4. RISK FACTORS

An investment in shares listed or to be listed on the KLSE involves a number of risks. Therefore, notwithstanding the prospects of the Company as outlined in this Prospectus, investors should rely their own evaluations and carefully consider the following risk factors (which may not be exhaustive) that may have a significant impact on the future performance of the Group in addition to other information contained elsewhere in this Prospectus, before applying for any of the Issue Shares, which are the subject of this Prospectus.

4.1 NO PRIOR MARKET FOR SHB SHARES

Prior to the Listing, there was no public market for SHB Shares. Therefore, there can be no assurance that an active market for SHB Shares will develop upon the Listing or, if developed, that such market will be sustained. The Issue Price was determined after taking into consideration a number of factors, including but not limited to those set out in Section 5.5 of this Prospectus. The price at which SHB Shares will trade on the MESDAQ Market upon or subsequent to the Listing will be dependent upon market forces beyond the control of the Company. Therefore, there can be no assurance that the Issue Price will correspond to the price at which SHB Shares will trade upon or subsequent to the Listing.

4.2 DELAY IN OR ABORTION OF THE LISTING

The occurrence of any one (1) or more of the following events may cause a delay in or abortion of the Listing:

(i) the identified investors fail to subscribe for the portion of Issue Shares to be placed to them;

(ii) the Underwriter exercises its rights pursuant to the Underwriting Agreement and discharges itself from its obligations thereunder; or

(iii) the Company is unable to meet the public spread requirement, that is, at least 25% but not more than 49% of the issued and paid-up share capital of the Company be held by a minimum number of 200 public shareholders (including employees).

Although the Directors of SHB will endeavour to ensure compliance by SHB of the various listing requirements, including, inter-alia, the public spread requirement imposed by the KLSE for the successful Listing, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the Listing.

4.3 BUSINESS RISKS

The performance of the Group is subject to general business risks as well as specific risks in relation to the IT and corporate services operations as follows:

(i) Risks relating to the IT services operations

(a) Protection of IP rights

Xennet and SXS have internally developed their proprietary Spectrum suite of software that will provide end-to-end solution to financial institutions for their product distribution channels. Although Xennet and SXS have taken steps to secure the IP rights of Spectrum, no assurance can be given that unauthorised parties will not attempt to copy aspects of Spectrum and if copied, no assurance can be given that Xennet and SXS would be able to have a full recourse against the said unauthorised parties.

In addition, although Spectrum has been developed internally, no assurance can be given that third parties will not claim infringement of their IP rights.

Nonetheless, Xennet and SXS exercise a high degree of care when securing their IP rights and emphasise on the originality of their products to avoid duplication of ideas and infringement of third-party proprietary rights.

(b) *Ability of software to address technological and financial services industry changes*

The IT industry is characterised by rapid technological changes, introduction of new products, changes in customer demands and constantly evolving standards.

In addition, Xennet and SXS are focused on providing services to the financial services industry which is subject to changes such as the introduction of new financial instruments, financial theories and risk and return measurements.

The inability of Xennet and SXS to anticipate, forecast or adapt their software to such changes could impact the ability of Xennet and SXS to maintain existing businesses and/or secure new businesses. In addition, rapid changes would force Xennet and SXS to constantly upgrade the software design, which may result in high developmental costs.

Nonetheless, Xennet and SXS will endeavour to maintain close contact with its customers and other participants in the industry in an effort to keep abreast with industry trends and technological developments so that they are ready and able to anticipate, forecast and adapt to the relevant changes.

Moreover, the products of Xennet and SXS are customisable and contain flexibility features to allow integration with a number of technology platforms.

(c) *Dependence on business partners*

Certain major projects of SGT may require SGT to secure partnerships with parties which own IP rights before SGT could provide the necessary business solutions to its customers.

However, SGT's business is not entirely dependent on offerings by business partners as business partners usually only provide a portion of the core competence in SGT's total value proposition to its clients. SGT will continue to enhance its own business integration methodologies in assisting its clients to deploy new services or become more efficient. The final solution presented may include products and services outside the offerings of its existing partners.

Although presently SGT has been successful in securing four (4) business partners despite being in operation for slightly over 1½ years and that the present range of business partners provides services that together make a complete consulting solution package, no assurance can be given that it will continue to be successful in securing new partners or maintaining its existing partners in the future. Nonetheless, SGT is of the view that it has an understanding with its partners on the existing partnership terms and SGT is committed to build an excellent working relationship with its partners.

(d) *New operations and products*

The operations of the SGT Group are relatively new and the product offerings are also relatively specialised and different from the other products which are available in the market.

Therefore, the SGT Group has a limited track record both in terms of operations and product performance. In addition, as mentioned in the summary of the five (5)-year business plan, Xennet and SXS intend to continue to introduce new products to the market. The new technology or business solutions to be introduced by the IT services division of the Group may require a familiarisation period whereby potential customers familiarise themselves with the software or solution before making a decision on its purchase. The length of the familiarisation period may vary depending on the complexity of the software and solution.

Nonetheless, Xennet and SXS already have an existing client base in both Malaysia and Singapore and their solutions have been implemented in certain financial institutions such as United Overseas Bank (Malaysia) Berhad, HSBC Bank Malaysia Berhad and SBB Unit Trust Management Berhad over the past two (2) years.

However, no assurance could be given that the SGT Group will be able to secure a firm market share and the sufficient level of acceptance of its products at all times. Nonetheless, the SGT Group will endeavour to understand the requirements and level of understanding of the market and package its products in an attractive manner for its potential clients.

(e) *Dependence on performance of the financial services industry*

In view of the fact that the products offered by Xennet and SXS are largely targeted towards the financial services industry, the performance of the companies will largely depend on the performance of the industry.

Therefore, in the event of a downturn in the performance of the financial services industry, its participants may reduce their investment in IT equipment and software. This, in turn, may affect the revenue of Xennet and SXS.

Nonetheless, a part of the revenue of Xennet and SXS also comprises of recurring subscription and maintenance fees charged for the software which they have installed for their clients. Such fee is expected to provide the companies with a certain level of steady income to reduce the fluctuations in their revenue. In addition, the companies will also look for opportunities to diversify their product offerings to cater for other industries.

(f) *Funding requirements*

The IT services division expects to require additional funding for its operations in light of the need to continuously improve its products and services in response to the rapid technological changes. In addition, it is also the intention of the IT services division to expand its operations to other countries within the ASEAN region.

Presently the IT services division plans to fund the said expansion and research via internally generated funds and other external financing resources. If the IT services division is unable to fund the above from internally generated funds or obtain funds from external financing sources on acceptable terms or in a timely manner, or at all, the above expansions would have to be deferred. This may restrict and affect future profitability.

(g) *Low barriers to entry*

Generally the barriers to entry for the IT industry is relatively low and as such the number of new entrants is generally high. Therefore, there can be no assurance that a new entrant like the SGT Group will be able to secure a firm market share in the IT industry. Nonetheless, the number of participants in the industry is dictated very much by the clients' requirement and solution complexity within the technology hierarchy. As solutions become more complex, the barrier of entry becomes higher as the demand for specific core competence becomes critical.

Therefore, given its existing IP rights, the high amount of specialisation and focus and the high degree of business knowledge and the performance of the IT services division thus far, the management of SHB is confident that the SGT Group will stand a fair chance for success.

(h) *MSC status*

SXS was granted MSC status on 7 March 2001 by the Multimedia Development Corporation Sdn Bhd ("MDC") which carries incentives such as statutory tax exemption and duty-free importation of multimedia equipment. The MSC status granted to SXS is subject to certain conditions, details of which are as set out in Section 9.4 of this Prospectus. Given the nature of the conditions, there can be no assurance that SXS will be able to continuously comply with the conditions and/or that SXS will continue to retain its MSC status. In addition, the MDC may introduce additional conditions or change the nature of incentives attached to the MSC status granted. Although no such changes are envisaged by the management of SXS in the near term, there can be no assurance that SXS will continue to enjoy or not experience delays in enjoying the incentives given to MSC status companies by the Government.

Nonetheless, given the importance of the MSC status to SXS, the management of SXS will endeavour to maintain strict compliance with the aforesaid conditions and any new conditions which may be imposed by the MDC from time to time.

(i) *Foreign operations*

The SGT Group has foreign operations in Singapore through Xennet. The operations of Xennet in Singapore are subject to certain risks which includes, but not limited to, the general conditions of the Singapore economy, political stability, changes in legal and tax legislation affecting the IT industry and fluctuations in exchange rates between RM and SGD. As such there can be no assurance that any change to the above factors will not have an impact on the operations of the SHB Group.

However, in view of the fact that the operations of Xennet in Singapore are relatively small compared to the other subsidiaries of the Group, the Directors of SHB are of the view that the impact is unlikely to be material.

(ii) Risks relating to the corporate services operations

(a) Legislative environment

The demand for services provided by the corporate services division of SHB is largely driven by the legal requirements governing corporations. Therefore, changes in regulatory environment may reduce the requirement for corporate services which are provided by the Signet Group, although conversely, the said changes may also result in an increase in the demand for corporate services. Nonetheless, the Signet Group has taken steps to diversify the range of corporate services which it provides to decrease its dependency on a particular type of corporate service.

(b) Professional liabilities

Since the Signet Group provides a professional services and assists clients in matters which are largely governed by legislation, no assurance could be given that the Signet Group will not be sued for negligence and consequential damages.

Nonetheless, the management of SHB is of the view that the risk involved is relatively moderate because a substantial part of the business involves secretarial, share registration and accounting services which are basically record keeping and administrative in nature. The risk is also reduced by high standards of care and professional competence employed by the Signet Group in delivering its services to its clients. In addition, the management of SHB is of the view that the Signet Group has adequate professional insurance to address this risk.

(c) Systems disruptions

The share registration operations of the Signet Group are largely computerised. Although computerisation increases efficiency and reduces human error in the share registration process, no assurance can be given that a disruption of the share registration computer system will not disrupt the operations of the corporate services division. In addition, shares arising from corporate exercises of public listed companies are required to be allotted within a time frame specified by the KLSE.

Therefore, a severe system disruption could potentially result in the clients of the corporate services division not being able to meet the time frame set by the KLSE and therefore leading to certain legal implications on both the the Signet Group and its clients. Constant disruptions may also have adverse reputational implications on the Signet Group thereby resulting in the loss of business.

Nonetheless, the Signet Group has in place a Computer Disaster Recovery Plan whereby reciprocal arrangements have been made with two (2) other off-site installation of the share registration computer system. This provides the Signet Group with a back up system in the event the main system breaks down.

(d) Dependence on equity market sentiment

The revenue from the share registration department of the Signet Group is largely dependent upon the amount of fund raising activities carried out by its clients. The fund raising activities are in turn dependent on the performance of the stock market and the prevailing market sentiment. Therefore in times when the prevailing sentiment is bearish, there may be fewer fund raising activities, thereby resulting in a lower revenue for the share registration department of the Signet Group.

Nonetheless, the other operations of the Signet Group such as secretarial and accounting services, which are required regardless of the economic cycle, are expected to provide a certain level of steady stream of income for the corporate services division.

(e) Longer than usual credit periods

The Signet Group's revenue are mainly derived from retainer fees from clients. Historically the fees are paid by the clients after an average period of between six (6) and nine (9) months from the date of the billings. As such, the Signet Group faces longer than usual credit periods. There can be no assurance that the Signet Group will be able to collect all trade debts due from its customers within the Group's normal credit periods, or at all. In order to minimise the occurrence of bad debts and/or to expedite the collection of debts, the management has implemented credit risk procedures to assess the credit worthiness of its customers and to monitor the status of the Signet Group's debts and its collection.

4.4 CHANGES TO GENERAL ECONOMIC, POLITICAL, LEGISLATIVE, BUSINESS AND CREDIT CONDITIONS

As with any other company, the performance of the SHB Group is subject to the overall economic, political, legislative, business and credit conditions both domestically and internationally. For instance, as highlighted above, a bearish market sentiment would result in lower revenues for the Signet Group or a general economic downturn may negatively impact the performance of financial service providers thereby resulting in them reducing their investment in IT solutions provided by Xennet and SXS.

As such, there can be no assurance that the performance of the Group would remain favourable in the event of changes in the general economic, political, legislative, business and credit conditions both domestically and internationally.

4.5 DEPENDENCE ON KEY MANAGEMENT PERSONNEL

The SHB Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing management. Therefore, the loss of any of the Executive Directors, or key management personnel may affect the performance of the SHB Group. Having that in mind, the SHB Group will emphasise on grooming the younger members of the management to gradually assume more responsibilities through continuous on-the-job training and at the same time ensuring a competitive remuneration package for its employees to attract and retain skilled personnel. In addition, the loss of key management personnel is mitigated by the fact that a number of the key management personnel are also Major Shareholders of SHB.

Since the operations of the SHB Group are largely service based, the SHB Group's performance will largely depend on the expertise of its pool of employees. Therefore, the SHB Group requires a sufficient pool of employees with the necessary qualifications, such as professional qualification in secretarial and accountancy matters for the Signet Group and proficiency in IT and understanding of financial planning for the SGT Group. No assurance could be given that the SHB Group could maintain a sufficient pool of skilled employees such that it could provide adequate service to meet its customers' demands at all times.

4.6 CONTROL BY MAJOR SHAREHOLDERS

Presently, the Promoters and Datin Normah binti Hashim, as persons connected, collectively own approximately 73.1% of the Company's issued and paid-up share capital. Although their collective shareholdings will be diluted to 65.3% upon completion of the Public Issue, they will continue to be controlling shareholders of the Company. Therefore, these shareholders will continue to jointly control the outcome of certain matters requiring the vote of the shareholders of the Company, unless they are required to abstain from voting by law and/or by the relevant authorities.

4.7 FORWARD-LOOKING STATEMENTS

This Prospectus contains several forward-looking statements, that is, those other than statements of historical facts. There can be no assurance that the expectations underlying the forward-looking statements will prove to be correct or continue to hold in the future. Whether such statements will ultimately prove to be accurate depends on a variety of known and unknown factors that may cause the business and operations of the Group to be materially different from any future results, plans, performance and achievements, expressed or implied, by such prospective statements.

In the light of these and other uncertainties, the inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the Group will be achieved.

4.8 PROFIT ESTIMATE AND FORECAST

This Prospectus contains the consolidated profit estimate and forecast of SHB that are based on assumptions, which the Directors deem to be reasonable, but which nevertheless are subject to uncertainties and are contingent in nature. Due to the subjective judgements and inherent uncertainties of the consolidated profit estimate and forecast and events and circumstances frequently do not occur as expected, there can be no assurance that the consolidated profit estimate and forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit estimate and forecast that are contained herein.

Although SGT does not contribute significantly to the estimate profit after taxation and pre-acquisition profit of the Group for the financial year ending 31 December 2002, SGT is forecast to contribute approximately 26% of the forecast PAT of the Group for the financial year ending 31 December 2003.

Presently, SGT is at various stages of negotiation with its clients on the majority of the projects, the expected revenue of which are included in the consolidated profit forecast. SGT has yet to secure any projects for the financial year ending 31 December 2003. In the event SGT does not secure the projects forecast to be secured under the consolidated profit forecast, the PAT of the Group would be adversely affected, to a degree which is dependent upon the size of the affected project. Conversely, should SGT secure additional projects which it has bidded but has not included in the consolidated profit forecast, the PAT of the Group may be similarly enhanced.

4.9 TERMINATION OF UNDERWRITING AGREEMENT

The Underwriting Agreement is terminable by the Underwriter if the Underwriter is of the reasonable opinion that the success of the Public Issue is likely to be materially and adversely affected by certain events, details of which are set out in Section 5.9(ii) of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if it is of the reasonable opinion that the events detailed in Section 5.9(ii) have occurred. In the event the Public Issue could not be completed, all monies paid in respect of all applications will be returned without any interest.

4.10 SUBSCRIPTION OF SHARES RESERVED FOR ELIGIBLE DIRECTORS AND EMPLOYEES OF SHB AND ITS SUBSIDIARIES IN MALAYSIA

The Issue Shares reserved for the eligible Directors and employees of SHB and its subsidiaries in Malaysia are not underwritten. Since the minimum subscription for the Public Issue is 100%, if the said reserved shares are not fully subscribed, either by way of subscription by the eligible Directors and employees only, or together with the over-subscription by the Malaysian public, the Public Issue could not be completed and the Listing will not proceed.

No assurance can be given that the said reserved shares will be fully subscribed. In the event the Public Issue could not be completed, all monies paid in respect of all applications will be returned without any interest.

Save as disclosed above and normal commercial risks, the SHB Group is not 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 the SHB Group.

5. DETAILS OF THE PUBLIC ISSUE

5.1 SHARE CAPITAL

	RM
Authorised	
500,000,000 ordinary shares of RM0.10 each	50,000,000
Issued and fully paid-up	
250,000,000 ordinary shares of RM0.10 each	25,000,000
To be issued and credited as fully paid-up pursuant to the Public Issue	
30,000,000 ordinary shares of RM0.10 each	3,000,000
Enlarged share capital	28,000,000

The issue price of RM0.50 for each Issue Share is payable in full on application.

There is only one (1) class of shares in SHB, being ordinary shares of RM0.10 each, all of which rank pari passu with one another. The Issue Shares shall upon issue and allotment rank pari passu in all respects with one another and the other existing issued and fully paid-up SHB Shares including voting rights and shall be entitled to all rights and dividends and other distributions the entitlement date of which is subsequent to the date of allotment of the Issue Shares.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney and on a show of hands, every person present who is a shareholder or a representative or proxy or attorney of a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held in SHB. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the holders of SHB Shares 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 liquidation of the Company in accordance with the Articles of Association of the Company.

5.2 OPENING AND CLOSING OF APPLICATIONS

Applications will be accepted from 10:00 a.m. on 30 December 2002 and will close at 8:00 p.m. on 20 January 2003 or such other later time and date or dates as the Directors of SHB and the Underwriter may in their absolute discretion mutually decide.

5.3 INDICATIVE TIMETABLE

The indicative timing of events leading up to the Listing is set out below:

Event	Indicative Date
Opening of application for the Issue Shares	30 December 2002
Closing of application for the Issue Shares	20 January 2003*
Balloting of applications for the Issue Shares	End January 2003
Allotment of the Issue Shares	Early February 2003
Listing	Mid February 2003

Note:

- *The Directors of SHB and the Underwriter may in their absolute discretion mutually decide to extend the closing date of the application to a future date or dates. Should the closing date of the application be extended, the dates for the allotment of the Issue Shares and the Listing would be extended accordingly.*

5.4 DETAILS OF THE PUBLIC ISSUE

The Public Issue is subject to the terms and conditions in this Prospectus and the Application Forms and upon acceptance will be allocated in the following manner:

(i) Eligible Directors and employees of SHB and its subsidiaries in Malaysia

5,000,000 of the Issue Shares have been reserved for eligible Directors and employees of SHB and its subsidiaries in Malaysia. Any Issue Shares not allocated to or subscribed by eligible Directors and employees of SHB and its subsidiaries in Malaysia will be made available for application by the Malaysian public.

The abovementioned Issue Shares were allocated to the eligible Directors and employees based on the following criteria:

(a) Directors

All non-executive Directors of the Company are entitled to 100,000 shares each. The Group Chief Executive Officer was not allocated any shares.

(b) Employees

Eligible employees must be at least 18 years of age and must be confirmed in service, with a serving period of least three (3) months on the date of allocation. Allocation for eligible employees are based on job grades, with the allocation ranging from 10,000 shares for general workers to 300,000 shares for senior management.

(ii) Malaysian public

5,000,000 of the Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

(iii) Private placement

20,000,000 of the Issue Shares have been reserved for private placement to identified investors of which at least 30% is to be placed, to the extent possible, to Bumiputera investors.

The 5,000,000 Issue Shares in respect of Section 5.4(ii) above have been fully underwritten by the Underwriter. Details on the brokerage and underwriting commission relating to the Public Issue are set out in Section 5.8 of this Prospectus.

CIMB as Placement Agent, has entered into various placement agreements to place out the Issue Shares mentioned in Section 5.4(iii) above.

The minimum number of SHB Shares to be subscribed pursuant to the Public Issue is 30,000,000 SHB Shares being 100% of the shares available under the Public Issue.

5.5 PRICING OF THE ISSUE SHARES

The Issue Price of RM0.50 per SHB share was determined and agreed upon by the Company and CIMB as Adviser, Sponsor, Placement Agent and Underwriter, after taking into account, inter alia, the following factors:

(i) The net PE Multiple of 15.32 times which was arrived at based on the estimated consolidated profit after taxation and pre-acquisition profit for the year ending 31 December 2002 and the weighted average number of ordinary shares of approximately 56.16 million SHB Shares on the basis of a full calendar year;

(ii) The forecast net PE Multiple of approximately 11.99 times based on the forecast net EPS of the Group for the financial year ending 31 December 2003 and the weighted average number of ordinary shares of approximately 276.30 million SHB Shares, which was arrived at based on the assumption that the Listing is completed in mid February 2003;

(iii) The qualitative and quantitative factors as set out in Sections 7 and 8 of this Prospectus including the future plans and prospects of the Group; and

(iv) The forecast gross dividend yield of approximately 5.0% for the financial year ending 31 December 2003.

However, investors should also note that the market price of SHB Shares upon Listing are subject to the vagaries of market forces and other uncertainties, which may affect the price of SHB Shares being traded. Investors should form their own views on the valuation of the Issue Shares before deciding to invest in the Issue Shares.

5.6 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:

(i) To obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of SHB on the MESDAQ Market;

(ii) To provide SHB with access to the capital market to raise funds for future expansion and growth of the Group;

(iii) To motivate, provide incentive and retain staff by providing opportunities to eligible Directors and employees of SHB and its subsidiaries in Malaysia to participate in the equity and the continued growth of the Group;

(iv) To allow the Malaysian public the opportunity to participate in the future growth of the Group; and

(v) To raise funds for the Group's continued operations and expansion, details of which are elaborated in the Section 5.7 below.

5.7 UTILISATION OF PROCEEDS

The gross proceeds from the Public Issue amounting to RM15,000,000 will accrue entirely to the Company and will be utilised as follows:

	Notes	RM 000
Acquisitions for the expansion of the core and related businesses of the Group	(i)	8,000
Working capital		3,000
R&D	(ii)	2,000
Estimated Listing expenses	(iii)	2,000
Total		**15,000**

Notes:

(i) This amount is expected to be fully utilised by the financial year ending 31 December 2004. At present the management has identified two (2) possible areas for expansion as follows:

(a) Acquisition in whole or in part of a datacentre, which is to be used for hosting of servers coupled with the provision of high-speed links to the Internet. However, no acquisition targets have been identified at present.

(b) Acquisition of additional corporate services and other related businesses to expand the scale of operations of the Group. However, no acquisition targets have been identified at present.

The total proceeds of RM8 million may be used solely for (a) or (b) or a combination of both.

(ii) This amount is expected to be fully utilised by the financial year ending 31 December 2005, and will be largely allocated towards the R&D efforts of SXS in software development.

(iii) The estimated expenses and fees, including brokerage, underwriting commission and placement fee relating to the Issue Shares incidental to the Listing amounting to approximately RM2 million will be borne by the Company and will be utilised as and when the expenses are incurred.

Out of RM2 million estimated listing expenses, approximately RM1 million is provided for fees for professional services rendered by advisers and experts.

The proceeds will be placed in fixed deposits and/or other liquid money market instruments until they are fully utilised.

5.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES

Brokerage relating to the Issue Shares will be borne by the Company at the rate of 1.0% of the issue price of RM0.50 per share in respect of successful applications bearing the stamp of either CIMB, member companies of the MESDAQ Market, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

The Underwriter has agreed to underwrite the 5,000,000 Issue Shares to be offered to the Malaysian public. The underwriting commission is payable by the Company at the rate of 2.0% of the Issue Price of RM0.50 for each Issue Share being underwritten.

The Placement Agent has agreed to place 20,000,000 Issue Shares to the identified investors.

Placement fees shall be payable by the Company to the Placement Agent at the rate of 2.0% of the Issue Price for placees identified and secured by the Placement Agent. For placees identified and secured by the Company, placement fees at the rate of 1.0% of the Issue Price is payable to the Placement Agent.

5.9 DETAILS OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement dated 3 December 2002 between SHB and the Underwriter contains certain clauses as set out below which may allow the Underwriter to withdraw from its obligations under the Underwriting Agreement.

(i) The obligation of the Underwriter to underwrite the SHB Shares is conditional upon fulfilment and/or satisfaction of the following:

(a) The KLSE having agreed in principle to the Listing;

(b) The issuance of and subscription for the Issue Shares made available for subscription to the eligible Directors and employees of SHB and its subsidiaries in Malaysia and the Malaysian public, pursuant to and in accordance with the provisions in the Underwriting Agreement and in the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any agency, legislative, executive or regulatory body or authority of Malaysia (including the KLSE);

(c) The approval from the SC in respect of the Prospectus and registration of the Prospectus by the SC pursuant to the Securities Commission Act 1993 and subsequent lodgement of the Prospectus with the Chief Executive Officer of the Companies Commission of Malaysia;

(d) There having been, as at any time from 3 December 2002 up to and including the closing date for the application of Issue Shares or such extended closing date thereof (being a date not later than three (3) months from the date of the Underwriting Agreement), as the case may be, no event of default pursuant to the provisions in the Underwriting Agreement, and no breach of any representation, warranty, covenant, undertaking or obligation of the Company in the agreement or which is contained in any certificate, statement, or notice provided under or in connection with the Underwriting Agreement in any material respect;

(e) The execution of all agreements in relation to the placement of the Issue Shares in a form and manner acceptable to the Placement Agent and all payment in relation to the placement has been fully satisfied;

(f) The Underwriter having been reasonably satisfied that arrangements have been made by the Company to ensure payment of all expenses payable under the Underwriting Agreement;

(g) The approval of SC remaining in full force and effect;

(h) The shares reserved for eligible Directors and employees of SHB and its subsidiaries in Malaysia must have been fully subscribed, either by way of subscription by the eligible Directors and employees, or by the aggregate subscription by eligible Directors and employees and over-subscription by the Malaysian public; and

(i) The issuance of the Prospectus within three (3) months from the date of the Underwriting Agreement or such other period which may be mutually agreed by both SHB and the Underwriter in writing.

(ii) Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may, at any time, be entitled to terminate its obligations under the Underwriting Agreement by notice in writing delivered to the Company, if in the reasonable opinion of the Underwriter, there shall have occurred, happened or come into effect, any of the following circumstances, on or before the closing date for the application of Issue Shares or such extended closing date as the case may be;

(a) Any change in national or international monetary, financial, political or economic conditions (including but not limited to conditions of the stock markets in Malaysia and overseas, foreign exchange markets or money markets or that with regard to inter-bank offer or interest rates in Malaysia and overseas) which would, in the reasonable opinion of the Underwriter, materially and adversely affect the Company and the offering and the issuance of the Issue Shares, the business or prospects of the Company and/or its subsidiaries;

(b) Any change in exchange controls or currency exchange rates which would, in the reasonable opinion of the Underwriter, materially and adversely affect the success of the offering and issuance of the Issue Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market);

(c) Any development, occurrence or any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the SC, any other regulatory authority or any governmental body, whether or not having the force of law, or occurrence of any other nature, which would, in the reasonable opinion of the Underwriter, materially and adversely affect the Company and the offering and the issuance of the Issue Shares, the business or prospects of the Company and/or its subsidiaries;

(d) Any government requisition or other occurrence of any other nature which would in the reasonable opinion of the Underwriter, materially and adversely affect the business and/or financial position of any member of the Group;

(e) Any breach of the representations, warranties, covenants and undertakings set out in the Underwriting Agreement by the Company or any withholding of information of a material nature from the Underwriter which would, in the reasonable opinion of the Underwriter, materially and adversely affect the offering and issuance of the Issue Shares;

(f) Any event or series of events beyond the reasonable control of the Underwriter which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with the terms and which prevents the processing of applications, crediting of accounts and payments pursuant to the Issue Shares or pursuant to its underwriting;

(g) The imposition of a moratorium, suspension or material restriction on trading in securities generally on the MESDAQ Market due to exceptional financial circumstances or otherwise; or

(h) Any event or series of events beyond the reasonable control of the Underwriter by reason of force majeure which has or is likely to make the Underwriting Agreement or any part thereof incapable of performance or which would or is likely to have a material adverse effect on the success and the distribution of the Issue Shares or the sale of any SHB Shares which are underwritten.

"Force majeure" shall mean causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including, without limitation to the following:

- war, armed conflict or serious threat of the same, hostilities, sabotage, mobilisation, blockade, embargo, detention, revolution, riot, looting, lockout, strike or other labour disputes,
- any unavailability of transportation or severe economic dislocation;
- flood, fire, storm, earthquake, typhoon, tidal wave, plague or other epidemics, lightning tempest, accident, or any other acts of God; and
- any imposition or change of governmental laws, orders, regulations, sanctions or restrictions.

6. INDUSTRY OVERVIEW

6.1 OVERVIEW OF THE MALAYSIAN ECONOMY

The Malaysian economy entered 2002 on a stronger footing, after recovering from a downturn experienced in the last two (2) quarters of 2001. Riding on the back of an earlier-than-expected recovery of the US economy and a stronger outturn in the later half of 2002, the Malaysian economy is expected to register a higher but moderate growth in GDP. Real GDP is projected to grow at 4.0% to 5.0%, within an environment of low inflation and stronger economic fundamentals, supported by both prudent fiscal and accommodative monetary policies.

The Malaysian economy, with the stronger macroeconomic fundamentals already in place and complemented by more resilient corporate and financial sectors, is now poised to benefit from the much-improved global economic environment projected for 2003. Output expansion is anticipated in all sectors of the economy, with the real GDP envisaged to grow at 6.0% to 6.5%, arising from a broader based economy with growth emanating from a more pronounced role of a revitalised and dynamic private sector. The manufacturing sector is expected to continue its expansion to record 8.5% increase in output and contribute 2.6 percentage points to GDP growth while the services sector, with a projected increase of 5.9%, remains the major contributor to growth with 3.3 percentage points. The construction sector is forecast to expand 4.5% while the agriculture and mining sectors are envisaged to improve by 3.4% and 2.5%, respectively.

Economic growth will be domestic-led and private sector-driven, particularly in new niche areas of services including tourism, transport, education, health and agriculture. This is aimed at reducing over-dependence on manufacturing as well as the external sector. With Government expenditure increasing at a moderate pace of 4.6%, the public sector financial position will be strengthened with a move towards consolidation and a balanced budget at the end of the Eighth Malaysia Plan. The fiscal deficit is targeted to narrow to 3.9% of GDP from 4.7% in 2002.

(Source: Economic Report 2002/2003)

6.2 IT INDUSTRY

In Malaysia, the period from 1996 to 2000 saw a rapid growth in ICT utilisation with investments in ICT expanded at a rate of 9.2% per annum from RM3.8 billion in 1995 to RM5.9 billion in 2000. This was largely due to the increasing local awareness of the importance of production, diffusion and utilisation of knowledge and information for improving competitive and overall economic performance. Special incentives such as the abolition of sales tax on computers and components, and the granting of accelerated capital allowance for expenses on computers and other ICT equipment also assisted in increasing the usage of ICT.

The extent of ICT usage was also measured in terms of PCs and Internet penetration rates. The number of PCs installed rose dramatically from 610,000 in 1995 to 2.2 million in 2000. The Eighth Malaysia Plan period also saw an increasing usage of the Internet by households and companies with the number of Internet subscribers increasing from 13,000 in 1995 to about 1.2 million in 2000. Despite the phenomenal growth, the penetration rates were still low at 9.0% of the population for PCs and 7.0% for the Internet.

The rapid growth of the Internet as a consumer technology led to the accelerated use of e-commerce globally as well as nationally. The e-commerce market was estimated to have increased from USD1 billion in 1998 to USD6 billion in 2000 in the Asia Pacific region. E-commerce has helped reshape market places and trading relationships as well as lowered international trading boundaries. It presented opportunities for businesses to improve competitiveness, have a global presence, undertake customisation and create novel businesses.

(Source: The Eighth Malaysia Plan 2001-2005)

Globally, in contrast to an average growth of 12% over the last 20 years, International Data Corporation ("IDC") reported in December 2002 that the global market has declined by about 3% over the last two (2) years. This is an indirect result of the series of events that affected the world economies over the last two (2) years, i.e. the dotcom crash in April 2000 and the terrorist attacks on 11 September 2001. However, certain events have indicated potential recovery such as the manufacturing industry showing signs of improvements. IDC therefore predicts that the global IT sector is poised to rebound in 2003 with a forecasted 5.8% growth rate.

(Source: Computimes December 2002)

In terms of regulation, the Government has committed to MSC status companies that it would provide a comprehensive and realistic regulatory framework of cyberlaws and IP laws to facilitate and assist the development of a truly IT and multimedia environment.

The MSC was initiated by the Government to facilitate the implementation of the use of IT in the living and business environment, and was set to be the vehicle to leapfrog Malaysia into the Information Age and to spearhead the country's Vision 2020. With the Government providing a world class physical and information structure within the MSC, the private sector, especially world class multimedia companies, are encouraged to locate their operations in the MSC to undertake development and manufacturing as well as introducing high value-added IT services.

In relation to the above, the Government has set out the ten (10) point Bill of Guarantees to MSC companies which include areas such as providing competitive financial incentives including no income tax or an investment tax allowance for up to ten (10) years and no duties on the import of multimedia equipment, allowing freedom of sourcing capital globally for MSC infrastructure and freedom of borrowing funds and unrestricted employment of knowledge workers and unrestricted movement of these workers in and out of the country.

(Source: www.msc.com.my)

Based on the Budget for the year 2003, which was presented to the Dewan Rakyat on 20 September 2002, the Government will accelerate the transition to ICT in line with efforts to achieve a new knowledge-based economy. The implementation of the MSC has succeeded in developing infrastructure and infostructure, implementing flagship applications as well as creating a world-class multimedia centre to attract international corporations to MSC. Total sales of MSC companies are expected to surge to nearly RM5.7 billion in 2002 compared with RM3.4 billion in 2001.

Some of the Government's initiatives to spur further growth of ICT are:

(i) The national roll-out of the Government Multi-purpose Card called "MyKad", a multi-purpose smart card based on chip technology and biometrics with high security features and which contains information of the holder, including birth certificate, driving license as well as information for dealing with Government agencies. In tandem with the Government's intention to widen the use of ICT, all new born babies will be provided with MyKad, a lifelong identification document and a personal database;

(ii) To reduce the digital divide, the Ministry of Energy, Telecommunications and Multimedia is implementing the connectivity programme, aimed at providing internet access to the interiors of Sabah and Sarawak; and

(iii) The launch of e-procurement services encompassing registration of suppliers, centralisation of contracts and direct purchases. By 2003, two (2) more services will be launched, that is, procurement by tender and price quotation. With that, Malaysia will be the first country in the world to successfully undertake the whole process of procurement through electronic means, including payment via electronic fund transfer.

(Source: Budget 2003)

Under the Eighth Malaysia Plan, the future thrusts of the Government will be to shift the growth strategy from input-driven to one that is knowledge-driven. Efforts will be made to further enhance the development of the ICT sector and position Malaysia as a major global ICT and multimedia hub. ICT will be used as a key enabler to facilitate local companies to compete globally, especially in sectors such as banking and finance, logistics, manufacturing and key services. Efforts to create a stable and supportive environment for e-commerce will also be a priority. The Government will undertake measures to build trust and confidence in e-commerce by introducing a legal framework on personal data protection. Infrastructure and logistical support, which encompass networks, payment systems and logistics, will also be provided to enhance the development of e-commerce.

(Source: The Eighth Malaysia Plan 2001-2005)

Although no official market study has been carried out, the management of the IT services division of the Group is of the view that its competitors comprise of, but are not limited to, companies such as Heitech Padu Berhad, Patimas Computers Berhad, SCS Computer Systems Berhad and Computer Systems Advisers (M) Berhad.

(Source: Management discussions)

6.3 CORPORATE SERVICES INDUSTRY

The demand for corporate services in Malaysia is ongoing and perennial, as such services are essential services required by the corporate sector. As at 2002, there are in excess of 400,000 companies in Malaysia, and this number is continuously growing. In addition, the demand for such corporate services is not materially or adversely affected in an economic slow-down or recession, as they are essential services. In fact, in an increasingly complex corporate and business environment, which generates more regulations and legislations, the demand for corporate services is always increasing.

The existing number of companies registered in Malaysia of more than 400,000 is about three (3) times what it was ten (10) years ago. This has led to a growth in the demand for secretarial services over the period which in turn resulted in the growth in size of existing established firms as well as a number of small secretarial service firms.

In 1991, the Malaysian Companies Act was amended to require company secretaries to possess the requisite qualifications, i.e. being a member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators, Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants or the Bar Council. This was one of the key steps amongst others taken by the Government towards achieving better quality and more professional corporate governance of Malaysian companies. Resulting from this, many companies, largely those without an appropriately qualified secretary, sourced services from external professional firms to meet the regulatory requirements.

The statutory requirement to have a qualified company secretary has also served to gain more recognition from the corporate sector and the regulatory authorities of the professional role of a secretary and its role in ensuring good corporate governance.

Public listed companies are by far the largest users of share registration services. The tremendous growth of the KLSE in the last ten (10) years from approximately 320 counters to more than 850 counters today has resulted in a sustained demand for share registration services.

Up to 1996, before the scripless trading system was fully implemented on the KLSE, the share registrar's main income was from scrip transfer fees. However, with the completion of the prescription of all counters on the KLSE, registrars are mainly involved in the maintenance of share registers as well as arrangement for the issuance of new shares, particularly for corporate exercises as bonus issue and rights issue.

With the completion of the prescription of all counters on the KLSE, the income per counter of registrars has decreased. Scrip transfers, under the CDS, are few and far between, thus generating very little transfer fees. Registrars now rely mainly on the annual maintenance fees chargeable to the public listed companies and this is dependant on the size of the share registers, i.e. number of shareholders. Therefore, to operate profitably, there is a need to secure a large number of client-counters.

Hence, public listed companies with internal share registration divisions, would not find it cost-effective to continue operating under the current environment, and would out-source the service to professional registrars. The continuing expansion of the KLSE and the setting-up of the MESDAQ Market represent further expansion opportunities for registrars.

Presently the participants of corporate services industry comprise of a few large providers other than the Signet Group such as PFA Registration Services Sdn Bhd and M&C Services Sdn Bhd and of numerous other smaller firms. Although no official market study has been carried out, based on the experience and market knowledge of the management of the Signet Group, the management is of the view that the Signet Group in one of the leading corporate services providers in Malaysia in terms of staff size, revenue and clientele base.

(Source: Management discussions)