NATURAL BIO RESOURCES BERHAD

PROSPECTUS

NatBio
Natural Bio Resources Berhad

No. 8, Jalan Sri Plentong 5, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Darul Ta'zim
Tel No.: 07 386 6868 Fax No.: 07 386 6688 E-mail Address: sales@powerroot.com.my Website: http://www.powerroot.com.my

NatBio

Natural Bio Resources Berhad

(Company No: 733268-U)
(Incorporated in Malaysia under the Companies Act, 1965)

POWER ROOT™

PROSPECTUS

Public Issue and Offer for Sale of 146,999,900 ordinary shares of RM0.20 each in conjunction with our listing on the Second Board of Bursa Malaysia Securities Berhad comprising:

- Retail offering of 19,999,900 ordinary shares of RM0.20 each to the Malaysian public, our eligible Directors, employees and business associates at the price of RM1.48 per ordinary share, payable in full on application and subject to a refund in the event that the final price is less than RM1.48. The final price will equal the lower of: (i) RM1.48; or (ii) 3.5% discount to the institutional price, subject to rounding adjustments;
- Institutional offering of 55,000,000 ordinary shares of RM0.20 each by way of placement to selected institutional investors at the institutional price to be determined by way of bookbuilding; and
- Special offering of 72,000,000 ordinary shares of RM0.20 each by way of placement to Bumiputera investors at a price of RM1.48 per ordinary share, payable in full on application and subject to a refund in the event that the final price is less than RM1.48. The final price will equal the lower of: (i) RM1.48; or (ii) 3.5% discount to the institutional price, subject to rounding adjustments.

Adviser, Sole Bookrunner, Underwriter and Placement Agent

CIMB

CIMB Investment Bank Berhad (18417-M)
(formerly known as Commerce International Merchant Bankers Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 5 OF THIS PROSPECTUS.

THIS PROSPECTUS IS DATED 20 APRIL 2007

. QUALITY . INNOVATION . SHARING

Our Directors and Promoters and the Offerors have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. They confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Prospectus false or misleading. Our Directors accept full responsibility for the consolidated profit estimate and forecast included in this Prospectus and confirm that they have been prepared based on assumptions made.

CIMB Investment Bank Berhad *(formerly known as Commerce International Merchant Bankers Berhad)* ("**CIMB**"), being the Adviser, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our initial public offering. CIMB is satisfied that the consolidated profit estimate and forecast (for which our Directors are fully responsible) prepared for inclusion in this Prospectus have been stated by our Directors after due and careful enquiry and have been duly reviewed by our Reporting Accountants.

The Syariah Advisory Council ("**SAC**") of the Securities Commission ("**SC**") has classified our Shares as Syariah-compliant based on the audited financial statements of our subsidiary companies, namely Power Root (M) Sdn Bhd, Power Root Marketing Sdn Bhd and Power Root Manufacturing Sdn Bhd for the financial year/periods ended 28 February 2006 and the Syariah criteria adopted by the SAC of the SC. This classification remains valid from the date of issue of this Prospectus until the next Syariah compliance review is undertaken by the SAC of the SC and the new status is released in the updated list of Syariah-compliant securities, on the last Friday of either April or October of each year. Our shares' Syariah status cannot be used for fund-raising activities other than this initial public offering.

The SC has approved our initial public offering. However, this is not an indication that the SC recommends the initial public offering. The SC shall not be liable for any non-disclosure in this Prospectus by us. The SC takes no responsibility for the contents of this Prospectus and does not represent that it is accurate or complete. The SC shall not be liable for any loss that you may suffer as a result of your reliance on the whole or any part of the contents of this Prospectus. **YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INITIAL PUBLIC OFFERING AND THE INVESTMENT IN US. IF YOU ARE IN DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

You should not take our admission to the Official List of the Second Board of Bursa Malaysia Securities Berhad ("**Bursa Securities**") as an indication of our merits, the merits of our shares or the initial public offering.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus and the application form, 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.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in Section 45 of the Securities Commission Act, 1993 are responsible.

Investors are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 57, 58 and 153 of the Securities Commission Act, 1993.

You should not take the agreement by the Underwriter to underwrite the initial public offering as an indication of the merits of our shares.

The distribution of this Prospectus and the initial public offering are subject to Malaysian laws. We and our advisers are not responsible for the distribution of this Prospectus outside Malaysia. We and our advisers have not taken any action to permit a public offering of our shares based on this Prospectus or the distribution of this Prospectus outside Malaysia. This Prospectus may not be used for an offer to sell or an invitation to buy our shares in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or unlawful. This Prospectus shall also not be used to make an offer or invitation of our shares to any person to whom it is unlawful to do so. We and our advisers require you to inform yourself of and to observe such restrictions.

This Prospectus is prepared and published solely for the initial public offering in Malaysia under the laws of Malaysia. The issue/offer shares are offered in Malaysia solely based on the contents of this Prospectus. We and our advisers have not authorised anyone to provide you with information that is not contained in this Prospectus.

ELECTRONIC PROSPECTUS AND INTERNET SHARE APPLICATION

The contents of the electronic Prospectus and the copy of this Prospectus registered with the SC are the same. You may obtain a copy of an electronic Prospectus from the website of CIMB at www.eipocimb.com, the website of CIMB Bank Berhad *(formerly known as Bumiputra-Commerce Bank Berhad)* at www.cimbclicks.com.my, the website of Malayan Banking Berhad at www.maybank2u.com.my and the website of RHB Bank Berhad at www.rhbbank.com.my.

The internet is not a fully secure medium. Your internet share application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the internet participating financial institution. These risks cannot be borne by the internet participating financial institution. If you doubt the validity or integrity of an electronic Prospectus, you should immediately request from us, our adviser or the issuing house, a paper/printed copy of the Prospectus. If there is any discrepancy between the contents of the electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

(i) We do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we are not responsible for the availability of, or the content or any data, files or other material provided on the Third Party Internet Sites. You bear all risks associated with the access to or use of the Third Party Internet Sites;

(ii) We are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, file or other material provided by such parties; and

(iii) Any download of data, file or other material from the Third Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an electronic Prospectus is hosted on the website of the internet participating financial institution, you are advised that:

(i) the internet participating financial institution is only liable in respect of the integrity of the contents of an electronic Prospectus, to the extent of the contents of the electronic Prospectus on the web server of the internet participating financial institution which may be viewed via your web browser or other relevant software. The internet participating financial institution is not responsible for the integrity of the contents of an electronic Prospectus which has been obtained from the web server of the internet participating financial institution and subsequently communicated or disseminated in any manner to you or other parties; and

(ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an electronic Prospectus, the accuracy and reliability of an electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium.

The internet participating financial institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the internet participating financial institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The indicative timing of events leading to our Listing is as follows:

Event	Tentative date
Opening of the Institutional Offering	20 April 2007#
Opening of the Retail Offering	20 April 2007
Close of the Institutional Offering	30 April 2007
Close of the Retail Offering	30 April 2007
Price determination	3 May 2007
Balloting of applications for the IPO Shares under the Retail Offering	4 May 2007
Despatch of notices of allotment to successful applicants	11 May 2007
Listing	14 May 2007

Note:

\# *Being the date of commencement of bookbuilding.*

The timing of the above events is tentative and is subject to necessary changes to facilitate implementation procedures. Our Directors and Underwriter may mutually decide, at their absolute discretion to extend the closing time and date for the Institutional Offering and/or Retail Offering to any later time and date. We will announce any extension of the closing date for the Retail Offering in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia. If the closing dates for the Institutional Offering and/or Retail Offering are extended, the dates for the allotment of the IPO Shares and our Listing will be extended accordingly.

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CONTENTS *(cont'd)*

CONTENTS *(cont'd)*

CONTENTS *(cont'd)*

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "our Company" and "Natural Bio" in this Prospectus are to Natural Bio Resources Berhad (Company No. 733268-U). References to "our Group" are to our Company and our consolidated subsidiaries and references to "we", "us", "our" and "ourselves" are to our Company, and save where the context otherwise requires, and our consolidated subsidiaries. Unless the context otherwise requires, references to "Board" are to our Board of Directors and "Management" are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

In this Prospectus, references to the "Government" are to the Government of Malaysia; references to "Ringgit", "Malaysian Ringgit", "RM" and "sen" are to the lawful currency of Malaysia; and references to "USD" are to the lawful currency of the United States of America. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

We have included a discussion of our proforma consolidated financial results in Section 11.2.2 of this Prospectus. This section sets out the discussion of our proforma consolidated financial results for each of the 3 financial years ended 28/29 February 2004 to 2006 and for the 8-month period ended 31 October 2006. As our Group was only formed on 31 January 2007, the proforma consolidated financial results for the 3 financial years ended 28/29 February 2004 to 2006 and for the 8-month period ended 31 October 2006 have been prepared for illustrative purposes only to facilitate our discussion and analysis of our financial condition and results included in this Prospectus. We have also included, where relevant, the proforma consolidated financial results for the 8-month period ended 31 October 2005, which have not been audited and have been prepared for illustrative purposes only as a comparison to the proforma consolidated financial results for the 8-month period ended 31 October 2006.

The information contained in Section 6 (Industry Overview), including market and industry statistical data, was provided by Frost & Sullivan (M) Sdn Bhd ("**Frost & Sullivan**"), a consultant firm. We commissioned Frost & Sullivan to provide the text for Section 6. In compiling the data for Section 6, Frost & Sullivan relied on reports by the Ministry of Finance, Bank Negara Malaysia, industry sources, published materials, its own private databanks and direct contacts with the industry. We believe that the information contained in Section 6 provided by Frost & Sullivan is useful in helping prospective investors understand the industry in which we operate. However, neither we nor our advisers have verified these data.

We refer to the ultimate purchaser of our products as "consumers". We do not sell our products directly to the consumers. Instead, we sell our products to distributors such as wholesalers, retailers and key dealers who then on-sell our products to other agents and/or the consumers. We refer to these distributors as our "customers".

All references to dates and times are references to dates and times in Malaysia.

The information on our website, or any website directly or indirectly linked to such websites does not form part of this Prospectus and you should not rely on it.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

(i) demand for our products;

(ii) our business strategies;

(iii) plans and objectives of our Management for future operations;

(iv) our financial position; and

(v) our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

(i) the economic, political and investment environment in Malaysia and globally; and

(ii) government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 5 of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. We expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Acquisition of PR Manufacturing	Acquisition by us of the entire equity interest in PR Manufacturing for a cash consideration of RM3
Acquisition of PR Nnergy	Acquisition by us of the entire equity interest in PR Nnergy for a cash consideration of RM3
Acquisition of PRM and PR Marketing	Acquisition by us of the entire equity interest in PRM and PR Marketing for a total purchase consideration of RM44,999,998 which we satisfied through the issuance of 224,999,990 new Natural Bio Shares at par
Acquisitions	Acquisition of PRM and PR Marketing, Acquisition of PR Manufacturing and Acquisition of PR Nnergy, collectively
Act	Companies Act, 1965
ADA	Authorised Depository Agent
ATM	Automated teller machine
Authorised Financial Institutions	Authorised financial institutions participating in the Internet Share Application, with respect to payments for the IPO Shares, namely CIMB Bank, Malayan Banking Berhad and RHB Bank Berhad
Broker Code	ADA (Broker) Code
Bursa Depository	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	Bursa Malaysia Securities Berhad (635998-W)
Bursa Securities LR	Listing requirements of Bursa Securities
CDS	Central Depository System
CIMB	CIMB Investment Bank Berhad *(formerly known as Commerce International Merchant Bankers Berhad)* (18417-M)
CIMB Bank	CIMB Bank Berhad *(formerly known as Bumiputra-Commerce Bank Berhad)* (50841-W)
EBITDA	Earnings before interest, taxation, depreciation and amortisation
Electronic Share Application	Application of the IPO Shares through a Participating Financial Institution's ATM
EPS	Earnings per share
FIC	Foreign Investment Committee

Final IPO Price	Price per IPO Share payable by investors under the Special Offering and Retail Offering, being the lower of (i) the IPO Price; or (ii) 3.5% discount to the Institutional Price, subject to rounding adjustments
GMP	Good Manufacturing Practices
HACCP	Hazard Analysis and Critical Control Point
HR	Human resources
Institutional Offering	Offering of 55,000,000 IPO Shares, subject to reallocation, to selected institutional investors
Institutional Price	Price per IPO Share for the Institutional Offering to be determined by way of bookbuilding
Internet Participating Financial Institutions	Participating financial institutions for the Internet Share Application, namely CIMB, CIMB Bank, Malayan Banking Berhad and RHB Bank Berhad
Internet Share Application	Application of the IPO Shares through a Internet Participating Financial Institution's internet financial services website
IPO	Initial public offering of Natural Bio Shares comprising the Public Issue and Offer for Sale, collectively
IPO Price	RM1.48 per IPO Share, being the initial price payable by investors under the Special Offering and Retail Offering
IPO Shares	Issue Shares and Offer Shares, collectively
Issue Shares	New Natural Bio Shares of 75,000,000 to be issued under the Public Issue
Issuing House or MIH	Malaysian Issuing House Sdn Bhd (258345-X)
KPFB	Koperasi Permodalan Felda Berhad (KOOP Negara No. 39)
Listing	Listing of and quotation for our entire issued and paid-up share capital on the Second Board of Bursa Securities
Market Day	Day on which Bursa Securities is open for trading
MI	Minority interest
MITI	Ministry of International Trade and Industry
Natural Bio Shares or Shares	Ordinary shares of RM0.20 each in our Company
NTA	Net tangible assets
NTL	Net tangible liabilities
Offer for Sale	Offer for sale of 71,999,900 Offer Shares by the Offerors

Offer Shares	Natural Bio Shares to be offered by the Offerors under the Offer for Sale
Offerors	Offerors who will offer the Offer Shares under the Offer for Sale being Low Chee Yen, Wong Fuei Boon and How Say Swee
Participating Financial Institutions	Participating financial institutions for the Electronic Share Application as listed in Section 16.3.3 of this Prospectus
PAT	Profit after taxation
PBT	Profit before taxation
PE Multiple	Price earnings multiple
Placement Agent	CIMB
PR Manufacturing	Power Root Manufacturing Sdn Bhd (685635-H)
PR Marketing	Power Root Marketing Sdn Bhd (503227-K)
PR Nnergy	Power Root Nnergy Sdn Bhd *(formerly known as Evasys Power Sdn Bhd)* (732155-D)
PRM	Power Root (M) Sdn Bhd (489343-X)
Price Determination Date	Date on which the Institutional Price is to be determined, tentatively 3 May 2007
Promoters	Low Chee Yen, Wong Fuei Boon and How Say Swee, collectively
Public Issue	Public issue of 75,000,000 Issue Shares by our Company
QA	Quality assurance
QC	Quality control
Retail Offering	Offering of 19,999,900 IPO Shares, subject to reallocation, to be offered to: (i) our eligible Directors, employees and business associates; and (ii) Malaysian citizens, companies, societies, co-operatives and institutions
RTD	Ready-to-drink
R&D	Research and development
SAC	Syariah Advisory Council of the SC
SC	Securities Commission

Share Split	Share split by Natural Bio on 18 January 2007, whereby 2 ordinary shares of RM1.00 each in Natural Bio were split to 10 ordinary shares of RM0.20 each in Natural Bio
Sole Bookrunner	CIMB
Special Offering	Offering of 72,000,000 IPO Shares to Bumiputera investors
UAE	United Arab Emirates
Underwriter	CIMB
Underwriting Agreement	Underwriting Agreement dated 9 March 2007 entered into between the Underwriter and us
Y.M. Tengku	Y.M. Tengku Shamsulbhari bin Tengku Azman Shah

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1. CORPORATE DIRECTORY

DIRECTORS

Name	Address	Profession	Nationality
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah *(Independent Non-Executive Chairman)*	Rumah Bendahara Jalan Kota Raja 41000 Kajang Selangor Darul Ehsan	Company Director	Malaysian
Low Chee Yen *(Managing Director)*	No. 29, Jalan Gaya 9 Taman Gaya 81800 Johor Bahru Johor Darul Ta'zim	Company Director	Malaysian
Wong Fuei Boon *(Executive Director)*	22, Jalan Jambu 26 Taman Kota Masai 81750 Pasir Gudang Johor Darul Ta'zim	Company Director	Malaysian
How Say Swee *(Executive Director)*	No. 8, Jalan Austin Height 2/15 Taman Austin Height 81100 Johor Bahru Johor Darul Ta'zim	Company Director	Malaysian
Clement Valentine Toh Shu Yen *(Executive Director)*	95, Jalan SS 22A/2 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Tan Sri Dato' Sri Abdul Halil bin Abd Mutalif *(Independent Non-Executive Director)*	147, Jalan Seraya Kg. Melayu 68000 Ampang Selangor Darul Ehsan	Company Director	Malaysian
Chang Tian Kwang *(Independent Non-Executive Director)*	6417, Jalan Nuri 20 Bandar Putra 81000 Kulai Johor Darul Ta'zim	Financial Controller	Malaysian
Tea Choo Keng *(Alternate Director to Y.M. Tengku Shamsulbhari bin Tengku Azman Shah))*	No. 43, Jalan Suria Satu Taman Suria 81400 Johor Bahru Johor Darul Ta'zim	Advocate and Solicitor	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Chang Tian Kwang	Chairman of the Committee	Independent Non-Executive Director
Y.M. Tengku Shamsulbhari bin Tengku Azman Shah	Member of the Committee	Independent Non-Executive Chairman
Clement Valentine Toh Shu Yen	Member of the Committee	Executive Director

1. CORPORATE DIRECTORY *(cont'd)*

COMPANY SECRETARY	:	Rokiah binti Abdul Latiff (LS 0000194) 07-02, Sri Panglima B Pangsapuri Bukit Saujana Jalan Bendahara 80100 Johor Bahru Johor Darul Ta'zim Telephone no.: 07-278 1260
REGISTERED OFFICE	:	30-05, Level 30 Menara Landmark Mail Box 172 12 Jalan Ngee Heng 80000 Johor Bahru Johor Darul Ta'zim Telephone no.: 07-278 1268
HEAD/MANAGEMENT OFFICE	:	No. 8, Jalan Sri Plentong 5 Taman Perindustrian Sri Plentong 81750 Masai Johor Darul Ta'zim Telephone no.: 07-386 6868 E-mail: sales@powerroot.com.my Website: http//www.powerroot.com.my
AUDITORS AND REPORTING ACCOUNTANTS	:	Horwath (AF: 1018) Chartered Accountants 30-04, Level 30 Menara Landmark Mail Box 171 12 Jalan Ngee Heng 80000 Johor Bahru Johor Darul Ta'zim Telephone no.: 07-278 1268
SOLICITORS FOR THE IPO	:	Adi Radlan & Co 12-02, Jalan Permas 10 Bandar Baru Permas Jaya 81750 Masai Johor Bahru Johor Darul Ta'zim Telephone no.: 07-388 3255
PRINCIPAL BANKERS	:	Malayan Banking Berhad 85-87, Jalan Dedap 6 Taman Johor Jaya 81100 Johor Bahru Johor Darul Ta'zim Telephone no.: 07-355 0100 or 07-355 2100

1. CORPORATE DIRECTORY *(cont'd)*

PRINCIPAL BANKERS *(cont'd)*	:	United Overseas Bank (Malaysia) Berhad No. 26 & 28, Jalan Molek 1/13 Taman Molek 81100 Johor Bahru Johor Darul Ta'zim Telephone no.: 07-358 2121
	:	EON Bank Berhad 1st Floor, No. 35, 37 & 39, Jalan Johar 1 Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Ta'zim Telephone no.: 07-861 3388
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd 27th Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone no.: 03-2693 2075
REGISTRAR	:	Symphony Share Registrars Sdn Bhd Level 26, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone no.: 03-2721 2222
ADVISER, SOLE BOOKRUNNER, UNDERWRITER AND PLACEMENT AGENT	:	CIMB Investment Bank Berhad *(formerly known as Commerce International Merchant Bankers Berhad)* 5th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Telephone no.: 03-2084 8888
INDEPENDENT MARKET RESEARCHER	:	Frost & Sullivan (M) Sdn Bhd Suite E-08-15, Block E Plaza Mont' Kiara 2, Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Telephone no.: 03-6204 5800
LISTING SOUGHT	:	Second Board of Bursa Securities
SYARIAH STATUS	:	Approved by the Syariah Advisory Council of the SC

2. INTRODUCTION

This Prospectus is dated 20 April 2007.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the application form with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for the contents of this Prospectus.

We have voluntarily applied to the SC for the SAC of the SC to carry out a Syariah compliance review to determine the Syariah status of our Shares for the IPO. The SAC of the SC has classified our Shares as Syariah-compliant based on the audited financial statements of our subsidiary companies, namely PRM, PR Marketing and PR Manufacturing for the financial year/periods ended 28 February 2006 and the Syariah criteria adopted by the SAC of the SC. This classification remains valid from the date of issue of this Prospectus until the next Syariah compliance review is undertaken by the SAC of the SC and the new status is released in the updated list of Syariah-compliant securities, on the last Friday of either April or October of each year.

We have applied to Bursa Securities for permission to list and quote our Shares on the Second Board of Bursa Securities. Any allotment made on an application to subscribe for the Natural Bio Shares under this Prospectus shall be void if the permission is not granted within 6 weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC, provided that we have been notified by or on behalf of Bursa Securities within the 6 weeks or such longer period as may be specified by the SC.

If Bursa Securities does not grant the permission as mentioned above, we shall return, all monies received from you without interest. If any such monies are not repaid within 14 days after we become liable to repay it, the provision of sub-section 52(2) of the Securities Commission Act, 1993 shall apply.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our Shares as prescribed security. Therefore, we will deposit our Shares directly with Bursa Depository. Any dealings in our Shares will be carried out according to the aforesaid Act and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Pursuant to Bursa Securities LR, we need to have public shareholders hold at least 25% of our issued and paid-up share capital and a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon Listing. We expect to meet the public shareholding requirement at the point of Listing. If we do not meet the public shareholding requirement, we may not be allowed to proceed with the Listing. In such an event, we will return in full, without interest, monies paid in respect of all applications.

You should rely only on the information contained in this Prospectus in deciding whether to invest in the IPO Shares. We or our advisers have not authorised anyone to provide you with information that is not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication 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 offer to sell or invitation of an offer to buy any IPO Share in any jurisdiction and in any circumstance in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

You should rely on your own evaluation to assess the merits and risks of the IPO and an investment in us. In considering the investment, if you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

3. INFORMATION SUMMARY

The following is a summary of the salient information about us and the IPO and is extracted from the full text of this Prospectus. You should read and understand this section together with the whole Prospectus before you decide whether to invest in us.

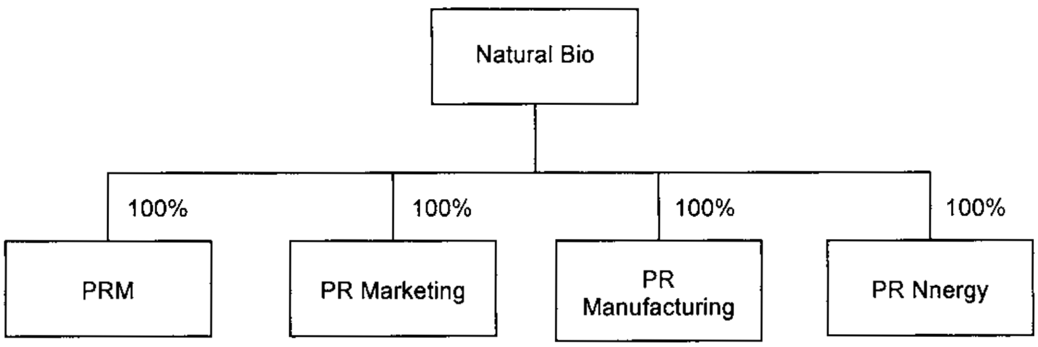
3.1 Overview

We are in the business of manufacturing and distributing RTD coffee, RTD tea and energy drinks.

Our RTD coffee is sold under our brand, "Ali Café", "Per'l Café" and "Oligo Café", while our main energy drinks and RTD tea are sold under our brand, "Power Root", "Per'l" and "Alitea". Our Company is an investment holding company and we operate through our subsidiaries as follows:

Company	Principal activities
PRM	Manufacturing and distribution of various beverages
PR Marketing	Distribution of various beverages
PR Manufacturing	Manufacturing and distribution of various beverages
PR Nnergy	Manufacturing and distribution of various beverages

Our Group structure is as follows:



See Section 7 of this Prospectus for detailed information on our business.

3.2 Competitive Strengths

We believe that our principal strengths are as follows:

(i) *Strong brand positioning and management*

Through our advertising and marketing programmes, we have established strong brand awareness of our "Power Root", "Ali Café", "Per'l", "Per'l Café" and "Alitea" brands. We have also built our brand equity through brand positioning efforts such as sponsoring programmes and appointing ambassadors for our products. In addition to allowing us to grow the sale of our existing products, the strength of our brand gives us the platform to leverage on when we introduce new products. Our brand ownership gives us flexibility in brand management and we do not have to incur any franchise charge and/or royalty payment for using our brands. On 20 December 2006, we received an approval-in-principle for a grant amounting to RM2 million from Malaysia External Trade Development Corporation (MATRADE) for our brand building activities abroad.

We believe that the experience that we gained while building our existing brands, as well as the initiatives by the Government will help us in building new brands in the future.

(ii) *Established distribution network*

A wide distribution network helps ensure that our products are accessible to our consumers. Over the years, we have established a distribution network comprising 16 key dealers and a 59-personnel full time marketing team throughout Malaysia. We have also established close relationships with forefront retailers such as Giant, Tesco, Jusco, Carrefour, Mydin and Econsave.

For our export sales, we distribute our products through tie-ups with exclusive distributors who have local knowledge and access within the foreign markets, which presently include Brunei and the UAE.

(iii) *Management expertise*

Our achievement to date reflects the strength of our management, not only in terms of branding and establishing distribution network, but also in product innovation and quality control. Our management team comprise members with vast experience in the food and beverage industry which allows us to identify and profit from consumer taste and trends. This translates to our ability to price and position our products correctly. Our commitment to quality aims to ensure consistency and safety of our products and processes. The HACCP and GMP accreditations that we have received to date serve to provide our consumers the assurance on the quality of our products.

See Section 7.2 of this Prospectus for detailed information on our competitive strengths.

3.3 Prospects and Strategies

Our key objectives are to maintain and leverage on our existing strengths, expand our business and ultimately create value for our shareholders. Our key strategies to achieve these objectives are as follows:

(i) Increase market share of our existing products

We intend to increase the market share of our existing products. To this end, we will continue to undertake initiatives to enhance market awareness and increase our brand and product visibility. At the same time, we will continue to undertake initiatives to encourage and entice consumers to purchase our products. We believe that we can further grow our market share in Malaysia by targeting certain niche markets which presently consume less of our products. One of these niche markets is the Malaysian Chinese community. We will also endeavour to identify other niche markets which we have not penetrated to further increase our local market reach.

On the export front, our revenue growth is expected to be derived mainly from the UAE market. With continuous marketing and branding efforts in the overseas market, we believe the market awareness of our brand and products will increase. This, combined with the expansion of our distribution network will improve consumer product knowledge, our consumer reach and accessibility.

(ii) Introducing new products

We will continue to introduce new products to cater for our consumers' diverse lifestyle and preferences in order to grow our business. Since May 2006, we have launched 7 new products including the new Ali Café and Per'l Café non-sugar added 12g, Oligo Café 20g and carbonated energy drinks. These products have increased our product portfolio in terms of taste, sugar content, packaging size and herb variety. Consequently, consumers have a wider selection of products to cater to their preferences. Should our new products be accepted by consumers, our market share will increase. In the near future, we intend to launch, amongst others, Oligo Oat, which is an instant pre-mixed cereal-based beverage.

(iii) Market penetration

We have started to market our core products to the UAE and Brunei whereby considerable in-roads have been made to date. We intend to penetrate into new markets such as Singapore and Taiwan, where we plan to launch our Oligo range of products through tie-ups with distributors with local knowledge and wide market access. The market diversification would also reduce our dependency on the Malaysian market.

See Section 7.3 of this Prospectus for detailed information on our prospects and strategies.

3.4 Financial Highlights

3.4.1 Proforma Consolidated Income Statements

Our Company was incorporated on 10 May 2006 and our Group was formed on 31 January 2007. The following is the summary of our proforma consolidated income statements for the past 3 financial years ended 28/29 February 2004 to 2006 and 8-month period ended 31 October 2006 after such adjustments considered necessary based on the audited results of the companies forming our Group, on the assumption that our current structure has been in existence throughout the financial years/period. The proforma consolidated income statement for the 8-month period ended 31 October 2005 has not been audited and has been prepared for illustrative purposes only as a comparison to the proforma consolidated income statement for the 8-month period ended 31 October 2006. You should read the summary of our financial data with the accompanying notes and assumptions included in the Proforma Consolidated Financial Information and Accountants' Report set out in Sections 11.5 and 12 of this Prospectus respectively and the management discussion and analysis of financial condition and results of operations as set out in Section 11.2.2 of this Prospectus.

	Financial year ended 28/29 February			8-month period ended 31 October	8-month period ended 31 October
	2004*2	2005*2	2006*2	2005	2006
	RM 000	RM 000	RM 000	RM 000	RM 000
Revenue	12,675	50,429	98,047	65,782	97,845
Gross profit	7,256	27,312	51,015	37,342	54,261
EBITDA	1,313	8,835	26,207	21,909	22,325
Interest expense	(228)	(318)	(735)	(437)	(598)
Interest income	8	17	20	6	13
Depreciation and amortisation	(548)	(1,552)	(2,078)	(1,544)	(1,320)
PBT	545	6,982	23,414	19,934	20,420
Taxation	(87)	(1,335)	(6,235)	(5,073)	(5,772)
Net profit	458	5,647	17,179	14,861	14,648
No. of ordinary shares assumed in issue (000)*1	225,000	225,000	225,000	225,000	225,000
Gross profit margin (%)	57.25	54.16	52.03	56.77	55.46
Net profit margin (%)	3.61	11.20	17.52	22.59	14.97
Gross EPS (sen)	0.24	3.10	10.41	13.29*3	13.61*3
Net EPS (sen)	0.20	2.51	7.64	9.91*3	9.77*3

Notes:

*1 *Being our issued and paid-up share capital after the Acquisitions but before the Public Issue.*

*2 *The results of PRM for the financial years ended 31 July 2003 to 2005 have been pro-rated accordingly to reflect a 12-month period ended 28/29 February for the relevant years under review.*

*3 *Annualised.*

*4 *There were no extraordinary and exceptional items during the years/period under review.*

The financial statements of the companies forming our Group for the past 3 financial years ended 28/29 February 2004 to 2006 and the 8-month period ended 31 October 2006 were prepared in accordance with the approved accounting standards in Malaysia and were not subject to any audit qualification or other forms of modified auditor's report other than the emphasis of matter on the preparation of the financial statements on a going concern basis for PR Manufacturing for the financial period from 23 March 2005 (date of incorporation) to 28 February 2006, where PR Manufacturing incurred a deficit to its shareholders' equity amounting to RM8,373 as at 28 February 2006, resulting from the losses incurred during the said financial period.

3.4.2 Consolidated Profit Estimate and Forecast

The consolidated profit estimate for the financial year ended 28 February 2007 and consolidated profit forecast for the financial year ending 29 February 2008 is as follows:

	Estimate 2007	**Forecast 2008**
Revenue (RM 000)	154,609	191,566
Consolidated PBT (RM 000)	44,340[*1]	53,810
Less: Taxation (RM 000)	(10,178)	(11,757)
Consolidated PAT (RM 000)	34,162	42,053
Less: Consolidated pre-acquisition profit (RM 000)	(29,059)[*2]	-
Post acquisition consolidated PAT (RM 000)	5,103	42,053
Net EPS (sen)		
- Based on weighted average number of shares in issue	27.22[*3]	14.63[*7]
- Based on enlarged share capital	11.39[*4]	14.02[*8]
Net PE Multiple (based on the issue price of RM1.48 per share) (times)		
- Based on weighted average number of shares in issue	5.44[*3]	10.12[*7]
- Based on enlarged share capital	12.99[*4]	10.56[*8]
Net EPS before income from negative goodwill (sen)		
- Based on weighted average number of shares in issue	4.82[*5]	14.63[*7]
- Based on enlarged share capital	9.99[*6]	14.02[*8]
Net PE Multiple before income from negative goodwill (based on the issue price of RM1.48 per share) (times)		
- Based on weighted average number of shares in issue	30.71[*5]	10.12[*7]
- Based on enlarged share capital	14.81[*6]	10.56[*8]

Notes:

*1 *Consolidated profit before taxation for the financial year ended 28 February 2007 includes recognition of income from negative goodwill of approximately RM4.20 million arising from consolidation. As required by FRS 3 – Business Combination, negative goodwill is not allowed to be capitalised and is required to be charged to the income statement in the period it arises. The credit arising from the said negative goodwill is a non-recurring item.*

*2 *The consolidated pre-acquisition profit relates to the period from 1 March 2006 to 31 January 2007. The consolidated pre-acquisition profit is calculated based on our subsidiaries' audited PAT for the 8-month financial period ended 31 October 2006 and our subsidiaries' unaudited PAT for the 3-month financial period ended 31 January 2007.*

*3 *Based on the post acquisition consolidated PAT and the weighted average number of 18.75 million Natural Bio Shares for the year, based on the completion of the Acquisitions on 31 January 2007.*

*4 *Based on the consolidated PAT before pre-acquisition profit and our enlarged issued and paid-up share capital after the Public Issue of 300.00 million Natural Bio Shares.*

*5 *Based on the post acquisition consolidated PAT before income from negative goodwill and the weighted average number of 18.75 million Natural Bio Shares for the year, based on the completion of the Acquisitions on 31 January 2007.*

*6 *Based on the consolidated PAT before pre-acquisition profit and before income from negative goodwill and our enlarged issued and paid-up share capital after the Public Issue of 300.00 million Natural Bio Shares.*

*7 *Based on the consolidated PAT and our weighted average number of 287.50 million Natural Bio Shares for the year assuming completion of the Public Issue on 30 April 2007.*

*8 *Based on the consolidated PAT and our enlarged issued and paid-up share capital after the Public Issue of 300.00 million Natural Bio Shares.*

See Section 11.12 of this Prospectus for detailed information on the principal assumptions upon which the consolidated profit estimate and forecast have been prepared.

3.4.3 Dividend Forecast and Policy

Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as us having profits and excess funds, which are not required to be retained to fund our business. As we are a holding company, our ability to pay dividends is also subject to receipt of funds from our subsidiaries.

Our Directors have considered the general principles that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends. In considering the level of dividend payments, if any, upon recommendation by our Directors, we intend to take into account the following factors:

(i) our level of cash, cashflows, gearing, return on equity and retained earnings;

(ii) the availability of tax credits to frank dividends;

(iii) projected level of capital expenditure;

(iv) our expected results of operations; and

(v) our capital expenditure and other investment plans.

For the financial year ended 28 February 2007, our subsidiaries, have collectively declared dividends of RM8.00 million to their previous shareholders. Going forward, we expect to declare and pay annual dividends of not less than 30% of our consolidated PAT after MI in respect of any year thereafter.

For the financial year ending 29 February 2008, based on our consolidated PAT forecast of RM42.05 million, our net dividend pay-out will be approximately 4.2 sen per Share. Based on our corporate tax rate of 26% in the financial year ending 29 February 2008, the corresponding gross dividend pay-out will be approximately 5.7 sen per Share. This would result in a net dividend cover and gross dividend cover (computed based on PAT per Share over gross dividend per Share) of approximately 3.34 times and 2.46 times respectively. Correspondingly, based on the IPO Price of RM1.48, the net dividend yield and gross dividend yield is approximately 2.8% and 3.9% respectively, while the net dividend rate and gross dividend rate is approximately 21.0% and 28.5% respectively.

See Section 11.15 of this Prospectus for detailed information on our dividend forecast and policy.

3.4.4 *Proforma Consolidated Balance Sheets*

We have prepared our proforma consolidated balance sheets below for illustrative purposes only, based on the audited financial statements of our Company and our consolidated subsidiaries as at 31 October 2006, to show the effects of the Share Split, Acquisitions, IPO and the use of proceeds arising from the IPO and on the assumption that these transactions were completed on 31 October 2006. We advise you to read the proforma consolidated balance sheets together with the accompanying notes and assumptions included in the full set of Proforma Consolidated Financial Information set out in Section 11.5 of this Prospectus.

	Audited as at 31.10.2006	Proforma (I) After dividends*2 Share Split and the Acquisitions	Proforma (II) After Proforma (I), the IPO and Listing	Proforma (III) After Proforma (II) and the utilisation of proceeds from the IPO
	RM 000	RM 000	RM 000	RM 000
PROPERTY, PLANT AND EQUIPMENT	-	20,009	20,009	45,809*3
INTANGIBLE ASSETS	-	209	209	209
GOODWILL ON CONSOLIDATION	-	14,527	14,527	14,527
CURRENT ASSETS	600	55,762	166,762	121,246*4
TOTAL ASSETS	600	90,507	201,507	181,791
SHARE CAPITAL	*1	45,000	60,000	60,000
SHARE PREMIUM	-	-	96,000	90,500*5
(ACCUMULATED LOSS)/RETAINED PROFITS	(7)	263	263	263
SHAREHOLDERS' (DEFICIT) / EQUITY	(7)	45,263	156,263	150,763
DEFERRED TAXATION	-	449	449	449
LONG TERM BORROWINGS	-	5,687	5,687	2,237*6
CURRENT LIABILITIES	607	39,108	39,108	28,342*6
TOTAL LIABILITES	607	45,244	45,244	31,028
TOTAL EQUITY AND LIABILITIES	600	90,507	201,507	181,791
Number of Shares in issue (000)	*1	225,000	300,000	300,000
Proforma (NTL)/NTA (RM 000)	(7)	30,527	141,527	136,027
Proforma (NTL)/NTA per share (RM)	(3,500)	0.14	0.47	0.45

Notes:

*1 *Comprises 2 ordinary shares of RM1.00 each.*

*2 *Comprises dividends of RM1.700 million and RM3.300 million which were declared and paid by PRM and PR Marketing respectively to their previous shareholders before the Acquisitions.*

*3 *After incorporating the effects of capital expenditure of RM25.800 million.*

*4 *Amount to be utilised for working capital (as set out in Section 4.5 of this Prospectus) and repayment of undrawn borrowings as at 31 October 2006 (refer to Note 6 below) have been classified under current assets.*

*5 *After deducting estimated expenses relating to our IPO and Listing of RM5.500 million.*

*6 *After incorporating the effects of the repayment of term loans and hire purchase loans of RM3.450 million and the repayment of outstanding banker's acceptances and overdraft facilities of RM10.766 million from our IPO proceeds. The remaining balance of repayment of borrowings as set out in Section 4.5 of this Prospectus has not been reflected as the borrowings have been scheduled to be drawn down after 31 October 2006.*

3.4.5 Capitalisation

The following table sets out our proforma consolidated short-term debt, long-term debt and shareholders' equity as at 31 October 2006 and as adjusted to reflect our IPO.

	As at 31 October 2006 proforma*1	**As adjusted***2
	RM 000	**RM 000**
Short-term borrowings	12,383*3	1,617
Long-term borrowings	5,687*3	2,237
Shareholders' equity	45,263	150,763
Total capitalisation	63,333	154,617

Notes:

*1 *Reflected the following:*

(i) *the Acquisitions on the assumption that it was completed on 31 October 2006.*

(ii) *aggregate dividend of RM5.000 million paid by our subsidiaries, PRM and PR Marketing, to their previous shareholders before the Acquisitions.*

*2 *Adjusted to reflect the following:*

(i) *our IPO and assuming all Issue Shares are issued at RM1.48 per IPO Share; and*

(ii) *repayment of outstanding borrowings of RM14.216 million from our IPO proceeds;*

*3 *Borrowings of our Group comprise term loans of RM4.473 million, bankers' acceptance of RM10.508 million, hire purchase creditors of RM2.831 million and bank overdraft of RM0.258 million. The interest rates for the borrowings range between 4.46% and 9.62%.*

Our Listing will result in changes in our cash position and capitalisation. See Section 11.4, Section 11.6 and Section 14.1 of this Prospectus for further details on our cash position, capitalisation and share capital respectively. As at 28 February 2007, our share capital is as follows:

	RM
Authorised:	
500,000,000 ordinary shares of RM0.20 each	100,000,000
Issued and fully paid-up as at the date of this Prospectus:	
225,000,000 ordinary shares of RM0.20 each	45,000,000
75,000,000 ordinary shares of RM0.20 each to be issued pursuant to the Public Issue	15,000,000
	60,000,000

Upon Listing and based on the issue price of RM1.48, our market capitalisation will be RM444 million.

We only have 1 class of shares, namely ordinary shares of RM0.20 each, all of which rank equally with one another. The Issue Shares will, upon allotment and issue, rank equal in all respects with our existing issued Shares which are fully paid-up including as to voting rights and rights to all dividends and distributions, the entitlement date of which is subsequent to the date of allotment of the Issue Shares.

3.5 Information on the IPO

Initial Public Offering	:	Offering of 146,999,900 IPO Shares, comprising the Offer for Sale of 71,999,900 Offer Shares by the Promoters and Public Issue of 75,000,000 Issue Shares by us. The minimum number of Natural Bio Shares to be placed and subscribed in order to satisfy the requirements of the IPO and Listing is 104,600,000 Natural Bio Shares, being approximately 71.16% of the Natural Bio Shares available under the IPO. If approval has not been granted by or has been revoked by any relevant authority for the IPO and/or Listing, monies paid in respect of the IPO Shares will be returned to placees and applicants without interest.
Retail Offering	:	Offering of 4,999,900 IPO Shares, subject to reallocation, to our eligible Directors, employees and business associates and 15,000,000 IPO Shares, subject to reallocation, to Malaysian citizen, companies, societies, co-operatives and institutions.
Institutional Offering	:	Offering of 55,000,000 IPO Shares, subject to reallocation, by way of placement to selected institutional investors.
Special Offering	:	Offering of 72,000,000 IPO Shares by way of placement to Bumiputera investors.
Clawback and Reallocation	:	The allocation of IPO Shares between and within the Retail Offering and/or Institutional Offering is subject to adjustment. For instance, in the event of an over-application in the Retail Offering and an under-application in the Institutional Offering, IPO Shares may be clawed back from the Institutional Offering for reallocation to the Retail Offering. If there is an under-application in the Retail Offering and there is an over-application in the Institutional Offering, IPO Shares in the Retail Offering may be clawed back from the Retail Offering for reallocation to the Institutional Offering. The IPO Shares allocated to our eligible Directors, employees and business associates may also be allocated to the Malaysian public in the event of an over-application by the Malaysian public and under-application by our eligible Directors, employees and business associates. The clawback and reallocation shall not apply in the event of over-application in the various offering groups. Any such re-allocation is subject to the agreement of our Company and our Underwriter.

Price per IPO Share for the Institutional Offering	:	The price per IPO Share for the Institutional Offering is to be determined via a bookbuilding process on best efforts basis and as agreed between the Sole Bookrunner and us.
Price per IPO Share for the Special Offering and the Retail Offering	:	The Final IPO Price will be determined after the Institutional Price is fixed on the Price Determination Date and will be the lower of (i) RM1.48; or (ii) 3.5% discount to the Institutional Price, subject to rounding adjustments. In the event the Final IPO Price is lower than RM1.48, a refund of the difference will be made without any interest.

See Section 4.3 of this Prospectus for detailed information of the IPO.

3.6 Risk Factors

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors and investment considerations below. The following is only a summary of the risk factors and investment considerations and is not an exhaustive list of challenges that we currently face or that may develop in the future. Additional risk factors, whether known or unknown, may in the future have a material adverse effect on us or our Shares:

3.6.1 Risks relating to our business

(i) Our performance is dependent on the availability and costs of raw materials for our products;

(ii) Our products compete with other beverage products;

(iii) There are risks associated with our market expansion outside of Malaysia;

(iv) Changes in consumer preference and perception may have an adverse effect on our business;

(v) Changes in the exchange rates between the Ringgit and other foreign currencies may have an adverse impact on our performance;

(vi) Infringement of our trade marks may have an adverse effect on us;

(vii) We rely on the continued employment and performance of our key management personnel;

(viii) We are subject to the requirement of the relevant food regulations;

(ix) General economic, political, legislative, business and credit condition developments may adversely affect us; and

(x) Breakout of fire, severe disruption in electricity supply and other emergencies may adversely affect us.

3.6.2 Risks relating to our Shares

(i) There has been no prior trading market for our Shares and a market for our Shares may not develop;

(ii) The market price of our Shares may be volatile;

(iii) Investors in the IPO will suffer immediate dilution in the net book value of their investment;

(iv) There may be a delay or failure in our Listing;

(v) We may be influenced by our substantial shareholders;

(vi) We may not be able to pay dividends to our shareholders; and

(vii) Termination of the Underwriting Agreement.

3.6.3 Other risks

(i) Our actual results may vary significantly from the profit forecast in this Prospectus.

See Section 5 of this Prospectus for detailed information on the risk factors.

3.7 Use of Proceeds

The gross proceeds to be raised from the Public Issue will depend on the eventual issue price of the Issue Shares. Assuming the issue price is RM1.48 per Share, we will raise a total gross proceeds of RM111 million from the Public Issue. We intend to use the gross proceeds that we raise from the Public Issue in the following manner:

	RM million
Capital expenditure	25.80
Repayment of borrowings	19.95
Working capital	
- R&D expenditure	1.10
- Advertising and promotional expenses	40.00
- Others	18.65
Defray estimated listing expenses	5.50
Total	111.00

If the eventual issue price of the Issue Shares differs from RM1.48 per share, the difference will be reflected in the use of proceeds under working capital.

See Section 4.5 of this Prospectus for detailed information on use of proceeds.

4. DETAILS OF THE IPO

4.1 Opening and Closing of Applications

Applications for the Retail Offering will be accepted from 10.00 a.m. on 20 April 2007 to 5.00 p.m. on 30 April 2007. Our Directors and the Underwriter may mutually decide, at their absolute discretion to extend the closing time and date for the Institutional Offering and/or Retail Offering to any later time and date. We will announce any extension of the closing date for the Retail Offering in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia. If the closing dates for the Institutional Offering and/or Retail Offering are extended, the dates for the allotment of the IPO Shares and our Listing will be extended accordingly. We will not accept late applications.

The indicative timing of events leading to our Listing is as follows:

Event	Tentative date
Opening of the Institutional Offering	20 April 2007#
Opening of the Retail Offering	20 April 2007
Close of the Institutional Offering	30 April 2007
Close of the Retail Offering	30 April 2007
Price determination	3 May 2007
Balloting of applications for the IPO Shares under the Retail Offering	4 May 2007
Despatch of notices of allotment to successful applicants	11 May 2007
Listing	14 May 2007

Note:

\# *Being the date of commencement of bookbuilding.*

4.2 Purposes of the IPO

The purposes of the IPO are as follows:

(i) to enable us to have access to the capital markets for an alternative form of capital raising, giving us the financial flexibility to pursue growth opportunities;

(ii) to achieve listing status for our Company, thereby enhancing our profile;

(iii) to provide an opportunity for the investing community to participate in our equity and future performance; and

(iv) to enhance the liquidity of our Shares.

4.3 Details of the IPO

The IPO comprises an offering of 146,999,900 IPO Shares under the Offer for Sale of 71,999,900 Offer Shares by the Promoters and Public Issue of 75,000,000 Issue Shares by us.

4.3.1 Retail Offering

Retail Offering will be carried out at the IPO Price of RM1.48 per Share, which is payable in full on application and subject to a refund in the event that the Final IPO Price is less than RM1.48 per Share.

19,999,900 IPO Shares, subject to reallocation, representing approximately 6.67% of our enlarged issued and paid-up share capital are available under the Retail Offering as follows:

(i) 4,999,900 IPO Shares, representing approximately 1.67% of our enlarged issued and paid-up share capital have been reserved for our eligible Directors, employees and business associates. Any IPO Share not allocated to or subscribed by our eligible Directors, employees and business associates will be reallocated to the remaining eligible Directors, employees and business associates. If there are still IPO Shares not allocated to or subscribed subsequent to the above reallocation, the IPO Shares will be made available for application by the Malaysian public. The IPO Shares allocated to our eligible Directors, employees and business associates are not underwritten.

We will allocate the IPO Shares to employees based on, amongst others, the length of service and employee grade as at 28 February 2007. Based on the criteria approved by our Board, there are 96 employees (excluding eligible Directors) who are eligible to be allocated the IPO Shares.

The number of IPO Shares to be allocated to each of our Directors for subscription (other than Directors who are also Offerors), based on, amongst others, their length of service and designation, is as follows:

Director	**No. of IPO Shares allocated**	**% of enlarged share capital**
Y. M. Tengku	500,000	0.17
Clement Valentine Toh Shu Yen	520,000	0.17
Tan Sri Dato' Sri Abdul Halil bin Abd Mutalif	-	-
Chang Tian Kwang	-	-
Tea Choo Keng	400,000	0.13

We will allocate the IPO Shares to our eligible customers based on, amongst others, the historical and expected sales contribution as well as relative sales performance. In addition, we will allocate the IPO Shares to other business associates who have contributed to our Group's success, namely in the areas of business and brand management consultancy.

(ii) 15,000,000 IPO Shares, representing 5% of our enlarged issued and paid-up share capital, are available for application by the Malaysian public comprising Malaysian citizens, companies, societies, co-operatives and institutions, of which 30% will be allocated to Bumiputera investors on a best effort basis.

The IPO Shares allocated to the Malaysian public are fully underwritten by the Underwriter. See Section 4.6 of this Prospectus for detailed information on the brokerage and underwriting commission and Section 4.7 for details of the Underwriting Agreement.

The minimum number of Natural Bio Shares to be placed and subscribed in order to satisfy the requirements of the IPO and Listing is 104,600,000 Natural Bio Shares (comprising 75,000,000 Issue Shares and 29,600,000 Offer Shares), being approximately 71.16% of the Natural Bio Shares available under the IPO.

If approval has not been granted by or has been revoked by any relevant authority for the IPO and/or Listing, monies paid in respect of the IPO Shares will be returned to placees and applicants without interest.

4.3.2 Institutional Offering

Institutional Offering will be carried out at an Institutional Price which is payable in full upon allocation and determined by way of bookbuilding and agreement between the Sole Bookrunnner and us.

55,000,000 IPO Shares, subject to reallocation, representing approximately 18.33% of our enlarged issued and paid-up share capital are available for application by selected institutional investors, of which 30% will be allocated to Bumiputera investors on a best effort basis.

The IPO Shares under the Institutional Offering are presently not underwritten and will only be underwritten upon the completion of the bookbuilding exercise, when the Institutional Price has been agreed between the Sole Bookrunner and us.

4.3.3 Special Offering

72,000,000 IPO Shares, representing 24% of our enlarged issued and paid-up share capital will be made available to Bumiputera investors by way of placement at the IPO Price of RM1.48 per Share, payable in full on application and subject to a refund in the event that the Final IPO Price is less than RM1.48 per Share. The IPO Shares under the Special Offering are not underwritten.

4.3.4 Clawback and Reallocation

The allocation of IPO Shares between and within the Retail Offering and/or Institutional Offering is subject to adjustment. For instance, in the event of an over-application in the Retail Offering and an under-application in the Institutional Offering, IPO Shares may be clawed back from the Institutional Offering for reallocation to the Retail Offering. If there is an under-application in the Retail Offering and there is an over-application in the Institutional Offering, IPO Shares in the Retail Offering may be clawed back from the Retail Offering for reallocation to the Institutional Offering. The IPO Shares allocated to our eligible Directors, employees and business associates may also be allocated to the Malaysian public in the event of an over-application by the Malaysian public and under-application by our eligible Directors, employees and business associates. The clawback and reallocation shall not apply in the event of over-application in the various offering groups.

Any such re-allocation is subject to the agreement of our Company and our Underwriter.

4.4 Pricing of the IPO Shares

On application, the retail applicants from the Retail Offering and Bumiputera investors from the Special Offering will pay the indicative IPO Price of RM1.48 per IPO Share, which was determined and agreed upon between us, our Adviser, Sole Bookrunner and Underwriter, after taking into consideration, the following:

(i) The estimate PE Multiple of 14.81 times and forecast PE Multiple of 10.56 times, which was arrived at based on the consolidated estimate PAT (before income from negative goodwill) of RM29.96 million for the financial year ended 28 February 2007 and RM42.05 million for the financial year ending 29 February 2008 respectively. The said PE Multiples are based on our enlarged issued and paid-up share capital of 300.00 million Shares after the Public Issue;

(ii) Our proforma NTA per share as at 31 October 2006 before the IPO of RM0.14 per Share as set out in Section 11.3 of this Prospectus;

(iii) Our forecast net dividend rate of 21.0% for the financial year ending 29 February 2008 based on our enlarged issued and paid-up share capital of 300.00 million Shares after the Public Issue;

(iv) The industry in which we operate and the future plans and prospects of our Group as described in Section 6 and Section 7.3 of this Prospectus; and

(v) Our business as set out in Section 7 of this Prospectus.

The Final IPO Price will be determined after the Institutional Price is fixed on the Price Determination Date and will be the lower of:

(i) the IPO Price of RM1.48 per IPO Share; or

(ii) 3.5% discount to the Institutional Price,

subject to rounding adjustments.

The Final IPO Price will not in any event be greater than the IPO Price of RM1.48 per IPO Share or lower than the par value of the IPO Shares.

The Institutional Price will be determined using a process known as "bookbuilding" where selected prospective investors would specify the number of IPO Shares they would be prepared to acquire at different prices. This "bookbuilding" process is expected to continue up to and will cease on 30 April 2007. Once the "bookbuilding" process is completed, the Institutional Price will be fixed by an agreement between us and the Sole Bookrunner on the Price Determination Date. Among the factors that will be taken into account in determining the Institutional Price are the demand for the Shares, the prevailing conditions in the securities markets and our historical and expected future performance.

The Final IPO Price will be determined after the Institutional Price is fixed on the Price Determination Date. If the Final IPO Price is lower than the IPO Price, a refund of the difference will be made without any interest. The refund in the form of a cheque will be despatched to successful applicants by ordinary mail to the addresses of the successful applicants as stated in the records of Bursa Depository within 10 Market Days from the final ballot of the applications at the successful applicants' own risk.

We will announce the Final IPO Price and the Institutional Price in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia within 2 days after the Price Determination Date. We will also send all successful applicants a written notice of the Final IPO Price and Institutional Price in the notices of allotment.

There is currently no prior trading market for our Shares. You should also note that the market price of our Shares upon Listing is subject to the vagaries of market forces and many other factors which may affect the market price of our Shares.

4.5 Use of Proceeds

The gross proceeds to the raised from the Public Issue will depend on the eventual issue price of the Issue Shares. Assuming the issue price per Natural Bio Share is RM1.48 per share, we will raise a total gross proceeds of RM111 million from the Public Issue. We intend to use the gross proceeds that we raise from the Public Issue in the following manner:

	Note	**RM million**
Capital expenditure	*1	25.80
Repayment of borrowings	*2	19.95
Working capital		
- R&D expenditure	*3	1.10
- Advertising and promotional expenses	*4	40.00
- Others	*5	18.65
Defray estimated listing expenses	*6	5.50
Total	*7	111.00

Notes:

*1 *Capital expenditure to acquire the following:*

Description	***Purpose***	***Cost RM million***	***Estimated period of utilisation***
Landed property as warehouse	*To provide additional space to store finished goods*	*7.90*	*By end of financial year 2009*
Construction of new buildings	*To construct new factory in Johor Bahru to accommodate additional plant and machinery for instant premixed products*	*12.00*	*By end of financial year 2009*
Machinery	*To provide additional capacity for instant premixed products*	*4.50*	*By end of financial year 2009*
Motor vehicles	*To enhance distribution network within Malaysia*	*0.50*	*By end of financial year 2009*
R&D equipment	*To facilitate R&D activities*	*0.90*	*By end of financial year 2009*
		25.80	

The Group may finance the capital expenditure through external borrowings should the Group be required to incur the capital expenditure prior to the receipt of the Public Issue proceeds. Should this apply, the Public Issue proceeds will then be used to set off the said external borrowings incurred for the said capital expenditure.

*2 *We propose to use RM19.95 million of the proceeds to repay borrowings. We expect the repayment of our term loan and hire purchase loan of RM8.45 million to be completed by the second quarter of financial year 2008. We expect the repayment of our short-term borrowings, including banker's acceptances and overdraft facilities, of up to RM11.50 million to be completed by the second quarter of financial year 2008.*

We expect an interest saving of approximately RM870,000 for the financial year ending 29 February 2008.

The actual amount of borrowings outstanding upon our Listing may vary as we continue to service/repay our bank borrowings as and when they fall due and/or to drawdown other short-term facilities in our ordinary course of business. We will use any funds remaining after repayment of our borrowings as working capital.

*3 *We expect to use this amount by the end of financial year 2009, mainly for R&D of new products.*

*4 *We expect to use this amount by the end of financial year 2009 for our advertising and promotional activities, in both Malaysia and abroad.*

*5 *We will use this amount in our ordinary course of business as our working capital, as and when required.*

*6 *The listing expenses which we estimated include professional fees, fees to authorities, brokerage, underwriting fee, placement fee and printing cost. We will pay for these as and when they are incurred.*

*7 *Assuming that the 75,000,000 IPO Shares under the Public Issue are priced at RM1.48.*

If the eventual issue price of the Issue Shares differs from RM1.48 per share, the difference will be reflected in the use of proceeds under working capital.

4.6 Brokerage, Underwriting Commission and Placement Fees

We will bear the brokerage relating to the Issue Shares under the Public Issue at 1% of the Final IPO Price in respect of successful applications. Brokerage with respect to the Offer Shares is payable at 1% of the Final IPO Price by the Offerors.

We will pay the underwriter an underwriting commission of 1.75% of the IPO Price multiplied by the number of underwritten IPO Shares. We expect to pay a placement commission of 1.5% to 2.5% of the Institutional Price multiplied by the number of IPO Shares to be placed out under the Institutional Offering. We expect to pay placement commission of 0.5% to 2.5% of the Final IPO Price multiplied by the number of IPO Shares to be placed out under the Special Offering.

If we breach any warranty, representation or undertaking in the Underwriting Agreement before the date of Listing, the Underwriter may withdraw from their obligations under the Underwriting Agreement. In addition, the occurrence of any unforeseen circumstances which are beyond the reasonable control of the contracting parties may also lead to the withdrawal of the Underwriter's obligation under the Underwriting Agreement.

4.7 Details of the Underwriting Agreement

We had entered into an Underwriting Agreement with the Underwriter on 9 March 2007 to underwrite the 15,000,000 IPO Shares as set out in Section 4.3.1(ii) of this Prospectus ("**Underwritten Shares**"). The salient terms of the Underwriting Agreement are as follows:

(i) The obligation of the Underwriter to underwrite the Underwritten Shares is conditional upon fulfilment and/or satisfaction of the following:

(a) there has not been, as at anytime hereafter up to and including the closing date of the Retail Offering as set out in Section 4.1 of this Prospectus ("**Closing Date**"), any adverse change or any development reasonably likely, in the opinion of the Underwriter, to result in any adverse change in the condition (business, financial or otherwise) of our Group, taken as a whole, and which is material in the context of the IPO Shares from that set forth in this Prospectus, nor the occurrence of any event or the discovery of any facts which makes, in the opinion of the Underwriter, any of the representation, warranty and undertaking by our Company in Clause 3 of the Underwriting Agreement untrue, incorrect and/or become breached in any material respect;

(b) the delivery to the Underwriter before the date of the registration of this Prospectus of:

- a certified true copy by an authorised officer of our Company of all the resolutions of the Directors of our Company and our shareholders in general meeting approving the Underwriting Agreement and this Prospectus and authorising the execution of the Underwriting Agreement, issuance and offering of the IPO Shares and the issuance of this Prospectus;

- a declaration signed by duly authorised officer of our Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no occurrence of any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings to be materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by our Company;

(c) the delivery to the Underwriter on the Closing Date of such reports and confirmations from the Board that:

- there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of our Company;

- the representation, warranty and undertaking of our Company are true, accurate and correct and not misleading in all respects on and as of the Closing Date and our Company has complied with all the terms of the Underwriting Agreement and satisfied all the conditions on our part under the Underwriting Agreement to be performed and satisfied on or prior to Closing Date; and

- the issue of the IPO Shares is not being prohibited by any statues, order, rule, regulation or promulgation issued by any legislative, executive or regulatory body or authority in Malaysia.

(d) the Underwriter having been satisfied that arrangements have been made by our Company to ensure payment of the expenses referred to in Clause 16.4 of the Underwriting Agreement;

(e) the Underwriter having been satisfied that our Company has, in relation to the Public Issue complied with the policies, guidelines and requirements of relevant authorities of Malaysia and all revisions, amendments and/or supplements thereto;

(f) the acceptance for registration by the SC of this Prospectus and such other documents as may be required in accordance with the Securities Commission Act 1993 in relation to the IPO Shares;

(g) the lodgment of this Prospectus with the Companies Commission of Malaysia in accordance with the requirements of Section 42 of the Act;

(h) Bursa Securities having agreed in principle on or prior to the Closing Date of the Listing (and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriter) and the Underwriter being reasonably satisfied that the Listing will be granted within 2 clear Market Days after the Underwritten Shares have been issued and this Prospectus being in form and substance satisfactory to the Underwriter;

(i) the offering of the IPO Shares having been approved by the SC and/or any other relevant authorities;

(j) the approval of MITI being obtained for the recognition of the bumiputera status for the IPO Shares under the Special Offering;

(k) execution of letters of undertaking and payment of full subscription fees by the placees under the Special Offering in a form acceptable to the Underwriter before the Closing Date;

(l) the Underwriting Agreement being duly signed by our Company and the Underwriter ("**Parties**") and stamped;

(m) this Prospectus being issued not later than 2 months from the date of the Underwriting Agreement or such other later date as the Underwriter and our Company may from time to time agree in writing; and

(n) all the information contained in this Prospectus up to the Closing Date is accurate, complete and up-to-date and that our Company has not submitted or caused to be submitted any statement or information that is false or misleading in this Prospectus, submit or cause to be submitted any statement or information from which there is material omission; or engage in or aid or abet conduct that our Company knows to be misleading or deceptive or is likely to mislead or deceive.

(ii) If any of the conditions set out above to the extent not waived are not satisfied by the Closing Date, the Underwriter shall be entitled to terminate the Underwriting Agreement and in that event except for the liability of our Company for the payment of costs and expenses as provided in Clause 16.4 of the Underwriting Agreement incurred prior to or in connection with such termination and the obligation of our Company to indemnify the Underwriter as provided for in Clause 14.1 of the Underwriting Agreement there shall be no further claims by the Underwriter against our Company, and the Parties shall be released and discharged from respective obligations PROVIDED THAT the Underwriter may at its discretion waive compliance with any of the abovementioned provisions. The Underwriter at its absolute discretion shall allow for an extension of time for the fulfilment of the unmet conditions precedent set out in Section 4.7(i) and this Prospectus.

(iii) Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may at any time on or before the date of issue of the IPO Shares or the date of issue of the IPO Shares to be underwritten, whichever is later ("**Issue Date**"), terminate its obligation upon the occurrence of any of the events as set out below wherein the Parties shall be released and discharged from respective obligations under the Underwriting Agreement save for the Underwriter's rights for the (i) full payment of the underwriting commission; (ii) costs and expenses referred to in Clause 16.4 of the Underwriting Agreement, including late interest payment, if applicable; and (iii) entitlement to the right to be indemnified by our Company pursuant to Clause 14.1 of the Underwriting Agreement.

(a) Upon the breach of any of the representations, warranties and / or undertakings set forth in Clause 3 of the Underwriting Agreement which materially and adversely affects the success of the IPO, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

(b) In the event there is any failure on the part of our Company to perform any of our obligations under the Underwriting Agreement; or

(c) In the event there is any withholding by our Company of any information of a material nature from the Underwriter which will have or may reasonably be expected to have a material and adverse effect on the success of the IPO, our business and/or prospects, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

(d) In the event there is any material and adverse change to our business and/or financial position.

(iv) Our Company and the Underwriter shall be released and discharged from respective obligations under the Underwriting Agreement upon the occurrence of any of the Force Majeure events on or before the Issue Date as set out below save for the (i) full payment of the underwriting commission; (ii) costs and expenses referred to in Clause 16.4 of the Underwriting Agreement, including late interest payment, if applicable; and (iii) the Underwriter's right to be indemnified by our Company pursuant to Clause 14.1 of the Underwriting Agreement.

(a) If there have been such a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates as would in the Underwriter's reasonable opinion prejudice materially the success of the offering of the IPO Shares and the Underwriter's distribution or sale (whether in the primary market or in respect of dealings in the secondary market); or

(b) Upon the occurrence of any event or series of events beyond the reasonable control of the Underwriter (including acts of government, strikes, national disorder, declaration of a state of emergency, lockouts, fire, explosion, flooding, landslide, civil commotion, acts of war, sabotage, acts of God or accidents) which would have or can reasonably be expected to have, a material adverse effect on the business or the operations of our Company or the success of the IPO, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

(c) Upon the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities which would materially prejudice the success of the IPO; or

(d) Upon any development, occurrence or any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the SC, or any other regulatory authority, whether or not having the force of law, or occurrence of any other nature, which will materially and adversely affect our Company and the success of the IPO, our business and/or prospects, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

(e) Upon any government requisition or occurrence of any other nature which materially and adversely affects or will materially and adversely affect our business and/or financial position; or

(f) The Kuala Lumpur Composite Index has dropped to below 850 points and has stayed below 850 points for at least 5 consecutive Market Days between the date of the Underwriting Agreement and the Issue Date, both dates inclusive.

5. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we, and to a large extent our business is affected by the legal, regulatory and business environment in Malaysia, as well as a number of other factors, many of which are outside our control. Before making an investment decision, you should carefully consider the risk factors and investment consideration described below in addition to all other relevant information contained elsewhere in this Prospectus. The risks factors and investment considerations set out below are not an exhaustive list of challenges that we currently face and that may develop in the future. Additional risk factors, whether known or unknown, may in the future have a material adverse effect on us.

5.1 Risks Relating to Our Business

5.1.1 Our performance is dependent on the availability and costs of raw materials for our products

We require a sufficient supply of raw materials to ensure the smooth running of our production processes. Non-availability of raw materials may disrupt our production processes and delay our delivery of products to the market. In addition, the costs for certain raw materials that we need for our products, in particular coffee, sugar and aluminium are dictated by global commodity prices, which are beyond our control. Our profitability is affected by the costs of the raw materials.

We manage the risk of shortage of raw materials through prudent production planning. We generally maintain stock levels ranging from 15 to 60 days for raw materials. Therefore, should we foresee a potential disruption in supply, we will have time to source our raw materials from alternative suppliers. Historically, we have not had any major difficulty in sourcing raw materials from alternative suppliers. Given that our raw materials are commodity products, there is a wide range of local and overseas suppliers who provide the same required materials. Our long-standing relationship with our suppliers allows us to pre-order certain major raw materials by placing larger value purchase orders (with the view of fixing the prices of the raw materials for certain duration).

5.1.2 Our products compete with other beverage products

Our products compete directly with other products in the RTD coffee, RTD tea and energy drinks segments of the beverage industry and indirectly with other beverages such as soft drinks and juices. The competing products are sold under both local and global brands. The global brands generally have the benefit of support of the multinational brand owners who have more resources for the purpose of brand support.

While historically, we have managed to not only penetrate but increase our market share in the relevant sectors within the beverage industry, we cannot provide assurance that our historical achievement will be repeated in the future. Nonetheless, our Directors believe that we remain well-positioned in the market because of our existing brand equity, product positioning, marketing strategies and our ability to understand our customers and to innovate.

As brands and products enter and exit the beverage industry and consumers' taste changes, we foresee that competition will remain keen.

5.1.3 There are risks associated with our market expansion outside of Malaysia

As part of our growth strategy, we are in the process of penetrating new markets outside Malaysia. Presently, the key foreign countries in which our products are sold are Brunei and the UAE. While we believe that market diversification would reduce our dependence on the Malaysian market and provide new avenues of growth, we also note that market diversification would subject us to a different set of risk factors. For example, we will need to depend on third party distributors to distribute and market our products abroad. In addition, we may be subject to the relevant food and beverage regulations in the foreign jurisdictions.

Nonetheless, we believe we have a strong and synergistic relationship with our third party distributors and will be able to continue to tap on their extensive network. Further, we will use our best endeavours to ensure compliance with the relevant food and beverage regulations abroad.

5.1.4 Changes in consumer preference and perception may have an adverse effect on our business

Our business is dependent on the goodwill associated with our brands, "Power Root", "Ali Café", "Per'l", "Per'l Café" and "Alitea", and the market receptiveness of the benefits to be derived from the consumption of extracts of Tongkat Ali and Kacip Fatimah, given that our products are associated with the herbs.

Since consumer preference and perception will continue to change, no assurance can be given that the goodwill in relation to our brands and products will persist. Furthermore, there is also no assurance that the market receptiveness to the benefits of Tongkat Ali and Kacip Fatimah will continue to persist. For instance, any publication of adverse effects of Tongkat Ali and Kacip Fatimah may adversely affect our performance, just as positive research findings may boost our performance.

We manage this risk by diversifying our range of products to include products without the said herbs and new variations of energy drink, coffee and tea. Historically, we have been able to design products and brands to suit our consumers' preference. We expect to continue to strengthen our brand through product testing, promotion and advertisement activities. However, no assurance can be given that our past achievement can be repeated in the future and that all our products, both new and existing will match our consumers' preferences.

5.1.5 Changes in the exchange rates between the Ringgit and other foreign currencies may have an adverse impact on our performance

Our purchases of certain of our raw materials, such as coffee and creamer are denominated in foreign currency. Since the majority of our sales are presently derived from the Malaysian market, there is a mismatch between the currency of our revenue and the currency of a certain portion of our costs. A weakening Ringgit may increase our overall production cost, which may reduce our profit margin, unless we decide to pass the production cost increase to our customers and/or consumers, which may then affect the demand for our products. In the future, as we expect to grow our sales in foreign markets, we anticipate that our performance would also be dependent on the exchange rates between Ringgit, the currency of sale for those markets and the currency of purchase of our raw materials. Nonetheless, as far as possible, we will match our receipts and payments for each individual currency.

5.1.6 Infringement of our trade marks may have an adverse effect on us

We have invested in our branding campaigns to promote our trade marks. To protect any infringement of our trade marks, we have filed trademark applications, details of which are set out in Section 7.15 of this Prospectus. Should there be any infringement of our trade marks, we can initiate legal proceedings against parties who infringe the trade marks. Despite the above measures to protect our trade marks, there is no certainty that our trade marks may not be infringed. Such infringement may lead to the loss of sales or reduced consumer confidence.

5.1.7 We rely on the continued employment and performance of our key management personnel

Our success depends, to a significant extent, on the continued employment of our key management personnel. The loss of any key management personnel may have a material adverse effect on our performance. Our future success will, to a large extent, depend on our ability to attract and retain skilled personnel. We will strive to ensure that we are able to retain our skilled personnel and attract new talent. Where possible, we endeavour to groom younger members of management to gradually assume greater responsibility of our business and operations.

5.1.8 We are subject to the requirement of the relevant food regulations

We are subject to the requirements of the relevant legislations relating to our products namely the Food Act 1983, Food Regulations 1985 and Trade Descriptions Order 1975 (Use of Expression "HALAL") in Malaysia. Although we currently comply with the relevant legislations, there is no assurance that there will be no change to these legislations and that we will be able to comply with any change that may be introduced by the relevant authorities. Changes in regulations and legislations may have a negative impact to our business. We will keep abreast with the developments of the relevant food regulations and will use our best endeavours to comply with any legislative or regulatory changes.

5.1.9 General economic, political, legislative, business and credit condition developments may adversely affect us

Adverse developments in the economic, political, legislative, business and credit environment in Malaysia and other countries where we obtain our supplies and market our products could materially and adversely affect our operational condition and financial prospects. As such, there can be no assurance that our performance will remain favourable in the event of changes in these factors both domestically and internationally.

5.1.10 Breakout of fire, severe disruption in electricity supply and other emergencies may adversely affect us

Our operations may be adversely affected by events such as the breakout of fire, severe disruption in electricity supply, flood, theft or other emergencies. A breakout of fire may damage our assets and lead to a prolonged inability to resume operations, and thus affect our results of operations and profitability. A severe disruption in electricity supply may also disrupt our operations.

Our Directors have in place certain risk-management plans to manage these risks. These include:

(i) having sufficient fire-fighting equipment such as fire extinguishers and hose reels which are placed at strategic areas within our buildings. We carry out regular fire drills and train our employees to use the basic fire fighting equipment; and

(ii) having insurance policies from various insurance agencies covering fire insurance, machinery and equipment insurance and consequential loss insurance to mitigate certain losses which may arise as a result of insured contingencies.

While we have taken reasonable steps to address these operational risks, there can be no assurance that the measures taken will be adequate in preventing adverse implication on us caused by such events.

5.2 Risks Relating to Our Shares

5.2.1 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 as to the liquidity of any market that may develop for our Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares.

The market price of our Shares upon Listing is subject to the vagaries of market forces and many other factors, including prevailing economic, political and financial conditions in Malaysia, our operating results and the markets for similar securities. Neither we, nor the Underwriter has any obligation to make a market for our Shares.

5.2.2 The market price of our Shares may be volatile

The market price of our Shares could be affected by numerous factors, including:

(i) general market, political and economic conditions;

(ii) changes in earnings estimates and recommendations by financial analysts;

(iii) changes in market valuations of listed shares in general and other food and beverage related companies' shares in particular;

(iv) changes in government policy, legislation or regulation; and

(v) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares.

The Malaysian and global equity markets have experienced price and volume volatility that has affected the share prices of many companies. In addition, share prices of many companies have experienced wide fluctuations that have been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of our Shares.

5.2.3 Investors in the IPO will suffer immediate dilution in the net book value of their investment

Subsequent to the IPO and Listing and assuming that the IPO Shares under the Public Issue are priced at RM1.48 per Share, our proforma consolidated NTA as at 31 October 2006 is RM0.47. Based on the Issue Price of RM1.48 per Share, investors subscribing for Shares in the IPO will therefore incur an immediate dilution in terms of the NTA per Share. The further issuance of Shares at prices lower than the then existing NTA per Share would result in further dilution.

5.2.4 There may be a delay or failure in our Listing

The occurrence of certain events, including the following events may cause a delay in or abortion of our Listing:

(i) the identified investors fail to subscribe for or acquire their respective portions of the IPO Shares to be placed to them;

(ii) the Underwriter exercises its rights under the Underwriting Agreement and discharges itself from its obligations thereunder; or

(iii) we are unable to meet the public shareholding spread requirement, which requires, at least 25% of the issued and paid-up share capital of our Company to be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each.

After the IPO Shares have been credited to investors' CDS Accounts, which would occur at least 2 clear Market Days before the anticipated date for our Listing, it may not be possible to recover monies paid for these IPO Shares from us in the event the admission into and the commencement of trading of our Shares on the Second Board of Bursa Securities do not occur. Delays in the admission and the commencement of trading in shares on the Second Board of Bursa Securities have occurred previously. Following the allotment of the IPO Shares, a return of monies to all holders of Shares could be achieved by way of a cancellation of capital under the Act and the related rules. Such cancellation requires the sanction of our shareholders by special resolution in general meeting and confirmation of the High Court of Malaya. There can be no assurance that monies can be recovered within a short period of time or at all in such circumstances. If Bursa Securities does not list our Shares, the market for our Shares may be illiquid. This may have a material adverse effect on the value of our Shares.

5.2.5 We may be influenced by our substantial shareholders

Upon completion of the IPO, the Promoters will directly and collectively hold approximately 45% of the issued and paid-up share capital of our Company. As such, the Promoters, who are also our Directors will be able to influence the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law and/or by the relevant authorities. Nevertheless, our Board would include Independent Non-Executive Directors, who would act on behalf of our minority shareholders for any Board deliberation. In addition, our substantial shareholders are required by Bursa Securities LR to abstain from voting on future transactions in which they have interests unless the requirement is waived by Bursa Securities.

5.2.6 We may not be able to pay dividends to our shareholders

Our ability to pay dividends or make other distributions to our shareholders may be subject to restrictions contained in loan agreements which limit dividend payments without the prior written consent of our lenders, as well as, among other things, us having profits and excess funds which are not needed to fund our operations, other obligations or business plans. For a description of our dividend forecast and policy, see Section 11.15 of this Prospectus.

As we are a holding company, our ability to pay dividends is also subject to the receipt of funds from our subsidiaries. Further, as a shareholder of our subsidiaries, our claims will generally rank junior to all other creditors and claimants against our subsidiaries. In the event of a subsidiary's liquidation, there may not be sufficient assets for us to recoup our investment.

5.2.7 Termination of the Underwriting Agreement

Our Underwriter can terminate the Underwriting Agreement if it is of the reasonable opinion that the success of the IPO is likely to be materially and adversely affected by certain events, details of which are set out in Section 4.7 of this Prospectus. Should the Underwriter terminate the Underwriting Agreement and if the IPO could not be completed, we will return all monies paid in respect of all applications to the applicants without any interest.

5.3 Other Risks

5.3.1 Our actual results may vary significantly from the profit forecast in this Prospectus

Our consolidated PAT forecast for the financial year ending 29 February 2008 is set out in Section 11.11 of this Prospectus. The profit forecast is based on the assumptions made by our Directors and is presented on a basis consistent with the accounting policies adopted by us. Furthermore, it reflects the current judgment of our Directors regarding expected conditions and our expected course of action, which is subject to change.

The profit forecast is based on a number of assumptions which are inherently subject to significant uncertainty due to factors including, but not limited to, those identified in "Forward-looking Statements". Many of these factors are not within our control and some of the assumptions with respect to future business decisions and strategies are subject to change. Our actual results will differ from such forecast, and such differences may be material and may affect the market price of our Shares and any dividend that may be contemplated as described in Section 11.15 of this Prospectus. Under no circumstances should the inclusion of the profit forecast be regarded as a representation, warranty or prediction with respect to its accuracy or the accuracy of the underlying assumptions, or that we had or will achieve or are likely to achieve any particular result.

We do not intend to provide any updated or otherwise revised profit forecast. Prospective investors in our Shares are cautioned to place no reliance on the profit forecast. The profit forecast should be reviewed in conjunction with the description of the business, the historical financial information and the other material contained in this Prospectus, including the risks factors set out in Section 5 of this Prospectus.

F R O S T & S U L L I V A N

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29 March 2007

Dear Sirs,

Executive Summary of the Strategic Analysis of the Ready-to-Drink ("RTD") Coffee, RTD Tea and Energy Drinks Markets in Malaysia

This Executive Summary of the Strategic Analysis of the RTD coffee, RTD tea and energy drinks markets in Malaysia is prepared by Frost & Sullivan (M) Sdn Bhd ("Frost & Sullivan") for inclusion in the Prospectus of Natural Bio Resources Berhad ("Natural Bio" or the "Company") in connection with the public issue and offer for sale of 146,999,900 ordinary shares of RM0.20 each in conjunction with the listing of the entire issued and paid-up share capital of Natural Bio on the Second Board of Bursa Malaysia Securities Berhad.

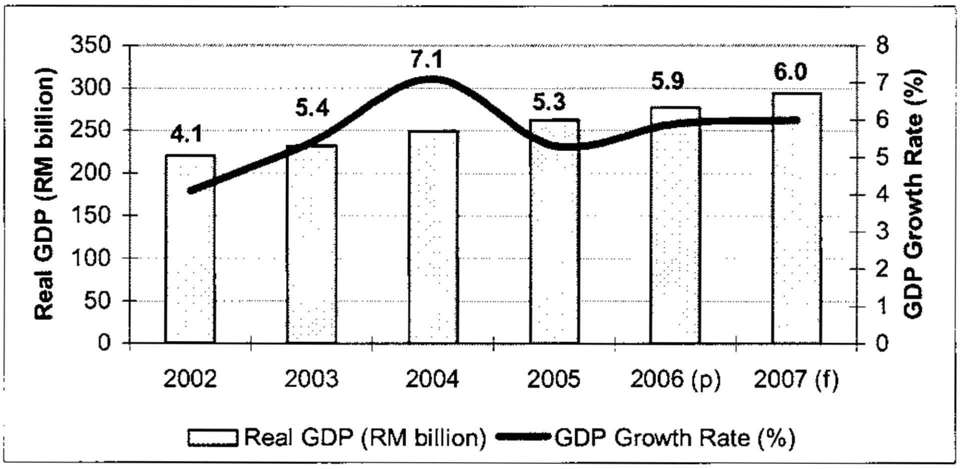
In this executive summary, Natural Bio and its subsidiaries namely Power Root (M) Sdn. Bhd., Power Root Marketing Sdn. Bhd., Power Root Manufacturing Sdn. Bhd. and Power Root Nnergy Sdn. Bhd. are referred to as the "Natural Bio Group" or "Group".

MALAYSIAN ECONOMIC OVERVIEW

Malaysia's economy in 2006 performed well, with an expansion of real gross domestic product ("GDP") of 5.9 percent, even as the economy faced negative factors such as high oil prices and the downturn in the global electronics cycle. According to Bank Negara Malaysia ("BNM"), growth was mainly private-sector driven and was underpinned by robust domestic demand and continued strong exports.

Growth was balanced and broad based, with most sectors of the economy, registering positive growth rates, except for the construction and mining sectors. Private consumer demand was sustained at a strong pace while the resilience in private investment further supported economic expansion. The public sector continued to support growth through its commitment to further improve current infrastructure and the provision of Government services mainly in education and health especially for the rural areas.

Figure 1: GDP Growth in Malaysia, (2002 – 2007*(f)*)



Note: (p) preliminary; (f) forecast
Source: Negara Malaysia, 2006

The manufacturing sector which accounts for 32 percent of GDP remains the largest export earner and the second most important sector generating employment for the economy. This sector recorded higher growth of 7.0 percent in 2006 (2005: 5.1 percent) following better performance of the export-oriented industries, particularly electrical and electronic (E&E), textile and petroleum.

Fast pace growth in the domestic-oriented manufacturing industries was mainly attributable to better performance by construction-related industries, benefiting both from the gradual improvement in the construction sector as well as the strong external demand from regional countries.

In 2006, the services sector continued to be the major driver of growth with a 59 percent share of overall GDP. With continuing strong domestic demand and expanding trade-related activities, the sector maintained growth at 6.5 percent (2005: 6.5 percent) with all sub-sectors recording positive growth. Government efforts in promoting new areas of growth including IT began to yield results and contribute towards the services sector's growth.

After two consecutive years of strong expansion, the wholesale and retail trade, hotels and restaurants sub-sector moderated to 5.9 percent in 2006 (2005: 8.0 percent) on account of normalisation in private consumption trends as well as narrowing margins due to keen competition among the players. Nevertheless, the impact was partially offset by higher tourism activity.

Private consumption increased at a strong pace of 7.0 percent as positive developments in the economy, in particular, the increase in job vacancies, rising disposable incomes and accommodative financing conditions supported growth. While consumers were affected by higher fuel prices, there was a willingness to moderate their savings rate in order to maintain their level of consumption, underscoring their confidence on income growth and positive outlook for the economy. Private sector expenditure (including consumption and investment) is expected to contribute 4.7 percentage points to real GDP in 2006.

The private sector, which resumed its role as the key engine of growth since 2003, continues to drive domestic economic activities in 2006. With favourable business and financing conditions, rising disposable incomes and a steady labour employment market, private sector expenditure grew strongly by 7.6 percent (2005: 9.1 percent), driven by higher investment and consumption spending.

Inflation, maintained at below 2 percent annually during the 2000 to 2004 period, edged up to 3 percent in 2005 and 3.6 percent in 2006, largely due to higher administered retail prices of petroleum products. This rise in inflationary pressures was mitigated somewhat by the appreciation of the Ringgit, which helped to lower the cost of imports. Meanwhile, productivity gains contributed to reducing the costs of production. In 2007, inflation is likely to moderate further, after factoring the Malaysian Government's commitment to not raising further the retail prices of petroleum products in the remaining months of the year.

On the external front, development remains positive with Malaysia continuing to record a higher trade surplus, notwithstanding the higher growth in imports relative to exports. With continued inflows of foreign capital, the overall balance of payments is expected to remain strong in 2006, further strengthening the nation's economic fundamentals as well as boosting investor confidence.

In 2007, growth is expected to strengthen further, with real GDP expanding by 6 percent. Investment, particularly private investment, is expected to sustain growth as strong domestic and external demand, coupled with high levels of capacity utilisation, induced firms to expand capacity. In addition, investment activity by the public sector is also expected to expand substantially with the roll out of projects under the Ninth Malaysia Plan (9MP).

On the sectoral front, growth is expected to be broad based, reflecting expansion in all economic sectors. The services and manufacturing sectors would continue to drive growth, expanding at higher rate than overall GDP growth. The manufacturing sector would be mainly driven by resource based industries, whilst the services sector is expected to gain from the positive effects of the Visit Malaysia Year 2007 tourist promotion campaign. Meanwhile, the agriculture sector is expected to continue to expand, reflecting increases in output of all major crops, albeit at a more moderate pace.

Also, at end-March 2006, the Malaysian Government launched the Ninth Malaysia Plan ("9MP"), 2006-2010, which provides the foundation for further development and strengthening of the Malaysian economy. The 9MP focuses on the importance of making progress in the new growth areas in order to achieve the successful transformation of Malaysia into a more resilient knowledge-based economy, while re-emphasizing the Malaysian Government's commitment to maintaining macroeconomic stability.

The mining and construction sectors are expected to turn around and register positive growth, with the former supported by new capacity coming on-stream, while the latter would be underpinned by the positive effects from the implementation of development projects under the 9MP.

The anticipated moderation in the electronics and electrical (E&E) sector is not likely to dampen growth in the manufacturing sector in 2007. Growth in the manufacturing sector during the year is expected to be sustained at 6.6%, supported mainly by resource-based industries and industries related to the construction sector.

The agriculture sector is poised to grow at 3.2% in 2007, reflecting higher outputs of all major crops. While the sector may experience moderate output growth in the first half-year due to unfavourable weather conditions, the impact is likely to be temporary. Output of rubber is expected to expand further by 3.2% to 1.30 million tonnes in 2007, encouraged by the favourable prices. Output is also expected to increase in the food commodities sub-sector, which includes livestock, fisheries, fruits and vegetables as a result of various incentive programmes and initiatives set out by the Malaysian Government to establish the sector as the nation's third engine of growth.

Barring the fact that inflation will occur and manufacturers will have to absorb some of the price increases which may affect their profit margins, the Malaysian economy is not expected to create significant barriers to the development and growth of the RTD coffee, RTD tea or energy drinks markets.

PEST ANALYSIS FOR THE RTD COFFEE, RTD TEA AND ENERGY DRINKS MARKETS

PEST Analysis is essentially a macroeconomic analysis on the political, economic, social and technological factors which impact the market. The main points derived from Frost & Sullivan's PEST Analysis on the RTD coffee, RTD tea and energy drinks markets in Malaysia are highlighted as follows:

1. Legislation and incentives pertinent to the RTD coffee, RTD tea and energy drinks markets in Malaysia are as follows:

    - In Malaysia, the main government agency involved in the food safety enforcement is the Ministry of Health ("MoH"). According to the MoH, local food manufacturers and distributors are required to abide by the Malaysian Food Act 1983 and Food Regulations 1985, which protect the public against health hazards and fraud in the preparation, sale and use of food. The Food Act 1983 covers the whole food process from the manufacture to the consumption of food. A wide range of issues is covered within this legislation including, composition of food products, safety issues with regards to food for human consumption, food labelling, advertisement, procedures for taking samples, administration and enforcement of the law, as well as penalties for non-compliance. It is also applicable to both locally manufactured food as well as imported food products.

    - With regards to labelling of food, the Food Regulations 1985 does not require mandatory nutrition labelling for all food products. However, the MoH amended the Food Regulations 1985 to make nutrition labeling compulsory for certain special purpose foods (e.g. infant formula and cereal-based foods) and food that have been enriched or fortified.

    - Standards which are used within Malaysia's food and beverage industry includes the Codex Alimentarius standards, Hazard Analysis and Critical Control Point System certification, Good Manufacturing Practices for food hygiene, Good Handling Processes and *Halal* certification for food and beverage products certified suitable for Muslim consumption.

    - The Malaysian Industrial Development Authority lists certain investment incentives for the food industry in Malaysia. These incentives are general incentives and eligibility is dependent on the manufacturer meeting the requirements set out by the Malaysian Government. Some of the incentives include Pioneer Status, Investment Tax Allowance, Reinvestment Allowance, Accelerated Capital Allowance, various incentives for export and others.

2. Malaysia's economy is presently performing well with the following highlights noted for the food and beverage, and retail industries:

    - Output of the food products industry strengthened due to resilient domestic demand.
    - The wholesale and retail trade, hotels and restaurants sub-sector, recorded another year of strong growth of 8 percent. In particular, distributive trade (wholesale and retail) industry strengthened significantly. This is an encouraging trend for the food and beverage industry.
    - Private consumption increased at a strong pace of 9.2 percent as positive developments in the economy, in particular, the increase in job vacancies, rising disposable incomes and the accommodative financing conditions supported the growth. While consumers were affected by higher fuel prices, there was a willingness to moderate their savings rate in order to maintain their level of consumption, further underscoring their confidence on income growth and positive outlook for the economy.

3. The social factors favoring the Malaysian RTD coffee, RTD tea and energy drinks markets have arisen due to the increasingly urbanized population leading busier lifestyles and greater acceptance of new trends in food and beverage consumption.

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FROST & SULLIVAN

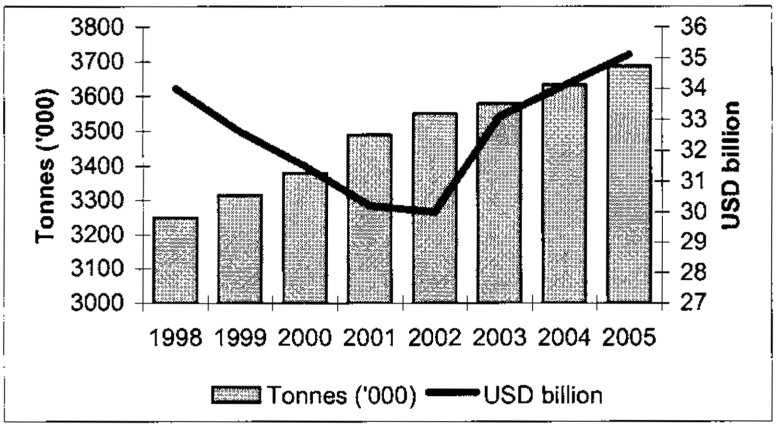
GLOBAL COFFEE MARKET OUTLOOK

Coffee is one of the world's most important primary commodities and ranks second only to petroleum in terms of dollars traded worldwide. With over 400 billion cups consumed every year, coffee is one of the world's most popular beverages.

The rise in popularity of Starbucks and thousands of other specialty cafés has led to increased demand for green coffee (which is the un-roasted coffee bean). According to the Specialty Coffee Association of America, in 2004, 16 percent of adults in the United States of America ("U.S.") drank specialty coffee daily; the number of retail specialty coffee locations, including cafés, kiosks, coffee carts and retail roasters, amounted to 17,400 and total sales amounted to USD8.96 billion in 2003.

Frost & Sullivan estimates that global coffee sales will continue to increase in terms of volume and value as reflected in Figure 2.

Figure 2: Global Coffee Sales (1998 – 2005)



Source: Frost & Sullivan

Some other latest key indicators for the coffee market have also been noted by the International Coffee Organization ("ICO"). These are as follows:

1. Global coffee production for 2006/07 is forecast to be approximately 120 million bags, compared with global consumption of around 118 million bags. This situation reveals a greater balance between supply and demand as compared to a few years ago. The ICO also stated that the challenge for the global coffee market is to develop appropriate policies broadly to maintain this balance between demand and supply.

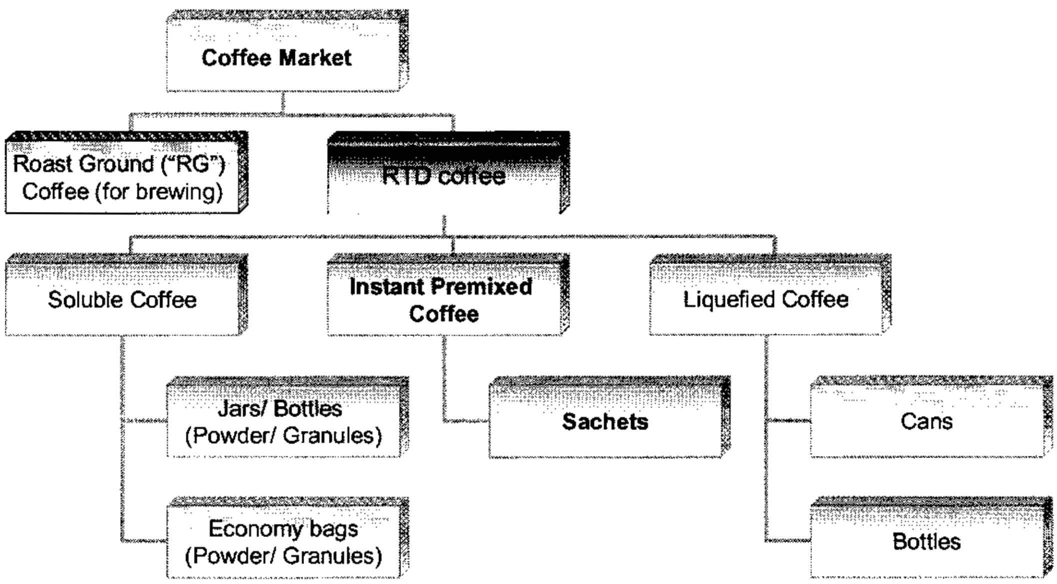
2. While trading prices of coffee will continue to fluctuate, it is likely that consumers will continue to demand for coffee and the 'coffee culture' will continue to spread. Growth of global consumption from 1965 is at an average rate of 1.64 percent per annum. Based on this growth rate, world consumption could exceed 126 million bags in 2010.

RTD COFFEE MARKET IN MALAYSIA

RTD coffee is coffee which is ready for consumption, either in instant soluble powder or granules which can be quickly dissolved in hot water, Instant Premixed Coffee which are available in sachets or as Liquefied Coffee available in cans or bottles.

The Malaysian RTD coffee market has two channels of consumption – Off-trade (in-home consumption where RTD coffee is purchased from the retail sector) and On-trade (out-of-home consumption). The figure below illustrates the segmentation of RTD coffee.

Figure 3: RTD Coffee Market Segmentation



Source: Frost & Sullivan

KEY FINDINGS ON THE MALAYSIAN RTD COFFEE MARKET

The RTD coffee market in Malaysia is currently in a mature stage of the industry life cycle with selective growth especially in niche RTD coffee sub-segments. Market trends for the Malaysian RTD coffee market include:

1. Increase in RTD coffee consumption – this will be led mainly by the production of RTD coffee products which imitate the hugely popular coffees available at specialty cafés.
2. Shifting trends towards "healthy" coffee – "healthy" coffee would include coffee with additional botanical ingredients or low calorie instant coffee.

The main market drivers for the Malaysian RTD coffee market are:

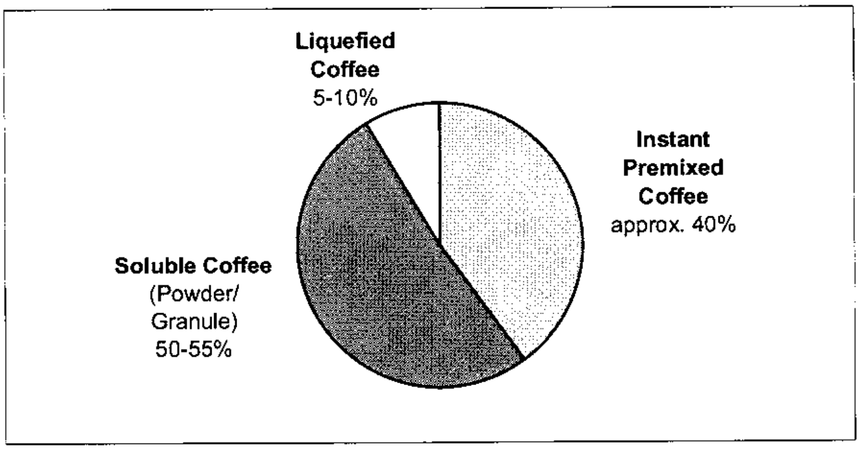
1. Increased demand for coffee beverages – led by increasing economic growth of the country.
2. Large proportion of un-tapped potential customers – as illustrated by non-coffee drinkers who may be enticed to switch to sweeter flavoured RTD coffee or coffee drinkers who may want to purchase convenient and easily available RTD coffee products.

The key market restraints for the Malaysian RTD coffee market on the other hand are:

1. Large selection of drinks available – each type of drink in the market, whether coffee-related or not would have the potential to reduce the RTD coffee market.
2. Threat of increase in raw material costs – oil price and interest rate increases will likely affect the prices of raw materials.

The total RTD coffee market in Malaysia as identified by Frost & Sullivan in this report consists of the soluble coffee segment (powder / granule form), Instant Premixed Coffee and liquefied coffee. The figure below illustrates the segmentation of RTD coffee.

Figure 4: RTD Coffee Segmentation in Malaysia (2005)



Source: Frost & Sullivan

Instant Premixed Coffee as a beverage has been in the market for some years now, but is still deemed to be a relatively new segment of the RTD coffee market. New products are still being developed and brought to the market, even by the global manufacturers of RTD coffee. For instance, Nestlé in Malaysia has been manufacturing Nescafé Classic instant coffee in jars for a long time and over the last couple of years introduced the instant premixed varieties e.g. Nescafé 3 in 1 Mild, Regular and Rich. It has also introduced Nescafé Mocha, Cappucino and Latté Instant Premixed Coffee. The entrance of new products into the market indicates that manufacturers see the opportunities that the instant premixed market has to offer.

Soluble coffee, which has been the mainstay in the RTD coffee market, has seen its market share decrease as consumers increasingly switch to Instant Premixed Coffee products. The liquefied coffee segment is also a relatively new segment of the RTD coffee market. Although liquefied coffee has been available in countries like Japan and South Korea where it has been accepted as a norm, this segment is just starting to experience the introduction of new products in Malaysia.

The following figure depicts the market engineering analysis for the Malaysian Instant Premixed Coffee market. The total market size for 2005 is estimated to be at approximately RM220.6 million. The base year market growth rate is 5.4 percent and the market is forecast to grow at a Compound Annual Growth Rate ("CAGR") of 8.7 percent from 2006-2012.

Figure 5: Market Engineering Measurement and Analysis – Malaysian Instant Premixed Coffee Market (2005)

Measurement Name	Measurement	Trend
Market age	Mature stage	Stable
Approximate revenue 2005	RM220.6 million	Stable
Base year market growth rate	5.4 percent	Stable
Forecast period market growth rate	8.7 percent	Stable
Pricing trend	Stable	Stable
Competitors	Approximately 18 market participants	Increasing but competition remains stable for established brands
Degree of competition	High	Stable

All figures are rounded; the base year is 2005.

Source: Frost & Sullivan

Revenue forecasts for the Malaysian Instant Premixed Coffee market shows increasing growth over the forecast period from 2006 to 2012.

Coffee consumption is gradually increasing in Malaysia, particularly for Instant Premixed Coffee products. This is due to the increasingly fast-paced lifestyles of Malaysian consumers which lead to the demand for convenience. As Malaysia's economy continues to grow, the trends in food and beverage consumption will tend to mirror that of industrialized nations. For instance, based on the ICO, per capita consumption of coffee in the European Union ("EU") is at 5.21 kg, U.S. at 4.36 kg and Japan at 3.35 kg, whereas Frost & Sullivan estimates that per capita consumption of coffee for Malaysia is less than 1 kg. Hence, coffee consumption is expected to increase with the development of the Malaysian economy. Furthermore, as urban consumers start to drink more coffee at work and leisure, the overall size of Malaysian Coffee market is expected to grow along with the size of the instant premixed segment.

Based on Frost & Sullivan's assessment, the Instant Premixed Coffee market is set to grow at a CAGR of 8.7 percent during the forecast period from 2006 to 2012, on the assumption that all parameters affecting the Instant Premixed Coffee Market remain as-is. Since the beverage industry is constantly introducing new products into the market, Frost & Sullivan is of the opinion that as early as 2008 onwards, new products may be introduced in the Instant Premixed Coffee Market, thereby creating further selective niche sub-segments in the Instant Premixed Coffee market. Should this be true, the market may receive a boost in terms of sales and this will again translate to a change in the industry revenue forecast.

Market Share

The Malaysian Instant Premixed Coffee market, which comprises instant and soluble coffee products available in sachets, is largely dominated by Nescafé, which is and has been the leading brand. Nescafé is a product of Nestlé Malaysia Berhad, a subsidiary of Nestlé S.A. Switzerland. Under the Nescafé brand are soluble coffee powder/ granules, bottled and canned coffee, as well as Instant Premixed Coffee which are available in sachets/ packs.

Nestlé seems to be the main global brand in the Malaysian Instant Premixed Coffee market. The rest of the market is divided between local manufacturers with brands like Power Root and Old Town being at the fore, followed by other brands like Indo Café, Aik Cheong, Chek Hup, In-Comix, Super, Kopiko and others.

Market share for the Instant Premixed Coffee market is largely determined by the ability of the market players to assure the consumers of their products' quality, whether by taste or benefits which are derived through consumption; as well as the strength of the brand. Nescafé and Power Root are two brands which are instantly recognizable to their consumers. Should local manufacturers with brands like Power Root conduct further aggressive promotional activities to increase their brand awareness in the consumer market, they may reap the additional benefits of increased sales as well.

Based on Frost & Sullivan's assessment, Natural Bio Group, which produces the Power Root brand of coffee, accounted for 20 to 25 percent of the Instant Premixed Coffee market in Malaysia in 2005. The remaining market share is distributed among the other market participants.

Natural Bio Group, a local market player, has established brand recognition for its Power Root brand via advertising and promotional activities, including the appointment of local artistes as its ambassadors. Its current product portfolio is also well accepted by the consumer market for taste and health benefits derived from *Tongkat Ali* and *Kacip Fatimah* extracts in its products.

Competitive Analysis

There are approximately 18 brands of Instant Premixed Coffee available in the retail market at present. However, the market is dominated by the leading brands, i.e. Nescafé and Power Root. The remaining portion of the market is shared by smaller companies with lesser known brands. The following is the list of top three coffee brands in the Malaysian market, the manufacturing company and brand owner.

Figure 6: Top Three Brands and Manufacturers in the Instant Premixed Coffee Market, Malaysia (2005)

Brand	Manufacturing Company	Brand Owner
Nescafé	Nestlé (Malaysia) Berhad	Nestlé S.A., Switzerland
Power Root (brands include Ali Café and Per'l Café)	Power Root (M) Sdn Bhd	Power Root (M) Sdn Bhd
Old Town	White Café Sdn Bhd	White Café Sdn Bhd

Source: Frost & Sullivan

The Instant Premixed Coffee market at present still consists mainly of Instant Premixed Coffee of 2-in-1 or 3-in-1 varieties. Major hypermarkets like Carrefour and Tesco also produce their own in house brands which further saturate the Instant Premixed Coffee market by increasing the number of brands available.

However, certain brands have factors of differentiation and added value in their products. For instance, Nestlé manufactures Instant Premixed Coffee in Mocha, Cappucino and Latté flavours under the Nescafé brand. Instant premixed white coffee is another variation in the market, where the Old Town brand is the leading brand. Also, there are brands like Power Root, which incorporates botanical ingredients into its Instant Premixed Coffee products.

Brands with value added products which are first to penetrate into the market will likely have the benefit of being the brand of choice among consumers.

GLOBAL TEA MARKET OUTLOOK

Tea is the most consumed beverage and also the cheapest beverage (next to water) in the world. Tea is consumed by a range of age groups in all levels of society. It is estimated that approximately 2 billion cups of tea are consumed every day worldwide.

In mid-2005, the global tea market and the future outlook of tea was discussed by the Food and Agriculture Organisation's ("FAO") Intergovernmental Group on Tea. The following is a summary of the key points of the discussion:

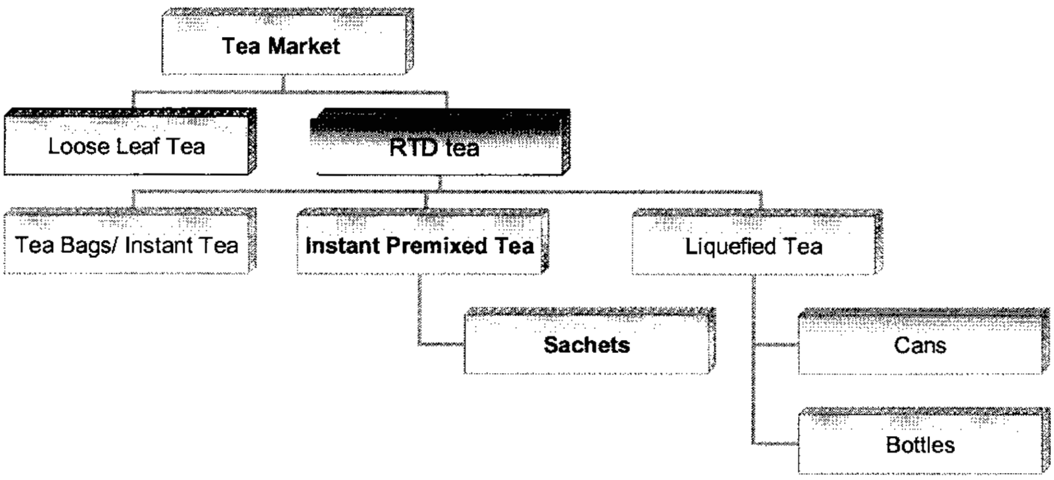
1. World tea production increased in 2004, where output grew by 2 percent to reach an estimated 3.2 million tonnes due to higher yields in certain tea producing countries such as Turkey, China, Kenya, Malawi, Sri Lanka and Indonesia. The growth in output from these countries managed to offset declines in other major producing countries including India and Bangladesh.
2. In terms of prices, the FAO Composite price (i.e. a world price indicator for tea) increased by 2 percent in 2004. Prices in 2004 opened at USD1.56 per kg in January, increased to USD1.65 per kg in April and then declined to USD1.56 per kg in June, before surging to USD1.77 per kg in September and closing at USD1.73 per kg in December. This volatility reflected fluctuations in tea output in major producing countries in 2004 and improvement on the demand side which eased the supply pressure on prices. The increases were quite significant in local currencies as local currencies of major tea producing countries have depreciated against the US dollar. However, a recent study not related to the FAO indicated that in the long term, tea has quite minimal variability in prices. Based on that report, between 1993/1995 and 2001/2003, out of 27 agricultural commodities, tea showed the second lowest variability in terms of prices, with only 2 percent decline compared to 39 percent for cocoa and 38 percent for coffee.
3. The medium term outlook for the tea market up to 2014 is as follows:
   a) World black tea production is projected to grow by 1.7 percent annually from 2003 to reach 2.7 million tonnes in 2014, mainly due to improvements in yields.
   b) In terms of consumption, the growth rate in world black tea consumption is expected to decrease from 2.2 percent over the period from 1993-2003 to 1.2 percent over the next FAO forecast period of 2003 to 2014 with world black tea consumption recorded at 2.67 million tonnes by 2014. The main reason is the slow-down in consumption in major producing countries, as the production growth rate outpaces the growth in demand for exports. However, world net imports of black tea, which is used by the FAO as a proxy for consumption in importing countries, are projected to increase annually by 1.2 percent to reach 1.34 million tonnes in 2014 from a base of 1.17 million tonnes in 2003. This reveals that other markets besides the major tea producing countries will still have an increase in the demand for tea.

c) World black tea exports are also projected to reach 1.3 million tonnes by 2014, reflecting an average annual increase of 1.4 percent per year from 1.1 million tonnes in 2003. This increase would mainly originate from Africa, Sri Lanka and India.

RTD TEA MARKET IN MALAYSIA

RTD tea is tea which is ready for consumption, either in ***bags or sachets*** which can be quickly dissolved in hot water or as ***liquefied tea*** available in cans or bottles. The Malaysian RTD tea market has two channels of consumption – Off-trade and On-trade. The figure below illustrates the segmentation of RTD tea.

Figure 7: RTD Tea Market Segmentation



Source: Frost & Sullivan

KEY FINDINGS ON THE MALAYSIAN RTD TEA MARKET

The life cycle for the RTD tea market in Malaysia is at the growth stage. Market trends indicate that RTD tea consumption will increase due to tea's health benefits.

Market drivers for the Malaysian RTD tea market include:

1. Increase in demand for tea – led by new product innovations and health attributes of tea.
2. Convenience factor - increasing hectic lifestyle of most urbanites leads to the demand for convenience. RTD tea, with features like ease of use, speed and effectiveness, being main considerations when products are purchased, meets the demand.
3. Consumers seek healthier lifestyles – the health benefits of tea will attract consumers who choose healthy lifestyles.

The market restraints for the Malaysian RTD tea market include:

1. Large selection of drinks available – each type of drink in the market, whether tea-related or not would have the potential to reduce the RTD tea market.
2. Threat of increase in raw material costs – Oil price and interest rate increases will likely affect the prices of raw materials.

The Malaysian Instant Premixed Tea market is a relatively new market. The products on the shelves at retailers are mostly new products which, a decade ago, were almost unheard of. However, Instant Premixed Tea products have now come to the fore led by the local tea manufacturers. Companies like Natural Bio Group, Boh, Aik Cheong and Gold Eagle are producing various types of Instant Premixed Tea, from the usual 3-in-1 types to frothy versions (e.g. Teacino from Boh). Some have localized their products to reflect the local *teh tarik* tea available at *mamak* (Indian Muslim) stalls/ outlet, while others have produced value added or differentiated products which include Instant Premixed Tea with botanical extracts.

The following figure depicts the market engineering analysis for the Malaysian Instant Premixed Tea market. The total market size for 2005 is estimated to be at approximately RM76.2 million. The base year market growth rate is 7.9 percent and the market is forecast to grow at a CAGR of 9.9 percent from 2006 to 2012.

Figure 8: Market Engineering Measurement and Analysis – Malaysian Instant Premixed Tea Market, (2005)

Measurement Name	Measurement	Trend
Market age	Growth stage	Increasing
Approximate revenues 2005	**RM76.2 million**	**Increasing**
Base year market growth rate	7.9 percent	Stable
Forecast period market growth rate	**9.9 percent**	**Stable**
Pricing trend	Increasing	Stable
Competitors	Approximately 5-7 market participants	Increasing but competition remains stable for established brands
Degree of competition	Medium	Stable

All figures are rounded; the base year is 2005.

Source: Frost & Sullivan

Frost & Sullivan estimates that the Malaysian Instant Premixed Tea market is set to grow from 2006 to 2012.

Although tea consumption is relatively stable in Malaysia, experts in the tea industry state that as Asian nations grow more affluent, the consumption of tea will also increase. As Malaysia's economy is also on a growth track, the likelihood that tea consumption will increase is also high.

Based on Frost & Sullivan's assessment, the Instant Premixed Tea market is set to grow at a CAGR of 9.9 percent per annum within the forecast period.

Market Share

The Malaysian Instant Premixed Tea market, which comprises instant and soluble tea products available in sachets, has no well-defined market leader at present as it is still in the process of development. As the Instant Premixed Tea market is a niche market, it will take some time for consumers to decide on their brand preference. Over time, some brands will emerge as market leaders. The main brands being sold at retail outlets at present include, but ***are not limited to*** (in alphabetical order):

- Aik Cheong
- Boh
- Old Town
- Power Root
- Super

Frost & Sullivan estimates that Natural Bio Group's Power Root brand of Instant Premixed Tea has approximately 8.0 percent of the Malaysian Instant Premixed Tea market, while the other players within the market account for the remaining 92.0 percent. Despite the fact that the Power Root brand of Instant Premixed Tea was only launched in 2005, it has managed to capture 8.0 percent of the Instant Premixed Tea market in Malaysia for 2005. Sales have probably been encouraged by the strength of its brand and the high brand recognition among consumers.

Competitive Analysis

There are approximately five to seven companies which account for more commonly known brands in the Instant Premixed Tea market. Some other manufacturers also produce products with lesser known brands or new brands which are just emerging in the market.

Figure 9: Common Brands and Manufacturers in the Instant Premixed Tea Market, Malaysia (2005)

Brand	Manufacturing Company	Brand Owner
Aik Cheong	Aik Cheong Coffee Roaster Sdn Bhd	Aik Cheong Coffee Roaster Sdn Bhd
Boh	Boh Plantations Sdn Bhd	Boh Plantations Sdn Bhd
Old Town	White Café Sdn Bhd	White Café Sdn Bhd
Power Root (present brand being Alitea)	Power Root (M) Sdn Bhd	Power Root (M) Sdn Bhd
Super	Super Coffeemix Manufacturing Ltd, Singapore	Super Coffeemix Manufacturing Ltd, Singapore

Note: The list is according to alphabetical order and does not indicate market strength.

Source: Frost & Sullivan

With the exception of Boh Plantations Sdn Bhd, the other main brands are those which started off with manufacturing Instant Premixed Coffee products and subsequently branched into the manufacturing of tea.

In the above list, Power Root, a recognized brand in the RTD coffee market, is the only brand which has the added ingredient of *Tongkat Ali* extract in its Instant Premixed Tea product. This is a value add to the consumer and may be a factor which draws increasing sales for the Company. Although Power Root is not the only brand with this type of Instant Premixed Tea, the brand equity of the Power Root Ali Café Instant Premixed Coffee product will likely play a positive part for consumer recognition and acceptance of their Instant Premixed Tea product.

GLOBAL ENERGY DRINKS MARKET OUTLOOK

There is widespread consensus among various studies conducted that the functional drinks market, which includes the energy drinks market is expanding. This is supported by the increasing line-up in product portfolio led by the big soft drinks companies where new products, including energy drinks products are created for their customers.

Energy drinks comprise 2 to 5 percent of the global soft drinks market and the global market for energy drinks is estimated to have doubled in the last five years since 2001.

This trend of growth is set to continue, driven by the trends in increased global consumption of drinks which are perceived to be healthier or contain botanical/ herbal ingredients. Growth for energy drinks is also supported by the increased consumption arising from youths who generally have more active lifestyles.

The energy drinks market is also broadening. It now includes drinks with herbal ingredients containing stimulating properties such as *Tongkat Ali*, green tea, ginkgo biloba, ginger or cranberry. Formulations may also include enriching the energy drink with vitamins.

As more brands are appearing in the energy drinks market, traditional brands like Red Bull and Livita will have their market share lessened as new brands take root.

ENERGY DRINKS MARKET IN MALAYSIA

Within Malaysia, energy drinks typically consist of the recognized brands like Red Bull and Livita. Other types of energy drinks are botanical energy drinks or those with herbal ingredients e.g. *Tongkat Ali, Kacip Fatimah* or *ginseng* produced by Natural Bio Group, which manufactures the Power Root brand of energy drinks, Perniagaan Orang Kampung Sdn Bhd and others.

Generally, consumers may prefer botanical energy drinks due to the additional health benefits over standard energy drinks. In Malaysia, the botanical energy drinks category is still mainly led by small medium enterprises. Furthermore, many companies in the beverage industry recognize the opportunities available in the energy drinks sector due to the high margins. As such, there is a multitude of botanical energy drinks available in the market through specialty food stores, hypermarkets, major supermarkets and even convenient stores.

KEY FINDINGS ON THE MALAYSIAN ENERGY DRINKS MARKET

The life cycle for the energy drinks market in Malaysia lies between the growth and mature stage with potential for stronger growth due to the increase in awareness for energy drinks and the availability of more new energy drink products.

The main market trends evident in the energy drinks market are:

1. Increase in demand for natural ingredients – consumers are demanding for organic or natural ingredients in their beverages and this is set to impact the energy drinks market.
2. Product differentiation and positioning – manufacturers will increasingly offer a unique selling point for their products through suitable differentiation and positioning, in order for their products to be more appealing to consumers due to perceived value-add.

Market drivers impacting the Malaysian energy drinks market are:

1. Consumers seek healthier lifestyles – energy drinks is a sub-segment of the functional drinks category which is seen to provide some benefit to the consumer.
2. Increase in demand for energy drinks – as evidenced by increasing sales of energy drinks globally.

Market restraints for the Malaysian Energy Drinks market include:

1. Low level of product understanding – due largely to the lack of awareness and reading material available on the benefits of energy drinks.
2. Lack of scientific evidence creates consumer doubt – insufficient evidence exists to support the health claims of certain ingredients or the efficacy of the ingredients of energy drinks.
3. Threat of increase in raw materials cost – oil price and interest rate increases will likely affect the prices of raw materials.

The trends in the Malaysian energy drinks market are following the path of other industrialized nations. Growth in this sector is on an upward trend with more products and competitors entering the market. The positive growth in this market has increased the interest of other manufacturers and/ or distributors. Increased competition in the energy drinks market will likely spur growth in the coming years.

F R O S T & S U L L I V A N

The following figure depicts the market engineering analysis for the Malaysian energy drinks market. The total market size for 2005 is estimated to be at approximately RM117.3 million. The base year market growth rate is 14.3 percent and the market is forecast to grow at CAGR of 17.1 percent from 2006 to 2012.

Figure 10: Market Engineering Measurement and Analysis – Malaysian Energy Drinks Market, (2005)

Measurement Name	**Measurement**	**Trend**
Market age	Growth stage	Stable
Approximate revenues 2005	RM117.3 million	Stable
Base year market growth rate	14.3 percent	Stable
Forecast period market growth rate	17.1 percent	Stable
Pricing trend	Increasing	Stable with some fluctuations arising from increased manufacturing costs due to increase in petrol prices
Competitors	3 major market participants Others include smaller companies which have just entered the market	Increasing
Degree of competition	Medium	Increasing

All figures are rounded; the base year is 2005.

Source: Frost & Sullivan

Revenue forecasts for the Malaysian energy drinks market is set to increase from 2006 to 2012.

Based on Frost & Sullivan's assessment, the energy drinks market is set to experience double digit growth per annum within the forecast period with growth increasing each year. This is also consistent with global energy drinks and sports drinks market trend, both of which are forecast to have a positive growth.

For 2006, the increase in competition and the launch of two new products into the market, namely Carabao and 24 Powerdrink are expected to stimulate the market for further growth. Mofaz Dagang Sdn. Bhd. ("Mofaz"), which is the distributor for both these brands, has set ambitious goals to capture a big segment of the market.

However, taking into consideration that the energy drinks market will mature over time, growth will not be as aggressive during the mature stage, when the number of products in the market have stabilized.

Market Share

The Malaysian energy drinks market is dominated by three main brands i.e. Red Bull, Power Root (estimated market share of 32 percent) and Livita. The total market share for these three brands is 89 percent, whilst other brands, which are predominantly local brands, account for approximately 11 percent of the market. These brands include Orang Kampung Holdings (M) Sdn Bhd's herbal energy drinks (e.g. LongJack Orang Kampung and *Kacip Fatimah* Orang Kampung), Booster and other smaller market players.

Besides the sales and promotional activities conducted by Natural Bio Group to increase its visibility and share of the market, Natural Bio Group also has a good portfolio of products under its brand. These include Power Root Extra Honey, Power Root Honey Date, Per'l and Power Root Ginseng *Tongkat Ali*. The Per'l brand within the portfolio is targeted at the female population with *Kacip Fatimah* extract as an added ingredient.

At this present moment, Red Bull and Livita do not have specific drinks catered for the feminine gender, although a smaller local competitor, Orang Kampung Holdings (M) Sdn Bhd has *Kacip Fatimah* energy drinks within its range of products.

Competitive Analysis

Three main brands dominate the bulk of the energy drinks market in Malaysia at present. The following is the list of brands and the companies that manufacture the products with the associated brand names.

Figure 11: Top Three Brands and Manufacturers in the Energy Drinks Market, Malaysia (2005)

Brand	Manufacturing Company	Brand Owner
Red Bull	TC Pharmaceutical Industry Co Ltd, Thailand	Red Bull GmBH, Austria
Power Root (brands include Power Root and Nnergy)	Power Root (M) Sdn Bhd, Malaysia	Power Root (M) Sdn Bhd, Malaysia
Livita	Taisho Pharmaceutical Sdn Bhd, Malaysia	Taisho Pharmaceutical Co. Ltd., Japan

Source: Frost & Sullivan

As the energy drinks market is poised for growth, more and more competitors are expected to enter the market. For instance, in early 2006, Mofaz unveiled its plans to introduce both Thailand's Carabao and France's 24 Powerdrink into the market. Mofaz indicated that it hopes to attain sales of RM6-8 million and RM12 million for Carabao and 24 Powerdrink respectively. Should these numbers be attained, the market share for existing players within the energy drinks market may be reduced or other soft drinks markets may also be affected.

There are also a number of smaller market participants which produce energy drinks products including the following brands; Orang Kampung energy drinks (with *Tongkat Ali* and *kacip Fatimah* extracts), Booster, Bomba and others.

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FUTURE OUTLOOK

The RTD coffee, RTD tea and energy drinks markets in Malaysia are poised for continued growth led by the various market drivers and the continued improvements in macroeconomic factors. The outlook for these markets remains positive within the forecast period for this study. Growth for the market participants in these markets is estimated to be stable especially if the following factors are taken into consideration by the market participants:

1. Branding - Advertising as well as promotional and marketing activities are required to create brand awareness and acceptance of the product. This would help build brand association and recognition which would in turn create a lock-in effect on the consumers.
2. Strong retailer relationship - This is necessary for the creation of the market player's brand presence and retention of its market share through greater retail shelf space and push marketing strategy by the retailers to consumers.
3. Established and wide distribution network - The ability to have an effective coverage of the market by means of having a huge and wide network of distribution outlets will enable effective and efficient marketing of products.
4. Quality of product taste - Taste is the primary key success factor, especially when a wide variety of products are available in the market.
5. Convenience - In view of increasing hectic lifestyle, consumers demand for convenient and easy-to-consume products.
6. Value-added luxury - Malaysian consumers are willing to pay a premium when they perceive a product as being in line with their lifestyles, such as of high quality or offers nutritional or health benefits.
7. Building and sustaining consumer loyalty - The challenge of discerning consumers whom tend to switch between the various brands offered must be countered by development and maintenance of strong consumer loyalty.
8. Educate retailers and consumers - It is important that the same information about the product is communicated by market participants to retailers and end consumers.
9. Product differentiation and positioning - Product innovation, differentiation and accurate positioning will enable higher profits to be attained.

FROST & SULLIVAN

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Yours Sincerely,

Sanjay Singh

Frost & Sullivan (M) Sdn. Bhd.