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**2. DETAILS OF THE IPO**

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This Prospectus is dated 28 January 2004.

A copy of this Prospectus has been registered with the SC and lodged with the Registrar of Companies who takes no responsibility for its contents.

**The approval of the SC obtained vide its letter dated 4 August 2003 shall not be taken to indicate that the SC recommends the IPO. Investors should rely on their own evaluation to assess the merits and risks of the IPO.**

Application will be made to the MSEB within three (3) Market Days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the entire enlarged issued and fully paid-up share capital of ITCB on the Second Board of the MSEB. These Shares will be admitted to the Official List on the Second Board of the MSEB and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and confirmation from the Issuing House that the notices of allotment have been despatched to all successful applicants.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by the MSEB to deal in and the quotation for the entire enlarged issued and fully paid-up share capital of ITCB on the Second Board of the MSEB. Accordingly, monies paid in respect of any application accepted from the IPO will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of the issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the MSEB within the aforesaid timeframe.

**Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the MSEB has prescribed ITCB Shares as a prescribed security. In consequence thereof, the Shares issued and offered through this Prospectus will be deposited directly with the MCD and any dealing in these Shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.**

Applicants of the IPO Shares must have a CDS account. In the case of an applicant by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

Pursuant to the Listing Requirements, the Company must have at least 25% of the total number of Shares for which listing is sought in the hands of a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of listing. In the event that the above requirement is not met pursuant to the IPO, the Company may not be allowed to proceed with its listing on the Second Board of the MSEB.

The SC and MSEB assume no responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. Admission to the Official List of the Second Board of the MSEB is not to be taken as an indication of the merits of the Company or of its Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by ITCB. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of ITCB since the date hereof.

## 2. DETAILS OF THE IPO (Cont'd)

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the IPO Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

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

### 2.1 Share Capital

	RM
<i>Authorised:-</i>	
• 50,000,000 Shares	50,000,000
<i>Issued and fully paid-up :-</i>	
• 30,200,000 Shares	30,200,000
<i>To be issued pursuant to the Public Issue :-</i>	
• 9,800,000 new Shares	9,800,000
<b>Enlarged Share Capital</b>	<b>40,000,000</b>
<i>To be offered pursuant to the Offer for Sale</i>	8,000,000
• 8,000,000 Shares	
IPO price per Share	RM1.40

There is only one class of shares in the Company, namely ordinary shares of RM1.00. The IPO Shares will rank pari passu in all respect with the existing Shares of the Company including voting rights and rights to all dividends the entitlement of which is subsequent to the allotment of the IPO Shares.

Subject to any special rights attaching to any Share which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and the whole of any surplus in the event of the liquidation of the Company.

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

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## 2. DETAILS OF THE IPO (Cont'd)

### 2.2 Basis of Arriving at the IPO Price

The IPO price of RM1.40 per Share was determined and agreed upon by ITCB and AmMerchant Bank as Adviser, Managing Underwriter, Underwriter and Placement Agent based on various factors including the following:-

- i) the proforma consolidated NTA per Share of ITCB as at 31 July 2003 of RM1.35. The IPO price of RM1.40 per Share represents a premium of RM0.05 or 3.70% to the proforma consolidated NTA per Share;
- ii) the proforma forecast net PE Multiple of approximately 7.76 times is based on the proforma consolidated forecast net EPS of 18.04 sen for the financial year ending 2004 and the IPO price of RM1.40 per Share; and
- iii) the future plans and prospects of the ITCB Group as outlined in Section 4.11 of this Prospectus.

The Directors of the ITCB Group, the Offerors and AmMerchant Bank are of the opinion that the IPO price is fair and reasonable after careful consideration of the abovementioned factors.

However, shareholders should also note that the market price of ITCB Shares upon listing on the MSEB are subject to the vagaries of the market forces and other uncertainties which may affect the price of ITCB Shares being traded.

### 2.3 Particulars of the IPO

The Public Issue of 9,800,000 Shares and Offer for Sale of 8,000,000 Shares at an IPO price of RM1.40 per Share is payable in full on application upon such terms and conditions as set out in this Prospectus.

#### (i) Public Issue Shares

The 9,800,000 Shares arising from the Public Issue will be allocated in the following manner:-

- (a) 6,000,000 Shares representing 15.0% of the enlarged issued and paid-up share capital to be allocated to Bumiputera investors, companies, societies, co-operations and institutions approved by MITI;
- (b) 1,800,000 Shares representing 4.5% of the enlarged issued and paid-up share capital have been reserved for Malaysian public, of which 30% is to be set aside for Bumiputera individuals; and
- (c) 2,000,000 Shares representing 5.0% of the enlarged issued and paid-up share capital by way of private placement to potential investors (who are deemed public).

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**2. DETAILS OF THE IPO (Cont'd)****(ii) Offer Shares**

The 8,000,000 Shares arising from the Offer for Sale will be allocated in the following manner:-

- (a) 6,000,000 Shares representing 15.0% of the enlarged issued and paid-up share capital will be offered to Bumiputera investors, companies, societies, co-operations and institutions approved by MITI; and
- (b) 2,000,000 Shares representing 5.0% of the enlarged issued and paid-up share capital will be reserved for eligible Directors, employees and business associates of the ITCB Group.

The Public Issue Shares in respect of paragraph (i)(b) and Offer Shares in respect of paragraph (ii)(b) have been fully underwritten at an underwriting commission of 2.0%. The Shares in respect of paragraph (i)(a), (i)(c) and (ii)(a) are not underwritten. In the event that the Shares in respect of (ii)(b) are not taken up by the eligible Directors, employees and business associates of the ITCB Group, the Shares will be made available for application by the Malaysian Public.

**(iii) Pink Form Shares Allocation****(A) Eligible Directors and Employees**

1,481,000 Shares have been allocated to 220 eligible Directors and employees of the Group based on the following criteria as approved by the Company's Board of Directors:-

- (a) At least eighteen (18) years old;
- (b) Job position; and
- (c) Length of service.

Details of the Pink Form Shares allocation to the eligible Directors and employees of the ITCB Group are as follows:-

**Directors**

<b>Name of Directors</b>	<b>Designation</b>	<b>Pink Form Shares Allocation</b>
YM Raja Said Abidin Bin Raja Shahrome	Chairman/ Independent Non-Executive Director	20,000
Dr Yap Tatt Keat	Group Managing Director	100,000
See Toh Kean Yaw	Executive Director	80,000
Timothy Ian O' Hearn	Non-Executive Director	20,000
Paul Charles Burke	Non-Executive Director	20,000
Dr Lee Yu Huat @ Lee Yew Huat	Non-Executive Director	20,000
Lim Poay Guan	Non-Executive Director	20,000
Mohamad Bin Long	Independent Non-Executive Director	20,000
Fazrin Azwar Bin Dato' Md. Nor	Independent Non-Executive Director	-
<b>Total</b>		<b>300,000</b>

**2. DETAILS OF THE IPO (Cont'd)****Eligible Employees**

Category	Number	Average No. of Shares To Be Allocated To Each Person	Pink Form Shares Allocations
Group Managing Director	1	100,000	100,000
Executive Director	1	80,000	80,000
Non-Executive Director	6	20,000	120,000
Senior General Manager	3	80,000	240,000
General Manager	6	35,000	210,000
Manager	8	10,000	80,000
Assistant Manager	19	8,000	152,000
Executive > 4 years	8	6,000	48,000
Executive < 4 years	12	5,000	60,000
Officer > 4 years	4	5,000	20,000
Officer < 4 years	2	4,000	8,000
Supervisor/Assistant/Clerk			
• > 4 years	19	4,000	76,000
• 2 to 4 years	16	3,000	48,000
• < 2 years	9	2,000	18,000
Operation staff:-			
• > 3 years	41	3,000	123,000
• 2 to 3 years	33	2,000	66,000
• < 2 years	32	1,000	32,000
<b>Total</b>	<b>220</b>		<b>1,481,000</b>

**(B) Business Associates of the Group**

519,000 Shares have been allocated to business associates of the Group who have contributed to the success of the Group.

The summary of the IPO Shares is set out in Section 4.3(e).

**2.4 Timing of Events**

The indicative timing of events leading to the listing of and quotation for the entire issued and paid-up share capital of ITCB on the Second Board of the MSEB is set out below:-

Events	Tentative Date
Opening of Application	28 January 2004
Closing of Application	6 February 2004
Tentative balloting date	9 February 2004
Tentative despatch date of notice of allotment to successful applicants	16 February 2004
Tentative listing date	18 February 2004

The timetable is tentative and is subject to change, which may be necessary to facilitate implementation procedures. The Application for the IPO Shares will close at the date as stated above or for such other later date as the Directors of the Company, the Offerors and the Managing Underwriter may in their absolute discretion mutually decide. In the event the closing date for the Applications is extended, the date of Listing will be extended.

## 2. DETAILS OF THE IPO (Cont'd)

### 2.5 Purposes of the IPO

The purposes of the IPO are as follows:-

- (i) the listing of ITCB Shares on the Second Board of the MSEC is expected to further enhance the Group's corporate reputation and assist the Group in expanding its customer base;
- (ii) to provide an opportunity for Malaysian investors and institutions, and the eligible Directors, employees and business associates of the ITCB Group to participate in the equity and continuing growth of the ITCB Group;
- (iii) to enable the ITCB Group to gain access to the capital markets for funds for its future expansion and growth;
- (iv) to obtain a listing of and quotation for ITCB's entire issued and paid-up share capital of ITCB Shares on the Second Board of the MSEC; and
- (v) to comply with the National Development Policy requirements in respect of Bumiputera equity participation of ITCB.

### 2.6 Utilisation of Proceeds

#### 2.6.1 Gross Proceeds

ITCB will bear all expenses incidental to the listing of and quotation for ITCB's Shares on the Second Board of the MSEC which include underwriting commission, brokerage, registration fee, professional fees, SC fees, advertising, listing expenses and other fees the aggregate of which is estimated to be approximately RM1.80 million.

The Offer for Sale will raise gross proceeds of RM11.20 million. This amount shall accrue to the Offerors and no part of the proceeds is receivable by ITCB. The Offerors shall bear all expenses, such as underwriting commission, brokerage, registration fee and share transfer fee relating to the Offer Shares.

There is no minimum subscription to be raised from the IPO as the IPO Shares, where applicable, are fully underwritten. The Rights Issue was completed on 18 December 2003 and the proceeds received on the same date. ITCB intends to use the proceeds from the Rights Issue and Public Issue amounted to RM10.75 million and RM13.72 million respectively within 24 months from the date of receipt of the proceeds in the following manner:-

		RM'000
<b>Proceeds</b>		
	Rights Issue	10,747
	Public Issue	13,720
		24,467
<b>Utilisation</b>		
(i)	Purchase of land and building	10,900
(ii)	Future overseas business expansion	2,000
(iii)	Purchase of plant and machinery	2,000
(iv)	Repayment of term loans and hire purchase facilities	3,481
(v)	Working capital	4,286
(vi)	Estimate listing expenses	1,800
		24,467

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**2. DETAILS OF THE IPO (Cont'd)**

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**Notes:-****(i) Purchase of Land and Building**

The Group via its subsidiary, ITMSB has entered into a Sale & Purchase Agreement dated 15 October 2003 with Tongkah Moulding Technologies Sdn Bhd (Receivers and Managers appointed) to acquire an industrial complex comprising three factory buildings with two annexed office blocks located at Plot 118, Jalan Perusahaan Bukit Tengah Industrial Park, Seberang Perai Tengah, Penang. Details of the Sale & Purchase Agreement are disclosed in Section 12.4 (xx) of this Prospectus. The purchase cost of the 7.4 acres piece of land together with the buildings is approximately RM9.0 million. The Group plans to utilise approximately RM1.90 million of the proceeds to renovate the said property. The said industrial complex have a market value of approximately RM12.90 million based on the valuation report by an independent valuer, Jones Lang Wootton dated 10 June 2003 as disclosed in Section 9 of this Prospectus. The purchase of land and building will save ITCB rental expenses of approximately RM1.32 million per annum. Further details of the land and building are disclosed in Section 4.15 of this Prospectus. The acquisition of the land and building is expected to be completed in March 2004.

As at 31 December 2003, RM0.90 million of the Rights Issue proceeds has been utilised to finance the part payment, i.e. 10% deposit for the purchase of the land and building. By utilising the said Rights Issue proceeds of RM0.90 million to part finance the purchase of the land and building, the Group has an interest savings of approximately RM54,000 per annum as compared to the Group using a bank borrowings based on the average interest rate of approximately 6.0% per annum.

**(ii) Future Overseas Business Expansion**

In line with the Group's expansion plan in China, an amount of RM2.0 million has been allocated to part finance the investment in China when opportunities arise in the future. The expansion plan may include further expansion on existing or new plant to increase production capacity in China.

**(iii) Purchase of Plant and Machinery**

The Group proposes to invest a total of RM2.0 million of the proceeds in new machinery and equipment for its business operations. Approximately RM0.5 million would be utilised for the purchase of new testing machinery and equipment for its testing laboratories at CTLSB. The Group intends to invest approximately RM1.0 million for new equipment. The Group also plans to invest RM0.5 million in the purchase of new die-cut stamping and cutting machines for its plant in Johor and the new plant in Puchong.

## 2. DETAILS OF THE IPO (Cont'd)

### (iv) *Repayment of Bank Borrowings*

ITCB Group shall set aside approximately RM3.48 million of the proceeds for part repayment of the Group's borrowings in respect of long term loan facilities of approximately RM2.46 million and short term financing of approximately RM3.11 million from licensed banks in Malaysia. The total borrowings of the Group as at 31 December 2003 were approximately RM5.57 million. The repayment of the said borrowings will reduce the Group's gearing level from approximately 0.08 times to 0.04 times (based on the total borrowings and proforma shareholders' funds as at 31 July 2003).

At the prevailing average interest rate of approximately 6.0%, ITCB Group would have interest savings of approximately RM200,000 per annum.

### (v) *Working Capital*

Approximately RM4.29 million will be utilised as general working capital for the ITCB Group including the payment of creditors, salaries, purchase of raw materials/stocks and operating expenses.

### (vi) *Estimated Listing Expenses*

The expenses relating to the listing of and quotation for the entire issued and paid-up share capital of 40,000,000 Shares in ITCB on the Second Board of the MSEL is estimated at RM1.80 million, which comprise of professional fees of approximately RM650,000; underwriting commission, brokerage, advertising, printing and registration of Prospectus of approximately RM1,024,000; relevant authorities' fees of approximately RM126,000 and other miscellaneous expenses to be borne by the Company. Any variation in the actual listing expenses from the estimated amount will be adjusted via the working capital of ITCB Group.

## 2.6.2 Financial Impact From Utilisation of Proceeds

The utilisation of the Rights Issue proceeds by the Group is not expected to have a material financial impact on the Group for the financial year ending 31 December 2003. As the Public Issue proceeds are only expected to be received in the financial year 31 December 2004, it is not expected to have a material financial impact on the Group for the financial year ending 31 December 2003.

## 2.7 Brokerage and Underwriting Commission

The Managing Underwriter and Underwriters mentioned earlier in this Prospectus have agreed to underwrite the 1,800,000 Public Issue Shares to be issued to the Malaysian public and 2,000,000 Offer Shares to be offered to the eligible Directors, employees and business associates of the ITCB Group. Underwriting commission is payable by the Company and the Offerors at the rate of 2.0% of the IPO price of RM1.40 per Share for the total 3,800,000 IPO Shares which are being underwritten.

Brokerage is payable in respect of the IPO Shares by the Company at the rate of 1.0% of the IPO price of RM1.40 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the MSEL, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.



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**2. DETAILS OF THE IPO (Cont'd)**


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**2.8 Details of the Underwriting Agreement**

The following are extract of some of the salient Clauses contained in the Underwriting Agreement dated 22 December 2003 , including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer:-

**"Clause 2 Agreement to underwrite**

*Clause 2.1. In consideration of the payment to the Underwriters of the Underwriting Commission on the Underwritten Shares and relying upon each of the representation, warranties and undertakings by the Company and the Offerors set out in Clause 3 hereof, the Managing Underwriter agrees to act as managing underwriter and the Underwriters, severally and not jointly, agree to underwrite such number of the Underwritten Shares as set out opposite their respective names in the Second Column of the Second Schedule hereto upon the terms and conditions hereinafter contained.*

*Clause 2.2. The obligations of each Underwriter hereunder are several and not joint and no Underwriter shall be responsible for any failure by any other Underwriter to meet its respective obligations hereunder nor shall such failure relieve the Company or the Offerors or the respective Underwriter(s) of its respective obligations hereunder and nothing in this Agreement shall be construed as constituting or evidencing a partnership between any of the Underwriters.*

**Clause 3 The Company's and the Offerors' representations, warranties and undertakings**

*Clause 3.1 In consideration of the Underwriters agreeing to underwrite the Underwritten Shares, the Company hereby represents, warrants and undertakes to the Underwriters and each of them as follows:*

*3.1.1. The Prospectus shall be in form and substance satisfactory and acceptable to the Securities Commission of Malaysia, the Registrar of Companies of Malaysia and the Kuala Lumpur Stock Exchange and shall not contain any untrue or misleading statement or omit to state any material fact required or necessary to be stated therein.*

*3.1.2. The Prospectus:-*

- (a) will comply in all material respects with the Act, the SC Act and/or any other applicable law and any rules, regulations and guidelines thereunder and shall be in form and substance satisfactory and acceptable to the SC, the KLSE and all other relevant authorities;*
- (b) will contain all information which is material in context of the Issue, and such information as contained therein will be true, complete, and accurate in all material respects;*

**2. DETAILS OF THE IPO (Cont'd)**

- (c) *will not omit to state or disclose any material fact or information required or necessary to be stated therein with regard to the Issue and all statements of fact and information so made and/or disclosed, in the light of the circumstances under which they are made or disclosed, are true and accurate and not misleading in any respect.*
- 3.1.3. *The Company shall obtain the approval of the Kuala Lumpur Stock Exchange for listing of and quotation for all its issued ordinary shares including the Issue and Offer Shares on the Second Board of the Kuala Lumpur Stock Exchange and shall comply with the conditions, if any, imposed by the Kuala Lumpur Stock Exchange.*
- 3.1.4. *The Issue and compliance by the Company with the terms of this Agreement do not and will not conflict with, or result in a breach of any of the terms or provisions of the Memorandum and Articles of Association of the Company or any of its subsidiaries or any existing law, regulation or listing requirements applicable to or affecting the Company or any of its subsidiaries or the Issue.*
- 3.1.5. *the Issue and compliance by the Company with the terms of this Agreement do not and will not infringe the terms of, or constitute a default under, any judgment, order, licence, permit, approval, consent, trust deed, agreement or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which the company or any of its subsidiaries or any part of the undertakings, assets, properties or revenues of the Company or any of its subsidiaries is bound or affected.*
- 3.1.6. *Save as disclosed in the Prospectus and the documents (if any) attached thereto and as has been disclosed in writing to the Underwriters prior to the date hereof:-*
- (a) *there is no litigation, arbitration, administrative or winding-up proceedings (including investigations or inquiries by the KLSE and the SC), criminal charge or investigation current or pending, or to the knowledge of the Company (after due and careful enquiry), threatened against the Company or any of its subsidiaries, the effect of which would materially and adversely affect the financial condition of the Company or the Group as a whole; and after making due and careful enquiries, the Company is not aware of any facts or circumstances likely to give rise thereto; and*
- (b) *neither the Company nor any of its subsidiaries is in default or in breach of any agreement to which it is bound, or of the terms of any licence, permit, approval, directive, legislation or regulation of any relevant authority (including the KLSE and the SC) applicable to or affecting it, the effect of which would materially and adversely affect the financial condition of the Company or the Group as a whole;*

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**2. DETAILS OF THE IPO (Cont'd)**

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- 3.1.7. *No circumstances or situations have arisen which are likely to materially and adversely affect the financial condition or business of the Ire-Tex Group or the success of the Issue and the Offer and that no material information has been withheld from the Underwriters which may in any way affect their decision to underwrite the Underwritten Shares.*
- 3.1.8. *The Company will promptly and without any delay whatsoever notify the Managing Underwriter who shall thereafter inform the Underwriters of any facts, information, situations or circumstances which the Company believes may materially and adversely affect the success of the Issue and the Offer and in particular and without prejudice to the generality of the foregoing representations, warranties or agreements at any time prior to the Closing Date take such steps as may be reasonably requested by the Underwriters to remedy and/or publicise the same.*
- 3.1.9. *Prior to the Closing Date, the Company will give to the Underwriters any or all information which the Underwriters may need or require affecting the accounts or affairs of the Company.*
- 3.1.10. *All consents, approvals, authorisations or other orders required by the Company under the laws of Malaysia for or in connection with the Issue and the Offer will (if not already obtained as at the date hereof) be obtained and be in force and all other actions will be taken by the Company to comply with all legal and other requirements necessary to ensure that the Issue and the Offer will not infringe any existing laws or the terms of any such consent, approvals or authorisations.*
- 3.1.11. *The Issue or as the case may be, the execution and delivery by the Company, of the Prospectus and this Agreement and the performance of the obligations to be assumed thereunder and hereunder by the Company have been duly authorised by all necessary corporate action of the Company, including but not limited to the approval of the shareholders of the Company in a general meeting (if and to the extent it is required) and upon due execution of this Agreement, the obligations assumed hereunder will constitute the legally valid, binding and enforceable obligations of the Company in accordance with their terms.*
- 3.1.12. *The Directors have made all reasonable enquiries to ensure all facts material for the Prospectus have been disclosed, and have verified the completeness and accuracy of all such information and to the best of their knowledge and belief, no material fact has been omitted therefrom.*
- 3.1.13. *Each of the Company and its subsidiaries will carry on and operate its business and affairs with due diligence and efficiency and in accordance with sound financial and commercial standard and practices.*

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**2. DETAILS OF THE IPO (Cont'd)**

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- 3.1.14. *Save as disclosed in the Prospectus and the documents (if any) attached thereto and as has been disclosed in writing to the Underwriters prior to the date hereof, neither the Company nor any other company in the Group has entered into any contract and/or commitment of an unusual or onerous nature, which, in the context of the Issue, might be material for disclosure.*
- 3.1.15. *All necessary consents, waivers, approvals, authorizations or other orders of all regulatory authorities required for or in connection with the execution of this Agreement and the issue of the Issue Shares and any other matters contemplated hereby:-*
- (a) have been or will be unconditionally obtained by the due date therefore; or*
  - (b) if granted subject to conditions, such conditions will be fulfilled to the satisfaction of the Underwriters by the due date therefor;*
  - (c) and are or will remain in full force and effect.*
- 3.1.16. *All information furnished or supplied or to be furnished or supplied to the Underwriters for the purpose of or in connection with the Issue is true, complete and accurate in all respects and nothing has been furnished or supplied or omitted from such information which would or may make any of the information untrue, incomplete, inaccurate or misleading, or which would or may reasonably be expected to affect the willingness of the Underwriters to underwrite the Underwritten Shares.*
- 3.1.17. *Every statement of forecast, opinion, intention and expectation (including the profit forecast) made in the Prospectus and the documents (if any) attached thereto are truly, fairly, reasonably, and honestly, held by the Directors of the Company and have been or will be made after due and careful enquiries and consideration and represent or will represent reasonable expectations based on facts known to the Company as at the date of such disclosure, and to the extent it is based on assumptions those assumptions are reasonable.*
- 3.1.18. *Each of the Company and each of its subsidiaries is a company duly incorporated under the laws of its place of incorporation and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on business and is not in liquidation and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager or judicial manager of the Company or any of its subsidiaries or of any of their respective assets or undertakings.*

**2. DETAILS OF THE IPO (Cont'd)**

- 3.1.19. *The Accounts have been prepared in accordance with the law and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and the Group as a whole for financial years ended 31 December 1998 to 31 December 2002 and as at 31 July 2003 as the case may be, and the Company and the Group have made adequate provisions for appropriate disclosures of all known material liabilities whether actual or contingent, of the Company and the Group as a whole as at such dates and have complied in all respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since 31 July 2003 there has been no material adverse change in the financial position of the Company or the Group taken as a whole, save as may be disclosed in the Prospectus and the documents (if any) attached thereto, or prior to the Closing Date, in any public announcement or publicly available document or as has been disclosed to the Underwriters prior to the date of this Agreement.*
- 3.1.20. *Other than indebtedness contested in good faith by the Company or any of its subsidiaries as disclosed in the Prospectus and the documents (if any) attached thereto and to the best of the knowledge and belief of the Company, no outstanding indebtedness of the Company or any of its subsidiaries has become or is likely to become payable by reason of default by the Company or any such subsidiary and no event has occurred or is, so far as the Company is aware, impending which with the lapse of time, or the fulfillment of any condition, or the giving of any notice, may result in any such indebtedness becoming so payable.*
- 3.1.21. *All taxes (whether income tax, property tax or otherwise) of the Company and the Group, in particular but not limited to, all taxes which are material in the context of the Issue, for which the Company and/or the Group is liable or which ought to have been paid, have been duly paid or adequately provided for in the Accounts; all the returns, notices or information which are required to be made or given by the Company or the Group for taxation, have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant or appropriate authorities and there are no present circumstances (of which the Company is or ought reasonably to be aware) which are likely to give rise to any such dispute.*
- 3.1.22. *The records, statutory books and books of accounts of the Company and the Group are duly entered and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and records and documents (including documents of title) are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the Companies Commission of Malaysia or the Registrar of Companies (as the case may be) or other relevant authorities have been duly and correctly delivered or made.*

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**2. DETAILS OF THE IPO (Cont'd)**


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3.1.23. *All the assets of the Company and the Group which are of an insurable nature have at all material times been and are at the date hereof, adequately insured against fire and other risks normally insured against by companies carrying on similar business or owning property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party.*

3.1.24. *There will be no variation between the Prospectus in the form attached hereto and the Prospectus in the form registered by the SC without the prior written consent of the Underwriters.*

Clause 3.2. *In consideration of the Underwriters agreeing to underwrite the Underwritten Shares, the Offerors hereby represent, warrant and undertake to the Underwriters and each of them as follows:-*

3.2:1 *that the number of Offer Shares are beneficially owned by them, free from any claims, charges, liens, encumbrances or equities that the Offerors have and will continue (until completion of the sale of the Offer Shares pursuant to the Offer) to retain the unrestricted right to transfer such Offer Shares, and that there is not, nor will there be, any option over or right to acquire any of such Offer Shares;*

3.2:2 *to apply for and obtain the approval-in-principle of the KLSE for admission of the Company to the Official List of the KLSE and for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE before the Closing Date and to comply with all requirements and provisions of the Companies Act 1965, the Securities Commission Act 1993, the Listing Requirements of the KLSE and all other applicable laws, rules and regulations and the requirements of all other relevant authorities;*

3.2:3 *that all consents, approvals, authorisations or other orders required by the laws of Malaysia for or in connection with the Offer will be obtained and in force and all other actions will be taken by them or on their behalf to comply with all legal and other requirements necessary to ensure that the Offer will not infringe any existing laws or the terms of any such consent, approval or authorisation;*

3.2:4 *that the Offer and the compliance by the Offerors of its terms:-*

3.2:4.1 *are in accordance with the Memorandum and Articles of Association of the Company; and*

3.2:4.2 *do not, and up to and on the Closing Date will not, infringe the terms of, or constitute a default under any trust deed, material agreement or other instrument or obligation to which it is a party or by which it is bound;*

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**2. DETAILS OF THE IPO (Cont'd)**

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*and the execution and issue or delivery by them to this Agreement and performance of the obligations to be assumed hereunder and in respect of the Offer have been duly authorised by the Offerors so that upon due execution the same will constitute valid and legally binding obligations of the Offerors;*

- 3.2:5 *that no other circumstances or situations have arisen which would affect the success of the Offer and that no information had been withheld by the Offerors from the Underwriters which might in any way affect their decision to underwrite the Underwritten Shares;*
- 3.2:6 *to pay all and any stamp and other documentary taxes or duties, payable on, or in connection with, the creation, issue and distribution of the Issue Shares and the execution of this Agreement including any interest and penalties resulting from delay or omission on the part of the Company;*
- 3.2:7 *to comply with all the conditions, if any, imposed by the SC and KLSE and any other relevant authority for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE;*
- 3.2:8 *to promptly and without any delay whatsoever notify the Managing Underwriter who shall thereafter inform the other Underwriters of any breach of any of the representations, warranties or agreements or of any facts, information, situations or circumstances which the Company in its reasonable opinion believes may materially and adversely affect the business of the Company and/or the Group as a whole, or the success of the Issue and without prejudice to the generality of the foregoing, to take such steps as may be reasonably requested by the Managing Underwriter and/or the Underwriters (as the case may be) to remedy and/or publicise the same, at any time prior to the Closing Date;*
- 3.2:9 *to give the Underwriters any or all information which the Underwriters may require in respect of the accounts or affairs of the Company or the Group or in connection with the Issue or the other proposals contained in the Prospectus and the documents (if any) attached thereto;*
- 3.2:10 *to fix the Closing Date together with the Managing Underwriter;*
- 3.2:11 *to do all other things and sign or execute such other documents as may reasonably be required by the Managing Underwriter and/or the Underwriters (as the case may be).*

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**2. DETAILS OF THE IPO (Cont'd)**

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Clause 3.3. *The commitment of the Underwriters to underwrite the Underwritten Shares is being made on the basis of the representations, warranties and undertakings of the Company in this Clause 1 and with the intention that such representations, warranties and undertakings shall remain true and accurate in all respects up to and including the Closing Date, and in consideration of such commitment to underwrite, the Company irrevocably and unconditionally undertakes with the Underwriters that it shall:-*

- 3.3.1 *hold and keep the Underwriters fully and effectively indemnified and shall save them harmless against any and all damages, losses, liabilities, costs, claims, charges, proceedings, expenses, actions or demands (including but not limited to all costs, charges and expenses, and legal fees, paid or incurred in disputing or defending any such claim or action) which the Underwriters may incur or suffer or which may be brought against the Underwriters as a result of any misrepresentation by the Company or any breach on its part of such representations, warranties or undertakings or any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to deposit the Underwritten Shares allotted to the Underwriters or its nominees pursuant to Clause 10 into the Securities Accounts of the Underwriters (unless the Underwriters shall have been advised in writing of a change or termination of any of such representations, warranties or undertakings prior to the Closing Date, pursuant to Clause 3.3.2 below and the Underwriters shall have elected not to terminate this Agreement notwithstanding such advice) or any failure by the Company to perform its obligations herein which entitles the Underwriters to terminate this Agreement pursuant to the provisions of Clause 4;*
- 3.3.2 *forthwith notify the Managing Underwriter who shall thereafter inform the other Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect any of its representations, warranties or undertakings at any time prior to the Closing Date, which shall come to its notice or of which it becomes aware or which shall occur at any time prior to the Closing Date, but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;*
- 3.3.3 *not publish any amendment or supplement to the Prospectus which the Underwriters have not previously been notified in writing of or to which the Underwriters or their legal advisers shall reasonably object but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;*
- 3.3.4 *to notify in writing and discuss with the Underwriters any announcement proposed to be made to the public which would conflict in any material respect with any statement in the Prospectus but the giving of any such notice and any such discussion shall not affect or prejudice any of the rights of the Underwriters hereunder;*



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**2. DETAILS OF THE IPO (Cont'd)**


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3.3.5 to the extent permitted by law, not make public any information which will or is likely to affect the market price of the Issue Shares without prior written notice to and the prior written consent of the Underwriters unless required to do so by law.

**Clause 3.4** If any action, proceeding, claim or demand shall be brought or asserted against the Underwriters in respect of which indemnity is sought from the Company, then the Underwriters and/or the Managing Underwriter (as the case may be) shall notify the Company in writing thereof, and the Company shall to the extent required by the Underwriters and permitted by law assume the defence thereof on behalf of and/or in the name of the Underwriters, including the employment of legal advisers selected by the Managing Underwriters and/or the Underwriters (as the case may be), and the Company shall bear all fees and expenses in relation thereto or arising therefrom. The Managing Underwriter and/or the Underwriters (as the case may be) shall have the right to select separate legal advisers to assume such legal defence and otherwise to participate in the defence of such action, proceeding, claim or demand on behalf of the other Underwriters, and the Company shall bear all fees and expenses of such separate legal advisers in relation thereto and arising therefrom.

**Clause 3.5** At any time prior to the Closing Date, the Company shall at the request of the Managing Underwriter and/or the Underwriters furnish or deliver to the Managing Underwriter and/or the Underwriters (as the case may be) all information and documents which the Underwriters may reasonably request for, for the purpose of verifying the truth completeness or accuracy of the representations, warranties and undertakings contained herein.

**Clause 3.6** The representations, warranties and undertakings set out in this Agreement shall survive the execution of this Agreement and shall be deemed to be repeated on each day up to the date of delivery of the notice of allotment in respect of the Underwritten Shares subscribed for by the Underwriters as if made on each such day with reference to the facts and circumstances existing on each such day and the rights and remedies conferred upon the Underwriters by the aforesaid representations, warranties, agreements and indemnities shall continue in full force and effect notwithstanding completion of the subscription and issue of the Issue Shares or any investigation by or on behalf of the Underwriters.

**Clause 8 Termination**

**Clause 8.1.** Notwithstanding anything herein contained, the Underwriters and/or the Managing Underwriter (as the case may be) may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if :-

8.1.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 1, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or

8.1.2 there is failure on the part of the Company to perform any of its obligations herein contained; or

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**2. DETAILS OF THE IPO (Cont'd)**


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- 8.1.3 *there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Issue, or the distribution or sale of the Issue Shares; or*
- 8.1.4 *there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or*
- 8.1.5 *there shall have occurred, or happened any of the following circumstances:-*
- (a) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*
  - (b) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

*which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Issue, or the distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.*

*Clause 8.2 Upon any such notice(s) being given pursuant to Clause 8.1, the Underwriters shall be released and discharged from their obligations hereunder whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities under Clause 9.3 for the payment of costs and expenses already incurred prior to or in connection with such termination and under Clause 9.2 for the payment of any taxes, duties or levies, and for any antecedent breach."*

## 2. DETAILS OF THE IPO (Cont'd)

### 2.9 Moratorium on Shares

The SC, in approving the Listing of the Company, has imposed a moratorium on the disposal of Shares held by the substantial shareholders/ Promoters of ITCB.

Accordingly, the substantial shareholders/ Promoters of ITCB as listed in the table below will not be allowed to sell, transfer or assign their respective portions of Shares in ITCB representing 45% of the enlarged issued and paid-up share capital of 40,000,000 Shares within one (1) year from the date of admission of the Company to the Official List of the Second Board of the MSEB.

The shareholdings of the substantial shareholders/ Promoters after the IPO which are under moratorium as imposed by the SC are set out below:-

	Shareholding After the IPO <sup>^</sup>	% of the Enlarged Issued and Paid-up Share Capital	No. of Shares Under Moratorium	% of the Enlarged Issued and Paid-up Share Capital
ITHSB	8,367,660	20.92	8,367,660	20.92
Dr Yap Tatt Keat	5,419,352	13.55	5,319,352	13.30
ITP	5,319,352	13.30	4,312,988	10.78
<b>TOTAL</b>	<b>19,106,364</b>	<b>47.77</b>	<b>18,000,000</b>	<b>45.00</b>

Note:-

<sup>^</sup> Include Pink Form Shares allocation pursuant to the IPO.

The moratorium condition is also imposed on the ultimate shareholders of ITHSB and ITP whereby the ultimate shareholders in those companies are required to give an undertaking that they will not sell, transfer or assign their respective portions of Shares in ITHSB and shares in ITP for the whole moratorium period.

The restriction, which is fully accepted by the aforesaid shareholders, is specifically endorsed on the share certificates representing the shareholders' respective shareholdings which are under moratorium to ensure that ITCB's registrars do not register any transfer not in compliance with the restriction imposed by the SC.

The endorsement which will be affixed in the certificates of the securities under moratorium is as follows:-

*"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission (the "Moratorium Period"). The shares comprised herein will not constitute good delivery pursuant to the Rules of the 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".*

## 2. DETAILS OF THE IPO (Cont'd)

### 2.10 Approvals from Authorities for the IPO

The Acquisitions, Public Issue, Offer for Sale and the Listing were approved by the following authorities as follows:-

Authorities	Date
MITI	30 September 2002
FIC	3 October 2002
SC	4 August 2003

The details of the conditions of the authorities' approval and status of compliance amongst others are set out below:-

Conditions Imposed By MITI	Status of Compliance
<i>MITI's letter dated 30 September 2003</i>	
1. The approval of SC is obtained;	SC approval obtained on 4 August 2003
2. The approval of FIC is obtained; and	FIC approval obtained on 3 October 2002
3. The approval for the allocation of the entire 12,000,000 special Shares representing 30% of the enlarged issued and paid-up share capital of the Company will be decided separately upon approval being obtained from the SC.	Complied

Conditions Imposed By FIC	Status of Compliance
<i>FIC's letter dated 3 October 2002</i>	
1. No conditions imposed by FIC.	Not Applicable

**2. DETAILS OF THE IPO (Cont'd)**

Conditions Imposed By SC	Status of Compliance
<i>SC's letter dated 4 August 2003</i>	
1. Conditions to be complied for the utilisation of proceeds:-	
(i) Approval from the shareholders of ITCB is to be obtained for any change of 25% or more from the original utilisation of the said proceeds. If the change is less than 25%, proper disclosure should be made to all the shareholders of ITCB;	To be complied, if applicable
(ii) Any extension of time from the time frame fixed by ITCB for the utilisation of said proceeds is to be approved via an absolute resolution by the Board of Directors of ITCB and is required to be disclosed fully to the MSEB; and	To be complied, if applicable
(iii) Appropriate disclosure on the status of the utilisation of the proceeds is to be made in the Quarterly Report and Annual Report of ITCB until the said proceeds are fully utilised.	To be complied
2. The Promoters and Directors of ITCB should not be involved in any business which would give rise to any conflict of interest with the business of ITCB.	To be complied
They are also required to make full disclosure in the Prospectus to the shareholders as to their involvement and their interests in those companies and business, if any, which are similar that would be in conflict with or be competitive with the ITCB's businesses. In connection thereto, they are also required to give a detailed explanation as to how the conflict of interest between the ITCB Group and their other companies can be resolved in the Prospectus to the shareholders.	Complied. Please refer to Sections 4.13.2 and 4.13.3 of this Prospectus.
3. Full provision is required for the following trade debts of ITCB Group whereby:-	Complied as per the undertaking letter to SC dated 8 January 2004. Please refer to Section 6.3 (c) of this Prospectus.
a) there are some questions/dispute as to the amount ("disputed amount");	
b) legal action or proceedings has commenced/has been taken up; and	
c) the period exceeds 6 months.	
With regard to the above, the Directors of ITCB are required to forward a written confirmation to SC that such trade debts which exceed the credit period is recoverable and provision has been made for doubtful debts/bad debts in the financial accounts as well as the financial estimate/forecast of ITCB Group as stated above, before the Prospectus of ITCB is to be issued.	
4. ITCB is not allowed to get involved in activities or new businesses which have no connection its core business for a period of 3 years after the listing on the Second Board of the MSEB.	To be complied

**2. DETAILS OF THE IPO (Cont'd)**

Conditions Imposed By SC	Status of Compliance
<p>5. ITCB is required to make full disclosure with regards to the dealings with related parties/ persons connected to the substantial shareholders and Directors of ITCB in the Prospectus to the shareholders.</p> <p>Any future dealing between ITCB and the related parties/ persons connected to the substantial shareholders and Directors of ITCB must be made on arm's length and not on terms that would be disadvantageous to ITCB Group. In this regard, ITCB's Audit Committee must monitor the terms of the said transactions and the Directors of ITCB must report all related party transactions, if any, in the Annual Report of the ITCB every year.</p>	<p>Complied. Please refer to Section 4.13 of this Prospectus</p> <p>To be complied</p>
<p>6. ITCB/ AMMB must comply with the requirements relating to the IPO to be issued/offered to the investing public through balloting and Private Placement as follows:-</p> <p>(a) at least 30% of the Public Issue Shares shall be allotted to Bumiputera investors;</p> <p>(b) Private Placements Shares shall be placed through independent placement agents; and</p> <p>(c) ITCB/AMMB is required to forward a written confirmation to SC as to the compliance with the requirements of the Private Placement.</p>	<p>To be complied</p>
<p>7. ITCB is required to make the following disclosure in the Prospectus to the shareholders:-</p> <p>(a) total trade debts of ITCB Group and the aging analysis of such trade debts and the trade debts that have exceeded their credit limit. In addition to that, the Directors of ITCB are required to provide comments/statements as to the recoverability of such trade debts that have exceeded their credit limit in the Prospectus;</p> <p>(b) full information regarding the industry structure in which ITCB is involved in and the risks in connection with such industry;</p> <p>(c) steps taken or risk management plans which ITCB are going to undertake to overcome/manage or mitigate such risks; and</p> <p>(d) level of contribution from major customers of ITCB and the length of their business relationship with ITCB and the steps taken by ITCB to overcome its dependence on the major customers.</p>	<p>Please refer to Section 6.3(c) of this Prospectus</p> <p>Please refer to Sections 3(b), 3(e), 4.7 and 10 of this Prospectus</p> <p>Please refer to Sections 3(b), 3(e), 4.7 and 10 of this Prospectus</p> <p>Please refer to Sections 3(h) and 4.8 of this Prospectus</p>
<p>8. ITCB is required to forward written confirmation that it will obtain the certificate of fitness for occupation for its factory complex bearing address Plot No. 11B, Jalan Perusahaan, Bukit Tengah Industrial Park, Seberang Perai Tengah, Penang before the said factory is occupied.</p>	<p>Complied. The Certificate of Fitness was obtained on 21.10.2003 and the confirmation letter to SC dated 8 January 2004</p>
<p>9. ITCB is required to add a clause in the Bye-Laws of the ESOS to state that no offer for ESOS Options will be made if the total ESOS Options that are offered exceeded 10% of the total issued and paid up share capital of ITCB after any share buy-back.</p>	<p>Complied. Please refer to Clause 4.2 of the ESOS Bye-Laws in Section 11 of this Prospectus</p>

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### **3. RISK FACTORS**

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Applicants for the IPO Shares should carefully consider, in addition to the other information contained herein, the following risk factors (which may not be exhaustive) before applying for the IPO Shares:-

**(a) No Prior Market for ITCB Shares**

Prior to this IPO, there has been no public market for ITCB's Shares. There can be no assurance that an active market for ITCB Shares will develop upon its listing on the Second Board of the MSEC or, if developed, that such market will be sustained. The IPO price of RM1.40 per Share for the IPO has been determined after taking into consideration a number of factors, including but not limited to, ITCB's financial and operating history and condition, its prospects and the prospects for the industry in which it operates, the management of ITCB, the market prices for the shares of companies engaged in businesses similar to that of ITCB and the prevailing market conditions. There can be no assurance that the IPO price will correspond to the price at which the Shares will trade on the Second Board of the MSEC upon or subsequent to its listing or that an active market for ITCB's Shares will develop and continue upon or subsequent to its listing. The price at which ITCB Shares will trade on the Second Board of the MSEC after the IPO may be influenced by a number of factors, including the depth and liquidity of the market for ITCB's Shares and investors' perception of ITCB.

**(b) Business Risks**

The Group is not insulated from certain risks that are inherent within the packaging material industry. These risks include but are not limited to the entry of new players, the threat of new products substitution, changes in law and tax affecting the industries, labour and raw material shortages, increases in the costs of labour and raw materials, changes in business and credit conditions and fluctuations in foreign exchange rates and interest rates.

ITCB Group seeks to limit its business risk through, inter-alia, delivering of quality services and products to its clients, establishing a large pool of reliable and reputable suppliers and clients with long term relationships, developing new products and increasing the use of automation to improve the efficiency of its operations.

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**3. RISK FACTORS (Cont'd)**

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**(c) Political, Economic and Regulatory Considerations**

Adverse developments in the political, economic and regulatory conditions in Malaysia and other countries where the Group markets its products or sources its supplies could have material effect on the financial and business prospects of the Group. Other political and economic uncertainties would include risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and methods of taxation and currency exchange controls.

ITCB Group is not significantly vulnerable to a downturn in the Malaysian economy. This was reflected during the downturn in the Malaysian economy in 1998 and 2001 when the turnover of the Group grew by nearly 109% and 34% respectively compared with the previous years. This was due to substantial increase in customer orders. The current economic slowdown in the US continues to impact on other economies around the world. As the products and services of the Group caters mainly to overseas consumers, the Group would be affected in the event of a downturn in the overseas economies. The performance of the Group will continue to be sustainable unless there is a global economic downturn.

Whilst ITCB Group will continue to take effective measures such as prudent financial management and maximising efficiency in its operations, there is no assurance that the adverse political, economic and regulatory conditions will not materially affect the Group.

**(d) Dependency on Key Management**

As in other businesses, the Directors believe that ITCB Group's continued success will depend significantly on the abilities and continued efforts of its existing Directors and key management. The loss of key members of the key management may adversely affect ITCB Group's ability to compete in the industry. Dr Yap Keat Tatt, the Group Managing Director cum Promoter has considerable experience in the packaging material industry with over ten (10) years of exposure in the industry. He is supported by a team of experienced key management with each of them having more than five (5) years of experience in the packaging industry. Please refer to competitive strengths derived by ITCB Group via its experienced key management as mentioned in Section 4.10(d) and the profiles of the Directors and key management in Sections 5.2.1 and 5.3.1 of this Prospectus respectively.

With a conducive working environment, ITCB Group's professional key management has expanded and strengthened over the years. Thus, the Board of ITCB is confident that with the capabilities of its key management, it is not expected to face any difficulty in the newer members of the management team to eventually take over from their seniors in the future.

Also, it is a continuous policy for ITCB Group to groom the newer members of the management to gradually take-over from the senior members to ensure smooth transition in the management team. Hence, ITCB Group's future success will also depend upon its ability to continuously attract new personnel and at the same time, retain existing skilled personnel.



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**3. RISK FACTORS (Cont'd)**

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**(e) Competitive Risk**

ITCB Group operates in a competitive industry and is expected to face increasing competition from existing competitors and new market entrants in the future. Competition is mainly focused in the local market, as it is not practical to export polymer based protective packaging due to the bulky nature of the product. The cost of transportation is likely to make export or import of polymer based protective packaging uncompetitive.

In 2002 there were approximately 50 – 55 operators in the Polymer Based Protective Packaging Industry (*Source: Vital Factor Consulting Report*). The numerous number of operators within the industry has created significant competitive intensity. Barriers to entry are low to moderate. This is because at the most basic, operators may buy ready made foams and value-add by fabricating them to the desired shape. Thus, at the most basic level, the low level of entry would place competitive pressure within the industry.

Nevertheless, ITCB Group has been in business for many years and believes that it can compete as it has successfully built up strong relationships with its customers and constantly strives to improve the quality, delivery time and design of its products which will enable it to better position itself to compete. The Directors believe that ITCB will be able to maintain its position due to their extensive knowledge and expertise in the field.

**(f) Profit Estimate and Forecast**

This Prospectus contains the profit estimate and forecast of ITCB for the financial years ending 31 December 2003 and 2004 that are based on certain assumptions made by the Directors of ITCB, but which nevertheless are subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of the profit estimate and forecast and because events and circumstances may not occur as expected and projected, there can be no assurance that the estimate and forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the estimate and forecast that are contained herein.

**(g) Dependency of Packaging Industry on Manufacturing Sector**

The packaging industry is an indispensable part of the modern manufacturing economy. To a large extent, the prospects of the packaging industry are highly correlated to the growth of the manufacturing sector, which in turn is dependent on the state of the economy.

At present, the ITCB Group is mainly focused in the manufacturing sector especially the electronics and computer industry. The range of applications for protective packaging is extensive and diverse. The Group can achieve further diversification by catering to other industries which require protective packaging such as consumer electronics, automotive, food and beverage, and healthcare industry. With its team of trained and experienced designers, the Group could develop and fabricate new protective packaging products for many other applications.

According to the Eighth Malaysia Plan, the manufacturing sector is envisaged to grow at an average rate of 8.9% per annum from 2001 to 2005 (*Source: Eight Malaysia Plan 2001-2005*). ITCB Group believes that with the right strategy and a stronger financial position from its listing, ITCB Group will be able to sustain its business notwithstanding the slowdown.

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**RISK FACTORS (Cont'd)**

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**(h) Dependency on Major Customers**

As at 31 July 2003, approximately 39.6% of ITCB Group's turnover was contributed by a well known MNC. The performance of the said MNC may, to some extent, affect the ITCB Group's performance. Nevertheless, the tie-ups with the MNC also meant that ITCB Group would be able to increase its market coverage by servicing the customers located throughout the Asia Pacific region. This enhances ITCB Group's ability to sustain and expand its market share within the industry. Please refer to Section 4.8 of this Prospectus for details of the major customers of the ITCB Group.

The Group does not have any formal long-term contracts with its customers, which is the normal industry practice. Long established customers such as the well known MNC will provide forecast purchase orders for 5 to 6 months based on the life cycle of their products in an average of around 9 months. However, firm orders are placed on a daily basis. In general, for the fabrication of polymer-based protective packaging products, the Group works off the purchase orders of its customers. The Group operates on a just-in-time manufacturing concept and maintains a minimum level of finished goods inventory in its warehouses. As such, it works closely with its customers, especially the MNCs, to monitor their production schedules, stock levels and impending requirements to ensure that there is always sufficient stock to meet their requirements.

Due to the diverse range of application for protective packaging, the Group is able to diversify to address business opportunities and also to reduce over-dependency on any single customer. Currently, the Group has more than one hundred customer base.

As at 31 July 2003, approximately 45.9% of its major customers have dealt with the Group for 3 years or more. The Group's long standing customer relationships serve as an endorsement of the quality of its products and will ensure business continuity between the ITCB Group and its customers.

**(i) Dependency on Raw Material**

All the raw materials used by the ITCB Group are sourced directly either from manufacturers or suppliers. As many of the Group's customers are MNCs, the Group is required to source its raw materials requirements from approved vendors of its MNC customers for products produced for them.

EPE foam, EPU foam and EPP foam are three main types of polymer-based materials used in the fabrication of its protective packaging products. Around 80% of the Group's EPE foam requirements are imported from overseas suppliers in Singapore and China whilst the remaining 20% are sourced locally. Meanwhile, the Group's EPU supplies are sourced from a local manufacturer whilst the Group's resins are fully imported from suppliers in Singapore.

The Group has not encountered any problem in sourcing its raw material requirements with the availability of many suppliers. Other raw materials required such as corrugated paperboard, moisture bags, ESD bags and wood are also sourced from local or overseas suppliers. The Group enjoys a strong working relationships with its suppliers. This is indicated by the fact that 60% of

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**3. RISK FACTORS (Cont'd)**

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**(j) Foreign Operations/ Currency Risk**

For the last financial year ended 31 December 2002 and seven months period ended 31 July 2003, approximately 42.4% and 29.5% of the Group's products are sold overseas, mainly in China respectively. All transactions with overseas suppliers are currently transacted in USD and RMB. This exposes the Group to foreign currency risk. Currently, the pegging of the RM and RMB against the USD has allowed the Group to minimise the foreign currency risk. Nonetheless, the Group has adopted a more prudent approach for foreign operations such as implementing strict internal control policies and performing continuous monitoring of foreign currency contracts and foreign currency movements, and to provide periodic reports on the foreign currency exposure of the Group for monthly management meetings.

The Board believes that the above internal control policies should be able to minimise the Group's foreign currency risk even if the pegging of RM and RMB to USD being removed in the future and will assist the Group to prepare itself for the future expansion of its business operations to other overseas market. However, no assurance can be given that any change to the current pegging of the RM and RMB to USD will not have an adverse impact on the Group's business.

**(k) Product Substitutes**

There are substitute products for polymer based protective packaging. The most common substitute are moulded fibre, convoluted paper, straw and blister packs (vacuum form). However, the versatility of polymer-based protective packaging materials and the capability to control their physical performance characteristics will continue to make them the preferred choice in cushioning and packaging protection and thus reduce threat of substitute products. Polymer-based foams can be moulded into a variety of shapes and sizes, providing the ultimate protection in packaging to all types of products (*Source: Vital Factor Consulting Report*).

Therefore, polymer-based protective packaging products are critical as they are predominantly used in the shipment of sensitive and fragile electronic products such as desktop computer systems, notebook computers and network servers. It can sustain extremes in temperature and humidity, changes in atmospheric pressure, compression, shocks, vibrations and electromagnetic fields. The Group believes that there is no emergence of a perfect substitute product in the near future. However, no assurance is given that ITCB Group will be able to maintain its existing market share in the future.

**(l) Capital Market Risks**

As an investor of ITCB, it is to be noted that ITCB will be listed on the Second Board of the MSEB. The performance of our local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors will invariably contribute to the volatility of trading volumes witnessed on MSEB, thus adding risk to the market price of the listed Shares of ITCB. Nevertheless, it shall be noted the profitability of ITCB Group is not dependent on the performance of the MSEB.

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**3. RISK FACTORS (Cont'd)**


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**(m) Environmental Issues**

During the assembly of the foam parts with other materials such as corrugated paper boxes or wood crates, the ITCB Group uses hot melt glue. The glue may emit fumes during the process. The assembly area is well ventilated to minimise inhalation by the Group's workers.

The prescribed permissible limits of concentration of air impurities or smoke emission, resulting from manufacturing activities, is regulated under the Environmental Quality Act 1947 and Environmental Quality (Clean Air) Regulations 1978 (*Source: Vital Factor Consulting Report*).

The use of any controlled substance as blowing agent to produce extruded polystyrene foam, thermoformed plastic packaging and moulded flexible polyurethane foam is prohibited with the effect from 1<sup>st</sup> July 1995 under the Environmental Quality Act 1974 and Environmental Quality (Prohibition on the use of Chlorofluorocarbons and other Gases as Propellants and Blowing Agents) Order 1993 (*Source: Vital Factor Consulting Report*).

However, ITCB Group is not using any of the controlled substances as blowing agents. The bulk of waste materials from the Group's fabrication activities are expanded polyethylene foam cut-offs which do not discharge any hazardous liquid or vapour emissions. The waste materials are sold as scrap for recycling. EPE scraps can also be recycled back to resin. However, there is no assurance that there will be no change in environmental regulations in the future which will affect the Group's operation.

**(n) Failure/ Delay in Listing Exercise**

The listing exercise is also exposed to the risk that it may fail or be delayed should the following events occur:-

- (i) The Bumiputera investors and institutions approved by MITI fail to subscribe to the IPO Shares allocated to them;
- (ii) The eligible Directors, employees and business associates of ITCB Group fail to subscribe to the portion of IPO Shares allocated to them;
- (iii) The Company or the Underwriters fail to honour their obligations under the underwriting agreement; and
- (iv) The Company is unable to meet the public spread requirements i.e. at least 25% of the enlarged issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO and at the point of listing.

**(o) Adequacy of Insurance Coverage on the Group's Assets**

Based on the latest audited financial statement as at 31 July 2003, the net book value of the property, plant and machinery of the ITCB Group was approximately RM10.17 million. ITCB Group has a total insurance coverage of approximately RM9.85 million for fire consequential loss for the year 2003 for the said property, plant and machinery. Although the Group has taken the necessary measures to ensure that all its assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate to compensate for the replacement cost of the assets or any consequential loss arising therefrom.

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**3. RISK FACTORS (Cont'd)**

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**(p) Control of Substantial Shareholders**

Following the IPO, the substantial shareholders of ITCB, namely ITHSB, Dr Yap Tatt Keat, ITP and KO collectively hold 55.75% of the Company's enlarged issued and paid-up share capital. The aforesaid shareholders, if they act together, may be able to influence the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities. There is a Shareholders' Agreement made between Dr Yap Tatt Keat, ITP and KO which regulates certain rights, powers and commitments, including the voting powers and transferability of their Shares in respect of their shareholdings in ITCB.

**(q) Business Operations on Rented Premises**

Some subsidiaries of the Group are operating on rented premises. The tenancy agreements are subject to renewal every year or every two years. There is no assurance that ITCB Group or the tenants will renew the tenancy agreements upon expiry. The Group will incur additional costs for relocating if the tenancy agreements are not renewable.

Therefore, the Group intends to utilise part of the Rights Issue and Public Issue proceeds to acquire industrial premises. The Group will consolidate the operations of its group of companies with the acquired property and achieves a rental savings of approximately RM1.32 million per annum.

**(r) Substantial Shareholders' Interest in Similar Business**

The substantial shareholders of ITCB, namely ITP and KO have similar business operations in various parts of the world. ITP is principally engaged in the provision of total packaging and logistic solutions to customers in the computer, electronics and hi-tech industry sectors. KO is principally engaged in real property and investment holding. KO's substantial shareholder, Timothy Ian O'Hearn is also a substantial shareholder and Director of AFP in Texas, USA which is principally engaged in fabrication of protective packaging products. Another substantial shareholder of KO is Kenneth Eugene Kurtz II, who is also a substantial shareholder and Director of Houston Foam Plastic Inc which is engaged in fabrication of protective packaging products. The two companies, ITP and AFP serve the same MNCs in various parts of the world. Houston Foam Plastic Inc only serves customers in Houston, USA.

Based on mutual understanding, the world market is divided into three regions, i.e. Southern and Northern America, Europe and Asia Pacific. AFP markets and serves customers in Southern and Northern America, ITP markets and serves the Ireland, United Kingdom and the European Union while ITCB Group markets and serves the Asia Pacific region. This mutual understanding has been formalised by the inclusion of non-competition restriction clause in the Shareholders' Agreement made between Dr Yap Tatt Keat, ITP and KO during the Acquisitions. Please refer to Section 4.13.2 for the salient terms of the non-competition restriction clause.

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**3. RISK FACTORS (Cont'd)**

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The shareholders of ITCB, namely Dr Yap Tatt Keat, Lim Poay Guan, Lim Poay Kin, Yap Foon Soo @ Yeap Foon Soo are also shareholders of PBSB, a company engaged in the manufacturing of polyurethane foam products catering mainly to the furniture and upholstery industries. A small portion of the PBSB's business is in the fabrication of protective packaging materials. PBSB is supplying expanded polyurethane foam (pre-cut sets) and protective packaging products to ITMSB and ITHPSB. In addition, EPSB is supplying EPST to PBSB. These related party transactions are on terms not more favourable to the related party than those generally available to the public. The Audit Committee of ITCB will monitor all related party transactions and the Directors will report on such transactions in the Annual Report. Please refer to Section 4.13.1 for the details of the related party transactions.

**(s) Borrowings**

ITCB's total bank borrowings as at 31 December 2003 amounted to RM5.57 million. All the loans of ITCB Group are interest bearing. As such, fluctuation in interest rate could materially affect the financial position of the Group with respect to interest payments on borrowings, depending on the total outstanding borrowings as at that point in time. There can be no assurance that the performance of ITCB Group would remain favourable in the event of adverse changes in interest rate.

**(t) Risk of Business Disruptions**

It is important that energy is available for the manufacturing operations and production of the ITCB Group. The Group did not experience any disruption in business arising from energy disruptions which have a significant effect on its operations and productions for the past twelve (12) months prior to the date of this Prospectus. Any energy disruption to the Group will affect and disrupt the prompt delivery of the Group's products to its customers. However, no assurance can be given that the Group will be completely sheltered against such crisis in the future, or that energy disruptions will not adversely affect the Group's performance. However, the Group has installed a generator set for contingency purposes to minimise any disruption.

**(u) AFTA**

The reduction of import duties to 0% or 5% with the implementation of AFTA would make imports very competitive against locally manufactured products. New players resulting from the implementation of AFTA would need to invest significant effort and time to develop and market their products to gain acceptance from local consumers. This would provide some advantages to existing local players at least in the short to medium term. During this period, local players can learn to adapt to the new competitive environment to sustain business growth and success.

Local players with a good track record, established integrated distribution, logistics network and wide range of products would be in a better position to face the increase competitive pressure from the potential new players in the market. Most polymer-based foam packaging products are 95% air and contain only 5% polymer. As such they occupy significant amount of space. In such a situation, imports of polymer-based foam packaging products may not be cost effective due to high transportation cost.

*(Source: Vital Factor Consulting Report)*

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**3. RISK FACTORS (Cont'd)**

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**(v) Disclosure Regarding Forward Looking Statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and others are forward looking in nature, which are subject to uncertainties and contingencies.

All forward looking statements are based on estimate, forecast and assumptions made by the Board of the Company, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements.

Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the ITCB Group and the industry and changes in interest rates. In the light of these uncertainties, the inclusion of forward looking statements in this Prospectus should not be regarded as a representation or warranty by the ITCB Group or its advisers that the plans and objectives of the Group will be achieved.

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