

## 13. OTHER GENERAL INFORMATION

### 13.1 Share Capital

- (a) No Shares will be allocated or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (b) Save as disclosed in Sections 2.0 and 4.0 of this Prospectus, no Shares, debentures, warrants, options, convertible securities or uncalled capital of the Company and its subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) years preceding from the date thereof.
- (c) Save as disclosed in Sections 2.0 and 4.0 of this Prospectus, no capital of the Company or its subsidiaries has been issued or is proposed to be issued for cash within the two (2) years preceding the date of this Prospectus.
- (d) Save for the IPO Shares reserved for the eligible Directors, employees and business associates of the Group as disclosed in Sections 2.5 and 4.1.3 (c) of this Prospectus, no person or Director or employee of the Group has been or is entitled to be given an option to subscribe for any Shares, stocks or debentures of the Company or its subsidiaries.
- (e) Save for the IPO Shares reserved for the eligible Directors, employees and business associates of the Group as disclosed in Sections 2.5 and 4.1.3 (c) of this Prospectus, there is currently no other scheme for or involving the Directors or employees of the Company or its subsidiaries.
- (f) As at this date hereof, the Company does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

### 13.2 Articles of Association

The following provisions are reproduced from the Company's Articles of Association.

#### (a) TRANSFER OF SHARES

The provisions of the Articles of Association of the Company in respect of the arrangements for the transfer of Shares of the Company and the restrictions on their free transferability are as follows:-

##### **Article 9**

Subject to the provisions of the Act, the Central Depositories Act and the Rules, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share or (except only as by these Articles, the Act, the Central Depositories Act or the Rules otherwise provided) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

**13. OTHER GENERAL INFORMATION (Cont'd)**

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**Article 11**

Subject to the provisions of the Act, the Central Depositories Act and the Rules if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, persons entitled, purchaser, member-company of the Exchange or on behalf of its/their client/s as the directors of the Company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate, and in any case on payment of such sum not exceeding RM3/- per certificate and any stamp duties levied by the Government concerned as the directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

**Article 29**

(B) Subject to the Act, the Central Depositories Act and the Rules, any security or class of securities of the Company which have been deposited with the Depository shall be transferable and such transfer shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act but subject to Section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such securities.

**Article 30**

There shall be no restriction on the transfer of fully paid securities in the case of a limited liability company except where required by law.

**Article 31**

(B) The transfer of any securities or class of securities of the Company which have been deposited with the Depository shall be effected in accordance with the Act, the Central Depositories Act and the Rules and in respect of such securities, these Articles shall not be applicable to the extent that they are inconsistent with the relevant provisions of the Act, the Central Depositories Act or the Rules. Subject to the Act, the Central Depositories Act and the Rules, any Member may transfer all or any of his securities in such manner or form as may from time to time be approved by the Exchange.

**Article 32**

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind. An instrument of transfer must be in respect of only one class of security.

**Article 34**

The directors may, in their discretion, refuse to register a transfer of any share (not being a fully paid share) and they may also refuse to register a transfer of any share on which the Company has a lien. As for Deposited Security, the Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules.

**13. OTHER GENERAL INFORMATION (Cont'd)**

**Article 36**

The registration of transfers may be suspended at such times and for such periods as the directors may from time to time determine, PROVIDED ALWAYS THAT such registration shall not be suspended for more than thirty (30) days in any year or such other period as may be prescribed by the Exchange. At least twelve (12) clear Market Days notice shall be given to the Depository stating the period and the purpose or purposes of such closure. At least three (3) Market days prior notice shall be given to the Depository to prepare the appropriate Record of Depositors provided that where the Record of Depositors is required in respect of corporate actions at least seven (7) Market days prior notice shall be given to the Depository.

**Article 37**

(A) Where:-

- (i) the securities of the Company are listed on an Approved Market Place; and
- (ii) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities.

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as the "Foreign Register") to the register of holders maintained by the Registrar of the Company in Malaysia (hereinafter referred to as the "Malaysian Register") PROVIDED THAT there shall be no change in the ownership of such securities.

(B) Where the requirements of subparagraphs (A)(i) and (ii) above are fulfilled, the Company shall not allow any transmission of securities from the Malaysia Register into the Foreign Register.

**Article 38**

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the executors or administrators of a deceased Member shall be the only persons recognised by the Company as having any title to the shares registered in the name of such Member, but nothing herein contained shall release the estate of a deceased holder from any liability in respect of any shares which had been held by him.

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**13. OTHER GENERAL INFORMATION (Cont'd)****Article 39**

Any person becoming entitled to shares in consequence of the death, bankruptcy, insolvency or lunacy of any Member (herein referred to as a person entitled by transmission) shall on producing to the Company such evidence as may be reasonably required by the directors to prove his title be entitled to be registered as a Member in respect of the shares or instead of being registered himself to make such transfer as such deceased, bankrupt or insolvent person could have made. **PROVIDED ALWAYS THAT** where the shares are Deposited Securities, subject to the Rules, the person becoming so entitled may elect either to register himself as holder of the share or to have some person nominated by him registered as transferee thereof. The Article is hereinafter referred to as the Transmission Article.

**Article 40**

If any person so becoming entitled shall elect to be registered himself he shall deliver or send to the Company a notice in writing signed by him and stating that he so elects, **PROVIDED THAT** where the shares is a Deposited Security and the person becoming entitled elects to have the share transferred to him, the aforesaid notice shall be served by him on the Depository. If he shall elect to have another person registered he shall testify his election by executing to that other person a transfer of the share. All the limitations, restrictions and provision of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by that Member.

**Article 41**

A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not before being registered as a Member in respect of the share be entitled in respect of it to exercise any right conferred by Membership in relation to meetings of the Company. **PROVIDED ALWAYS THAT** the directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within ninety (90) days the directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

**(b) VOTING AND BORROWING POWERS OF THE DIRECTORS**

The provisions of the Company's Articles of Association dealing with the voting and borrowing powers of the Directors are as follows:-

**Article 47**

- (A) The directors may from time to time at their discretion raise or borrow any sum or sums money for the purposes of the Company.
- (B) The directors may exercise all the powers of the Company to guarantee any debt, liability or obligation of any subsidiary or associated company.

**13. OTHER GENERAL INFORMATION (Cont'd)**

**Article 48**

- (A) Subject to the restriction contained in Article 48 (B), the directors may secure the repayment of any debt, liability or obligation of the Company or any of its subsidiary or associated companies in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, notes, perpetual or redeemable debentures or debenture stock or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.
- (B) The directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiary companies' undertaking, property, or any uncalled capital, or issue debentures and other securities, whether outright or as security for any debt, liability or obligation of an unrelated third party.

**Article 49**

Any bonds, notes, debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at General Meeting of the Company, appointment of directors and otherwise.

**(c) CHANGES IN CAPITAL AND VARIATIONS OF CLASS RIGHTS**

The provisions of the Articles of Association dealing with changes in capital and variations of class rights which are as stringent as those provided in the Act are as follows:-

**Article 45**

The Company may by ordinary resolution:

- (A) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (B) cancel any shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person and diminish the amount of its share by the amount of the shares so cancelled;
- (C) utilise its share premium account and/or retained profits to provide the consideration for the purchase of the Company's own shares; or
- (D) by subdivision of its existing shares, or any of them divide its capital or any part thereof into shares of smaller amount than is fixed by its Memorandum of Association and so that as between the holders of the resulting shares one or more of such shares may by the resolution by which the subdivision is effected be given any preference or advantage as regards dividend, capital, voting or otherwise over the other or any other of such shares,

and may by special resolution:

- (E) reduce its share capital, any capital redemption reserve fund or any share premium account, in any manner and with and subject to any incident authorised and consent required by law; or
- (F) issue further preference capital ranking equally with, or in priority to preference shares already issued.

**13. OTHER GENERAL INFORMATION (Cont'd)**

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**Article 46**

If at any time the capital by reason of the issue of preference shares or otherwise the share capital of the Company is divided into different classes the repayment of such preferred capital (other than redeemable preference capital) or any other alteration of preference shareholders' rights or all or any of the rights and privileges attached to each class may subject to the provisions of Section 65 of the Act be varied, modified, commuted, affected, abrogated or dealt with by Special Resolution passed by the holders of at least three-fourths (3/4) of the issued shares of that class at a separate General Meeting of the holders of the class and all the provisions hereinafter contained as to General Meetings shall mutatis mutandis apply to every such Meeting except that the quorum hereof shall be Members holding or representing by proxy at least one-third (1/3) of the issued shares of the class, PROVIDED ALWAYS that where the necessary majority is not obtained at the Meeting, consent in writing if obtained from Members holding at least three-fourths (3/4) of the issued shares of that class within two (2) months from the date of the separate General Meeting shall have the force and validity of a resolution duly carried by a vote in person or by proxy at the General Meeting. The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respect *pari passu* therewith but in no respect in priority thereto.

**(d) REMUNERATION OF THE DIRECTORS**

The provisions of the Articles of Association dealing with the remuneration of the Directors are as follows:-

**Article 79**

The fees payable to the directors shall be such fixed sum (not being a commission on or percentage of profits or of turnover) as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the directors as they may agree, or, failing agreement, equally, except that any director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

**Article 80**

Any director who is appointed to any executive office including the office of Chairman or who serves on any committee or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, commission on or percentage on profits or otherwise as the directors may determine but not a commission on or percentage of turnover.

**Article 81**

The fees payable to the directors shall not be increased except pursuant to a resolution passed at a general meeting convened by a notice specifying the intention to propose such increase.

**13. OTHER GENERAL INFORMATION (Cont'd)****13.3 Directors and Substantial Shareholders**

- (a) The substantial shareholders of Hi-City and their respective interests based on the Register of Substantial Shareholders of Hi-City as at the date of this Prospectus and their respective direct and indirect interests before and after the IPO are as follows:-

Substantial Shareholders	Before the IPO				After the IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Heah Chew Teng	35,141,733	56.68	-	-	22,828,713	28.54	-	-
Lean Choo Boo	16,801,616	27.10	-	-	10,914,636	13.64	-	-
Wichford Group Limited	8,849,112	14.27	-	-	8,849,112	11.06	-	-

- (b) The Directors of Hi-City and their respective interests based on the Register of Directors' Shareholdings as at the date of this Prospectus and their respective direct and indirect interests before and after the IPO are as follows:-

Directors	Before the IPO				After the IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Heah Chew Teng	35,141,733	56.68	-	-	22,828,713	28.54	-	-
Lean Choo Boo	16,801,616	27.10	-	-	10,914,636	13.64	-	-
Liang Hooi Peng	407,746	0.66	-	-	#457,746	0.57	-	-
Bu Kim Ou	30,847	0.05	-	-	#80,847	0.10	-	-
Seah Chek Huat	-	-	-	-	#50,000	0.06	-	-
Chiew Kin Loong	-	-	-	-	#50,000	0.06	-	-

Note: -

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

- (c) Save as disclosed in Section 2.9, no commission, discounts, brokerages or other special terms have been paid, granted or are payable by the Company or its subsidiaries within the two (2) years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Share in or debenture of the Company or its subsidiaries or in connection with the issue or sale of any capital of the Company or any of its subsidiaries and no Directors, proposed Directors, Promoters or experts is or are entitled to receive any such payment.

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**13. OTHER GENERAL INFORMATION (Cont'd)**

- (d) Other than salaries, employment related benefits and dividends payable to the Promoters and/or Directors as shareholders of the Company as disclosed in Section 5.3.4 of this Prospectus, no amount or benefit has been paid or given within the two (2) years immediately preceding the date hereof, nor is it intended to be so paid or given, to any Promoter, Director and substantial shareholder.
- (e) Save as disclosed in Sections 7 and 13.4, none of the Directors and/or substantial shareholders of Hi-City has interest in any subsisting contract or arrangement, which is significant to the business of the Company or the Group taken as a whole.
- (f) The Directors and/or substantial shareholders are not aware of any persons who are able, directly or indirectly, jointly or severally, to exercise control over the Company and its subsidiaries.

**13.4 Material Contracts**

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by Hi-City and its subsidiaries within two (2) years immediately preceding the date of this Prospectus:-

- (a) A Sale and Purchase Agreement made on 23 December 2002 between HCM as vendor and Yew Lye Huat and Tan Hoon Nee as purchasers wherein HCM agreed to sell and the purchasers agreed to purchase 500,000 ordinary shares of RM1.00 each in the share capital of Personal Touch Laboratories Sdn Bhd for a purchase consideration of RM500,000.
- (b) A Sale and Purchase Agreement made on 16 July 2003 between HCM as vendor and Lim Koo Teik as purchaser wherein HCM agreed to sell and the Purchaser agreed to purchase 360,000 ordinary shares of RM1 each in the share capital of Plasticmate Sdn Bhd for a purchase consideration of RM984,360.
- (c) Conditional Share Sale Agreement made on 24 November 2003 between Heah Chew Teng, Lean Choo Boo, Wichford Group Limited, Liang Hooi Peng, Chang Wing An and Lim Weng Kean as vendors and Hi-City as purchaser for the acquisition of the entire issued and paid up share capital of HCM comprising of 2,500,000 ordinary shares of RM1.00 each for a consideration of RM27,653,476 satisfied wholly by the issuance of 55,306,952 new Shares at an issue price of RM0.50 per Share.
- (d) Conditional Share Sale Agreement made on 24 November 2003 between Heah Chew Teng, Lean Choo Boo and Liang Hooi Peng as vendors and Hi-City as purchaser for the acquisition of the entire issued and paid up share capital of HCT comprising of 150,000 ordinary shares of RM1.00 each for a consideration of RM151,747 satisfied wholly by the issuance of 303,494 new Shares at an issue price of RM0.50 per Share.
- (e) Conditional Share Sale Agreement made on 24 November 2003 between Heah Chew Teng, Bu Kim Ou, Yeoh Eng Hua and Lee Chee Peng as vendors and Hi-City as purchaser for the acquisition of the entire issued and paid up share capital of ZP comprising of 50,000 ordinary shares of RM1.00 each for a consideration of RM69,344 satisfied wholly by the issuance of 138,688 new Shares at an issue price of RM0.50 per Share.



**13. OTHER GENERAL INFORMATION (Cont'd)**

- (f) Conditional Share Sale Agreement made on 24 November 2003 between Heah Chew Teng and Lean Choo Boo as vendors and Hi-City as purchaser for the acquisition of the entire issued and paid up capital of CG comprising of 2 ordinary shares of RM1.00 each for a cash consideration of RM2.
- (g) the Underwriting Agreement dated 11 June 2004 between the Company, the Managing Underwriter and Underwriters for the underwriting of 7,100,000 IPO Shares for an underwriting commission of 1.5% of the IPO Price.

**13.5 Material Agreements**

Save as disclosed below, there are no agreements which are or may be material (being contracts entered into in the ordinary course of business) which have been entered into by Hi-City and its subsidiaries:-

- (a) Agreement dated 28 February 2001 between Donovan Industries Inc. ("Buyer") and HCM ("Seller"), the salient terms of which are :
- (i) The Seller agrees to sell Products (as defined in the agreement) and the Buyer agrees to buy the Products.
- (ii) The Seller has, *inter alia*, the following obligations in respect of the Products:-
- to manufacture, test, inspect, label, package and ship the Products to the Buyer in the USA and to inform the Buyer regarding any discrepancies related to the manufacture of the Products;
  - to ensure that all Products shall be in good and merchantable condition at the time of delivery to the Buyer and continues to be in good and merchantable condition for a period of 365 days after the delivery of the Products to the Buyer and the Seller shall be liable for all of the Buyers' costs if the Products are not in good and merchantable condition;
  - to ensure that all Products are packaged and shipped within 7 days before or after the date stated in the purchase order; and
  - the Seller shall pay the Buyer a daily penalty of USD100 for each day that the shipment is delinquent or if the Seller fails to replace the non-conforming Products to the Buyer.
- (iii) The Seller shall not sell any Products to any third party in the USA, Canada or Mexico during the term of the agreement and so long as the Buyer purchases not less than USD100,000 during each Contract Year (being a 12 consecutive month period commencing on 28 February 2001 and each 12 consecutive month period thereafter).
- (iv) The agreement commences on 28 February 2001 and thereafter shall continue in effect for a period of 3 years. After expiry of 3 years, the agreement shall continue to be in effect for successive 1 year renewal terms unless terminated by a written notice given not later than 120 days prior to the expiration of the term. Notwithstanding this, either party may terminate the agreement at any time by giving 120 days written notice of the termination to the other party.

**13. OTHER GENERAL INFORMATION (Cont'd)**

- (b) Agreement dated 20 September 2002 between Dukal Corporation ("**Buyer**") and CG ("**Seller**"), the salient terms of which are:-
- (i) The Seller agrees to sell Products (as defined in the said agreement) and the Buyer agrees to buy the Products.
  - (ii) The Seller has, *inter alia*, the following obligations in respect of the Products:-
    - to manufacture, test, inspect, label, package and ship the Products to the Buyer in the USA or such other location as the Buyer may specify and to inform the Buyer regarding any discrepancies related to the manufacture of the Products;
    - to ensure that all Products shall be in good and merchantable condition at the time of delivery to the Buyer and continues to be in good and merchantable condition for a period of 365 days after the delivery of the Products to the Buyer and the Seller shall be liable for all of the Buyers' costs if the Products are not in good and merchantable condition; and
    - to ensure that all Products are packaged and shipped in accordance with the terms of the agreement promptly after receipt of a purchase order from the Buyer.
  - (iii) The Seller shall not sell any Products to any third party during the term of the agreement and so long as the Buyer purchases not less than USD400,000 during each Contract Year (being a 12 consecutive month period commencing on 20 September 2002 and each 12 consecutive month period thereafter).
  - (iv) The agreement commences on 20 September 2002 and thereafter shall continue in effect for a period of 3 years. After expiry of 3 years, the agreement shall continue to be in effect for successive 1 year renewal terms unless terminated by a written notice given not later than 30 days prior to the expiration of the term. Notwithstanding this, either party may terminate the agreement at any time by giving 30 days written notice of the termination to the other party.
- (c) Distributorship Agreement dated 21 January 2003 between HCM ("**Principal**") and ZP ("**Distributor**"), the salient terms of which are:-
- (i) The Principal grants to the Distributor the sole rights to distribute and sell the Products (as defined in the agreement) in the Territory (as defined in the agreement) during the continuance of the agreement.
  - (ii) The Principal undertakes not to undertake sales or appoint any other person to be the distributor without the consent of the Distributor.
  - (iii) The agreement commences on 21 January 2003 and thereafter shall continue in effect for a period of 3 years. After expiry of 3 years, the agreement shall be renewable for a period of 1 year and thereafter continue to be effective for successive 1 year renewal terms unless terminated in accordance with the terms of the agreement.
  - (iv) The Distributor shall have the right to appoint sub-distributors and/or agents in the Territory for the sale of the Products and any agreement entered shall be subject to the agreement.

**13. OTHER GENERAL INFORMATION (Cont'd)**

- (d) Contract Manufacturing Agreement dated 21 January 2003 between Lotus Distributors Pty Ltd ("**Buyer**") and HCM ("**Seller**"), the salient terms of which are:-
- (i) The Seller agrees to manufacture and sell Products (as defined in the agreement) and the Buyer agrees to buy the Products.
  - (ii) The Seller has, *inter alia*, the following obligations in respect of the Products:-
    - to manufacture, test, inspect, label, package and ship the Products to the Buyer and to use current good manufacturing practices applicable to the Products to manufacture the Products. Any modifications to the manufacturing protocols must be approved in writing by the Buyer and the Seller shall inform the Buyer immediately regarding any discrepancies arising or related to the manufacture of the Products;
    - to ensure that all Products sold by it are packaged in accordance with the specifications provided by the Buyer such that the Products shall be in good and merchantable condition at the time of delivery to the Buyer and continues to be in good and merchantable condition for a period of 365 days following delivery of the Products to the Buyer, otherwise the Seller shall be liable, without limitation, for all of the Buyers' costs for material, equipment and labour to replace or repair the Products;
    - to ensure shipments are made in accordance with the mutually agreed terms and conditions set forth in the purchase order and to ensure the Products are shipped to destination set forth in the purchase order;
    - to ensure that all Products in each purchase order are shipped within 7 days before the required delivery date stipulated in the purchase order; and
    - to inform the Buyer within 7 days upon receipt of the purchase order if the required delivery date could not be met.
  - (iii) The Seller shall not sell any Products to any third party which operates in the same territory the Buyer is operating in. The Seller shall not sell any of the products to any third party anywhere else without the consent of the buyer so long as the Buyer purchases not less than Australian Dollar 100,000 during each contracting year.
  - (iv) The agreement commences on 21 January 2003 and thereafter shall continue in effect for a period of 3 years. After expiry of 3 years, the agreement shall continue to be in effect for successive 1 year renewal terms unless terminated by a written notice given not later than 6 months prior to the expiration of the term. Notwithstanding this, either party may terminate the agreement at any time by giving 6 months written notice of the termination to the other party.
- (e) Contract Manufacturing Agreement dated 28 June 2003 between Life Chiropractic Centre ("**Buyer**") and HCM ("**Seller**"), the salient terms of which are:-
- (i) The Seller agrees to manufacture and sell Products (as defined in the agreement) and the Buyer agrees to buy the Products.

**13. OTHER GENERAL INFORMATION (Cont'd)**

- (ii) The Seller has, *inter alia*, the following obligations in respect of the Products:-
- to manufacture, test, inspect, label, package and ship the Products to the Buyer and to use current good manufacturing practices applicable to the Products to manufacture the Products. Any modifications to the manufacturing protocols must be approved in writing by the Buyer and the Seller shall inform the Buyer immediately regarding any discrepancies arising or related to the manufacture of the Products;
  - to ensure that all Products sold by it are packaged in accordance with the specifications provided by the Buyer such that the Products shall be in good and merchantable condition at the time of delivery to the Buyer and continues to be in good and merchantable condition for a period of 365 days following delivery of the Products to the Buyer, otherwise the Seller shall be liable, without limitation, for all of the Buyers' costs for material, equipment and labour to replace or repair the Products;
  - to ensure shipments are made in accordance with the mutually agreed terms and conditions set forth in the purchase order and to ensure the Products are shipped to destination set forth in the purchase order;
  - to ensure that all Products in each purchase order are shipped within 7 days before the required delivery date stipulated in the purchase order; and
  - to inform the Buyer within 7 days upon receipt of the purchase order if the required delivery date could not be met.
- (iii) The Seller shall not sell any Products to any third party which operates in the same territories the Buyer is operating in. The Seller shall not sell any of the Products to any person or entity anywhere else without the consent of the Buyer.
- (iv) The agreement commences on 28 June 2003 and thereafter shall continue in effect for a period of 3 years. After expiry of 3 years, the agreement shall continue to be in effect for successive 1 year renewal term unless terminated by a written notice given not later than 6 months prior to the expiration of the term. Notwithstanding this, either party may terminate the agreement at any time by giving 6 months written notice of the termination to the other party.
- (f) Insurance policies – the Group has purchased the following insurance policies:-
- (i) Various insurance policies from Hong Leong Assurance Berhad maintained by HCM are as follows:-
- Machinery and equipment insurance for certain machinery including:-
    - 1 unit of soap-wrapping machine – the sum insured is RM685,000
    - 1 unit each of mixing/refining/extruding unit cutter (type MIXPLO-1000), soap press, die-set, chiller and a set of rework system – the sum insured is RM950,687

**13. OTHER GENERAL INFORMATION (Cont'd)**

- laboratory equipment, office equipment and computer equipment – the sum insured is RM500,000
  - 1 unit of wet tissue packing machine – the sum insured is RM639,300
  - 1 unit of horizontal cartooning machine and 1 unit of Delfin machine – the sum insured is RM462,000
  - 1 unit of Sinco high speed blow moulding extruder machine and 1 unit of Kawaguchi plastic injection moulding machine – the sum insured is RM771,000
  - 1 unit of tissue folding and wetting machine – the sum insured is RM704,944
- fire insurance including:-
    - for various specified machinery and equipment located at Plot 22, Lorong Perusahaan Maju 2, Prai Industrial Estate Phase 4, 13600 Prai, Pulau Pinang ("Plot 22") – the sum insured is RM2,636,508
    - for building outbuilding, fencing, electrical and mechanical installation, extensions and improvements at Plot 22 – the sum insured is RM3,900,000
    - for stock in trade, finished and semi-finished products, work-in-progress and raw materials, plant, machinery, equipment, tools, steel tanks, air condition, electrical installation, renovation, fire fighting installation, furniture, fixtures, fittings of every description at Plot 22 – the sum insured is RM5,100,000
    - various machinery, equipments and utensils located at No. 10, Tingkat Perusahaan 3A, 13600 Perai, Pulau Pinang – the sum insured is RM2,415,900
  - fire consequential loss insurance for Plot 22 – the sum insured is RM4,510,000
  - 2 worldwide product liability insurances – for each policy, the sum insured is RM5,000,000 (for any one occurrence and in the aggregate, inclusive of defence costs and expenses)
  - group personal accident policy for 70 employees of HCM – the coverage includes the following:-
    - death and permanent disablement – the sum insured is RM2,980,000
    - temporary total and partial disablement – the sum insured is RM13,275
    - medical fees and expenses – the sum insured is RM107,000
  - group hospitalisation and surgical for 65 employees of HCM

**13. OTHER GENERAL INFORMATION (Cont'd)**

- (ii) Various insurance policies from Hong Leong Assurance Berhad maintained by HCT are as follows:-
- fire insurance for stock in trade consisting of toiletry products, shampoo, general merchandise, finished plastic goods and other related to HCT's trade at 25 & 27 Lorong Perusahaan Ringan Juru 1, Taman Perusahaan Ringan, Juru Bukit Tengah, Simpang Ampat Bukit Mertajam, 14100 Pulau Pinang - the sum insured is RM800,000
  - fire insurance for stock in trade consisting of raw materials, semi-finished and finished products at 33 & 35 Lorong Perusahaan Ringan, Juru Bukit Mertajam, Simpang Ampat, 14100 Pulau Pinang - the sum insured is RM400,000.
  - group personal accident policy for 10 employees of HCT – the coverage includes the following:-
    - death and permanent disability – the sum insured is RM1,100,000
    - temporary total disability – the sum insured is RM1,100 (weekly rate and not exceeding 104 weeks)
    - temporary partial disability – the sum insured is RM550 (weekly rate and not exceeding 104 weeks)
    - medical fees and expenses – the sum insured is RM1,200
  - personal accident policy for the life of Liang Hooi Peng – the sum insured is RM750,000
- (iii) insurance policy from Hong Leong Assurance Berhad maintained by CG is as follows:-
- worldwide product liability insurance - the sum insured is RM3,800,000 (for any one occurrence and in the aggregate for the period of insurance).
- (g) Hire-purchase agreements – the Group has entered into the following agreements:-
- (i) Hire-Purchase Agreement dated 30 July 2002 between Orix Credit Malaysia Sdn Bhd and HCM, the hire-purchase facility is to finance the purchase of 1 unit of soap-wrapping machine for an amount of RM722,040 commencing from 30 August 2002 and expiring on 30 January 2005. The interest of 0.065% per annum calculated on a daily basis is chargeable for any late payment.
  - (ii) Hire-Purchase Agreement dated 21 July 2003 between Sogelease Advance (M) Sdn Bhd and HCM, the hire-purchase facility is to finance the purchase of 1 unit of wet tissue packing machine for an amount of RM687,436.20 commencing from 21 August 2003 and expiring on 20 June 2006. The interest of 0.065% per annum calculated on a daily basis is chargeable for any late payment.

**13. OTHER GENERAL INFORMATION (Cont'd)**

- (iii) Hire Purchase Agreement dated 27 January 2004 between Pac Lease Sdn Bhd and HCM, the hire purchase facility is to finance the purchase of 1 unit new tissue folding and wetting machine a transfer conveyor for an amount of RM581,256 commencing from 27 February 2004 and expiring on 27 February 2007. The interest of 2% per month calculated on a daily basis is chargeable for any late payment.
- (h) Banking arrangements – the Group has entered into the following banking arrangements:-
- (i) United Overseas Bank (Malaysia) Berhad (“UOB”) has granted various banking facilities to HCM up to an aggregate amount of RM2,800,000. The facilities granted comprise of Overdraft (“OD”), Letter of Credit (“LC”), Trust Receipt / Term Bill (“TR”), Bankers Acceptance (“BA”), performance guarantee/ financial guarantee, shipping guarantee, Bills of Exchange Purchased (“BEP”), Foreign Exchange Contracts-Forward and Foreign Exchange Contracts-Spot (“FEC”).

The security granted to UOB for the purpose of securing the above facilities are as follows:-

- A third party third legal charge granted by ABT Sdn Bhd over 1 unit of single-storey factory building at No. 10, Tingkat Perusahaan 3A, Prai Industrial Estate, 13600 Prai held under HS(D) 1668, Lot No 60, PTBM/A/1120, Mukim 1, Seberang Prai Tengah Pulau Pinang;
- A third party second legal charge granted by Heah Chew Teng over a double-storey semi-detached house at No. 27, Lintang Kalui, Seberang Jaya, 13700 Prai held under HS(D) 1693, PTBM/A/1165, Mukim 1, Seberang Prai Tengah, Pulau Pinang;
- A charge on Fixed Deposit for which a Guarantee cum Letter of Set-Off was executed by Tay Ai Tee;
- A joint and several Guarantee executed by Heah Chew Teng and Lean Choo Boo; and
- A charge by HCM on Fixed Deposit of not less than RM430,481.33 for which a Memorandum of Legal Charge over Deposits and a Letter of Set-Off were executed.

- (ii) Hong Leong Bank Berhad (“HLBB”) has granted various banking facilities to HCM up to an aggregate amount of RM12,176,000. The facilities granted comprise of term loan, OD, LC, TR, BA, Bank Guarantee, BEP and FEC.

The security granted to HLBB for the purpose of securing the above facilities are as follows:-

- A first party 1<sup>st</sup> to 9<sup>th</sup> legal charge granted by HCM over 1 unit of 1½-storey terrace factory building at Lot No PD0041, Sungai Buluh Industrial Park, Phase 1A held under HS(M) 7484, PT No 19910, BT 16, Jalan Subang Sungai Buloh, Selangor;

**13. OTHER GENERAL INFORMATION (Cont'd)**

- A third party 1<sup>st</sup> to 8<sup>th</sup> legal charge granted by Heah Chew Teng over a double-storey intermediate shophouse at No. 29, Tingkat Kerjasama Enam, 14000 Bukit Mertajam held under HS(M) 66, PT No 59, Mukim 6, Daerah Seberang Perai Tengah, Pulau Pinang;
- A first party 1<sup>st</sup> to 5<sup>th</sup> legal charge granted by HCM over land and factory building at Plot 22, Lorong Perusahaan Maju 2, Bukit Tengah Industrial Park, Phase 4, Penang held under HS(D) 563, PT No 457, Mukim 6, Daerah Seberang Prai Tengah, Pulau Pinang;
- A 1<sup>st</sup> to 4<sup>th</sup> debenture granted by HCM over all its assets, both present and future;
- A joint and several Guarantee executed by Heah Chew Teng and Lean Choo Boo.

- (iii) Bumiputera Commerce Bank Berhad ("**BCB**") has granted a term loan (non-revolving) facility to HCM up to an amount of RM1,600,000.

The security granted to BCB for the purpose of securing the above facility includes a debenture granted by HCM over some of HCM's machineries, a waiver letter from HLBB in respect of the above debenture and a joint and several guarantee by Heah Chew Teng and Lean Choo Boo.

- (iv) EON Bank Berhad ("**EON**") has granted various banking facilities to HCM up to an aggregate amount of RM3,000,000. The facilities granted comprise of LC, TR, BA, Bank Guarantee, BEP and FEC.

The security granted to EON for the purpose of securing the above facilities includes a joint and several guarantee by Heah Chew Teng and Lean Choo Boo and a letter of undertaking and negative pledge executed by HCM, whereby HCM undertakes not to charge its assets both present and future to any financial institutions without prior written consent of EON except for the above existing debentures created in favour of HLBB and UOB.

- (v) AmBank Berhad ("**AmBank**") has granted various banking facilities to HCM up to an aggregate amount of RM2,150,000. The facilities granted comprising of OD, LC, TR, BA, shipping guarantee and FEC.

The security granted to AmBank for the purpose of securing the above facilities are as follows:-

- a charge by HCM on Fixed Deposit of RM508,016 for which a Memorandum of Charge and a Letter of Set-Off were executed; and
- A Joint and Several Guarantee executed by Heah Chew Teng and Lean Choo Boo.



**13. OTHER GENERAL INFORMATION (Cont'd)**

- (vi) HSBC Bank Malaysia Berhad ("HSBC") has granted various banking facilities to HCM up to an aggregate amount of RM3,800,000. The facilities granted comprise of OD, Foreign Exchange Contract Limit and Import Line (which includes Loan Against Import, Bankers Acceptance against Import, Deferred Payment Credit, Deferred Payment Bill, Foreign Currency Loan Against Import, HSBC Amanah Accepted Bills-i and Clean Import Loans).

The security granted to HSBC for the purpose of securing the above facilities are as follows:-

- Limited Guarantee by Individuals or Partners for RM3,000,000 executed by Heah Chew Teng and Lean Choo Boo (for conventional and islamic facilities);
- Trade Financing General Agreement; and
- Letter of Negative Pledge.

**13.6 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 of the Company or its subsidiaries.

**13.7 Public Take-overs**

During the last financial year and the current financial year to date, there were no:-

- (a) public take-over offers by third parties in respect of the Company's Shares; and
- (b) public take-over offers by the Company in respect of other companies' shares.

**13.8 Consents**

- (a) The written consent of the Adviser, Managing Underwriter, Underwriter and Placement Agent, Underwriters, Company Secretary, Principal Bankers, Solicitors, Registrars and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (b) The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and letters relating to the Consolidated Profit Forecast and the Proforma Consolidated Balance Sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (c) The written consent of the Independent Business and Market Research Consultants to the inclusion in this Prospectus of their names and reports in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and have not subsequently been withdrawn.

**13. OTHER GENERAL INFORMATION (Cont'd)****13.9 Documents for Inspection**

Copies of the following documents may be inspected at the registered office of the Company during normal business hours for a period of twelve (12) months from the date of this Prospectus:-

- (a) The Memorandum and Articles of Association of the Company;
- (b) The material contracts and material agreements referred to in Sections 13.4 and 13.5 of this Prospectus respectively;
- (c) The Directors' Report and Accountants' Report as included herein;
- (d) The Reporting Accountants' letters relating to the Consolidated Profit Forecast for financial year ending 31 December 2004 and Proforma Consolidated Balance Sheets as at 31 December 2003 as included herein;
- (e) Independent market research report on Hi-City prepared by Vital Factor Consulting Sdn Bhd;
- (f) The audited financial statements of Hi-City and its subsidiaries as follows:-
  - (i) Hi-City for the financial period from 17 June 2003 (date of incorporation) to 31 December 2003;
  - (ii) HCM for the financial years ended 31 December 1999 to 2003;
  - (iii) HCT for the financial year ended 31 August 1999, the 15 months financial period ended 31 December 2000 and the financial years ended 31 December 2001 to 2003;
  - (iv) ZP for the financial years ended 31 December 2001 to 2003;
  - (v) CG for the financial years ended 31 December 2002 to 2003; and
  - (vi) PTPSPC for the financial period from 23 November 2002 (date of incorporation) to 31 December 2003.
- (g) The letters of consent referred to in Section 13.7 of this Prospectus.

**13.10 Responsibility**

- (a) This Prospectus has been seen and approved by the Directors, Promoters and Offerors of Hi-City 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.
- (b) AmMerchant Bank, as 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.