

1.0 INFORMATION SUMMARY

The Information Summary is only a summary of the salient information about us. You should read and understand this Prospectus in its entirety prior to deciding whether to invest in us.

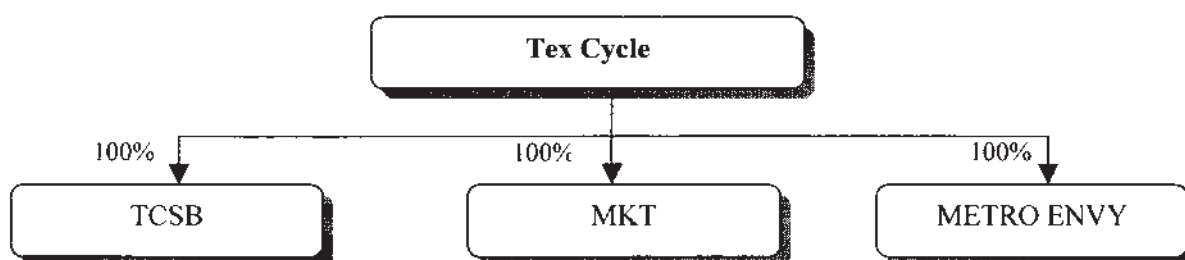
1.1 History and Business

Our Company was incorporated in Malaysia as a private limited company on 17 February 2004 under the Companies Act, 1965 under the name Tex Cycle Technology (M) Sdn. Bhd. On 11 March 2004, it was converted into a public company and assumed its present name. Our Company was established to become the investment holding company of the Tex Cycle Group in conjunction with the listing of our Group on the MESDAQ Market. The principal activities of our subsidiaries are as follows:

Subsidiaries	Principal Activities
TCSB	Recovery and recycling of materials and containers contaminated with Scheduled Waste
MKT	Manufacturing and marketing of chemical products
Metro Envy	General trading and investment holding

Further information on our subsidiaries is set out in Section 4 of this Prospectus.

Our corporate structure is as follows:



The history of our Group began with TCSB, which commenced operations in 1984. TCSB was principally involved in the cleaning of contaminated textiles, for example, soiled rags and gloves. In 1992, TCSB was licensed by the DOE to handle one category of Scheduled Waste, i.e. S251 (as described in Section 4.1.1 of this Prospectus). In 1995, TCSB developed a wastewater treatment system of a 'Standard B' quality to improve the quality of its recycling process. TCSB moved its operations to its current premises in 1999. Since 2002, TCSB has been able to treat the effluent from its cleaning process to a quality which surpasses the 'Standard B' quality, with only sludge being sent to Kualiti Alam for further treatment and disposal. Over the years, TCSB has grown together with the country and with its dedication to R&D, it has endeavoured to protect our environment from contaminated Scheduled Waste. TCSB was accredited the MS ISO 14001:1997 for environmental management systems in 2003. At present, TCSB is also a licensed Scheduled Waste recycler for Waste Codes N023, N271 and S261 (as described in Section 4.1.1 of this Prospectus).

1.0 INFORMATION SUMMARY (Cont'd)

MKT was incorporated on 13 March 1995 by Ho Siew Cheong. It develops specialised products which render surveillance devices operating in the visual or near-infrared region ineffective. MKT began its operations in Serdang as a manufacturer of paint. In 1997, two years after the development of camouflage paint for commercial production by Ho Siew Cheong, MKT was able to penetrate the market by signing its first contract to supply camouflage paint to a defence industry customer. Today, MKT is the sole manufacturer-supplier of camouflage paint in the country. In addition, in 2001, MKT's laboratory developed chemical formulae/solutions for the treatment of contaminated waste and effluent. MKT now supplies TCSB with chemical solutions for waste treatment on an exclusive basis.

Metro Envy was incorporated on 16 January 2004 and is currently the holding company for the Land.

Further information on what we do is provided in Section 4 of this Prospectus.

1.2 Promoters, Substantial Shareholders, Directors and Key Management Personnel

The interests of our promoters, substantial shareholders, Directors and key management personnel in our Shares after the Public Issue are as follows:

1.2.1 Promoters

Name	Designation	< -----Direct----- >		< -----Indirect----- >	
		No. of Shares	%	No. of Shares	%
Can Cycle	N/A	87,104,559	51.0	-	-
Ho Siew Choong	Executive Chairman	7,818,803	4.58	87,104,559	*51.0
S. Perry	Managing Director	7,599,965	4.45	87,104,559	*51.0
Ho Siew Cheong	Executive Director	3,842,065	2.25	87,104,559	*51.0
Ho Siew Weng	Executive Director	2,087,597	1.22	87,104,559	*51.0
Ho Siew Kee	Shareholder	1,837,670	1.08	87,104,559	*51.0

Note:

* Deemed interest by virtue of their interest in Can Cycle pursuant to Section 6A(4) of the Companies Act, 1965

1.2.2 Substantial Shareholders

Name	Designation	< -----Direct----- >		< -----Indirect----- >	
		No. of Shares	%	No. of Shares	%
Can Cycle	N/A	87,104,559	51.0	-	-
Ho Siew Choong	Executive Chairman	7,818,803	4.58	87,104,559	*51.0
S. Perry	Managing Director	7,599,965	4.45	87,104,559	*51.0
Ho Siew Cheong	Executive Director	3,842,065	2.25	87,104,559	*51.0
Ho Siew Weng	Executive Director	2,087,597	1.22	87,104,559	*51.0
Ho Siew Kee	Shareholder	1,837,670	1.08	87,104,559	*51.0

Note:

* Deemed interest by virtue of their interest in Can Cycle pursuant to Section 6A(4) of the Companies Act, 1965

1.0 INFORMATION SUMMARY (Cont'd)

1.2.3 Directors

Name	Designation	< -----Direct----- >		< -----Indirect----- >	
		No. of Shares	%	No. of Shares	%
Ho Siew Choong	Executive Chairman	7,818,803	4.58	87,104,559	*51.0
S. Perry	Managing Director	7,599,965	4.45	87,104,559	*51.0
Lt. Gen. (R) Dato' Jaffar Bin Mohamed	Executive Director	5,805,840	3.40	-	-
Yusseri Bin Said	Executive Director	4,350,130	2.55	-	-
Ho Siew Cheong	Executive Director	3,842,065	2.25	87,104,559	*51.0
Ho Siew Weng	Executive Director	2,087,597	1.22	87,104,559	*51.0
General (R) Dato' Seri Che Md Noor Bin Mat Arshad	Independent Non-Executive Director	-	-	-	-
Razali Bin Jantan	Independent Non-Executive Director	-	-	-	-

Note:

* Deemed interest by virtue of their interest in Can Cycle pursuant to Section 6A(4) of the Companies Act, 1965

1.2.4 Key Management Personnel

Name	Designation	< -----Direct----- >		< -----Indirect----- >	
		No. of Shares	%	No. of Shares	%
Balasubramaniam s/o Shanmugam	Production Manager	30,000	0.02	-	-
George Mathews	Plant Maintenance Manager	100,100	0.06	-	-
Heah Kooi Teong	Office Manager	400,100	0.23	-	-
John Thomas	Head of Logistics	10,000	*	-	-

Note:

* Less than 0.01%

The shareholdings of our Promoters, Substantial Shareholders, Directors and Key Management Personnel include the number of Shares to be allocated to them under the Pink Form Allocation assuming that they have fully subscribed for their respective entitlements.

Further information on our promoters, substantial shareholders, Directors and key management personnel are provided in Section 5 of this Prospectus.

1.0 INFORMATION SUMMARY (Cont'd)

1.3 Financial Highlights

1.3.1 Historical Financial Information

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

The following is a summary of our proforma consolidated results for the past five (5) financial years ended 31 December 2004 and are provided for illustration purposes based on the audited financial statements of our subsidiaries, prepared on the assumption that our existing group structure had been in existence throughout the financial years under review:

	< -----Years ended 31 December----- >				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6,333	7,203	8,415	8,400	9,246
EBITDA	2,151	2,767	2,522	3,338	3,857
Finance income	7	8	18	6	7
Finance cost	(140)	(109)	(60)	(91)	(116)
Depreciation	(365)	(408)	(476)	(625)	(694)
PBT	1,653	2,258	2,004	2,628	3,054
Taxation	(461)	(650)	(660)	(899)	(933)
PAT	1,192	1,608	1,344	1,729	2,121
No. of ordinary shares in issue* ('000)	125,793	125,793	125,793	125,793	125,793
Gross EPS (sen)	1.31	1.80	1.59	2.09	2.43
Net EPS (sen)	0.95	1.28	1.07	1.37	1.69
Net dividend rate (%)	-	-	-	-	-

Notes:

- * *Based on the number of ordinary shares assumed in issue after the Acquisitions but before the Public Issue.*
- The proforma historical track record of our Group is presented for illustrative purposes only. The above performance indices are based on the audited financial statements of Tex Cycle, Metro Envy, TCSB and MKT and have been presented on the basis that the consolidation had been in effect throughout the relevant periods under review. The results of MKT have been pro-rated to align with our Group's financial year end as at 31 December.*
 - There were no amortisation, exceptional or extraordinary items, share of profits from associated company and minority interest during the financial years under review.*

1.0 INFORMATION SUMMARY (Cont'd)

1.3.2 Proforma Consolidated Balance Sheets

The summary of our Proforma Consolidated Balance Sheets set out below is provided for illustrative purposes only to show the effects on our audited proforma consolidated balance sheet as at 31 December 2004 had the IPO and the utilisation of proceeds been effected on that date.

	< -----Tex Cycle Group----- >			
	As at 31 December 2004 RM	After the Acquisitions (I) RM	After (I) and the IPO (II) RM	After (II) and the utilisation of proceeds (III) RM
Non-Current Assets				
Property, Plant And Equipment	-	14,745,343	14,745,343	17,615,343
Investment in subsidiary	2	-	-	-
Goodwill	-	621,582	621,582	621,582
	2	15,366,925	15,366,925	18,236,925
Current Assets	20	3,391,003	13,291,003	4,588,151
Current Liabilities	(487,238)	(4,615,664)	(4,615,664)	(1,004,755)
Net Current (Liabilities) / Assets	(487,218)	(1,224,661)	8,675,339	3,583,396
	(487,216)	14,142,264	24,042,264	21,820,321
Financed By:				
Share capital	20	12,579,300	17,079,300	17,079,300
Share premium	-	-	5,400,000	4,387,236
Reserve on consolidation	-	589,547	589,547	589,547
Accumulated losses	(487,236)	(489,911)	(489,911)	(489,911)
Shareholders' Equity	(487,216)	12,678,936	22,578,936	21,566,172
Borrowings	-	1,344,728	1,344,728	135,549
Deferred Taxation	-	118,600	118,600	118,600
	-	1,463,328	1,463,328	254,149
	(487,216)	14,142,264	24,042,264	21,820,321
No. of ordinary shares of RM0.10 each	200	125,793,000	170,793,000	170,793,000
NTA (RM)	N/A	12,057,354	21,957,354	20,944,590
NTA per share (sen)	N/A	9.60	12.86	12.26

1.3.3 Auditors' Qualification

Our audited financial statements and those of our subsidiaries for the past five (5) financial years ended 31 December 2004 have not been subjected to any auditor's qualifications.

1.0 INFORMATION SUMMARY *(Cont'd)*

1.3.4 Profit Forecast

Set out below is a summary of our profit forecast for the FYE 31 December 2005. You should review the profit forecast taking into account the various assumptions underlying the profit forecast contained in Section 9.5 of this Prospectus.

(i) Consolidated Profit Forecast

	RM'000
Revenue	11,046
Consolidated PBT	4,812
Less: Taxation	1,424
Consolidated PAT	<u>3,388</u>
Less: Pre-acquisition profit*	126
Consolidated PAT attributable to our shareholders	<u><u>3,262</u></u>

Note:

* *The TCSB Acquisition and the MKT Acquisition were completed on 14 January 2005.*

Based on the enlarged issued and paid-up share capital of 170,793,000 Shares:

Gross EPS (sen)#	2.8
Gross PE Multiple based on the issue price of RM0.22 per Share (times)	7.9
Net EPS (sen)^	2.0
Net PE Multiple based on the issue price of RM0.22 per Share (times)	11.0

Notes:

Based on the consolidated PBT

^ *Based on the consolidated PAT but before pre-acquisition profit*

Further information on our consolidated profit forecast is set out in Section 9.5.1 of this Prospectus.

(ii) Dividend Forecast

Gross dividend per share (%)	5.0
Net dividend per share (%)	3.6
Gross dividend yield based on Public Issue Price of RM0.22 per Share (%)	2.3
Net dividend yield based on Public Issue Price of RM0.22 per Share (%)	1.6
Net dividend cover based on enlarged number of ordinary shares in issue (times)^	5.5

Note:

^ *Based on the consolidated PAT but before pre-acquisition profit*

Further information on our dividend forecast is set out in Section 9.5.4 of this Prospectus.

1.0 INFORMATION SUMMARY *(Cont'd)*

1.4 Risk Factors

There are a number of risk factors (which may not be exhaustive), both specific to us and relating to the general business environment, which may impact our operating performance, financial position and the achievability of our profit forecast. You should read the whole Prospectus in order to appreciate the risk factors associated with an investment in us. Details of the key risk factors listed below are set out in Section 3:

3.1 Risks Relating to our Business

1. We are affected by economic, market and political factors that are beyond our control;
2. We face competition from other waste recyclers in Malaysia;
3. We are dependent on licences issued by the DOE for our business operations;
4. We are dependent on the continued employment and performance of our Executive Directors and key management personnel;
5. We may face delays in our R&D activities which may cause delays in the introduction of new products and services;
6. Our efforts to penetrate new markets outside of Malaysia may not succeed;
7. Breakout of fire, disruption in electricity supply and other unforeseen events may adversely affect us;
8. Our business operations may adversely affect the environment;
9. We face competition from other methods of waste disposal due to cost considerations; and
10. We may face uncertainty in implementing our five (5)-year business development plan.

3.2 Risks Relating to our Shares

1. Our promoters control a significant portion of our Shares which may result in our promoters being able to influence the outcome of certain matters requiring the vote of shareholders; and
2. There has been no prior trading market for our Shares and a market for our Shares may not develop.

3.3 Other Risks

1. Our actual results may vary materially from the profit forecast in this Prospectus; and
2. This Prospectus contains forward-looking statements which involve unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements to differ materially from those stated in this Prospectus.

1.5 Technology

The main technology employed by us is the recycling system developed by TCSB. The heart of the whole recycling system in TCSB is the wastewater treatment system. The effluent from the material laundry service, the container washing system and the new container cleaning facility contains contaminants, which are suspended in the water, i.e. the wastewater.

TCSB's wastewater treatment system is an intricate system involving chemical additives, piping systems, pumps and tanks to remove contaminants from the wastewater. The system is not only capable of removing solid emulsified particles but dissolved contaminants as well. In addition, the treatment system works on a continuous basis throughout the day, treating different combinations of contaminants in the wastewater as it is being injected into the system.

Further details on the technology employed by us is set out in Section 4.2.4 of this Prospectus.

1.0 INFORMATION SUMMARY *(Cont'd)*

1.6 R&D

We are committed to continuous R&D efforts to keep abreast of market developments, market trends and to tap into new markets, to ensure the long-term sustainability of our business. We place strong emphasis on R&D to achieve quality improvement, enhance the features, capabilities and processes of our products and services.

In this regard, our future R&D activities will revolve around:

- The development of the “triple rinse” container cleaning system. The system uses air blast, water rinse and chemical wash to clean contaminated containers.
- Exploring methods of treating contaminants in sludge as well as ways it can convert the sludge into useful materials for reuse.
- Enhancing the washing strength of detergents used.

Further details on our R&D activities are set out in Section 4.2.8 of this Prospectus.

1.7 Principal Statistics relating to the Public Issue

(i) Share Capital	RM
<i>Authorised:</i>	
200,000,000 ordinary shares of RM0.10 each	20,000,000
<i>Issued and fully paid-up (prior to Public Issue):</i>	
125,793,000 ordinary shares of RM0.10 each	12,579,300
<i>To be issued pursuant to the Public Issue:</i>	
45,000,000 new ordinary shares of RM0.10 each	4,500,000
	17,079,300
(ii) Issue Price per Public Issue Share	0.22
(iii) Proforma Consolidated NTA	
Proforma Consolidated NTA as at 31 December 2004 (after taking into account the Public Issue and estimated listing expenses of RM1.5 million)	20,944,590
Proforma Consolidated NTA per share (based on the enlarged share capital of 170,793,000 Shares) (sen)	12.26
(iv) Classes of shares and ranking	

We only have one (1) class of shares namely ordinary shares of RM0.10 each. The Public Issue Shares will rank equally in all respects with the existing issued and paid-up ordinary shares in the Company including voting rights and dividends and/or distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

1.0 INFORMATION SUMMARY *(Cont'd)*

1.8 Utilisation of Proceeds

We expect to raise approximately RM9.90 million from the Public Issue. The proceeds raised will be utilised as follows:

	RM'000	Expected timeframe for utilisation of proceeds from the Listing
Cash portion of the consideration for the Land Acquisition	3,500	Within 6 months
Capital expenditure for expansion	2,870	Within 3 years
Repayment of bank borrowings	1,320	Within 1 month
Working capital	710	Within 3 months
Estimated listing expenses	1,500	Within 1 month
	9,900	

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

1.9 Working Capital, Borrowings, Material Litigation, Contingent Liabilities and Capital Commitments

(i) Working Capital

Our Directors are of the opinion that after taking into account our cashflow position including the proceeds from the Public Issue and the banking facilities available, our working capital will be adequate for a period of twelve (12) months from 16 June 2005, being the latest practicable date prior to the registration of this Prospectus.

(ii) Borrowings

As at 16 June 2005, being the latest practicable date prior to the registration of this Prospectus, the total bank borrowings of the Group amounted to RM1,627,942 as follows:

Facilities	RM
<u>TCSB</u>	
• Short Term	189,745
• Long Term	1,097,626
 <u>MKT</u>	
• Short Term	15,531
• Long Term	325,040
Total	1,627,942

All the above facilities are interest bearing. Save as disclosed above we do not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding, convertible debt outstanding, guarantees or other borrowings on that date.

We have not defaulted on any interest and/or principal payments in respect of any borrowings throughout the past one (1) year preceding 16 June 2005, being the latest practicable date prior to the registration of this Prospectus.

1.0 INFORMATION SUMMARY (Cont'd)

(iii) Material Litigation

As at 16 June 2005, being the latest practicable date prior to the registration of this Prospectus, we are not engaged in any litigation, either as plaintiff or defendant. Our Directors have no knowledge of any proceedings pending or threatened against us which might materially and adversely affect our business and financial position. Our Directors are also not aware of any facts likely to give rise to such proceedings.

(iv) Contingent Liabilities

As at 16 June 2005, being the latest practicable date prior to the registration of this Prospectus, our Directors are not aware of any contingent liabilities, which, upon becoming enforceable, may have a material impact on our profit or net assets value.

(v) Capital Commitments

As at 16 June 2005, being the latest practicable date prior to the registration of this Prospectus, we have not contracted any capital commitments, which, upon becoming enforceable, may have a material impact on our profit or net assets value.

Further information on our working capital, borrowings, material litigation, contingent liabilities and capital commitments is provided in Section 9.4 of this Prospectus.

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2.0 PARTICULARS OF THE PUBLIC ISSUE

2.1 Introduction

This Prospectus is dated 29 June 2005.

This Prospectus has been registered with the SC. This Prospectus and the accompanying application forms have also been lodged with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for the contents of this Prospectus.

We have obtained approval from the SC for the Public Issue on 4 January 2005. We have obtained approval from Bursa Securities for the Listing and admission to the Official List of the MESDAQ Market on 10 January 2005. Our Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment will be despatched to all the successful applicants.

The approval of the SC and Bursa Securities is not an indication that the SC and Bursa Securities recommend the Public Issue. You should rely on your own evaluation to assess the merits and risks of the Public Issue.

We will accept applications for the Public Issue Shares when we have received permission from Bursa Securities to deal in and for the quotation of our enlarged issued and fully paid-up share capital on the MESDAQ Market of Bursa Securities. Accordingly, monies paid in respect of any application accepted for the Public Issue will be returned in full without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that we are notified by or on behalf of Bursa Securities within the six (6) week period (or such longer period as may be specified by the SC).

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

We or Hwang-DBS have not authorised anyone to provide you with information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, represent or imply that there has been no change in our affairs since the date of this Prospectus.

This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

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

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2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

2.2 Indicative Timetable

The following events are intended to take place on the following tentative dates:

Event	Tentative Date
Opening date of Application	29 June 2005
Closing date of Application	12 July 2005
Date for balloting of Applications	15 July 2005
Date for despatch of Notices of Allotment	26 July 2005
Listing	28 July 2005

Our Directors and the Underwriter may in their discretion mutually decide to extend the closing date of the application to a later date or dates. If the closing date of the application is extended, the dates for the balloting and allotment of the Public Issue Shares and the Listing will be extended accordingly. We will announce any extension of the closing date of the application in a widely circulated English and Bahasa Malaysia daily newspaper within Malaysia.

2.3 Purpose of the Public Issue

The purposes of the Public Issue are to:

- (i) enable us to gain access to the capital market to raise funds for future expansion and continued growth of our Group;
- (ii) provide an opportunity for our eligible Directors and employees and the Malaysian public to participate in the continuing growth of our Group by way of equity participation; and
- (iii) obtain the listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of our Company on the MESDAQ Market, which is expected to enhance our business, profile and future prospects.

2.4 Details of the Public Issue

The Public Issue is an invitation by us to our eligible Directors and employees and the Malaysian public to apply for the Public Issue Shares at an issue price of RM0.22 per Public Issue Share, payable in full on application upon the terms and conditions of this Prospectus.

The Public Issue Shares will rank equally in all respects with the other existing issued and paid-up ordinary shares in our Company including voting rights and dividends and all dividends that may be declared subsequent to the date of allotment of the Public Issue Shares.

Each shareholder shall be entitled to vote at any general meeting of our Company in person or by proxy or by attorney. In the event of voting on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote. In the event of voting on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

2.0 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

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

The Public Issue Shares totaling 45,000,000 Tex Cycle Shares shall be allocated in the following manner:

(i) Eligible Directors and Employees

2,800,000 Public Issue Shares representing 1.6% of our enlarged issued and paid-up share capital are reserved for application by our eligible Directors and employees.

The allocation of the shares to our eligible Directors and employees, as approved by our Board, is generally based on the following:

- (a) seniority;
- (b) length of service; and
- (c) contribution to the success of our Group.

Details of the allocation to our eligible Directors are as follows:

Directors	No. of Public Issue Shares
Ho Siew Choong	560,000
S. Perry	210,000
Lt. Gen. (R) Dato' Jaffar Bin Mohamed	67,000
Yusseri Bin Said	46,000
Ho Siew Cheong	296,000
Ho Siew Weng	296,000
Total	1,475,000

1,325,000 Public Issue Shares will be allocated to a total of forty-six (46) eligible employees of our Group.

(ii) Malaysian Public

4,600,000 Public Issue Shares representing 2.7% of our enlarged issued and paid-up share capital is available for application by Malaysian citizens, companies, co-operatives, societies and institutions to be allocated via balloting.

(iii) Private Placement

37,600,000 Public Issue Shares representing 22.0% of our enlarged issued and paid-up share capital will be placed with Malaysian institutional investors and/or individual investors by our Placement Agent.

Any Public Issue Shares in respect of paragraph (i) above which are not subscribed for ("Unsubscribed Shares") will be offered to other eligible employees. In the event the Unsubscribed Shares are not fully taken up under the subsequent offer, the Unsubscribed Shares will be made available for application by members of the Malaysian public. All the Public Issue Shares under paragraph (i) and (ii) above have been fully underwritten.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

2.5 Pricing of the Public Issue Shares

The Issue Price of RM0.22 per Public Issue Share was determined and agreed upon by us and Hwang-DBS as our Adviser and Underwriter, after taking into consideration the following factors:

- (i) our Group's forecast net EPS of approximately 2.0 sen for the year ending 31 December 2005, computed based on our enlarged issued and paid-up share capital of 170,793,000 Tex Cycle Shares, and our forecast net PE Multiple of approximately 11.0 times;
- (ii) our Group's financial and operating history and conditions as described in Section 4 of this Prospectus;
- (iii) the industry review, future plans and strategies and outlook of our Group as described in Section 4 of this Prospectus; and
- (iv) our proforma group NTA per Share of 12.26 sen as at 31 December 2004 based on the enlarged issued and fully paid-up share capital of 170,793,000 Shares and after utilisation of proceeds of the Public Issue.

2.6 Proceeds of the Public Issue and Utilisation of Proceeds

The proceeds of approximately RM9.90 million from the Public Issue will be utilised as follows:

	<i>Notes</i>	RM'000	Expected timeframe for utilisation of proceeds from the Listing
Cash portion of the consideration for the Land Acquisition	<i>(i)</i>	3,500	Within 6 months
Capital expenditure for expansion	<i>(ii)</i>	2,870	Within 3 years
Repayment of bank borrowings	<i>(iii)</i>	1,320	Within 1 month
Working capital	<i>(iv)</i>	710	Within 3 months
Estimated listing expenses	<i>(v)</i>	1,500	Within 1 month
		9,900	

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares are fully underwritten.

(i) Land Acquisition

We expect to utilise RM3.50 million from the proceeds raised to settle part of the consideration for the Land Acquisition.

Details of the Land Acquisition are set out in Section 4.1.2 of this Prospectus.

2.0 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(ii) Capital expenditure for expansion

As part of our expansion plan, we intend to allocate an amount of RM2.87 million for the following:

	Utilisation	RM'000	Purpose
(i)	Construction of a drum-storage facility	750	To cater for the expected increase in volume of drums to be collected and cleaned
(ii)	Purchase of lorries (RM80,000 x 5 units)	400	To increase the efficiency in collection of waste materials and containers
(iii)	Cost of fabrication of container-cleaning machines (RM120,000 x 11 units)	1,320	To cater for the expected increase in volume for the container cleaning business over the next four (4) years
(iv)	Purchase of a distiller	400	To be used for the manufacturing activities of MKT
	Total	2,870	

(iii) Repayment of bank borrowings

We expect to utilise approximately RM1.32 million from the proceeds from the Public Issue to repay part of the Group's bank borrowings comprising term loan and overdrafts. The term loan and overdraft facilities were principally used to part finance the acquisition and renovation of the current premises of the Group.

(iv) Working capital

We will require additional working capital to fund our operations given our planned business expansion. We plan to set aside approximately RM0.71 million of the proceeds for our day-to-day working capital requirements.

(v) Estimated listing expenses

The expenses of our IPO are estimated to be RM1.50 million. We will bear all the expenses of the IPO. The breakdown of the expenses arising from the IPO are as follows:

	RM'000
Professional fees	695
Fees payable to authorities	79
Advertisement and printing	100
Underwriting commission, placement fee and brokerage	250
Issuing house	100
Contingencies	276
Total estimated listing expenses	<u><u>1,500</u></u>

In the event there is any difference between the actual utilisation of proceeds from the estimated amount, the proceeds to be utilised for working capital will be adjusted accordingly

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The utilisation of the abovementioned proceeds will have the following financial impact on us:

- (i) The expansion of our products and services will contribute to our revenue growth in the future; and
- (ii) The repayment of bank borrowings will result in interest savings for us. Assuming that the repayment will be made on 1 August 2005, the repayment of borrowings is expected to result in an interest savings to our Group of approximately RM39,000 for the FYE 31 December 2005.

2.7 Brokerage, Placement and Underwriting Arrangements

We will pay a brokerage rate of 1% of the Issue Price of RM0.22 per Public Issue Share in respect of successful applications bearing the stamp of either Hwang-DBS, a participating organization of Bursa Securities, a member of Associations of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or the Issuing House.

Hwang-DBS as the Placement Agent will place out 37,600,000 Public Issue Shares to Malaysian institutional investors and/or individual investors. We will pay Hwang-DBS a placement fee of 2.5% of the Issue Price of RM0.22 per Public Issue Share.

Hwang-DBS as the Underwriter will underwrite 7,400,000 Public Issue Shares to be made available to the Malaysian public and our eligible directors and employees. We will pay Hwang-DBS an underwriting commission of 2.0% of the Issue Price of RM0.22 per Public Issue Share.

The Underwriting Agreement contains certain clauses as set out below which may allow the Underwriter to withdraw from their obligations under the Underwriting Agreement:

- (i) The obligations of the Underwriter under the Underwriting Agreement shall be conditional upon, inter alia that at any time after the date of the Underwriting Agreement up to and including the Closing Date (as defined in the Underwriting Agreement), there has not been any adverse change, or any development involving a prospective adverse change, in the business, financial condition or prospect of our Group other than as set out in this Prospectus, nor has any event occurred or any fact discovered which will render inaccurate, untrue or incorrect to an extent which is or will be material in any of the representations, warranties and undertakings contained in Clauses 3.1 of the Underwriting Agreement if they are repeated on and as of the Closing Date.

In the event any of the conditions precedent set forth in the Underwriting Agreement are not satisfied, the Underwriter shall, subject to the said conditions, thereupon be entitled to terminate the Underwriting Agreement by notice given to us not later than the date of Listing.

- (ii) The Underwriter may by notice in writing us given at any time before the date of Listing, terminate, cancel and withdraw its Underwriting Commitment if:
 - (a) there is any material breach by us of any of the representations, warranties or undertakings contained in Clause 3 of the Underwriting Agreement, or any other provisions of the Underwriting Agreement, the breach of which is incapable of remedy or if capable of remedy, we fail to remedy such breach within a period of fourteen (14) days from the date of notice in writing by the Underwriter notifying us of such breach and requiring us to remedy the same;
 - (b) we withhold any material information from the Underwriter, which, in the opinion of the Underwriter may or is likely to have an adverse effect on the business, financial condition or prospect of our Group or the success of the IPO;

2.0 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of Force Majeure, as defined in the Underwriting Agreement, which would have or can reasonably be expected to have, an material adverse effect on the business, operations, financial condition or prospect of our Group or the success of the IPO or which is likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms.
- (d) any government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriter may or is likely to have an adverse effect on the business, financial condition or prospect of our Group or the success of the IPO;
- (e) any change in national or international monetary, financial (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Underwriter may or likely to have an adverse effect the business, financial condition or prospect of our Group taken as a whole or the success of the IPO or the distribution or sale of the Shares (whether in the primary market or in respect of dealings in the secondary market);
- (f) trading of securities on Bursa Securities have been suspended or restricted for three (3) consecutive Market Days; and
- (g) any change in law, regulation, directive, policy or ruling in any jurisdiction which in the opinion of the Underwriter may prejudice the success of the IPO or which may or likely to have the effect of making any obligation under the Underwriting Agreement incapable of performance in accordance with its terms.
- (h) the Kuala Lumpur Composite Index falls below seven hundred (700) points for three (3) consecutive Market Days.

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3.0 RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP, BEFORE APPLYING FOR THE PUBLIC ISSUE SHARES. THE RISK FACTORS SET OUT BELOW MAY NOT BE AN EXHAUSTIVE LIST OF THE RISKS THAT WE CURRENTLY FACE OR THAT MAY DEVELOP IN THE FUTURE.

3.1 Risks Relating to Our Business

3.1.1 We are affected by economic, market and political factors that are beyond our control

We are not insulated from general business risks as well as certain risks inherent in the industry in which we operate. Some of the business risks which may affect us are a general downturn in the global, regional and national economy, specifically, the Malaysian economy, the entry of new players in the waste recycling industry, constraints in labour supply and increase in labour costs, changes in law and tax legislation affecting the industry, changes in business and credit conditions and changes in technology.

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

We seek to limit these business risks through, amongst others, prudent management policies, continuously upgrading our processes based on latest technological advancements in waste management services, maintaining good business relationships with our customers and principals, expansion of our client base, careful contractual terms, close project supervision and planning, and effective human resource management. However, no assurance can be given that changes in any of the abovementioned business risks will not have a material adverse effect on our business.

3.1.2 We face competition from other waste recyclers in Malaysia

There are currently 43 waste recyclers in Malaysia licensed by the DOE to treat the various categories of Scheduled Waste and TCSB is the only waste recycler licensed to treat Waste Codes S251 and N023. However, there is no assurance that the DOE will not license other waste recyclers to treat Waste Codes S251 and N023 in the future, thereby posing competition to us.

We seek to limit this risk by taking every measure to maintain or increase our competitive edge through, amongst others, strengthening our R&D activities so as to enhance our ability to constantly innovate, develop and introduce new and improved products on a timely basis, keeping abreast with technological advancements, providing our clients with comprehensive, customised and cost-effective solutions to address their waste management needs and commitment to provide quality products and services to our clients. However, no assurances can be given that competition from potential new entrants to the industry will not have a material effect on our business.

3.1.3 We are dependent on licences issued by the DOE for our business operations

The core business of TCSB is dependent on the Off Site Recovery Facility licence and Off Site Storage, Collection and Transportation Facility licence issued by the DOE to handle Scheduled Waste in the S251, N023, N271 and S261 categories. These licences have to be renewed annually. There is a risk that TCSB may not be issued the renewal licences in the event TCSB is not able to meet the requirements as set out by the DOE or if there are any changes in Government policies and regulations. Furthermore, the abovementioned licences allow TCSB to treat and transport a specific volume of waste. TCSB would be required to apply for new licences for a higher volume of waste should there be an increase in the demand for its services beyond the maximum volume specified in the said licences.

3.0 RISK FACTORS *(Cont'd)*

In the event that TCSB is not able to procure licences to treat and transport a higher volume of waste, TCSB will not be able to meet the increased demand for its services.

There has never been an occasion in the past where TCSB had been unable to renew its licences. Further, since TCSB was awarded the licences, there has not been any incident or complaint against TCSB or non-compliance by TCSB under the EQA which would jeopardise the renewal of TCSB's licences. To the best knowledge of our Directors, TCSB does not have any competitor in Malaysia, and possibly Asia (save for Japan) that is able to clean material and containers contaminated with Scheduled Waste in categories S251 and N023 as well as to treat the effluent from the cleaning process to a quality surpassing 'Standard B'. Our Directors are of the view that this competitive edge will ensure that TCSB continues to have its licences renewed by the DOE. TCSB will also actively and continuously stay abreast with relevant regulatory requirements and best industry practices, and ensure prudent quality control in order to maintain its position in the market.

3.1.4 **We are dependent on the continued employment and performance of our Executive Directors and key management personnel**

We believe that our continued success will depend, to a significant extent, upon the continued employment and performance of our Executive Directors and key management personnel. Further, due to the specialised and technical nature of the industry, we are also dependent on our key staff who possess the relevant technical know-how such as engineers and chemists. The loss of any of our key Directors and members of the senior management team could adversely affect our continued ability to manage our operations effectively and competitively.

Our Directors recognise the importance of our ability to attract and retain our key management personnel and have put in place a human resource strategy. This human resource strategy includes suitable compensation packages and a human resource training and development programme for all supporting employees in all key functions of our operations. We have made continuous efforts to strategically develop a dynamic and strong management team and groom the younger members of the senior management team in assisting senior key personnel to operate and manage our operations. Further, all technical formulae and procedures are well documented and as such, the loss of any key personnel is not expected to cause any major disruption to our operations.

3.1.5 **We may face delays in our R&D activities which may cause delays in the introduction of new products and services**

We have on-going R&D programmes to develop new products and services to meet the dynamic requirements and expectations of the market. There can be no assurance that our R&D programmes can be successfully completed in time so as to enable the roll-out of new or enhanced products and services on a timely basis vis-à-vis market requirements and expectations.

However, we believe that our current range of products and services have been well-accepted by our customers, and as such the effects of any material delay in the roll-out of new or enhanced products are mitigated by the continued availability of our existing range of products and services.

3.1.6 **Our efforts to penetrate new markets outside of Malaysia may not succeed**

We intend to establish our presence in new locations outside Malaysia to market our products and services. We will devote adequate financial and management resources to set up an overseas network and to create market awareness of our range of products and services.

3.0 RISK FACTORS (Cont'd)

However, there can be no assurance that the new market will generate sufficient revenues to be profitable. Furthermore, such future expansion could expose us to foreign, economic, political, legislative and other risks. Any failure to accurately assess these issues could affect our business, financial condition and operating results. In order to minimize such risks, we will conduct market feasibility studies on the respective market before any significant investment is made and will seek strategic partners in those potential markets. We will exercise prudent spending policies and careful planning to ensure that there would not be an over-expansion.

3.1.7 Breakout of fire, disruption in electricity supply and other unforeseen events may adversely affect us

Our operations are also exposed to certain emergency risks such as fire, disruption of electricity supply and other unforeseen events. Such risks may cause significant loss and interruption to our business. We have taken various steps to reduce such risks by installing fire fighting systems such as fire hydrants, hose reels, fire extinguishers and smoke alarms. We also make arrangements with the Fire Department, BP Gas and St. John's Ambulance to conduct annual training for all employees of TCSB in respect of methods of handling fire fighting equipment and proper procedures to be carried out should fire occur in our factories.

Notwithstanding the above, there is no assurance that the emergency risks will not occur and will not adversely affect our assets and business operations.

Our Directors believe that we are presently adequately insured against unforeseen events such as fire and lightning, malicious damage, theft and burglary. We review and ensure adequate coverage for our assets on a continuous basis. Although we have taken the necessary steps to insure our assets adequately, there can be no assurance that the insurance coverage would be adequate for the replacement cost of our assets or any consequential loss arising from the damage or loss of our assets.

3.1.8 Our business operations may adversely affect the environment

Scheduled Waste disposal using the recycling method is a process that produces pollutants of its own. These pollutants must then be disposed of as hazardous waste. The recycling of Scheduled Waste can adversely affect the environment if the pollutants produced are not disposed of adequately.

We have endeavoured to ensure that our recycling methods produce minimal pollutants. The recycling of materials such as rags, wipes, gloves and containers soiled with contaminants such as grease, inks and solvents, uses mainly water, detergent, disinfectant and cleaning chemicals. The chemicals used in the laundering process are of low toxicity. The discharge and effluent generated from the recycling process can be treated on-site, using a wastewater treatment system which filters and 'polishes' the wastewater. The treated water is then tested for fitness for reuse as recovered water. The residue (sludge) from the filtration process is then pressed and dried into "sludge" to be sent to Kualiti Alam for final disposal.

In order to ensure that hazardous pollutants are not emitted into the environment, we use a hatch kit, ozone detector and pH meter at TCSB's laboratory to check the integrity of our cleaning processes.

3.1.9 We face competition from other methods of waste disposal due to cost considerations

The loss and degradation of our natural resources and the threat to human health should be powerful incentives to reduce and recycle our waste. In reality, however, communities faced with competing demands on their budget must justify expenditures through cost analyses; in this regards, many would compare the costs and convenience of recycling to treatment/landfilling.

3.0 RISK FACTORS *(Cont'd)*

In Malaysia, scheduled waste treatment and landfilling services are undertaken solely by Kualiti Alam with the award of a 15-year concessionaire by the Malaysian Government. Measures will be taken to improve the response from industries, particularly the Small and Medium Industries (SMIs), to use the existing Scheduled Waste treatment facility at Bukit Nanas in Negeri Sembilan. Hence recycling services companies face the challenge of penetrating into servicing companies that have been using the treatment/landfilling option.

However, our Directors are confident that by reducing the weight of the sludge (residue) sent to Kualiti Alam for treatment and disposal using a system which presses and dehydrates the sludge into a dry sludge, we are able to reduce the total costs involved for waste management and disposal. In other words, TCSB is capable of providing recycling services at competitive costs hence making its services attractive.

3.1.10 We may face uncertainty in implementing our five (5)-year business development plan

The success of our business development plan will be dependent upon, amongst others, our ability to successfully penetrate into the overseas market as well as to further develop and commercialise further applications of our technology, our ability to enter into strategic marketing and licensing or other arrangements on a timely basis and on favourable terms, hire and retain skilled management, as well as obtaining adequate financing as and when needed. As a mitigating factor, we have been in operation since 1985 and our management is experienced in the waste management services industry. Nevertheless, there can be no assurance that we will be able to successfully implement our business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in the implementation of the business plans or even deviation from its original plans. In addition, the actual results may deviate from the business plan due to rapid technological changes, changes in the waste management services industry as well as competitive pressure.

3.2 Risks Relating to Our Shares

3.2.1 Our promoters control a significant portion of our Shares which may result in our promoters being able to influence the outcome of certain matters requiring the vote of shareholders

Our promoters, namely, Can Cycle, S. Perry, Ho Siew Choong, Ho Siew Weng, Ho Siew Cheong, and Ho Siew Kee collectively control approximately 64.7% of our issued and paid-up capital after the Public Issue. Consequently, our promoters may be able to influence the outcome of certain matters such as the election of Directors and the approval of business ventures requiring the vote of the shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

The introduction of corporate governance that requires the formation of an Audit Committee, which includes two (2) independent non-executive Directors, may effectively help to promote transparency in all material transactions and our Company's accountability, thereby representing the interests of the minority shareholders. Our promoters would also be required to abstain from voting if there are any related-party transactions, which may pose a conflict to the interest of our Company.

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3.0 RISK FACTORS *(Cont'd)*

3.2.3 **There has been no prior trading market for our Shares and a market for our Shares may not develop**

There is currently no prior trading market for our Shares. There can be no assurance that an active market for our Shares will develop upon our listing on the MESDAQ Market of Bursa Securities or, if developed, that such market will be sustained. The issue price of RM0.22 for the Public Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, our financial and operating history and conditions, the prospects of the waste recycling industry, our key management personnel and prevailing market conditions. There can be no assurance that the Issue Price will correspond to the price at which Tex Cycle Shares will trade on the MESDAQ Market of Bursa Securities upon or subsequent to its listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing. The price at which our Shares will be traded may be higher or lower than the Issue Price.

3.3 Other Risks

3.3.1 **Our actual results may vary materially from the profit forecast in this Prospectus**

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

You are advised to carefully read the assumptions of the consolidated profit forecast as set out in Section 9.5.1 of this Prospectus.

3.3.2 **This Prospectus contains forward-looking statements which involve unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements to differ materially from those stated in this Prospectus**

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by Tex Cycle or Tex Cycle's officers, Directors or employees acting on behalf of our Company, that are not statements of historical fact, constitute "forward-looking statements", which are statements based on assumptions that are subject to uncertainties and contingencies. Forward-looking terms such as "anticipates", "believes", "intends", "plans", "expects", "forecasts", "may", "will", "would" and "could" or similar expressions as they relate to our Group or our business are intended to identify such forward-looking statements. However, investors should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our Group's expected financial position, business strategy, plans and prospects are forward-looking statements.

These forward-looking statements involve unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

We believe that, the expectations reflected in such forward-looking statements are reasonable at this point in time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effects on our financial and business performance.