

5. INFORMATION ON PROMOTERS, SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

5.6 Relationship

Save as disclosed below, there are no family relationship or association between the promoters, substantial shareholders, Directors, key management and key technical personnel of the NVB Group:

- (i) Choo Wing Hong, Choo Wing Onn, Choo Wing Yew, Choo Wing Leong and Choo Wing Kin are siblings;
- (ii) Thoo Chow Fah is the spouse of Choo Wai Sook, who is the sister to the above siblings; and
- (iii) Ng Ai Leng, the spouse of Choo Wing Leong, is an employee of NVSB.

5.7 Service Agreements

As at the date of this Prospectus, none of the Directors, key management or key technical personnel has entered into any service agreements with the NVB Group.

5.8 Executive Directors', Key Management's and Key Technical Personnel's Involvement in other Businesses or Corporations

Save as disclosed below, none of the Executive Directors, key management and key technical personnel of the Group are involved in other businesses or corporations.

Name	Involvement in other businesses or corporations	Principal activity	Average Time Allocated to Other Business and Corporations (%)
Thoo Chow Fah	Non-Executive Director, PT Kwala Mas Sawit Abadi, Indonesia	Palm oil milling of fresh fruit bunches	-
	Executive Director, G2G Assets Sdn Bhd	Property investment	5

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

6. APPROVALS AND CONDITIONS

6.1 Conditions of Approvals

The Public Issue under the terms of this Prospectus was approved by the following authorities:

- (i) MITI, vide its letters dated 29 April 2004 and 4 February 2005;
- (ii) SC and FIC (via SC), vide its letters dated 27 December 2004 and 18 March 2005, and
- (iii) Bursa Securities, vide its letter dated 29 December 2004,

subject to the conditions set out below.

Bursa Securities had also, vide its letter dated 29 December 2004, granted approval-in-principle to the admission of NVB to the Official List of the MESDAQ Market and the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of NVB on the MESDAQ Market.

Authority	Details of conditions imposed	Status of compliance
MITI 29.04.04	(i) NVB is required to increase the Bumiputera equity to thirty percent (30%) in five (5) years time after listing or within one (1) year upon NVB fulfilling the criteria for flotation on the Second Board of Bursa Securities, whichever is the earlier.	Noted and to be complied.
	(ii) Allocation of the Bumiputera shares as stated in (i) above depending on the approval of MITI.	Noted and to be complied.
	(iii) NVB is required to obtain the approval of the SC for the listing scheme of NVB and to comply with the Guidelines on the Acquisition of interest, Mergers and Take-overs.	Complied. The approval of the SC was obtained on 27 December 2004.
	(iv) NVB is required to obtain the approval of MESDAQ of the Bursa Securities.	Complied. The approval of the Bursa Securities was obtained on 29 December 2004.
	(v) NVB is required to inform the MITI upon completion of the implementation of the listing of NVB.	Noted and to be complied.
MITI 04.02.05	(i) NVB is required to increase the Bumiputera equity to thirty percent (30%) in five (5) years time after listing or within one (1) year upon NVB fulfilling the criteria for flotation on the Second Board of Bursa Securities, whichever is the earlier.	Noted and to be complied.
	(ii) NVB is required to obtain the approval of the SC for the listing scheme of NVB and to comply with the Guidelines on the Acquisition of interest, Mergers and Take-overs.	Complied. The approval of the SC was obtained on 18 March 2005.

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

Authority	Details of conditions imposed	Status of compliance
	(iii) All other conditions imposed as per MITI's letter dated 29 April 2004 remains unchanged.	Noted and to be complied.
Bursa Securities 29.12.04	(i) The proposed rights issue is to be priced at public issue price or excluded from the listing proposal;	Complied. The Board of Directors has excluded the proposed rights issue from the listing proposal.
	(ii) NVB to disclose in the Prospectus further explanation and clarification with respect to the Group's performance in financial year ended 2001 and 2002 vis-à-vis high growth factors and/or criteria;	Complied. Appropriate disclosure has been made in Section 9.2 of this Prospectus.
	(iii) NVB to disclose in the Prospectus risks relating to dependency on the HDD industry, in particular to address risks of relocation to lower cost countries outside the region;	Complied. Appropriate disclosure has been made in Section 3.5 of this Prospectus.
	(iv) NVB to disclose in the Prospectus risks relating to dependency on Western Digital, and the impact loss of revenue contribution from Western Digital;	Complied. Appropriate disclosure has been made in Section 3.8 of this Prospectus.
	(v) NVB Group make full provision for trade receivables outstanding that has exceeded the normal credit period of 90 days but less than 120 days, unless it can be justified that the outstanding amount can be collected. The said justification must be disclosed in the listing prospectus. In addition, NVB Group to collect or make full provision for all trade receivables that have been outstanding for more than 120 days;	Complied. Appropriate disclosure in Section 9.5 of this Prospectus.
	(vi) NVB inform the Bursa Securities on the appointment of independent directors and to provide confirmation that they qualify as independent directors as defined in the Listing Requirements of Bursa Securities for the MESDAQ Market ("MMLR"). In addition, the independent directors are to provide the Securities Exchange with the relevant letters of undertaking and statutory declarations pursuant to the MMLR; and	Complied. The relevant letters and declarations had been furnished on 24 February 2005 and 7 March 2005.

6. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed	Status of compliance
	(vii) NVB to include a negative statement in its listing prospectus on the exclusion of profit forecast and projections from the listing prospectus and the reasons thereof.	Not applicable. The Reporting Accountants' Letter on the consolidated profit forecast for the financial year ending 30 September 2005 is disclosed in Section 9.6.1 of this Prospectus.
SC and FIC (via SC) 27.12.04	(i) NVB should disclose the status of utilisation of proceeds in its periodic and annual reports until the proceeds are fully utilised;	Noted and to be complied.
	(ii) NVB should meet the 30% Bumiputera equity requirement within one year after the company has achieved a profit track record required for listing on the Second Board of Bursa Securities or five years after admission of the company on the MESDAQ Market, whichever is the earlier, in which the allocation of shares to Bumiputera investors must be approved by the MITI;	Noted and to be complied.
	(iii) Hwang-DBS/NVB should submit a preliminary proposal to SC on how NVB intend to meet the Bumiputera equity condition six months before the expiry date of compliance; and	Noted and to be complied.
	(iv) Hwang-DBS/NVB should inform the SC upon completion of the proposed flotation.	Noted and to be complied.
SC and FIC (via SC) 18.03.05	(i) With respect to the utilization of the proceeds, the Company is to provide pertinent details and breakdown on the allocation for the factory/headquarters and working capital;	Complied. Appropriate disclosure has been made in Section 2.7 of this Prospectus.
	(ii) NVB is to obtain an independent valuation and seek the SC's approval prior to acquisition of the industrial land; and	Complied. NVB has, on 19 April 2005, submitted an independent valuation report by Rahim & Co to the SC, and is seeking SC's approval for the acquisition of the industrial land.
	(iii) Hwang-DBS/NVB to fully comply with the earlier conditions as stipulated in the SC's and Bursa Securities' letters dated 27 December 2004 and 29 December 2004 respectively.	Noted and to be complied.

6. APPROVALS AND CONDITIONS (Cont'd)

In the letter dated 27 December 2004, FIC (via SC) has also taken note that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in NVB would change arising from the implementation of the Listing, as follows:

	Before Listing (%)	After Listing (%)
Bumiputera	-	-
Non-Bumiputera	100.00	99.53
Foreign	-	0.47
	100.00	100.00

The foreign shareholding in NVB of 0.47% (after the Listing) has been arrived at, assuming the private placement under the Public Issue are to Malaysian investors. The equity structure may change if there are foreign placees.

6.2 Moratorium on the Sale of Shares

Pursuant to the Listing Requirements, Shares and any interest in Shares held by the promoters of NVB amounting to 45% of the enlarged issued and paid-up share capital of NVB at the date of admission of the Company to the Official List of the MESDAQ Market are to be placed under moratorium. In this respect, the promoters, whose shares are subject to moratorium, are set out below:

Promoters	←--- After Public Issue ---→	
	No. of Shares	% held
Thoo Chow Fah	29,682,425	10.12
Choo Wing Hong	39,576,568	13.50
Choo Wing Onn	29,682,425	10.12
Lee Tian Yoke	13,192,189	4.51
Choo Wing Yew	6,596,095	2.25
Choo Wing Leong	6,596,095	2.25
Choo Wing Kin	6,596,095	2.25
	131,921,892	45.00

The moratorium has been fully accepted by the promoters. They will not be permitted to sell, transfer or otherwise assign any part of their respective interest in the Shares under moratorium within one (1) year from the date of admission of NVB to the Official List of the MESDAQ Market. Thereafter, they are permitted to sell, transfer or otherwise assign up to maximum of one-third per annum of their respective shareholdings in NVB which is under moratorium, on a straight line basis.

The restriction is specifically endorsed on the notices of allotment representing the respective shareholdings of the promoters of NVB, which are under moratorium, to ensure that the Registrar shall not register any transfer which is not in compliance with the moratorium restrictions.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

7. CONFLICT OF INTERESTS

7.1 Interest in Similar Business

None of the Directors or substantial shareholders of the NVB Group has any interest, direct or indirect, in any businesses or corporations carrying on a similar trade as NVB or its subsidiaries.

7.2 Related Party Transactions

7.2.1 As at 15 April 2005, save as disclosed below, there are no on-going or potential related party transactions and/or conflict of interests between the NVB Group and its Directors, substantial shareholders and/or persons connected with such a director or substantial shareholder, as defined under Section 122A of the Companies Act, 1965.

- (i) The transactions entered into pursuant to the restructuring and listing exercise, as disclosed in section 4.1 of this Prospectus; and
- (ii) The transactions entered into between certain companies in the Group from time to time in the ordinary course of businesses of the respective companies, all of which are entered into from time to time on arms' length terms based on prevailing market prices and commercial terms, particulars of which are disclosed below:

Parties to the transaction	Description of the related party transactions	Common Substantial Shareholder(s)	Common Directors
NTSB and KPSB	Purchases by KPSB from NTSB from time to time of specialised tools designed, developed and supplied by NTSB.	<p><u>Direct Substantial Shareholder:</u></p> <ul style="list-style-type: none"> ▪ NVB <p><u>Indirect substantial shareholders (via NVB):</u></p> <ul style="list-style-type: none"> ▪ Thoo Chow Fah ▪ Choo Wing Hong ▪ Choo Wing Onn ▪ Lee Tian Yoke 	<ul style="list-style-type: none"> ▪ Thoo Chow Fah ▪ Choo Wing Hong ▪ Choo Wing Onn ▪ Lee Tian Yoke
NTSB and DTSB	Purchases by DTSB from NTSB from time to time of specialised tools designed, developed and supplied by NTSB.	As above	As above
NTSB and SISB	Purchases by SISB from NTSB from time to time of specialised tools designed, developed and supplied by NTSB.	As above	As above

As disclosed in Section 5.3 of this Prospectus, in order to safeguard the interest of NVB and to avoid possible conflict of interest situations, an Audit Committee consisting of a majority of independent directors has been appointed on 14 February 2005, which will, *inter alia*, monitor the above-mentioned transactions between the companies in the Group.

7.2.2 There are no existing or potential related party transactions between the NVB Group and its key management and key technical personnel.

7.2.3 Save for the transactions pursuant to the restructuring and listing exercise as disclosed in Section 4.1.4 of this Prospectus, none of the Directors or substantial shareholders has any interest, direct or indirect, in the promotion of, or in any material assets, within the two (2) years preceding the date of this Prospectus, acquired or disposed of by NVB or leased to NVB or any of its subsidiaries or are proposed to be acquired or disposed of by NVB or leased to NVB or its subsidiaries.

7. CONFLICT OF INTERESTS (Cont'd)

7.2.4 There are no transactions that are unusual in their nature or conditions, involving goods and services, tangible or intangible assets, to which NVB or its subsidiaries was a party in respect of the past one (1) financial year and the subsequent financial period ended 31 December 2004.

7.3 Declaration by Experts

Hwang-DBS confirms that there is no existing or potential conflict of interest in its capacity as the Adviser for the Public Issue.

Messrs Horwath confirms that there is no conflict of interest in their capacity as the Auditors and Reporting Accountants in relation to the Public Issue.

Messrs Zul Rafique & Partners confirms that there is no conflict of interest in its capacity as the due diligence solicitors in relation to the Public Issue.

Messrs Frost & Sullivan confirms that there is no conflict of interest in its capacity as the Independent Market Research Consultant in relation to the Public Issue.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

8. OTHER INFORMATION CONCERNING NVB GROUP

8.1 Licences and Permits

The licences and permits held by the NVB Group required for the purposes of conducting its business are listed below:

Company	Licences/ Issue Date	Issuing Authority	Description	Approval period	Salient Conditions	Status of Compliance
NVSB	Six (6) Manufacturing Licences issued under the Industrial Coordination Act 1975	MITI	Manufacture of precision machine parts at each of the six (6) factories at the locations set out in Section 4.2.15 (i) to (vi)	Effective from 4 February 2004	1. MITI must be notified of any sale of shares of NVSB 2. NVSB must train citizens of Malaysia in order to ensure transfer of technology and skills at all levels of employment	Complied Complied
NVSB	Manufacturer's Licence under the Sales Tax Act 1972	Royal Customs and Excise Malaysia	Manufacturer's Licence: <i>Goods:</i> spacer ring (aluminium) and jig and fixtures <i>Location:</i> Lot 5028, Jalan Teratai, Batu 5 ½, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Effective from 11 August 1998	A new licence is required when, inter alia: 1. A registered company takes over a licensed business or company which is not a registered company; or 2. When a business is leased.	Not applicable
NVSB	Approval to employ foreign workers	Kemen- terian Hal Ehwal Dalam Negeri	Approval for NVSB to employ foreign workers	Not applicable	Not applicable	Not applicable
NVSB	Business / Signboard Licence	Majlis Per- bandaran Klang	Licence for business premise/ signboard <i>Premise:</i> Lot 5028, Jalan Teratai, Batu 5 ½, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Valid until 31 December 2005	Not applicable	Not applicable
NVSB	Business / Signboard Licence	Majlis Per- bandaran Klang	Licence for business premise/ signboard <i>Premise:</i> PT 17230 - 17232 Mukim Kapar, Batu 5½, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Valid until 31 December 2005	Not applicable	Not applicable
NTSB	Manufacturer's Licence under the Sales Tax Act 1972	Royal Customs and Excise Malaysia	Manufacturer's Licence: <i>Goods:</i> drills and interchangeable tools <i>Location:</i> No 1, 3 & 5, Jalan 1/5, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan	Effective from 6 March 2004	A new licence is required when, inter alia: 1. A registered company takes over a licensed business or company which is not a registered company; or 2. When a business is leased.	Not applicable

8. OTHER INFORMATION CONCERNING NVB GROUP (Cont'd)

Company	Licences/ Issue Date	Issuing Authority	Description	Approval period	Salient Conditions	Status of Compliance
NTSB	Business / Signboard Licence	Majlis Per- bandaran Kajang	Licence for business premise/ signboard <i>Premises:</i> No 1, 3 & 5, Jalan 1/5, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan	Valid until 31 December 2005	Not applicable	Not applicable
IPSB	Manufacturer's Licence under the Sales Tax Act 1972	Royal Customs and Excise Malaysia	Manufacturer's Licence: <i>Goods:</i> jig and fixtures; tools and dies; and parts for stamping machine. <i>Location:</i> Lot 5028, Jalan Teratai, Batu 5½, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Effective from 8 March 2004	A new license is required when, inter alia: 1. A registered company takes over a licensed business or company which is not a registered company; or 2. When a business is leased.	Not applicable
IPSB	Business / Signboard Licence	Majlis Per- bandaran Klang	Licence for business premise/ signboard <i>Premises:</i> Lot 5028, Jalan Teratai, Batu 5½, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Valid until 31 December 2005	Not applicable	Not applicable
KPSB	Business / Signboard Licence	Majlis Per- bandaran Klang	Licence for business premise/ signboard <i>Premises:</i> PT 17243, Mukim Kapar, Batu 5½, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Valid until 31 December 2005	Not applicable	Not applicable
DTSB	Business / Signboard Licence	Majlis Per- bandaran Klang	Licence for business premise/ signboard <i>Premises:</i> PT 17243, Mukim Kapar, Batu 5½, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Valid until 31 December 2005	Not applicable	Not applicable
SISB	Business / Signboard Licence	Majlis Per- bandaran Klang	Licence for business premise/ signboard <i>Premises:</i> No. 21, Jalan Teruntum 20/KU08, Taman Meru Seria, Meru, 41050 Klang, Selangor Darul Ehsan	Valid until 31 December 2005	Not applicable	Not applicable

8. OTHER INFORMATION CONCERNING NVB GROUP (Cont'd)

8.2 Properties

The details of the properties of the NVB Group as at the date of this Prospectus are set out below:

Name of registered owner/ Location	Description/ Existing use	Land area (sq. ft.)	Built-up area (sq. ft.)	Date of certificate of fitness	Approximate age of building/ Tenure	Condition/ Restriction in interest	Encumbrances on property	Audited net book value as at 31 December 2004 (RM'000)
NVSB								
H.S.(M) 22229 P.T. 27966 Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land with a 1½ storey semi-detached light industrial factory and office building erected thereon	7,510	5,750	23 June 2004	<1 year/ freehold	The property must be used for industrial purpose only. No restriction-in- interest.	Charged to Malayan Banking Berhad	568
Postal address: No. 11, Jalan Teruntum 20/KU08, Taman Meru Seria, Batu 5½ Jalan Meru, 41050 Klang, Selangor Darul Ehsan								
H.S. (M) 22230 P.T. 27967 Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land with a 1½ storey semi-detached light industrial factory and office building erected thereon	7,510	5,750	23 June 2004	<1 year/ freehold	The property must be used for industrial purpose only. No restriction-in- interest.	Charged to Malayan Banking Berhad	568
Postal address: No. 11A, Jalan Teruntum 20/KU08, Taman Meru Seria, Batu 5½ Jalan Meru, 41050 Klang, Selangor Darul Ehsan								

9. FINANCIAL INFORMATION

9.1 Historical Financial Information

The following table sets forth a summary of the proforma consolidated income statement of the NVB Group for the past five (5) financial years ended 30 September 2004 and the three (3)-month period ended 31 December 2004, prepared based on the assumption that the current structure of the NVB Group has been in existence throughout the financial years/ period under review. The proforma consolidated income statement is presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set forth in Section 11 of this Prospectus.

	←-----FYE 30 September----->					3 months ended 31 December
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Turnover	17,312	17,135	13,951	27,801	57,219	19,611
EBITDA	7,711	6,544	2,713	7,983	19,163	7,501
Depreciation	(1,980)	(2,289)	(3,347)	(3,247)	(4,304)	(1,372)
Interest expense	(356)	(568)	(580)	(813)	(476)	(229)
Interest income	-	12	2	2	19	16
PBT/(LBT)	5,375	3,699	(1,212)	3,925	14,402	5,916
Taxation	(292)	(184)	(9)	22	(2,584)	(1,541)
PAT/(LAT)	5,083	3,515	(1,221)	3,947	11,818	4,375
MI	-	-	-	(12)	(72)	(2)
PAT/(LAT) after MI	5,083	3,515	(1,221)	3,935	11,746	4,373
No. of NVB Shares assumed in issue ('000)*	218,160	218,160	218,160	218,160	218,160	218,160
Gross EPS/(LPS) (sen)	2.46	1.70	(0.56)	1.80	6.60	^ 2.71
Net EPS/(LPS) (sen)	2.33	1.61	(0.56)	1.80	5.38	^ 2.00

Notes:

* Based on the number of ordinary shares assumed in issue after the completion of the Acquisitions but before the Public Issue.

^ Not annualised.

1. There were no amortisation, extraordinary or exceptional items, and share of profits and losses of associated companies and joint ventures during the financial years under review.

2. The Gross EPS/(LPS) is calculated by dividing PBT after MI by the number of NVB Shares assumed in issue.

3. The Net EPS/(LPS) is calculated by dividing PAT after MI by the number of NVB Shares assumed in issue.

9. FINANCIAL INFORMATION (Cont'd)

9.2 Segmental Analysis of Financial Information

Segmental analysis by companies

	<-----Financial years ended 30 September----->					3 months ended 31 December 2004
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
Turnover						
NVSB	17,312	17,135	13,802	25,538	54,791	18,641
NTSB	-	-	-	2,173	2,376	723
IPSB	-	-	149	458	895	435
KPSB	-	-	-	-	933	269
DTSB	-	-	-	-	888	354
SISB	-	-	-	-	-	116
Consolidation adjustments	-	-	-	(368)	(2,664)	(927)
	<u>17,312</u>	<u>17,135</u>	<u>13,951</u>	<u>27,801</u>	<u>57,219</u>	<u>19,611</u>
Consolidated PAT / (loss) before MI						
NVSB	5,083	3,521	(1,240)	3,774	11,134	4,260
NTSB	-	-	-	124	158	9
IPSB	-	(3)	22	51	31	23
KPSB	-	(3)	(3)	(2)	385	64
DTSB	-	-	-	-	171	68
SISB	-	-	-	-	(41)	(47)
NVB	-	-	-	-	(20)	(2)
	<u>5,083</u>	<u>3,515</u>	<u>(1,221)</u>	<u>3,947</u>	<u>11,818</u>	<u>4,375</u>

The past performance of the NVB Group is mainly driven by NVSB, as IPSB and NTSB only began contributing to the Group's turnover from FYE 2002 to FYE 2004 respectively. The proforma consolidated financial results from FYE 2000 to 2001 represents the results of NVSB alone.

Turnover for FYE 2000 increased by 54% or RM6.1 million to approximately RM17.3 million, mainly, due to the increase in demand for precision engineering work carried out on HDD components, which contributed approximately 72% of the Group's turnover for FYE 2000. Sales of HDD components increased by 45% from FYE 1999 to FYE 2000 due to the continued follow through demand from the computer industry to replace personal computers following the "millennium bug" scare and to cater for new software applications requiring high capacity storage HDDs. Turnover in respect of automotive components also contributed to the increase in turnover in FYE 2000. Automotive component sales increased by 79% or RM1.9 million from FYE 1999 to FYE 2000 in tandem with the growth in the automotive sector. PAT increased significantly by 97% from RM2.6 million to RM5.1 million, mainly, as a result of improving gross margins from higher productivity and tax benefits from the utilisation of reinvestment allowances.

9. FINANCIAL INFORMATION (Cont'd)

For FYE 2001, the NVB Group recorded a marginally lower proforma consolidated turnover of RM17.1 million mainly due to the decrease in HDD component sales by approximately RM1.5 million from FYE 2000. The decrease in HDD sales was partly, due to the slowdown in the global computers market. The decrease in HDD sales was, however, alleviated by an increase in the revenue of approximately RM1.3 million, compared to FYE 2000, from precision engineering services in respect of camera components. The Group, however, recorded a 31% decrease in PAT mainly due to lower gross margins resulting from a change in product sales mix, higher operating overheads and increase in depreciation charge and financing cost.

Turnover decreased significantly by 19% or RM3.1 million from RM17.1 million in FYE 2001 to RM13.9 million in FYE 2002. Revenue and profitability of the Group was affected by the general slump in the world economy following the "911" event and the Afghanistan war in 2002. The drop in demand for HDDs was further aggravated by excess inventories of HDDs in the market in FYE 2002. The LAT position of the Group of RM1.2 million in FYE 2002 was attributed to lower revenues, significant start-up costs incurred in the manufacture of a new HDD component, for which sales failed to materialise, and significant capital expenditure of approximately RM8.5 million incurred to expand the Group's production facilities, which translated to higher depreciation charges in FYE 2002. The timing for the expansion had been inopportune, in view of falling sales for FYE 2002, thus optimal utilisation of machineries could not be achieved.

The Group was gearing its production facilities and capacity to concentrate on volume manufacture of HDD components, namely, disk clamps, spacer rings and spindle motor hubs, when it undertook the significant capital expenditure in FYE 2002. Previously, the Group had mainly concentrated on specialised precision machining services for its customers, whereby, it accepted work-in-progress pieces and machined it to the exact specifications for the customer.

With the heavy capital investment, the Group had the production facilities and capacity to venture into mass manufacture of HDD components for its customers, from the raw material stage to finished product. Further, over the years, the Group has improved on and invested in, inter-alia, precision technologies, R&D on product and process development, product quality and capital expenditure on plant and equipment in order to equip itself with the latest technologies and know-how to carry out volume manufacturing of high precision components while maintaining consistently high quality. Such capabilities presented the Group with the required leverage to procure significant component orders from major HDD manufacturers and OEM suppliers to the HDD industry. The Group began reaping the benefits from the improvements to its production facilities in FYE 2003.

The Group weathered the losses well and returned to profitability in FYE 2003. During FYE 2003, the Group recorded a surge in its proforma consolidated turnover to RM27.8 million, of which the main revenue contributor was NVSB, with an 85% increase in revenue to RM25.5 million from FYE 2002. NVSB's improvement in turnover was mainly due to the increase in HDD component sales by RM10.5 million, following the overall recovery in the world economy. During this period, NVSB secured its initial orders for HDD components from Western Digital, whereby, sales from Western Digital alone amounted to RM4.3 million or 17% of NVSB's turnover for FYE 2003. NVSB also manufactured a range of new HDD components for three of its clients. Contribution from these three clients to the turnover of the proforma Group turnover in FYE 2003 amounted to RM11.6 million. NTSB contributed approximately RM2.2 million to the Group's turnover in its maiden year of operations. The Group recovered from a loss position to PAT of RM3.9 million as a result of higher productivity and significant increase in revenue.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

The Group's turnover for FYE 2004 increased significantly by 106% to RM57.2 million, in tandem with the growth of the HDD industry. Sales of HDD components increased by approximately 149% from RM17.4 million in FYE 2003 to RM43.4 million in FYE 2004. The HDD component sales was still the major revenue earner for the Group, contributing approximately 76% of the proforma Group's revenue in FYE 2004. In FYE 2004, sales of HDD components, mainly disk clamps to Western Digital amounted to RM20.3 million or 36% of the Group's turnover. The Group also experienced an increase in demand for spindle motor hubs from MKE and sales to MKE amounted to RM13.9 million or 24% of the Group's turnover. In addition, sales contribution from its camera components division improved by 32% to RM5.0 million in FYE 2004. In tandem with the significant increase in revenue, the Group recorded PAT of RM11.8 million in FYE 2004, a remarkable RM7.9 million improvement in profits.

For the financial period ended 31 December 2004, proforma consolidated turnover of NVB Group recorded an increase by approximately 37% on an annualised basis. The increase is in line with the growth in the HDD industry and consumer electronics industry. During the period under review, SISB was acquired and now the Group is also involved in precision metal stamping of appearance parts for consumer electronic devices, such as digital camera and body casing of MP3 players.

9.3 Factors Affecting Financial Performance, Position and Operations of the Group

As at 15 April 2005, save as disclosed in this Prospectus, the financial performance, position and operations of the Group are not materially affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that will result in or are reasonably likely to have a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (ii) material commitments for capital expenditure;
- (iii) unusual or infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group;
- (iv) substantial increase in revenue; and
- (v) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical statements not indicative of future financial performance and position.

9.4 Working Capital, Borrowings, Material Litigation, Contingent Liabilities and Capital Commitments

(i) Working Capital

The Directors of the Company are of the opinion that after taking into account the cashflow position, banking facilities available and the proceeds from the Public Issue, the NVB Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus to meet its foreseeable requirements.

(ii) Borrowings

Based on the latest proforma audited consolidated financial statements of the proforma NVB Group as at 31 December 2004, the total bank borrowings of the proforma Group amounted to approximately RM19.24 million comprising term loans, hire-purchase and lease facilities and other banking facilities.

9. FINANCIAL INFORMATION (Cont'd)

The details of the Group's interest-bearing borrowings as at 31 December 2004 are as follows:

	RM'000
Domestic:	
Short term borrowings (payable within 12 months)	9,964
Long term borrowings (payable in more than 12 months)	9,278
Total borrowings	<u>19,242</u>

Save as disclosed above, the Group does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding, convertible debt outstanding, guarantees or other borrowings on that date.

There have been no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past financial year ended 30 September 2004 and up to 15 April 2005.

(iii) Material Litigations

As at 15 April 2005, neither NVB nor any of its subsidiaries is engaged in any litigation, claims and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial positions of the Company or its subsidiaries, and the Directors of the Company are not aware of any proceedings pending or threatened against the Company and its subsidiaries or any facts likely to give rise to any proceedings which might materially and adversely affect the financial positions or businesses of the Company and/or its subsidiaries.

(iv) Contingent Liabilities

Save as disclosed below, as at 15 April 2005, the Directors of NVB are not aware of any contingent liabilities incurred by NVB and/or any of its subsidiaries, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group:

	RM'000
Unsecured:	
Corporate guarantees from NVSB in favour of RHB Delta Finance Berhad for hire purchase facilities granted to KPSB and SISB	<u>1,821</u>

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

(v) Capital Commitments

Save as disclosed below, as at 15 April 2005, the Group does have any other capital commitments, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group:

	RM'000	RM'000
Approved and contracted for:		
Purchase of plant and machinery		
▪ 30 units of CNC turning lathes machines	5,263	
▪ 2 units of CNC tap & drill machines	393	
▪ 4 units of CNC machining centres	441	
▪ 1 unit of stamping machine	72	
▪ Tools and equipment	302	6,471
	<hr/>	
Approved but not contracted for:		
Purchase of two (2) parcels of industrial land held under:		
▪ H.S. (D) 13321, P.T. No. 371, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	4,000	
▪ H.S. (D) 22781, P.T. No. 10649, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	1,680	5,680
	<hr/>	<hr/>
		12,151
		<hr/>

9.5 Trade Debts

Based on the audited financial statements of the proforma NVB Group for the financial period ended 31 December 2004, the ageing analysis of the trade receivables of the NVB Group is as follows:

	0 – 30 days RM'000	31 – 60 days RM'000	61 – 90 days RM'000	91 – 120 days RM'000	Over 120 days RM'000	Total RM'000
Trade receivables	6,535	6,681	4,003	1,661	201	19,081
Less: Allowance for doubtful debts	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6,535	6,681	4,003	1,661	201	19,081
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
%	34	35	21	9	1	100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Pursuant to one of Bursa Securities's conditions, full provision should be made for overdue trade receivables amounting to approximately RM201,000 which have been outstanding for more than 120 days, based on the latest audited financial statements of the proforma NVB Group as at 31 December 2004. However, based on subsequent receipts between 1 January 2005 and 15 April 2005, the full amount of RM201,000 had been collected.

Based on the latest audited financial statements of the proforma NVB Group as at 31 December 2004, the total trade receivables exceeding the 90 days credit period (but not exceeding 120 days) which amounted to approximately RM1,661,000 was subsequently collected between 1 January 2005 to 15 April 2005.

9. FINANCIAL INFORMATION (Cont'd)

Generally, the credit period of the Group to customers is between 30 to 60 days. Recently, the Group has extended a longer credit period of up to 75 to 90 days for the larger MNC accounts. It is, however, normal for some of the Group's MNC customers to take slightly longer than 90 days to settle the trade debts. This is because the settlement period adopted by certain large companies and/or MNCs may not coincide with the cut-off period assumed by the Group for its trade debt aging analysis. Certain MNCs may conduct debt settlements every fortnightly or at the end of the month. Therefore, during routine trade debt settlement checks by those MNCs, trade receivables owing to the NVB Group may not fall due. Whilst waiting for the next scheduled debt settlement, the NVB Group's trade receivables to those MNCs may have already exceeded the credit period extended.

In this respect, the Directors of NVB are of the opinion that provision for doubtful debts is not necessary for trade receivables exceeding the 90 days credit period (but not exceeding 120 days) based on the previous payment track record of its clients. Credit risk of the Group is negligible since the Group deals mostly with large companies or MNCs with sound financial credentials.

Although there is no assurance that the NVB Group will be able to collect all trade debts due from its customers on time, the Group seeks to limit this risk through implementation of an internal policy involving the credit worthiness of potential customers before granting the credit terms.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

9.6 Future Financial Information

9.6.1 Reporting Accountants' Letter on the Consolidated Profit Forecast and Assumptions (Prepared for inclusion in this Prospectus)



Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

3 May 2005

The Board of Directors
Notion Vtec Berhad
Lot 5028, Jalan Teratai
Batu 5½, Jalan Meru
41050 Klang
Selangor Darul Ehsan

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

603.2166.0000
603.2166.1000 Fax
horwath@po.jaring.my

Dear Sirs/Madams

NOTION VTEC BERHAD ("NVB") CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2005

We have reviewed the accounting policies and calculations for the consolidated profit forecast of NVB and its subsidiaries ("the Group"), for which the Directors are solely responsible, for the financial year ending 30 September 2005 as set out in the Prospectus to be dated 11 May 2005 in connection with the following transactions:-

(a) Acquisitions by NVB of the following:-

- (i) the entire equity interest of NVSB comprising 6,115,920 ordinary shares of RM1.00 each for RM21,659,055 to be satisfied by NVB through the issuance of 216,590,550 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 per share;
- (ii) 10% of the equity interest in NV Technology Sdn. Bhd. ("NTSB") represented by 125,367 ordinary shares of RM1.00 each for a total purchase consideration of RM137,746 to be satisfied by NVB through the issuance of 1,377,460 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 each per share; and
- (iii) 10% of the equity interest in Kaiten Precision (M) Sdn. Bhd. ("KPSB") represented by 20,000 ordinary shares of RM1.00 each for a total purchase consideration of RM19,173 to be satisfied by NVB through the issuance of 191,730 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 per share.

(hereinafter referred to as "Acquisitions")

The Acquisitions were completed on 31 January 2005.

(b) Public Issue of 75,000,000 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.63 per ordinary share comprising:-

- (i) 6,000,000 new ordinary shares of RM0.10 each representing approximately 2.05% of the enlarged share capital will be reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions;
- (ii) 8,000,000 new ordinary shares of RM0.10 each representing approximately 2.72% of the enlarged share capital will be reserved for eligible employees and business associates of the Group; and
- (iii) 61,000,000 new ordinary shares of RM0.10 each representing approximately 20.81% of the enlarged share capital will be placed to investors by the placement agent.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

9. FINANCIAL INFORMATION (Cont'd)



- (c) Listing of and quotation for the entire enlarged issued and paid-up share capital of NVB of RM29,315,976 comprising 293,159,760 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities").

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of assumptions made by the Directors set out in the aforementioned Prospectus and is presented on a basis consistent with the accounting policies normally adopted by the Group.

We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned transactions. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A handwritten signature in black ink, appearing to be a stylized name.

Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe".

Onn Kien Hoe
Approval No : 1772/11/06(J/PH)
Partner

9. FINANCIAL INFORMATION (Cont'd)



NOTION VTEC BERHAD ("NVB") AND ITS SUBSIDIARIES ("THE GROUP")

A. Consolidated Profit Forecast For The Financial Year Ending 30 September 2005

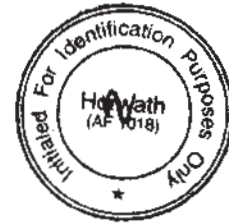
The directors of NVB forecast that, barring unforeseen circumstances and on the bases and assumptions set out below, the consolidated profit after taxation and minority interests of NVB and its subsidiaries ("the Group") for the financial year ending 30 September 2005 will be as follows: -

	RM'000
Revenue	77,184
Consolidated profit before taxation ("PBT")	21,568
Taxation	(4,375)
Consolidated profit after taxation ("PAT")	17,193
Minority interests ("MI")	(191)
Consolidated PAT after MI	17,002
Pre-acquisition profit	(5,512)
Consolidated PAT attributable to shareholders	11,490
Enlarged number of shares ('000)	293,160
Weighted average number of shares ('000)	168,479
Gross earnings per share ("EPS") (sen)	⁽ⁱ⁾ 8.57
Net EPS (sen)	⁽ⁱⁱ⁾ 6.82

Notes:-

- (i) Computed based on the consolidated PBT of RM21.568 million net of MI and pre-acquisition PBT of RM0.233 million and RM6.895 million divided by the weighted average number of NVB shares in issue of 168,478,532 NVB shares.
- (ii) Computed based on the consolidated PAT attributable to shareholders of RM11.490 million divided by the weighted average number of NVB shares in issue of 168,478,532 NVB shares.
- (iii) The preparation of the income statements of the Group for the financial year ending 30 September 2005 are prepared on a basis consistent with the accounting policies adopted and disclosed by the Group in their audited financial statements for the financial year ended 30 September 2004.

9. FINANCIAL INFORMATION (Cont'd)

**NOTION VTEC BERHAD ("NVB") AND ITS SUBSIDIARIES ("THE GROUP")****B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast**

1. There will be no significant changes in the principal activities and the existing structure of the Group.
2. There will be no significant changes in the forecast selling prices or major changes in the expected market demand for the Group's products and services.
3. There will be no significant changes in the prices of major raw materials, labour and other operating costs other than those as provided. Any significant increase in cost of products will be compensated through an equivalent increase in selling prices.
4. There will not be any loss of the Group's existing customers that will materially affect the revenue of the Group.
5. There will be no significant changes in key management and operating structure of the Group.
6. There will be sufficient manpower and there will be no major breakdown in the manufacturing facilities as well as industrial disputes or disruption in the supply of raw materials by major suppliers or any other abnormal factors, which will adversely affect the operations of the Group.
7. The Group will continue to enjoy existing credit and financing facilities and additional credit and financing facilities will be obtained as required. Interest rates on existing and additional credit and financing facilities will not vary significantly from the present and forecast level.
8. Interest, inflation and foreign currency exchange rates will not fluctuate significantly from the present and forecast level. The Malaysian Ringgit will continue to be pegged to the United States Dollar ("USD") at RM3.80/USD.
9. The Malaysian economy will perform in line with the government's projections in the forecast year without any unfavourable global economic impact.
10. There will be no significant changes to the prevailing political conditions in Malaysia that may have an adverse effect on the activities and performance of the Group.
11. There will be no significant changes in the present legislation or government regulations, direct or indirect taxes and duties, which will adversely affect the activities of the Group. The income tax rate in Malaysia will remain at 28% with no significant changes in the bases of taxation.
12. There will be no major proceedings against the Group which will adversely affect the activities or performance of the Group or give rise to any contingent liabilities which will materially affect the financial position or business of the Group.
13. There will be no significant changes in the accounting policies presently adopted by the Group. The results of the subsidiaries will be consolidated using the acquisition method of accounting.
14. There will be no material acquisition or disposal of property, plant and equipment or investments other than those planned and incorporated in the profit forecast.

9. FINANCIAL INFORMATION (Cont'd)



NOTION VTEC BERHAD ("NVB") AND ITS SUBSIDIARIES ("THE GROUP")

B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)

15. The restructuring and subsequent listing of NVB on the MESDAQ Market of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities") involves the following transactions:-

(a) Acquisitions by NVB of the following:-

- (i) the entire equity interest of NVSB comprising 6,115,920 ordinary shares of RM1.00 each for RM21,659,055 to be satisfied by NVB through the issuance of 216,590,550 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 per share;
- (ii) 10% of the equity interest in NV Technology Sdn. Bhd. ("NTSB") represented by 125,367 ordinary shares of RM1.00 each for a total purchase consideration of RM137,746 to be satisfied by NVB through the issuance of 1,377,460 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 each per share; and
- (iii) 10% of the equity interest in Kaiten Precision (M) Sdn. Bhd. ("KPSB") represented by 20,000 ordinary shares of RM1.00 each for a total purchase consideration of RM19,173 to be satisfied by NVB through the issuance of 191,730 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 per share.

(hereinafter referred to as "Acquisitions")

The Acquisitions were completed on 31 January 2005.

(b) Public Issue of 75,000,000 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.63 per ordinary share comprising:-

- (i) 6,000,000 new ordinary shares of RM0.10 each representing approximately 2.05% of the enlarged share capital will be reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions;
- (ii) 8,000,000 new ordinary shares of RM0.10 each representing approximately 2.72% of the enlarged share capital will be reserved for eligible employees and business associates of the Group; and
- (iii) 61,000,000 new ordinary shares of RM0.10 each representing approximately 20.81% of the enlarged share capital will be placed to investors by the placement agent.

(c) Listing of and quotation for the entire enlarged issued and paid-up share capital of NVB of RM29,315,976 comprising 293,159,760 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

9. FINANCIAL INFORMATION (Cont'd)



NOTION VTEC BERHAD ("NVB") AND ITS SUBSIDIARIES ("THE GROUP")

B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)

16. The estimated listing expenses of RM2,500,000 to be incurred in respect of the Public Issue will be charged to the share premium account in the financial year ending 30 September 2005, which is the year in which the Public Issue is expected to be implemented. It is assumed that the proceeds from the Public Issue will be received by early June 2005.
17. The proceeds from the Public Issue will be utilised as follows:-

<i>Purpose</i>	RM'000
Purchase of new machinery/equipment	12,000
Purchase of land and construction of new factory	20,000
Working capital	8,950
Research and development training and facilities	800
Repayment of bank borrowings	3,000
Estimated listing expenses	2,500
Total	47,250

9. FINANCIAL INFORMATION *(Cont'd)*

9.6.2 Directors' Commentary on Profit Forecast

In FYE 2005, the Group forecasts an increase of approximately 35% in revenue from RM57.2 million in the previous year to RM77.2 million in FYE 2005. The increase in the Group's revenue is mainly driven by the anticipated increase in revenue from HDD and camera components.

HDD components sales are forecasted to increase by 32% from approximately RM43.5 million in FYE 2004 to approximately RM57.5 million in FYE 2005. Sales of HDD components will continue to be the Group's major revenue earner with contribution forecasted to be approximately 74% of the Group's revenue in FYE 2005. The Directors of NVB believe that HDD component sales will continue to grow due to the expected global growth in the HDD market for the 3.5" HDD and smaller form factor HDD used in consumer electronics devices such as digital cameras, camera phones and portable digital music players. Overall growth in the market of HDDs will translate into an increase in demand for HDD components.

Revenue from its camera components division is forecasted to increase by 92% over the revenue achieved in the previous year of approximately RM5.0 million. Revenue from camera components is expected to contribute approximately 12% of the Group's revenue in FYE 2005. The expected growth in revenue from camera components is underpinned by the expected growth in the consumer electronics market. In the last quarter of FYE 2004, the Group had begun production of new components for digital cameras, which is expected to contribute positively towards the Group's revenue in FYE 2005.

On the back of higher revenue forecasted for FYE 2005, the Group has forecast a PAT after MI of RM17.0 million, an increase of approximately RM5.3 million or 45.3% over the proforma PAT after MI of RM11.7 million recorded in FYE 2004.

The growth in the Group's revenue is expected to be supported by capital expenditure incurred in FYE 2004 involving the purchase of machinery and equipment, as well as planned capital expenditure in FYE 2005. The Directors of NVB is confident that with its competitive pricing, timely delivery, high standards of product quality and reliability of its products and services, the NVB Group will be able to secure more orders. The NVB Group will continue to build its business on strong referrals and business-capability credentials through existing customers whilst seeking new customers and building brand/name recognition.

The Board of NVB has reviewed the consolidated profit forecast for the financial year ending 30 September 2005 of NVB based on the assumptions referred to in Section 9.6.1 of this Prospectus. The Board of NVB is of the opinion, after due and careful inquiry, that the consolidated profit forecast is fair and reasonable in light of the prospects of the HDD and consumer electronics industry in which it operates and the future plans, strategies and prospects of the NVB Group as set out in Sections 4.4.5, 4.7 and Section 10 of this Prospectus respectively, as well as after taking into consideration the forecast gearing level, liquidity and working capital requirement. However, a forecast by its nature is subject to inherent uncertainties and unexpected events which may occur beyond the control of the Group or its Directors. Accordingly, the Board of NVB does not guarantee the achievement of the consolidated profit forecast.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION *(Cont'd)*

9.6.3 Sensitivity Analysis

The following sensitivity analysis is prepared based on the forecast assumptions as set out in Section 9.6.1 of this Prospectus and attempts to show the impact on the forecast consolidated profit assuming all other things remain unchanged except for 5% and 10% upward and downward variations in the selling price and cost of sales. Notwithstanding the impact of the variations in revenue and cost of sales, there may exist other factors which have been taken into account, which variations may have a significant impact, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:

(a) Variation in selling price

Financial years ending 30 September 2005	PBT RM'000	PAT RM'000
Per forecast	21,568	17,193
Increase by 5%	25,427	20,270
Increase by 10%	29,286	23,346
Decrease by 5%	17,709	14,117
Decrease by 10%	13,850	11,041

(b) Variation in cost of sales

Financial years ending 30 September 2005	PBT RM'000	PAT RM'000
Per forecast	21,568	17,193
Increase by 5%	19,329	15,408
Increase by 10%	17,089	13,623
Decrease by 5%	23,807	18,979
Decrease by 10%	26,047	20,764

The Directors of NVB have assessed the sensitivity of the profit forecast of the NVB Group after taking into consideration the fluctuation in major variables as mentioned above. The Directors are of the view that the sensitivity analysis on the Group's profit forecast is fair and reasonable.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION *(Cont'd)*

9.6.4 Dividend Forecast

It is the intention of the Directors to distribute reasonable dividends to its shareholders whilst ensuring adequate reserves and excess cash flow for its future growth and expansion. Any variation from the dividend forecast would depend on the Group's financial performance, financial condition and other factors deemed relevant by the Board of NVB.

Based on the profit forecast for the financial year ending 30 September 2005, the Directors of NVB expect to propose a tax-exempt dividend of 17.1% per NVB Share for the financial year ending 30 September 2005, based on the enlarged issued and paid-up share capital of 293,159,760 NVB Shares.

The intended appropriation of the profit attributable to shareholders for the financial years ending 30 September 2005 will be as follows:

Financial year ending 30 September 2005

Gross dividend per Share (sen)	1.71
Net dividend per Share (sen)	1.71
Net dividend cover (times)	3.40
Gross dividend yield based on issue price of RM0.63 per share (%)	2.71
Net dividend yield based on issue price of RM0.63 per share (%)	2.71

Future dividends may be waived under certain circumstances, including, inter-alia, in the event of insufficient profits or retained profits to declare as dividends, insufficient tax credits to frank dividends or insufficient cash flow to pay dividends.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION *(Cont'd)*

9.7 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets and the Proforma Consolidated Balance Sheets *(Prepared for inclusion in this Prospectus)*



3 May 2005

The Board of Directors
Notion VTec Berhad
Lot 5028, Jalan Teratai
Batu 5½, Jalan Meru
41050 Klang
Selangor Darul Ehsan

Dear Sirs/Madams

NOTION VTEC BERHAD ("NVB") PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

We have reviewed the Proforma Consolidated Balance Sheets of NVB and its subsidiaries ("the Group") as at 31 December 2004, together with the accompanying notes thereto which have been prepared for illustrative purposes only, for which the Directors are solely responsible, as set out in the accompanying statements (initialed by us for the purpose of identification only) prepared in connection with the following transactions for inclusion in the Prospectus of NVB to be dated 11 May 2005:-

- (a) Acquisitions by NVB of the following:-
- (i) the entire equity interest of NVSB comprising 6,115,920 ordinary shares of RM1.00 each for RM21,659,055 to be satisfied by NVB through the issuance of 216,590,550 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 per share;
 - (ii) 10% of the equity interest in NV Technology Sdn. Bhd. ("NTSB") represented by 125,367 ordinary shares of RM1.00 each for a total purchase consideration of RM137,746 to be satisfied by NVB through the issuance of 1,377,460 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 each per share; and
 - (iii) 10% of the equity interest in Kaiten Precision (M) Sdn. Bhd. ("KPSB") represented by 20,000 ordinary shares of RM1.00 each for a total purchase consideration of RM19,173 to be satisfied by NVB through the issuance of 191,730 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 per share.

(hereinafter referred to as "Acquisitions")

The Acquisitions were completed on 31 January 2005.

- (b) Public Issue of 75,000,000 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.63 per ordinary share comprising:-
- (i) 6,000,000 new ordinary shares of RM0.10 each representing approximately 2.05% of the enlarged share capital will be reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions;
 - (ii) 8,000,000 new ordinary shares of RM0.10 each representing approximately 2.72% of the enlarged share capital will be reserved for eligible employees and business associates of the Group; and
 - (iii) 61,000,000 new ordinary shares of RM0.10 each representing approximately 20.81% of the enlarged share capital will be placed to investors by the placement agent.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

603.2166.0000
603.2166.1000 Fax
horwath@po.jaring.my

9. FINANCIAL INFORMATION (Cont'd)



- (c) Listing of and quotation for the entire enlarged issued and paid-up share capital of NVB of RM29,315,976 comprising 293,159,760 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities").

In our opinion:-

- (i) the Proforma Consolidated Balance Sheets, which are prepared for illustrative purposes only, have been properly compiled on the bases set out in the accompanying notes to the Proforma Consolidated Balance Sheets;
- (ii) the bases are consistent with the accounting policies normally adopted by the Group; and
- (iii) the adjustments are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned transactions. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A handwritten signature in black ink, appearing to be "J. K. H.", written over a horizontal line.

Horwath
Firm No : AF 1018
Chartered Accountants

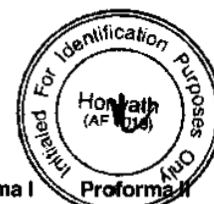
A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a horizontal line.

Onn Kien Hoe
Approval No : 1772/11/06 (J/PH)
Partner

9. FINANCIAL INFORMATION (Cont'd)

NOTION VTEC BERHAD ("NVB") AND ITS SUBSIDIARIES ("THE GROUP")

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

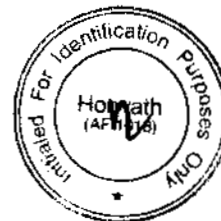


	NVB Audited as at 31 December 2004 RM'000	Proforma I After Acquisitions RM'000	Proforma II After Proforma I and Public Issue RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	-	37,474	69,474
Deferred asset	-	149	149
	-	37,623	69,623
CURRENT ASSETS			
Inventories	-	2,978	2,978
Trade receivables	-	19,081	19,081
Other receivables, prepayments and deposits	420	1,941	1,521
Tax refundable	-	8	8
Fixed deposits with licensed banks	-	1,434	1,434
Cash and bank balances	*	8,005	18,175
Total current assets	420	33,447	43,197
CURRENT LIABILITIES			
Trade payables	-	7,817	7,817
Other payables and accruals	441	1,372	1,372
Amount owing to a director	-	500	500
Short term borrowings	-	9,964	6,975
Provision for taxation	-	724	724
Bank overdraft	-	555	555
Total current liabilities	441	20,932	17,943
Net current (liabilities)/assets	(21)	12,515	25,254
	(21)	50,138	94,877
FINANCED BY:-			
Share capital	*	21,816	29,316
Share premium	-	-	37,250
Negative goodwill	-	16,126	16,126
Accumulated losses	(21)	(21)	(21)
Shareholders' (deficit)/equity	(21)	37,921	82,671
Minority interests	-	361	361
NON-CURRENT LIABILITIES			
Long term liabilities	-	9,278	9,267
Deferred taxation	-	2,578	2,578
	(21)	50,138	94,877
Number of ordinary shares in issue ('000)	**	218,160	293,160
Net tangible (liabilities)/assets per share (RM)	(1,050)	0.17	0.28

* - RM2

** - 20 ordinary shares of RM0.10 each

9. FINANCIAL INFORMATION (Cont'd)

**NOTION VTEC BERHAD ("NVB") AND ITS SUBSIDIARIES ("THE GROUP")****Notes To The Proforma Consolidated Balance Sheets****1. Basis of Preparation**

The Proforma Consolidated Balance Sheets of NVB for which the Directors are solely responsible, have been prepared based on the audited balance sheet of NVB and the audited consolidated balance sheet of Notion Venture Sdn. Bhd. ("NVSB") as at 31 December 2004 solely for illustrative purposes to show the effects of the following transactions had the transactions been implemented and completed as of that date:-

1.1 Proforma I

Proforma I incorporates the following:-

(a) Acquisitions by NVB of the following:-

- (i) the entire equity interest of NVSB comprising 6,115,920 ordinary shares of RM1.00 each for RM21,659,055 to be satisfied by NVB through the issuance of 216,590,550 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 per share ;
- (ii) 10% of the equity interest in NV Technology Sdn. Bhd. ("NTSB") represented by 125,367 ordinary shares of RM1.00 each for a total purchase consideration of RM137,746 to be satisfied by NVB through the issuance of 1,377,460 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 each per share; and
- (iii) 10% of the equity interest in Kaiten Precision (M) Sdn. Bhd. ("KPSB") represented by 20,000 ordinary shares of RM1.00 each for a total purchase consideration of RM19,173 to be satisfied by NVB through the issuance of 191,730 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 per share.

(hereinafter referred to as "Acquisitions")

The Acquisitions were completed on 31 January 2005.

9. FINANCIAL INFORMATION (Cont'd)



NOTION VTEC BERHAD ("NVB") AND ITS SUBSIDIARIES ("THE GROUP")

Notes To The Proforma Consolidated Balance Sheets (Cont'd)

1.1 Proforma I (Cont'd)

Note:-

The total purchase consideration of RM21,815,974 for the Acquisitions was arrived at based on the aggregate adjusted audited consolidated Net Tangible Assets ("NTA") of the acquiree companies as at 30 September 2003 after taking into consideration the new issue of shares in the acquiree companies subsequent to 30 September 2003 as follows:-

Acquiree Company	Audited NTA @	New issue of shares affected	Adjusted NTA	To be acquired by NVB		Purchase consideration	To be satisfied by issuance of NVB Shares	
	30 September 2003			%	RM		No. of Shares	Issue price per Share
	RM		RM		RM	RM		sen
NVSB	19,637,055	2,022,000	21,659,055	100	21,659,055	21,659,055	216,590,550	10.00
NTSB	1,177,463	200,000	1,377,463	*10	137,746	137,746	1,377,460	10.00
KPSB	(8,264)	199,998	191,734	*10	19,173	19,173	191,730	10.00
Total	20,806,254		23,228,252		21,815,974	21,815,974	218,159,740	

* NVB holds 90% equity interest in NTSB and KPSB after the Acquisitions.

1.2 Proforma II

Proforma II incorporates the effects of Proforma I and the Public Issue of 75,000,000 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.63 per share ("Public Issue").

The gross proceeds from the Public will be utilised as follows:-

Purpose		RM'000
Purchase of new machinery/equipment	(a)	12,000
Purchase of land and construction of new factory	(a)	20,000
Working capital	(b)	8,950
Research and development training and facilities	(b)	800
Repayment of bank borrowings	(c)	3,000
Estimated listing expenses	(d)	2,500
Total		47,250

9. FINANCIAL INFORMATION (Cont'd)



NOTION VTEC BERHAD ("NVB") AND ITS SUBSIDIARIES ("THE GROUP")

Notes To The Proforma Consolidated Balance Sheets (Cont'd)

1.2 Proforma II (Cont'd)

Notes:-

- (a) Included in property, plant and equipment for the purposes of the Proforma Consolidated Balance Sheets;
- (b) Included in cash and bank balances for the purposes of the Proforma Consolidated Balance Sheets;
- (c) The repayment of bank borrowings of RM3.0 million have been taken up in the Proforma Consolidated Balance Sheets as follows:-
 - (i) An amount of RM2.989 million (which represents term loans and bills payable due within one year as at 31 December 2004) have been debited against short term borrowings; and
 - (ii) An amount of RM0.011 million (which represents a portion of term loans due after one year as at 31 December 2004) have been debited against long term borrowings.
- (d) The estimated listing expenses of RM2.5 million have been debited against the share premium account.

2. Share Capital

The movements in the issued and paid-up share capital of NVB in the various scenarios are as follows:-

	Number of Ordinary Shares	Amount of Share Capital RM
As at date of incorporation	20	2
Acquisitions	218,159,740	21,815,974
As per Proforma I	218,159,760	21,815,976
Public Issue	75,000,000	7,500,000
As per Proforma II	293,159,760	29,315,976

9. FINANCIAL INFORMATION (Cont'd)



NOTION VTEC BERHAD ("NVB") AND ITS SUBSIDIARIES ("THE GROUP")

Notes To The Proforma Consolidated Balance Sheets (Cont'd)

3. Share Premium Account

The movements in the share premium account of NVB are as follows:-

	RM'000
As at date of incorporation/Proforma I	-
Premium arising from the Public Issue	39,750
Less: Estimated listing expenses	(2,500)
As per Proforma II	<u>37,250</u>

4. Negative goodwill on consolidation

The negative goodwill on consolidation arising from the Acquisitions represent the excess of the Group's share of the fair value of the identifiable net assets of NVSB, NTSB and KPSB as at the date of acquisition over the fair value of the purchase consideration. The calculation of the negative goodwill on consolidation is as follows:-

	RM'000
Fair value of net assets acquired	37,942
Less: Fair value of purchase consideration	(21,816)
Negative goodwill on consolidation as per Proforma I and II	<u>16,126</u>