found in cereal grains such as barley, rice, rye, wheat as well as the fruit of palm. Tocopherols on the other hand, are extracted mostly from nuts and common vegetable oils such as soy, corn, cottonseed, canola and etc. The differences between the two lie in their side chains. Tocotrienols have three (3) unsaturated sites whilst tocopherols have one (1) saturated tail. Tocotrienols are less widely distributed but many studies conducted have proven tocotrienols to be more superior in terms of quality and health benefits than tocopherols.

In the Company's case, palm tocotrienols are extracted through a patented process from CPO. Other phytonutrients, which existed naturally in palm oil, are also extracted together in the process. These phytonutrients are carotenoids, squalenes, methyl sterols and phospholipids.

Carotenoids, or commonly known as beta-carotenes, are essentially naturally occurring plant pigments which impart the orangey-red colour to most fruits, vegetables and plants. Carotenoids can also be produced by chemical synthesis. These pigments exhibit strong antioxidant powers and are present in most fruits, vegetables and numerous vegetable oils. CPO is one of the world's richest natural plant sources of carotenes.

Details of the Group's products are set forth in section 7.1 of this Prospectus.

2. INFORMATION SUMMARY (continued)

2.4 QUALITY CONTROL AND R&D

The Group has a quality control team of eight (8) personnel, headed by the Assistant Quality Control Manager, to oversee the quality control process for the Group's products. The process includes built-in quality control systems in the extraction process, together with post-production sampling and testing.

The Group's R&D efforts are spearheaded by DH. The Group continues to conduct R&D into the production processes to improve yields and purity of extracts, utilising the services of four (4) senior members of the production team and two (2) members of the laboratory team. At the same time, the Company has formed alliances with research scientists at universities / research institutes worldwide and locally in line with their commitment into extensive R&D.

Details of the Group's efforts on quality control and R&D are set forth in section 7.6 of this Prospectus.

2.5 TECHNOLOGY, INTELLECTUAL PROPERTY AND LICENCES**2.5.1 Extraction process of tocotrienol complex, mixed carotene complex and phytosterols**

The process used by the Company for the commercial extraction of tocotrienol complex, mixed carotene complex and phytosterols from palm fruits involves a sophisticated and specialised high vacuum-low temperature distillation technology known as molecular distillation. A patent for this process has been registered and filed with the following regulatory authorities:-

- (a) the US Patent and Trademark Office, under patent number 5,157,132 on 20 October 1992, with expiry date on 20 October 2009;
- (b) the Registrar of Patents, Malaysia, under patent number MY-108126-A, on 15 August 1996, with expiry date on 15 August 2011;
- (c) the Bureau of Patents, Trademarks and Technology Transfer, the Philippines, under patent number 29849, granted on 13 August 1996; with expiry date on 13 August 2013;
- (d) the Indonesian Patent Office, Indonesia, under patent number P-004873/ID0 000 732, on 21 June 1996, with expiry date on 21 June 2016; and
- (e) filed for patents under the Patent Cooperation Treaty under application number PCT/US92/08911, which was published on 28 April 1994 under publication number WO 94/08987 in respect of various countries.

2.5.2 "Caromin" brand name

The Company has registered "Caromin" as a trademark under international class 1 with the US Patent and Trademark Office on 21 July 1998 under registration number 2,174,487, in respect of the use of the same for extracts and concentrates of palm tree fruits used in the manufacture of cosmetics, pharmaceutical preparations, fruit beverages and in food preparations, all in class 1. The registration will expire on 21 July 2008.

2.5.3 "Tocomin" brand name

The Company has registered "Tocomin" as a trademark under international class 1 with the US Patent and Trademark Office on 7 July 1998 under registration number 2,170,942, in respect of the use of the same for extracts and concentrates of palm tree fruits used in the manufacture of cosmetics, pharmaceutical preparations, fruit beverages and in food preparations, all in class 1. The registration will expire on 7 July 2008.

Details of the Group's technology, intellectual property and licences are set forth in section 7.5 of this Prospectus.

2. INFORMATION SUMMARY (continued)**2.6 CONSOLIDATED INCOME STATEMENTS OF THE GROUP**

The following table sets forth a summary of the consolidated income statements of the Group for the past five (5) financial years ended 30 June 2004 and the four (4) month period ended 31 October 2004. These consolidated income statements should be read in conjunction with the accompanying notes included in the Reporting Accountants' Report set forth in section 11 of this Prospectus.

	<----- Financial years ended 30 June ----->					Financial period ended 31 October 2004
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Turnover	13,640	16,840	18,037	29,964	35,261	13,260
Consolidated profit before interest, depreciation, amortisation and taxation	4,802	3,240	6,037	8,542	7,926	1,760
Amortisation	(435)	(435)	(435)	(435)	(435)	(145)
Depreciation	(545)	(491)	(491)	(516)	(577)	(515)
Interest expense	(597)	(437)	(286)	(216)	(241)	(306)
Consolidated PBT after interest, depreciation and amortisation	3,225	1,877	4,825	7,375	6,673	794
Taxation	(505)	(621)	(737)	(438)	(397)	(164)
Consolidated PAT	2,720	1,256	4,088	6,937	6,276	630
Number of shares in the Company assumed in issue ('000)	3,300	3,300	3,300	3,300	3,432	3,432
Gross EPS (Sen)	97.7	56.9	146.2	223.5	194.4	69.4*
Net EPS (Sen)	82.4	38.1	123.9	210.2	182.9	55.1*

*Note:-** *Annualised*

There were no exceptional or extraordinary items in the relevant financial periods under review. There were no items relating to the share of profits and losses of associated corporations and joint ventures and minority interest in the relevant financial periods under review. The Group's audited financial statements for the past five (5) FYE 30 June 2004 and the four (4) month period ended 31 October 2004 have not been subjected to any audit qualifications, save for FYE 30 June 2002 and 2003, where it was stated that the financial statements of C Inc. were prepared on the basis that it was a going concern was dependent on the continuing financial support of Carotech and on C Inc. attaining cash inflows to sustain its operations.

Detailed information on the consolidated income statements of the Group is set forth in sections 10.1 and 11 of this Prospectus.

2. INFORMATION SUMMARY (continued)**2.7 PROFORMA CONSOLIDATED BALANCE SHEETS OF THE GROUP AS OF 31 OCTOBER 2004**

The following table sets forth a summary of the proforma consolidated balance sheets of the Group as of 31 October 2004, for illustrative purposes only, to show the effects of the Listing Exercise and Public Issue, on the assumption that the Listing was completed on 31 October 2004, and should be read with the notes and assumptions to the proforma consolidated balance sheets of the Group as set forth in section 10.8 of this Prospectus.

	Audited consolidated balance sheet of the Group as at 31 October 2004 RM'000	Proforma I Completed Transactions* RM'000	Proforma II After Proforma I and Public Issue RM'000
Non current assets			
Property, plant and equipment	31,391	31,391	31,391
Product development Expenditure	290	290	290
	31,681	31,681	31,681
Current assets			
Inventories	13,612	13,612	13,612
Trade and other debtors	9,221	9,221	9,221
Amount owing by Hovid	3,888	3,888	3,888
Tax recoverable	1,050	1,050	1,050
Cash and bank balances	1,073	1,073	18,249
	28,844	28,844	46,020
Current liabilities			
Trade and other creditors	4,684	4,684	4,684
Amount owing to Hovid	235	235	235
Bank overdrafts	4,448	4,448	4,448
Other bank borrowings	10,716	10,716	10,481
	20,083	20,083	19,848
Net current assets	8,761	8,761	26,172
Non current liabilities			
Other bank borrowings	11,765	11,765	-
Deferred taxation	930	930	930
	12,695	12,695	930
	27,747	27,747	56,923
Capital and reserves			
Share capital	3,432	20,840	28,509
Share premium	3,667	-	21,507
Retained earnings	20,648	6,907	6,907
	27,747	27,747	56,923
NTA per RM1.00 share (RM)	8.00	N/A	N/A
NTA per RM0.10 share (RM)	N/A	0.13	0.20

Notes:-

* After completion of the Bonus Issue and Share Split

N/A Not applicable

2. INFORMATION SUMMARY (continued)

2.8 RISK FACTORS

Prospective investors, prior to making an investment in the Issue Shares, should carefully consider the risk factors inherent in and affecting the business of the Group in addition to the other information contained elsewhere in this Prospectus. In addition, the statements in this Prospectus may contain forward-looking statements that involve risks and uncertainties. The Company's and the Group's actual results, when materialised, may differ materially from those discussed in this Prospectus. Factors that could cause or contribute to such differences include, without limitation, those highlighted in "Risk Factors" under section 4 of this Prospectus and others highlighted throughout this Prospectus.

The key risk factors (which may not be exhaustive) that may affect the Group's future profitability are (but are not limited to) financial risks, market risks and industry risks, and include the following:-

- (a) no prior market for the shares;
- (b) operating history;
- (c) operational risks;
- (d) dependence on directors and key management and technical personnel;
- (e) protection of the Group's technology and intellectual property rights;
- (f) regulatory risks;
- (g) delays in R&D;
- (h) dependency on particular suppliers/customers and failure of ongoing relationships;
- (i) investment risks;
- (j) continued control by existing shareholders;
- (k) foreign exchange risks;
- (l) risks associated with any foreign operations which may include currency fluctuations, trade restrictions, sovereignty, political and economic risks;
- (m) negative publicity on palm oil products;
- (n) market in its infancy and competition;
- (o) low capital expenditure requirements;
- (p) supply and cost of raw material;
- (q) price erosion;
- (r) changes to general economic, political, legislative, business and/or credit conditions;
- (s) legal uncertainties concerning the corporation's business or operations or contractual agreements;

2. INFORMATION SUMMARY (continued)

- (t) risks relating to financial performance which may include, but not be limited to –
- i. covenants under borrowing facility agreements which limit the corporation's/group's operating and financial flexibilities;
 - ii. foreseeable capital commitments; and
 - iii. indebtedness;
- (u) forward looking statements;
- (v) delay in or failure of the Listing;
- (w) underwriting;
- (x) potential competition from managing director;
- (y) future capital injections;
- (z) product liability;
- (aa) regulatory pressures; and
- (bb) environmental risks.

For details on these risk factors, please refer to section 4 of this Prospectus.

2.9 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

The following statistics relating to the Public Issue are derived from the full text of this Prospectus and should be read in conjunction with that text:-

2.9.1 Share capital**Authorised share capital**

500,000,000 ordinary shares of RM0.10 each	RM50,000,000
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Issued and fully-paid up share capital (prior to the Public Issue)

208,400,000 ordinary shares of RM0.10 each	RM20,840,000
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To be issued pursuant to the Public Issue

76,690,000 ordinary shares of RM0.10 each	RM7,669,000
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Enlarged share capital upon the Listing

285,090,000 ordinary shares of RM0.10 each	RM28,509,000
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2.9.2 Classes of shares and ranking

There is only one (1) class of shares in the Company, being ordinary shares of RM0.10 each. The Issue Shares will all rank *pari passu* in all respects with the other existing issued and paid-up Shares of the Company at the time of the Public Issue, including as to voting rights, and will be entitled to all rights, dividends and/or other distribution that may be declared subsequent to the date of allotment.

2.9.3 Issue Price

The Issue Price for each Issue Share	RM0.40
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2. INFORMATION SUMMARY (continued)**2.9.4 Market capitalisation**

Market capitalisation of the Company upon Listing, based on the Issue Price of RM0.40 per Share RM114,036,000

2.9.5 Consolidated NTA as of 31 October 2004

Proforma consolidated NTA (RM'000) (after taking into account the Public Issue and estimated listing expenses of RM1,500,000) 56,633

Proforma consolidated NTA per Share (based on enlarged issued and paid-up share capital of 285,090,000 Carotech Shares) RM0.20

Premium of Issue Price over proforma consolidated NTA per Share 100%

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

2.9.6 Consolidated Profit Forecast

The consolidated profit forecast for the FYE 30 June 2005 is as follows:-

	2005 RM'000
Turnover	50,802
Consolidated PBT	7,653
Taxation	(451)
Consolidated PAT	7,202
Weighted average number of ordinary shares of RM0.10 each in issue ('000)	227,571
Basic earnings per RM0.10 share (sen) ⁽ⁱ⁾	3.16
Price - earnings multiple based on the issue price of RM0.40 per share	12.66

For further details on the consolidated profit forecast, please refer to section 10.4 of this Prospectus.

2.10 PROCEEDS FROM THE PUBLIC ISSUE AND UTILISATION

The total gross proceeds from the Public Issue of RM30,676,000 are expected to be fully utilised for the core business of the Group as follows:-

Details of Utilisation	Amount RM'000
Repayment of borrowings	12,000
Working capital	17,176
Estimated listing expenses	1,500
	<u>30,676</u>

Detailed information on the utilisation of proceeds is set forth in section 3.7 of this Prospectus.

2. INFORMATION SUMMARY (continued)**2.11 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITY, MATERIAL COMMITMENT AND MATERIAL LITIGATION****2.11.1 Working Capital**

The directors of the Company are of the opinion that, after taking into account the forecast consolidated cashflows, banking facilities available and the gross proceeds from the Public Issue, the Group will have adequate working capital for its foreseeable requirements for a period of 12 months after the date of issuance of this Prospectus

2.11.2 Borrowings

As of 28 February 2005, being the last practicable date prior to the printing of this Prospectus, the Group does not have any outstanding borrowing, any other loan capital outstanding, loan capital created but unissued, or mortgage or charge outstanding, save for the following:-

Type of Borrowing	Amount Outstanding RM
<i>Short Term-interest bearing</i>	
Bankers' Acceptances	9,629,000
Overdraft	2,418,371
Hire-Purchase Facilities	2,097,210
Term Loan Facility	908,932
<i>Sub-Total</i>	<u>15,053,513</u>
<i>Add: Long Term- interest bearing</i>	
Hire-Purchase Facilities	8,289,286
Term Loan Facility	3,683,823
<i>Sub-Total</i>	<u>11,973,109</u>
<i>Total Borrowings</i>	<u>27,026,622</u>

In so far as the directors of the Company are aware, there has not been any default on payments of interest and/or principal sums in respect of any borrowings throughout the past one financial year and the subsequent financial period thereof, immediately preceding the date of the prospectus. There are no foreign borrowings as at 28 February 2005.

2.11.3 Contingent liability

As of 28 February 2005, being the last practicable date prior to the printing of this Prospectus, the directors of the Company are not aware of any contingent liability incurred by the Company and/or its subsidiary which, upon becoming enforceable, may have a material impact on the financial position of the Group.

2.11.4 Material commitment

Save as disclosed below, as at 28 February 2005, being the last practicable date prior to the printing of this Prospectus, the directors of the Company are not aware of any material capital commitment contracted or known to be contracted by the Company and/or its subsidiary which, upon becoming enforceable, may have a material impact on the financial position of the Group:-

	RM'000
Approved and contracted	
Capital expenditure in respect of purchases of plant and machinery	1,384

2. INFORMATION SUMMARY (continued)

2.11.5 Material litigation

As of 28 February 2005, being the last practicable date prior to the printing of this Prospectus, neither the Company nor its subsidiary is engaged in any litigation and/or arbitration, either as plaintiff or claimant, or as defendant or respondent, which has a material effect on the financial position of the Company or its subsidiary, and the directors of the Company are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of the Company and/or its subsidiary.

Please refer to section 10.3 of this Prospectus for details on the Group's working capital, borrowing, contingent liability, material commitment and material litigation.

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3. DETAILS OF THE PUBLIC ISSUE

3.1 INTRODUCTION

This Prospectus is dated 30 March 2005.

Approval has been obtained from the SC on 6 August 2004 and on 9 November 2004 for the proposed listing of the Company on the MESDAQ Market of Bursa Securities. The SC, had on 25 February 2005, approved an extension of up to 10 May 2005 to complete the Listing of Carotech. Approval has also been obtained from Bursa Securities on 10 August 2004 and on 10 November 2004 for the proposed listing of the Company and admission to the Official List of the MESDAQ Market of Bursa Securities, and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company, including the Issue Shares which are the subject of this Prospectus.

A copy of this Prospectus has been registered by the SC who assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. 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 Shares will be admitted to the Official List of the MESDAQ Market of Bursa Securities and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants. Bursa Securities assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market of Bursa Securities is not to be taken as an indication of the merits of the Company and its subsidiary companies or of its shares.

Pursuant to section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed the Shares as a Prescribed Security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with Bursa Depository, and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository. No share certificates will be issued to successful applicants.

An applicant should state his CDS Account number in the space provided in the Application Form.

The written consents of the Adviser, Sponsor, Underwriter, Auditors and Reporting Accountants, Legal Adviser, Independent Market Researcher, Principal Bankers, Registrar, Issuing House and the Company Secretaries to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not been subsequently withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their name, Accountants Report and letters relating to the proforma consolidated balance sheets as at 31 October 2004 and profit forecast in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not been subsequently withdrawn.

The written consent of the Valuer to the inclusion in this Prospectus of their name and valuation certificate in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not been subsequently withdrawn.

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 the Company and/or OSK. Neither the delivery of this Prospectus nor any Public 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 the Company or its subsidiary, or of Group, since the date of this Prospectus.

3. DETAILS OF THE PUBLIC ISSUE (continued)

The distribution of this Prospectus and the offer, sale and/or issue of the Issue Shares are subject to Malaysian law, and neither the Company nor OSK take any responsibility for the distribution of this Prospectus and/or offer, sale and/or issue of the Issue Shares outside Malaysia, which may be restricted by law in other jurisdictions. 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 and/or issue, or an invitation of an offer to buy and/or subscribe for, any Issue Share in any jurisdiction in which such offer or invitation is not authorised or lawful, or to any person to whom it is unlawful to make such offer or invitation.

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

3.2 DETAILS OF THE PUBLIC ISSUE

The Public Issue of 76,690,000 Issue Shares is subject to the terms and conditions contained in this Prospectus. The Issue Price per Issue Share is RM0.40. Upon acceptance of applications, the Issue Shares will be allocated in the following manner:-

3.2.1 Eligible directors and employees of the Carotech Group, Hovid Group and persons who have contributed to the success of the Carotech Group

1,500,000 of the Issue Shares representing 0.53% of the enlarged share capital have been reserved for eligible directors and employees of the Carotech Group, Hovid Group and persons who have contributed to the success of the Carotech Group, which will be allocated based on the category of employment, designation and length of service:-

(i) Directors

No.	Name of Director	Designation	Number of Shares Allocated
1.	DH	Managing Director	182,000

(ii) As for the employees of the Carotech Group, Hovid Group and persons who have contributed to the success of the Group, the number of person eligible are 333.

3.2.2 Bumiputera investors nominated and approved by MITI

75,190,000 of the Issue Shares representing 26.4% of the enlarged share capital have been reserved for Bumiputera investors nominated and approved by MITI.

The unsubscribed portion of the Issue Shares reserved for eligible directors and employees of the Carotech Group and Hovid Group and persons who have contributed to the success of the Carotech Group have been fully underwritten by the Underwriter. Details on the underwriting relating to the Public Issue are set forth in sections 3.8 and 3.9 of this Prospectus.

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3. DETAILS OF THE PUBLIC ISSUE (continued)**3.3 SHARE CAPITAL AND RIGHTS ATTACHING TO THE ISSUE SHARES**

The following are details of the share capital of the Company:-

Authorised share capital

500,000,000 ordinary shares of RM0.10 each	RM50,000,000
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Issued and fully-paid up share capital (prior to the Public Issue)

208,400,000 ordinary shares of RM0.10 each	RM20,840,000
--	--------------

To be issued pursuant to the Public Issue

76,690,000 ordinary shares of RM0.10 each	RM7,669,000
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Enlarged share capital upon the Listing

285,090,000 ordinary shares of RM0.10 each	RM28,509,000
--	--------------

The Issue Price of RM0.40 Issue Share is payable in full upon application.

There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each. The Issue Shares (when issued), shall rank *pari passu* in all respects with the other then existing issued and paid-up ordinary shares of RM0.10 each in the Company, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of this Prospectus.

Subject to special rights attaching to any share which may be issued by the Company in the future, the shareholders of 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 liquidation of the Company, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's articles of association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person, by proxy or by attorney, and, on a show of hands, every person present who is a shareholder, or a representative, proxy or attorney of a shareholder, shall have one (1) vote, and on a poll, every shareholder present in person, by proxy, by attorney or by duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of the Company.

3.4 OPENING AND CLOSING OF APPLICATION LIST

Applications will be accepted from 10.00 a.m. on 30 March 2005 and will close at 5.00 p.m on 5 April 2005 or will be open for such later period as the directors of the Company and the Underwriter may in their absolute discretion mutually decide. Any change to the closing date of the application will be advertised in widely circulated newspapers in Malaysia in Bahasa Malaysia and English. Late applications will not be accepted. Should the closing date of the application be extended, the dates for the despatch of notice of allotment and listing and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market of Bursa Securities will be extended accordingly. The indicative timing of events leading up to the Listing is as follows:-

EVENT	DATE
Issuance of the Prospectus	30 March 2005
Opening of application	30 March 2005
Closing of application	5 April 2005
Tentative date of despatch of notices of allotment to successful applicants	11 April 2005
Tentative listing date of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market of Bursa Securities	12 April 2005

3. DETAILS OF THE PUBLIC ISSUE (continued)**3.5 PURPOSE OF THE PUBLIC ISSUE**

The purposes of the Public Issue are as follows:-

- (a) to obtain the listing of and quotation for the entire issued and paid-up capital of the Company on the MESDAQ Market of Bursa Securities, which is expected to enhance the business, profile and future prospects of the Group;
- (b) to enable the Group to have access to the capital market for its future expansion and growth;
- (c) to provide an opportunity for Malaysian investors and institutions, eligible directors and employees of the Carotech Group and Hovid Group and persons who have contributed to the success of the Carotech Group, to participate in the equity growth of the Company; and
- (d) to raise funds for the Group's operation and expansion.

3.6 PRICING OF THE ISSUE PRICE

Prior to the offering, there has been no public market for the shares of the Company. The Issue Price of RM0.40 per Issue Share was determined and agreed upon by the Company and OSK, as the Adviser and Underwriter, after taking into consideration the following factors:-

- (a) the Group's operating and financial history and conditions;
- (b) the prospects of the Group and the industry as outlined in section 7 of this Prospectus;
- (c) prevailing market conditions; and
- (d) the current and forecasted profits of the Group.

Investors should also note that market price of the Issue Shares upon and subsequent to the Listing are subject to the vagaries of market forces and other uncertainties, which may affect the price of the said shares. Investors should bear in mind the Risk Factors set forth in section 4 of this Prospectus before deciding on whether or not to invest in the Issue Shares.

3.7 UTILISATION OF PROCEEDS

The Company expects the total gross proceeds from the Public Issue to amount to approximately RM30,676,000. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market of Bursa Securities.

The proceeds from the Public Issue of RM30,676,000 are expected to be fully utilised for the core business of the Group as follows:-

Details of Utilisation	Notes	Amount RM'000
Repayment of borrowings	(i)	12,000
Working capital	(ii)	17,176
Estimated listing expenses	(iii)	1,500
		30,676

3. DETAILS OF THE PUBLIC ISSUE (continued)

Notes:-

- (i) *The borrowings to be repaid are borrowings being incurred for the plant expansion (including the Acquisition) and is planned to be repaid within six (6) months from the receipt of the Public Issue proceeds. The plant expansion commenced in October 2003 and was commissioned in September 2004. The expansion is currently being funded by borrowings and internally generated funds. As at 28 February 2005, the total borrowings outstanding of Carotech Group is RM27.0 million. For illustration and based on the prevailing average interest rate of approximately 6.0%, Carotech Group is expected to have an interest savings of approximately RM1.6 million per annum upon completion of the Listing.*
- (ii) *The Public Issue proceeds earmarked for working capital will be utilised within 18 months from the receipt of the funds to acquire raw materials and fund production expenses for the increase in capacity and anticipated increase in demand. In this respect, the Company has earmarked approximately RM12.8 million for the purchase of raw materials and approximately RM4.4 million for production expenses. The Public Issue proceeds earmarked for working capital would allow the Company to reduce its existing trade facility borrowings. As at 28 February 2005, the total trade facility borrowings outstanding of Carotech Group is RM9.6 million.*
- (iii) *Please refer to section 3.10 of this Prospectus for the details of the listing expenses which will be utilised within six (6) months from the receipt of the Public Issue funds.*

3.8 UNDERWRITING EXPENSES

OSK, as Underwriter, has agreed to underwrite the unsubscribed portion of the 1,500,000 Issue Shares which have been reserved for eligible directors and employees of the Carotech Group and Hovid Group and persons who have contributed to the success of the Carotech Group described in section 3.2.1 of this Prospectus. The underwriting commission is payable by the Company at the rate of one point five percent (1.5%) of the Issue Price of RM0.40 on the unsubscribed portion of 1,500,000 Issue Shares mentioned in section 3.2.1 of this Prospectus.

3.9 DETAILS OF THE UNDERWRITING AGREEMENT

The Company has entered into an underwriting agreement dated 24 November 2004 ("Underwriting Agreement") with the Underwriter to underwrite the unsubscribed portion of the 1,500,000 Issue Shares mentioned in section 3.2.1 of this Prospectus ("Underwritten Shares").

The obligations of the parties are subject to the following:-

- (a) the listing of and quotation for the enlarged issued and paid-up capital of the Company on the MESDAQ Market of Bursa Securities having been approved by Bursa Securities and SC, on or prior to the the last day of application for the Issue Shares, being a date falling no later than the expiry of three (3) months from the date of the Underwriting Agreement or such other longer period as may be approved in writing by the mutual agreement of the parties ("Closing Date"). This was mutually extended by the parties on 21 March 2005;
- (b) the Public Issue having been approved by SC, on or prior to the Closing Date;
- (c) there not having been, on or prior to the Closing Date, any adverse change of or in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the Public Issue, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representation or warranty contained in the Underwriting Agreement and in the Prospectus as though they has been given or made on such date;
- (d) the registration with the SC and the lodgment with the Registrar of Companies of the Prospectus in its final form in accordance with the requirements of the Securities Commission Act 1993;
- (e) the offering and/or subscription of the Issue Shares under the Public Issue in accordance with the provisions of the Underwriting Agreement 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);
- (f) the Underwriting Agreement having been duly executed by all parties and stamped; and

3. DETAILS OF THE PUBLIC ISSUE (continued)

- (g) all other necessary approvals and consents required in relation to the Public Issue (including but not limited to shareholders' and governmental approvals) having been obtained and being in full force and effect.

If any of the above conditions is not satisfied, the Underwriter shall be entitled to terminate the Underwriting Agreement by notice given to the Company not later than the Closing Date, and in that event (except for the liability of the Company for the payment of all the costs and expenses related to the Public Issue, and any right and/or liability of the Company and/or the Underwriter for any breach of warranty or undertaking) the parties shall be released and discharged from their respective obligations hereunder. The Underwriter has the discretion to waive compliance with any of the above conditions, in which case any condition so waived shall be deemed to have been satisfied in relation to it.

It is also provided that, if in the reasonable opinion of the Underwriter any of the following matters or circumstances occur:-

- (a) there shall have been such a change in national or international monetary, financial, political or economic conditions, or in exchange control or currency exchange rates;
- (b) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of Force Majeure which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the Public Issue, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms. In this clause, "Force Majeure" means an event or cause which is unpredictable and beyond the reasonable control of the party claiming the same, and which could not have been avoided or prevented by reasonable foresight, planning and/or implementation, and includes (without limitation) war, hostilities, riot, uprising, flood, fire, storm, epidemic, explosion, disease, earthquake, hijacking, sabotage, crimes, and acts of God;
- (c) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities;
- (d) any change in any law, regulation, directive, policy or ruling in any relevant jurisdiction;
- (e) any relevant government requisition or occurrence of any nature; or
- (f) the Company has committed a breach of any of the representations, warranties, undertakings, covenants or other provisions of the Underwriting Agreement, the breach of which is either incapable of remedy or if capable of remedy, the Company has failed to remedy such breach within a period of 14 days from the date of a notice in writing by the Underwriter notifying the Company of such breach and requiring the Company to remedy the same,

which would prejudice materially the success of the Public Issue, then the Underwriter may by notice in writing to the Company terminate the Underwriting Agreement before 5.00 p.m. on the Closing Date, and thereupon the parties shall (except for the liability of the Company for the payment of all the costs and expenses relating to the Public Issue incurred prior to and/or in connection with such termination) be released and discharged from their respective obligations hereunder.

3. DETAILS OF THE PUBLIC ISSUE (continued)**3.10 ESTIMATED LISTING EXPENSES**

Listing expenses are estimated at approximately RM1,500,000, with the following estimated breakdown:-

Purpose	Amount RM
Professional fee	510,000
Fees of the authorities	38,000
Underwriting fees	50,000
Printing and advertisement	100,000
Miscellaneous ¹	802,000
	1,500,000

Note:-

- 1. Contingencies are made for incidental expenses relating to work done by the professional advisers as well as the public relations firm for publicity purposes e.g. press conference, road shows etc.*

3.11 APPROVALS BY THE RELEVANT AUTHORITIES

The Listing is subject to the approvals of the following regulatory authorities:-

Authority	Date granted	Conditions	Status of compliance
Bursa Securities	10 August 2004	(i) Carotech to obtain the necessary licence from Malaysian Palm Oil Board prior to the issuance of its prospectus;	Obtained on 14 April 2004 and 8 July 2004
		(ii) Carotech to inform Bursa Securities on the appointment of Independent Directors and to provide confirmation that they qualify as Independent Directors as defined in the Listing Requirements;	Confirmed on 14 December 2004
		(iii) Carotech and Advisers to provide confirmation that the members of the Audit Committee comply with the relevant requirement in the Listing Requirements; and	Confirmed on 14 December 2004
		(iv) Disclosure of the profit forecast in the Prospectus as proposed by the Directors of Carotech	Complied
	10 November 2004	(i) Disclosure on the working capital be expended to include breakdown of the specific expenditure for raw materials and production expenses;	Disclosed in section 3.7 Note (ii) of this Prospectus
		(ii) In relation to the Managing Director contract entered into after the approval of the Listing proposal, conditions are as follows:- <ul style="list-style-type: none"> • The terms of employment of the Managing Director shall be limited to three (3) years; • The deletion of Clauses 12,14.1(b) and 15 in the Managing Director contract; and 	Amended as per Letter between Carotech and Ho Sue San @ David Ho Sue San dated 17 November 2004

3. DETAILS OF THE PUBLIC ISSUE (continued)

Authority	Date granted	Conditions	Status of compliance
		<ul style="list-style-type: none"> • To ensure the salient terms of the Managing Director contract are made available in the prospectus 	Disclosed in section 6.3.5 of this Prospectus
		(iii) All other terms and conditions stipulated in the approval letter dated 10 August 2004 remain unchanged.	Noted
SC and SC on behalf of FIC	6 August 2004	(i) With regard to the property which is part of Lot 56442, Mukim Hulu Kinta, Daerah Kinta Perak:-	
		(a) Carotech is to provide written confirmation from the relevant building consultant that the store/office, glycerine plant, building, guard house and effluent treatment, plant/switch room are built in accordance with the building by-law;	Provided on 14 September 2004
		(b) Carotech is to provide undertaking that it will use its best endeavour to obtain Certificate of Fitness/Certificate of Completion for the store, office, glycerine plant building, guard house and effluent treatment plant/switch room and separate document of title within 12 months from the SC's approval;	Provided on 14 September 2004
		(c) Carotech is to make quarterly announcement on the status of application to Bursa Malaysia; and	To be complied
		(d) Carotech is to update the SC on status of the application when such announcements are made to Bursa Malaysia;	To be complied
		(ii) Carotech to submit confirmation that the remittance of Employees Provident Fund contribution by Carotech is up to-date;	Submitted on 14 September 2004
		(iii) Carotech and the directors of Carotech (namely Teo Liang Huat, Thomas and Cheah Sheau Lan) are to provide their respective declarations or revised declaration, where applicable, pursuant to paragraph 16.02 of the SC Guidelines;	Provided on 14 September 2004 and 16 December 2004
		(iv) The remaining Bumiputera equity of 25.86% of the enlarged issued and paid-up share capital of Carotech upon listing, to be allocated and approved by the MITI;	Amended. Please refer to the conditions of the SC's letter dated 9 November 2004

3. DETAILS OF THE PUBLIC ISSUE (continued)

	Date granted	Conditions	Status of compliance
		(v) OSK/Carotech to inform SC with the status of compliance with the National Development Policy requirement upon completion of the listing exercise; and	To be complied
		(vi) Carotech to disclose the status of utilization of the listing proceeds to be raised from the public issue in its periodic and annual reports until the proceeds are fully utilized.	To be complied
	9 November 2004*	(i) The remaining Bumiputera equity of 26.37% of the enlarged issued and paid-up share capital of Carotech, upon listing, to be allocated and approved by MITI; and	Approved on 17 December 2004 and 27 December 2004
		(ii) OSK Securities Berhad/Carotech to fully comply with the other earlier conditions as stipulated in the SC's letter dated 6 August 2004.	Please refer to the status of compliance for conditions (i) to (vi) in relation to the SC's approval dated 6 August 2004
	25 February 2005	The extension to complete the Proposed Listing by 10 May 2005 was approved by the SC on 25 February 2005	To be complied
MITI	17 May 2004	Listing and quotation of the enlarged capital of Carotech is conditional upon:-	
		(i) increase in Bumiputera equity to 30% of the enlarged share capital within five (5) years after listing or within one (1) year after the Company fulfils the criteria for floatation on the Second Board of Bursa Securities, whichever is earlier;	To be complied
		(ii) the approval of the SC for the listing scheme and compliance with the guidelines on acquisitions, mergers and takeovers;	Granted on 6 August 2004
		(iii) allocation of Bumiputera shares in paragraph (i) above is subject to MITI approval; and	To be complied
		(iv) obtaining MESDAQ approval.	Granted on 10 August 2004
MITI	27 September 2004	Modification to the Listing Scheme is approved subject to the following conditions:-	
		(i) obtaining SC approval and compliance with the guidelines on acquisitions, mergers and takeovers by local and foreign interests; and	Granted on 9 November 2004

3. DETAILS OF THE PUBLIC ISSUE (continued)

Authority	Date granted	Conditions	Status of compliance
		(ii) all other conditions as per MITI approval letter Ref No. MITI; ID/BI/S/0.41-72/124S dated 17 May 2004 shall remain.	As above
	17 December 2004 and 27 December 2004	Allocation of shares to the Bumiputera investor nominated and approved by the Ministry of International Trade and industry is subject to:-	
		(i) thirty percent (30)% of the total allocation is allowed to be sold within a period of three (3) months after the listing of the Company and the balance of seventy percent (70)% in stages with the approval of MITI unless Tier I investors	To be complied
		(ii) report on the shareholding of the Bumiputera investors 6 months from the listing of the Company/Shares.	To be complied

Note:-

- * The SC on behalf of the FIC had noted that the effect of the Proposed Listing of Carotech to the equity structure of the Company as follows:-

Category of shareholders	Before proposal (%)	After proposed public Issue (%)
Bumiputera	6.90	30.00
Non-Bumiputera	84.70	59.80
Foreign	8.40	10.20
Total	100.00	100.00

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4. RISK FACTORS

Notwithstanding the prospects of the Group outlined in this Prospectus, applicants should carefully consider the following risk factors (which may not be exhaustive) that may have a significant impact on the future performance of the Group, in addition to other information contained elsewhere herein, before applying for the Issue Shares.

Investors should rely on their own evaluation to assess the merits and risks of the investment. Investors who are in any doubt as to the information contained in this section should immediately consult their stockbroker, bank manager, solicitor, accountant or other professional adviser.

4.1 NO PRIOR MARKET FOR THE SHARES

There has been no prior public market for the Company's shares. The Issue Price was determined through negotiation between the Company and the Underwriter based upon several factors and may not be an indication of the market price of the Company's shares after the Public Issue and the Listing. See section 3.6 of this Prospectus on the basis for the determination of the Issue Price.

There can be no assurance that an active public market in the Shares will be developed or be sustained after this Public Issue and Listing, or that the market price of the Shares will not decline below the Issue Price.

A variety of factors may cause the price of the Shares to fluctuate, including (without limitation) sales of substantial amounts of the Shares in the public market in the immediate future; announcements of developments relating to the Group's business; fluctuations in the Group's operating results and sales levels; the conditions of the general industry, or the national or world-wide economy; announcements of new products or product enhancements by the Group and/or its competitors; and developments in patent, copyright or other intellectual property rights.

4.2 OPERATING HISTORY

The Group's operating history may not be illustrative or indicative of the Group's future prospects. There is no assurance that the Group will be profitable in future years, or that it will achieve increasing or consistent levels of profitability.

The Group's revenue and operating results may be difficult to forecast and may be adversely affected by many factors. These may include, among others, disruption to production, debt collection problems, the ability of the Group to control unforeseen costs, unforeseen changes to the Group's operating expenses, reliance on performance of other industries, competition, the ability of the Group to develop and market, on a timely basis, the Group's products, market acceptance of new or competing products or services, and other business risks common to going concerns.

Apart from the revenue generated from the Group's core products, the Group continuously procures and is in the process of procuring sales leads which the directors of the Company believe are promising and which, if successfully completed, will contribute positively to the Group's revenue. Barring unforeseen circumstances, these sales leads should materialise in the next twelve (12) to twenty four (24) months.

Moreover, the Group has been able to operate its business through the challenging economic conditions since 2000 in spite of limited resources and market penetration then, and continues to focus on cash flow management, effective and result-oriented market penetration efforts, developing long-term relationships with its customers and controlling costs.

4. RISK FACTORS (continued)

4.3 OPERATIONAL RISKS

The Group is exposed to the risks of fire breakouts and electricity supply disruptions at its premises, which may disrupt or otherwise adversely affect the operations of the Group. In this regard, the Group has installed basic fire-fighting systems at its premises, in order to mitigate against such risks. However, the Group does not view disruptions to electricity supply at its premises to be a major operational risk as such disruptions have been sporadic only, and there is usually no loss to the work-in-progress as a result of such disruption. Once electricity supply has been reinstated, production usually requires about four (4) to five (5) hours to resume.

The Group also has all-risks insurance coverage, which includes fire insurance, for all of its office equipment and premises. Although it has not taken insurance coverage against disruptions in electricity supply, the Group believes that its operations should not be significantly affected by temporary electricity supply disruptions.

However, it should also be noted that in the context of the Group's insurance coverage, though the assets located at the Group's premises are covered by the said insurance to the amount of its book value, there is a risk that any damage or destruction to such assets may still result in a materially adverse disruption to the Group's operations and the financial costs of which may exceed the book value of the Group's, despite any claim which the Group may have for insurance compensation to the amount of the book value of the said assets. The Group does not have business interruption coverage.

Carotech recently completed the construction and commissioning of the expansion to its existing manufacturing plant located in Chemor, Perak in September 2004 and recently commenced operations and commercial production at its new facility. However, there is no assurance that the financial results of Carotech will not be adversely affected by disruptions to its production caused by manufacturing defects on the new plant and machinery and equipment, delays in obtaining replacement parts under warranty as well as delay in attaining the optimum operating capacity for Carotech's new plant. However, based on Carotech's past experience in running the existing plant, the management of Carotech is confident that it will be able to overcome any problems relating to the expanded plant's operations.

4.4 DEPENDENCE ON DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

The Group's future performance depends to a significant extent on the continued efforts and abilities, as well as the networking of its directors, key management and technical personnel, and sales personnel. The loss of the services of any key individuals may have a material and adverse effect on the Group. The Group also depends on its ability to attract and retain sufficient skilled employees. The Group does not have key management insurance cover for its key executives.

The Group is led by DH, age 55, who is the Managing Director of both the Company and Hovid. DH has valuable experience in the pharmaceutical, nutraceutical and cosmeceutical industry. He also heads the R&D function of the Group. His experience and expertise is one of the primary reasons for the success of the Group. If he were to cease to be involved in the management of the Group's business, the Group's business and profitability could be adversely affected. In order to mitigate this risk:-

- i. The Company and DH have entered into a three (3)-year contract in relation to the employment of DH as the Managing Director of the Company. Further details of this agreement are set out under section 6.3.5 of this Prospectus; and
- ii. Hovid, the holding company, has set up an Executive Management Committee comprising of the group's key management and technical personnel to oversee the key areas of operation, which includes among others, R&D, Production and Operations.

The key management have been appointed based on their skills, knowledge and competencies, as well as their abilities to assume the responsibilities of the roles. The Board of the Company is of the opinion that the Company's key management people are professionals who contribute positively to the operations and management of the Group. However, there is no assurance that these key management people will not leave the Company or the Group in the future.

4. RISK FACTORS (continued)

In order to mitigate this risk, the Company currently enjoys cordial relationships with its employees, and these employees do not belong to any trade union. The employees are also sent to various courses from time to time to further upgrade their knowledge and skills. These employees are expected to gradually assume the responsibilities from the senior key managers of the Company. By ensuring that there is a pool of skilled, well-trained and knowledgeable young executives, technical personnel and employees, the Board of the Company is of the opinion that the Company has a sound management succession structure.

4.5 PROTECTION OF THE GROUP'S TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS

The Group's success is dependent upon its ability to protect the intellectual property rights that it currently enjoys. Accordingly, there can be no assurance that the Group will be able to continue to protect its proprietary and intellectual property rights against infringement, or unauthorised third-party copying, use or exploitation, any of which may have a material and adverse impact on the Group's business, operating results and financial condition.

Further, the Group has not, to date, experienced any challenge to the validity of its intellectual property rights. However, there can be no assurance that there will not, in future, be any challenge (whether or not with merit) to the validity of the Group's intellectual property rights and in the event of any dispute in this regard, that the Group would not be exposed to adverse consequences as a result of existing or future laws or unfavorable judicial decisions.

Although the Group's business does not currently involve the use of third party intellectual property rights, it is anticipated that there may be such use in the future. There can be no assurance that there will not, in future, be any challenge (whether or not with merit) to the Group's rights to use those third party intellectual property rights and in the event of any dispute in this regard, that the Group would not be exposed to adverse consequences as a result of existing or future laws, or unfavorable judicial decisions.

The intellectual property rights of the Group are registered or protected in only certain limited jurisdictions. There can be no assurance that third parties will not exploit these intellectual property rights in those jurisdictions in which they have not been registered or otherwise protected.

The filing for and grant of a patent in a particular jurisdiction will result in public disclosure of the inventions of the Group. This will aid a third party in exploiting the inventions in a jurisdiction in which there is no or limited patent protection.

The directors of the Company believe that the Group has taken active steps in the protection of its patents, although if the need arises, the Group is prepared to initiate legal proceedings against parties deemed to have infringed upon the Group's proprietary rights and licences.

4.6 REGULATORY RISKS

Apart from the general company, contract and commercial laws, the business of the Group is also subject to many specific regulations in Malaysia, such as the Industrial Co-ordination Act 1974 pursuant to which the Company is licensed by the MITI and the Palm Oil Board of Malaysia Act 1998 (pursuant to which the Company is licensed by the Malaysian Palm Oil Board to purchase, export and transfer CPO, and to store CPO at its premises).

Although the Group continuously ensures that it is in compliance with regulations in Malaysia and other relevant countries, there can be no assurance that future regulatory policy changes will not affect the operations of the Group.

4. RISK FACTORS (continued)

4.7 DELAYS IN R&D

The Group has on-going application research and clinical trials programmes with the purpose of showing health benefits of tocotrienols that are on the front edge of the market. However, favorable application research and clinical trials are highly uncertain. Application research and clinical trials may fail to reach the market for numerous reasons such as inconclusive findings and the failure to obtain the necessary regulatory approvals. Clinical trials results are susceptible to different interpretations that may delay regulatory approvals. There is no assurance that the research or trials may achieve the expected result and if successfully developed and approved by the relevant authorities may receive market acceptance. There can be no assurance that these new or enhanced applications can be successfully achieved on a timely basis.

However, the Group believes that its current range of applications are stable and have been well-accepted by its customers, and as such the effects of any material delay in the development of new or enhanced applications is mitigated by the continued availability of the Group's existing range of applications. The future growth of the Group is nevertheless dependent upon, to a certain extent, the successful development of new applications. The consolidated profit forecast for the FYE 30 June 2005 (as set out in section 10.4 of this Prospectus) assumes that there is no such development of new applications.

The Group collaborates with a number of research institutes worldwide for the development of new applications. There is no assurance that the Group would be able to maintain its business relationships with these research institutes or its co-operation with these research institutes would achieve the expected results. In the event of any early termination or non-compliance with or breach of the relevant non-binding memorandum of co-operation or technology transfer agreements by any of such research institutes or if the Group's relationships with these research institutes deteriorate, the Group's business and future prospects would be adversely affected.

However, the Group believes that its relationships with these research institutes are strong and the risk of the relationship deteriorating in the near future is low.

4.8 DEPENDENCY ON PARTICULAR SUPPLIERS/CUSTOMERS AND FAILURE OF ONGOING RELATIONSHIPS

The main products of the Company are tocotrienol, carotene and methyl ester, which are produced to the specific needs and requirements of its customers. The Company enters into contracts with its customers, most of which are of an open-ended nature or subject to yearly renewals, for the sale and purchase of these raw materials, which are then used by the customers in the formulation of their own products.

In addition, the Company also produces Tocomin and Caromin and enters into arrangements with its distributors. Some distributors are given performance targets by the Company, and these arrangements may be terminated upon fulfillment of those targets. As such, some of the Company's customers also make up the distribution channels for the Company's products. These customers remain the authorised distributors for the Company's products until these contracts are terminated by either the Company or the customer itself.

As such, there is a risk that by depending on certain customers, and to a certain extent, distributors, while not entering into long-term contracts with these customers and distributors, the Company may experience lower sales in the event there occurs a failure in any of these relationships.

However, the Board of the Company are of the opinion that if a customer or distributor is doing well sales-wise, it is unlikely that it will seek to terminate its contract with the Company because the customer's or distributor's own customers would in turn already be dependent on the Company's products. It is unlikely that the customer or distributor would switch to other raw materials or products respectively as new formulations, registrations, marketing and evaluations will be required. Furthermore, the Board of the Company is of the opinion that it is due to the nature of the Company's products (i.e. specialized products) that most customers are repeat customers, and will continue to be customers until there is a negative development relating to these products, e.g. proven to be harmful or other negative effects are proven.

4. RISK FACTORS (continued)

The Company does not have any contracts with its suppliers of raw materials, mainly suppliers of CPO. The Company normally buys at the relevant spot rates or forward buys for 3 to 6 months depending on requirements. The Board of the Company is of the opinion that the Company does not depend on a single or a limited group of suppliers as the sourcing of raw material should not be a major problem for palm tocotrienols producers such as the Company as palm oil is abundantly available in Malaysia.

4.9 INVESTMENT RISKS

If appropriate opportunities present themselves, whether in Malaysia or elsewhere, the Group may decide to acquire businesses, products or technologies, or enter into joint ventures, alliances or partnerships with third parties, or to expand into other geographical markets.

There can be no assurance that the Group will be able to successfully identify, negotiate, finance or implement these ventures or investments, to successfully integrate these ventures or investments with its current business and operations, or to benefit from the same. These ventures and investments may also require additional capital, which may or may not be available on terms satisfactory to the Group. However, any venture or investment of such nature will be carefully considered by the directors of the Company and its subsidiary with due care.

The Group may also from time to time invest in new ventures and products. These investments may not be successful, or may have a delayed gestation period. In this event, the Group may not be able, or may be slow, to recover its investments and/or achieve satisfactory returns. However, any venture or investment of such nature will be carefully considered by the Board of the Company and its subsidiary with due care.

4.10 CONTINUED CONTROL BY EXISTING SHAREHOLDERS

Upon the completion of the Public Issue, DH via Hovid will, in the aggregate, beneficially own approximately 51.1% of the issued and paid-up share capital of the Company. As a result, they will possess voting control over the Company, giving them the ability, among others, to elect at least a majority of the Company's directors and to control the vote on significant corporate transactions.

Nonetheless, the Company has appointed three (3) independent directors as a step towards good corporate governance to ensure that any future transactions involving related parties, if any, are entered into on arms-length terms.

4.11 FOREIGN EXCHANGE RISKS

A substantial amount of the Group's revenue is currently generated from exports. As such, the Group is potentially exposed to foreign exchange risks.

The Company's exposure to foreign currency exchange risk arises from export of finished goods that are generally denominated in USD. Since the USD is pegged by the Malaysian authority to Ringgit Malaysia at RM3.80 per USD, the foreign currency risk is minimised. However, there is no assurance that the peg will remain at that level or at all.

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4. RISK FACTORS (continued)

4.12 RISKS ASSOCIATED WITH ANY FOREIGN OPERATIONS WHICH MAY INCLUDE CURRENCY FLUCTUATIONS, TRADE RESTRICTIONS, SOVEREIGNTY, POLITICAL AND ECONOMIC RISKS

C Inc. is currently operating in the US. The establishment of this foreign subsidiary, as well as any future foreign subsidiaries or representative office is to principally facilitate the expansion of the Group's overseas markets, as well as to assist in the obtaining of relevant regulatory approvals and product registrations in the US and any other country (where applicable). However, such foreign operations could give rise to certain business risks, which would not be apparent should the Group only maintain domestic operations. Some of these risks include, but are not limited to, the following:-

- Currency fluctuations;
- Trade restrictions as a result of conflict of laws, which may lead to legal uncertainties and time delays associated with tariffs, procurement of business and export licences and other restrictions;
- Inadequate protection of intellectual property; and
- Regulatory requirements of different countries.

There is no assurance that any adverse developments or changes in these factors would not have an adverse impact on the Group's ability to compete in international markets. However, as C Inc. effectively operates as the Company's cost centre in the US and is the Company's wholly-owned subsidiary, the Board of the Company is of the opinion that the Company is able to address any risks or situation faced by C Inc. as and when these occur.

4.13 NEGATIVE PUBLICITY ON PALM OIL PRODUCTS

Over the last two to three decades, struggle for dominance amongst vegetable oil producers has augured the launch of the anti-palm oil campaign that has given rise to many misunderstandings and allegations about the harmful properties of palm oil to health. Although most of these allegations were counter-proved, such negative publicity has caused confusions and misunderstandings among consumers particularly in the US and the Western countries. Palm tocotrienols manufacturers may be affected by such negative publicity about palm oil, and will need to put in more efforts and invest in marketing strategies to promote the health benefits of palm tocotrienols in order to reverse the effects of these allegations.

Furthermore, as the main raw material for the Company's products is CPO, the Company's reliance on palm oil products by the Company may be affected by such negative publicity as well as competition from other alternative products.

(Source: Carotech's Independent Market Researcher's Report, prepared by the Independent Market Researcher)

4.14 MARKET IN ITS INFANCY AND COMPETITION

The tocotrienols industry is still very much at its infancy stage, and there is no assurance that the Group will not be adversely affected in future by any adverse event or development of this market. There is also no assurance that the prospects for the market will be positive. In terms of palm tocotrienols, there are only two players in the market currently, the Company and Golden Hope Biogenics Sdn Bhd. The Company started trading and distributing tocotrienols since 1995 whilst Golden Hope Biogenics Sdn Bhd started selling on a smaller scale via its parent company, Golden Hope Plantation Berhad, in 2001. The Company believes that it has the major share of the tocotrienols market in the world. The remaining market is shared between Golden Hope Biogenics Sdn Bhd (in palm tocotrienols) and Oryza Oil & Fat Chemical Co. Ltd. of Japan and Eastman Chemical Company of the US, both of which are in rice bran tocotrienols.

(Source: Carotech's Independent Market Researcher's Report, prepared by the Independent Researcher)

4. RISK FACTORS (continued)

Currently, the Company exports its phytonutrients to 27 countries worldwide, with the US being the largest export country. However, the dependence of the Company's revenue from the US market has decreased over the years as the Company has ventured into Europe and Japan as potential new markets. The Company also intends to further extend its geographical coverage to include countries within South East Asia, the Peoples' Republic of China, Taiwan and Korea.

4.15 LOW CAPITAL EXPENDITURE REQUIREMENTS

The capital expenditure requirements to set up a similar manufacturing plant may be considered low for the large players of the oleochemical and pharmaceutical industries. There can no assurance that these large players will not venture into tocotrienols and carotenoids extraction in the future. Carotino Sdn Bhd and Supervitamins Sdn Bhd have already expressed their intent to do so.

Whilst the intellectual property rights of the Group may afford some protection against competitors adopting a similar extraction processes, there can be no assurance that these competitors will not discover or invent an alternative or better method of extracting tocotrienols and carotenoids.

In tandem with the risk of competition, it can be said that the tocotrienols industry takes a long gestational period. For instance, it took Carotech about five (5) years in R&D before the successful commercialisation of producing palm tocotrienols. However, the positive effect of this is that its long-time market presence has already created the first mover advantage, building its own brand of tocotrienols in the process of creating product awareness. As such, this advantage readily provides Carotech an edge ahead of its competitors in the industry.

4.16 SUPPLY AND COST OF RAW MATERIAL

The main raw material for palm-based tocotrienols is CPO. CPO makes up almost 80% of the total raw material costs. The Group is thus heavily dependent on CPO as a source of raw material. There can thus be no assurance that the Group will continue to enjoy assured supplies of CPO in quantities adequate for its production, or that such supplies will be at prices and/or on terms and conditions that are acceptable to the Group.

However, the Group believes that the sourcing of raw material should not be a major problem for palm tocotrienols producers such as the Company as palm oil is abundantly available in Malaysia. Malaysia produced 13.4 million tonnes of palm oil in 2003. This represents almost 50% of the world's palm oil output, or 12% of the world's oils and fats output. About 60% of Malaysia's cultivated land area is for oil palms. In the last 20 years, the production of palm oil has been steady and only in rare situation has that production declined, which is in the year 1998 due to the El Nino phenomenon. Even then, the impact was minimal.

(Source: Carotech's Independent Market Researcher's Report, prepared by the Independent Market Researcher)

Though there can be no assurance that fluctuations in CPO prices would not have a materially adverse effect on the Group's operations, revenue and profitability, given that methyl ester is the Company's principal by-product and is sold at a slight premium to the CPO price, any fluctuation of CPO prices may be mitigated as the price of the end-product and raw material goes in tandem.

4.17 PRICE EROSION

The price of carotenoids has been eroded in recent years. In 2001, F. Hoffman-La Roche Ltd announced a temporary stop in its production in order to stabilise carotenoids prices. Some producers may resort to contracting strategic alliances or merger and acquisition, for example, the acquisition of the colouring activities of Quest International, including carotenoids, by Chr. Hansen Holding A/S in 1999. At present, tocotrienols are sold by Carotech in its raw form in concentrations, and prices vary according to concentrations. There can be no assurance that the prices of tocotrienols will not be similarly eroded.

(Source: Carotech's Independent Market Researcher's Report, prepared by the Independent Market Researcher)

4. RISK FACTORS (continued)**4.18 CHANGES TO GENERAL ECONOMIC, POLITICAL, LEGISLATIVE, BUSINESS AND/OR CREDIT CONDITIONS**

As with any other business, the Group's business is subject to the overall economic, socio-economic, political, legislative, business and/or credit condition both domestically and internationally. Adverse developments in economic, socio-economic, political, legislative, business and/or credit conditions in Malaysia and/or elsewhere may materially and adversely affect the business, operations, results and financial conditions of the Group. There can be no assurance that the Group's performance or financial condition will not be affected by any change in any such condition.

4.19 LEGAL UNCERTAINTIES CONCERNING THE CORPORATION'S BUSINESS OR OPERATIONS OR CONTRACTUAL AGREEMENTS

The Company has entered into various agreements and arrangements in relation to its business and operations. These include distribution agreements, manufacturing agreements, secrecy agreements, tenancy agreements and other agreements related to the business of the Company. These agreements were prepared in-house and where necessary, referred to external lawyers. Although the Board of the Company is of the opinion that these contractual agreements have been in compliance with the relevant laws and regulations of Malaysia and other countries of whose laws and regulations the Company may be subject to, there is no assurance that these contractual agreements may be subject to legal uncertainties, resulting in either the Company, the Group or the other contracting parties bringing legal action against the other in respect thereof.

Nevertheless, the Company seeks to mitigate this risk by actively seeking legal advice as and when necessary on any new agreements or arrangements that are not common to its operations or are not in the ordinary course of its business.

4.20 RISKS RELATING TO FINANCIAL PERFORMANCE WHICH MAY INCLUDE, BUT NOT BE LIMITED TO:-

- I. CONVENANTS UNDER BORROWING FACILITY AGREEMENTS WHICH LIMIT THE CORPORATION'S/GROUP'S OPERATING AND FINANCIAL FLEXIBILITIES;**
- II. FORESEEABLE CAPITAL COMMITMENTS; AND**
- III. INDEBTEDNESS.**

As at 28 February 2005, the Group has banking facilities with five (5) banks and has a total bank borrowings of approximately RM27.0 million (comprising approximately RM15.0 million in short-term borrowings and approximately RM12.0 million in long term borrowings). The Group had no capital commitments as at 28 February 2005, save for an amount of RM1.38 million in respect of purchases of plant and machinery.

These banking facilities mainly comprise of overdrafts, multi-option trade lines and term loans which have repayment period of five (5) years. Although these bank facility agreements do not contain any covenants which would limit the Group's operating and financial flexibilities, there is no guarantee that any future bank facility agreements would not contain such covenants.

Furthermore, any significant fluctuation in interest rates may increase the cost of borrowings for the Company. As such, there is no assurance that the financial performance of the Group will not be adversely affected by such an adverse change. The directors of the Company are of the opinion that any fluctuation in the interest rates will have a minimal impact on the financial performance of the Group, as most of the borrowings will be repaid upon receipt of the funds from the Public Issue.

The Company also intends to fund some of the capital commitments through internally generated cash flows and bank borrowings, and has further proposed to utilise approximately RM12,000,000 and RM17,176,000 respectively, of the funds to be raised from the Public Issue to repay its bank borrowings and reduce its working capital facilities respectively. The working capital facilities of the Group comprise of overdrafts, bankers acceptances, trust receipts, shipping guarantees and letter of credits.

4. RISK FACTORS (continued)

4.21 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 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 Group believes that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to have been correct.

4.22 DELAY IN OR FAILURE OF THE LISTING

The Listing exercise is exposed to the risk that it may be delayed or failed should any of the following events, which may not be exhaustive, occur:-

- (a) the Bumiputera investors nominated and approved by MITI fail to subscribe for the portion of the Issue Shares allocated to them despite having given undertakings to subscribe or purchase; or
- (b) the Company being unable to meet the public spread requirement, that is, at least 25% but not more than 49% of the issued and paid-up share capital of the Company must be held by a minimum number of 200 public shareholders.

Although the directors of the Company will endeavour to ensure compliance by the Company of the Listing Requirements and the applicable regulations for the Listing, including (inter alia) the public spread requirement imposed by Bursa Securities for a successful Listing, no assurance can be given that these events will not occur and cause a delay in or abortion of the Listing.

4.23 UNDERWRITING

The unsubscribed portion of the 1,500,000 of the Issue Shares reserved for eligible directors and employees of Carotech Group, Hovid Group and persons who have contributed to the success of Carotech Group have been fully underwritten by the Underwriter. The underwriting commission is payable by the Company at a rate of one point five percent (1.5%) of the Issue Price of RM0.40 per share on the unsubscribed portion of the 1,500,000 Issue Shares reserved for the eligible directors and employees of the Carotech Group and Hovid Group and persons who have contributed to the success of the Carotech Group. However, the agreement of the Underwriter to underwrite up to 1,500,000 of the Issue Shares should not be taken as an indication of the merits or assurance of the value of the Issue Shares.

The underwriting agreement also provides for circumstances as highlighted in section 3.9 of this Prospectus under which the Underwriter may be entitled, on or prior to the closing date of the Public Issue, to release or discharge their obligations under the underwriting agreement. This conditional obligation of the underwriter may result in the Issued Shares not being underwritten and this could delay or jeopardise the Listing Exercise.

The 75,190,000 Issue Shares available for application by Bumiputera investors nominated and approved by MITI are not underwritten. Similarly, if these Issue Shares are not subscribed in full, the Listing Exercise may be delayed or jeopardised.

4.24 POTENTIAL COMPETITION FROM MANAGING DIRECTOR

Under the terms of the contract of employment of the Managing Director of Carotech, DH is granted a royalty-free non-exclusive licence over all intellectual property rights of the Group that are discovered, filed, invented or otherwise acquired by the Group during his term of the contract of employment. The licence granted to DH can only be assigned or sub-licensed by him to an entity controlled by him. However, DH is not allowed to use the sub-licence of the intellectual property to compete with the Group during his employment and for a period of two (2) years after that.

4. RISK FACTORS (continued)

There can be no assurance that, with such a sub-licence, DH (or an entity controlled by him) will not become a competitor of the Group. DH will have full knowledge about all aspects of the Group, including its markets, technology, production and applications. The directors hope to avoid such a situation from arising by continuing to employ DH as the managing director of the Group for as long as possible. However, there can be no assurance that DH will continue to be so employed.

In addition, the directors of the Company intend to further increase the competitive advantages of the Group while DH is employed as the managing director to increase the barrier to entry for a new entrant. In the event DH is no longer employed as the managing director of the Group, the directors of the Company will have two (2) years to further strengthen and increase its market position / share to increase its competitive advantage.

4.25 FUTURE CAPITAL INJECTIONS

The Board of the Company believe that the net proceeds from the Public Issue, together with cash flow generated from the Group's operations and other existing sources of funds will be sufficient to meet the projected working capital and other cash requirements.

However, there is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available, or if available, that it will be on terms satisfactory or favorable to the Group. The issue of additional equity or other convertible securities by the Company may result in the dilution of the interests of the then shareholders of the Company.

4.26 PRODUCT LIABILITY

Researching, developing, manufacturing and marketing nutraceutical and cosmecuetical entail significant product liability risk. Liability may arise if any product developed or manufactured by the Group causes adverse effects or injury or is found unsuitable for consumption or application. While the Group has product liability insurance of up to RM5,000,000 per event or in aggregate only, there is no assurance that such insurance is sufficient, will be renewed or will respond to all liabilities.

4.27 REGULATORY PRESSURES

While tocotrienols are considered food supplements and therefore do not require product registration in most countries, the claims for its applications and the results of clinical trials have to be accepted by the various regulatory authorities and could be tedious and time consuming. There is also no assurance that a country's regulatory authority will accept the clinical trials conducted by or for the Group.

The Group relies on the regulatory compliance team of its holding company, Hovid, that constantly monitors compliance of its products with the regulators and keeps abreast of such developments. There can be no assurance that Hovid will continue to render such services to the Group.

4.28 ENVIRONMENTAL RISKS

As a licensed manufacturer, the Company is subject to certain environmental legislation and regulations imposed by the Malaysian Department of Environment. The primary legislation relating to the environment in Malaysia is Environmental Quality Act 1974, while regulations promulgated thereunder include the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979 and Environmental Quality (Scheduled Wastes) Regulations 1989, which regulate, inter alia, industrial effluents and water discharge from factories as a result of manufacturing processes.

The directors of the Company are of the opinion that the existing operations of the Group are in strict compliance with the present environmental laws and regulations. Furthermore, as the Group is in the process of achieving GMP status, it is essential that each production process be carried out in accordance with the GMP guidelines as well.

4. RISK FACTORS (continued)

However, there is no guarantee that such laws and regulations will not be amended or changed by the Government in the future, in light of the increasing importance of environmental awareness in Malaysia and around the world. This may lead to the Group incurring additional expenses to modify its manufacturing processes and facilities, which may in turn affect the operations and financial performance of the Group.

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