

5. INFORMATION ON THE GROUP

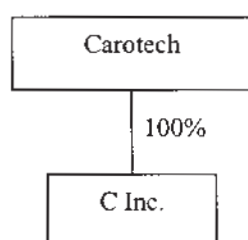
5.1 INFORMATION ON THE COMPANY

5.1.1 Background

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 the 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 tocotrienols with the US, Europe, Japan and Australia making up the main markets.

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, 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.

5. INFORMATION ON THE GROUP (continued)

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 integrated process used by the Company is a technology for which a patent was granted and registered in Malaysia. This patent has also been registered in several other jurisdictions.

The Group also carries out on-going R&D activities for the purposes of, inter alia, differentiating the Company's products and developing new and extended uses for the Company's products.

In 1999, the Company collaborated with Hovid in the establishment of an R&D laboratory at the School of Pharmaceutical Sciences, Universiti Sains Malaysia. In the same year, C Inc. was incorporated in the US and became a wholly-owned subsidiary of the Company in 2000. C Inc. functions as the worldwide marketing and sales representative for the Group's products.

In 2002, the Company's collaboration with the Ohio State University Medical Center in the US was awarded a grant of USD1,200,000 by the US National Institute of Health (Division of the National Institute of Neurological Disorders and Strokes) for research into the use of Tocomin tocotrienols in the protection of brain cells.

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

5.1.2 Share capital

As of the date of this Prospectus, the Company has an authorised share capital of RM50,000,000 comprising 500,000,000 Carotech Shares, and an issued and paid-up share capital of RM20,840,000 comprising 208,400,000 Carotech Shares.

Upon completion of the Public Issue, the enlarged issued and paid-up share capital of the Company shall be RM28,509,000 comprising 285,090,000 Carotech Shares in the Company.

The details of the changes in the issued and paid-up share capital of the Company since incorporation until the date of this Prospectus are as follows:-

Date	Number of shares	Nominal value (RM)	Type of issue and consideration	Issued and paid-up share capital (RM)
16.07.1990	2	1.00	Subscriber shares for cash	2
28.09.1993	444,788	1.00	Cash	444,790
28.09.1993	400,000	1.00	Assignment of patent rights from Carotech Associates USA to Carotech ¹	844,790
22.10.1993	155,210	1.00	Cash	1,000,000
07.03.1997	1,000,000	1.00	Allotment other than cash ²	2,000,000
12.02.1998	1,000,000	1.00	Allotment other than cash ²	3,000,000
25.08.1998	299,900	1.00	Cash	3,299,900
20.11.2003	132,000	1.00	Renounceable rights issue on the basis of approximately one (1) new ordinary share for approximately twenty five (25) existing shares held	3,431,900

5. INFORMATION ON THE GROUP (continued)

Date	Number of shares	Nominal value (RM)	Type of issue and consideration	Issued and paid-up share capital (RM)
17.11.2004	17,408,100	1.00	Bonus issue on the basis of approximately 5.0724 new shares for every one (1) existing share held	20,840,000
17.11.2004	–	0.10	Share split	20,840,000

Notes:-

- Pursuant to an assignment of patent right agreement dated 25 May 1993 between Carotech and Carotech Associates. Carotech Associates agreed to assign its rights to the US patent no. 5,157,132 dated 20 October 1992 to Carotech for the consideration of 400,000 ordinary shares in Carotech of RM1.00 each.*
- Contra against amount owing to Hovid.*

5.1.3 Subsidiary and associated company

As of the date of this Prospectus, the Company has a subsidiary, the details of which are as follows:-

Subsidiary	Date and place of incorporation	Issued and paid-up share capital (USD)	Effective equity interest	Principal activities
C Inc.	8 October 1999, US	97,500	100%	Sales agency and marketing of pharmaceutical, phytonutrient and oleochemical products

As of the date of this Prospectus, the Company does not have any associated company.

5.2 INFORMATION ON SUBSIDIARY**5.2.1 Background**

C Inc. was incorporated in US as a corporation with limited liability on 8 October 1999. The principal activities of C Inc. are sales agency and marketing of pharmaceutical, phytonutrient and oleochemical products. C Inc. functions as the marketing and sales representative for the Group's products.

5.2.2 Share capital

As of the date of this Prospectus, C Inc. has an authorised share capital of 2,500 common shares, and an issued and paid-up share capital of USD97,500 comprising 975 common shares.

The details of the changes in the issued and paid-up share capital of C Inc. since incorporation until the date of this Prospectus are as follows:-

Date	Number of shares	Issue Price (USD)	Type of issue and consideration	Issued and paid-up share capital (USD)
30 June 2000	975	100.00	Cash	97,500

5.2.3 Substantial shareholder and director

C Inc. is a wholly-owned subsidiary of the Company, with DH being the only director.

5. INFORMATION ON THE GROUP (continued)**5.2.4 Subsidiary and associated company**

As of the date of this Prospectus, C Inc. does not have any subsidiary or associated company.

5.3 LISTING EXERCISE

As a prelude to, and as an integral part of the Listing, the Company implemented the Listing Exercise, which was approved by the SC and SC, on behalf of FIC, on 6 August 2004 and 9 November 2004, Bursa Securities on 10 August 2004 and 10 November 2004, and MITI on 17 May 2004 and 27 September 2004 respectively. The Listing Exercise involved the following transactions.

5.3.1 Stage 1 - Acquisition

In conjunction with the Listing, on 22 December 2003, Carotech entered into a Sale and Purchase Agreement with Hovid for the acquisition of an unsubdivided portion measuring approximately 13.51 acres of a parcel of freehold land held under GRN 6107, Lot 56442, Mukim Hulu Kinta, Daerah Kinta, Perak, together with the buildings thereon from Hovid, for a cash consideration of RM5,710,000.

The purchase consideration of RM5,710,000 for the Proposed Acquisition was arrived at on a willing-buyer willing-seller basis after taking into consideration, among other, the market value of the land and buildings thereon of RM5,710,000 assessed by the Valuer, an independent registered valuer. Based on the independent valuation report prepared by the Valuer on 30 October 2003, the market value of the land and buildings was arrived at using the cost and investment methods of valuation.

The abovementioned properties were acquired by Carotech Group free from all charges, liens and encumbrances.

The Acquisition was completed on 17 November 2004.

5.3.2 Stage 2 - Acquisition By Hovid

On 15 November 2003, Hovid entered into a Sale and Purchase Agreement with HYH, DH, Liong Kam Hon, Choong Foo Wah, Jacqueline Judith East, Goh Tian Hock and EQL for the acquisition of, inter alia, 1,587,078 ordinary shares of RM1.00 each in Carotech from HYH for a consideration of RM9,235,328 which was satisfied through the issuance of 9,235,328 new shares of RM1.00 each in Hovid issued at par. These 9,235,328 new Hovid shares will be issued to the shareholders of HYH in proportion to their respective shareholdings in HYH.

The purchase consideration of RM9,235,328 for the Acquisition by Hovid was arrived at based on a willing-buyer willing-seller basis after taking into consideration, among other factors, the adjusted audited NTA of the Carotech Group as at 30 June 2003 of RM19,970,489 after adjusting for the renounceable rights issue carried out at Carotech on 20 November 2003, as set out below:-

	RM
Audited NTA as at 30 June 2003	19,838,489
Add: Renounceable rights issue*	132,000
	<u>19,970,489</u>

Note:-

* On 20 November 2003, Carotech completed a renounceable rights issue of 132,000 new shares of RM1.00 each in Carotech at an issue price of RM1.00 per share.

5. INFORMATION ON THE GROUP (continued)

On 22 December 2003, Hovid entered into a Sale and Purchase Agreement with HYH, CAV, DH, Leong Weng Hoong and EQL for the acquisition of another 674,105 ordinary shares of RM1.00 each in Carotech for a total consideration of RM3,922,669 which was satisfied through the issuance of 2,259,709 new shares of RM1.00 each in Hovid at an issue price of approximately RM1.74 per share.

On 24 August 2004, Hovid entered into a supplemental agreement to acquire an additional 136,000 shares in the Company from CAV and HYH, respectively, representing 4.1% of the equity interest therein for a total consideration of RM791,394 to be satisfied through the issuance of 455,894 new Shares in Hovid issued at approximately RM1.74 per share.

Details of the vendors, the total sale shares and their respective total purchase consideration are set out below:-

Vendor	No. of shares in Carotech to be acquired	Purchase consideration (RM)	No. of shares of Hovid to be issued
HYH	1,587,078	9,235,328	9,235,328
HYH	285,793	1,663,051	958,024
	<u>1,872,871</u>	<u>10,898,379</u>	<u>10,193,352*</u>
DH	80,001	465,532	268,177
CAV	361,814	2,105,423	1,212,859
Leong Weng Hoong	82,497	480,057	276,543
	<u>2,397,183</u>	<u>13,949,391</u>	<u>11,950,931</u>

Note:-

* Part of these Shares in Hovid amounting to 958,024 Hovid shares were allotted and issued to EQL in consideration of EQL paying to HYH a sum of RM958,024, which was set off against the cash payable upon redemption of the HYH RCPS.

The 2,397,183 shares of RM1.00 each in Carotech acquired pursuant to the Acquisition by Hovid were acquired free from all charges, liens, pledges, and other encumbrances and with all rights, benefits and entitlement attaching thereto from 17 November 2004, the date of completion of the Acquisition by Hovid.

5.3.3 Stage 3 - Bonus Issue

Upon completion of Stage 2, Carotech implemented a bonus issue of 17,408,100 new ordinary shares of RM1.00 each to the then existing shareholders of Carotech on the basis of approximately 5.0724 new ordinary shares of RM1.00 each for every one (1) existing ordinary share of RM1.00 each held in the Company after Stage 2 via the capitalisation of RM17,408,100 from the reserves as at 30 June 2004 as set out below:-

	RM
Share premium	3,667,440
Retained earnings	13,740,660
	<u>17,408,100</u>

Fractional shares arising from the Bonus Issue was disregarded and fractional entitlements were aggregated and dealt with on such terms as the Board deemed fit.

5. INFORMATION ON THE GROUP (continued)

The 17,408,100 new ordinary shares of RM1.00 each in Carotech issued pursuant to the Bonus Issue ranked *pari passu* in all respects with the then existing ordinary shares of Carotech and carried all rights to receive in full all dividends and other distribution declared and paid subsequent to the allotment thereof.

Following completion of the Bonus Issue, the issued and paid-up share capital of Carotech increased from RM3,431,900 comprising 3,431,900 Carotech ordinary shares of RM1.00 each to RM20,840,000 comprising 20,840,000 Carotech shares of RM1.00 each.

5.3.4 Stage 4 – Share Split

Upon completion of Stage 3 as outlined above, Carotech undertook a share split pursuant to which its existing ordinary shares of RM1.00 each was subdivided into ten (10) ordinary shares of RM0.10 each. Following the completion of the Share Split, the issued and paid up share capital of Carotech changed from RM20,840,000 comprising 20,840,000 ordinary shares of RM1.00 each to RM20,840,000 comprising 208,400,000 Carotech Shares.

5.3.5 Stage 5 - Public Issue

In conjunction with the Listing, Carotech is undertaking a public issue of 76,690,000 new Shares, representing approximately 26.9% of the enlarged issued and paid up share capital of Carotech, at an issue price of RM0.40 per Share in the following manner: -

- (a) 1,500,000 new Shares representing 0.5% of the enlarged share capital of 285,090,000 Shares 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; and
- (b) 75,190,000 new Shares representing 26.4% of the enlarged share capital of 285,090,000 Shares have been reserved for Bumiputera investors nominated and approved by MITI.

Upon completion of the Public Issue, the issued and paid up share capital of Carotech will increase from RM20,840,000 comprising 208,400,000 Shares to RM28,509,000 comprising 285,090,000 Shares.

All the Issue Shares shall rank *pari passu* in all respects with the existing Shares including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of the allotment thereof.

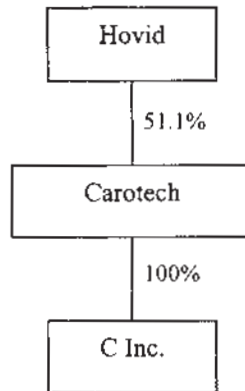
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5. INFORMATION ON THE GROUP (continued)

5.3.6 Stage 6 - Listing

Upon completion of Stages 1 to 5 above, Carotech will seek the listing of and quotation for its entire enlarged issued and paid up share capital of 285,090,000 Shares on the MESDAQ Market of Bursa Securities.

Upon completion of the Listing Exercise the group structure of Carotech will be as follows:-



In conjunction with the Listing, HYH will redeem 1,551,185 HYH RCPS by transferring from HYH, 374,187 ordinary shares of RM1.00 each in Carotech and a cash consideration of RM958,024 to EQL, the holder of the HYH RCPS.

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5. INFORMATION ON THE GROUP (continued)

5.4 OTHER INFORMATION

5.4.1 Approvals, licences and permits

<u>Approvals, licence, permits</u>	<u>Details of Licence</u>	<u>Conditions (if any)</u>	<u>Status</u>
Manufacturing Licence	The Company has a manufacturing licence (number A011598) issued by MITI, dated 19 December 1998, effective 21 September 1998 for the production of palm mixed carotenoids, palm tocotrienols, palm fatty acid, methyl esters and crude glycerine.	(i) in the event that the Company becomes a public company and invites the public to purchase its shares, the capital structure, the revaluation of assets and goodwill, and the capitalization of profits and reserves, and the methods and bases for the distribution of those shares shall be subject to the approval of the relevant regulatory authorities;	Met
Certificate of Pioneer Status	The Company has a Certificate of Pioneer Status issued by MITI dated 21 June 2002 which expired on 30 November 2003. Subsequent to this, the Company has obtained another Certificate of Pioneer Status issued by MITI dated 5 November 2004 for five (5) years ending 30 November 2008 for the development, testing and production of palm mixed carotenoids, palm tocotrienols, palm fatty acid methyl esters, crude glycerine and palm phyosterols.	(ii) the composition of the board of directors of the Company shall in general reflect the multi-racial composition in the State at all levels.	To be met
Malaysian Palm Oil Board Licence	The Company has a licence for the storage of palm oil covering the period from 12 May 2004 to 11 May 2005 and additional licence for purchase, export and transfer of palm oil covering the period from 6 July 2004 to 11 May 2005, both issued by the Malaysian Palm Oil Board (number 007448-906000)	(i) Expenditure on R&D shall be at least 1% of gross sales; and (ii) Staff who hold degrees in the field of science and technology or hold diplomas with work experience shall constitute at least 7% of the total manpower.	Met
			Met
			None

5. **INFORMATION ON THE GROUP** (continued)

<u>Approvals, licence, permits</u>	<u>Details of Licence</u>	<u>Conditions (if any)</u>	<u>Status</u>
Permit from Unit Penguatkuasa Farmasi Perak Darul Ridzuan ¹	For the purpose of the purchase, store and use sodium hydroxide by the Company, Unit Penguatkuasa Farmasi Negeri Perak Darul Ridzuan has issued a permit dated 1 January 2004 in the name of Chan Kah Kit , a process engineer in the Company, in respect of the purchase of up to a maximum of 75,000 kilogrammes of liquid, and 75,000 kilogrammes of solid, sodium hydroxide by the Company for the purpose of the catalyst trans-esterification and neutralization part of the production process.	None	-
Approval from Dewan Bandaraya Ipoh, Perak Darul Ridzuan	The Company has an approval dated 14 November 1995 issued by Dewan Bandaraya Ipoh, Perak Darul Ridzuan for the construction of the extraction plant on part of Lot 56442, Mukim of Ulu Kinta, District of Kinta, Perak Darul Ridzuan.	None	-
Approval from Jabatan Perkhidmatan Bomba Malaysia	The Company has an approval from Jabatan Perkhidmatan Bomba Malaysia dated 22 September 1994 in respect of fire safety requirements relating to the Company's production process.	None	-
Approval from Jabatan Alam Sekitar negeri Perak Darul Ridzuan	The Company has an approval dated 9 March 1993 issued by Jabatan Alam Sekitar Negeri Perak Darul Ridzuan in respect of the extraction plant constructed by the Company on part of Lot 56442, Mukim of Ulu Kinta, District of Kinta, Perak Darul Ridzuan.	None	-
Approval from Jabatan Keselamatan dan Kesihatan Pekerjaan	The Company has approvals dated 23 January 2002 and 5 march 2003 issued by Jabatan Keselamatan dan Kesihatan Pekerjaan pursuant to the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 in respect of the safety specifications of the Company's fire tube boiler.	None	-

Note:-

1. Pursuant to the provisions of the *Poisons Ordinance 1952*, and the *Poisons (Sodium Hydroxide) Regulations 1962*, this permit is granted to a person and not a firm, hence the permit is in the name of Chan Kah Kit and not Carotech

5. INFORMATION ON THE GROUP (continued)**5.4.2 Landed property**

The following landed properties are owned by the Group.

Registered owner / Beneficial Owner	Location / Title details	Description / Existing use	NBV as at 30 June 2004 RM	Market Value RM
Hovid* ¹ / Carotech	Lot 56442, Title No. Geran 6107, Mukim of Hulu Kinta, District of Kinta, bearing address Lot 56442, 71/2 mile, Jalan Ipoh/ Chemor, 31200 Chemor, Perak Darul Ridzuan - Land area: 874, 685 sq.ft. - Tenure: Freehold - Category of land use: Industrial - Charges: OCBC Bank (Malaysia) Berhad - Restrictions in interest: None	An unsubdivided portion measuring approximately 13.51 acres of a parcel of industrial land partly erected upon with a pharmaceutical plant located at the 8 th m.s., Jalan Kuala Kangsar, in the vicinity of Bandar Baru Sri Klebang, Ipoh, Perak Darul Ridzuan. - Built up area: 16,711 sq.ft - Age of Buildings: Range from 2 years to 10 years - Date of issuance of CF: 14 November 1995 (Carotech Extraction Plant)	5,710,000* ²	5,710,000

Notes:-

*1 Details of the land will only be available after separate title has been issued in respect of this unsubdivided portion of land being acquired from Hovid.

*2 The net book value of RM5,710,000 comprises RM4,740,000 for land and RM970,000 for building.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

6.1 PROMOTER

6.1.1 Shareholdings in the Company

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

Promoter	Place of Incorporation	-----Before Public Issue-----		-----After Public Issue-----	
		Direct	Indirect	Direct	Indirect
		Number of Carotech Shares	Percentage of share capital %	Number of Carotech Shares	Percentage of share capital %
Hovid	Malaysia	145,567,450	69.9	145,567,450	51.1

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

6.1.2 Profile

The profile of the promoter of the Company is as follows:-

Hovid was incorporated as a private limited company under the Act on 20 May 1980 under the name of Ho Yan Hor (Kausing Brand) Medical Hall Sdn Bhd. It underwent several name changes, to Ho Yan Hor Pharmaceuticals Sdn Bhd on 21 May 1984, to Ho Yan Hor Sdn Bhd on 21 April 1989 and to Hovid Sdn Bhd on 24 March 1998. It then converted to a public limited company on 5 December 2003 under the name of Hovid Berhad.

As of 28 February 2005, Hovid has an authorised share capital of RM50,000,000 comprising 100,000,000 ordinary shares of RM0.50 each and an issued and paid-up share capital of RM41,230,000 comprising 82,460,000 ordinary shares of RM0.50 each. 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 principal activities of Hovid are manufacturing of pharmaceutical and herbal products. The details of the directors and substantial shareholders of Hovid and their respective shareholdings in Hovid as of 28 February 2005, being the last practicable date prior to the printing of this Prospectus, are as follows:-

	Nationality/ Place of incorporation	←----- Direct----->		←----- Indirect----->	
		Number of ordinary shares of RM0.50 each	Percentage of share capital %	Number of ordinary shares of RM0.50 each	Percentage of share capital %
Directors					
Datuk Haji Ibrahim Bin Haji Ahamd	Malaysian	-	-	-	-
DH	Malaysian	49,019,360	59.4	-	-
Liong Kam Hon	Malaysian	1,362,220	1.7	-	-
Chuah Chaw Teo	Malaysian	-	-	-	-
Leong Kwok Yee	Australian	-	-	-	-
YM Raja Shamsul Kamal bin Raja Sharuzzaman	Malaysian	-	-	-	-
Substantial shareholders					
DH	Malaysian	49,019,360	59.4	-	-
EQL	British Virgin Islands	23,759,656	28.8	-	-
ASC	British Virgin Islands	-	-	23,759,656 ¹	28.8
CAV	Malaysia	4,977,002	6.0	-	-
CAHB	Malaysia	-	-	4,977,002 ²	6.0

Notes:-

1. Deemed interested pursuant to section 6A of the Act by virtue of its interest in EQL.
2. Deemed interested pursuant to section 6A of the Act by virtue of its interest in CAV.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

6.1.3 Previous or substantial shareholdings in other public companies

The promoter of the Company does not have any previous or existing substantial shareholding, in any other public company incorporated in Malaysia for the past two (2) years preceding the date of this Prospectus.

6.1.4 Changes in the promoter's shareholdings in the Company

The changes in the shareholdings of the promoter of the Company for the past three (3) years from the date of this Prospectus are set forth in section 6.2.4 of this Prospectus.

6.1.5 Moratorium on the promoter's shares in the Company

Under the Listing Requirements, shares in the Company that are held by the promoter of the Company amounting to 45% of the nominal issued and paid-up share capital of the Company as of the date of admission of the Company to the Official List of the MESDAQ Market of Bursa Securities may not be sold, transferred or assigned for one (1) year from the date of Carotech's admission to the MESDAQ Market. Thereafter, the promoter may sell, transfer or assign up to a maximum of one-third of its shareholdings per annum on a straight line basis of its shareholdings under moratorium. The promoter of the Company whose Shares are subject to moratorium is as follows: -

Promoters	<-----After Public Issue----->		<-----Under Moratorium----->	
	Number of Carotech Shares	Percentage of share capital %	Number of Carotech Shares	Percentage of enlarged share capital %
Hovid	145,567,450	51.1	128,290,500	45.0

The quantum and proportion of shares in the Company which are to be held under this moratorium are fully accepted by the promoter, representing 45% of the enlarged issued and paid-up share capital of the Company.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

6.2 SUBSTANTIAL SHAREHOLDERS

6.2.1 Shareholding in the Company

The direct and indirect interests of the substantial shareholders of the Company in the issued and paid-up share capital of the Company before and 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	-----Before Public Issue-----			-----After Public Issue-----		
		Direct Number of Carotech Shares	Indirect Number of Carotech Shares	Percentage of share capital %	Direct Number of Carotech Shares	Indirect Number of Carotech Shares	Percentage of share capital %
Hovid	Malaysia	145,567,450	-	69.9	145,567,450	-	51.1
CAV	Malaysia	26,590,320	-	12.7	26,590,320	-	9.3
CAHB	Malaysia	-	26,590,320 ²	-	-	26,590,320 ²	9.3
EQL	British Virgin Islands	22,722,250	-	10.9	22,722,250	-	8.0
ASC	British Virgin Island	-	22,722,250 ³	-	-	22,722,250 ³	8.0
DH	Malaysian	-	145,567,450 ¹	-	182,000	145,567,450 ¹	51.1

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.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

6.2.2 Profiles

The profiles of the substantial shareholders of the Company, other than the profile of Hovid, which is set forth in section 6.1.2 of this Prospectus, are as follows:-

- (i) **CAV** is a wholly-owned subsidiary of CAHB and was incorporated as a private limited company under the Act on 16 January 1995 under the name of Commerce Asset Managers Sdn Bhd. It changed its name to its present name on 13 June 1997. The principal activities of CAV are provision of equity and mezzanine capital to viable, innovative, high growth and emerging companies. The authorised share capital of CAV is RM15,000,000 divided into 4,000,000 ordinary shares of RM1.00 each and 110,000,000 Preference Shares of RM0.10 each of which 500,000 ordinary shares of RM1.00 each and 67,000,000 Preference Shares Series A and 33,000,000 Preference Shares Series B of RM0.10 each have been issued and fully paid-up. The details of the directors and substantial shareholders of CAV and their respective shareholdings in CAV as of 28 February 2005 are as follows:-

	Nationality/ Place of incorporation	Direct		Indirect	
		Number of ordinary shares of RM1.00 each	Percentage of share capital %	Number of ordinary shares of RM1.00 each	Percentage of share capital %
Directors					
Jamil Hajar Bin Abdul Mutalib	Malaysian	-	-	-	-
Datuk Azizan Bin Abd Rahman	Malaysian	-	-	-	-
Dato' Dr. Mohamad Zawawi Bin Ismail	Malaysian	-	-	-	-
Raja Shamsul Kamal Bin Raja Shahruzzaman	Malaysian	-	-	-	-
Substantial shareholders					
CAHB	Malaysia	500,000	100	-	-

- (ii) **CAHB** started in 1924 as a family bank in Kuching, Sarawak. On 24 December 1956, it was incorporated as Bian Chiang Bank Limited in Malaysia under the Sarawak Ordinance No. 38 of 1956. In 1979, its head office was transferred from Kuching to Kuala Lumpur and its name changed to Bank of Commerce Berhad ("BOC"). BOC was listed on the Main Board of Bursa Securities on 3 November 1987.

In 1991, the composite scheme of merger between BOC and United Asia Bank Berhad ("UAB") was successfully completed. With effect from 30 June 1991, the commercial banking businesses of BOC was transferred to UAB, which later changed its name to Bank of Commerce (M) Berhad. In addition, BOC's name was changed to Commerce Asset-Holding Berhad on 10 October 1991 and is now an investment holding and management company.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

The details of the directors and substantial shareholders of CAHB and their respective shareholdings in CAHB as of 28 February 2005, being the last practicable date prior to the printing of this Prospectus, are as follows:-

	Nationality/ Place of incorporation	Direct		Indirect	
		Number of ordinary shares of RM1.00 each	Percentage of share capital %	Number of ordinary shares of RM1.00 each	Percentage of share capital %
Directors					
Tan Sri Dato Mohd Desa Pachi	Malaysian	-	-	-	-
Tan Sri Datuk Asmat Kamaludin	Malaysian	-	-	26,000 ^(a)	^
Dr. Rozali Mohamed Ali	Malaysian	314,800	^	-	^
Dato' Anwar Aji	Malaysian	-	-	-	-
Mohd Salleh Mahmud	Malaysian	-	-	-	-
Dr. Roslan A. Ghaffar	Malaysian	-	-	-	-
Izlan Izhah	Malaysian	-	-	-	-
Substantial shareholders					
Employees Provident Fund Board	Malaysia	655,616,326 ^(b)	24.24	-	-
Khazanah Nasional Berhad	Malaysia	342,908,900	12.68	-	-
Kumpulan Wang Amanah Pencen	Malaysia	258,719,172 ^(c)	9.57	-	-

Notes:-

^ Negligible

(a) Deemed interested pursuant to Section 6A of the Act, through the 21,000 ordinary shares held by his wife, Puan Sri Habibah Mohd and 5,000 ordinary shares held indirect under his son, Ziad Asmat, in CAHB.

(b) 645,135,926 CAHB Shares are held directly and the remaining 10,480,400 CAHB Shares are held through nominees companies.

(c) 58,270,000 CAHB Shares are held directly, 5,284,000 CAHB Shares are held through nominees companies and 195,165,172 CAHB Shares are swap shares with the Ministry of Finance.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

- (iii) EQL was incorporated as a private limited company on 5 January 2000 in the British Virgin Islands. The principal activity of EQL is investment holding. EQL is a wholly-owned subsidiary of ASC. The details of the directors and substantial shareholders of EQL and their respective shareholdings in EQL as of 28 February 2005, being the last practicable date prior to the printing of this Prospectus, are as follows:-

	Nationality/ Place of incorporation	<----- Direct ----->		<----- Indirect ----->	
		Number of ordinary shares of USD1.00 each	Percentage of share capital %	Number of ordinary shares of USD1.00 each	Percentage of share capital %
Directors					
	Hong Mei Chean	Malaysian	-	-	-
	Ho Tuen Yee	British	-	-	-
Substantial shareholders					
	ASC	British Virgin Islands	1	100	-

- (iv) ASC was incorporated as a private limited company on 17 August 1994 in the British Virgin Islands. The principal activity of ASC is the provision of direct equity to private sector companies that are well managed and with clear vision of profitable growth. The authorised share capital of ASC is US\$161 divided into 100 ordinary shares of US\$0.01 each, 15,000 preference shares Series A of US\$0.01 each and 1,000 preference shares Series B of US\$0.01 each. As at 28 February 2005, 100 ordinary shares of US\$0.01 each, 2,914 preference shares Series A of US\$0.01 each and 1,000 preference shares Series B of US\$0.01 each have been issued and fully paid-up. The shareholders of ASC consist of U.S. university endowment and pension funds, family offices and other institutional investors.

The details of the directors of ASC and their respective shareholdings in ASC as of 28 February 2005, being the last practicable date prior to the printing of this Prospectus, are as follows:-

	Nationality	<----- Direct ----->		<----- Indirect ----->	
		Number of ordinary shares of USD0.01 each	Percentage of share capital %	Number of ordinary shares of USD0.01 each	Percentage of share capital %
Directors					
	Lee Cheong Seng	Singaporean	-	-	-
	Ronnie C Chan	American	-	-	-

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

- (v) **DH**, age 55, a Malaysian, is a director and the Managing Director of the Company. He obtained a Bachelor of Pharmacy degree from the University of Otago in 1974. He later obtained a Master of Pharmacy degree from the University of Otago in 1976. He was registered as a pharmacist with the Pharmaceutical Society of New Zealand in 1974, and as a pharmaceutical chemist with the Pharmaceutical Society of Great Britain in 1977. He was registered as a pharmacist with the Malaysian Pharmacist Board in 1980. DH has also completed the Applied International Management Programme organised by the Swedish Institute of Management, in 1990, and the International Top Management Seminar in the field of Quality Leadership organised by ISO Swedish Management Group in 1996. From 1978 to 1979, he was a research pharmacist with Wyeth Laboratories Ltd. Thereafter, he formed and incorporated Hovid in 1980.

6.2.3 Previous or existing directorships and substantial shareholdings in other public companies

Save as disclosed below, none of the substantial shareholders of the Company has any previous or existing directorship, or substantial shareholding, in any other public company incorporated in Malaysia for the past two (2) years preceding the date of this Prospectus:-

Name	Company	Principal activities	Date Appointed / Resigned	% held as at 28 February 2005	
				Direct	Indirect
DH	Hovid	Manufacturing of pharmaceutical and herbal products	20.05.1980	59.40	-
CAHB	Bumiputra-Commerce Berhad	Bank		99.99	-
	Bumiputra-Commerce Factoring Berhad	Factoring and loan management	-	-	99.99 ^(a)
	Bumiputra-Commerce FactorsLease Berhad (formerly known as Bumiputra-Commerce Leasing Berhad)	Leasing, and assets financing	-	-	99.99 ^(a)
	Bumiputra-Commerce Berhad	Trustee		-	99.99 ^(a)
	BBMB Unit Trust Management Berhad	Trustee to unit trust fund, public-debt financing issues and other corporate trusts	-	-	99.99 ^(a)
	Bumiputra-Commerce International Trust (Labuan) Berhad	Dormant	-	-	99.99 ^(a)
	Bumiputra-Commerce Finance Berhad	Offshore trust providing management and accounting service and services of incorporation of offshore companies	-	-	99.99 ^(a)
	Commerce Tjari Bank Berhad	Finance company	-	-	99.99 ^(a)
	CIMB Berhad ("CIMBB")	Islamic Banking	-	-	99.99 ^(a)
	Commerce International Merchant Bankers Berhad ("CIMB")	Investment holding of merchant banking group	-	71.29	-
	Commerce International Merchant Bankers Berhad ("CIMB")	Merchant banking and the provision of related financial services	-	-	71.29 ^(b)
	CIMB Discount House Berhad	Discount house	-	-	71.29 ^(c)

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

Name	Company	Principal activities	Date Appointed / Resigned	% held as at 28 February 2005	
				Direct	Indirect
	Commerce Life Assurance Berhad (<i>formerly known as AMAL Assurance Berhad</i>)	Life insurance business and all guarantee and indemnity business	-	100.0	-
	Commerce Trust Bhd	Establishment and management of unit trust funds	-	-	50.7 ^(b)
	Commerce Assurance Berhad (<i>formerly AMI Insurance Berhad</i>)	General insurance business	-	100.0	-
	Pt Bank Niaga Tbk ("Bank Niaga")	Commercial banking and related financial services	-	52.59	-

Notes: -

- (a) *Deemed interested pursuant to Section 6A of the Act, by virtue of its interest held through Bumiputra-Commerce Bank Berhad.*
- (b) *Deemed interested pursuant to Section 6A of the Act, by virtue of its interest held through CIMBB.*
- (c) *Deemed interested pursuant to Section 6A of the Act, by virtue of its interest held through CIMB.*

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

6.3 DIRECTORS**6.3.1 Profiles**

The profiles of the directors of the Company, other than the profile of DH which is set forth in section 6.2.2 of this Prospectus, are as follows:-

Datuk Haji Ibrahim bin Haji Ahmad, age 57, a Malaysian, is a food technologist and entrepreneur. He was appointed to the Board of the Company on 22 November 2004 as the Non-executive Chairman. He obtained a Diploma in Agriculture in 1969 from Universiti Putra Malaysia and a Masters in Food Technology in 1974 from Louisiana State University, United States of America in 1974. He returned to be a lecturer in Universiti Putra Malaysia in the Faculty of Food and Biotechnology from 1975 to 1980. From 1980 to 1986, he was the Head of Corporate Research and Development at Kumpulan FIMA Bhd. He left Kumpulan FIMA Bhd to venture into business and has been the Executive Chairman and Group Managing Director of the Dewina Group of companies since 1986 until todote.

Chuah Chaw Teo, age 53, a Malaysian, is a chemist by profession. He was appointed to the Board of the Company on 24 July 1991 as an independent non-executive director. He obtained a Bachelor of Science degree with Honours in 1975 from the University of Otago, where he was also given the University of Otago Science Award for ranking first in the class. Thereafter, he obtained a Doctorate degree in Applied Organic Chemistry in 1979, also from the University of Otago. He has a Diploma in Management from the Malaysian Institute of Management, which he obtained with Merit in 1987. After he obtained his Doctorate degree in 1979, Dr. Chuah worked as a post-doctoral research associate with the College of Environmental Science and Forestry of the State University of New York, a position which he held for the next 2 years. From 1982 to 1983, he served as a lecturer in the University of Malaya, Malaysia. After he left the University of Malaya, he was attached to Yee Lee Edible Oils Sdn Bhd as General Manager for R&D. He held this position for 10 years, from 1983 to 1993. Presently, he is Executive Director of Spritzer Berhad, a position that he has held since 1994.

Leong Kwok Yee, age 54, an Australian, is an accountant by profession. He was appointed to the Board of the Company on 22 November 2004 as an Independent Non-Executive Director. He obtained a Bachelor of Commerce degree in 1974 from the University of Otago and a Masters in Business Administration from University of Macquarie in 1989. He is a Member of both the New Zealand Institute of Chartered Accountants and Australian Institute of Chartered Accountants, having trained at Ernst & Young Wellington, New Zealand and Sydney, Australia. He left Ernst & Young in 1981 to join Encyclopaedia Britannica (Sydney) as their Financial Controller before joining Hunter Douglas Ltd (Sydney) in 1988 as their Treasurer/ Management Accountant. He subsequently joined Dodwell, Inchcape Buying Services (Hong Kong) as their Financial Controller in 1990 and became the Finance Director in 1993. He left in 1995 to be the Chief Financial Officer of Li & Fung Limited (Hong Kong) and retired from 1 September 2004. He is a member of the Advisory Board of CFO Asia Magazine. Li & Fung Limited has been voted by Finance Asia Magazine in 2004 as the Best Managed Company, the Best Corporate Governance and Best Investor Relations Company. Additionally, in 2004, Leong Kwok Yee was also voted as the 2nd place Best Hong Kong CFO by Finance Asia Magazine and the Best CFO (Retail Sector) by the Institutional Investor Research Group.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

YM Raja Shamsul Kamal Bin Raja Shahruzzaman, age 43, a Malaysian, was appointed to the Board of the Company on 22 November 2004 as a Non-Executive Director. He obtained a Bachelor of Science degree with Honours in Civil Engineering from the University of Newcastle upon Tyne, England. He joined Shah Alam Properties Sdn Bhd as a project engineer in 1984 to 1987. He left in 1987 to join Bank of Commerce Bhd before leaving as Vice President & Group Head of Corporate Banking Department in 1991 to join Commerce-Asset Holding Bhd. Since joining Commerce-Asset Holding Bhd, he has been in numerous positions including the General Manager & Chief Executive Officer of Commerce Asset Leasing Sdn Bhd (1991 to 1996), General Manger of Commerce Asset Fund Managers Sdn Bhd (1996 to 1997) before assuming his current position as the Executive Director and Chief Executive Officer of CAV.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

6.3.2 Shareholdings in the Company

The direct and indirect interests of the directors of the Company in the issued and paid-up share capital of the Company before and 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, including any shares allocated to Bumiputra investors by MITI) are as follows:-

Directors	Nationality	<-----Before Public Issue----->			<-----After Public Issue----->		
		Direct Number of Carotech Shares	Indirect Number of Carotech Shares	Percentage of share capital %	Direct Number of Carotech Shares	Indirect Number of Carotech Shares	Percentage of share capital %
Datuk Haji Ibrahim bin Haji Ahmad	Malaysian	-	-	-	13,000,000	-	4.6
DH	Malaysian	-	145,567,450 ¹	69.9	182,000	145,567,450 ¹	0.1
Chuah Chaw Teo	Malaysian	400,780	-	0.2	400,780	-	0.1
Leong Kwok Yee	Australian	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahrizzaman	Malaysian	-	-	-	-	-	-

Note:-

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

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)
6.3.3 Previous or existing directorships and substantial shareholdings in other public companies

Save as disclosed below and in section 6.2.3 of this Prospectus, none of the directors of the Company has any previous or existing directorship, or substantial shareholding, in any other public company incorporated in Malaysia for the past two (2) years preceding the date of this Prospectus.

<u>Name</u>	<u>Company</u>	<u>Principal Activities</u>	<u>Date Appointed/ Resigned</u>	<u>% held as at 28 February 2005</u>	
				<u>Direct</u>	<u>Indirect</u>
Datuk Haji Ibrahim bin Haji Ahmad	Pantai Holdings Berhad	Property and investment holding, provision of medical, surgical and hospital services, and provision of medical healthcare management and administration services.	16.02.2004/ 11.03.2004	-	-
	Hovid	Manufacturing of pharmaceutical and herbal products	22.12.2004	-*	-
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Good Way Integrated Industries Berhad	Manufactures rubber compound products and tire retreading	20.05.2004	^	-
	Malaysia Steel Works (KL) Berhad	Manufacturer of steel bars - standard component of all concrete structures including buildings & infrastructures	11.01.2002	^	-
	Hovid	Manufacturing of pharmaceutical and herbal products	22.12.2004	-	-
Chuah Chaw Teo	Spritzer Berhad	Manufacturing of drinking water bottles, polyethylene terephthalate bottles and toothbrushes	16.05.1994	-	-
	Hovid	Manufacturing of pharmaceutical and herbal products	22.12.2004	-	-
Leong Kwok Yee	Hovid	Manufacturing of pharmaceutical and herbal products	22.12.2004	-	-

Notes:-

^ Negligible

* The direct shareholding of Datuk Haji Ibrahim will increase to 5.2% of the enlarged share capital of Hovid after the proposed listing of Hovid on 5 April 2005

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

6.3.4 Directors' remuneration and benefits

For the financial year ended 30 June 2004, remunerations and benefits amounting to approximately RM450,000 was paid to the directors of Carotech for services rendered to the Company and its subsidiaries. For the financial year ending 30 June 2005, the amount payable to the directors of Carotech for services rendered to the Company and its subsidiaries is forecast to be RM530,000.

The number of directors in the Company in the various remuneration bands are set out below:-

Remuneration band (RM)	Number of directors	
	Financial year ended 2004	Financial year ending 2005
Below 100,000	4	4
100,001-200,000	-	-
200,001-300,000	-	-
300,001-400,000	-	-
400,001-500,000	1	-
500,001-600,000	-	1

6.3.5 Directors' service agreements

Save as disclosed below, none of the directors of the Company has entered into any service agreement with the Company.

On 24 August 2004, the Company entered into an agreement with DH relating to his employment as the managing director ("MD") of the Company, which has been amended by a letter dated 17 November 2004 (collectively, "MD's Contract"). The salient terms of the MD's Contract are as follows:-

- (a) The employment of the MD shall commence or be deemed to have commenced on 1 July 2003 and (subject to termination by the MD giving the Company six (6) months notice in writing, or pay in lieu thereof or subject to termination as provided in clause 12 or 13) is for a fixed period equal to three (3) years from commencement date;
- (b) The MD shall be paid a salary (which shall accrue from day to day) which may be reviewed from time to time (inclusive of directors' fees payable to him);
- (c) The MD may be paid a discretionary annual bonus, taking into account the performance of the Company and the MD;
- (d) The MD shall have a royalty-free non-exclusive licence over the intellectual property (including patents registered or unregistered designs utility innovations petty patents copyrights including applications for any of the foregoing and the right to apply for them in any part of the world discoveries creations inventions or improvements upon or additions to an invention confidential information know-how and any research effort relating to any of the above mentioned moral rights and any similar rights in any country) owned by the Company, which is discovered, invented or otherwise acquired by the Company or its subsidiary during the term of the MD's Contract. For the avoidance of doubt, the MD shall not be entitled to a licence over the Intellectual Property discovered, invented or otherwise acquired by the Company or its subsidiary prior to the 1 July 2003;

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

- (e) The MD shall be paid a lump sum amount equal to the remainder of the term of the MD's Contract or an amount equal to 24 months' last drawn basic salary (whichever is higher) upon termination by whatever means of his employment under the MD's Contract by the Company, including but not limited to termination arising from constructive dismissal or retrenchment; but no payment shall be made for termination arising from the MD's fault;
- (f) The MD shall (in addition to the usual public holidays) be entitled to not less than twenty eight (28) days' holiday in each year to be taken at times convenient to the Company; and
- (g) The MD shall be entitled to participate in any share option scheme or share purchase scheme established by the Company from time to time.

6.3.6 Interests in other businesses and companies

None of the executive directors of the Company is involved in the activities or operations of any other business or company, save for DH, who is the managing director of Hovid. Hovid is the holding company of the Company, and DH's role as the managing director of Hovid includes the executive management and administration of Hovid and the Hovid Group's business and operations. DH is also a director and substantial shareholder of other private limited companies incorporated in and outside Malaysia that is not within the Carotech Group or the Hovid Group. He is also the Managing Director of Hovid Teoranta, a company incorporated in Republic of Ireland which is not a subsidiary or associate company of Hovid. However, he spends substantially all of his normal working hours in the full-time employment of Hovid and Carotech. See also DH's interest in a similar trade as set out in section 9.3 of this Prospectus.

6.3.7 Declaration

None of the directors of the Company is or was involved in any of the following events, whether within or outside Malaysia:-

- (a) a petition under any bankruptcy or insolvency law filed (and not struck out) against such director or any partnership in which he was a partner, or any corporation of which he was a director or key personnel;
- (b) a charge and/or conviction in criminal proceedings, or is a named subject of pending criminal proceedings; or
- (c) a subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or regulatory authority permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

6.4 AUDIT COMMITTEE

The composition of the Audit Committee is as follows:-

Name	Designation	Directorship
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

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

The main functions of the Audit Committee include the review of audit plans and audit reports with the Group's auditors, the review of the auditors' evaluation of internal accounting controls and management information systems, the review of the scope of internal audit procedures, the review of financial statements and the nomination of auditors.

6.5 KEY MANAGEMENT AND TECHNICAL PERSONNEL**6.5.1 Profiles**

The profiles of the key management and technical personnel of the Company, other than the profile of DH which is set forth in section 6.2.2 of this Prospectus, are as follows:-

Goh Tian Hock, age 37, is the Chief Financial Officer of Hovid and oversees the financial matters in the Hovid Group including the Carotech Group. He holds a Bachelor of Science (Hons) Degree from University of East Anglia, Norwich and trained as a Chartered Accountant in London. He is a Fellow Member of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Accountants. He has more than fifteen (15) years experience in financial management, corporate finance, and accounting. His experience includes auditing, provision of investment advise, corporate restructuring, equity and debt fund raising. He joined the Hovid Group of Companies in January 2003.

Leong Weng Hoong, age 36, a Malaysian, is the Vice President of the Company responsible of sales and marketing. He graduated with a Bachelor of Applied Science in Fermentation Technology with first class honours from Universiti Sains Malaysia in 1991. He commenced his career at Felda, Procter and Gamble Oleochemicals in 1991 as an Operations Engineer responsible for the commissioning and set up of plants. He joined the Company in 1993 as a Process Engineer. Weng Hoong was promoted to Plant Manager in 1997, and then to Vice President in 1999. In 1997, he was awarded the Tun Abdul Razak Youth Leadership Award by the Malaysian Institute of Management.

Chin Hui Ling, age 33, a Malaysian, is the Production Manager of the Company. She is responsible for overseeing the production operations of the Company. She holds a Bachelor of Science (Honours) degree in chemistry from Universiti Sains Malaysia, which she obtained in 1995. She commenced her career with the Company as Quality Control Chemist in 1995. She was promoted to her current position in 2003.

Liew Kok Kin, age 32, a Malaysian, is the Technical Engineering Manager of the Company. He heads the Company's Engineering Department and is responsible for the overall engineering activities. Kok Kin obtained his Degree in Chemical Engineering from Universiti Teknologi Malaysia in 1995. He commenced his career with the Company in 2003. Prior to joining the Company, he was attached to Nordenia Thong Fook (M) Sdn Bhd for a period of eight years first as a Technical Executive and subsequently promoted to Production Executive.

Ling Hiong Chew, age 45, a Malaysian, is the Accountant of the Company. She is a Fellow member of The Chartered Association of Certified Accountants and a Chartered Accountant of Malaysian Institute of Accountants. She brings with her nearly ten years of professional experience in one of the big four audit firms; more than two years as Group Finance Manager in a group of companies whose business activities were the extraction of marble blocks and the production of marble tiles for sales; more than two years as Group Accountant in the healthcare industry; and nearly five years as Accountant in a company manufacturing polymer lithium ion batteries. She joined the Company in 2003, and is in charge of the accounting, financial and administrative matters.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

Chan Yuen Teng, age 32, a Malaysian, is the Assistant Quality Control Manager of the Company. She is responsible for overseeing the entire quality assurance and control operations of the Company. She holds a Bachelor of Science (Honours) degree majoring in chemistry from Universiti Sains Malaysia, which she obtained in 1997. She commenced her career with the Company as Quality Control Chemist in 1997, and was involved in running the operations of the Company's laboratory and all quality-related matters. She was promoted to her current position in 2003.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

6.5.2 Shareholding in the Company

The direct and indirect interests of the key management and technical personnel of the Company in the issued and paid-up share capital of the Company before and after the Public Issue, other than DH, (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	<-----Before Public Issue----->			<-----After Public Issue----->		
		Number of Carotech Shares	Percentage of share capital	%	Number of Carotech Shares	Percentage of share capital	%
Leong Weng Hoong	Malaysian	5,009,640	2.4	-	5,071,640	1.8	-
Goh Tian Hock	Malaysian	1,002,080	0.5	-	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

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL (continued)

6.5.3 Previous or existing directorships and substantial shareholdings in other public companies

Save as disclosed in section 6.2.3 of this Prospectus, none of the key management or technical personnel of the Company has any previous or existing directorship, or substantial shareholding, in any other public company incorporated in Malaysia for the past two (2) years preceding the date of this Prospectus.

6.5.4 Service agreements

Save as disclosed in section 6.3.5 of this Prospectus, none of the key management and technical personnel of the Company has entered into any service agreement with the Company.

6.5.5 Interests in other businesses and companies

None of the key management and technical personnel of the Company is involved in the activities or operations of any other business or company save for the following:-

- (i) DH is also the managing director of Hovid and Hovid Teoranta, as disclosed under section 6.3.6 of this Prospectus, and has the interest in a similar trade as set out in section 9.3 of this Prospectus; and
- (ii) Goh Tian Hock is also the Group Chief Financial Officer of Hovid and is a director of Hovid Teoranta, a company incorporated in Republic of Ireland which is not a subsidiary or associate company of Hovid.

6.5.6 Declaration

None of the key management and technical personnel of the Company is or was involved in any of the following events, whether within or outside Malaysia:-

- (a) a petition under any bankruptcy or insolvency law filed (and not struck out) against such personnel or any partnership in which he was a partner, or any corporation of which he was a director or key personnel;
- (b) a charge and/or conviction in criminal proceedings, or is a named subject of pending criminal proceedings; or
- (c) a subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or regulatory authority permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

6.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

There is no family relationship or association between the promoter, substantial shareholders, directors and/or key management and technical personnel of the Company.

7. BUSINESS AND INDUSTRY OVERVIEW

7.1 THE GROUP'S OPERATIONS AND PRODUCTS

7.1.1 Introduction

The Company owns and operates an integrated plant located at Chemor, Perak Darul Ridzuan, Malaysia for the commercial extraction of, inter alia, tocotrienol complex, mixed carotene complex and phytosterols from palm oils.

This is carried out through a patented process involving a sophisticated and specialised high vacuum-low temperature distillation technology.

The plant was commissioned and full production commenced in late 1995. The capacity of the plant was increased from 17.5 metric tonnes to 40 metric tonnes per day in September 2004. The Company has since carved a niche as one of the world's leading suppliers of phytonutrients with the US, Europe, Japan and Australia making up its main markets.

7.1.2 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, 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.

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

In the Company's case, palm tocotrienols are extracted from CPO through a patented process. 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.

The Company's products have been developed and commercialized. Furthermore, the existing plant is able to process approximately 40 metric tonnes of CPO per day. There are no further development plans for its current range of products save for the various R&D collaborations currently being or planned to be carried out, on the potential benefits of tocotrienol, as set out under section 7.6 of this Prospectus, as well as the Company's emphasis on increasing the market for its existing products, especially tocotrienol.

7.1.3 Extraction process

The process used for the separation of fatty acid alkyl esters, carotenoids and tocotrienols from oil is carried out by way of subjecting fatty acids to alcohol esterification to form an ester-rich layer including fatty acid alkyl esters, carotenoids and tocotrienols.

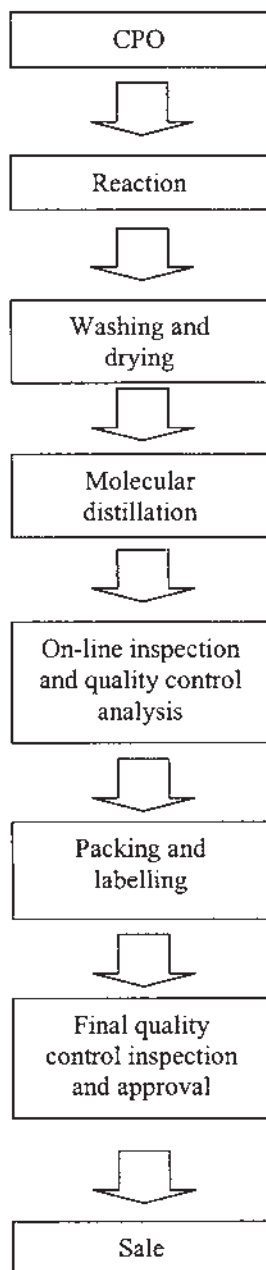
The ester-rich layer is then exposed to solvolytic micellisation to form a carotenoid-rich layer. The ester-rich layer is then separated from the carotenoid-rich layer. The carotenoids in the carotenoid-rich layer are concentrated and absorptively separated from the carotenoid-rich layer.

At the same time, fatty acid alkyl esters are separated from the ester-rich layer to form a tocotrienol-rich layer. Individual tocotrienols in the tocotrienol-rich layer are then also absorptively separated and concentrated.

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7. BUSINESS AND INDUSTRY OVERVIEW (continued)

The production process used by the Company can be diagrammatically represented as follows:-



7. BUSINESS AND INDUSTRY OVERVIEW (continued)

7.1.4. Technological trends

The market expansion of tocotrienols and carotenoids is related to the advancement of technology, R&D into its versatility of use in the pharmaceutical industry, food industry and other industries.

(a) Gamma tocotrienols

Scientific as well as the marketing focus has shifted from the generic terms of vitamin E to the more specific tocotrienols and tocopherols. The advancement of technology has discovered further benefits and advantages of the four (4) individual isomers/prefixes of the tocotrienols' family. The gamma-prefix for example, is discovered to contain important benefits/plusses for the human breast cancer, which is three (3) times more potent in stopping the growth of human breast cancer than Tamoxifen. Tamoxifen is a drug currently used widely for the treatment of breast cancer. The discovery of gamma, which is much more superior than alpha, proves to be a plus to the cancer-related prevention. Gamma-tocotrienols also appear to suppress the production of a particular enzyme, which is involved in the cholesterol production in liver. Hence, this result in less cholesterol being manufactured by the liver cells, reducing cholesterol level.

(b) Combination of tocotrienols with other drugs

According to a study, combining both gamma-tocotrienols with Tamoxifen may prove to be 45 times more potent in attempt to cure breast cancer and no significant toxicity has been noted. This is backed by another in-vitro study whereby tocotrienols-rich palm oil and individual tocotrienols fractions (alpha, gamma and delta) were found to inhibit the growth of three human breast cancer cell lines, two of which are estrogens responsive.

(c) Carotenoids

There are more than 600 types of known natural carotenoids but the most identifiable isomers are alpha carotene and beta carotene which our body uses to convert into vitamin A. Natural carotenoids can be found in many leafy vegetables and it is an essential nutrient to fight against severe visual impairment and blindness. Vitamin A deficiency is one of the most easily preventable disease among children and pregnant women especially those from South East Asia and Africa. WHO estimated that between 100 million and 140 million children is vitamin A-deficient and 1 in every 40 children will become blind each year.

Carotenoids are also known for their antioxidant properties. Beta carotene is one of the most powerful antioxidant as it protects human cells from damage by unstable oxygen molecules called free radicals. Studies have shown that carotenoids do exhibit cancer inhibiting qualities, enhancement of the immune system especially those for undergoing cancer therapy and prevention of cataracts in older adults.

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

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

7.2 COMPETITIVE ADVANTAGES

The Group believes that it has the following competitive advantages:-

(a) First mover and long gestation period

As with the pharmaceutical industry, the tocotrienols industry takes a long gestational period, specifically in the fields of R&D. In addition, the time taken to prove, educate and create awareness amongst consumers on its differences and benefits as opposed to tocopherols is another long process. It took the Palm Oil Research Institute of Malaysia about 10 to 12 years and the Company about five (5) years in R&D before the successful commercialisation of producing palm tocotrienols. In addition, these players have already created first mover advantage, building their own brands of tocotrienols in the process of creating awareness on the products. Hence, any new entrant will face the barrier to entry issue of a long gestational period of R&D as well as creating their own brand awareness and market acceptance.

(b) Patents and Technologies

The existence of patents on the integrated process of extracting tocotrienols effectively and efficiently will pose as a hindrance to new-comers into the industry. Carotech has patented its unique process of extracting tocotrienols. Any new-comers would need to spend more time and money to find alternatives to existing patents to extract tocotrienols. The technical uniqueness in extracting palm tocotrienols and palm carotene is one of its kind in the world currently. This, in itself, is already an entry barrier, limiting the chances for new entrants.

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

For details of the Carotech patent, see section 7.5.1 of this Prospectus.

7.3 MODES OF MARKETING AND MARKET SHARE

7.3.1 The Group's tocotrienols and carotenoids are mainly exported to the US, in its raw material form and in bulk, in various levels of concentration. A small portion goes to Europe and Japan but these are still fairly new markets.

The end-products of tocotrienols reach the end consumer in the US via six (6) distribution channels. These distribution channels are health food stores (which mainly cater for the higher-end market), the supermarkets (which cater for the mass market), the multi-level-marketing organizations, physicians, mail orders and info-commercials on televisions.

7.3.2 In terms of palm tocotrienols, there are only two (2) players in the market currently in Malaysia, that is the Company and Golden Hope Biogenic Sdn Bhd. The Company also has the major share of the tocotrienols market in the world, that is 85% of the market share. The remaining market is shared between Golden Hope Biogenics Sdn Bhd (in palm tocotrienols), Oryza Oils and Fats, Japan, and Eastman Chemicals of the USA (both in rice bran tocotrienols).

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

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

7.4 LOCATIONS OF OPERATIONS

The Company's registered address is at 121, Jalan Tunku Abdul Rahman (formerly Jalan Kuala Kangsar), 30010 Ipoh, Perak Darul Ridzuan, Malaysia.

The Company's head office and plant are located at Lot 56442, 7½ Miles Jalan Ipoh-Chemor, 31200 Chemor, Perak Darul Ridzuan, Malaysia with a total built up space of 16,711 square feet, and serves as the Group's principal place of business, marketing and distribution. C Inc.'s office is located at 21, Balmoral Court, Talmadge Village, Edison, New Jersey, 08817 US, which serves as the Group's administrative, operation and marketing office in the US. C Inc.'s office has a total floor space of 120 square feet.

The Group's R&D Centre is located at the Company's plant and at USains Holding Sdn. Bhd., located on the Universiti Sains Malaysia campus in Penang, Malaysia. The latter is an R&D facility set up in collaboration with Hovid.

7.5 TECHNOLOGY, INTELLECTUAL PROPERTY AND LICENCES

The Company has patented its technological process of extracting tocotrienols. It has also been granted a manufacturing licence (Licence No. A011598) issued by MITI for the production of palm mixed carotenoids, palm tocotrienols, palm fatty acid, methyl esters and crude glycerine. Further details in relation to the aforesaid manufacturing licence are set out in section 5.4.1 of this Prospectus. In order to protect its brand names, the Company has its more established and popular products sold under specific registered trade marks, as set out below:-

7.5.1 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 oil involves a sophisticated and specialised high vacuum-low temperature distillation technology. A patent for this process has been registered or 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.

This process is used for the separation of fatty acid alkyl esters, carotenoids and tocotrienols from oil, whereby fatty acids are subjected to alcohol esterification to form an ester-rich layer including fatty acid alkyl esters, carotenoids and tocotrienols. The ester-rich layer is then exposed to solvolytic micellisation to form a carotenoid-rich layer. The ester-rich layer is then separated from the carotenoid-rich layer. The carotenoids in the carotenoid-rich layer are concentrated and absorptively separated from the carotenoid-rich layer. At the same time, fatty acid alkyl esters are separated from the ester-rich layer to form a tocotrienol-rich layer. Individual tocotrienols in the tocotrienol-rich layer are then also absorptively separated and concentrated.

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

7.5.2 “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.

7.5.3 “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.

7.6 QUALITY CONTROL AND R&D

The Group has a quality control team of eight (8) personnel, headed by Miss Chan Yuen Teng, to oversee the quality control process for the Group’s products. The company exercises stringent quality control measures in all its production lines, from raw materials to finished packed products. QC is continuously applied to all processes in the extraction process, together with post-production sampling and testing. The QC Department produces certificate of analysis for inspection by the customers. Quality of the various products is further assured by the QA Department, which embarks on quality assurance of raw materials to the production and subsequent release of finished goods.

The Company has also embarked on the implementation of GMP in all departments of the plant, and has targeted to be GMP certified by June 2006 and the US Food and Drug Administration (“USFDA”) certified by 2008. All products and practices in the plant would have to then comply and meet the high specifications of the QC, GMP and USFDA guidelines.

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. In the course of such R&D, the Company and/or the inventor may apply for patents or other intellectual property rights. DH will be granted a licence over the patent or other intellectual property rights to use any such inventions discovered or acquired by the Company. See section 6.3.5 of this Prospectus for further details on the agreement relating to the employment of the Managing Director dated 24 August 2004 between the Company and DH.

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. Some of the Company’s on-going research collaborations overseas are with:-

- (a) the Ohio State Medical University Center on brain cell protection with Tocomin / tocotrienols, primate/human study on Tocomin / tocotrienols in Alzheimer’s and Parkinson’s disease models,
- (b) the Louisiana State University School of Pharmacy (study of Tocomin / tocotrienols for the inhibition of breast cancer cells);
- (c) the University of Hawaii Medical Technology Center on the effects of Tocomin / tocotrienols on cellular adhesion molecules;
- (d) the Technical University of Hamburg, Germany on improvement to extraction and concentration of phytonutrients; and
- (e) the Kyoto University, Graduate School of Pharmaceutical Sciences on neuroprotection of Tocomin / tocotrienols.

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

Local collaborations include the studies of human hair-growth and cholesterol reduction using Tocomin in collaboration with Hovid.

In the course of such R&D, the Company and/or the technical collaborator / inventor may apply for patents or other intellectual property rights. Where a patent is owned by the technical collaborator / inventor, the Company is usually granted a licence to use the patent.

In each collaboration, the Company either funds such R&D activities financially or provides raw materials, for instance, tocotrienols, to facilitate the activities. One of the key achievements in R&D for the Company is the recognition by the US National Institute of Neurological Disorders and Stroke in the form of an award worth USD1.2 million to fund the Company's collaboration with the Ohio State University Medical Center.

In the past three (3) financial years ended 30 June 2004, the Group has spent approximately RM1.35 million in R&D, representing 1.6% of the Group's aggregate revenue.

7.7 EMPLOYEES

As of 28 February 2005, the Group has a total of 127 full-time employees in the following categories:

Category	Total	% of total employees	Average length of service (years)
Sales	2	1.6	9.4
Engineering	14	11.0	3.5
Finance and Administration	10	7.9	2.1
Laboratory	17	13.4	2.6
Production	84	66.1	2.6
	<u>127</u>	<u>100.0</u>	

The Group does not employ any contractual/temporary or foreign employees.

The Group recognises the importance of its employees and continuously takes steps to update them on the latest developments in the industry. These employees are trained under the Group's own internal training programmes from time to time in order to keep the employees up-to-date in terms of technical and operational know-how, quality control, and occupational safety and health. The managerial and professional employees of the Group are also occasionally sent for training courses in order to update them on the latest developments in their respective scopes of expertise.

The employees of the Group are not members of any trade union, and the management of the Group enjoys cordial relations with these employees. There has not been any material dispute to date between management and these employees.

7.8 KEY ACHIEVEMENTS AND MILESTONES

YEAR	KEY ACHIEVEMENT/MILESTONE
1995	Commission of plant and commencement of full production.
1996	Commenced commercial operations.
1997	Commenced marketing in the US.
1999	C. Inc was incorporated to spearhead marketing efforts in the US.
2003	Production reached maximum capacity.
2004	Commission of plant extension in September 2004 and acquisition of factory land from Hovid.

7. BUSINESS AND INDUSTRY OVERVIEW (continued)**7.9 MAJOR CUSTOMERS**

The Group's major customers during the financial year ended 30 June 2004 are as follows:-

No.	Customer	Revenue contribution (%)	Length of relationship (years)
1.	Cognis Oleochemical (M) Sdn Bhd	23.7	10
2.	H. Reisman Corporation	10.3	6
3.	Aceto Pharma GmbH	10.9	6
4.	Life Extension Foundation Buyers Club Inc.	8.4	6
5.	International Pharmaceutical Chemicals BV	7.7	3
6.	Green & Natural Sdn Bhd	6.9	5
7.	Naturex S.A.	4.0	8
8.	Longchem Sdn Bhd	4.1	2
9.	Cremer Energy GmbH	6.3	1
10.	Soft Gel Technologies Inc.	3.3	6

The directors of the Company are of the view that other than Cognis Oleochemical (M) Sdn Bhd, the Group is not dependent on any single major customer. The Group's relationship with its top customer, Cognis Oleochemical (M) Sdn Bhd has been in place since the early days of the Group and as such, is based on a long-standing business relationship which the Group seeks to maintain, if possible, for a further period of time. This is also the case with the Group's other customers, some of whom also act as distributors for the Group's products. Additionally, the Group is also continuing to secure new customers and improve relationships with its other customers.

7.10 MAJOR SUPPLIERS

The Company's major suppliers during the financial year ended 30 June 2004 are as follows:-

No.	Supplier	Contribution of purchases (%)	Length of relationship (years)
1.	Sime Darby Berhad	56.7	8
2.	Kuala Lumpur Kepong Berhad	19.5	4
3.	Perusahaan Kimia Gemilang Sdn Bhd	15.9	8
4.	CS Chemplast Sdn Bhd	6.8	8
5.	Taiko Marketing Sdn Bhd	0.7	5
6.	Kong Long Huat Chemicals Sdn Bhd	0.4	8

The main raw material for palm-based tocotrienols is CPO, of which CPO makes up almost 80% of the total raw material costs. However, the directors of the Company are of the opinion that the sourcing of raw materials is not a problem as palm oil is abundantly available in Malaysia. Malaysia produced 11.8 million tonnes of palm oil in 2002. This represents almost 50% of the world's palm oil output, or 10% of the world's oil and fats. 58% of the nation's cultivated land areas are for oil palms. In the last 20 years, the production of palm oil has been steady and only in rare situations did production levels decline, during the year 1998 due to the El Nino phenomenon. Even then, the impact was minimal.

As such, the directors of the Company are of the view that the Group is not dependent on any single major supplier. This is because there are several suppliers of CPO in Malaysia alone, and because of minimal price fluctuations, the directors of the Company believe that as long as a multiple sourcing policy is utilised, the Group is able to purchase its raw materials, specifically CPO easily.

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

7.11 INTERRUPTIONS TO BUSINESS DURING THE PAST 12 MONTHS

There has not been any material interruption to the businesses of the Group in the 12 months preceding the date of this Prospectus.

7.12 OVERVIEW OF THE ECONOMY AND THE INDUSTRY**7.12.1 The Malaysian economy**

Malaysia's growth momentum continues into 2004 after recording a strong growth in 2003. Unlike 2003, when the global economy was affected by the war in Iraq and Severe Acute Respiratory Syndrome ("SARS") the external environment in 2004 has improved markedly with upswing in the global electronics demand as well as favorable commodity prices. This enabled the Malaysian economy to expand steadily from 7.6% in the first quarter of 2004 to 8% in the second quarter, the highest since the third quarter of 2000.

The robust domestic economic activities, which supported growth in 2002 through to 2004, are further augmented by favorable external environment. Of significance, the domestic sector is buoyed by the expansion in private consumption and investment activities. The manufacturing sector registered a solid growth of 12.3% during the first half of 2004, while the services sector expanded strongly by 6.8% in the same period. With the Leading Index pointing towards further expansion in the second half of the year, both sectors are envisaged to contribute significantly to the economic growth. The build-up in international reserves arising from larger current account surplus and inflows of foreign capital continues to strengthen Malaysia's macroeconomic fundamentals. Given this favorable scenario, the Malaysian economy is set to surpass its earlier estimate of 6.0 – 6.5% and post a stronger growth of 7% in 2004 (2003: 5.3%).

This impressive growth performance in an environment of low inflation helps to generate additional employment and new business opportunities. Consequently, national income in current prices is envisaged to increase by 10.8% to RM411,794 million, with per capita income rising by 8.5% to reach RM16,098 (2003: RM14,838). Similarly, per capita income in terms of purchasing power parity is estimated to increase by 9.3% to USD10,163 (2003: USD9,295).

The growth in production of CPO is expected to slow down to 0.7% (2003: 12.1%) or 13.5 million tones in 2004, due to the downturn in the biological yield cycle of oil palm trees after registering a double digit growth in production of palm in 2003. During the first seven (7) months of 2004, production of palm oil declined by 2.1% compared to an increase of 16.3% in the corresponding period of 2003. Improved oil extraction rate and expansion in matured areas in Sabah and Sarawak, however partly cushioned the lower yield production. Peninsular Malaysia continues to account for the bulk of the output of CPO (58%), followed by Sabah (35%) and Sarawak (7%). Overall, the total hectareage planted including new areas in Sabah and Sarawak is expected to increase by 2.1% to 3,883 million hectares. Of this total, 60% is under corporate ownership and 30% by Government entities, such as the Federal Land Development Authority ("FELDA") and Federal Land Consolidation and Rehabilitation Authority Berhad ("FELCRA"), and the remainder by smallholders. The FELDA group is currently Malaysia's largest CPO producer with 2.53 million tones produced last years. In terms of global ranking, Malaysia maintained its position as the largest CPO producer and exporter of CPO.

CPO prices have performed remarkably well in the first half of the year, averaging RM1,848 per tonne, on the back of supply shortages in the global vegetable oils and fats markets and continuing strong demand from China and the European Union. Nevertheless, CPO prices are expected to moderate in the second half of the year. The downward trend in the second half of 2004 is partly due to lower soybean oil prices arising from better soybean harvest expected in the US this year, barring any bad weather conditions. On average, the price of CPO is expected to hover around RM1,650 per tonne in 2004 (2003: RM1, 544 per tonne).

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

To further boost Malaysia as the global market leader in CPO, the Government through the Malaysian Palm Oil Board ("MPOB") is intensifying extraction as well as increasing the shelf-life of palm oil-related products. More concerted efforts are made to introduce new products which use CPO as ingredient through intensive R&D including commercialization, production and marketing. Among the products that were successfully commercialized, both locally and internationally, are red palm oil and palm oil-based non-hydrogenated creamer. Other R&D efforts include the development of high-value products from oil palm mesocarp, biomass and palm oil mill by-products for nutraceutical, pharmaceutical and cosmetic applications. To further enlarge market acceptance and the consumption of palm oil and related products overseas, more programmes and campaigns are being implemented to increase awareness of its health attributes.

(Source: Malaysian Economic Report 2004/2005)

7.12.2 The Industry**(a) Introduction**

Basically, the process for the production of active ingredient for the pharmaceutical industry can be classified into chemical synthesis, extraction and fermentation. The extraction of bulk palm tocotrienols is still a relatively young industry as the technological process had only been founded, less than a decade ago. As more research is conducted into exploring the health benefits of tocotrienols, the market for this ingredient will expand. In order to discourage new players in the market and reliance on their customers, many small industry players would rather integrate this production into their supply chain of pharmaceutical products.

(b) Expiration of patents

At present, the Company's process of extracting tocotrienols from palm oil is an integrated one and is patented. The expiry of patents will result in more players into the palm tocotrienols industry. In addition, any change in the patent law may affect the industry.

(c) Extent of R&D

The extensiveness of R&D by palm oil-related bodies and other drug manufacturers will affect the tocotrienols industry. As it is, the Palm Oil Research Institute of Malaysia has already collaborated with certain palm oil producers to extract the tocotrienols from palm oil. The project has already started commercialisation. R&D conducted on the usefulness of tocotrienols when combined with other drugs will give a boost to the industry. On the other hand, there will always be continuous and extensive R&D conducted by competitors on potential new substances or products which will have similar properties or more superior properties than tocotrienols.

There has also been numerous R&D conducted for carotenoids. Two of the better known studies done in 1996 are the Finnish Alpha-Tocopherol Beta-Carotene Research and the Beta-Carotene and Retinol Efficacy Trial which claimed that supplement of the beta carotene nutrient increased the risk of lung cancer among people who were either smokers or exposed to asbestos, a known carcinogen.

However, there have also been counterclaims from other studies that debunk this theory. These researchers have found that beta-carotene supplement did not increase lung cancer risk unless the subjects smoked more than a pack of cigarettes and consumed one or more alcoholic drinks daily. Until more studies are conducted and all claims and counterclaims are dispelled, there will be continuous debates on its commerciality as the number of smokers in less developed countries has been increasing by the day.

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

On the other hand, there has also been some research into the benefits of beta carotene supplements on the enhancement of the immune system, delay the progress of arthritis and reduction of the risk of prostate cancer. The more research conducted into this area will increase the potential growth of carotenoids, commercially.

(d) **Economic development**

The extent of expenditure on dietary supplements and cosmetics is directly proportional to one's purchasing power or income. With increased affordability due to higher income, consumers are able to spend more on cosmetics and supplements for beauty as well as better personal and health care. Hence, the cosmetic and health supplements expenditures of the more developed countries such as the US, Europe and Japan are generally higher than those of developing countries. The US is the world's largest consumer country for cosmetics with Japan ranking second whilst the Europe comes third with sales of some USD42 billion a year.

(e) **Social development and others**

(i) **Changes in lifestyles and affluences**

Prosperity and affluence changes lifestyles to that of less physical activity, increased obesity and a fat-pronged diet. This resulted in increased cases of breast cancer, high cholesterol, coronary cases and many more other lifestyle diseases. This may indirectly boost the demand for some of the raw substance such as tocotrienols and carotenoids, which have been discovered to be most beneficial for treatment of certain illnesses.

(ii) **Growing consciousness of using natural ingredients**

The greater emphasis on using natural products, not synthetic in the more developed countries, specifically the US and Japan, is a boost to the phytonutrients, in this case tocotrienols and carotenoids industries. The growing awareness on natural ingredients can be observed from a recent study, which deduced that, the demand for botanical extracts and other natural products is expected to advance some 8% annually. The natural penetration of the personal care market already accounts for 8% to 10% of the US market. This is not a new phenomenon as the recent years have seen an explosion of the number of new products in the market with the "natural" positioning. Consumers these days are more concern over what are included in the products used and search for beauty or health products with more natural ingredients.

(iii) **Increased awareness of beauty with total well-being.**

In developed countries, consumers are increasingly aware of the need to combined beauty with health and not beauty at the expense of health. This is very much happening in Japan. Japanese consumers are strongly interested in both beauty and health and not one at the expense of the other. Hence, this is a boost to the tocotrienols industry, which caters for both.

(f) **Cancer**

Studies have shown that tocotrienols inhibit the proliferation and growth of human breast cancer cells. Gamma-tocotrienols are 3 times more potent in inhibiting the growth of human breast cancer than Tamoxifen, a type of drug widely used currently in treating breast cancer. Another in-vitro study shows that tocotrienols are effective in significantly inhibiting the growth of three human breast cancer lines, two of which are estrogens responsive and the other not.

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

According to WHO, more than 1.2 million people worldwide will be diagnosed with breast cancer in 2003. Breast cancer is one of the most frequently diagnosed cancers among women in the United States. About 183,000 women in the United States are diagnosed with breast cancer each year and approximately 41,000 will die from it. These cases usually strike the older women, almost 77% of cases occur in women above 50 years old. Data from the American Cancer Society estimates that one in every eight women will develop breast cancer by the age of 85.

Carotenoids have also been known to inhibit growth of cancer cells especially for cervical cancer, premenopausal breast cancer and prostate cancer. Lycopene, one of the nutrients found in carotenoids may also protect against cancers of the digestive tract, stomach and lungs. As mentioned previously, with the onset of an estimated 15 million new cases in the year 2020, based on the World Cancer Report, carotenoids will play an important role as the cancer prevention supplement for the market.

(g) Skin nutrient and cosmetics

Another health property owned by tocotrienols lies in its anti-oxidant ability. It is up to 60 times more effective in quenching free radicals, preferentially absorbed and used by skin cells, more slowly depleted by ultra violet exposure and have an anti-proliferate effect on cells. All these points to the skin nutrient and anti-aging benefits of tocotrienols. It will not be surprising that tocotrienols will emerge as a standard fare in cosmetic advertisements in the near future as alpha hydroxy acid is now.

Demand for chemicals in skin care product will record a healthy annual growth of 7% per annum spurred by surging demand for anti-aging and cosmeceutical products. The pie for anti-aging products is huge as the sales proportion of it in the total cosmetic market is still relatively small at 35% compared to whitening agents at 65%.

The US is the world largest consumer of cosmetic products. Most of its "baby boomers" (those born between 1946 and 1964) are now well over 50 years old, boosting the demand for anti-aging, skin care products. Over the recent years, anti-aging skin care products have experienced robust growth with the US retail sales pegged in excess of USD1 billion. Consumers are increasingly more aware of unwanted signs of aging and stress-related effects of skin nutrient.

Next to the US, the Japanese market ranks second, with the market now at a mature stage of 1% to 2 % growth per annum. Japanese consumers are strongly interested in beauty with health, making skin care products a larger proportion of the market compared to make-up as per in Western countries.

The UK market is moving towards anti-aging products as well with the growing population of older women with high disposable income. The Italians consumed cosmetic products for a total 8,049 million Euros in 2002.

(h) Cholesterol

One of the health benefits of tocotrienols is its cholesterol-lowering effects. According to the Federal Government of the US, there will be three times as many people taking cholesterol-lowering drugs to battle heart disease. Already, the top-selling cholesterol drugs, such as Lipitor, is raking in more than USD5 billion a year for pharmaceutical companies like Pfizer. It is estimated that sales of Lipitor and other cholesterol lowering drugs grew as much as 20% a year. According to IMS Health, which tracks drug and prescriptions sales, US cholesterol drug sales recorded USD12.5 billion last year. A pharmaceutical analyst with SG Cowen estimated that sales of cholesterol lowering drug would grow to nearly USD22 billion by the year 2004.

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

(i) Cataracts

According to WHO in 1997, cataracts is one of the leading causes of blindness in the world with an estimated 16 million cases and more than half of it in Africa and Asia. Carotenoids is known to preserve the eye's lens by filtering out the sun's harmful ultra violet rays and by keeping free radicals from damaging the retina thus decreasing the risk of cataracts.

(j) Market performance and growth

The tocotrienols industry is still very much at its infancy stage. 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 1999 whilst Golden Hope Biogenics Sdn Bhd started selling in a smaller scale via its parent company, Golden Hope Plantation Berhad, in the year 2001. To the best knowledge of the Company's directors, the Company has about 85% of the major share of the tocotrienols market in the world. The remaining market is shared between Golden Hope Biogenics Sdn Bhd (in palm tocotrienols), Oryza Oil and Fat Chemical Co. Ltd, Japan and Eastman Chemical Company of the US (both of which are in rice bran tocotrienols).

Tocotrienols will ride on the strong demand growth of natural vitamin E that has been widely used in cosmetic products and in mainstream healthcare products, particularly in the US and Europe markets. Natural vitamin E is in high demand among consumers because of research linking it to reduced risk for coronary heart disease and cancer. Natural vitamin E is also promoted as being four times more effective than its synthetic counterpart and is therefore more adapted for use in health supplements. Scientific research findings indicate that tocotrienols, especially delta-tocotrienols, exert more profound effects for antioxidant, cholesterol lowering, and anti-cancer effects than tocopherols. Alpha-tocotrienols shows some 60 times more potent than alpha-tocopherols in the prevention of lipid peroxidation. Tocotrienols are more valuable in protecting the interior cell membranes, such as those that surround the cell nucleus and mitochondria because of their greater ease in being incorporated into cellular membranes. Moreover, tocotrienols have been shown to assist in lowering the amount of cholesterol plaque in arteries, lower the level of the extremely damaging lipoprotein, prevent the aggregation of platelets, and inhibit the expression of cellular adhesion molecules. There are also studies that indicate the probable therapeutic benefits of tocotrienols in human cancers.

With such therapeutic properties, the potentials for tocotrienols in developed markets such as the US, the UK, Germany, France and Japan are tremendous. The antioxidant and cardiovascular properties of tocotrienols are especially important in addressing the growing ageing population. Likewise, many studies confirm the antioxidant properties of carotenoids and their effect on the health status of elderly people. There are thus tremendous opportunities for tocotrienols and carotenoids in major markets namely the US, the UK, France, Germany and Japan. With the exception of the US, more than 20% of the citizens in these countries are above 60 years

The potential for tocotrienols and carotenoids in the developed markets, namely the US, Japan and Europe lies in the booming nutraceuticals market. In the US, survey showed that 82% of the Americans consume vitamins and dietary supplements. The growth of the nutraceuticals market, that includes functional food and dietary supplements has demonstrated strong trend over the years. In the US, it is currently estimated at some USD19 billion compared to USD8 billion in 1994. Inclusive of functional food and dietary supplements, the nutraceuticals market is forecast to reach USD35.4 billion by 2006 for the US market. For Japan, the market for nutraceuticals has been consistently expanding at about 10% per annum registering USD21.2 billion in 2002 and is expected to reach USD54 billion by 2012.

7. BUSINESS AND INDUSTRY OVERVIEW (continued)

Vitamin E is commonly used in the cosmetics industry as antioxidants or as a colouring in concentrations under 0.2%. They are used as an active ingredient in cosmetic products for their antioxidant or physiological properties. They have shown to be able increase the moistening of the skin, improve skin surface relief and reduce premature skin ageing, but most of all they give cosmetics a healthy and youthful image. Vitamin E is used as an antioxidant in cosmetics or as an active ingredient in sun protection, anti-ageing, shaving or makeup products. The cosmetics industry traditionally used synthetic tocopherols, but the use of natural vitamin E is rising, especially as an active ingredient. Carotenoids are used for their colouring properties principally in makeup lines and they are also used as active ingredient for their antioxidant properties.

The US, Japanese and European cosmetics markets are developing rapidly where high-end cosmeceuticals are fast gaining market dominance. The cosmeceuticals market is represented by products that combine cosmetics with vitamins, herbs and/or pharmaceuticals. The US cosmeceuticals market has been growing at more than 10% since 1998 and is worth USD2.6 billion in 2002. For Europe, the market is estimated at USD1.5 billion to USD1.75 billion. This represents good opportunities for tocotrienols as the developed markets are attracted to natural ingredients. Using natural ingredients is a welcome indulgence, as they are often perceived to be good for the body and soul.

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

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8. SUMMARY OF THE FIVE-YEAR BUSINESS DEVELOPMENT PLAN

The following is a summary of the Business Development Plan prepared by Carotech for the purpose of inclusion in this Prospectus.

8.1 PLANS AND STRATEGY

In order to maintain and subsequently improve the Group's market presence, Carotech has identified the following strategies for the next five (5) years:-

8.1.1 Strong Branding Strategy

The Company has numerous brands for its various products, with two of its more popular brands being registered, which are the "Caromin" and "Tocomin" brand names. Carotech would strive to improve the popularity of the other brands while maintaining the strong presence of both "Caromin" and "Tocomin".

8.1.2 Market Expansion

The Company had, over the years built itself a strong global clientele network. The Company will endeavour to maintain the good relationship with its existing clientele, while spreading its wings to Japan, South East Asia, the Peoples' Republic of China, Taiwan and Korea.

8.1.3 Product Diversification

The Company is also looking into diversifying its product offerings to include cosmeceutical related products which are represented by products that combine cosmetics with vitamins, herbs and/or pharmaceuticals. Besides this, the Company is also looking at the Functional Food and Drink market which is one huge untapped market for Carotech's Tocomin palm tocotrienols complex and Caromin Mixed Carotene complex.

8.1.4 Increase in Production Capacity

The construction of the expansion to the plant commenced in October 2003 and was completed and commissioned in September 2004. The expansion of plant has approximately doubled Carotech's production capacity from 17.5 metric tonnes to 40 metric tonnes per day of CPO processing capacity. The increase in production capacity will enable the Company to keep pace with the increasing demand for its products. Additionally, it will allow the Company to benefit from the potential positive results of its on-going and future R&D activities.

8.2 HUMAN RESOURCE POLICY

The Group recognises the importance of its employees and continuously takes steps to update them on the latest developments in the industry. The employees are trained under the Group's own internal training programmes, while the managerial and professional employees of the Group are occasionally sent for training courses.

Besides this, the Group is cognizant of the need to continuously motivate and incentive the employees. Beside the remuneration package and year end bonus that the employees are currently receiving the Group may contemplate a proposal of an employees' share option scheme for the eligible employees of the Group subsequent to its Proposed Listing on the MESDAQ Market in order to further motivate and retain employees as well as encourage participation by employees in the Group.

8. SUMMARY OF THE FIVE-YEAR BUSINESS DEVELOPMENT PLAN (continued)

8.3 CONCLUSION

The Company's strong commitment to marketing and promotion activities has helped them nurture the Company from small to where they are today. The Company also emphasizes on patent and trademark building and recognition in all these activities to differentiate the products from competitors. Moving forward, based on the proven business development strategies of the Company, the Company will continue applying the same strategy which includes continued reliance on the results of extensive application research on the clinical trials which demonstrates the key benefits of tocotrienol.

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9. CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS

9.1 CONFLICT OF INTEREST

OSK confirms that, as of the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor and Underwriter for the Listing.

PricewaterhouseCoopers has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Reporting Accountant for the Listing.

Zain & Co. has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Legal Adviser for the Listing.

Colliers Jordan Lee & Jaafar Sdn Bhd has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Valuer for the Listing.

Infocredit D&B (Malaysia) Sdn Bhd has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for the Listing.

9.2 RELATED PARTY TRANSACTIONS WITH DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

There is no contract or arrangement with the Company or the Company's subsidiary that is subsisting and which involves an interest of a director, substantial shareholder or key management or technical personnel of the Company, save for the following:-

(a) **Sale and Purchase Agreement dated 22 December 2003 between Hovid and the Company**

Pursuant to a Sale and Purchase Agreement dated 22 December 2003 (as amended by a supplemental agreement dated 21 June 2004) between Hovid and the Company, the Company agreed to purchase from Hovid an unsubdivided portion measuring approximately 13.51 acres of a parcel of freehold land held under GRN 6107, Lot 56442, Mukim Hulu Kinta, Daerah Kinta, Perak, together with the buildings thereon for a consideration of RM5,710,000 to be satisfied entirely by a cash payment.

The consideration of RM5,710,000 was arrived at on a willing buyer-willing seller basis after taking into consideration, inter alia, the market value of the land and buildings of RM5,710,000 assessed by the Valuer. Based on the valuation report prepared by the Valuer dated 30 October 2003, the market value of the land and buildings was arrived at using the cost and investment methods of valuation.

The Acquisition was completed on 17 November 2004.

(b) **Transactions between Hovid and the Company for the purchase of the Company's products by Hovid and vice versa**

Hovid is a purchaser of the Company's products from time to time. The directors of the Company confirm that these transactions are conducted on arm's length commercial terms which are no less favorable to the Company than those available to third parties. The Company sold RM1.0 million worth of finished products to Hovid for FYE 2004.

The same apply for purchases by the Company from Hovid. However, the volume is insignificant.

9. CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS (continued)**(c) Reallocation of common cost charged by Hovid and vice versa**

Hovid reallocates the costs of various common departments such as Electronic Data Processing, Logistics, Administration and Engineering Departments, which provides services to the Company. This amounted to approximately RM0.4 million for FYE 2004. Similarly, the Company supplies steam to Hovid, of which amounted to RM0.6 million for FYE 2004.

(d) Purchase of Lycopene (tomato extracts) from Chengdu Gao Shen Natural Products Co. Ltd. ("CGS")

The Company purchases for resale lycopene (tomato extracts) produced by CGS at its plant in Chengdu, China. CGS is 50%-owned by DH. The Company purchased approximately RM1.2 million worth of lycopene for FYE 2004.

There is no transaction that is unusual in its nature or condition, involving goods, services, or tangible or intangible assets, to which the Company, its subsidiary or any of its substantial shareholders was a party in respect of the financial year ended 2004, and in the subsequent financial year immediately preceding the date of this Prospectus.

There is no amount of outstanding loan (including guarantees of any kind) that has been made by the Company, its subsidiary or any of its substantial shareholders to or for the benefit of any director, substantial shareholder or person connected with such director or substantial shareholder, as of the date of this Prospectus.

9.3 INTERESTS IN A SIMILAR TRADE

Save as disclosed below, none of the directors and substantial shareholders of the Company has any interest, direct or indirect, in any other business or company which is carrying on a trade similar to that of the Company and/or its subsidiary.

<u>Name</u>	<u>Company</u>	<u>Principal Activities</u>	<u>Date Appointed/ Resigned</u>	<u>% held as at 28 February 2005</u>	
				<u>Direct</u>	<u>Indirect</u>
DH	Hovid	Manufacturing of pharmaceutical and herbal products	20.05.1980	59.4	-
	CGS	Extraction and export of lycopene (liquid)	23.08.2000	50.0	-

In relation to DH's involvement in Hovid, the Company is of the view that there is no conflict of interest as Hovid Group (excluding Carotech) does not undertake the extraction and processing of nutrients from palm oil for the purposes of manufacturing and producing pharmaceutical, phytonutrient and oleochemical products. Instead, Hovid purchases the nutrients extracted by Carotech to manufacture its pharmaceutical products. The said transactions were entered into in the ordinary course of business and at arm's length on Hovid's normal commercial terms and on terms not more favorable to the related party than those generally available to the public and not to the detriment of the minority shareholders.

In relation to DH's involvement in CGS, the Company is of the view that there is no conflict of interest as whilst CGS is involved in the extraction and processing of nutrients for the purposes of manufacturing and producing pharmaceutical and phytonutrient products, CGS extracts its lycopene from tomato, and not palm oil (like Carotech).

9. CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS (continued)

9.4 INTERESTS IN MATERIAL ASSETS ACQUIRED, DISPOSED OF OR LEASED

None of the directors and substantial shareholders of the Company has any interest, direct or indirect, in any promotion of, or in, any material asset, within the two (2) years preceding the date of this Prospectus, acquired by, disposed of by, or leased to the Company or any its subsidiary, or is proposed to be acquired by, disposed of or leased to the Company or its subsidiary, save for the Sale and Purchase Agreement dated 22 December 2003 (as amended by a supplemental agreement dated 21 June 2004) between Hovid and the Company described in section 9.2(a) of this Prospectus, pursuant to which the Company agreed to purchase from Hovid an unsubdivided portion measuring approximately 13.51 acres of a parcel of freehold land held under GRN 6107, Lot 56442, Mukim Hulu Kinta, Daerah Kinta, Perak, together with the buildings thereon for a consideration of RM5,710,000 to be satisfied entirely by a cash payment. The acquisition was completed on 17 November 2004.

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