

## 2. PARTICULARS OF THE IPO

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This Prospectus is dated 30 June 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form, has also been lodged with the ROC who takes no responsibility for its contents.

**The approval of the SC obtained vide its letter dated 25 March 2004 shall not be taken to indicate that the SC recommends the IPO and that investors should rely on their own evaluation to assess the merits and risks of the IPO.**

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the Bursa Malaysia has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the IPO Shares issued/offered through this Prospectus will be deposited directly with the Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Depository.

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

Acceptance of Applications for the IPO Shares will be conditional upon permission being granted by the Bursa Malaysia to deal in and for the quotation of the entire enlarged issued and fully paid-up share capital on the Second Board of the Bursa Malaysia. Accordingly, monies paid in respect of any Application accepted from the IPO will be returned if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC).

Pursuant to the Listing Requirements, an applicant must have at least 25% of the total number of Shares for which listing is sought in the hands of a minimum of one thousand (1,000) public shareholders holding not less than one hundred (100) Shares each at the point of listing. In the event that the above requirement is not met pursuant to the IPO, the Company may not be allowed to proceed with its listing on the Second Board of the Bursa Malaysia. In the event thereof, monies paid in respect of all Applications will be returned without interest if the said permission is not granted.

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

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

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

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

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

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

**2.1 Share Capital**

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

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 will rank pari passu in all respects with the other existing issued 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.

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

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

**2. PARTICULARS OF THE IPO (Cont'd)****2.2 Opening and Closing of Application**

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.

**2.3 Critical Dates of the IPO**

Events	Tentative Date
Opening date of the IPO	30 June 2004
Closing date of the IPO	7 July 2004
Tentative balloting date	9 July 2004
Tentative Listing date	19 July 2004

The timetable is tentative and is subject to change, which may be necessary to facilitate implementation procedures. 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 application 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.

**2.4 Basis of Arriving at the IPO Price**

The IPO Price of RM0.70 per Share was determined and agreed upon by the Company, the Offerors and AmMerchant Bank as Adviser and Managing Underwriter based on various factors including the following:-

- (a) The Group's financial operating history and conditions, and financial position as outlined in Sections 1.1 and 1.3 of this Prospectus;
- (b) The prospects of the industry in which the Group operates as outlined in this Prospectus;
- (c) The forecast net PE Multiple of 9.93 times based on the forecast net EPS of 7.05 sen based on the enlarged issued and paid-up share capital of 80,000,000 Shares in Hi-City;
- (d) The proforma consolidated NTA of Hi-City as at 31 December 2003 of RM0.54 per Share based on the enlarged issued and paid-up share capital of 80,000,000 Shares in Hi-City (after taking into consideration the Acquisitions, Rights Issue, Public Issue and utilisation of proceeds); and
- (e) The forecast tax-exempt dividend yield of 2.14% based on the enlarged issued and paid-up share capital of 80,000,000 Shares in Hi-City for the financial year ending 31 December 2004.

The Directors, Promoters and Offerors of the Company and AmMerchant Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

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

### 2.5 Details of the IPO

#### 2.5.1 Public Issue

The Public Issue of 18,000,000 new Shares at an issue price of RM0.70 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

**(a) Malaysian Public**

6,000,000 Public Issue Shares representing 7.50% of the enlarged issued and paid-up share capital will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

**(b) Private Placement**

5,100,000 Public Issue Shares representing approximately 6.38% of the enlarged issued and paid-up share capital are reserved by way of Private Placement to selected investors (who are deemed public).

**(c) Eligible Directors, Employees and Business Associates of the Group**

1,100,000 Public Issue Shares representing approximately 1.38% of the enlarged issued and paid-up share capital will be reserved for the eligible Directors, employees and business associates (which include the suppliers, sales agents and customers) of the Group.

Further details of Pink Form Shares allocation are set out in Section 2.5.1 (e) of this Prospectus.

**(d) Bumiputera Investors**

5,800,000 Public Issue Shares representing 7.25% of the enlarged issued and paid-up share capital will be reserved for Bumiputera investors approved by MITI.

**(e) Pink Form Shares Allocation**

The Shares have been allocated to four (4) eligible Directors and ninety-five (95) eligible employees of the Group based on the following criteria as approved by the Board:-

- (i) At least eighteen (18) years old;
- (ii) Job position;
- (iii) Length of service; and
- (iv) Confirmed employees.

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

Details of Pink Form Shares allocation to the eligible Directors, employees and business associates are as follows:-

**Directors**

Name of Directors	Designation	Pink Form Shares Allocations
Liang Hooi Peng	Executive Director	50,000
Bu Kim Ou	Executive Director	50,000
Seah Chek Huat	Independent Non-Executive Director	50,000
Chiew Kin Loong	Independent Non-Executive Director	50,000
<b>Total</b>		<b>200,000</b>

**Employees and Business Associates**

Category	Number	Average No. of Shares to be Allocated to Each Person	Pink Form Shares Allocations
Senior managerial and professional	7	16,571	116,000
Managerial and professional	13	7,462	97,000
Technical and supervisory	18	3,944	71,000
Clerical and related occupations plus sales personnel	10	1,600	16,000
Factory and general workers	47	2,021	95,000
<b>Total eligible employees</b>	<b>95</b>	<b>-</b>	<b>395,000</b>
Business associates	50	10,100	505,000
<b>Total</b>	<b>145</b>	<b>-</b>	<b>900,000</b>

The above Pink Form Shares allocation is subject to the eligible Directors, employees and business associates subscribing to their respective allocations.

**2.5.2 Offer For Sale**

The Offer For Sale of 18,200,000 Shares at an offer price of RM0.70 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted to Bumiputera investors approved by MITI.

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**2. PARTICULARS OF THE IPO (Cont'd)****2.5.3 Summary**

In summary, the IPO Shares will be allocated and allotted in the following manner:-

	<b>Public Issue Shares</b>	<b>Offer Shares</b>	<b>Total IPO Shares</b>
Malaysian public	6,000,000	-	6,000,000
Eligible Directors, employees and business associates of the Group	1,100,000	-	1,100,000
Places via Private Placement	5,100,000	-	5,100,000
Bumiputera investors	5,800,000	18,200,000	24,000,000
<b>Total</b>	<b>18,000,000</b>	<b>18,200,000</b>	<b>36,200,000</b>

All the IPO Shares available for application by the Malaysian Public and the eligible Directors, employees and business associates of the Group have been fully underwritten. The IPO Shares available for application by identified places and Bumiputera investors are not underwritten. The Placement Agent has received irrevocable undertakings from the identified places to take up the IPO Shares available for application under the Private Placement.

In the event of an under-subscription of the IPO Shares by the Malaysian Public, the unsubscribed IPO Shares will be made available to identified places.

Any IPO Share which are not taken up by the eligible Directors, employees and business associates of the Group will be made available for application by the Malaysian Public and/or identified places via Private Placement.

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

**2.6 Purposes of the IPO**

The purposes of the IPO are as follows:-

- (a) To provide the opportunity for the eligible Directors, employees and business associates of the Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group;
- (b) To comply with the National Development Policy requirements in respect of Bumiputera equity participation in the Group;
- (c) To enable the Group to gain recognition and certain stature through its listing status and to further enhance its corporate reputation and to assist the Group in expanding its customer base;
- (d) To provide additional funds to meet the present and future working capital requirements of the Group;
- (e) To enable the Group to gain access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the Group; and
- (f) To facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of the Bursa Malaysia.

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**2. PARTICULARS OF THE IPO (Cont'd)****2.7 Utilisation of Proceeds**

The Rights Issue and the Public Issue are expected to raise gross proceeds of approximately RM3.13 million and RM12.60 million respectively which shall accrue to the Company.

The Group intends to utilise the proceeds raised in the following manner:-

		<b>Timeframe for Utilisation from the Date of Listing</b>	<b>Amount (RM'000)</b>
(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
<b>Total proceeds</b>			<b>15,725</b>

The Company will bear all expenses and fees incidental to 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 which include underwriting commission, placement fees, brokerage, professional fees, authorities fees, advertising and other fees, the aggregate of which is estimated to be RM1.40 million.

The Offer For Sale will raise gross proceeds of RM12.74 million. This amount shall accrue entirely to the Offerors and no part of the proceeds is receivable by the Company. The Offerors shall bear all expenses such as brokerage, stamp duty, registration and share transfer fees relating to the Offer Shares estimated to be RM0.13 million.

**(a) Repayment of Bank Borrowings**

Approximately RM5.53 million of the proceeds from the Rights Issue and Public Issue will be utilised to retire the bank borrowings.

As at 31 May 2004 (being the latest practicable date prior to the printing of this Prospectus), the total facilities of the Group amounted to approximately RM27.83 million, out of which, facilities utilised and outstanding were approximately RM22.78 million and RM16.56 million respectively. Such borrowings have been utilised to finance, inter alia, the working capital requirements of the Group.

The repayment of such borrowings will reduce the Group's gearing level from approximately 37.2% to 24.4% (based on the total Group's borrowings and shareholders' fund based on the proforma consolidated balance sheet as at 31 December 2003 as disclosed in Section 1.4 of this Prospectus). At the prevailing average interest rate of approximately 8.0% per annum, Hi-City Group would be able to save interest cost approximately RM442,000 per annum.



**2. PARTICULARS OF THE IPO (Cont'd)****(b) Expansion of Factory Building**

The Group intends to use approximately RM1.60 million to expand its present factory manufacturing area to accommodate the expansions of the Group's production capacities. The expansions of the manufacturing area are to accommodate the expected investment in the new production lines.

**(c) Investment in New Production Line**

The Group intends to invest approximately RM3.0 million for the purchase of new machineries to manufacture health care products, i.e. cleansing wipes, nutritious supplement and substitutes. The investment of machineries is part of the expansion plan of the Group in the health care industry.

The Group foresees that with the full capacity of the machineries invested as disclosed in Section 4.7(b) of this Prospectus, the Group will be able to generate an initial turnover of approximately RM20.0 million per annum. Consequently, the Group gross profit margin will be increased accordingly as the cost of manufacturing in-house is cheaper than out sourcing.

**(d) Working Capital**

Of the total proceeds, approximately RM4.20 million will be used as general working capital of the Group including the payment of creditors, salaries, purchase of raw materials/stock and operating expenses.

**(e) Estimated Listing Expenses**

The estimated listing expenses for the listing of and quotation for the entire enlarged issued and paid-up share capital of 80,000,000 Shares in Hi-City on the Second Board of the Bursa Malaysia are as follows:-

<b>Estimated Listing Expenses</b>	<b>Amount (RM)</b>
Fees to authorities	72,000
Professional fees #	650,000
Underwriting, placement fees, brokerage fees, printing, advertising and other miscellaneous expenses @	678,000
<b>Total</b>	<b>1,400,000</b>

Notes:-

# Include fees for the Adviser, Reporting Accountants, Solicitors, Independent Business and Market Research Consultants and other professional advisers.

@ Any unutilised amount shall be used for working capital purposes of the Group.

Any variation in the actual listing expenses from the estimated amount will be adjusted via the working capital of Hi-City Group.

**2. PARTICULARS OF THE IPO (Cont'd)****2.8 Financial Impact from Utilisation of Proceeds**

The utilisation of the Rights Issue and Public Issue proceeds by the Group is expected to have the following financial impact on the Group:-

- (a) The repayment of borrowings will reduce the Group's gearing level from approximately 37.2% to 24.4% (based on the total Group's borrowings and shareholders' fund based on the proforma consolidated balance sheet as at 31 December 2003 as disclosed in Section 1.4 of this Prospectus). At the prevailing average interest rate of approximately 8.0% per annum, Hi-City would be able to save interest cost approximately RM442,000 per annum.
- (b) Based on the assumption that the Hi-City Group will obtain bank borrowings of approximately RM8.80 million to finance the items (b) to (d) set out above in Section 2.7 of this Prospectus, the financial impact of the utilisation of approximately RM8.80 million proceeds to repay the said RM8.80 million bank borrowings will result in an estimated interest savings of approximately RM0.70 million per annum for the Hi-City Group based on an average interest rate of approximately 8.0% per annum.

**2.9 Underwriting Commission and Brokerage**

The Underwriters as mentioned in Corporate Directory Section of this Prospectus, have agreed to underwrite the 7,100,000 IPO Shares to be issued/offered to the Malaysian public and the eligible Directors, employees and business associates of the Group. Underwriting commission is payable by the Company in respect of the Public Issue Shares and by the Offerors in respect of the Offer Shares at the rate of 1.50% of the total 7,100,000 Shares to be underwritten at the IPO Price to the respective Underwriters.

Brokerage is payable by the Company in respect of the Public Issue Shares and by the Offerors in respect of the Offer Shares made available for application by the Malaysian public at the rate of 1.0% of the IPO Price of RM0.70 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the Bursa Malaysia, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

**2.10 Salient Terms of the Underwriting Agreement**

Note : Unless stated, all capitalised terms shall bear the same meanings as prescribed in the Underwriting Agreement.

The following are some of the provisions of the Underwriting Agreement:-

**Clause 3.1**

The parties herein agree that this Agreement is conditional upon:

- (a) there not having been in the opinion to the Underwriters (which opinion is final and binding), on or prior to the Closing Date, any material adverse change in the condition (financial or otherwise) of the Group from that set forth in the Prospectus which is material in the context of the Public Issue, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations or warranties contained hereof as though they had been given or made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 4;

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

- (b) the approvals and consents obtained in relation to the Public Issue as at the date of this Agreement not being withdrawn, revoked, suspended or terminated on or prior to the Closing Date;
- (c) as at the Closing Date, the Underwriters being reasonably satisfied that the Company can meet the public shareholding spread requirements under the Listing Requirements of Bursa Malaysia;
- (d) the Closing Date being not more than Ninety (90) days from the date of this Agreement, or any extended date(s) as may be agreed to by the Underwriters;
- (e) the delivery to the Underwriters prior to the date of the registration of the Prospectus with the SC of:-
  - (i) a copy, certified as a true copy by an authorised officer of the Company, of all the resolutions of the Directors of the Company approving this Agreement, the Prospectus, and authorising the execution of this Agreement, and the issuance of the Prospectus; and
  - (ii) a copy, certified as a true copy by an authorised officer of the Company, of the resolution of the shareholders of the Company approving the Public Issue;
- (f) the delivery of the Underwriters on the Closing Date of such reports and confirmations dated the Closing Date from the Directors as the Underwriters may reasonably require to ascertain that to the best of their knowledge and belief, having made all reasonable enquiries, there is no material change of condition or circumstances subsequent to the date of this Agreement that would or may have an adverse effect on the performance or financial position of the Group;
- (g) the Underwriters having been satisfied that adequate arrangements have been made by the Company to ensure payments of the expenses referred to in Clause 7;
- (h) the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, execution or regulatory body or authority in Malaysia;
- (i) the Underwriters having been satisfied that the Company has complied, and that the Public Issue is in compliance with, the policies, guidelines and requirements of Bursa Malaysia and/or SC and all revisions, amendments and/or supplements thereto;
- (j) the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the SC Act in relation to the Public Issue and the lodgement of the Prospectus with Companies Commission of Malaysia on or before their release under the Public Issue;
- (k) Bursa Malaysia and the SC (as the case may be) having approved the Prospectus and agreed in principle, on or prior to the Closing Date, to the listing of and quotation of the issued and paid-up share capital of the Company on the Second Board of Bursa Malaysia and if such approval shall be conditional, all conditions thereto being in terms acceptable to the Underwriters and the Underwriters being reasonable satisfied that such approval shall not be withdrawn and the listing and quotation shall be granted two (2) clear Market Days after the Public Issue Shares have been issued and despatched to entitled holders; and
- (l) this Agreement having been duly executed by all parties and stamped.

**2. PARTICULARS OF THE IPO (Cont'd)**Clause 3.2

If any of the conditions set forth in Clause 3.1 are not satisfied on or before the Closing Date and/or if there is any breach by the Company of any of the representations and warranties contained in Clause 4, any party to this Agreement shall, subject as mentioned below, be entitled to terminate this Agreement by giving notice to the other parties not later than the Closing Date and in that event (except for the liability of the Company for the payment of the expenses as provided in Clause 7 and any rights and liabilities of the Company and/or the Underwriters under Clauses 4 or 5) the parties hereto shall be released and discharged from their respective obligations hereunder provided that any party in whose favour or benefit such condition or provision of this Clause 3 is given or granted may at its discretion waive compliance with such condition or provision of this Clause 3 and any condition or provision so waived shall be deemed to have been satisfied in relation to it.

Clause 4.4

Upon any material misrepresentation or material breach of such warranties contained in this Clause 4 or failure to perform the said undertakings in any material respects contained in this Clause 4 coming to the notice of the Underwriters, the Underwriters shall be entitled (but not bound), without prejudice to any other right or remedy which it may have (including under this Clause 4.4), by notice to the Company following prior consultation with the Company to elect to treat such material misrepresentation or material breach or material failure as releasing and discharging the Underwriters from its obligations hereunder PROVIDED THAT (1) the exercise of the aforesaid rights pursuant to this Clause 4.4, upon or following the occurrence of any such breach shall not prejudice or nullify any right or claims for damages (including the right to payment of the expenses referred to in Clause 7) or any other remedy which the Underwriters may have against the Company for or arising from any such breach; and (2) the non-exercise thereof before the final allotment of the Public Issue Shares shall not prejudice or nullify that Underwriters' rights to terminate this Agreement upon or following the occurrence of any further or other breach thereof.

Clause 7

The Company agrees to bear and pay all costs and expenses of or incidental to the issue and offer of the Underwritten Shares, including, but not limited to, the negotiation, preparation and execution of this Agreement and the stamping thereof and the costs of or in connection with the preparation and printing and/or typing of the Prospectus, any announcement to Bursa Malaysia or the public and other documents relating to any thereof and their stamping and registration so far as necessary and the fees of the auditors to the Company in connection with their report included in the Prospectus, and all costs and expenses in connection with the printing and publishing of advertisements of the Underwritten Shares and all fees and expenses in relation thereto including the cost of crediting the shares from the Public Issue, into the respective Securities Account of successful applicants.

The Company also agrees to pay all fees, costs, expenses and commissions incurred or payable in connection with the listing or maintenance of the listing of the ordinary shares of the Company on the Second Board of Bursa Malaysia as well as the fees of the Company's legal advisers.

All costs and expenses referred to in this Clause 7 shall be payable notwithstanding that the Underwriters are released or discharged pursuant to the terms of this Agreement or that the conditions precedent specified in Clause 3.1 are not satisfied.

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

All payments, whether of the Underwriting Commission, costs, expenses or whatsoever, to the Underwriters by the Company, shall be made without deduction or withholding for or on account of any taxes, duties or other levies. If the Company is required by law to deduct or withhold any such taxes, duties or levies, the Company shall pay such additional amounts as shall be necessary in order that the net amounts received by the Underwriters shall equal the amounts which would have been received by the Underwriters had no such deduction or withholding been required or made.

**Clause 9**

Notwithstanding anything herein contained, if in the reasonable opinion of the Underwriters:-

- (a) there shall have been such a change in law, regulation, directive, policy or ruling in Malaysia would in its reasonable opinion prejudice materially the issue and offering of the Underwritten Shares and the distribution or sale of the Underwritten Shares;
- (b) there shall have been any event or series of events beyond the reasonable control of the Underwriters (including, without limitation, acts of terrorism, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents), as would in its reasonable opinion prejudice materially the issue and offering of the Underwritten Shares and the distribution or sale of the Underwritten Shares;
- (c) there shall have been such a change in national monetary, financial, political or economic conditions or exchange control or currency exchange rates as would in its reasonable opinion prejudice materially the issue and offering of the Underwritten Shares and the distribution or sale of the Underwritten Shares;
- (d) there is any breach by the Company of any of its representations, warranties, undertakings or material obligations under this Agreement which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company;
- (e) there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriters, would have or can reasonable be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or distribution or sale of the Public Issue Shares;
- (f) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or
- (g) the imposition of any moratorium, suspension or material restriction on trading in securities generally in Bursa Malaysia due to exceptional financial circumstance or otherwise,

then, the Managing Underwriter (with the concurrence of the other Underwriters) may terminate this Agreement by giving written notice to the Company before 5.00 p.m. on the Closing Date and thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 7 hereof incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder without prejudice to their rights under this Agreement.

### 3. RISK FACTORS

In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:-

#### 3.1 Business Risks

The Group is subject to certain risk inherent to the manufacturing of Personal Care, Professional Skin Care and Make-up Preparation products industry. These may include entry of new players, shortage in skilled workforce and raw materials, increase in cost of workforce, cost of operations and raw materials, changes in government policies affecting the industries, changes in general economic, business and credit conditions, and introduction of new technologies.

The Group has taken steps to mitigate the risks through continuous effort to maintain good business relationships with its customers and suppliers, efficient cost control, increasing the use of automation to improve the efficiency of its operations and reduce dependency on labour. The Group also embraces new technology to continuously improve its products and services to meet customers' demand and expectations.

However, no assurance can be given that any change to these factors will not have a material adverse effect on the Group's business.

#### 3.2 Financial Risks

As at 31 May 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group's total short-term and long-term bank borrowings amounted to RM16.56 million. All the bank borrowings of the Group are interest bearing. Given that the interest charged on bank borrowings is dependent on interest rates and the total outstanding loans, future fluctuations of the interest rates could affect the Group's profitability. Based on the proforma consolidated balance sheet of Hi-City as at 31 December 2003 after incorporating the listing proposals, the Group's gearing level is approximately 0.24 times.

There can be no assurance that the performance of the Group would remain favourable in the event of adverse changes in the interest rates. However, based on the Group's prudence cash management, the Group is expected to be able to generate sufficient funds in the future to meet the repayment of the bank borrowings.

#### 3.3 New Ventures

The Group plans to venture into health care products and operating of Professional Skin Care centres (including the provision of Professional Skin Care services and retail sales of Professional Skin Care products, and Make-up Preparation products) that are believed to be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate for or finance such new ventures, or to integrate such new ventures with its current business. The Board will carefully evaluate and assess all potential new ventures and where applicable, shareholders' approval may be obtained prior to undertaking any new venture. Nevertheless, there can be no assurance that such ventures, if any, will yield positive returns to the Group.

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

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**3.4 New Products and Services**

The timely development of new or enhanced products and services is a complex and uncertain process. Although the Group believes that it will have the funding to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate technological and market trends, or to successfully manage long development cycles. The Group may also experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of its products and services, as well as new products and services, and enhancements. The Group may also be required to collaborate with third parties to develop products and services and may not be able to do so on a timely and cost-effective basis, if at all.

If the Group is not able to develop new products and services or enhancements to its existing products and services on a timely and cost-effective basis, or if the Group's new products and services or enhancements fail to achieve market acceptance, or if one or more of the Group's competitors introduce products and services that better address customer needs or for any reason gain market share, the Group's business, operating results and financial condition would be adversely affected.

**3.5 Foreign Currency Risk**

The industry is vulnerable to fluctuation in foreign exchange. This applies to the import of raw materials for manufacturing as well as the export of finished products. Consumer demand for consumer-based product is highly dependent on the price. An unfavourable foreign exchange movement against the RM would either reduce consumer demand as prices would need to be increased or operators' profitability would suffer if they decide to absorb the price increases. From the perspective of a contract manufacturer, an unfavourable foreign exchange movement against the RM would impact on the operating cost and profitability of the Group.

The current pegging of the RM to the USD has helped significantly in stabilising the RM against the USD. As most imports are quoted in USD, this has helped significantly in stabilising prices and enabling importers to better plan their business operations.

However, Malaysia's current fixed currency regime may change at any time and may have a direct impact on importers.

**3.6 Dependence on Imports of Raw Materials**

The manufacture of Personal Care Products Industry is dependent on the imports of active ingredients as a raw material. Although Malaysia has its own supply of organic and inorganic chemicals, there is little production of active ingredients through chemical synthesis or extraction and purification of drugs from plants, microbial fermentation and chemical modification of drugs, which are used in the manufacturing of Personal Care products.

Currently, there is one company involved in the manufacturing of active ingredients, hence the capacity of local production of active ingredients is small and the range of products available is limited. Thus, a significant amount of active ingredients is imported to meet demand for the manufacture of Personal Care products. Any shortages in supply of imported raw materials may impact on the performance of the industry.

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

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However, there are ample sources of supply of active ingredients in the world market. From that perspective, any shortages in supply of these types of materials are minimised. In addition, there are no import tariffs on active ingredients, hence manufacturers are able to obtain supply of these raw materials at competitive prices.

(Source: *Assessment of the Personal Care Products Industry, Vital Factor Consulting Sdn Bhd*)

As at to-date, Hi-City Group has not encountered any major problems in sourcing the raw materials from suppliers.

#### 3.7 Dependence on Key Personnel

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and key management. The Group will strive to continue attracting and retaining skilled personnel to support its business operation and has made efforts to train its staff. As a result of this, the Group has enjoyed the support of management staff with long-term service.

The Group is headed by a dedicated management team with relevant knowledge and experience.

The success of the Group's business was achieved through the deliberate and careful planning of the Executive Directors with the support of the Group's key management.

#### 3.8 Insurance Coverage on Assets

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operation. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets on a continuous basis.

For the Group's operations, all assets such as inventory, office equipment and furniture and fitting are sufficiently insured under fire and other insurance policies. The Group also has product recall insurance to cover expenses arising from product recalls and returns.

#### 3.9 Competition from Strong Global Brand Name

Many of the Personal Care products in Malaysia come from very strong global brands among others, include Unilever, Procter and Gamble, Johnson and Johnson, L'Oreal and Colgate-Palmolive. These imported brands have such a strong consumer following that it would be very difficult for local brands to compete against them. In addition, these global brands spend very significantly in promotions and advertising to continually increase their brand equity. Very few local brands would have the financial resources or the desire to spend significantly into building its brands.

(Source: *Assessment of the Personal Care Products Industry, Vital Factor Consulting Sdn Bhd*)

The Group has some advantages over imported brands in its ability to tailor Personal Care products according to the requirements of its customers to better suit the users skin texture and colour, as well as taking into consideration the climatic differences, for example high temperature and humidity. As such, the Group can compete based on product innovation and customising products to local conditions and consumer needs.



**3. RISK FACTORS (Cont'd)****3.10 Competition from Contract Manufacturer**

The Group faces competition from both local and foreign markets for Personal Care, Professional Skin Care, Make-up Preparation and health care products. Locally, there were approximately forty-four (44) manufacturers within the soap, detergent, cosmetics and toilet preparations industry including Personal Care products in Malaysia in 2003. However these are predominantly small and medium sized companies.

Countries such as France and the US are predominant in the field of dermatology and cosmetic R&D. Naturally, these countries are still the major global sources of Personal Care products. However, their focus is on higher priced and higher valued added products.

In 2003, companies that are in the manufacture of Personal Care products are required to be registered with the Drug Control Authority under the Ministry of Health. This requirement has formed some barriers to entry into the industry as factors such as technical knowledge and R&D facilities, and manufacturing plant must comply with Malaysian guidelines on GMP.

(Source: *Business Overview of Hi-City, Vital Factor Consulting Sdn Bhd*)

**3.11 Competition from Lower-Cost Producing Countries**

Lower cost producing countries such as Thailand and China present intense competition, domestically and internationally for manufacturers in Malaysia. This is particularly relevant for contract manufacturers of Personal Care products. These countries operating on abundant and cheaper labour, are able to manufacture and export their Personal Care products at relatively lower prices at comparable quality. Besides, these countries also have the advantage of the availability of local production of certain raw materials including organic surface-active agents, surface-active preparations and washing preparations. As a result, Malaysia may lose its comparative advantage to the lower-cost producing countries.

(Source: *Assessment of the Personal Care Products Industry, Vital Factor Consulting Sdn Bhd*)

However, compared with the lower cost countries namely Thailand and China Personal Care product manufacturers, Hi-City Group will continue to remain competitive in terms of higher quality products and skilled/semi-skilled human resources resulting from the years of development of Personal Care products.

In order to mitigate the above factor, Hi-City Group will be moving up the value-chain, and to deliver innovative products. The Group will also focus on R&D, higher value-added products and the creation of more competitive products, which can cater to both the domestic and international markets.

In addition, the Government has urged manufacturers to move into higher value-added areas, like the creation and development of distinct Malaysian brands. Creating new products will enable Malaysian manufacturers to explore new niche markets and reduce their current dependence on contract manufacturing. It will also help ensure that local manufacturers are at least one step ahead of lower cost countries that compete only on price.

(Source: *Business Overview of Hi-City, Vital Factor Consulting Sdn Bhd*)

**3. RISK FACTORS (Cont'd)****3.12 Dependence on Particular Markets and Customers**

Currently, US is the largest export market, which accounted for approximately 41.7% of total Group revenue for the financial year ended 31 December 2003 mainly contributed by the top two (2) customers who purchased Personal Care products from the Group. There are long term business relationships with the top two (2) customers, both of which constitute fourteen (14) years of business relationship with the Group respectively.

Although there is some dependency on the top two (2) customers, the Group has taken reasonable steps to diversify its type of customers such as selling to direct customers and indirect customers. Direct customers including the hospitality industry, Professional Skin Care centres, brand owners and pharmacy outlets, while indirect customers including distributors who will in turn service the hospitality industry, Professional Skin Care centres and medical centers.

In addition, the Group has diversified its business into health care products such as hand sanitizer and alcohol swaps to ensure a stable stream of revenue. There are large customer base of two hundred and fifty (250) customers, which also provide growth opportunities.

(Source: *Business Overview of Hi-City, Vital Factor Consulting Sdn Bhd*)

**3.13 Economic Conditions and Cycles that are Significant or Peculiar to the Industry**

Hi-City Group's business, prospects and financial conditions, and level of profitability may be affected by the development of the economic, political and regulatory environment in Malaysia. Adverse development in political, economic and regulatory conditions in Malaysia as well as other countries where the Group may operate, source its supplies or market its products could materially and adversely affect the financial and operational conditions as well as the overall profitability of the Group. Political and economic uncertainties include (but not limited to) changes in general economic, business and credit conditions, government legislations and policies affecting manufacturers, inflation, interest rates, fluctuations in foreign exchange rates, political or social development, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and currency exchange controls.

**3.14 Control by Promoters and Substantial Shareholders**

After the IPO, the Promoters and substantial shareholders, as set out in Section 1.2 of this Prospectus will collectively control 53.24% of Hi-City's enlarged issued and paid-up share capital. As a result, these Promoters and substantial shareholders will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

**3.15 Government Control or Regulation Considerations**

The business operations of Hi-City Group are subject to the laws and regulations of the jurisdiction where Hi-City Group is operating including numerous governmental agencies or ministries such as MITI, Malaysia Health Ministry and the US FDA, and Hi-City Group is subject to their respective rulings, directions, policies and guidelines from time to time. However, there is no assurance that future changes to the said laws, regulations, rulings, directions, policies and guidelines within and outside Malaysia will not affect the operation and performance of the Group.

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

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**3.16 Material Litigation/Legal Uncertainties**

To date, the Group has no outstanding product liability claims. It is possible, however, that the limitation of liability provisions contained in the Group's customer agreements may not be effective as a result of existing or future laws or unfavourable judicial decisions.

As at 31 May 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group is not engaged either as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of the Group.

**3.17 Financial Performance**

Pursuant to credit facility agreements entered into by the Group with banks or financiers, it is bound by certain positive and negative covenants which may limit the Group's operating and financial flexibility. The aforesaid covenants are of a nature, which is commonly contained in credit facility agreements in Malaysia. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant bank/ financier. Breach of such covenants may give rise to a right by the bank/ financier to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Board is aware of such covenants and shall take all precautions necessary to prevent any such breach.

**3.18 Achievability of Profit Forecast**

It should be noted that the profit forecast is based on various assumptions with respect to the levels and timing of revenues, cost, interest rates, exchange rates and various other matters of an operational or financial nature, which assumptions are believed by the Directors of the Company to be reasonable. These assumptions are nevertheless subject to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties of forecast and because of the events and circumstances may not occur as expected, no assurance can be given that such assumptions and the resultant forecast results will be realised, and actual results may be materially different from that shown. Potential investors should note carefully the bases and assumptions to the profit forecast as well as the comments by the Reporting Accountants in their letter on the consolidated profit forecast as set out in Sections 9.5 and 9.6 of this Prospectus.

**3.19 Disclosure Regarding Forward-Looking Statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Company and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements express or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded that the plans and objectives of the Group will be achieved.

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

**3.20 Consumer Scare**

Personal Care products are highly sensitive to public opinion. This is because these products are applied to the skin, which is semi-permeable and able to absorb some of the active ingredients of the products. In addition, some of the active ingredients can cause allergic reactions or have adverse impact on sensitive skin and exposed areas like the eyes. As such, any adverse public opinions regarding any product, brand or effects of any active ingredients could have very significant negative impact on the affected operator.

*(Source: Assessment of the Personal Care Products Industry, Vital Factor Consulting Sdn Bhd)*

In year 2001, as a result of contamination, Hi-City Group's mouth rinse had to be recalled in the US. As a result of that, Hi-City Group's mouth rinse was also put on the FDA Import Alert List which is considered as under inspection. After having passed through five consecutive shipments, checking and confirmation that there was no further contamination effect, Hi-City Group was removed from the FDA Import Alert List on 25 April 2001. Save as disclosed above, as at 31 May 2004 (being the latest practicable date prior to the printing of this Prospectus), no other products of Hi-City Group have been recalled.

Hi-City Group will continually ensure that its products are safe and comply with the various local and overseas product standards mainly the requirements of the US FDA, the Drug Control Authority and the guidelines on GMP. In addition to compliance, Hi-City Group will on its own initiatives continually undertake R&D to use safer active ingredients and fillers. This will build consumer confidence in a caring manufacturer which ensures consumer safety. All these will need to be reinforced through public relations and promotions to create awareness of initiatives undertaken by manufacturers and operators.

**3.21 Implementation of AFTA**

The reduction of import duties between 0% and 5% would make imports very competitive against locally manufactured products.

As most of the Personal Care products are already imported free of tax, the impact of the implementation of AFTA would be minimal. Only talcum, face powders and Hair Care products are affected where import tax of 10% and 20% will be reduced to 5% after the implementation of AFTA.

*(Source: Assessment of the Personal Care Products Industry, Vital Factor Consulting Sdn Bhd)*

To the best knowledge of the Directors, Hi-City Group being an existing player in the industry with a good track record and network with its customers, would be able to provide opportunities for the Group to address wider markets and thereby benefit from the implementation of AFTA.

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**3. RISK FACTORS (Cont'd)****3.22 Global and Local Economic Downturn**

As a consumer based product, any slowdown in the global or Malaysian economy would reduce disposable income and consumer confidence. All these have the impact of reducing spending on consumer items including Personal Care products. As Personal Care products are regarded as basic necessities, it is likely that expenditure on such items would still continue, regardless of the economic situation. However, under such a situation, the overall expenditure on Personal Care products will be substantially reduced.

(Source: *Assessment of the Personal Care Products Industry, Vital Factor Consulting Sdn Bhd*)

Hi-City Group, as an established manufacturer with many years of track record in the industry including wide and diverse range of products is expected to be able to survive the impact of the economic slowdown. In addition, as Hi-City Group also exports its products overseas, this will effectively diversify some of its business risk and reduce its dependency on the local economy.

**3.23 High Elasticity of Demand**

The demand for Personal Care products is highly elastic. This is mainly predicated by the competition from local manufacturers and global brand names. As in 2003, there were approximately forty-four (44) companies involved in manufacturing of soap, detergent, cosmetics and toilet preparations (including Personal Care products) in Malaysia and there is a proliferation of Personal Care products in the market. Besides, there is minimal differentiation for certain types of Personal Care products particularly at the lower-end of the market for example soap and shower gel. With the exception of brand names, colour and fragrances, there is little room for product differentiation.

(Source: *Prospects and Future Plans of Hi-City, Vital Factor Consulting Sdn Bhd*)

However, the Group which has its own in-house R&D, will be able to add value to its products, thus justifying premium pricing for its Personal Care products. The Group is in a stronger position to move away from the highly elastic basic Personal Care products to develop innovative products that target the specific needs of consumers.

**3.24 No Prior Market for Hi-City's Shares**

Prior to this IPO, there has been no public market for Hi-City's Shares. There can be no assurance that an active market for Hi-City's Shares will develop and continue to develop upon or subsequent to its listing on the Second Board of the Bursa Malaysia or, if developed, that such a market will be sustained. The IPO Price has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in business similar to that of the Group and the prevailing market conditions. There can be no assurance that the IPO Price will correspond to the price at which Hi-City's Shares will trade on the Second Board of the Bursa Malaysia upon or subsequent to its listing.

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

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**3.25 War and Environmental Concerns**

The effects of the war against Iraq (or post war events) and the outbreak of the Severe Acute Respiratory Syndrome ("SARS") on international trade may have an impact on the global economy, thus affecting local businesses. Although the Iraq war has officially ended, there is uncertainties from its repercussions continue to persist.

Notwithstanding its adverse impact in the travel and tourism-related sectors, health and safety concerns arising from SARS cases has also provided Hi-City Group with opportunities to develop and manufacture a range of health care products such as alcohol wipes and rinse-free anti-microbial products.

Hi-City Group will continue to monitor the situation closely and take active measures to mitigate such business and operational risks. However, there can be no assurance that there will not be any material adverse effect on the future profitability of Hi-City Group arising from the threat of wars and outbreak of epidemics.

**3.26 Product Liability**

Personal Care products are consumer items and their applications in virtually all situations come into contact with some part of the human body, directly or indirectly, including skin, mouth, eyes, hair and scalp. In certain circumstances, it may be possible for users to have allergic or other adverse reactions to the products being used. In extreme cases, it may possibly cause death or permanent impairment. As such, manufacturers of Personal Care products like Hi-City Group may face the possibilities of lawsuits for the use of its products.

To minimise against the occurrence of such situations, Hi-City Group conducts significant on-going R&D and testing on the efficacy and the effects of its products. In addition, Hi-City also sources most of its active ingredients from reputable suppliers that are vigilant in their quality and substantiated through extensive test results.

In mitigation, Hi-City Group is covered by product liability insurances as detailed in paragraph (f) in Section 13.5 of this Prospectus.

However, despite Hi-City Group's best efforts, there can be no guarantee that consumers will not take legal actions against Hi-City Group for adverse effects on the use of its products.

**3.27 Security and System Disruption**

The Hi-City Group did not experience any disruption in business arising from security and system disruption on its factory, which have significant effect on the Group's operations for the past twelve (12) months prior to the date of this Prospectus. The Directors do not foresee that there shall be any disruption to the security and system of Hi-City Group's operations which shall materially affect the Group's outputs. In addition, Hi-City Group has a regular maintenance schedule for its machineries and equipment. Notwithstanding this, there is no assurance that security and system disruption will not materially affect Hi-City Group's business.

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

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**3.28 Technology Used**

Some of the relevant technologies employed by Hi-City Group include bioscience, processing and formulation technology, and clean room and contamination control technology. Some of the risks involved with these and other relevant technologies may include technologies obsolescence, new technologies requiring expensive upgrading and proprietary technologies where Hi-City Group does not have access or may require to pay royalties to use.

In mitigation, many of the technologies used by Hi-City Group are non-proprietary and commonly available within the industries. It is also common within the industry to purchase active ingredients which are proprietary as it is not cost effective for users like Hi-City Group to manufacture them. Additionally, Hi-City Group undertakes its own R&D and as such, many of the technologies required by the business is available in-house.

Nevertheless, despite management's actions in mitigating and minimising risks associated with technologies, there is no assurance that such risks may not have material impact on the business.

**3.29 Failure/Delay in the Listing**

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

- (a) The Bumiputera investors approved by MITI fail to subscribe for the IPO Shares allocated to them;
- (b) The eligible Directors, employees and business associates of the Group fail to subscribe for the IPO Shares allocated to them;
- (c) The underwriters of the IPO fail to honour their obligations under the Underwriting Agreements;
- (d) The placees under the Private Placement fail to subscribe for the IPO Shares allocated to them; and
- (e) Hi-City is unable to meet the public spread requirements, i.e. at least 25% of the enlarged issued and paid-up share capital of Hi-City must be held by a minimum of one thousand (1,000) public shareholders holding no less than one hundred (100) Shares each in Hi-City at the time of Listing.

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