
13. STATUTORY AND GENERAL INFORMATION

13.1 Share Capital

- (i) No shares will be allotted on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) There are no founder, management or deferred shares. There is only one class of shares in the Company namely ordinary shares of RM0.50 each, all of which rank pari passu with one another.
- (iii) Save as disclosed in Sections 6.2 and 6.5 of this Prospectus and the following, no ordinary shares or debentures of the Company or its subsidiaries have been issued or is proposed to be issued as partly or fully paid-up for cash or otherwise than for cash within the two (2) years immediately preceding the date of this Prospectus:
 - (a) PVOB has increased its issued and paid-up share capital from RM39,900,000 and comprising 39,900,000 ordinary shares of RM1.00 each to RM54,862,500 comprising 54,862,500 ordinary shares of RM1.00 each;
 - (b) MSSB has increased its issued paid-up share capital from RM3,853,000 comprising 3,853,000 ordinary shares of RM1.00 each to RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each; and
 - (c) AAO has increased its issued paid-up share capital of IRs630 comprising 63 ordinary shares of IRs10 each to IRs35,000,000 comprising 3,500,000 ordinary shares of IRs10 each. AAO has also issued 196,321 12.5% cumulative redeemable preference shares of IRs100 each amounting to IRs19,632,100 in 2003.
- (iv) Save for the 5,000,000 Offer Shares reserved for the eligible Directors, employees, suppliers, customers and agents of the PREMIUM Group and the Put and Call Option Agreement as disclosed in Sections 4.3(ii) and 7.2.3 of this Prospectus, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of the Company or its subsidiaries. Further, no option for any shares, stocks or debentures of the Company in its subsidiaries has been granted to or exercised by any Director or employees during the last financial year.
- (v) Other than the Offer Shares reserved for the eligible Directors and employees of the PREMIUM Group as disclosed in Section 4.3(ii) of this Prospectus, there is currently no scheme involving the employees in the capital of the Company or its subsidiaries.
- (vi) Save for the 327,062 12.5% cumulative redeemable preference shares of IRs100 each in AAO as disclosed in Section 6.5.4, the Group does not have any outstanding convertible debt securities.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.2 Articles of Association

The following provisions are reproduced from the Articles of Association of the Company that have been approved by KLSE:

13.2.1 Transfer of Securities and Transmission of Securities

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

(i) Articles of Association of the Company**Articles 37 - Transfer of Securities**

Subject to the provisions of the Central Depositories Act, the Rules and these Articles, any member may transfer all or any of his Securities by the form prescribed under the Rules and any other applicable laws. The transfer of any Listed Security or class of Listed Security in the Company shall be by way of book entry by the MCD in accordance with the Rules and notwithstanding Section 103 and Section 104 of the Act but subject to Subsection 107C(2) of the Act and any exemption that may be made from compliance with Subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Listed Security.

(ii) Companies Act, 1965

The provisions within the Act on the transferability of securities are as follows:

Section 103 – Instrument of Transfer

- (1) Notwithstanding anything in its articles a company shall not register a transfer of shares or debentures unless a proper instrument of transfer in the prescribed form has been delivered to the company, but this subsection shall not prejudice any power to register as a shareholder or debenture holder any person to whom the right to any shares in or debentures of the company has been transmitted by operation of law.
- (1A) Nothing in this section shall be construed as affecting the validity of any instrument which would be effective to transfer shares or debentures apart from this section; and any instrument purporting to be made in any form which was common or usual in use, or in any other form authorised or required for that purpose apart from this section before the commencement of this Act, shall be sufficient, whether or not it is completed in accordance with the prescribed form, if it complies with the requirements as to execution and contents which apply to a transfer.

Provided that a company shall be precluded from registering a transfer of shares or debentures, the title of which is evidenced by a certificate that is issued on or after the date of coming into operation of this subsection unless a proper instrument of transfer in the prescribed form has been delivered to the company.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

Section 107C – Transfer of Securities is by way of book entry

- (1) On or after the coming into operation of this section, the transfer of any securities or class of securities of a company whose securities or any class of whose securities have been deposited with a central depository shall be by way of book entry by the central depository in accordance with the rules of the central depository and, notwithstanding Sections 103 and 104, such company shall be precluded from registering and effecting any transfer of securities.
- (2) Subsection (1) shall not apply to a transfer of securities to a central depository or its nominee company.

(iii) Rules of the MCD

The Rules of MCD on the transferability of securities are as follows:

Rule 8.01 (2) – Rejection of transfer

The Central Depository may, in its absolute discretion, reject a transfer request made by a depositor thereunder, where the reason for the said transfer does not fall within any of the approved reasons stipulated under Rule 8.03(1)(c).

Rule 8.05A – Transfer from the principal or nominee account

Transfers made by the authorised depository agent from the agent's principal or nominee account shall be subject to the Rules in this Chapter.

Rule 9.03(2) – Documents to lodge

It shall be the responsibility of the authorised depository agent, in processing the transfer between two securities accounts belonging to different depositors (hereinafter the transfer is referred to as "the inter-account transfer"), to check and ensure the completeness, accuracy and/or genuineness of the documents lodged as follows:-

- (a) the prescribed Form FTF010 (request for ordinary transfer of securities form) or Form FTF015 (request for express transfer of securities form) fully and properly completed in triplicate;
- (b) the Transferring Depositor has executed the Transferor portion on the said form duly witnessed by another person (other than the depositor's spouse);
- (c) the Transferring Depositor has stated his reason for the transfer and that the reason is or are amongst any of the approved reasons as stated herein below:
 - (i) transmission and transfer of securities arising from the provisions of any written law or an order of court of competent jurisdiction;
 - (ii) rectification of errors;

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

Rule 9.03(2) – Documents to lodge (cont'd)

- (iii) pledge, charge or mortgage;
- (iv) mandatory offer pursuant to the provisions of the Malaysian Code On Takeover and Mergers 1987;
- (v) any other circumstances as deemed fit by the Central Depository after consultation with the Securities Commission;
- (d) documents to support the reason for the transfer; and
- (e) such other accompanying documents duly processed in such manner as the Central Depository may from time to time determine in its Procedures Manual.

(iv) Listing Requirements of KLSE

The provisions of the Listing Requirements of KLSE on the transferability of securities are as follows:

Clause 7.13 – Transfers of securities

The transfer of any securities or class of securities of the company, shall be by way of book entry by the Central Depository in accordance with the Rules of the Central Depository and, notwithstanding Sections 103 and 104 of the Companies Act, 1965, but subject to subsection 107C(2) of the Companies Act, 1965 and any exemption that may be made from compliance with subsection 107C(1) of the Companies Act, 1965, the company shall be precluded from registering and effecting any transfer of securities.

Clause 7.14 – Transmission of securities from Foreign Register

- (1) Where:
 - (a) the securities of a company are listed on an Approved Market Place; and
 - (b) such company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act, 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,

such 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.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

Clause 7.14 – Transmission of securities from Foreign Register

- (2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.

13.2.2 Remuneration of Directors

The provisions of the Company's Articles of Association dealing with the remuneration of the Directors are as follows:

Articles 95 - Remuneration

The fees of the Directors shall be such fixed sum 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 fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office Provided Always that:-

- 95.1 fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- 95.2 salaries payable to executive Directors may not include a commission on or percentage of turnover;
- 95.3 fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- 95.4 any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

13.2.3 Voting and Borrowing Powers of Directors

The provisions in the Company's Articles of Association dealing with voting powers of the Directors in relation to proposals, arrangements or contracts in which they are interested in and their borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:

Article 100.1 – Directors' Borrowing Power

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in these Articles shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

Article 114 - Disclosure of interest in contracts, property, offices etc

Every Director shall comply with the provisions of Sections 131 and 135 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.

Article 115 – Directors refrained from voting in interested transactions

A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that other company or as a holder of shares or other Securities in that other company.

Article 116 - Director appointed at a meeting to hold other office to be counted in the quorum

A Director, notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment as hereinafter mentioned are considered or whereat any decision is taken upon any contract or arrangement in which he is in any way interested provided always that he has complied with Section 131 and all other relevant provisions of the Act, the KLSE Listing Requirements and of these Articles.

Article 117- Director may vote on the giving of security or indemnity where he is interested

- 117.1 any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- 117.2 any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security; By ordinary resolution of the Company the provisions of this Article may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Article may be ratified.

13.2.4 Changes in Share Capital and Variation of Class Rights

The provisions in the Articles of Association of the Company as to changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

Article 16 – Alteration of class rights

- 16.1 If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be 2 persons at least holding or represented by proxy one-third or the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. On a poll, the holders of the shares shall have one vote for every share of the class held by them respectively. To every such special resolution, the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply.

Articles 48 – Consolidation sub-division and cancellation of shares

The Company may from time to time by ordinary resolution:-

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association (subject nevertheless to the provisions of the Act) and so that in the subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the shares from which the reduced share is derived. Any resolution whereby any share is sub-divided may determine that, as between the holders of shares resulting from such subdivision, one or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the others or any other of such shares; or
- (c) 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 or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner authorized by the Act and subject to any consent required by law.

13.3 Directors and Substantial Shareholders

- (i) The names, addresses and occupations of the Directors are set out in the Corporate Directory under Section 1 of this Prospectus.
- (ii) A Director is not required to hold any qualification share in the Company unless otherwise so fixed by the Company at general meeting.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.3 Directors and Substantial Shareholders (cont'd)

- (iii) No Director, key management personnel, key technical personnel or senior executive officer of the Group is or has been involved in any of the following events (whether in or outside Malaysia):
- (a) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he is or was a partner or any corporation of which he is or was a director or key personnel;
 - (b) conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
 - (c) the subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or governmental body temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
- (iv) Refer to Section 8.2.1 of this Prospectus for details on the direct and indirect interests of the major shareholders (holding 5% or more of the issued and paid-up share capital) of PREMIUM immediately before and after the Offer for Sale.
- (v) Refer to Section 8.3.1 of this Prospectus for details on the direct and indirect interests of the Directors in the shares of PREMIUM Group immediately before and after the Offer for Sale.
- (vi) Saved as disclosed below, there are no other existing or proposed service contracts between PREMIUM or its subsidiaries, and its Directors or key management:

	Name	Citizenship	Designation	Terms
1	P.N. Agarwal	Indian	Group Managing Director	2 years expiring 31 December 2004
2	Dharshan Ganeson	Malaysian	Deputy Group Managing Director	6 years expiring 31 August 2005

- (vii) The aggregate remuneration and fees paid to the Directors for services rendered in all capacities to the Company and its subsidiaries in the last financial year ended 31 December 2002 were RM707,520. The forecast remuneration and fees payable to the Directors of the Company and its subsidiaries for the financial years ending 31 December 2003 and 2004 amount to RM807,520 and RM802,520 respectively.
- (viii) Refer to Section 9.3 of this Prospectus for details of Directors' and major shareholders' direct and indirect interests in other business involved in similar business/activities as the PREMIUM Group.
- (ix) Save as disclosed in Section 5 of this Prospectus, none of the Directors are aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of PREMIUM Group.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.3 Directors and Substantial Shareholders (cont'd)

- (x) Save as disclosed in Section 9.2 of this Prospectus, none of the Directors have any interest in any contract or arrangement, which is significant in relation to the business of the PREMIUM Group taken as a whole subsisting at the date of this Prospectus.
- (xi) Save as disclosed in Section 9.2 of this Prospectus, none of the Directors or major shareholders have any interest, direct or indirect, in the promotion of or in any assets which have been, within the two (2) preceding years of the date of this Prospectus, acquired or disposed of by or leased to or proposed to be acquired, disposed of by or leased to the Company or its subsidiaries.

13.4 General

- (i) The nature of PREMIUM Group business is described in Section 6.3 of this Prospectus. Other than mentioned in Section 6.5 of this Prospectus, there is no corporation which is deemed to be related to PREMIUM by virtue of Section 6 of the Act.
- (ii)
 - (a) Underwriting fees are payable by Offerors to the Underwriters at the rate of 3.0% of the offer price of RM0.50 per PREMIUM Share on the aggregate 18,208,000 PREMIUM Shares allocated to the existing shareholders of BHB, eligible Directors, employees, suppliers, customers and agents of the PREMIUM Group, and the Malaysian public;
 - (b) Placement fees are payable by the Offerors to the Placement Agent for the placement of 20,000,000 PREMIUM Shares at the rate of 3.0% of the offer price of RM0.50 per PREMIUM Share; and
 - (c) The cost of the Acquisition of PVOB of approximately RM1.0 million and the other listing expenses of approximately RM1.0 million is borne by the Company.
- (iii) Save as disclosed in paragraph (ii) above, no commissions, discounts, or other special terms were granted by the Company within the two (2) years immediately preceding the publication of this Prospectus in connection with the issue or sale of any capital of the Company or its subsidiaries.
- (iv) During the last financial year and the current financial year up to the date of this Prospectus, there were no:
 - (a) public takeover offers by third parties in respect of the Company's shares; and
 - (b) public takeover offers by the Company in respect of other companies' shares.
- (v) The name and address of the Auditors and Reporting Accountants of the Company are set out in Section 1 of this Prospectus.
- (vi) No amount or benefit has been paid or given within the two (2) preceding years of the date hereof, nor is it intended to be so paid or given, to any promoter.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.4 General (cont'd)

- (vii) Save as disclosed in this Prospectus, the financial performance, position and operations of PREMIUM and its subsidiaries are not affected by any of the following:
 - (a) known trends, demands, commitments, events or uncertainties that have had or that the PREMIUM Group reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
 - (b) other material commitments for capital expenditure;
 - (c) unusual or infrequent events or transaction or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and
 - (d) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.
- (viii) Save for India, in which AAO is incorporated, the Company and its subsidiaries have not established a place of business outside Malaysia.
- (ix) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 14 of this Prospectus.
- (x) The date and time of the opening of the Application Lists of the Offer for Sale is set out in Section 14.2.1 of this Prospectus.
- (xi) The amount payable in full on application is RM0.50 per Offer Share.
- (xii) Save as disclosed in Sections 8.1 and 8.2 of this Prospectus, the Directors of PREMIUM are not aware of any persons who are able to directly or indirectly, jointly or severally, exercise control over the Company and its subsidiaries.

PVOB**13.5 Material Litigations**

Saved as disclosed below, neither PREMIUM nor any of its subsidiaries is engaged in any litigation or arbitration either as plaintiff or defendant which has a material effect on the financial position of PREMIUM or its subsidiaries, and the Directors of the Company have no knowledge of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company or its subsidiaries.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.5 Material Litigations (cont'd)

- (a) **Court of Appeal Civil Appeal No. W-02-150-1997
PVOB v Palm Oil Research Institute of Malaysia ("PORIM")**

**High Court of Malaya at Kuala Lumpur Civil Suit No. D5-22-1766-1999
(Court of Appeal Civil Appeal No. 671-2000)
PORIM v PVOB**

PVOB has filed an action against PORIM as 1st Defendant and the Director General of PORIM as second (2nd) Defendant for a declaration that PORIM was not entitled to levy cess for CPKO. PORIM counter claimed against PVOB for the sum of RM225,310 being cess due for the period of 1986 to 1989 and also the payment of cess from 1990 to the date of judgement being April 1997. PORIM also prayed for an order that PVOB furnish PORIM with statements pursuant to paragraph 5 of the Palm Oil (Research Cess) Order from 1990 till April 1997. The court had dismissed PVOB's application and ordered PVOB to pay PORIM the sum of RM225,310 as well as cess for the years from 1990 to 1997. PVOB has subsequently filed a notice of appeal against the above-mentioned order on 26.05.2000. PVOB's appeal was allowed on 25 June 2002.

PVOB initiated a claim against PORIM for a refund of cess paid amounting to RM363,034 and for interest and costs but subsequently agreed to defer the claim pending final decision from the Federal Court.

In respect of both of the abovementioned matters, leave to appeal to the Federal Court was granted to PORIM on 2 October 2002. The Records of Appeal have been filed and the case was heard at the Federal Court on 16 June 2003. However, the decision is yet to be obtained from the Court on the matter.

The cess that may be payable by PVOB to PORIM in respect of the two actions above have not been quantified yet and is subject to assessment by PORIM based on PVOB's production of CPKO between 1986 and 1997.

The only quantification available at the moment is the cess allegedly payable by PVOB between 1986 and 1989 in the sum of RM225,301.

- (b) **High Court of Malaya at Kuala Lumpur Civil Suit No. D6-1501-1998
PVOB v Lenser Kunststoff Presswerk GMBH & Co. ("Lenser")**

PVOB issued a writ against Lenser for losses suffered by PVOB as a result of Lenser's failure to deliver goods contracted for. The total losses claimed by PVOB are the amounts of Deutsche Marks 728,720 (equivalent to approximately RM1,632,312) and RM6,908,221, and alternatively damages and interest.

Lenser applied for vacation of ex-parte judgment which has been granted. Lenser has also filed a defence against PVOB's claim alleging that PVOB is time barred from filing any claim.

Lenser's application to strike out PVOB's claim was fixed on 5 May 2003 for clarification on the parties' respective written submissions.

The Court on 5 May 2003 dismissed PVOB's application to adduce fresh evidence on appeal to the Judge in chambers. PVOB has instructed its solicitors to file an appeal to the Court of Appeal in respect of the dismissal.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.5 Material Litigations (cont'd)**(c) Kuala Lumpur Session Court Suit No. D5-22-945-2000
PVOB v ICG System Sdn Bhd ("ICG"), Ashok Kumar Santhanam, Sanjoy Bose and
Ranjit Singh s/o Harbinder Singh**

PVOB is claiming against ICG RM2,900,000 in damages for non-completion of work and fraud by the Directors of ICG. PVOB alleges that ICG had breached an agreement entered into in 1996 by failing to deliver a complete software for contract management system.

The solicitors of PVOB are of the opinion that the outcome of the matter is difficult to predict on the following grounds:

- (i) ICG is under voluntary liquidation and this action is under section 304 of the Companies Act 1965. In addition, PVOB does not have any knowledge of ICG's current financial position.
- (ii) The case is based on an allegation of fraud. Proving fraud against the defendants is likely to be difficult since proof has to be beyond reasonable doubt and issues like knowledge and intention will be relevant but difficult to prove. Such issues have to be proved against each defendant individually.
- (iii) Furthermore, given that Ashok Kumar Santhanam and Sanjoy Bose are not in Malaysia, recovery is likely to be an issue even if judgment is obtained.

The matter has been set for case management schedule on 23 June 2003. The fourth (4th) Defendant has filed an appeal to the Court of Appeal against the decision of High Court dismissing his application to strike out PVOB's claims.

(d) PVOB's claim against v Pritt & Company Ltd

PVOB has engaged a foreign counsel in London to advise on the recovery of a debt for the sum of approximately RM1,240,511 for goods sold and delivered by PVOB to Pritt & Company Ltd between 1 January 1997 and 14 February 1998. Pritt & Company Ltd has been making payments to reduce the amount outstanding.

The amount outstanding is as follows:

- (i) The principal amount is USD233,147; and
- (ii) The total outstanding interest calculated at the rate of 18% per annum is USD205,008.

A draft statement of claim has been forwarded to Pritt & Company Ltd's solicitors. PVOB intends to proceed with the matter.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.5 Material Litigations (cont'd)**Directors' Assessment On The Effects Of The Material Litigations On The Financial Position Of The PREMIUM Group.**

Based on the opinion of the solicitors acting for PVOB in the abovementioned material litigations or claims, and barring unforeseen circumstances, the Directors of PVOB are of the opinion that the financial impact of the above material litigations on the financial performance and position of the PREMIUM Group upon becoming enforceable (on a worst case scenario), is estimated as follows:

<u>Cases</u>	<u>Estimated financial impact (RM)</u>
(a) If PVOB is liable to pay cess, amount to be paid by PVOB	5,900,000
(c) If PVOB fails to recover its claim, amount to be written off in PVOB's books	250,000
(d) If PVOB fails to recover its claim, amount to be written off in PVOB's books	1,240,511
Total	7,390,511

To the best of their knowledge and as far as they can ascertain, the Directors of the PREMIUM Group are of the opinion that the total estimated financial impact is not of a major concern as the management is optimistic about PVOB's chances of success in the abovementioned litigations / claims.

13.6 Material Contracts and Agreements

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 the Company and its subsidiaries during the two (2) years preceding the date of this Prospectus:

- (a) Restructuring agreement dated 27 June 2002 between BHB and NLFCS which sets out the basis of the Restructuring Scheme. In connection with this restructuring agreement, a Share Sale Agreement ("SSA") has been entered into on 13 August 2002.
- (b) SSA dated 13 August 2002 between vendors of PVOB and PREMIUM for the acquisition of 100% equity interest in PVOB comprising 54,862,500 ordinary shares of RM1.00 each in PVOB for RM136,500,000 to be satisfied by the issuance of new ordinary shares of RM0.50 each in PREMIUM.
- (c) Put and call option agreement dated 11 April 2003 between creditors Agent and the security parties named therein in relation to the put and call options of the 62,000,000 new PREMIUM Shares held by the Creditors' agent for and on behalf of the BHB's creditors.
- (d) Supplemental Restructuring Agreement dated 29 August 2002 between BHB, the Principal Vendors and PVOB.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.6 Material Contracts and Agreements (cont'd)

- (e) Memorandum of Understanding dated 19 July 2002 between PVOB, K.V. Rao and D. Srinivas Rao and Shareholders Agreement dated 22 August 2002 between PVOB, K.V. Rao, D. Srinivas Rao and the remaining shareholders of AAO, PVOB and AAO wherein PVOB has agreed to subscribe for 250,000 new shares in AAO of IRs10 each of the issued and paid-up share capital of AAO comprising of equity and preference shares, at a subscription price of IRs10 per share by in cash, which shall be undertaken in steps commencing on the date when the last of the conditions precedent in the Agreement has been fulfilled or waived, up to 31 March 2003 (which have been extended to 31 July 2003);
- (f) AAO has entered into a Lease Deed dated 23 January 2002 with Kakinada Sea Ports Ltd for the lease of five (5) acres of land bearing address 6-11-44/2 Main Road, Kukatpally, Hyderabad-530072, India. Kakinada Port in Survey No. 314 of Suryaraopet, Indrapalem GramPanchayat limits, East Godavari District, for a period commencing on 23 January 2002 and expiring on 21 June 2021. The annual lease charges are calculated is at IRs20 per square metre with 15% increase every third year.

13.7 Consents

- (i) The written consents of the Company Secretary, Principal Bankers, Solicitors, Registrar, MIH, Adviser, Underwriters trade inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of the Reporting Accountants to the inclusion in this Prospectus of its name, Accountants' Report and letters relating to the consolidated profit forecast for the financial years ending 31 December 2003 respectively, and the proforma consolidated balance sheets as at 31 December 2002 in the manner and form in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

13.8 Documents Available for Inspection

Copies of the following documents may be inspected at the Registered Office of PREMIUM during office hours for a period of twelve (12) months from the date of this Prospectus:

- (i) Memorandum and Articles of Association of PREMIUM;
- (ii) The audited accounts of PREMIUM for the financial period ended 31 December 2002;
- (iii) The audited accounts of PVOB and MSSB for the past five (5) financial years ended 31 December 1998 to 31 December 2002;
- (iv) The audited accounts of PFSB for the past three (3) financial years ended 30 June 2001, six (6) months period ended 31 December 2001, and the financial year ended 31 December 2002;
- (v) The audited accounts AAO for the past four (4) financial years ended 31 March 2002 and the management accounts for the financial year ended 31 December 2003;
- (vi) The Reporting Accountants' letters relating to the consolidated profit forecast for the financial year ending 31 December 2003 and the Proforma Consolidated Balance Sheets as at 31 December 2002 as included in Sections 10.5 and 10.8 respectively of this Prospectus;

13. STATUTORY AND GENERAL INFORMATION (*CONT'D*)

13.8 Documents Available for Inspection (*cont'd*)

- (vii) The Accountants' Report and Directors' Report as included in Sections 11 and 12 respectively of this Prospectus;
- (viii) The material contracts and material agreements referred to in Section 13.6 of this Prospectus;
- (ix) Cause papers in relation to the material litigations referred to in Section 13.5 of this Prospectus;
- (x) The letters of consent referred to in Section 13.7 of this Prospectus; and
- (xi) The service contracts between the PREMIUM Group and its Directors and key management referred to in Section 13.3 (vi) of this Prospectus.

13.9 Responsibility Statements

- (i) PMBB 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 about the Offer for Sale, and are satisfied that the consolidated profit forecast (for which the Directors of PREMIUM are solely responsible) prepared for inclusion in this Prospectus has been stated by the Directors after due and careful inquiry and have been duly reviewed by the Reporting Accountants.
- (ii) This Prospectus has been seen and approved by the Directors and promoters of PREMIUM, and the Offerors and they collectively and individually accept full responsibility for the accuracy of the information given 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 statement herein false or misleadings.

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13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.10 Analysis of Overdue Trade Debtors

Details of the total overdue trade debts of PVOB Group as at 31 December 2002 together with their respective overdue periods and the provisions/write-off of doubtful debts are set out below:

Overdue Periods (months)	Total Overdue Trade Debts (net of provision/write-off of doubtful debts) as at 31 December 2002 RM	Provision for doubtful debts/bad debts written off RM
3-6	-	95,066
7-10	-	-
11-14	39,505	218,985
15-18	3,103,168	172,947
19-22	1,270,511	360,270
Above 22	-	43,733
Total	4,413,184	891,001

The normal credit periods granted by the PVOB Group vary between its customers. However, the average credit period granted is 90 days. Approximately RM5.30 million out of the total trade debtors of RM44.23 million as at 31 December 2002 of PVOB Group were overdue. However, out of the RM5.30 million overdue trade debts, a total provision of RM891,001 have been made/written off as doubtful debts, leaving a total net overdue trade debts of RM4.41 million as at 31 December 2002.

The overdue trade debts were mainly due to the following reasons:-

- disputes over selling prices, quality and quantity of goods delivered;
- dispute over transportation and miscellaneous charges caused by late clearance of cargo and shipment; and
- financial difficulties faced by the trade debtors.

Barring unforeseen circumstances, save for the doubtful debts and bad debts written off of approximately RM0.89 million for the financial year ended 31 December 2002, the Directors of PVOB Group are of the view that the overdue trade debts are recoverable based on the long term good business relationships with the debtors, as well as legal advice by solicitors that PVOB has a reasonably good chance of recovering one of the overdue debt under litigation. Further, some of the debtors have also been making progressive payments.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

13.11 Taxation Issues

PVOB has appealed to the Inland Revenue Board ("IRB") on its disapproval on the deductibility of certain expenses and Abatement of Income for Export ("AAIE") and Abatement of 5% Indigenous Malaysian Raw Material ("AIM") in relation to the tax returns filed for the Year of Assessment ("YA") 1987 to 1998. The details and the implications to PREMIUM in the event the appeal on the aforesaid taxations issues are not approved by the IRB are as follows:

(a) Appeal on Deductibility of Expenses**(i) Interest – RM455,708**

The IRB denied the deduction because they thought the recipient of the interest was a bank operating overseas which would render the payment of interest being subjected to withholding tax. The said bank was actually operating in Malaysia and therefore withholding tax should not apply. Documentary evidence has been obtained and submitted to the IRB. With this evidence, there is no reason why deduction should not be granted.

(ii) Management Fee – RM569,477

The IRB has requested to sight the relevant withholding tax receipts in respect of the management fees paid for YA 1987 and 1989 to 1993 in order to allow a deduction for the expenses claimed. The receipts for YA 1987, 1989, 1990 and 1991 have been compiled and submitted to the IRB and hence deduction for the expenses incurred during these years should be allowed. Only the receipts for YA1992 and YA 1993 in respect of payments amounting to RM291,535 and RM277,942 respectively are outstanding at the moment and could potentially result in a disallowance by the IRB.

(iii) Foreign Exchange Gain – RM249,684

The foreign exchange gain should not be subject to tax as it is capital in nature. The IRB has however erroneously added this amount to profit in the tax computation. The IRB has yet to rectify the error.

(iv) Technical Assistance Fee – RM130,800

The reporting accountants of PVOB are of the view that these expenses were necessarily incurred in the business and should be granted a tax deduction. However, the IRB may not agree with the reporting accountants' views and hence on grounds of prudence, the amount may be assumed as disallowed.

Based on (i) to (iv) above, the Reporting Accountants are of the opinion that the quantum of expenses that may not be allowed for deduction under the appeal amounts to RM700,277. There should not be any penalty associated with the said disallowances as PVOB does not have any tax liability due to its substantial capital allowances and other tax benefits.

However, if PVOB is unable to prove that withholding tax was paid on the management fees within the due dates, a late payment penalty of 15.5% of the withholding tax due may be imposed. Based on the management fees in 1991 and 1992 of RM569,477, a penalty of RM13,240 may be applicable.

13. STATUTORY AND GENERAL INFORMATION (CONT'D)

(b) Appeal on AAIE and AIM

The IRB had disallowed the AAIE and AIM incentives claimed for YA 1989, 1990 and 1992 on grounds that the original custom declaration forms were not submitted. The IRB has allowed only AAIE and AIM claims for YA 1991 amounted to RM3.01 million¹ and the AAIE and AIM incentives that are currently still under appeal amounted to approximately RM3.5 million. Should the appeal on these incentives be unsuccessful, there would be a shortfall of tax exempt account of approximately RM4.0 million in respect of tax exempt dividends paid in prior years. Accordingly, a tax penalty of approximately RM1.1 million may be imposed but this has not been provided for in the financial statements of PVOB as this amount will be borne by the shareholders of PVOB.

If the total claims for YA 1991 of RM6.5 million are allowed by IRB, deferred tax amounting to RM0.7 million would be reversed and the tax penalty would decrease by RM0.5 million.

Note:

1 Deferred tax adjustment has been provided up to the amount of AAIE and AIM claims allowed by IRB of RM3.01 million in the audited accounts of PVOB for the financial years ended 31 December 2002 via prior year adjustment.

(c) Evaluation of Tax Implications

In the event the aforesaid appeal on (a) and (b) above are not approved by the IRB, the impact on PREMIUM is a reduction of unabsorbed capital allowances, unutilized tax losses and reinvestment allowances of approximately RM2.67 million, RM5.92 million and RM12.06 million respectively.

However, save for the penalty amount of approximately RM13,240 and RM1.1 million on the tax exempt dividends paid in prior years as disclosed above which may result in a cash outflow on the future financial results of PVOB, and in turn on PREMIUM should the appeal be unsuccessful, the adjustments above would not affect the profit forecast of the PVOB Group. However, the above-mentioned amounts will be borne by the Principal Vendors of PVOB pursuant to the condition imposed by the SC vide its letter dated 26 December 2002.

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