

8 SUMMARY OF THE BUSINESS DEVELOPMENT PLAN

The following is a summary of our Business Development Plan prepared for the purpose of inclusion in this Prospectus.

8.1 BUSINESS OBJECTIVES

We aim to be a leading one-stop engineering solution provider for the MEC industry. Our core competencies are in the design, development and manufacturing of MEC. We will continue to strengthen our core competencies and continuously enhance our R&D capabilities to maintain our competitive edge. This will be achieved through investment in R&D, taking a pro-active stance in the developments in the MEC industry and encourage an environment of continuous learning and improvement of skills among our employees.

Leveraging on our core competencies, we are also diversifying our product range to expand into wider application markets, as further elaborated under Product Development in Section 8.2 below.

8.2 PRODUCT DEVELOPMENT

Our Group's product development plan is set out below:-

2006	2007	2008	2009	2010
Lead-free Leadframe & Clinch Frame				
Safety Commercial Vehicle LED Lighting				
Mobile phone camera lens DC Micromotor				
Fine Pitch Connector Pin				

Please refer to Section 5.4.13(c) for further details of the above products under development.

8.3 BUSINESS DIRECTION

Our Group's business direction for the next three (3) years will be:-

- (a) To enhance on our R&D capabilities;
- (b) To offer a broader range of products;
- (c) To expand into new geographical and application markets; and
- (d) To proactively work with our customers to offer innovative one-stop engineering solutions.

Please refer to Section 6.9 of this Prospectus for further information on our future plans and strategies.

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

9.1 INFORMATION ON PROMOTERS/SUBSTANTIAL SHAREHOLDERS

9.1.1 Shareholdings in JHM

The promoters and substantial shareholders of JHM and their respective shareholdings in JHM before and after the Public Issue are as follows:-

	Nationality/ Country of Incorporation	Designation	No of JHM Shares Held Before the Public Issue		No of JHM Shares Held After the Public Issue ^(a)	
			Direct	%	Direct	%
Promoters						
Dato' Tan King Seng	Malaysian	Executive Chairman & Managing Director	28,271,586	46.45	28,471,586	34.72
NMSB	Malaysia	-	20,297,241	33.35	20,297,241	24.75
Ooi Yeok Hock	Malaysian	Executive Director	4,389,292	7.21	4,589,292	5.60
Tan Chin Hong	Malaysian	Executive Director	1,920,331	3.16	2,070,331	2.52
Substantial Shareholders						
Dato' Tan King Seng	Malaysian	Executive Chairman & Managing Director	28,271,586	46.45	28,471,586	34.72
NMSB	Malaysia	-	20,297,241	33.35	20,297,241	24.75
FSSB	Malaysia	-	5,981,530	9.83	5,981,530	7.29
Ooi Yeok Hock	Malaysian	Executive Director	4,389,292	7.21	4,589,292	5.60
					26,278,771 ^(b)	32.05
					26,278,771 ^(b)	32.05

Notes:-

(a) Including their respective allocation of Issue Shares under the pink form allocation but prior to exercise of ESOS Options.

(b) Deemed interested by virtue of his shareholdings of not less than 15% in NMSB and FSSB pursuant to Section 6.4 of the Act.

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.1.2 Profile of Promoters and Substantial Shareholders

Dato' Tan King Seng and Ooi Yeok Hock are Promoters, substantial shareholders and Directors of JHM and their profiles are as set out in Section 9.2.1 of this Prospectus. Tan Chin Hong is a Promoter and Director of JHM and his profile is set out in Section 9.2.1 of this Prospectus.

The profiles of NMSB and FSSB are set out below:-

(a) NMSB

NMSB was incorporated in Malaysia under the Act as a private limited company on 1 March 2005. It is an investment holding company with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. It has a present issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares of RM1.00 each.

The Directors and shareholders of NMSB and their shareholdings in NMSB as at the Latest Practicable Date are set out as follows:-

Directors and Shareholders	Nationality	Designation	No of ordinary shares of RM1.00 each held in NMSB before and after the Public Issue			
			Direct	%	Indirect	%
Dato' Tan King Seng	Malaysian	Director	999	99.9	-	-
Ooi Yeok Hock	Malaysian	Director	1	0.1	-	-

(b) FSSB

FSSB was incorporated in Malaysia under the Act as a private limited company on 7 April 2005. It is an investment holding company with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. It has a present issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares of RM1.00 each.

The Directors and shareholders of FSSB and their shareholdings in FSSB as at the Latest Practicable Date are set out as follows:-

Directors and Shareholders	Nationality	Designation	No of ordinary shares of RM1.00 each held in FSSB before and after the Public Issue			
			Direct	%	Indirect	%
Dato' Tan King Seng	Malaysian	Director	999	99.9	-	-
Ooi Yeok Hock	Malaysian	Director	1	0.1	-	-

9.1.3 Promoters' and Substantial Shareholders' Directorships and Substantial Shareholdings in Other Public Companies for the Past Two (2) Years

None of the Promoters and substantial shareholders of JHM as at the Latest Practicable Date hold or have held any directorship or substantial shareholdings (5% or more of the issued and paid-up share capital) in other public companies for the past two (2) years.

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.1.4 Changes in Substantial Shareholders and Promoters

The changes in the shareholdings of our substantial shareholders and Promoters since incorporation are as follows:-

	As at 26 March 2005 (I)		As at 31 March 2006 (II)		After Sub-Division of Shares (III)		After (III) and Acquisitions (IV)				After (IV) and the Public Issue (V)			
	Direct	%	Direct	%	Direct	%	Direct	%	Indirect	%	Direct	%	Indirect	%
<u>Substantial Shareholders</u>														
Tan Choong Khian	1	50.00	-	-	-	-	-	-	-	-	-	-	-	-
Chew Choy Moon	1	50.00	-	-	-	-	-	-	-	-	-	-	-	-
Foo Li Ling	-	-	1	50.00	10	50.00	-	-	-	-	10	-	-	-
Raymond Khor Guan Lye	-	-	1	50.00	10	50.00	-	-	-	-	10	-	-	-
Dato' Tan King Seng	-	-	-	-	-	-	28,271,586	46.45	26,278,771 ^(c)	43.18	28,471,586 ^(a)	34.72	26,278,771 ^(c)	32.05
NMSB	-	-	-	-	-	-	20,297,241	33.35	-	-	20,297,241	24.75	-	-
FSSB	-	-	-	-	-	-	5,981,530	9.83	-	-	5,981,530	7.29	-	-
Ooi Yeok Hock	-	-	-	-	-	-	4,389,292	7.21	-	-	4,389,292 ^(a)	5.60	-	-
<u>Promoters</u>														
Dato' Tan King Seng	-	-	-	-	-	-	28,271,586	46.45	26,278,771 ^(c)	43.18	28,471,586 ^(a)	34.72	26,278,771 ^(c)	32.05
NMSB	-	-	-	-	-	-	20,297,241	33.35	-	-	20,297,241	24.75	-	-
Ooi Yeok Hock	-	-	-	-	-	-	4,389,292	7.21	-	-	4,389,292 ^(a)	5.60	-	-
Tan Chin Hong	-	-	-	-	-	-	1,920,331	3.16	-	-	2,070,331 ^(b)	2.52	-	-

* Immaterial

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Notes:

- (a) *Including their respective allocation of 200,000 Issue Shares under the pink form allocation but prior to the exercise of ESOS Options.*
- (b) *Including his allocation of 150,000 Issue Shares under the pink form allocation but prior to the exercise of ESOS Options.*
- (c) *Deemed interested by virtue of his shareholdings of not less than 15% in NMSB and FSSB pursuant to Section 6A of the Act.*

9.2 INFORMATION ON DIRECTORS

9.2.1 Profiles of Directors

Dato' Tan King Seng, aged 50, is our Executive Chairman and Managing Director and was appointed to the Board on 13 April 2006. He graduated with a Bachelor of Science Degree in Mechanical Engineering from National Cheng Kung University of Taiwan in 1983. Dato' Tan started his career as an engineer with MNCs based in Malaysia such as Intel Technology Sdn Bhd and Hewlett Packard Sdn Bhd in 1984 and 1989 respectively. Prior to starting his own business in 1995, he was a Senior Production Engineer in charge of Optoelectronic Production in Hewlett Packard Sdn Bhd.

Ooi Yeok Hock, aged 43, is our Executive Director and was appointed to the Board on 13 April 2006. He is currently in charge of Morrissey's R&D and Engineering Department. He graduated with a Bachelor of Engineering Degree majoring in Mechanical Engineering from University of Strathclyde, United Kingdom in 1986 and subsequently obtained a Diploma in Electrical Engineering from City & Guilds (C&G), United Kingdom in 1990. Mr Ooi started his career as a Senior Process Engineer with Northern Telecom Sdn. Bhd in 1987. He left Northern Telecom Sdn. Bhd. in 1995 and joined Allied Stamping Corporation Sdn. Bhd. as its Operation and Engineering Manager responsible for the company's plant operation and engineering. a position which he held until 2000. Prior to joining Morrissey in 2001, he has more than 15 years of experience in engineering and production of MEC from MNCs in USA, China and Malaysia.

Tan Chin Hong, aged 38, is our Executive Director and was appointed to the Board on 13 April 2006. Mr Tan started his career as a Machining Technician with Mifa Engineering Sdn. Bhd. in 1989. He joined Brusia Engineering Sdn. Bhd as Production Supervisor in 1992. In 1994, he was promoted to Production Manager. He left Brusia Engineering Sdn. Bhd. in 1999 and joined Forward Matrix Sdn. Bhd. as the General Manager in charge of Factory Operation, a position which he held until July 2001. Prior to joining Morrissey in September 2001 as its Plant Manager he has 10 years working experience in design and fabrication of tooling and die and 5 years working experience in production.

Loh Chye Teik, aged 47, is our Independent Non-Executive Director and was appointed to the Board on 13 April 2006. He is the Managing Partner of Parker Randall Loh, Chartered Accountants and the Director of Parker Randall International Sdn. Bhd. Mr Loh graduated from University of Malaya, Kuala Lumpur with a Bachelor of Accounting (Honours) in 1984. He is a member of both the Malaysia Institute of Accountants (MIA) and the Malaysia Institute of Taxation since 1988. Mr Loh started his career as an auditor in Penang Chartered Accountants firm in 1985 and proceeded to set up his own accountancy and audit firm in 1994, known as Tan & Loh Chartered Accountants, and held the position of the Managing Partner. He is currently an Independent Non-Executive Director of G.A. Blue International Bhd and Foremost Holdings Berhad, being companies listed on the Main Board and Second Board respectively of Bursa Securities and a Managing Director of Interresources Tax Advisory Sdn. Bhd. In addition, he has been appointed the Councillor of the Municipal Council of Penang in January 2006.

9 **PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY
MANAGEMENT (Cont'd)**

Teoh Yee Shien, aged 39, is our Independent Non-Executive Director and was appointed to the Board on 13 April 2006. She graduated with a Bachelor of Accounting from Universiti Utara Malaysia in 1991 and is a member of the Malaysia Institute of Accountants (MIA). She started her career in the audit division of Pricewaterhouse Coopers prior to joining Leader Universal Holdings Berhad as the Corporate Planning and Investment Manager for seven (7) years. She then joined Prinsiptek Corporation Berhad in 2003 as the Group Financial Controller and leads the Prinsiptek Corporation Berhad Group's accounts and finance team and is actively involved in the Group's operation and corporate planning.

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9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.2.2 Shareholdings in JHM

The direct and indirect shareholdings of our Directors before and after the Public Issue are as follows:-

	Nationality/ Country of Incorporation	Designation	No of JHM Shares Held Before the Public Issue		No of JHM Shares Held After the Public Issue ^(a)	
			Direct	%	Direct	%
Dato' Tan King Seng	Malaysian	Executive Chairman & Managing Director	28,271,586	46.45	28,471,586	34.72
Ooi Yeok Hock	Malaysian	Executive Director	4,389,292	7.21	4,589,292	5.60
Tan Chin Hong	Malaysian	Executive Director	1,920,331	3.16	2,070,331	2.52
Loh Chye Teik	Malaysian	Independent Non- Executive Director	-	-	45,000	0.05
Teoh Yee Shien	Malaysian	Independent Non- Executive Director	-	-	45,000	0.05
					26,278,771 ^(b)	32.05

Notes:-

(a) Including their respective allocation of Issue Shares under the pink form allocation but prior to the exercise of ESOS Options.

(b) Deemed interested by virtue of his shareholdings of not less than 15% in MAB and FSSB pursuant to Section 6A of the Act.

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.2.3 Directors' Directorships and Substantial Shareholdings in Other Public Companies for the Past Two (2) Years

None of our Directors hold or have held any directorships or substantial shareholdings (5% or more of the issued and paid-up share capital) in other public companies for the past two (2) years preceding the date of this Prospectus, save for Mr Loh Chye Teik, details of which are as follows:-

		< ----- Directorship ----- >		< ----- Shareholding ----- >	
		Date of appointment	Date of resignation	Direct %	Indirect %
Loh Chye Teik	G.A. Blue International Berhad	2.12.2003	-	0.09	-
	Foremost Holdings Berhad	12.6.2006	-	0.02	-

9.2.4 Directors' Remuneration and Benefits

The remuneration and benefit-in-kind of our Directors for services rendered in all capacities to our Group for the FYE 31 December 2005 and FYE 31 December 2006 are as follows:-

	No. of Directors			
	<---FYE 31 December 2005-->		<--FYE 31 December 2006-->	
	Executive Directors	Non-executive Directors	Executive Directors	Non-executive Directors
Up to RM50,000	-	-	-	2
Between RM50,001 and RM100,000	1	-	-	-
Between RM100,001 and RM150,000	-	-	1	-
Between RM150,001 and RM200,000	1	-	1	-
Between RM200,001 and RM250,000	1	-	-	-
Between RM250,001 and RM300,000	-	-	1	-

There is no contingent or deferred compensation accrued for the year.

9.2.5 All our Directors were appointed to the Board on 13 April 2005 and have served in their respective capacity since the date of appointment and are subject to retirement by rotation according to our Company's Articles of Association.

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.3 AUDIT, REMUNERATION AND NOMINATION COMMITTEES**9.3.1 Audit Committee**

The composition of our Audit Committee is as follows:-

Name	Designation	Directorship
Loh Chye Teik	Chairman of Audit Committee	Independent Non-Executive Director
Teoh Yee Shien	Member of Audit Committee	Independent Non-Executive Director
Ooi Yeok Hock	Member of Audit Committee	Executive Director

Our Audit Committee, comprising two (2) Independent Non-Executive Directors and an Executive Director. The major terms of reference for our Audit Committee include reviewing the financial statements of our Group before submission to our Board, recommendations of the external auditors, reviewing the results and scope of the audit and other services provided by our external auditors and reviewing the allocation of ESOS Options. In addition, our Audit Committee reviews and evaluates our Group's internal audit and control functions. Our Audit Committee is also responsible for the assessment of financial risks and matters relating to related party transactions and conflict of interests. Our Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

9.3.2 Remuneration Committee

The composition of our Remuneration Committee is as follows:-

Name	Designation	Directorship
Loh Chye Teik	Chairman of Remuneration Committee	Independent Non-Executive Director
Teoh Yee Shien	Member of Remuneration Committee	Independent Non-Executive Director
Ooi Yeok Hock	Member of Remuneration Committee	Executive Director

Our Remuneration Committee reviews and proposes, subject to the approval of the Board, the remuneration policy and terms and conditions of service of each Director for his services as a member of the Board as well as Committees of the Board. Nevertheless, the remuneration of the non-executive Directors is a matter for the Board as a whole and the Directors are required to abstain from deliberation and voting on decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group. Decisions and recommendations of our Remuneration Committee shall be reported back to our Board for approval and where required by rules and regulations governing our Company, for approval of shareholders at the annual general meeting.

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.3.3 Nomination Committee

The composition of our Nomination Committee is as follows:-

Name	Designation	Directorship
Loh Chye Teik	Chairman of Nomination Committee	Independent Non-Executive Director
Teoh Yee Shien	Member of Nomination Committee	Independent Non-Executive Director

Our Nomination Committee is responsible for identifying and recommending new nominees to our Board as well as committees of the Board. Our Nomination Committee will assess the effectiveness of our Board as a whole, our Board Committees and each individual Director on an annual basis. In developing such recommendations, our Nomination Committee will consult all Directors and reflect that consultation in any recommendation brought forward to our Board. Our Board makes all decisions on appointments after considering the recommendations of our Nomination Committee.

9.4 KEY MANAGEMENT**9.4.1 Profiles of Key Management**

Cheah Choon Ghee, aged 43, is the Senior Administration Manager of our Group. He graduated with a Diploma in Electronic Engineering from Tunku Abdul Rahman College in 1984. Mr Cheah started his career as an Assistant Engineer with National Semiconductor Sdn Bhd in 1985. He left National Semiconductor Sdn Bhd in 1989 and joined Cintronic Marketing Sdn Bhd as its Administrator Manager in charge of the company's operation until 1995. Then in 1996, Mr. Cheah joined Allied Stamping Corporation Sdn Bhd as Sales Director overseeing the company's business and later left in year 2000. Currently, Mr Cheah is in charge of the entire administration department of the JHM Group.

Wong Foo Liong, aged 36, is the Sales Manager of our Group. He graduated with a Diploma in Tool and Die Engineering from Singapore Polytechnic in 1993. Mr Wong started his career as a Sales Engineer with Equitex Marketing Sdn Bhd dealing with linear motion components in 1995. He left Equitex Marketing Sdn Bhd in 1997 and joined Allied Stamping Corporation Sdn Bhd as its Material Planning Manager in charge of the company's material planning and production control, a position which he held until 2001.

Lim Kah Hoon, aged 34 is the Finance Manager of our Group. He completed his Association of Certified Chartered Accountants (ACCA) examinations in 1995 and obtained his Chartered Accountant membership in 2000. Mr Lim commenced his career with Moores Rowland (formerly known as Hew & Tan), a public accountancy firm in 1994 as an Audit Assistant. He subsequently joined Allied Stamping Corporation Sdn Bhd as a Finance Executive in 1996 before joining JHM Group in 2002. Mr Lim joined the Group in 2002 as the Accountant with responsibilities covering accounting, treasury and cash management, credit control and tax planning functions.

Norijan Bt Basir, aged 41, is the Assistant Human Resource Manager of our Group. She graduated with double Diploma in Computer Studies & Human Resource Management from Informatic Prai. Miss Norijan started her career as a Personal Assistant to the Managing Director with Fuji Hikari Precision Sdn. Bhd in 1992. Then she left Fuji Hikari Precision Sdn Bhd and joined Allied Stamping Corporation Sdn. Bhd. as a Human Resource Officer in 1997. After that she joined Morrissey as an Assistant Human Resource Manager in 2002. Her current responsibility in the Group covers the payroll, recruitment of foreign workers, immigration matters, employee training program and other Government agency matters.

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.4.2 Shareholdings in JHM

The direct and indirect shareholdings of the key management in JHM before and after the Public Issue are as follows:-

	Nationality/ Country of incorporation	Designation	No of JHM Shares held before the Public Issue		No of JHM Shares held after the Public Issue ^(a)	
			Direct	Indirect	Direct	Indirect
Cheah Choon Ghee	Malaysian	Senior Administration Manager	-	-	250,000	-
Wong Foo Liong	Malaysian	Sales Manager	-	-	200,000	-
Lim Kah Hoon	Malaysian	Finance Manager	-	-	200,000	-
Norjian Bt Basir	Malaysian	Assistant Human Resource Manager	-	-	129,000	-

Note:-

(a) Including their respective allocation of Issue Shares under the pink form allocation but prior to the exercise of ESOS Options.

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.5 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT IN OTHER BUSINESSES/CORPORATIONS

Save as disclosed below, none of our Executive Directors or key management have any interests in other businesses or corporations.

Executive Director	Name of Company	Principal Activities	Shareholding (%)
Dato' Tan King Seng	Universal Flexible Technology Sdn Bhd	Trader of flexible printed circuit boards	50
	Hexa Point Corporation Sdn Bhd	Trader of industrial machinery, spare parts and accessories	50
	Influx Potential Sdn Bhd	Trader of engineering equipment & electronic component	50
	Forefront Axis Sdn Bhd	Marketing of industrial products	50
	Dominox Corporation Sdn Bhd	Agent of industrial tape	75
	Vactronic Sdn Bhd	Marketing of automation and electronic parts	50
Ooi Yeok Heok	Largan-Nipponsonic Sdn Bhd	Trader of automation, electronic & machinery parts/components	50
	Largan-Nippontech (M) Sdn Bhd	Agent/trader of optical lenses	50
	Popular Indulgence Sdn Bhd	Mould release agent	50

Dato' Tan King Seng, our Executive Chairman & Managing Director is also a director and shareholder of several private limited companies as mentioned above. Dato' Tan King Seng's directorship in other private limited companies do not preclude him from allocating most of his time in our Group as he merely provides the overall strategic directions and discharges his principal areas of responsibility as a director for these private limited companies. He is not involved in the day-to-day operations of these companies as they are managed by the company's personnel. He spends approximately 80% of his normal working hours in the management of our Group.

Mr Ooi Yeok Hock, our Executive Director, is also a director and shareholder in several private limited companies as mentioned above. His involvement in other private limited companies does not preclude him from allocating most of his time in our Group and fulfilling his responsibilities as an Executive Director as the daily operations of the private limited companies are managed by the company's personnel. He spends approximately 90% of his normal working hours in the full-time employment of our Group.

9.6 DECLARATION OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT

None of our Promoters, Directors and key management personnel is or was involved in the following events, whether in or outside Malaysia:-

- a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- was charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

9 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

- (d) judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) the subject of any order, judgement or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

9.7 RELATIONSHIPS AND ASSOCIATES

Save for Tan Chin Hong who is the nephew of Dato' Tan King Seng, there are no other family relationships or associations amongst the substantial shareholders, Promoters, Directors and key management personnel.

9.8 SERVICE AGREEMENT

All our employees have standard employment contracts. There are no existing or proposed service agreements between our Group or any company within our Group and our Directors or key management personnel, which is not terminable by notice without payments or compensation other than statutory compensation.

9.9 EMPLOYEES

As at the Latest Practicable Date, our Group has a total of 103 employees employed in the following capacities:

Employee Category	< 1 year	1 to 5 years	> 5 years	Total
Management & Professional	5	8	2	15
Engineering / Executive	5	7	5	17
Technical / R&D	3	5	-	8
Supervisory/Technician/QC	2	5	2	9
Administration & Clerical	1	1	2	4
Production: Skilled	-	1	3	4
Production: Unskilled	27	11	-	38
General Workers	3	2	3	8
Total	46	40	17	103

Of the total 103 employees, 29 of them are foreign workers employed on a full-time basis on two (2) and three (3) year renewable contracts in the following categories:-

Employee Category	No. of Employees	Countries	No. of Years of Contract
Technical / R&D	6	India	2
Production: Unskilled	4	Nepal	3
	19	Indonesia	3
Total	29		

9 **PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

We place strong emphasis on human resource development. Our employees are given various training to improve their skills and knowledge and also on-the-job training. Our management enjoys a good working relationship with the employees.

Our employees do not belong to any labour union and enjoy a cordial relationship with the management. There has been no labour or industrial dispute between our employees and management.

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10 APPROVALS AND CONDITIONS

10.1 CONDITIONS TO THE APPROVALS AND COMPLIANCE THEREOF

The SC has granted its approval (including the approval of FIC under the Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests) to the Public Issue and Listing on 10 March 2006 and 17 May 2006 and the MITI has granted its approval on 9 September 2005. The conditions imposed by the aforesaid authorities and the status of compliance are set out as follows:-

(a) SC's Conditions	Status of compliance
<p>(i) With respect to dependency on major customers and lack of long-term contract, JHM to disclose in its prospectus the following:-</p> <p>(a) Justification on the sustainability of the JHM Group's business in view of reliance on a few major customers and lack of long-term contract;</p> <p>(b) Step(s)/ action(s) taken/to be taken by the Company to reduce dependency on these major customers and actions taken to increase/expand its customer base; and</p> <p>(c) Impact to the Company if MNCs re-direct business ventures to outside Malaysia.</p>	<p>Complied. Please refer to Sections 4(A)(a), 4(A)(b), 4(A)(c) of this Prospectus.</p>
<p>(ii) With regard to proposed dividend payment, JHM to notify SC on:-</p> <p>(a) The exact amount to be declared by Morrissey and JH Tech as dividends supported by the Reporting Accountant's confirmation on the adequacy of retained earnings and funds in Morrissey and JH Tech; and</p> <p>(b) The Board of Directors of Morrissey and JH Tech is to ensure that the dividend payment would not reduce the NTA of JHM Group to be less than NTA as at 31 December 2004.</p>	<p>Complied. On 17 April 2006, Kenanga has submitted the respective confirmations to the SC.</p>
<p>(iii) JHM to meet the 30% Bumiputera equity requirement within one (1) year after JHM has achieved the profit track record requirement for companies applying for listing on the Second Board of Bursa Malaysia or five (5) years after being listed on the MESDAQ Market of Bursa Malaysia, whichever is the earlier, in which the shares to be allocated to Bumiputera investors to be approved by MITI.</p>	<p>To be complied.</p>
<p>(iv) Kenanga/ JHM to submit a preliminary proposal to SC on how the Company proposes to meet the Bumiputera equity condition, 6 months before expiry date of compliance.</p>	<p>To be complied.</p>
<p>(v) Kenanga/ JHM to inform SC upon completion of the proposed flotation scheme.</p>	<p>To be complied.</p>

10 APPROVALS AND CONDITIONS (Cont'd)

(a) SC's Conditions	Status of compliance
(vi) Kenanga/ JHM to submit the following information on the places to SC with regard to the placement of shares in respect of the public issue:-	To be complied.
(a) Name of places/ ultimate beneficiaries for nominee companies (if any);	
(b) Identification card/ passport/ company registration number;	
(c) Central Depository System number;	
(d) Home/ business address;	
(e) Occupation/ principal activities;	
(f) Date of listing of placement shares;	
(g) Number of placement shares allocated;	
(h) Issue price of the placement shares; and	
(i) Name of placement agent.	
(vii) The promoters' shareholdings to be placed under moratorium shall amount to 45% of the enlarged issued and paid-up ordinary share capital of JHM assuming full conversion or exercise of ESOS options owned by the promoters of JHM.	Complied. Please refer to Section 10.2 of this Prospectus.
(viii) Kenanga/ JHM to inform SC of the revised moratorium to comply with condition (vii) above.	Complied. On 17 April 2006, Kenanga has submitted the revised moratorium to SC.
(ix) Approvals to be obtained from other relevant authorities, if any.	Complied. MITI's approval was obtained on 9 September 2005. The approval-in-principle from Bursa Securities was obtained on 26 May 2006 for the admission of our Company to the Official List and for the listing of and quotation for our entire enlarged issued and paid-up share capital on the MESDAQ Market.

Pursuant to the approval letter dated 10 March 2006, the SC (under the FIC Guidelines) also noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholding in JHM would change arising from the implementation of the listing proposal, as follows:

	Before Public Issue	After Public Issue^(a)
	%	%
Bumiputera	0.00	0.00
Non-Bumiputera	100.00	93.77
Foreign	0.00	6.23 ^(b)
Total	100.00	100.00

Notes:

(a) *After Public Issue but prior to the exercise of ESOS Options.*

(b) *Based on the assumption that 30% of the 17,040,000 Issue Shares for application by the general public and private placement under the Public Issue are subscribed by foreigners. The SC vide its letter dated 17 May 2006 has no objection to allow for foreigners to participate in the Public Issue.*

10 APPROVALS AND CONDITIONS (Cont'd)**(b) MITI's Conditions**

- | | | |
|-------|---|---|
| (i) | JHM to meet the 30% Bumiputera equity requirement within one (1) year after JHM has achieved the profit track record requirement for listing on the Second Board of Bursa Securities or five years (5) after being listed on the MESDAQ Market, whichever is the earlier. | To be complied. |
| (ii) | The allocation of shares to Bumiputera investors to be approved by MITI. | To be complied. |
| (iii) | JHM to obtain SC's approval for the listing scheme and to comply with the Foreign Investment Committee's Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests | Complied. SC's approval and approval under FIC's Guidelines were obtained on 10 March 2006 and 17 May 2006. |

10.2 MORATORIUM ON PROMOTERS' SHARES

In compliance with the Listing Requirements, the JHM Shares held by our Promoters amounting to 45% of the enlarged share capital of JHM at the date of admission as tabulated below, and any interest therein may not be sold, transferred, assigned or otherwise disposed of, within one (1) year from the date of admission of JHM to the Official List of the MESDAQ Market. Thereafter, they are permitted to sell, transfer, assign or otherwise dispose of up to a maximum of one third per annum on a straight-line basis of their respective shareholdings in the Company, which is under moratorium.

The JHM Shares held by our Promoters which are under moratorium are as follows:-

Promoters	No of JHM Shares held After Public Issue ^(a)		No of JHM Shares under Moratorium		%
		% ^(c)		% ^(b)	
Dato' Tan King Seng	29,671,586	34.83	19,403,696	23.66	22.77
NMSB	20,297,241	23.82	13,273,355	16.19	15.58
Ooi Yeok Hock	5,589,292	6.56	3,655,110	4.46	4.29
Tan Chin Hong	3,070,331	3.60	2,007,839	2.45	2.36
	58,628,450	68.81	38,340,000	46.76	45.00

Notes:

- (a) Including their respective allocation of Issue Shares under the pink form allocation and include ESOS allocation.
- (b) Based on the enlarged share capital of 82,000,000 JHM Shares upon admission to the MESDAQ Market.
- (c) Computed based on the enlarged issued and paid-up share capital of 85,200,000 JHM Shares assuming the maximum entitlement of Options under the ESOS for the Promoters of JHM.

The restriction which is fully acknowledged by the aforesaid shareholders is specifically endorsed on the share certificates of JHM representing the shareholding of the aforesaid shareholders, which are under moratorium to ensure that the Company's Share Registrars will not register any transfer not in compliance with the aforesaid restriction.

11 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

11.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

There are no related party transactions and/or conflict of interests, existing or proposed, entered into by our Group which involves the interest, direct or indirect, of a director, substantial shareholder, persons connected to them and the key management personnel of the Group for the past three (3) FYE 31 December 2003 to 2005 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

11.2 TRANSACTIONS WHICH ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There are no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party in respect of the past three (3) FYE 31 December 2003 to 2005 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

11.3 OUTSTANDING LOANS MADE TO OR FOR THE BENEFIT OF RELATED PARTIES

There is no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of related parties in respect of the past three (3) FYE 31 December 2003 to 2005 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

11.4 INTEREST IN SIMILAR BUSINESS

None of our Directors and/or substantial shareholders have any interest, direct or indirect, in any other businesses and corporations carrying on a similar trade as that of our Group.

11.5 PROMOTION OF ANY MATERIAL ASSETS ACQUIRED, DISPOSED OF OR LEASED

Save as disclosed in section 17.8(c) and (d) of this Prospectus, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets which have, within the three (3) most recent completed financial years and the subsequent financial period thereof, immediately preceding the date of this Prospectus, been acquired or disposed of by or leased to our Group, or are proposed to be acquired or disposed of by or leased to our Group.

11.6 DECLARATION OF ADVISERS

- (a) Kenanga hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Adviser, Underwriter and Placement Agent for the Public Issue.
- (b) Messrs. Zaid Ibrahim & Co has given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Corporate and Due Diligence Solicitors for the Public Issue.
- (c) Messrs. JB Lau & Associates has given its confirmation that there are no existing or potential conflicts of interest in its capacity as Reporting Accountant and Auditors for the Public Issue.
- (d) Infocredit D&B has given its confirmation that there are no existing or potential conflicts of interest in its capacity as Independent Market Researcher for the Public Issue.

12 **EXECUTIVE SUMMARY FOR THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON**
(Prepared for the inclusion in this Prospectus)

Infocredit 
Creating value...building trust

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Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia.
Tel: (603) 2718 1000 Fax: (603) 2718 1001
Website: www.icdnb.com.my

19 May 2006

The Board of Directors
JHM Consolidation Berhad
51-8-B Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

RE: EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT FOR JHM CONSOLIDATION BERHAD (“JHM” OR “THE COMPANY”)

This Executive Summary has been prepared for inclusion in the Prospectus to be dated 19 June 2006 pursuant to the listing of JHM on MESDAQ market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the microelectronics components (“MEC”) sub-segment in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, Government literatures, in-house databases, Internet research and online databases.

Infocredit D&B (Malaysia) Sdn Bhd (“Infocredit D&B or the Independent Market Researcher”) has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, Infocredit D&B acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then it has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

For and on behalf
INFOCREDIT D&B (MALAYSIA) SDN BHD



Tan Sze Chong
Managing Director



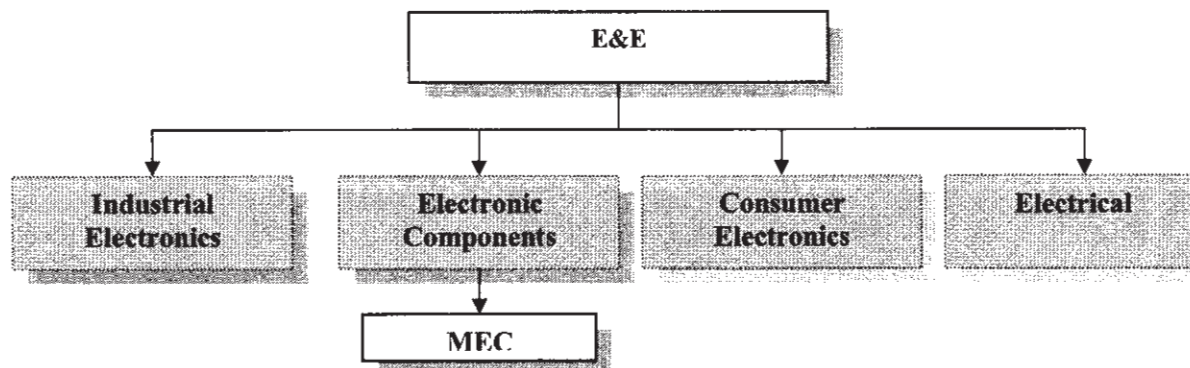
EXECUTIVE SUMMARY

The intention of this Report is to provide an overview of the electrical and electronics (“E&E”) industry, with a specific focus on the MEC (“Microelectronics Component”) a sub-segment of the Electronic Components sub-sector within which JHM Group is operating. In view of the wide spectrum of the MEC sub-segment, this Report will focus primarily on high brightness light emitting diode LED (“HB LED”). In addition, direct current (“DC”) micromotor will also be discussed in this Report.

1 OVERVIEW OF E&E INDUSTRY IN MALAYSIA

The E&E industry generally consists of four (4) major sub-sectors as diagrammatically illustrated below.

Figure 1: Major Sub-sectors of E&E Industry



Source: Malaysian Industrial Development Authority (“MIDA”), Infocredit D&B

The electronic components sub-sector of the E&E industry is the leading sub-sector with the largest contribution to industry’s export, output and employment opportunities.

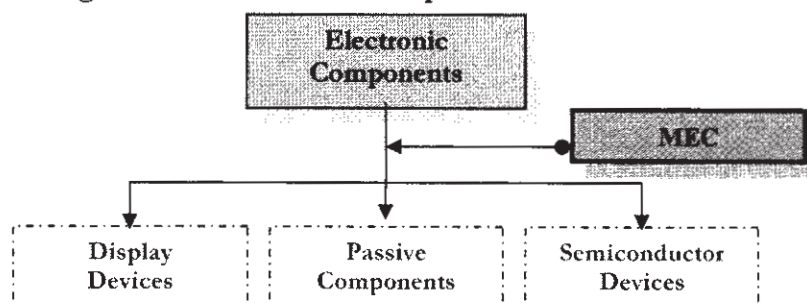
The electronic components sub-sector can be further categorised into three (3) sub-segments, namely, semiconductor devices, passive components and display devices. However, as technology continuously evolved and the demand for smaller and lighter electronic components became increasingly eminent, the notion of MEC emerged over time. MEC encompasses



components and parts of semiconductor devices, passive components and display devices which are generally miniature in size.

The evolution of microtechnology has largely driven the phenomenon of MEC. Microtechnology is the convergence of a multitude of technologies and disciplines such as physics, chemistry, engineering, materials science, microelectronics, lithography and information technology ("IT"), deployed in structures and devices with features in the micron level. It is not merely or even primarily about making things smaller. Its significance is exemplified in its ability to offer an alternative to conventional technologies and to date, it has made great contributions to wide areas, amongst others, computer peripherals, integrated circuits ("ICs"), HB LED, sensors, bioscience systems and small actuators.

Figure 2: Sub-segments of Electronic Components Sub-sector



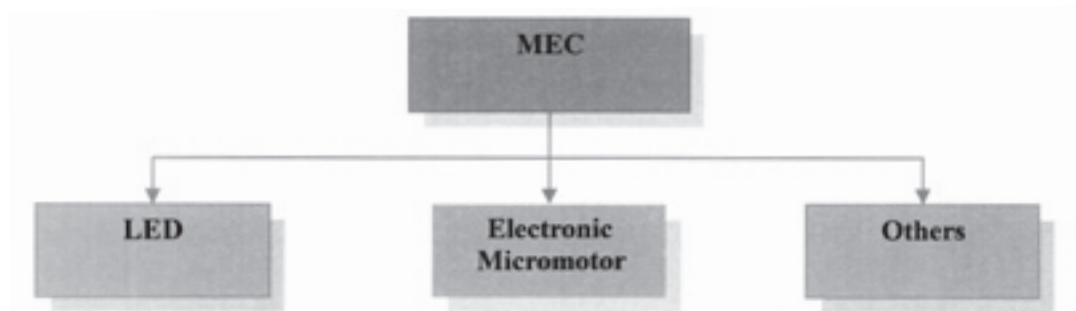
Source: Infocredit D&B



2 MARKET DEFINITION OF MEC

MEC are components and parts that form the electronic components, which are miniature in design and size. They can be found in all the sub-sectors of electronic components, namely semiconductor devices, passive components and display devices. For the purpose of this Report, emphasis is given on two (2) types of MEC namely HB LED (a type of LED) components and DC micromotor (a type of electronic micromotor) components.

Figure 3: Major Categories of MEC



Source: Infocredit D&B

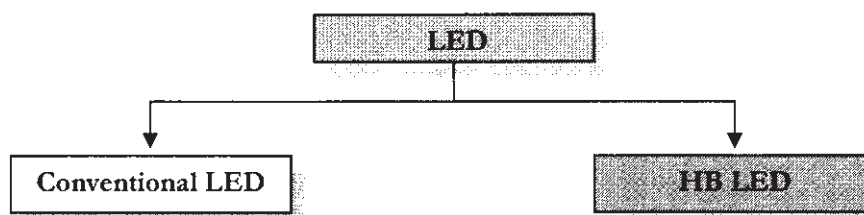


2.1 HB LED

The LED has evolved from being a light source for indicator applications to being a source of illumination applications. As the evolution of LED technologies continues, different types of LEDs are being developed.

In general, LEDs can be classified into two (2) major categories, namely conventional LEDs and HB LEDs. These LEDs are categorised based on differentiation in terms of performance such as brightness, thermal resistance and light output degradation. A summary of the types of LED is diagrammatically illustrated as follows:

Figure 4: Major Categories of LED



Source: Infocredit D&B

By definition, HB LED is distinguishable from the conventional or common LED by their brightness levels. It utilises the technology derived from semiconductor devices. HB LED can be defined by its technical specifications and applications. Basically, HB LED can either be based on indium gallium aluminum phosphide (“InGaAlP”) or gallium nitride (“GaN”) materials.

A HB LED has a higher lumen (measurement of light output. One lumen is equal to the amount of light emitted by one candle that falls on one square foot of surface located one foot away from one candle) output as compared to the conventional LED. Thus, HB LEDs can provide brighter light source than conventional LEDs. In terms of thermal resistance, the HB LED has a lower resistance than the conventional LED. As such, the HB LED is able to dissipate heat faster. In addition, it also has a lower light output degradation rate compared to the conventional LED. Due to these characteristics, HB LED is considered more efficient than the conventional

12 **EXECUTIVE SUMMARY FOR THE INDEPENDENT MARKET RESEARCH REPORT AND
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LED. For the creation of white light, the conventional LED converts a blue LED with phosphorous while the HB LED combines a range of monochromatic LEDs

Some of the major components of a HB LED include leadframe (a metallic frame used for mounting and connecting LED chips and functions as the electrical leads of the device), heat sink (also known as slug) and plastic package for leadframe. The combinations of these miniature components will determine the performance, quality, reliability and cost of the HB LED. As most of these parts are micro in size, precision and accuracy in designing are crucial. The design and development of HB LED is closely linked to each component of the HB LED. For instance, the design and the material used for leadframe must conform to predetermined specifications for different application purposes. The need to ensure heat sinking with LED systems is also important to consider when these systems are installed. There must be sufficient means to conduct the heat away from the system, or ventilation to cool heated surfaces by convection. Thus, heat management is an important element in designing each component.

In addition, improvements in chip packaging and chemistry are pushing the performance of both the AlInGap and Gan-based HB LED. In recent year, Philips Lumileds Lighting, Limited Liability Company ("LLC"), United States ("USA"), the world's renowned manufacturer of high-power LED, has developed the world's brightest LED including the Luxeon V, which delivers 120 lumens of white light in a single emitter. That product generates 20 to 120 times the output of competitive packages, or a brightness equivalent to that of a 10-watt incandescent bulb. In 2004, Luxeon LED was used to illuminate the world's first LED backlight for liquid crystal display ("LCD") home televisions.



2.2 DC Micromotor

Electronic micromotor is a miniature motor. It is an electronic component, which provides the basic function of a motor, namely motion control. It can be classified into two (2) types of micromotors, namely the DC and alternating current (“AC”) micromotors. A DC micromotor converts electrical energy into mechanical motion. There are various kind of DC micromotors (such as step motor, spindle motor) for specific applications.

Stepping or step motor refers to the miniature motor used to drive gears, which turn the hands in a quartz analogue watch. The spindle micromotor, also sometimes called the spindle shaft, is responsible for turning the hard disk platters, allowing the hard drive to operate. The spindle micromotor provides stable, reliable and consistent turning power for thousands of hours of, often, continuous use to allow the hard disk to function properly. There is also the brush type DC micromotor, which consists of conductive copper wire wound around a laminated steel stack, or, for coreless or ironless motors, a self-supporting copper wire winding. On the other hand, a brushless DC micromotor has a permanent magnet rotor and coils in the stator. An external brushless DC motor controller sequences the stator coil currents. The main advantages of a brushless DC micromotor include the elimination of electromagnetic interference caused by the arcing brushes and having a longer life span.

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3 INDUSTRY DYNAMICS

3.1 Market Growth in Malaysia

3.1.1 Market Growth for LED

Table 1: Sales of LED in Malaysia, 2001-2005

<i>Year</i>	<i>Sales Value</i>	<i>Growth Rate</i>
	<i>RM '000</i>	<i>%</i>
2001	899,118	-
2002	1,208,770	34.4
2003	1,826,182	51.1
2004	2,344,543	28.4
2005	2,520,489	7.5

Source: Department of Statistics, Malaysia ("DOS")

In Malaysia, statistics specifically for the sales of HB LED are not available. For the purpose of this study, the sales value of LEDs in general to provide an indicative overview of the market condition, is used as an indicator. Between 2001 and 2005, the sales value of LEDs has been registering a compound average growth rate ("CAGR") of 29.4%. From a mere sales value of RM0.9 billion in 2001, the sales value soared to RM2.5 billion in 2005. In 2003, the sales value grew by 51.1%. Compared to 2002, the sales of LED have more than doubled in 2005, reflecting the growing potential of the market. The sales value of LEDs has been increasing in line with its broadening applications and market acceptance. With growing demand that is especially evident from the performance of the export market, local manufacturers with R&D capabilities will stand a better chance in competing among themselves. This will further contribute towards efforts in establishing Malaysia as a regional Original Equipment Manufacturing / Original Design Manufacturing hub for some of the world's leading players such as Philips Lumileds Lighting, LLC, US, Nichia Corporation and OSRAM Opto Semiconductor GmbH.

12 **EXECUTIVE SUMMARY FOR THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)**
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3.1.2 Market Growth for Electronic Micromotor

Table 2: Sales of Electronic Micromotor in Malaysia, 2001-2005

<i>Year</i>	<i>Sales Value</i>	<i>Growth Rate</i>
	<i>RM '000</i>	<i>%</i>
2001	1,149,343	-
2002	706,409	(38.5)
2003	430,204	(39.1)
2004	267,216	(37.9)
2005	309,717	15.9

Source: DOS

Over the years, the global electronic micromotor sector faced stiff price competition among the major players. In Malaysia, the sales value of electronic micromotors has been gradually falling between 2002 and 2004. In 2005, the market size was valued at about RM0.3 billion compared to RM1.1 billion in 2001. Albeit the electronic micromotor sector appears to be declining in general, some local manufacturers are moving up the value chain by providing a full range of services from contract design and manufacturing, to post-manufacturing services for niche markets.

3.2 Industry Life Cycle

The MEC sub-segment is highly volatile. It is dependent on global economic trends, end users' demand for E&E products and the advent of technology trends. The peaks and troughs of the market cycle are normally steep due to the sudden changes in production output arising from unpredictable demand trends in E&E products. Rapid changes in technology, product development and innovation, changing consumer preferences and short product life cycles are, amongst others, the challenges faced by the industry players to keep up with global developments.



3.3 Challenges Faced by the MEC Sub-Segment

Product Life Cycle

With the competitive pressure on MEC manufacturers to design and develop more efficient components and products, local manufacturers constantly strive for shorter design and development time in order to compete efficiently. The ability to introduce new products on a timely basis will ensure that these products are not obsolete when they reach the market. Furthermore, these products must not lag behind and risk becoming technologically obsolete to remain competitive in the global market. As such, MEC manufacturers must apply the latest design and R&D technologies to maintain their competitive edge in the industry in line with international trends.

Increase in the Emphasis on Product Quality and Reliability

The need to produce high-quality and reliable MEC is essential to the industry. MEC which are of high quality will ensure that the end products operate efficiently and effectively. In the case of the end product manufacturers, the quality of the intermediate components such as MEC will play an important role in determining the quality of the end products. The high quality of MEC will help to improve the quality of the end products. As such, end product manufacturers have to be very cautious when they source for intermediate components. MEC manufacturers, which are able to provide high quality in both products and design and product development services, are likely to be more competitive and well-accepted compared to other players in the market. In order to be competitive, MEC players will have to be able to provide high quality and reliable products.



Customisation of MEC

As the application for each MEC may be different, the demand for customised MEC will increase tremendously. Thus, MEC manufacturers will have to design and develop customised MEC to meet the specific requirements set by the end product manufacturers. This would include special features incorporated to a MEC with basic specifications. For instance, the production of HB LED requires the customisation of the HB LED based on each type of application. With the possible expansion of its application markets, customisation will play a pivotal role in ensuring the HB LED is able to cater to the various functions that are specified. In terms of the electronic micromotor, its application in various products will demand increase levels of both quality and customisation. As a result, the importance of product design and development by both the LED and electronic micromotor MEC players will determine the success in marketing their products.

Dependency on Other Industries

The MEC sub-segment is dependent on the industries or sub-sectors that it is directly linked to, namely the E&E and automotive industries. Most of the components used in the production of computing and telecommunications products are electronic products. Besides, the end user market stem from consumer electronics, electronic components and industrial electronics, all of which provide continuous demand for high-quality tooling and parts, and directly affect the MEC sub-segment.

3.4 Key Demand Drivers

Outsourcing Trend by MNCs

The role of Electronic Manufacturing Service (“EMS”) providers has become increasingly critical in supporting the manufacturing industries globally. The global EMS market was estimated to be worth USD288 billion in 2005. The Asia region (excluding Japan) is expected to be the fastest-growing region for EMS market, mainly driven by lower operating costs.

Malaysia, in particular, is poised to benefit from this growing trend. Equipped with an abundance of labour that possess the required process knowledge and manufacturing know-how, as well as the growing ability to provide quality products to MNCs and larger Original



Equipment Manufacturers (“OEMs”) in the consumer electronics, computers and peripherals, and semiconductor devices, local manufacturers serving these end user market have been flourishing. Sony Corporation, Hitachi Ltd. and Royal Phillips Electronics NV are some of the MNCs that use local contract manufacturers. In addition, local manufacturers also take part in product development programmes with MNCs. As such, there is a potential market for MEC manufacturers to participate in both the development and manufacturing of the intermediate and end products.

ODM Trends

The days of manufacturing has evolved from transforming designs into production to original product design where manufacturers custom-make solutions for end user industries. The concept of original design manufacturing was commonly used in the computer-making industry within which many Original Design Manufacturers (“ODMs”) become not only a manufacturer but also to sell their products to OEMs such as Dell, HP and Sony, who in turn market their products using their own labels or brand names. Examples of established ODMs in the market are BenQ and Quanta.

Typically, ODMs are manufacturers that customise designs and sell a similar product to several OEMs servicing a wide variety of markets in the commercial and industrial sectors. OEMs are companies that usually acquire a product from a contract manufacturer and incorporate it into a new product under its own brand name. Manufacturers with original design manufacturing capabilities are able to serve a wide customer base, focus on niche OEMs and/or move into high-volume manufacturing for multiple original equipment-manufacturing customers. In the case of the MEC sub-segment, manufacturers of electronic components may outsource part of their manufacturing and design and development activities to local MEC manufacturers. These requirements or specifications for a component will be given to the local MEC manufacturers who will carry out the design and development activities.



Support from Government

In general, the Government of Malaysia ("Government") has been supportive to the E&E industry. Through various agencies such as the Malaysian Industrial Development Authority ("MIDA"), the Government has been promoting the E&E industry by providing various facilities and incentives.

Between 2001 and 2005, MIDA has approved 1,048 E&E projects with an estimated capital investment value of RM43.4 billion. In 2005, 226 projects worth RM13.8 billion were approved for E&E manufacturing projects. The number of approvals reflects the support given by the Government to promote the E&E industry. The electronic components sub-sector has registered an approved investment (both for new and expansion projects) amount of RM8.1 billion in 2005. It was also the largest investment approval recipient among the three (3) E&E sub-sectors. The approved investment amounts for the industrial electronics and consumer electronics sub-sectors were RM1.5 billion and RM0.4 billion respectively. With the support from the Government and investors, the E&E industry will remain as one of the main drivers of the economy.

Growth in E&E Industry

As one of the end users of MEC, the E&E industry has shown an impressive performance over the years. In 2005, Malaysia's output of E&E goods were valued at RM189.6 billion, an increase of 10.0% compared to RM172.3 billion in 2004.

There are a number of MNCs which operate in Malaysia such as Intel Electronics (M) Sdn Bhd, AMD (M) Sdn Bhd, Agilent (M) Sdn Bhd, National Semiconductor Sdn Bhd, Fairchild Semiconductor Sdn Bhd, Fujitsu Components (M) Sdn Bhd, NEC Malaysia Sdn Bhd, Toshiba (M) Sdn Bhd, Infineon Technologies (M) Sdn Bhd and ST Microelectronics Sdn Bhd. These MNCs are involved in the assembly and testing of semiconductor devices such as memory chips, microprocessors, power ICs, linear ICs, opto devices as well as a variety of logic and discrete devices.



In the computer and computer peripherals market, several global players have established manufacturing facilities in Malaysia, namely Dell Asia Pacific Sdn Bhd, NEC Malaysia Sdn Bhd, Fujitsu Components (M) Sdn Bhd, Samsung Malaysia Electronics Sdn Bhd and BenQ Technologies Sdn Bhd. In addition, there are local manufacturers such as I-Berhad, FTEC System Sdn Bhd, Nascom System Corp Sdn Bhd, MIMOS Berhad, Perbadanan Komputer Nasional Berhad and Gerak Mobile Technology Sdn Bhd, which engage in the manufacturing of a variety of computer and computer peripherals including thin film transistor ("TFT") monitors, keyboards, printers and scanner for the local and export markets. Malaysia has been a popular destination for manufacturers such as Western Digital (M) Sdn Bhd (manufacturer of hard disk drive) and TEAC Electronics (M) Sdn Bhd (manufacturer of floppy disk drive).

Potential in the Lighting Market

While the cost of producing a HB LED for lighting applications may be relatively high compared to the conventional LED, there is a potential for HB LED to play a dominant role in this market. HB LEDs offer advantages such as longer life times, lower power consumption, low heat generation and are more environment-friendly, as compared with traditional incandescent and halogen lamps. With that, the HB LED is expected to replace all existing lighting products used in homes within 5 to 10 years, especially if technology is improved to increase brightness. The technical and aesthetic efficiency of the HB LED is expected to improve exponentially along with its market applications, through either replacement of existing incandescent solutions or introduction HB LED as a new form of illumination device.

Demand for Energy-Saving Devices

With the growing importance in energy saving, the HB LED offers an energy-saving source of light for various applications. Compared to conventional light, HB LEDs can function by consuming a lower level of energy without compromising the quality of the light. As such, HB LEDs is considered to be an energy-efficient device. In addition, the HB LED can be very useful for battery-powered devices such as mobile phones, where they are used for the LCD's screen backlight and keypads. In countries where the cost of electricity is high, HB LEDs will have a wide range of applications. In this case, the low power consumption of HB LEDs has



attracted attention from developed countries such as the US and Japan. In these countries, national programmes were initiated to develop solid-state lighting industries.

Demand for Miniature Electronic Components

With the growing demand for compact-sized E&E products such as the mobile phone, notebook, digital camera as well as for other applications (for example automotive and medical), there is a need for miniaturisation of electronics components to accommodate the smaller-sized end products. As a result, MEC manufacturers play the role of designing and manufacturing microelectronics parts and components that are able to fit into end products of a smaller dimension. For instance, HB LEDs and DC micromotors in the mobile phone are used as flashlights and motion control mechanism respectively. As the size of mobile phones decreases or functions increases, electronic components must also reduce in size to accommodate these requirements or specifications.

Growing Number of Mobile Phone Users

As the infrastructure for mobile communication increases and the cost of mobile telecommunications reduce, the demand for mobile phones, both new and replacement, will increase. With the aggressive advertising promotions by manufacturers such as Nokia AB, Samsung, Motorola, Sony Ericsson, there is a growing trend to purchase the latest mobile phones in the market. With the introduction of camera-enabled mobile phones, consumers are able to utilise the phone with additional camera functions. As such, there is a demand for HB LEDs (for colour LCD screens, camera flash and keypad lighting) and electronic micromotors (for motion control in optical zoom) to cater to these segments of the mobile phone market. In Malaysia, the mobile phone penetration rate is about 74.1%, equivalent to 19.5 million users in 2005.



4 COMPETITORS ANALYSIS

4.1 Nature of Competition

In general, a small group of foreign-owned and local manufacturers dominates the MEC sub-segment by supplying to a large customer base comprising mainly MNCs, OEMs and contract manufacturers.

The largest end user of the MEC comes from the E&E industry. In terms of foreign competition, tariff deregulations amongst Association of South East Asian Nations (“ASEAN”) members will result in companies striving hard to maintain competitiveness within the region. This market is also a key potential target for MEC companies in Malaysia and around this region due to the lucrative returns. However, the competitive position of a company would depend largely on the type and quality of products it sells as well as its R&D capabilities. In order to penetrate these markets, local players must have a combination of strengths such as competitive pricing, fast delivery and strong local representation and R&D capabilities. In addition, China is one of the potential competitors for local MEC players to look into as China’s economy has been registering tremendous growth for the past few years.

4.2 Market Share and Positioning

As at the date of this Report, based on the research conducted by Infocredit D&B, there are four (4) comparative players operating in the provision of supporting services to the LED market. They comprise Affinex Technology Sdn Bhd, CS Opto Semiconductor Sdn Bhd, JHM Group and RHS Innotech Sdn Bhd. However, there is no direct competing player in Malaysia that is providing a similar line of supporting services as JHM Group. Currently, JHM Group is the only Malaysian-owned company involved in the design, development and prototyping of leadframe, plastic package for leadframe and heat-sink for the HB LED market.

Meanwhile, Malaysia’s micromotor manufacturing market is dominated by foreign companies such as Minebea-Matsushita Motor Corporation (“MMMC”) and Mabuchi Motor Co. Based on the Department of Statistics, Malaysia (“DOS”), the sales value of micromotor in Malaysia has been decreasing. This is mainly due to the competitiveness of the global micromotor industry.



Therefore, local manufacturing companies should continuously invest and involve in R&D activities and move up the value chain in order to remain in a competitive environment. Based on the research conducted by Infocredit D&B, JHM Group is currently the only Malaysian-owned company that is involved in providing design, development and manufacturing services for the micromotor manufacturers in Malaysia in supporting global leading industry players.

5 OUTLOOK OF THE MEC SUB-SEGMENT

Growth of the HB LEDs has been on the upward trend for the past one decade except for the flattening market in 2000-2001. The worldwide market was valued at USD1.2 billion in 2000 and bounced to USD1.8 billion in 2002. In 2004, the HB LED market was estimated to be worth USD3.6 billion. The soaring growth was mainly driven by increasing use of HB LEDs as well as wider application markets such as mobile phones, automotives and electronic equipments. By 2009, the global HB LED market is expected to reach USD7.2 billion. Eventually, the advancement in design and development technologies will enable HB LEDs to replace conventional lighting. In addition, product application in backlighting for display devices and medical equipment are some of the potential market for HB LEDs.

In recent times, the DC micromotor market has faced stiff price competition among manufacturers, due to the emergence of oversupply and an increase in raw material costs. In addition, manufacturing activities have been shifting to low production cost countries such as China. In order to remain resilient in a competitive environment, local manufacturers must move up the value chain by continuously upgrading and investing in R&D activities to enhance its capabilities in the design and development of DC micromotors, which can be customised to cater to wider application markets such as the mobile phone market.

In short, the growing application markets coupled with continuous product upgrading and enhancement via R&D activities will pave the way for sustainable growth for the local players in the MEC sub-segment. Furthermore, the increasing trend of MNCs outsourcing their manufacturing and R&D activities will create opportunities for local MEC manufacturers to participate in this flourishing market.