

RESPONSIBILITY STATEMENTS

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS, PROMOTERS AND OFFERORS OF HI-CITY BIOSCIENCE GROUP BERHAD (*FORMERLY KNOWN AS HI-CITY HOLDINGS BERHAD*) ("**HI-CITY**" OR THE "**COMPANY**") AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENTS HEREIN FALSE OR MISLEADING. THE DIRECTORS HEREBY ACCEPT FULL RESPONSIBILITY FOR THE PROFIT FORECAST INCLUDED IN THIS PROSPECTUS AND CONFIRM THAT THE PROFIT FORECAST HAVE BEEN PREPARED BASED ON ASSUMPTIONS MADE.

THE ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING AND ARE SATISFIED THAT ANY PROFIT FORECAST (FOR WHICH THE DIRECTORS OF HI-CITY ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THE PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

STATEMENTS OF DISCLAIMER

THE APPROVAL FROM THE SECURITIES COMMISSION DATED 25 MARCH 2004 ON THE PUBLIC ISSUE AND OFFER FOR SALE IN RESPECT OF THE INITIAL PUBLIC OFFERING SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION RECOMMENDS THE INITIAL PUBLIC OFFERING.

THE SECURITIES COMMISSION SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF HI-CITY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

THE BURSA MALAYSIA SECURITIES BERHAD SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS CORRECTNESS OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, COMPANY OR OF ITS SECURITIES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SECURITIES COMMISSION. A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for Hi-City's entire enlarged issued and paid-up share capital on the Second Board of the Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") is set out below: -

<u>Date</u>	<u>Event</u>
30 June 2004	: Issue of Prospectus/Opening date of the IPO
7 July 2004	: Closing date of the IPO
9 July 2004	: Balloting of applications
19 July 2004	: Listing date

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGE, WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.

APPLICATIONS WILL BE ACCEPTED FROM 10.00 A.M. ON 30 JUNE 2004 AND WILL REMAIN OPEN UNTIL 5.00 P.M. ON 7 JULY 2004 OR FOR SUCH OTHER LATER DATE OR DATES AS THE DIRECTORS OF THE COMPANY, THE OFFERORS AND THE MANAGING UNDERWRITER MAY IN THEIR ABSOLUTE DISCRETION MUTUALLY DECIDE. LATE APPLICATIONS WILL NOT BE ACCEPTED.

IN THE EVENT THE CLOSING DATE FOR THE APPLICATIONS IS EXTENDED, INVESTORS WILL BE NOTIFIED OF THE CHANGE IN A WIDELY CIRCULATED ENGLISH AND BAHASA MALAYSIA NEWSPAPER IN MALAYSIA. SHOULD THE APPLICATIONS PERIOD BE EXTENDED, THE DATES FOR THE BALLOTING OF THE APPLICATIONS AND THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF HI-CITY ON THE SECOND BOARD OF THE BURSA MALAYSIA WILL BE EXTENDED ACCORDINGLY.

DEFINITIONS

In this Prospectus, unless where the context requires otherwise, the following words and abbreviations shall have the following meanings: -

Act	: The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
Acquisitions	: Acquisitions of CG, HCM, HCT and ZP collectively
Acquisition of CG	: The acquisition by Hi-City of 100% of the issued and paid-up share capital of CG comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2
Acquisition of HCM	: The acquisition by Hi-City of 100% of the issued and paid-up share capital of HCM comprising 2,500,000 ordinary shares of RM1.00 each for a total consideration of RM27,653,476 satisfied by the issuance of 55,306,952 new Hi-City Shares credited as fully paid up at an issue price of RM0.50 per Share
Acquisition of HCT	: The acquisition by Hi-City of 100% of the issued and paid-up share capital of HCT comprising 150,000 ordinary shares of RM1.00 each for a total consideration of RM151,747 satisfied by the issuance of 303,494 new Hi-City Shares credited as fully paid up at an issue price of RM0.50 per Share
Acquisition of ZP	: The acquisition by Hi-City of 100% of the issued and paid-up share capital of ZP comprising 50,000 ordinary shares of RM1.00 each for a total consideration of RM69,344 satisfied by the issuance of 138,688 new Hi-City Shares credited as fully paid up at an issue price of RM0.50 per Share
ADA	: Authorised Depository Agent
ADA Code	: ADA (Broker) Code
AFTA	: Asean Free Trade Area
AmMerchant Bank	: AmMerchant Bank Berhad (23742-V)
Application	: The application for the IPO Shares by way of Application Forms or by way of Electronic Share Application
Application Form(s)	: The printed Application Form(s) for the application of the IPO Shares
Approved Market Place	: A stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption)(No. 2) Order 1998 or such other orders, rules or regulations as may be made from time to time
Board	: The Board of Directors of Hi-City
Body Care	: Refers to preparations for general use on the body, arms and feet for the purposes of cleaning, protecting, nourishing, moisturising, hydrating and improving the texture and appearance of the skin. Examples include lotions, creams, scrubs, bath salts, anti-perspirants, talcum powders and sun protection
Bursa Malaysia	: Bursa Malaysia Securities Berhad (635998-W) (Formerly known as Malaysia Securities Exchange Berhad)

DEFINITIONS (Cont'd)

CG	:	Clini-Goods Sdn Bhd (565587-P)
Central Depositories Act	:	The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
CDS	:	Central Depository System
Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W) <i>(Formerly known as Malaysian Central Depository Sdn Bhd)</i>
Deposited Security	:	A security in the Company standing to the credit of a Securities Account of a Depositor subject to the provision of the Central Depositories Act and the Rules
EBIDTA	:	Earnings before interest, depreciation, taxation and amortisation
Electronic Share Application	:	An application for the IPO Shares through Participating Financial Institutions
EPS	:	Earnings per share
Facial Care	:	Refers to a range of specialised preparations that are applied onto the face and neck for the purposes of cleaning, protecting, nourishing, moisturising, hydrating and improving the texture and appearance of the skin. Examples of Facial Care products include cleansers, moisturisers, toners, scrubs, masks and eye creams. Facial Care products may have additional properties such as anti-aging, shine control, skin whitening and sun protection. Facial Care products come in different medium including lotion, cream, balm and gel
FIC	:	Foreign Investment Committee
GMP	:	Good Manufacturing Practice
Hair Care	:	Refers to preparations used to clean, nourish and improve the condition of the hair and scalp, and changing the appearance and condition of the hair. Examples include shampoos, conditioners, colorants, masks, tonics, scalp treatments, perming solutions and wig cleaners
HCM	:	Hi-City (Mfg) Sdn Bhd (189823-K)
HCT	:	Hi-City Trading Sdn Bhd (143797-V)
Heah Chew Teng	:	Heah Chew Teng @ Heah Kim Teik
Hi-City or Company	:	Hi-City Bioscience Group Berhad (618768-D) <i>(Formerly known as Hi-City Holdings Berhad)</i>
Hi-City Group or Group	:	Hi-City and its subsidiaries
Hotel Complimentary Items	:	Refers to items for guests for their personal use commonly provided by the hospitality industry including hotels, resorts, service apartments and clubs. These items include small sized soaps, shampoos, conditioners, bath foams, after-shave lotions, moisturisers, hand creams, toothpastes, slippers, combs and toothbrushes

DEFINITIONS (Cont'd)

IPO	:	Initial Public Offering, namely the Public Issue and Offer for Sale
IPO Price	:	RM0.70 for each IPO Share
IPO Shares	:	The Public Issue Shares and Offer Shares collectively
Listing	:	Admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of Hi-City of RM40,000,000 comprising 80,000,000 Shares on the Second Board of the Bursa Malaysia
Listing Requirements	:	Listing Requirements of Bursa Malaysia
Listing Scheme	:	The Acquisitions, Rights Issue, Public Issue, Offer for Sale and Listing collectively
Make-up Preparation	:	Refers to products that are cosmetically used to improve or beautify one's appearance on a superficial level. Examples include lipstick, eyeshadow, eyeliner, blusher, mascara and face powders
Malaysian Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which the Bursa Malaysia is open for the trading securities
Member(s)	:	Any person/persons for the time being holding shares in the Company and whose names appear in the Register of Members (except the Bursa Malaysia Depository Nominees Sdn Bhd (formerly known as Malaysian Central Depository Nominees Sdn Bhd)) including Depositors whose names appear in the Record of Depositors
MIH or Issuing House	:	Malaysian Issuing House Sdn Bhd (258345-X)
MITI	:	Ministry of International Trade and Industry
m ²	:	Square metre
NTA	:	Net tangible assets
NL	:	Net liabilities
OEM	:	Original equipment manufacturers
Offerors	:	Heah Chew Teng and Lean Choo Boo collectively. Their respective Offer Shares are as follows:-

Offerors	No. of Offer Shares	% of Enlarged Share Capital
Heah Chew Teng	12,313,020	15.39
Lean Choo Boo	5,886,980	7.36
Total	18,200,000	22.75

DEFINITIONS (Cont'd)

Offer For Sale or Offer	:	Offer for sale by the Offerors of 18,200,000 Shares in Hi-City at an offer price of RM0.70 per Share payable in full upon application subject to the terms and conditions of this Prospectus
Offer Shares	:	The 18,200,000 Shares in Hi-City which are the subject of the Offer For Sale
Oral Care	:	Refers to preparations used to clean the mouth and beautify the teeth. Examples include mouthwash, toothpaste and teeth whitener
Participating Financial Institution(s)	:	Refers to the participating financial institutions for Electronic Share Applications as listed in Section 14.5(b)(xv) of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
Personal Care	:	Refers to a generic term covering a range of sub-categories of products for the face and body including facial care, body care, personal wash, oral care, hair care and others
Personal Wash	:	Refers to products used for personal washing or bathing for the purpose of cleaning, cleansing and disinfecting the areas to be applied. Personal wash products may be in liquid, gel or solid form. Examples include bar soaps, liquid soaps, antibacterial or medicated soaps and shower gels
Pink Form Shares	:	The 1,100,000 Public Issue Shares in Hi-City representing approximately 1.38% of the enlarged issued and paid-up share capital of Hi-City allotted at the IPO Price to the Directors, employees and business associates of the Hi-City Group
Placement Agent	:	AmMerchant Bank
Private Placement	:	Private placement of 5,100,000 Public Issue Shares in Hi-City representing approximately 6.38% of the enlarged issued and paid-up share capital of Hi-City at the IPO Price to selected investors by the Placement Agent
Professional Skin Care	:	Refers to a range of facial and body care products that are exclusively available at Professional Skin Care centres. Professional Skin Care centres usually provide services including facial and body therapies, in addition to using skin care products
Promoters	:	Heah Chew Teng and Lean Choo Boo collectively
PTPSPC	:	PT Professional Skin Prescription Centre Sdn Bhd (599676-H)
Public Issue	:	The public issue of 18,000,000 new Shares in Hi-City at an issue price of RM0.70 per Share payable in full upon application subject to the terms and conditions of this Prospectus

DEFINITIONS (Cont'd)

Public Issue Shares	:	The 18,000,000 new Shares in Hi-City which are the subject of the Public Issue
R&D	:	Research and development
Record of Depositors	:	A record provided by the Depository to the Company under Chapter 24.0 of the Rules
Rights Issue	:	The renounceable rights issue of 6,250,862 new Shares in Hi-City at an issue price of RM0.50 per Share to the existing shareholders of Hi-City on the basis of approximately one hundred and twelve (112) Rights Shares for every one thousand (1,000) existing Shares held
Rights Shares	:	The 6,250,862 new Shares in Hi-City issued pursuant to the Rights Issue
RM and sen	:	Ringgit Malaysia and sen respectively
ROC	:	Registrar of Companies
Rules	:	The Rules of the Depository
SC	:	Securities Commission
SC Guidelines	:	Policies and Guidelines on Issue/Offer of Securities issued by the Securities Commission as amended or expanded from time to time
Securities Account	:	An account established by the Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
Share(s)	:	Ordinary share(s) of RM0.50 each
Shaving Products	:	Refers to preparations used in conjunction with shaving and include shaving creams and after-shave lotions
Sq ft	:	Square feet
Underwriting Agreement	:	The Underwriting Agreement dated 11 June 2004 between the Company, the Managing Underwriter and Underwriters for the underwriting of 7,100,000 Shares for an underwriting commission of 1.50% at the IPO Price
UK	:	United Kingdom
US or USA	:	United States of America
US FDA	:	Food and Drug Administration (USA)
USD	:	United States of America Dollar
ZP	:	Zelloni Products (M) Sdn Bhd (533132-X)

TABLE OF CONTENTS

	Page
INDICATIVE TIMETABLE	i
DEFINITIONS	ii-vi
CORPORATE DIRECTORY	xii-xv
1. INFORMATION SUMMARY	1
1.1 HISTORY AND BUSINESS	1
1.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT OF HI-CITY GROUP	3
1.3 FINANCIAL HIGHLIGHTS	4
1.4 PROFORMA CONSOLIDATED BALANCE SHEETS OF HI-CITY GROUP AS AT 31 DECEMBER 2003.....	6
1.5 SUMMARY OF MATERIAL RISK FACTORS	7
1.6 PROFIT AND DIVIDEND RECORD.....	9
1.6.1 CONSOLIDATED PROFIT FORECAST	9
1.6.2 DIVIDEND FORECAST	9
1.7 PROFORMA GROUP NTA AS AT 31 DECEMBER 2003.....	10
1.8 PRINCIPAL STATISTICS RELATING TO THE IPO.....	10
1.8.1 SHARE CAPITAL.....	10
1.8.2 CLASS OF SHARES.....	10
1.9 PROPOSED UTILISATION OF PROCEEDS.....	11
1.10 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL LITIGATIONS/ ARBITRATIONS	11
1.10.1 WORKING CAPITAL	11
1.10.2 BORROWINGS.....	12
1.10.3 CONTINGENT LIABILITIES.....	12
1.10.4 MATERIAL COMMITMENTS	13
1.10.5 MATERIAL LITIGATIONS/ ARBITRATIONS	13
2. PARTICULARS OF THE IPO	14
2.1 SHARE CAPITAL.....	15
2.2 OPENING AND CLOSING OF APPLICATION	16
2.3 CRITICAL DATES OF THE IPO	16
2.4 BASIS OF ARRIVING AT THE IPO PRICE	16
2.5 DETAILS OF THE IPO.....	17
2.5.1 PUBLIC ISSUE.....	17
2.5.2 OFFER FOR SALE	18
2.5.3 SUMMARY	19
2.6 PURPOSES OF THE IPO.....	20
2.7 UTILISATION OF PROCEEDS.....	21
2.8 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS	23
2.9 UNDERWRITING COMMISSION AND BROKERAGE	23
2.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT	23
3. RISK FACTORS.....	27
3.1 BUSINESS RISKS.....	27
3.2 FINANCIAL RISKS	27
3.3 NEW VENTURES	27
3.4 NEW PRODUCTS AND SERVICES	28
3.5 FOREIGN CURRENCY RISK	28

TABLE OF CONTENTS (Cont'd)

3.6	DEPENDENCE ON IMPORTS OF RAW MATERIALS	28
3.7	DEPENDENCE ON KEY PERSONNEL.....	29
3.8	INSURANCE COVERAGE ON ASSETS.....	29
3.9	COMPETITION FROM STRONG GLOBAL BRAND NAME.....	29
3.10	COMPETITION FROM CONTRACT MANUFACTURER.....	30
3.11	COMPETITION FROM LOWER-COST PRODUCING COUNTRIES.....	30
3.12	DEPENDENCE ON PARTICULAR MARKETS AND CUSTOMERS	31
3.13	ECONOMIC CONDITIONS AND CYCLES THAT ARE SIGNIFICANT OR PECULIAR TO THE INDUSTRY.....	31
3.14	CONTROL BY PROMOTERS AND SUBSTANTIAL SHAREHOLDERS	31
3.15	GOVERNMENT CONTROL OR REGULATION CONSIDERATIONS	31
3.16	MATERIAL LITIGATION/LEGAL UNCERTAINTIES.....	32
3.17	FINANCIAL PERFORMANCE	32
3.18	ACHIEVABILITY OF PROFIT FORECAST	32
3.19	DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS.....	32
3.20	CONSUMER SCARE	33
3.21	IMPLEMENTATION OF AFTA.....	33
3.22	GLOBAL AND LOCAL ECONOMIC DOWNTURN	34
3.23	HIGH ELASTICITY OF DEMAND	34
3.24	NO PRIOR MARKET FOR HI-CITY'S SHARES	34
3.25	WAR AND ENVIRONMENTAL CONCERNS	35
3.26	PRODUCT LIABILITY	35
3.27	SECURITY AND SYSTEM DISRUPTION	35
3.28	TECHNOLOGY USED.....	36
3.29	FAILURE/DELAY IN THE LISTING	36
4.	INFORMATION ON THE GROUP	37
4.1	BACKGROUND	37
4.1.1	INCORPORATION AND COMMENCEMENT OF BUSINESS	37
4.1.2	SHARE CAPITAL AND CHANGES IN SHARE CAPITAL.....	37
4.1.3	LISTING SCHEME	37
4.2	BUSINESS.....	43
4.2.1	GROUP STRUCTURE	43
4.2.2	TYPES OF PRODUCTS AND/OR SERVICES.....	44
4.2.3	TECHNOLOGY USED.....	50
4.2.4	APPROVALS, MAJOR LICENCES AND PERMITS OBTAINED.....	51
4.2.5	BRAND NAMES, TRADE MARKS, LICENCES, TECHNICAL ASSISTANCE AGREEMENTS, FRANCHISES AND OTHER INTELLECTUAL PROPERTY RIGHTS ...	54
4.2.6	DEPENDENCY ON LICENCES AND REGISTRATION	56
4.2.7	OPERATING OR TRADING MECHANISM	57
4.2.8	ESTIMATED MARKET COVERAGE, POSITION AND SHARE.....	62
4.2.9	NEW OR PROPOSED PRODUCTS/SERVICES.....	62
4.2.10	PRINCIPAL MARKETS FOR PRODUCTS	64
4.2.11	TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS.....	66
4.2.12	QUALITY CONTROL PROCEDURES	71
4.2.13	R&D	72
4.2.14	INTERRUPTIONS IN BUSINESS FOR THE PAST TWELVE (12) MONTHS	77
4.2.15	EMPLOYEES	77
4.2.16	KEY ACHIEVEMENTS/MILESTONES/AWARDS.....	78
4.2.17	MODES OF MARKETING/DISTRIBUTIONS/SALES	79
4.2.18	PRODUCTION/OPERATING CAPACITIES AND OUTPUT	80
4.2.19	LOCATION OF BUSINESS.....	83
4.2.20	COMPETITIVE ADVANTAGES	84
4.2.21	CAPACITY TO DIVERSIFY	86

TABLE OF CONTENTS (Cont'd)

4.3	SUBSIDIARY AND ASSOCIATED COMPANIES	88
4.3.1	HCM.....	88
4.3.2	HCT	89
4.3.3	ZP	90
4.3.4	CG	91
4.3.5	PTPSPC	92
4.4	INDUSTRY OVERVIEW.....	93
4.4.1	OVERVIEW OF THE MALAYSIAN ECONOMY	93
4.4.2	PERSONAL CARE PRODUCTS INDUSTRY	93
4.4.3	PERFORMANCE OF THE INDUSTRY.....	94
4.4.4	FUTURE GROWTH OF THE INDUSTRY	95
4.4.5	PLAYERS AND COMPETITION.....	96
4.4.6	LAWS AND REGULATIONS	98
4.4.7	DEMAND AND SUPPLY	100
4.4.8	SUBSTITUTE PRODUCTS/SERVICES.....	101
4.4.9	PROSPECTS AND OUTLOOK	101
4.4.10	RELIANCE ON AND VULNERABILITY TO IMPORTS	101
4.5	MAJOR CUSTOMERS	102
4.6	MAJOR SUPPLIERS.....	103
4.7	FUTURE PLANS, STRATEGIES AND PROSPECTS	104
5.	INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT	106
5.1	PROMOTERS.....	106
5.1.1	PARTICULARS AND SHAREHOLDINGS OF THE PROMOTERS	106
5.1.2	PROFILES OF THE PROMOTERS.....	106
5.1.3	DIRECTORSHIPS AND SUBSTANTIAL SHAREHOLDINGS OF PROMOTERS IN ALL OTHER PUBLIC CORPORATIONS FOR THE PAST TWO (2) YEARS PRECEDING THE DATE HEREOF	106
5.2	SUBSTANTIAL SHAREHOLDERS	106
5.2.1	PARTICULARS AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS	106
5.2.2	PROFILES OF SUBSTANTIAL SHAREHOLDERS.....	107
5.2.3	DIRECTORSHIPS AND SUBSTANTIAL SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS IN ALL OTHER PUBLIC CORPORATIONS FOR THE PAST TWO (2) YEARS PRECEDING THE DATE HEREOF	107
5.3	DIRECTORS	108
5.3.1	PARTICULARS AND SHAREHOLDINGS OF DIRECTORS	108
5.3.2	PROFILES OF DIRECTORS	108
5.3.3	DIRECTORSHIPS AND SUBSTANTIAL SHAREHOLDINGS OF DIRECTORS IN ALL OTHER PUBLIC CORPORATIONS FOR THE PAST TWO (2) YEARS PRECEDING THE DATE HEREOF.....	110
5.3.4	DIRECTORS' REMUNERATION AND BENEFITS.....	110
5.4	AUDIT COMMITTEE	110
5.5	KEY MANAGEMENT	111
5.5.1	PARTICULARS AND SHAREHOLDINGS OF THE KEY MANAGEMENT TEAM.....	111
5.5.2	PROFILES OF THE KEY MANAGEMENT	111
5.6	INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT IN OTHER BUSINESSES/CORPORATIONS.....	113
5.7	DECLARATION OF DIRECTORS AND KEY MANAGEMENT TEAM	113
5.8	FAMILY RELATIONSHIPS	113
5.9	EXISTING OR PROPOSED SERVICE AGREEMENTS	113
5.10	CHANGES IN SHAREHOLDINGS IN THE COMPANY FOR THE PAST THREE (3) YEARS.....	114
6.	APPROVALS AND CONDITIONS.....	115
6.1	APPROVALS AND CONDITIONS	115
6.2	MORATORIUM ON SHARES.....	117

TABLE OF CONTENTS (Cont'd)

7.	RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST	118
7.1	EXISTING AND PROPOSED RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST	118
7.2	TRANSACTION OF UNUSUAL IN THEIR NATURE OR CONDITIONS	118
7.3	OUTSTANDING LOANS MADE BY CORPORATION OR ANY OF ITS PARENT OR SUBSIDIARIES TO/FOR THE BENEFIT OF RELATED PARTIES	118
7.4	INTEREST IN SIMILAR BUSINESS.....	118
7.5	PROMOTIONS OF ANY MATERIAL ASSETS ACQUIRED/TO BE ACQUIRED WITHIN TWO (2) YEARS PRECEDING THE DATE OF THIS PROSPECTUS	118
7.6	CONTRACTS OR ARRANGEMENTS IN WHICH THE DIRECTORS OR SUBSTANTIAL SHAREHOLDERS IS INTERESTED AND SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP.....	119
7.7	DECLARATION BY THE ADVISERS.....	120
8.	OTHER INFORMATION CONCERNING THE GROUP	121
8.1	INFORMATION ON LAND AND BUILDINGS	121
8.2	ACQUISITIONS OF PROPERTIES PRECEDING TWO (2) YEARS HEREOF	123
9.	FINANCIAL INFORMATION.....	124
9.1	HISTORICAL FINANCIAL INFORMATION.....	124
9.2	ANALYSIS OF HISTORICAL FINANCIAL INFORMATION.....	125
9.2.1	SEGMENTAL ANALYSIS OF REVENUE AND OPERATING PROFIT	125
9.2.2	OVERVIEW OF REVENUE AND PBT.....	127
9.2.3	IMPACT OF FOREIGN EXCHANGE, INTEREST RATES AND COMMODITY PRICES ON OPERATING PROFITS.....	127
9.2.4	TAXATION.....	128
9.2.5	EXCEPTIONAL AND EXTRAORDINARY ITEMS.....	128
9.3	FINANCIAL PERFORMANCE, POSITION AND OPERATIONS.....	128
9.4	WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL LITIGATION/ ARBITRATIONS	128
9.4.1	WORKING CAPITAL	128
9.4.2	BORROWINGS.....	129
9.4.3	CONTINGENT LIABILITIES.....	129
9.4.4	MATERIAL COMMITMENTS	130
9.4.5	MATERIAL LITIGATION/ ARBITRATIONS.....	130
9.5	REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST OF THE HI-CITY GROUP FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2004.....	131
9.6	CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2004.....	133
9.7	DIRECTORS' COMMENTS ON THE PROFIT FORECAST	137
9.8	DIVIDEND FORECAST	137
9.9	SENSITIVITY ANALYSIS	139
9.9.1	VARIATIONS IN REVENUE.....	139
9.9.2	VARIATIONS IN COST OF MATERIALS.....	139
9.10	REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2003.....	140
9.11	PROFORMA CONSOLIDATED BALANCE SHEETS OF HI-CITY GROUP AS AT 31 DECEMBER 2003.....	142
10.	ACCOUNTANTS' REPORT.....	146
11.	INDEPENDENT MARKET RESEARCH REPORT.....	179

TABLE OF CONTENTS (Cont'd)

12.	DIRECTORS' REPORT	203
13.	OTHER GENERAL INFORMATION.....	204
13.1	SHARE CAPITAL.....	204
13.2	ARTICLES OF ASSOCIATION	204
13.3	DIRECTORS AND SUBSTANTIAL SHAREHOLDERS.....	210
13.4	MATERIAL CONTRACTS	211
13.5	MATERIAL AGREEMENTS	212
13.6	MATERIAL LITIGATION/ ARBITRATIONS.....	220
13.7	PUBLIC TAKE-OVERS.....	220
13.8	CONSENTS	220
13.9	DOCUMENTS FOR INSPECTION	221
13.10	RESPONSIBILITY	221
14.	PROCEDURES FOR APPLICATION AND ACCEPTANCE	222
14.1	OPENING AND CLOSING OF APPLICATION	222
14.2	METHODS OF APPLICATION	222
14.3	PROCEDURES FOR APPLICATION	222
14.4	APPLICATIONS USING APPLICATION FORMS	223
	14.4.1 NOTES AND INSTRUCTIONS	223
	14.4.2 TERMS AND CONDITIONS.....	224
14.5	APPLICATIONS USING ELECTRONIC SHARE APPLICATION.....	227
14.6	APPLICATIONS AND ACCEPTANCES	232
14.7	CDS ACCOUNTS	233
14.8	NOTICE OF ALLOTMENT.....	234
14.9	LIST OF ADAS	235

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Designation	Address	Nationality/ Profession
Heah Chew Teng	Executive Chairman and Managing Director	26, Taman Bukit Dumbar 11700 Gelugor Penang	Malaysian/ Businessman
Lean Choo Boo	Executive Director	29, Solok Tenggara Seberang Jaya 13700 Prai, Penang	Malaysian/ Businessman
Liang Hooi Peng	Executive Director	1-T, Lintang Paya Terubong 4 11060 Ayer Hitam Penang	Malaysian/ Businessman
Bu Kim Ou	Executive Director	144, Jalan Binjai Sri Rambai 14000 Bukit Mertajam Penang	Malaysian/ Businessman
Seah Chek Huat	Independent Non- Executive Director	106, Jalan Thomas 11600 Penang	Malaysian/ Lawyer
Chiew Kin Loong	Independent Non- Executive Director	301, Blok D14 Seksyen 2, Wangsa Maju 53300 Kuala Lumpur	Malaysian/ Consultant

AUDIT COMMITTEE

Name	Designation	Directorship
Seah Chek Huat	Chairman	Independent Non-Executive Director
Chiew Kin Loong	Member	Independent Non-Executive Director
Heah Chew Teng	Member	Executive Chairman and Managing Director

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CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARY** : Ong Teik Hoe (MACS No.: 00085)
1-2-8, Ratu Mutiara
Persiaran Tanjung Bungah
11200 Penang
- REGISTERED OFFICE** : 52-C, Rangoon Road
10400 Penang
Telephone No. : 04-2286266
Facsimile No. : 04-2289266
E-mail : pancorp@po.jaring.my
- HEAD OFFICE** : Plot 22, Lorong Perusahaan Maju 2
Prai Industrial Estate
Phase 4, 13600 Prai, Penang
Telephone No. : 04-5072057 / 5070980
Facsimile No. : 04-5075686
E-mail : hicity@po.jaring.my
Website : <http://www.hi-city.com>
- REGISTRARS AND TRANSFER OFFICE** : Bina Management (M) Sdn Bhd (50164-V)
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya, Selangor
Telephone No. : 03-77843922
Facsimile No. : 03-77841988
- REPORTING ACCOUNTANTS** : Shamsir Jasani Grant Thornton (AF-737)
Level 11-1, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No. : 03-26924022
Facsimile No. : 03-26915229
- AUDITORS FOR Hi-City** : Shamsir Jasani Grant Thornton (AF-737)
Level 11-1, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No. : 03-26924022
Facsimile No. : 03-26915229
- AUDITORS FOR HCM, HCT AND CG** : Cheong Kam Tho & Co (AF-0864)
Chartered Accountants
Suite C-7-10, Level 9
Block C, UE3 Corporate Offices
Menara Uncang Emas
No. 85, Jalan Loke Yew, Taman Miharja
55200 Kuala Lumpur
Telephone No. : 03-92822808 / 92006181
Facsimile No. : 03-92846627
- AUDITORS FOR ZP AND PTPSPC** : Hua & Associates (AF-0395)
Chartered Accountants
12, 2nd Floor, Church Street
10200 Penang
Telephone No. : 04-2617642 / 2615581
Facsimile No. : 04-2632718

CORPORATE DIRECTORY (Cont'd)

- SOLICITORS FOR THE PUBLIC OFFERING** : Foong & Partners
Suite 21.08, Level 21
Plaza 138, 138 Jalan Ampang
50450 Kuala Lumpur
Telephone No. : 03-27132822
Facsimile No. : 03-27131822
- PRINCIPAL BANKERS** : Hong Leong Bank Berhad (97141-X)
2828-G-02 & 2828-I-02
Jalan Bagan Luar
12000 Butterworth, Penang
Telephone No. : 04-3315659
Facsimile No. : 04-3312145
- EON Bank Berhad (92351-V)
3 & 9, Tingkat Kikik 7
Taman Inderawasih
13600 Prai, Penang
Telephone No. : 04-3980286
Facsimile No. : 04-3980204
- AmBank Berhad (295576-U)
52, Jalan Todak 2
Pusat Bandar Seberang Jaya
13700 Prai, Penang
Telephone No. : 04-3979569
Facsimile No. : 04-3079572
- United Overseas Bank (Malaysia) Bhd (271809-K)
4072, Jalan Bagan Luar
12000 Butterworth, Penang
Telephone No. : 04-3240071
Facsimile No. : 04-3330894
- INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS** : Vital Factor Consulting Sdn Bhd (266797-T)
75C & 77C, Jalan SS22/19, Damansara Jaya
47400 Petaling Jaya, Selangor
Telephone No. : 03-77280248
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd (258345-X)
27th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Telephone No. : 03-26932075
- ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT** : AmMerchant Bank Berhad (23742-V)
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone No. : 03-20782633

CORPORATE DIRECTORY (Cont'd)

UNDERWRITERS

: AmMerchant Bank Berhad (23742-V)
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone No. : 03-20782633

AmSecurities Sdn Bhd (92977-U)
15th Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone No. : 03-20782788

Hwang-DBS Securities Berhad (14389-U)
Level 2, 3, 4, 7 & 8
Wisma Sri Pinang
60, Green Hall
10200 Penang
Telephone No. : 04-2636996

LISTING SOUGHT

: Second Board of the Bursa Malaysia

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1. INFORMATION SUMMARY

THE INFORMATION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP AND INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN THE SHARES OF THE COMPANY. THE INFORMATION SUMMARY SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

1.1 History and Business

Hi-City was incorporated in Malaysia under the Companies Act, 1965 on 17 June 2003 as a private limited company under the name of Hi-City Holdings Sdn Bhd. On 28 August 2003, it was converted to a public limited company under the name of Hi-City Holdings Berhad. Subsequently, it changed and assumed its present name since 29 May 2004.

Hi-City is an investment holding company whilst its subsidiaries are principally involved in the manufacturing and trading of a wide spectrum of Personal Care, Make-up Preparation, Professional Skin Care, Hotel Complimentary Items and health care products. The Group's Personal Care products and Hotel Complimentary Items are mainly supplied for both the local and overseas customers whilst its Professional Skin Care products and Make-up Preparation products are sold to local Professional Skin Care centres, as well as overseas buyers. The health care products are mainly supplied to hospitals, clinics and health care institutions in overseas.

The business was founded by Heah Chew Teng. With more than fourteen (14) years of experience in the Personal Care products industry, Heah Chew Teng has been instrumental in the growth, success and development of Hi-City Group. As a qualified pharmacist, Heah Chew Teng has also played an important role in product development.

The history of Hi-City Group can be traced back to 1989 with the incorporation of HCM, which was primarily involved in the manufacturing, marketing and distribution of Personal Care products. Subsequently, HCM was contracted to supply the Hotel Complimentary Items to numerous well known hotel chains, e.g. Holiday Inn, Sheraton, A'cor etc. HCM is also a major supplier of Hotel Complimentary Items in the local market. Currently, the products of the Group are exported to US, Africa, Australia, UK and China. HCT and ZP are the marketing arms for Hi-City Group. HCT is focusing on the trading, marketing and distribution of Personal Care and other products for the hospitality industry. ZP was established to take on the exclusive sales, marketing and distribution of in-house manufactured products, mainly Professional Skin Care products.

In line with the Group's intention to diversify its product range, the Group started expanding its manufacturing, marketing and distribution activities to incorporate health care products. In 2001, as part of the Group's plan to diversify into complementary business activities, CG was also established to manufacture, market, trade and distribute health care products. With the Group's intention to expand into downstream activities of retailing, the Group's first retail outlet, PTPSPC, was incorporated in 2002 before commencing business operation in 2003. The main business activities of PTPSPC are primarily in the provision of Professional Skin Care services and retailing of Professional Skin Care products, including Make-up Preparation products.

The Group owns an integrated manufacturing cum R&D factory, located at Plot 22, Lorong Perusahaan Maju 2, Prai Industrial Estate, Phase 4, 13600 Prai, Penang. The factory has a land area of approximately 88,741.71 Sq ft and an approximate built-up area of 51,205.04 Sq ft.

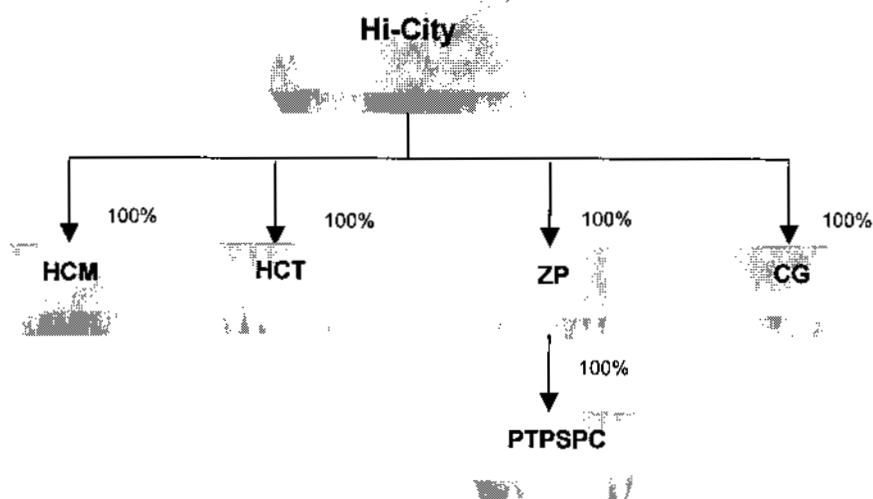
1. INFORMATION SUMMARY (Cont'd)

The details of the subsidiaries of Hi-City are as follows:-

Subsidiaries	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
HCM	22.11.1989/ Malaysia	2,500,000	100.00	Manufacturing, marketing and distribution of Personal Care products and manufacturing of health care products
HCT	19.08.1985/ Malaysia	150,000	100.00	Trading, marketing and distribution of Personal Care and other products for the hospitality industry
ZP	28.11.2000/ Malaysia	50,000	100.00	Marketing and distribution of Professional Skin Care products including Make-up Preparation products
CG	29.11.2001/ Malaysia	2	100.00	Manufacturing, marketing, trading and distribution of health care products
<u>Subsidiary of ZP</u> PTPSPC	23.11.2002/ Malaysia	2	100.00	Provision of Professional Skin Care services and retail sales of Professional Skin Care products including Make-up Preparation products

Further details on the history and business of the Group are set out in Section 4 of this Prospectus.

The structure of the Group is as set out below:-



1. INFORMATION SUMMARY (Cont'd)

1.2 Promoters, Substantial Shareholders, Directors and Key Management of Hi-City Group

The direct and indirect shareholdings of the Promoters, substantial shareholders, Directors and key management of the Group are as follows:-

Name	Designation	No. of Shares Held in Hi-City Before the IPO				No. of Shares Held in Hi-City After the IPO			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Promoters									
Heah Chew Teng	Executive Chairman and Managing Director	35,141,733	56.68	-	-	22,828,713	28.54	-	-
Lean Choo Boo	Executive Director	16,801,616	27.10	-	-	10,914,636	13.64	-	-
Substantial Shareholders									
Heah Chew Teng	Executive Chairman and Managing Director	35,141,733	56.68	-	-	22,828,713	28.54	-	-
Lean Choo Boo	Executive Director	16,801,616	27.10	-	-	10,914,636	13.64	-	-
Wichford Group Limited	Shareholder	8,849,112	14.27	-	-	8,849,112	11.06	-	-
Directors									
Heah Chew Teng	Executive Chairman and Managing Director	35,141,733	56.68	-	-	22,828,713	28.54	-	-
Lean Choo Boo	Executive Director	16,801,616	27.10	-	-	10,914,636	13.64	-	-
Liang Hooi Peng	Executive Director	407,746	0.66	-	-	#457,746	0.57	-	-
Bu Kim Ou	Executive Director	30,847	0.05	-	-	#80,847	0.10	-	-
Seah Chek Huat	Independent Non-Executive Director	-	-	-	-	#50,000	0.06	-	-
Chiew Kin Loong	Independent Non-Executive Director	-	-	-	-	#50,000	0.06	-	-
Key Management									
Wong Chee Leong	Corporate Affairs General Manager	-	-	-	-	#25,000	0.03	-	-
Jamilul Latiff Saidi	Factory General Manager	-	-	-	-	#25,000	0.03	-	-
Lean See Wei	Finance Manager	-	-	-	-	#20,000	0.03	-	-
Heah Tze Ling	Special Projects Manager	-	-	-	-	#6,000	0.01	-	-
Lean Lee Tatt	Assistant Corporate Affairs Manager	-	-	-	-	#6,000	0.01	-	-

1. INFORMATION SUMMARY (Cont'd)

Note: -

Including their respective entitlements for the Pink Form Shares allocation pursuant to the IPO.

Details of the Promoters, substantial shareholders, Directors and key management of Hi-City Group are set out in Section 5 of this Prospectus.

1.3 Financial Highlights

The following table sets out a summary of the proforma consolidated results of the Group for the past five (5) financial years ended 31 December 1999 to 2003, prepared on the assumption that the Group has been in existence throughout the period under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 of this Prospectus.

Financial Year Ended 31 December	1999	2000	2001	2002	2003
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	20,182	21,942	22,366	25,986	31,608
Profit before depreciation, interest and taxation	6,015	6,758	7,647	8,788	9,931
Depreciation	(1,197)	(1,357)	(1,733)	(1,976)	(2,374)
Interest expenses	(784)	(784)	(866)	(896)	(885)
PBT	4,034	4,617	5,048	5,916	6,672
Taxation	170	(806)	(395)	(860)	(1,049)
PAT	4,204	3,811	4,653	5,056	5,623
No. of Shares assumed to be issued ('000)	55,749	55,749	55,749	55,749	55,749
EPS (sen)					
-Gross	7.24	8.28	9.05	10.61	11.97
-Net	7.54	6.84	8.35	9.07	10.09

Notes: -

- (1) The Group's results have been restated through appropriate consolidation adjustments to eliminate inter-company transactions under the proposed group structure.
- (2) There were no exceptional items and extraordinary items in all the financial years under review.
- (3) The results for HCT for the financial years/period ended 31 August 1999 and 31 December 2000 have been time apportioned in order to be co-terminous with the financial year end of Hi-City Group.
- (4) The revenue of the Group recorded an increasing trend from years 1999 to 2003, mainly due to the contribution from HCM.
- (5) The PBT and PAT of the Group increased continuously over the relevant financial years, which were mainly contributed by HCM as a result of the growth of its revenue.

1. INFORMATION SUMMARY (Cont'd)

- (6) *The effective tax rate for the financial years ended 31 December 1999 to 2003 are lower than the statutory tax rate due to the availability of reinvestment allowance from HCM. The tax credit for the financial year ended 31 December 1999 represented an overprovision of taxation in prior year. No provision for taxation was made for the financial year ended 31 December 1999 as the amount of taxation payable was waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999.*
- (7) *Interest expenses were mainly derived from HCM.*
- (8) *PAT decreased in the financial year ended 31 December 2000 mainly due to higher taxation in HCM. Increase in taxation was mainly due to increase in business income earned and provision for deferred tax liabilities as a result of originating timing differences arising from significant acquisition in property, plant and equipment.*

The financial statements of Hi-City Group for the years under review were not subjected to any audit qualification.

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1. INFORMATION SUMMARY (Cont'd)

1.4 Proforma Consolidated Balance Sheets of Hi-City Group as at 31 December 2003

The Proforma Consolidated Balance Sheets set out below are provided for illustration purposes only to show the effects of the Acquisitions, Rights Issue, Offer For Sale, Public Issue and utilisation of proceeds on the assumption that these transactions were completed on 31 December 2003.

	As at 31.12.2003 RM'000	⁽¹⁾ Proforma 1 RM'000	⁽²⁾ Proforma 2 RM'000	⁽³⁾ Proforma 3 RM'000
SHARE CAPITAL	*	27,875	31,000	40,000
SHARE PREMIUM	-	-	-	2,200
ACCUMULATED LOSS	(4)	(4)	(4)	(4)
RESERVE ON CONSOLIDATION	-	1,205	1,205	1,205
SHAREHOLDERS' FUND	(4)	29,076	32,201	43,401
DEFERRED TAXATION	-	2,146	2,146	2,146
BORROWINGS	-	2,232	2,232	2,232
HIRE PURCHASE CREDITORS	-	474	474	474
	(4)	33,928	37,053	48,253
REPRESENTED BY :-				
PROPERTY, PLANT AND EQUIPMENT	-	25,893	25,893	30,493
CURRENT ASSETS				
Inventories	-	11,697	11,697	11,697
Receivables	-	10,468	10,468	10,468
Deferred expenditure	433	433	433	-
Cash and bank balances	-	1,235	4,360	5,868
	433	23,833	26,958	28,033
CURRENT LIABILITIES				
Payables	437	2,274	2,274	2,274
Borrowings	-	12,901	12,901	7,376
Hire purchase creditors	-	518	518	518
Tax payable	-	105	105	105
	437	15,798	15,798	10,273
NET CURRENT (LIABILITIES)/ASSETS	(4)	8,035	11,160	17,760
	(4)	33,928	37,053	48,253
(NL)/NTA	(437)	28,643	31,768	43,401
	RM	RM	RM	RM
(NL)/NTA per ordinary share of - RM1.00	(218,500)	-	-	-
- RM0.50	-	0.51	0.51	0.54

1. INFORMATION SUMMARY (Cont'd)

Notes: -

Proforma 1 Based on proforma financial statements of Hi-City as at 31 December 2003 after taking into consideration the effects of the Acquisitions;

Proforma 2 Incorporates Proforma 1 and the Rights Issue;

Proforma 3 Incorporates Proforma 2, the Public Issue, utilisation of proceeds from the Rights Issue and the Public Issue and after adjusting for estimated listing expenses of RM1.40 million against the Share Premium Account.

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

Detailed Reporting Accountants' letter and the Proforma Consolidated Balance Sheets thereon are set out in Sections 9.10 and 9.11 of this Prospectus respectively.

1.5 Summary of Material Risk Factors

An investment in the shares listed/to be listed on the Bursa Malaysia involves a number of risks, including market, industry, liquidity, credit, operational, legal and regulatory risks could be substantial and inherent in the business of the Group.

Prospective investors should rely on their own evaluations and to carefully consider the investment considerations before buying any of the IPO Shares, which are the subject of this Prospectus. The investment considerations that should be considered includes, but are not limited to, the following:-

Item Risk factors

- (a) Business Risks
- (b) Financial Risks
- (c) New Ventures
- (d) New Products and Services
- (e) Foreign Currency Risk
- (f) Dependence on Imports of Raw Materials
- (g) Dependence on Key Personnel
- (h) Insurance Coverage on Assets
- (i) Competition from Strong Global Brand Name
- (j) Competition from Contract Manufacturer
- (k) Competition from Lower-Cost Producing Countries
- (l) Dependence on Particular Markets and Customers
- (m) Economic Conditions and Cycles that are Significant or Peculiar to the Industry
- (n) Control by Promoters and Substantial Shareholders
- (o) Government Control or Regulation Considerations
- (p) Material Litigation/Legal Uncertainties

1. INFORMATION SUMMARY (Cont'd)

Item	Risk factors
(q)	Financial Performance
(r)	Achievability of Profit Forecast
(s)	Disclosure Regarding Forward-Looking Statements
(t)	Consumer Scare
(u)	Implementation of AFTA
(v)	Global and Local Economic Downturn
(w)	High Elasticity of Demand
(x)	No Prior Market for Hi-City's Shares
(y)	War and Environmental Concerns
(z)	Product Liability
(aa)	Security and System Disruption
(bb)	Technology Used
(cc)	Failure/Delay in the Listing

Further details of the material risk factors are set out in Section 3 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)**1.6 Profit and Dividend Record****1.6.1 Consolidated Profit Forecast**

Financial Year Ending 31 December	Forecast *2004 (RM'000)
Revenue	33,060
Consolidated PBT	7,256
Taxation	(1,613)
Consolidated PAT	5,643
Pre-acquisition profit	(2,351)
Net profit	3,292
Weighted average number of Shares ('000)	43,146
Enlarged issued share capital ('000)	80,000
Gross EPS (sen) ^(Note 1)	16.82
Gross EPS (sen) ^(Note 2)	9.07
Net EPS (sen) ^(Note 1)	13.08
Net EPS (sen) ^(Note 2)	7.05
Gross PE Multiple (times) ^(Notes 1 and 3)	4.16
Gross PE Multiple (times) ^(Notes 2 and 3)	7.72
Net PE Multiple (times) ^(Notes 1 and 3)	5.35
Net PE Multiple (times) ^(Notes 2 and 3)	9.93

Notes: -

* The Acquisitions was completed on 24 May 2004 and the Rights Issue was completed on 10 June 2004. The indicative completion date for the IPO is July 2004.

(1) Based on the weighted average number of Shares in issue.

(2) Based on the enlarged issued and paid-up share capital.

(3) Based on the IPO Price.

1.6.2 Dividend Forecast

Financial Year Ending 31 December	Forecast 2004
Tax-exempt dividend per Share (sen) ^(Note 1)	1.50
Tax-exempt dividend yield (%) ^(Note 2)	2.14
Tax-exempt dividend cover (times)	4.70

Notes: -

(1) Based on the enlarged issued and paid-up share capital.

(2) Based on the IPO Price.

1. INFORMATION SUMMARY (Cont'd)**1.7 Proforma Group NTA as at 31 December 2003**

	Proforma Group NTA (RM'000)	NTA per Share (RM)
After adjusting for the Acquisitions, Rights Issue, Public Issue and utilisation of proceeds*	43,401	0.54

Note: -

* After deducting the estimated listing expenses of RM1.40 million. Please refer to Section 2.7 for details on the estimated listing expenses.

The above proforma consolidated NTA is based on the enlarged issued and paid-up share capital of 80,000,000 Shares in Hi-City. Detailed calculations of the proforma consolidated NTA are set out in Section 1.4 of this Prospectus.

1.8 Principal Statistics Relating to the IPO**1.8.1 Share Capital**

The following statistics relating to the IPO are derived from the full text of the Prospectus and should be read in conjunction with the text.

	Number of Shares	Share Capital (RM)
AUTHORISED SHARE CAPITAL	100,000,000	50,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL:-	62,000,000	31,000,000
• New Shares to be issued pursuant to the Public Issue	18,000,000	9,000,000
ENLARGED SHARE CAPITAL	80,000,000	40,000,000
• Existing Shares to be offered pursuant to the Offer For Sale	18,200,000	9,100,000

The IPO Price is RM0.70 per Share payable in full upon application, subject to the terms and conditions of this Prospectus.

1.8.2 Class of Shares

There is only one class of shares in the Company namely ordinary shares of RM0.50 each, all of which rank pari passu with one another. The IPO Shares rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

1. INFORMATION SUMMARY (Cont'd)**1.9 Proposed Utilisation of Proceeds**

The total gross proceeds arising from the Rights Issue and the Public Issue will be utilised by the Group in the following manner:-

		Timeframe for Utilisation from the Date of Listing	Amount (RM'000)
(a)	Repayment of bank borrowings	6 months	5,525
(b)	Expansion of factory building	21 months	1,600
(c)	Investment in new production line	21 months	3,000
(d)	Working capital	12 months	4,200
(e)	Estimated listing expenses	3 months	1,400
Total proceeds			15,725

Further details of the utilisation are set out in Section 2.7 of this Prospectus.

1.10 Working Capital, Borrowings, Contingent Liabilities, Material Commitments and Material Litigations/ Arbitrations**1.10.1 Working Capital**

The Directors of Hi-City are of the opinion that, after taking into consideration the cash flow position, the banking facilities available and the net proceeds from the Rights Issue and Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)**1.10.2 Borrowings**

As at 31 May 2004 (being the latest practicable date prior to the printing of this Prospectus), the total bank borrowings of the Group in the form of term loans, trust receipts, bank overdraft, letters of credit, bankers' acceptance and hire purchase financing amounted to approximately RM16.56 million. The borrowings can be analysed further as follows:-

Borrowings	Amount (RM '000)	Amount (RM '000)
Long term borrowings		
• Interest bearing	2,208	
• Non-interest bearing	-	2,208
Short term borrowings		
• Interest bearing	14,350	
• Non-interest bearing	-	14,350
Total Borrowings		16,558

The Group has no foreign currency borrowings.

The Group has not defaulted in any payment of either principal and/or interest in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof, if any, immediately preceding the date of this Prospectus.

1.10.3 Contingent Liabilities

As at 7 June 2004, the Directors of Hi-City declare that the Group has no contingent liabilities.

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1. INFORMATION SUMMARY (Cont'd)

1.10.4 Material Commitments

Save as disclosed below, as at 31 May 2004 (being the latest practicable date prior to the printing of this Prospectus), there are no material commitment for capital expenditure incurred or known to be incurred by the Group, which may have a substantial impact on the financial position of the Group:-

Acquisition by HCM of two (2) units of automatic electronic vertical packaging machines for RM2,178,825. As at 31 May 2004 (being the latest practicable date prior to the printing of this Prospectus) the outstanding purchase consideration is RM435,765, which is payable by HCM upon delivery and testing.

1.10.5 Material Litigations/ Arbitrations

As at 31 May 2004 (being the latest practicable date prior to the printing of this Prospectus), neither the Company nor its subsidiaries is engaged in any material litigation, claim and arbitration, either as plaintiff or defendant, which has a material effect on the business or financial position of the Company and/or its subsidiaries and the Board has no knowledge of any proceeding pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the business or financial position or business of the Company or its subsidiaries.

Details of working capital, borrowings, material contingent liabilities, material commitments and material litigations/ arbitrations are set out in Section 9.4 of this Prospectus.

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