

7. APPROVALS AND CONDITIONS

7.1 Conditions to the Approvals and Compliance thereof

The MITI and FIC approved the Public Issue on 31 May 2000 and 21 April 2000 respectively and the SC on 22 December 2000 and 23 July 2001.

The conditions imposed by all the authorities and the status of compliance is set out as follows:

Authority	Details of conditions imposed	Status of compliance
MITI	1. Acoustech is to maintain at least 30% Bumiputera equity interest upon listing;	To be met upon listing
	2. MITI's approval is conditional upon the SC and FIC's approval.	Met

Authority	Details of conditions imposed	Status of compliance
FIC	1. Acoustech is to maintain at least 30% Bumiputera equity interest upon listing; and to obtain the approval of the MITI;	To be met upon listing
	2. FIC's approval is conditional upon the SC and MITI's approval.	Met

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7. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed	Status of compliance												
SC	1. The SC has taken note that the total gross proceeds of RM19,200,000 arising from the Public Issue as proposed by Acoustech shall be utilised for the core business of Acoustech Group as follows:													
	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">RM'000</th> </tr> </thead> <tbody> <tr> <td>Acquisition of land and construction of factory in Johor</td> <td style="text-align: right;">4,200</td> </tr> <tr> <td>Repayment of loan for the construction of factory in Sungai Petani, Kedah</td> <td style="text-align: right;">9,000</td> </tr> <tr> <td>Working Capital</td> <td style="text-align: right;">4,000</td> </tr> <tr> <td>Listing Expenses</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">19,200</td> </tr> </tbody> </table>			RM'000	Acquisition of land and construction of factory in Johor	4,200	Repayment of loan for the construction of factory in Sungai Petani, Kedah	9,000	Working Capital	4,000	Listing Expenses	2,000	Total	19,200
			RM'000											
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Total	19,200													
<p>The conditions imposed by the SC for the utilisation of proceeds are stated in the following paragraphs (i) to (iv) as follows:</p>														
1(i) Approval of the SC is required for any changes to the utilisation of proceeds should the change involve utilisation other than for the core business of Acoustech Group;	Noted													
1(ii) In the event that the proceeds utilised deviate by 25% or more from the original intended purpose, the approval of the shareholders of Acoustech must first be obtained. If the change in utilisation is less than 25%, shareholders of Acoustech should be informed;	Noted													
1(iii) Any extension of time for the proceeds to be utilised must be made with an unanimous resolution of the Board of Directors and an announcement to the KLSE is made;	Noted													
1(iv) The status of the utilisation of proceeds must be disclosed in the Quarterly Reports of the Company as well as in the annual reports of the Company until the proceeds are fully utilised.	Noted													

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7. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed	Status of compliance																																																
SC (con't)	<p>2. A moratorium on 35,100,000 ordinary shares of Acoustech representing 45% of the enlarged issued and paid-up share capital, held by promoters and substantial shareholders of Acoustech is imposed, whereby they will not be allowed to sell, transfer or assign their interests within one (1) year from the date of listing of Acoustech on the Second Board of the KLSE, and thereafter, will only be allowed to sell, transfer or assign their interest in not more than one third (1/3) of their respective shareholding in the following years. In relation to this, the SC has no objections for the said moratorium restriction to be imposed on the following shareholders:</p> <table border="1" data-bbox="531 781 1187 1371"> <thead> <tr> <th></th> <th>No. of ordinary shares under Moratorium</th> <th>% of the issued and paid-up share capital</th> </tr> </thead> <tbody> <tr><td>FPH</td><td>13,428,192</td><td>17.21</td></tr> <tr><td>Huang Huai-Son</td><td>4,243,183</td><td>5.44</td></tr> <tr><td>Liu Hung Chi</td><td>1,415,222</td><td>1.81</td></tr> <tr><td>Chen Sheng Jung</td><td>346,985</td><td>0.44</td></tr> <tr><td>Lam Choi Wan</td><td>290,953</td><td>0.37</td></tr> <tr><td>Chen Ching Sen</td><td>630,374</td><td>0.81</td></tr> <tr><td>Su Cheng Tao</td><td>557,689</td><td>0.72</td></tr> <tr><td>Ropli bin Ishak</td><td>6,196,285</td><td>7.94</td></tr> <tr><td>Dato' Nik Abdul Aziz bin Mohamed Kamil</td><td>1,855,569</td><td>2.38</td></tr> <tr><td>KNSB</td><td>742,228</td><td>0.95</td></tr> <tr><td>DPSB</td><td>927,785</td><td>1.20</td></tr> <tr><td>Abdul Halim bin Abdul Karim</td><td>185,557</td><td>0.24</td></tr> <tr><td>Wang Ching Sou</td><td>1,265,040</td><td>1.62</td></tr> <tr><td>Chen Po Hsiung</td><td>3,014,938</td><td>3.87</td></tr> <tr><td></td><td>35,100,000</td><td>45.00</td></tr> </tbody> </table>		No. of ordinary shares under Moratorium	% of the issued and paid-up share capital	FPH	13,428,192	17.21	Huang Huai-Son	4,243,183	5.44	Liu Hung Chi	1,415,222	1.81	Chen Sheng Jung	346,985	0.44	Lam Choi Wan	290,953	0.37	Chen Ching Sen	630,374	0.81	Su Cheng Tao	557,689	0.72	Ropli bin Ishak	6,196,285	7.94	Dato' Nik Abdul Aziz bin Mohamed Kamil	1,855,569	2.38	KNSB	742,228	0.95	DPSB	927,785	1.20	Abdul Halim bin Abdul Karim	185,557	0.24	Wang Ching Sou	1,265,040	1.62	Chen Po Hsiung	3,014,938	3.87		35,100,000	45.00	To be Met
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<p>3. The above restriction is imposed on every individual shareholder and on the ultimate shareholder of FPH, KNSB and DPSB. Henceforth, every such individual shareholder must provide a written undertaking that they will not sell, transfer or assign their interest in FPH, KNSB or DPSB as the case may be, during the duration of the moratorium restriction.</p>																																																		

7. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed		Status of compliance												
SC (cont'd)	4	Conditions on properties													
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		Met													
		Partial Waiver sought* Met													
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5	Acoustech to make appropriate disclosures in the prospectus in relation to its dependence on its major client, Boston Acoustics;	Met													
6	FPH must enter into a non-competitive agreement with Acoustech where FPH will not favour Acoustech or Formosa Prosonic Industries Berhad to avoid a conflict of interest situation.	Met													
7	FPH must also undertake in a written undertaking that it will not in future commence a business which will be in competition with the existing business of Acoustech;	Met													
8	Encik Ropli bin Ishak, to give an undertaking to that he will actively continue in the management of Acoustech for at least three (3) years from the date of listing of Acoustech;	Met													
9	The promoters and Directors of Acoustech must provide written undertakings that they will not be involved in any new businesses that will give rise to a conflict of interest situation with the existing business of Acoustech. In this regard, all important related involvement of the promoters and directors of Acoustech and any proposed involvement in any business, if any, should be disclosed in the prospectus of Acoustech;	Met													
10	All future business operations between Acoustech Group and any related businesses with the promoters, directors and substantial shareholders of Acoustech should be on an "arm's-length" basis. In this relation, the Audit Committee of Acoustech must be made aware of and the Board of Directors must report all such transactions, if any, in the Annual Report of Acoustech Group.	Noted by the Board of Directors of Acoustech													

*A waiver from compliance with the conditions was obtained from the SC on 23 July 2001. The waiver is conditional upon Acoustech giving a written undertaking to SC that they will use best efforts to fulfil the conditions within 6 months from the date of the Prospectus. Acoustech will also have to inform the SC, on a monthly basis, the status of the land title sub division applications.

7. APPROVALS AND CONDITIONS (Cont'd)

7.2 Moratorium on Disposal of Shares

As a condition of the proposed flotation of Acoustech which was approved by the SC, the following promoters/substantial shareholders of Acoustech will not be allowed to sell, transfer or assign their shareholding amounting to 45% of the issued and paid-up share capital of Acoustech within one (1) year from the date of admission of Acoustech to the Official List of Second Board of the KLSE:

	No. of ordinary shares held after Public Issue ¹	% of the issued and paid-up share capital	No. of ordinary shares under moratorium	% of the issued and paid-up share capital
FPH	15,738,791	20.18	13,428,192	17.21
Huang Huai-Son	8,486,366	10.88	4,243,183	5.44
Liu Hung Chi	2,830,444	3.63	1,415,222	1.81
Chen Sheng Jung	693,969	0.89	346,985	0.44
Lam Choi Wan	581,906	0.75	290,953	0.37
Chen Ching Sen	2,094,728	2.69	630,374	0.81
Su Cheng Tao	1,115,378	1.43	557,689	0.72
Ropli bin Ishak	12,392,569	15.89	6,196,285	7.94
Dato' Nik Abdul Aziz bin Mohamed Kamil	3,711,137	4.76	1,855,569	2.38
KNSB	1,484,455	1.90	742,228	0.95
DPSB	1,855,569	2.38	927,785	1.20
Abdul Halim bin Abdul Karim	371,114	0.47	185,557	0.24
Wang Ching Sou	2,530,082	3.24	1,265,040	1.62
Chen Po Hsiung	6,029,878	7.73	3,014,938	3.87
	59,916,386	76.82	35,100,000	45.00

¹ Excludes Public Issue Shares to be offered under the Employee Share Allocation

The above substantial shareholders are not allowed to sell, transfer or assign the shares within one (1) year from the date of admission of Acoustech to the Official List of the Second Board of the KLSE. Thereafter, they are permitted to divest or transfer in every subsequent year up to a maximum of one-third per annum (on a straight line basis) of their respective shareholdings in Acoustech which is under moratorium.

The statement to be endorsed on the said share certificates is as follows:

"These shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST

8.1 Related Party Transactions

In the early years between 1993 and 1997, the revenue of FPT had depended significantly on FPIB, a company listed on the Main Board of the KLSE, which is involved in the manufacture of audio speaker systems for clients such as Sony, Kenwood and JVC. In 1997, 62% of FPT's revenue was attributable to FPIB but this has decreased to 27% for the financial year ended 31 March 2001. This reduction in dependence is due to FPT's ability to increase its client base for speaker units and its decision in 1998 to re-engineer its business and aggressively expand into the multimedia speaker systems market. Mr Chang Song Hai is a director in Acoustech as well as a substantial shareholder in FPH and FPIB. Mr. Shih Chao Yuan who is a shareholder and director of FPIB is also a director and substantial shareholder of FPH and a shareholder of Acoustech. Although the various companies are related, the commercial transactions between FPT and FPIB are conducted at terms no more favourable than with third parties.

8.2 Declaration by the Advisers, Auditors, Solicitors and Valuers

SIBB hereby confirms that there is no conflict of interest in its capacity as the Adviser for the Public Issue.

Messrs BDO Binder has given confirmation that there is no conflict of interest in their capacity as Auditors and Reporting Accountants respectively for the Public Issue.

Messrs Tan & D.H. Chan has given confirmation that there is no conflict of interest in their capacity as the Solicitors for the Public Issue.

Messrs Raine and Horne Zaki & Partners Sdn Bhd has given confirmation that there is no conflict of interest in their capacity as the Valuers in relation to the Public Issue.

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9. OTHER INFORMATION ON ACOUSTECH GROUP

9.1 Major Licenses and Permits Obtained

FPT

Authority	Date of issue	Type of license	Equity condition	Status of compliance
MITI	26 October 1994	Manufacturing licence A008610 (no. siri.:A014273) (no. siri.:A016893)	Shares held by non-Malaysians cannot be transferred without prior written approval of the MITI	Met
MITI	31 January 2001	Manufacturing licence A012537 (no. siri.:A019407)	Shares held by non-Malaysians cannot be transferred without prior written approval of the MITI	Met

FPC

Authority	Date of issue	Type of license	Equity condition	Status of compliance
MITI	17 April 1990	Manufacturing licence A 006579 (No. siri:A 009395) (No. siri:A016697)	The original shares held by non-Malaysians cannot be sold without prior written approval of the MITI	Met

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9. OTHER INFORMATION ON ACOUSTECH GROUP (Cont'd)

9.2 Summary of Landed Properties

Details of the landed properties of the Acoustech Group which have been valued by Messrs. Raine & Horne International Zaki + Partners Sdn Bhd based on the comparison and cost methods are set out as follows:

Registered Owner	Location	Existing use	Expiry dates for leasehold land	Age of building	Land area (sq. m.)	Built-up area (sq. m.)	NBV as at 31 March 2000 (RM)	Open market valuation by independent valuer (RM)	Open market value as approved by the SC (RM)	Revaluation surplus / (deficit) based on NBV as at 31 March 2000 (RM)
FPT	Situated on Part of PT 19324, Mukim of Kapar, District of Klang, Selangor Darul Ehsan	Factory Land	99 years leasehold expiring on 21/9/2093	-	17,478	-	3,742,311	4,515,048	3,760,000	17,689
FPT	Situated on P.T. Nos. 18939, 18940, 18941, HS (D) Nos. 161/92, 162/92, 163/92 respectively, Mukim of Sungai Petani, District of Kuala Muda, Kedah Darulaman	Factory Land with Factory and Office Building *	60 year leasehold land expiring 31/5/2050 [^]	-	39,473	-	2,969,669	4,100,000	3,130,000	160,331
FPT	Situated on Part of P.T. No. 19324, Mukim of Kapar, District of Klang, State of Selangor	New manufacturing facility	-	5 years	-	2,016	1,245,228	1,523,340	1,360,000	114,772
FPT	Factory Building with TNB substation is situated on Industrial Land known as Part of PT 19324, Mukim of Kapar, District of Klang, Selangor Darul Ehsan	Old manufacturing facility & TNB substation	-	8 years	-	2,133	1,459,424	1,466,101	1,335,000**	(124,424)
FPC	Situated on Part of P.T. No. 19324, Mukim of Kapar, District of Klang, State of Selangor	Land and Factory	99 leasehold land expiring 21/9/2093	10 years	5,173	1,788	1,923,771	2,600,000	2,230,000	306,229

* at the time of the valuation, the land was vacant land

** the value of RM1,335,000 consist of the old factory value of RM1,290,000 and the TNB substation value of RM45,000 as approved by SC

[^] FPT only holds the registered interest in lease over the land

9. OTHER INFORMATION ON ACOUSTECH GROUP (Cont'd)

9.2.1 Acquisition of any of the properties listed in the above table during the two (2) years preceding the valuation

- (i) Sale and Purchase Agreement dated 17 September 1999 between FPT and Davex Holdings Berhad for a lease over the industrial land known as Lot No P.T. 18940, Mukim Sungai Petani, Kedah Darul Aman, held under Qualified Title No. H.S.(D) No 162/92 measuring approximately 8,110 sq metres and Lot No P.T. 18941, Mukim Sungai Petani, Kedah Darul Aman, held under Qualified Title No. H.S.(D) No 163/92 measuring approximately 23,221 sq meters, for a cash consideration of RM2,359,829.43.
- (ii) Sale and Purchase Agreement dated 17 September 1999 between FPT and Precico Sdn Bhd for a lease over the industrial land known as P.T. No. 18939, Mukim of Sungai Petani, Kedah Darul Aman held under Qualified Title No. H.S.(D) No 161/92 measuring approximately 8,142 sq metres, for a cash consideration of RM609,840.00.
- (iii) Sale and Purchase Agreement dated 30 September 1999 between FPH and FPT in respect of a piece of leasehold land (99 years lease expiring on 21 September 2093) known as Part of P.T. No. 19324, Mukim of Kapar, District of Klang, State of Selangor (measuring 17,477 sq. metres) and a factory building erected thereon for a cash consideration of RM5,207,514.
- (iv) Sale and Purchase Agreement dated 15 June 2001 between FPT and FPIB in respect of a four-storey office building, a single storey canteen building, sports hall and a single storey guardhouse building situated on a portion of land held under land title H.S.(M) 15811 P.T. No. 19324, Bandar Sultan Suleiman, Mukim Kapar, Negeri Selangor, for a cash consideration of RM6,500,000.

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