

8. SUMMARY OF THE FIVE (5)-YEAR BUSINESS PLAN

On the group level in general, over the next five (5) years SHB plans to expand the existing businesses of its subsidiaries in their respective ways (further details of which are set out in Sections 8.1 and 8.2 below). In addition, the SHB Group has plans for the following:

(i) Internal reorganisation

At present, the SHB Group comprises of three (3) main businesses which have been operating independently. SHB plans to reorganise and streamline the management of these businesses. The management expects that by streamlining and reorganising the management under a group-wide structure, duplication in the administration of the businesses can be eliminated. For instance, the administration of the Group's human resource can be centralised. In addition, internal reorganisation will also take place within the SGT Group whereby concentrated marketing efforts will be carried by SGT whereas Xennet and SXS will focus on the technical development of the group. The internal reorganisation is expected to be completed before the end of 2003.

(ii) Unlocking synergies

SHB intends to continuously unlock and realise the synergies between the IT services and corporate services divisions via the following methods:

- (a) Cross selling of existing IT products and services to the extensive clientele of the Signet Group;
- (b) Development and commercialisation of business-to-consumer IT solutions for core activities of the Signet Group, such as secretarial (e.g. electronic resolutions) and share registration; and
- (c) Acquisition of complementary businesses such as datacentres to complement the outsourcing initiatives of SGT and also cater for needs of the clients of the Signet Group.

(iii) Employee share option scheme

SHB plans to implement an employee share option scheme within the next two (2) years to retain and motivate employees with a view of enhancing the performance of the Group.

(iv) Economies of scale

SHB plans to remove duplication of tasks between subsidiaries (such as accounting, payrolls etc.) to reap greater economies of scale. This is expected to be achieved upon the completion of the internal reorganisation in (i) above.

(v) Acquisition of businesses

SHB also plans to grow its operations via acquisitions. Hence, SHB is expected to evaluate and monitor potential acquisition targets for the Group over the next five (5) years. The funding for the acquisitions may be sourced from the listing proceeds, internally generated funds or other sources of funding such as borrowings, or a combination of the above.

8. SUMMARY OF THE FIVE (5)-YEAR BUSINESS PLAN (Cont'd)

8.1 SGT GROUP**(i) SGT****(a) Increase partnerships**

SGT has plans for partnerships with leading local and foreign IT industry vendors, software houses and consultants to package the most suitable and cost-effective solution for its customers. There are potential advantages to be obtained by both SGT and its respective partners such as customer base for referrals, access to global methodologies and standards, technology sharing, and market experiences and human resources sharing. The side-by-side positioning as well as the ability to share regional industry sales leads with the partners' established customer base are envisaged to help SGT succeed in its plans to expand to other regional markets more quickly and efficiently.

SGT intends to achieve future growth by developing and covering more customers across industries, building and expanding facilities to meet increased demand and adding more skill sets.

(b) Market expansion

SGT has identified Malaysia as a target market due to the management's existing knowledge base and network of contacts. Once SGT has established itself locally, it plans to move outside Malaysia to achieve a more diversified and larger customer base as well as revenue base.

(c) Expansion of services

SGT plans to penetrate the mission critical system requirement segment of the IT outsourcing market by using personalised direct marketing as the primary distribution channel. In addition, it plans to focus its marketing efforts on major anchor banks to achieve market recognition and reputation in the IT outsourcing market. SGT also plans to provide back office administrative services such as cheque processing and clearing, credit card processing and debtors' administration.

(d) Regional outsourcing hub

SGT plans to develop a regional outsourcing hub together with its partner for clients who have indicated interests in outsourcing their back office IT operations.

(ii) Xennet and SXS**(a) Increase R&D efforts**

Xennet and SXS plan to continue to commit investment in R&D of new software products in addressing the needs of the financial services industry. Such R&D efforts include market feasibility studies of opportunities and commercial viability of developing new products. Xennet and SXS also plan to follow new industry development and evolving trends in the financial services industry to provide fresh and valuable inputs to re-engineer, enhance and add value to the Spectrum software suite. At present, Xennet and SXS plan to introduce new additions to the functions of the Spectrum software suite in addition to upgrades to the existing solutions.

8. SUMMARY OF THE FIVE (5)-YEAR BUSINESS PLAN (Cont'd)

(b) Expansion of services

In terms of the range of services offered, Xennet and SXS plan to focus on strategic and value creation advisory solutions in emerging niche market areas relating to the financial services industry. Xennet and SXS also plan to develop integrated value creation business applications that will have premium commercial value and recurrent sales opportunities.

(c) Market expansion

Xennet and SXS plan to regionalise its products and services specifically in the Asia Pacific region directly and through its partners. Target customers include, financial institutions such as banks and non-financial institutions such as unit trust management companies as well as individual customers such as financial agents and independent financial advisors. Thailand and Indonesia have also been identified as the next immediate targets.

8.2 SIGNET GROUP**(i) Business expansion**

The Signet Group plans to add value to its existing services via the introduction of new service lines such as web-enabling and using technology to deliver and enhance its service capabilities. It also has plans for business expansion by acquiring other corporate service businesses to complement its existing activities and reap the economies of scale from the acquisitions. The Signet Group also plans to establish a human resource development and training program for its workforce to expand technical knowledge and hone the skills of its professional staff.

In addition, the Signet Group will increase its marketing efforts to increase its market share in the corporate services industry.

(ii) Expansion of services

The secretarial services division of the Signet Group plans to expand its line of services by offering specialised and other value added services such as corporate finance and advisory, professional training for Directors and web-enabled services. The share registration services division of the Signet Group has plans to further develop and strengthen its services to manage clients' employee share option schemes. The accounting and payroll division of the Signet Group has plans to develop service capabilities to provide a full range of human resources services and setting up accounting and internal control systems in addition to its existing services.

(iii) Form new strategic alliances

The Signet Group plans to form new strategic alliances with entities such as IT service providers, accounting firms and complementary service providers for mutual benefit with the objective of enhancing its service capability, especially in terms of technology and at the same time enlarging its client base.

8. SUMMARY OF THE FIVE (5)-YEAR BUSINESS PLAN (Cont'd)

8.3 DIRECTORS' OUTLOOK

The Directors of SHB believe that the Group will have potential growth in its existing services, i.e. IT services and corporate services. The Group currently has the business expertise and technical skills to maintain its existing customers as well as to capture new customers. Furthermore, a number of IT solutions provided by the Group was internally developed and hence, the IP rights belong to the Group thereby reducing the dependence of the Group on external sources of technological know-how.

The Directors of SHB believe the Group's strengths lie in its experienced management team, strong technical skills and innovative services. Based on the Group's track record, market presence and the list of existing and potential clients for its IT services and corporate services divisions, the Directors of SHB believe that the Group is well placed to increase its market share in the relevant markets. The Group remains focused in its future plans and believes that it is equipped and ready to meet the challenges ahead.

9. APPROVALS AND CONDITIONS

9.1 CONDITIONS ON APPROVALS

The Public Issue and Listing were approved as follows:

Authority	Date of approval	Details of conditions imposed	Status of compliance
FIC	7 October 2002	None.	Not applicable.
SC	21 November 2002	<p>(i) SHB is required to disclose the status of utilisation of proceeds from the Public Issue in its quarterly and annual reports until the said proceeds are completely utilised.</p> <p>(ii) SHB is required to make the relevant disclosures in the Prospectus on the existing transactions and agreements between the SHB Group and its Directors, Promoters, Major Shareholders and key management personnel and the persons or companies connected with them.</p> <p>(iii) Any existing or future transactions between the SHB Group and the persons or companies connected with the Directors, Promoters, Major Shareholders or key management personnel are required to be carried out on an arm's length basis and on terms which are not detrimental to SHB. The Audit Committee is required to observe and the Board of SHB is required to report any such transactions in the annual report of SHB.</p>	<p>SHB will disclose the status of utilisation of proceeds from the Public Issue in accordance with this condition.</p> <p>The required disclosure has been made in Section 13.3(iv) of this Prospectus.</p> <p>SHB will comply with this condition.</p>
KLSE	22 November 2002	(i) SHB is required to obtain shareholders' approval prior to the acquisition of assets using the proceeds from the Public Issue. In the event the said proceeds cannot be utilised within the specified time frame, the Company is to obtain shareholders' approval for any alternative utilisation plan subject to clearance from the KLSE.	SHB will comply with this condition.

9. APPROVALS AND CONDITIONS (Cont'd)

Authority	Date of approval	Details of conditions imposed	Status of compliance
		(ii) SHB to either collect in full or provide for bad debts for outstanding trade receivables above the credit period after deducting the amounts due to the vendors of Signet Group, which may be set-off should the outstanding trade receivables not be collected by 30 June 2003, prior to the issuance of the Prospectus.	The amounts due to the vendors of Signet that could be set-off exceed the amount of trade receivables above the credit period which have not been provided for. Therefore, no trade receivables are required to be provided for in the accounts of the SHB Group pursuant to this condition.
		(iii) SHB to disclose and illustrate in its estimate and forecast in the Prospectus, the effect on profits if SHB were to apply Malaysian Accounting Standards Board Exposure Draft 28.	The required illustration is as set out in Section 10.2.
		(iv) SHB to disclose the transactions, which gave rise to the goodwill on consolidation and the basis used in determining the purchase price of the same.	The transactions are as disclosed in Sections 1.3 of and 3.1.1(vi) of the Accountants' Report.
		(v) SHB is to obtain, prior to the issuance of the Prospectus, a no objection letter or further extension from the MDC permitting SXS to occupy its Cyberjaya office in November 2002 or any later date.	SXS has obtained a letter dated 25 November 2002 from the MDC for a further extension of time up to 1 January 2003 for SXS to occupy its office in Cyberjaya.
		(vi) SHB to disclose in the Prospectus, as a material contract, the contract of employment between Signet and Lim Phooi Kee. The disclosure should include the salient terms of the contract including but not limited to the terms relating to the termination of the contract.	The terms of the contract has been disclosed in Section 13.8 of this Prospectus.
		(vii) SHB to inform KLSE on the appointment of independent directors and to provide confirmation that they qualify as independent directors under the Listing Requirements.	The relevant notice and confirmation have been furnish to the KLSE on 16 December 2002.

9. APPROVALS AND CONDITIONS (Cont'd)

9.2 MORATORIUM ON THE DISPOSAL OF PROMOTERS' SHARES

In accordance with the Listing Requirements, the Promoters who altogether hold 182,750,000 SHB Shares, representing 65.3% of the issued and paid-up share capital of SHB after the Public Issue, will not be allowed to sell, transfer or assign their respective shareholdings in SHB, as tabulated in column (II) below, within one (1) year from the date of the Listing. Thereafter, they are permitted to sell, transfer or assign their shares in SHB subject to a maximum of one third per annum on a straight line basis of their respective shareholdings in the Company on which the moratorium on disposal has been imposed, as set out in column (II) below.

	-----After the Public Issue-----			
	(I) No. of SHB Shares directly held		(II) No. of shares under moratorium	
		%		%
Angsana Tiara	116,250,000	41.5	87,187,500	31.1
Prelude Profile	20,412,500	7.3	11,913,687	4.3
Premium Maple	21,275,000	7.6	12,417,082	4.4
Prestige Access	8,612,500	3.1	5,026,656	1.8
K-Synergy	16,200,000	5.8	9,455,075	3.4
	182,750,000	65.3	126,000,000	45.0

The restriction is specifically endorsed on the share certificates of SHB representing the shareholding of the aforesaid shareholder on which the moratorium on disposal has been imposed to ensure that the MCD will not register any transfer which is not in compliance with the aforesaid restriction.

9.3 CONFLICTS OF INTEREST

- (i) Save as disclosed below, there is no conflicts of interest between the Group and its Adviser, Sponsor, Auditors, Reporting Accountants and Solicitors.

Bumiputra-Commerce Bank Berhad, a fellow subsidiary of CIMB, had on 25 June 2002 provided a structured revolving credit facility amounting to RM19 million to Arena Kembara. The facility was originally due six (6) months from the date of the agreement but was subsequently extended to 24 December 2004.

- (ii) None of the Directors, Promoters, Major Shareholders and key management personnel of the SHB Group has any interest, direct or indirect, in any business carrying on a similar trade as the SHB Group.

9.4 MSC STATUS

SXS was granted MSC status on 7 March 2001 by the MDC. As part of the conditions attached to the grant of status, SXS is required to carry out the following:

- (i) Complete its business registration and commence operations on the stated MSC-qualifying activities;
- (ii) Locate its selected operations to Cyberjaya within six (6) months from the date of the grant. However, this deadline was subsequently extended to 1 January 2003;
- (iii) Ensure that at least 15% of the number of employees (excluding support staff) of SXS are "knowledge workers" (as defined by the MDC); and

9. APPROVALS AND CONDITIONS *(Cont'd)*

(iv) Comply with MSC's environmental guidelines.

SXS has complied with all the conditions imposed by the MDC.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

10. FINANCIAL INFORMATION

10.1 WORKING CAPITAL, BORROWINGS, AND MATERIAL CAPITAL COMMITMENTS AND MATERIAL CONTINGENT LIABILITIES

10.1.1 Working capital

The Directors of the Company are of the opinion that after taking into account the funds generated from its existing operations and the amount to be raised from the Public Issue, the SHB Group has sufficient working capital to meet the needs and foreseeable requirements of the Group.

10.1.2 Borrowings

As at 30 June 2002 (being the last date up to which the audited financial statements of the SHB Group (except for SHB as it was not incorporated as at 30 June 2002) were made), save for the hire purchase liabilities and finance lease liabilities of approximately of RM413,000 (comprising of approximately RM227,000 which is repayable within one (1) year and approximately RM186,000 which is repayable after one (1) year), the SHB Group does not have any borrowing from any financial institution, loan capital outstanding, or created but unissued, or mortgages or charges outstanding.

10.1.3 Material capital commitments and material contingent liabilities

As at 30 June 2002 (being the last date up to which the audited financial statements of the SHB Group (except for SHB as it was not incorporated as at 30 June 2002) were made):

- (a) There are no material capital commitments contracted or known to be contracted by SHB or its subsidiaries which may have a material impact on the financial position of the Group.
- (b) There are no material contingent liabilities which upon materialisation would have a material impact on the profit or net assets of the Group, other than those incurred in the ordinary course of business.

10.2 CONSOLIDATED PROFIT ESTIMATE AND FORECAST TOGETHER WITH THE ASSUMPTIONS THEREON

The Directors of SHB estimate and forecast that, barring unforeseen circumstances the consolidated profit after taxation and pre-acquisition profit of the SHB Group for the two (2) financial years ending 31 December 2002 and 31 December 2003 will be as follows:

Financial year ending 31 December	Estimate 2002 RM 000	Forecast 2003 RM 000
Consolidated profit after taxation before pre-acquisition profit	4,891	11,516
Less : Pre-acquisition profit ^{*1}	(3,058)	-
Consolidated profit after taxation and pre-acquisition profit	<u>1,833</u>	<u>11,516</u>
Net EPS (sen)	0.96 ^{*2}	4.17 ^{*3}
Net PE Multiple (based on Issue Price of RM0.50 per share) (times)	15.32 ^{*4}	11.99 ^{*3}

10. FINANCIAL INFORMATION (Cont'd)*Notes:*

- *1 *SHB was incorporated on 16 September 2002 and the SHB Group was formed on 11 October 2002. Therefore, the pre-acquisition profit relates to the period from 1 January 2002 to 10 October 2002.*
- *2 *Based on the consolidated profit after taxation and pre-acquisition profit and the weighted average number of ordinary shares of approximately 191.59 million SHB Shares for the period between 16 September 2002 (date of incorporation) to 31 December 2002.*
- *3 *Based on the weighted average number of ordinary shares of approximately 276.30 million SHB Shares, assuming that the Listing is completed in mid February 2003.*
- *4 *Based on the consolidated profit after taxation and pre-acquisition profit and the weighted average number of ordinary shares of approximately 56.16 million SHB Shares on the basis of a full calendar year.*

The consolidated profit estimate and forecast after taxation and pre-acquisition profit for the financial years ending 31 December 2002 and 31 December 2003 respectively have been presented on bases and accounting policies consistent with those normally adopted by the SHB Group.

As stated in Section 3.1.1(vi) (Section 11 in the Prospectus) of the Accountants' Report, goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired. Under the present accounting policies adopted by SHB, goodwill is stated at cost less accumulated impairment losses.

However, in November 2000, the Malaysian Accounting Standards Board ("MASB") issued the MASB Exposure Draft 28-Goodwill ("ED28") which requires goodwill arising on acquisition of subsidiaries to be stated at cost less accumulated amortisation and any accumulated impairment losses. The amortisation period should not exceed 20 years from initial recognition.

On average, it takes approximately six (6) to 12 months for an exposure draft to become an approved accounting standard. However ED28 has yet to be approved as an accounting standard and appears to be held in abeyance.

Should ED28 become an approved accounting standard, the SHB Group would then be required to comply with the standard. Assuming that the contents of the standard are not dissimilar to that of ED28 and based on a 20 year amortisation period, the consolidated results of the SHB Group for the two (2) financial years ending 31 December 2002 and 31 December 2003 are as follows:

Financial year ending 31 December	Estimate 2002 RM 000	Forecast 2003 RM 000
Existing estimated and forecast consolidated profit after taxation and pre-acquisition profit	1,833	11,516
Less: Amortisation of goodwill*	(300)	(1,300)
Profit after taxation and amortisation of goodwill	<u>1,533</u>	<u>10,216</u>

Note:

- * *The SHB Group was formed on the 11 October 2002. Therefore amortised goodwill of RM300,000 is for the period between 11 October 2002 to 31 December 2002.*

10. FINANCIAL INFORMATION (Cont'd)

10.2.1 Analysis of earnings

The PAT represents an aggregation of the PAT contributed by the IT services division (SGT Group) and corporate services division (Signet Group) after deducting operating expenses of SHB.

The profit estimate and forecast of the SGT Group are derived from the projects which the SGT Group is expected to undertake for the remaining of the year 2002 and the whole of 2003. As at 15 December 2002, Xennet and SXS have secured all its targeted projects for the financial year ending 31 December 2002. The contribution of SGT to the profit after taxation and pre-acquisition profit of the Group will not be material for the financial year ending 31 December 2002. For the financial year ending 2003, Xennet and SXS have collectively secured approximately 27% of the value of its targeted projects, whilst SGT has yet to firmly secure any projects. Nonetheless, the SGT Group is in active negotiation and bidding activities to secure more projects. SGT is forecast to contribute approximately 26% to the forecast PAT of the Group for the financial year ending 31 December 2003.

The profit estimate and forecast for the Signet Group are derived from the secured retainer fees of the existing clients, which are billed and recognised on a quarterly basis, and fees arising from the implementation of specific corporate proposals for clients, which are billed and recognised upon the completion of the said proposals. In addition, the Signet Group has projected an increase in the number of clients in line with the expected continued expansion of the Malaysian economy and the enhanced marketing efforts of the group.

Therefore in comparison, the earnings of the Signet Group is relatively more stable than that of the SGT Group, particularly so with the fixed retainer fees which are charged by the Signet Group on a quarterly basis.

10.2.2 Principal bases and assumptions

The consolidated profit estimate and forecast after taxation and pre-acquisition profit of the SHB Group for the years ending 31 December 2002 and 31 December 2003 respectively have been prepared based on the Directors' assessment of the present economic and operating conditions, and a number of best estimate assumptions regarding future events and actions which, at the date the consolidated profit estimate and forecast were prepared, the Directors expect to take place. These future events may or may not take place. A forecast, by its very nature, is subject to uncertainties and unexpected events, many of which may be outside the control of the Group and its Directors. Also, events and circumstances often do not occur as anticipated, and therefore actual results are likely to differ from the forecast, and the differences may be material. Accordingly, the Directors cannot and do not guarantee the achievement of the forecast.

10. FINANCIAL INFORMATION (Cont'd)

The principal bases and assumptions upon which the consolidated profit estimate and forecast have been made are as follows:

- (i) It is assumed that the consolidated revenue and gross margin of the subsidiaries of SHB arising from the projects, as identified and scheduled by the Directors and management of the SHB Group, will materialise. At present, a good proportion of the projects has yet to be firmly secured by the respective subsidiaries. In the event that the subsidiaries are not able to secure the said projects and also commence work at the appointed time, the PAT of the Group would be adversely affected, to a degree which is dependent upon the size of the affected project. Likewise, should the subsidiaries secure additional projects over and above those which are included in the consolidated profit estimate and forecast, the PAT of the Group would be enhanced.
- (ii) There will be no material changes in the principal activities, composition and structure of the SHB Group.
- (iii) The results of SHB's associated company, namely OSK- Signet, which SHB holds a collective equity interest of 50%, are not included in the consolidated profit estimate and forecast as the Directors and management of the SHB Group assumed OSK-Signet to have insignificant operations and the share of profit from associate arising from consolidation is immaterial to the Group.
- (iv) There will be no significant changes in the prevailing Malaysian and world economic environment and political and market conditions, which may directly or indirectly have an adverse effect on the activities of the SHB Group and on the demand, saleability and pricing of its products and services or the markets in which it operates.
- (v) There will be no material changes in the present legislation or Government regulations, rates and bases of duties, levies and taxes which may adversely affect the activities or the markets in which the Group operates.
- (vi) There will be no major industrial disputes, no major breakdown or disruption in the operational facilities or any abnormal circumstances which will adversely affect the SHB Group's operations or revenue at the estimate and forecast level or disrupt its planned operations.
- (vii) There will be no changes in the accounting policies presently adopted by the Group.
- (viii) There will be no material changes in the SHB Group's current management and existing management and operation policies and SHB Group will be able to attract and retain key personnel. The Group will have adequate manpower resources to support its forecast growth in business.
- (ix) SHB Group holds the proprietary rights to the technology of the Spectrum software suite, comprising the Spectrum e-Advisor, e-Manager and e-Quant, and all of its future developed products. The development costs which comprise mainly manpower costs are assumed to be fair and meet the criteria laid down in the MASB Standard 4 on the recognition of development costs as an asset. It is assumed to have an economic life of three (3) years and no impairment or write down will be required.

10. FINANCIAL INFORMATION *(Cont'd)*

- (x) There will be no significant changes to technological advances that will adversely affect the performance of the Group. The Group's products will not be rendered obsolete and the Group will be able to anticipate or react to market changes during the period under review.
- (xi) The Group will be successful in developing and marketing new products or enhance its existing products on a timely basis and that all new or enhanced products will adequately address the changing needs of the marketplace.
- (xii) The Group's products will satisfactorily perform the functions for which they are designed, that they will meet applicable price or performance objectives or that unanticipated technical or other problems will not occur which would result in increased costs or material delays in the development thereof.
- (xiii) Existing financing activities will remain available to the Group and the interest rates will not change significantly from those presently prevailing. The SHB Group will also be able to obtain new financing facilities at the present prevailing rates. All borrowings will be drawdown and repaid as scheduled.
- (xiv) The fixed deposit rate will not be materially different from those presently prevailing.
- (xv) The inflation rate will not vary materially from its current level.
- (xvi) The exchange rate assumed for the purpose of the consolidated profit estimate and forecast is not materially different from the following:

SGD1 : RM2.15
- (xvii) There will be no significant changes in the present income tax rate.
- (xviii) There will be no major incidence of bad and doubtful debts other than those already provided for.
- (xix) There will be no material changes in major operating expenses and labour cost, which will adversely affect the SHB Group.
- (xx) Capital expenditure program will be implemented and incurred on schedule and there will be no material acquisitions or disposal of property, plant and equipment other than those planned.
- (xxi) There will be no material contingent liabilities, litigations or claimed infringement on the proprietary rights of its technology which are likely to give rise to any proceedings which might materially affect the SHB Group's assets, financial position and operations and the profit estimate and forecast.
- (xxii) The Group will be able to maintain the price of its products and services and will not be materially affected by competition.
- (xxiii) The Group will be able to market, sell, deliver and provide services as planned. There will be no delays or any abnormal circumstances, which will adversely affect the forecast revenue pattern.
- (xxiv) The SHB's market share for its products and services and the demand for its products will be as forecast.

10. FINANCIAL INFORMATION (Cont'd)

- (xxv) Existing trading relationships with major suppliers and business partners will be maintained. There will be no limitation or delay in the supply of critical products or services by these suppliers and business partners that will materially affect the operations and performance of the Group.
- (xxvi) The estimated Listing expenses of RM2 million will be set off against the share premium account.
- (xxvii) The gross proceeds arising from the Public Issue amounting to RM15 million which is expected to be received by mid February 2003, will be utilised as follows and within the time frame specified:

	RM 000
Acquisitions for the expansion of the core and related businesses of the Group	8,000
Working capital	3,000
R&D	2,000
Estimated Listing expenses	2,000
Total	<u>15,000</u>

- (xxviii) Proceeds arising from the Public Issue that are not immediately utilised are deposited into fixed deposits.

10.2.3 Directors' opinion

The Directors of SHB have reviewed and analysed the bases and assumptions used in arriving at the consolidated profit estimate and forecast after taxation after pre-acquisition profit of the SHB Group for the financial years ending 31 December 2002 and 31 December 2003 and are of the opinion that the said consolidated profit estimate and forecast are fair and reasonable in light of the future prospects of the industries in which the Group operates and the future plans and prospects of the SHB Group as set out in Section 8 of this Prospectus and after taking into consideration the estimated and forecast gearing level, liquidity and working capital requirements of the Group.

10. FINANCIAL INFORMATION (Cont'd)

10.3 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST



KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

P.O. Box 10047
50702 Kuala Lumpur
Malaysia

Tel + (603) 2095 3388
Fax + (603) 2095 0971

The Board of Directors
Symphony House Bhd
10th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur

23 December 2002

Dear Sirs

Reporting Accountants' Letter On The Consolidated Profit Estimate and Forecast For The Financial Years Ending 31 December 2002 And 2003 Respectively

We have reviewed the accounting policies and the calculations for the consolidated profit estimate and forecast after taxation and pre-acquisition profit of Symphony House Bhd ("SHB") and its subsidiaries (hereinafter referred to as the "SHB Group"), for which the Directors are solely responsible, for the two (2) financial years ending 31 December 2002 and 2003 respectively, as set out in the Prospectus to be dated 30 December 2002 in connection with:

- i) the public issue of 30,000,000 new ordinary shares of RM0.10 each in SHB comprising:
 - a) 10,000,000 new ordinary shares of RM0.10 each to eligible Directors and employees of SHB and its subsidiaries in Malaysia and the Malaysian public, at an issue price of RM0.50 per ordinary share payable in full on application; and
 - b) 20,000,000 new ordinary shares of RM0.10 each by private placement to identified investors, at an issue price of RM0.50 per ordinary share payable in full on application;and,
- ii) the listing of and quotation for the entire enlarged issued and paid up share capital of SHB on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("MESDAQ").

In our opinion, the consolidated profit estimate and forecast after taxation and pre-acquisition profit, so far as the accounting policies and calculations are concerned, have been properly compiled on the bases of the assumptions made by the Directors as set out in the Prospectus, and are presented on the bases and accounting policies consistent with those normally adopted by the SHB Group.

Yours faithfully

KPMG
Firm number: AF 0758
Chartered Accountants

Lim Hun Soon @ David Lim
Partner
Approval Number: 1514/05/04(J)

10. FINANCIAL INFORMATION (Cont'd)**10.4 DIVIDEND FORECAST**

It is the policy of the Directors of SHB to recommend dividends to allow shareholders to participate in the profits of the Group as well as to provide for adequate reserves for the future growth of the Group.

The Directors of SHB do not intend to declare any dividends for the financial year ending 31 December 2002.

Based on the forecast profit after taxation of RM11.5 million for the financial year ending 31 December 2003 and assuming a corporate tax rate of 28%, the Directors of SHB anticipate that, in the absence of unforeseen circumstances, the Company will be in a position to propose a final gross dividend of 2.5 sen per SHB Share for the financial year ending 31 December 2003 based on its enlarged issued and paid-up share capital of 280,000,000 SHB Shares.

The intended appropriation of the forecast profit after taxation for the financial year ending 31 December 2003 will be as follows:

Financial year ending 31 December	Forecast 2003 RM 000
Consolidated profit after taxation	11,516
Less: Proposed final dividend of 2.5 sen per share less tax at 28%	(5,040)
Profit retained for the financial year	<u>6,476</u>
Gross dividend per share (sen)	2.5
Net dividend per share (sen)	1.8
Gross dividend yield based on the Issue Price of RM0.50 per share (%)	5.0
Net dividend yield based on the Issue Price of RM0.50 per share (%)	3.6
Net dividend cover (times)	2.3

Future dividends may not be paid if:

- (i) the Group is in a loss position for the relevant financial period; or
- (ii) the Group has insufficient cashflows to meet any dividend payments.

Notwithstanding the above, the Directors of SHB have full discretion to not propose any future dividend payment as and when deemed necessary, if it is in the best interest of the Company.

10. FINANCIAL INFORMATION (Cont'd)**10.5 PROFORMA CONSOLIDATED BALANCE SHEETS**

The proforma consolidated balance sheets of SHB as at 30 June 2002, as set out below are prepared for illustrative purposes only to show the effects of the Public Issue and proposed utilisation of proceeds from the Public Issue in conjunction with the Listing on the assumption that the transactions were completed on 30 June 2002:

	Proforma consolidated as at 30.06.02*	Proforma I After the Public Issue	Proforma II After utilisation of proceeds from the Public Issue
	RM 000	RM 000	RM 000
Plant and equipment	673	673	673
Investments	250	250	250
Intangible assets	531	531	2,531
Goodwill	26,314	26,314	26,314
Current assets			
Other current assets	6,772	6,772	6,772
Cash and cash equivalents	11,678	26,678	22,678
	18,450	33,450	29,450
Current liabilities			
Other current liabilities	(12,680)	(12,680)	(12,680)
Borrowings	(227)	(227)	(227)
	(12,907)	(12,907)	(12,907)
Net current assets	5,543	20,543	16,543
	33,311	48,311	46,311
Financed by :			
Share capital	25,000	28,000	28,000
Share premium	8,125	20,125	18,125
Reserves	-	-	-
Shareholders' funds/Net assets value	33,125	48,125	46,125
Borrowings	186	186	186
	33,311	48,311	46,311
NTA	6,280	21,280	17,280
NTA per share (sen)	2.5	7.6	6.2
Net assets value per share (sen)	13.3	17.2	16.5

Note:

* SHB was incorporated on 16 September 2002 and the SHB Group was formed on 11 October 2002. For illustrative purpose, the proforma consolidated balance sheet was prepared assuming that the Group was placed as at 30 June 2002.

10. FINANCIAL INFORMATION (Cont'd)**Notes to the proforma consolidated balance sheets**

- (i) The proforma consolidated balance sheets have been prepared for illustrative purposes only and are based on the proforma financial statements of SHB and the audited financial statements of its subsidiaries, where applicable as at 30 June 2002 and based on bases and accounting policies consistent with those normally adopted in the preparation of the audited financial statements.
- (ii) The proforma consolidated balance sheets incorporate, on a proforma basis, the following transactions as though they have been effected on 30 June 2002:

(a) Proforma I

Proforma I incorporates the effects of the following:

- the public issue of 30,000,000 new ordinary shares of RM0.10 each in SHB comprising:
 - 10,000,000 new ordinary shares of RM0.10 each to eligible Directors and employees of SHB and its subsidiaries in Malaysia and the Malaysian public, at an issue price of RM0.50 per ordinary share payable in full on application; and
 - 20,000,000 new ordinary shares of RM0.10 by private placement to identified investors, at an issue price of RM0.50 per ordinary share payable in full on application;
- and,
- the listing of and quotation for the entire enlarged issued and paid up share capital of SHB on the MESDAQ Market.

(b) Proforma II

Proforma II incorporates the effects of Proforma I and the following:

- The Listing expenses estimated at RM2 million will be set off against the share premium account.
- The gross proceeds arising from the Public Issue amounting to RM15 million which is expected to be received by mid February 2003, will be utilised as follows:

	RM 000
Acquisitions for the expansion of the core and related businesses of the Group	8,000*
Working capital	3,000
R&D	2,000
Estimated listing expenses	2,000
Total	<u>15,000</u>

* The proposed utilisation of proceeds from the Public Issue for this item has not been reflected in the proforma consolidated balance sheets, as no acquisition target has been identified as yet.

10. FINANCIAL INFORMATION *(Cont'd)*

(iii) Share capital and share premium

The movements in the proforma share capital and share premium account are as follows:

	-----Proforma-----	
	Share capital RM 000	Share premium RM 000
As at 30 June 2002	25,000	8,125
Proforma I		
Shares issued pursuant to the Public Issue	3,000	12,000
	<u>28,000</u>	<u>20,125</u>
Proforma II		
Estimated Listing expenses	-	(2,000)
	<u>28,000</u>	<u>18,125</u>

10. FINANCIAL INFORMATION (Cont'd)

10.6 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS



KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

P.O. Box 10047
50702 Kuala Lumpur
Malaysia

Tel + (603) 2095 3388
Fax + (603) 2095 0971

The Board of Directors
Symphony House Bhd
10th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur

23 December 2002

Dear Sirs

Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets of Symphony House Bhd As At 30 June 2002

We have reviewed the presentation of the proforma consolidated balance sheets of Symphony House Bhd ("SHB") and its subsidiaries (hereinafter referred to as the "SHB Group"), as at 30 June 2002 for which the Directors are solely responsible, together with the notes thereon, as set out in the Prospectus to be dated 30 December 2002 in connection with:

- i) the public issue of 30,000,000 new ordinary shares of RM0.10 each in SHB comprising:
 - a) 10,000,000 new ordinary shares of RM0.10 each to eligible Directors and employees of SHB and its subsidiaries in Malaysia and the Malaysian public, at an issue price of RM0.50 per ordinary share payable in full on application; and
 - b) 20,000,000 new ordinary shares of RM0.10 each by private placement to identified investors, at an issue price of RM0.50 per ordinary share payable in full on application;and,
- ii) the listing of and quotation for the entire enlarged issued and paid up share capital of SHB on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("MESDAQ").

In our opinion, the proforma consolidated balance sheets together with the accompanying notes thereon which have been prepared for illustrative purposes only, have been properly prepared on the bases and accounting policies consistent with those normally adopted by the SHB Group.

Yours faithfully

KPMG
Firm number: AF 0758
Chartered Accountants

Lim Hun Soon @ David Lim
Partner
Approval Number: 1514/05/04(J)

