

6. APPROVAL AND CONDITIONS**6.1 APPROVALS AND CONDITIONS**

The Listing Scheme as set out in Section 4.1.4 was approved by the following authorities as follows: -

<u>Authority</u>	<u>Date</u>
SC	22 October 2004 and 7 February 2005
MITI	11 March 2004

The conditions imposed by the authorities and status of compliance are as follows:-

Conditions Imposed By MITI	Status of Compliance															
(i) SJHB is required to obtain the SC's approval for the Listing Scheme and the compliance with the guideline on acquisition, mergers and take-overs.	Complied.															
(ii) MITI agrees to recognise the following Bumiputera shareholders:-	To be complied.															
<table border="1"> <thead> <tr> <th>Name</th> <th>No. of ordinary shares to be issued</th> <th>% of enlarged capital</th> </tr> </thead> <tbody> <tr> <td>Colonel (Honorary) Jamaluddin bin Hassan RMAF</td> <td>15,965,400</td> <td>19.96</td> </tr> <tr> <td>Abdul Aziz bin Jamal</td> <td>15,965,400</td> <td>19.96</td> </tr> <tr> <td>Hakim bin Sukiman</td> <td>2,099,800</td> <td>2.62</td> </tr> <tr> <td>Total</td> <td>34,030,600</td> <td>42.54</td> </tr> </tbody> </table>		Name	No. of ordinary shares to be issued	% of enlarged capital	Colonel (Honorary) Jamaluddin bin Hassan RMAF	15,965,400	19.96	Abdul Aziz bin Jamal	15,965,400	19.96	Hakim bin Sukiman	2,099,800	2.62	Total	34,030,600	42.54
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Hakim bin Sukiman	2,099,800	2.62														
Total	34,030,600	42.54														
<p>as present Bumiputera shareholders with 42.54% shareholdings subject to 30% of the recognised shareholdings is allowed to be disposed within three (3) months from the date of listing and the remaining 70% of their respective shareholdings will be allowed to be sold on a staggered basis after obtaining approval from MITI.</p>																
(iii) SJHB is required to inform MITI on the equity shareholdings of recognised Bumiputera shareholders six (6) months after the listing of SJHB.	To be complied.															

6. APPROVAL AND CONDITIONS (Cont'd)

Conditions Imposed By SC	Status of Compliance
(i) SJHB should disclose in its listing prospectus the following:-	
(a) Independent Market Research Report prepared by Frost & Sullivan Malaysia Sdn Bhd;	Complied. Please refer to Section 11.
(b) The risk of over dependence on the MOD/RMAF and the actions/plans undertaken by SJHB to address/mitigate this risk; and	Complied. Please refer to Section 3 (xx).
(c) Detailed disclosure of the utilisation of proceeds to be raised from the Restricted Issue and Public Issue, including the proceeds to be utilised for working capital;	Complied. Please refer to Section 2.6.
(ii) SJHB should, before issuing its listing prospectus, implement relevant measures to fully address the emphasis of matter raised in the auditors' reports. In addition, the measures that have been implemented should be disclosed in the listing prospectus;	Complied. The latest financial accounts of SJHB Group for the 4 months ended 31 October 2004 do not report any emphasis of matter. Please refer to Section 10.
(iii) With regard to SJHB's trade debtors, SJHB should:	
(a) fully disclose in the listing prospectus the trade debtors' position, the ageing analysis and, for amounts exceeding credit period, comments by the directors on the recoverability of the amount;	Complied. Please refer to Section 9.4.
(b) make full provision for all overdue trade debtors which are in dispute or under legal action, or for which the amounts have been outstanding for more than 6 months. The directors of SJHB should confirm to the SC that this condition has been complied with prior to the issuance of the listing prospectus; and	Complied. The Directors of SJHB and SJSB have given their written confirmation.
(c) submit a declaration by its directors to the SC that trade debtors exceeding the credit period which have not been provided for as doubtful debts, excluding those under paragraph (iii)(b) above, are recoverable;	Complied. The Directors of SJHB and SJSB have given their declarations
(iv) SJHB should disclose the status of the utilisation of the proceeds raised from the Restricted Issue and Public Issue in its quarterly and annual reports until the proceeds are fully utilised;	To be complied.
(v) SJHB should ensure that all related party transactions are based on terms and conditions which are not unfavourable to the Group;	Complied. Please refer to Section 7.1.

6. APPROVAL AND CONDITIONS (Cont'd)

Conditions Imposed By SC	Status of Compliance															
(vi) AmMerchant and SJHB should, before the issue of SJHB's listing prospectus, submit a written confirmation to the SC that all relevant licences, certifications and permits have been extended/renewed upon expiry;	Complied.															
(vii) AmMerchant/SJHB should inform SC of the status of compliance with National Development Policy (NDP) requirement upon completion of the flotation proposal;	To be complied upon completion of the flotation.															
(viii) Moratorium is to be imposed on the following shareholders who will not be allowed to sell, transfer or assign their shareholdings of 36,000,000 SJHB ordinary shares of RM0.50 each, amounting to 45% of the enlarged issued and paid-up share capital of SJHB, for 1 year from the listing date of SJHB, as follows:	Complied. Please refer to Section 6.2.															
<table border="1"> <thead> <tr> <th>Name</th> <th>No. of SJHB shares under moratorium</th> <th>% of enlarged issued and paid-up capital of SJHB</th> </tr> </thead> <tbody> <tr> <td>Colonel (Honorary) Jamaluddin bin Hassan RMAF</td> <td>12,000,000</td> <td>15.00</td> </tr> <tr> <td>Abdul Aziz bin Jamal</td> <td>12,000,000</td> <td>15.00</td> </tr> <tr> <td>Gan Chin Sam</td> <td>12,000,000</td> <td>15.00</td> </tr> <tr> <td>Total</td> <td>36,000,000</td> <td>45.00</td> </tr> </tbody> </table>		Name	No. of SJHB shares under moratorium	% of enlarged issued and paid-up capital of SJHB	Colonel (Honorary) Jamaluddin bin Hassan RMAF	12,000,000	15.00	Abdul Aziz bin Jamal	12,000,000	15.00	Gan Chin Sam	12,000,000	15.00	Total	36,000,000	45.00
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Colonel (Honorary) Jamaluddin bin Hassan RMAF	12,000,000	15.00														
Abdul Aziz bin Jamal	12,000,000	15.00														
Gan Chin Sam	12,000,000	15.00														
Total	36,000,000	45.00														
and;																
(ix) AmMerchant and SJHB should fully comply with all the relevant requirements in the Policies and Guidelines on Issue/Offer of Securities pertaining to the implementation of the flotation proposal.	To be complied.															
(x) The equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in SJHB would change arising from the implementation of the listing proposal, as follows:	Not applicable.															
<table border="1"> <thead> <tr> <th></th> <th>Before proposal %</th> <th>*After proposal %</th> </tr> </thead> <tbody> <tr> <td>Bumiputera</td> <td>50.00</td> <td>42.54</td> </tr> <tr> <td>Non-Bumiputera</td> <td>50.00</td> <td>57.46</td> </tr> <tr> <td>Foreign</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total</td> <td>100.00</td> <td>100.00</td> </tr> </tbody> </table>			Before proposal %	*After proposal %	Bumiputera	50.00	42.54	Non-Bumiputera	50.00	57.46	Foreign	-	-	Total	100.00	100.00
	Before proposal %	*After proposal %														
Bumiputera	50.00	42.54														
Non-Bumiputera	50.00	57.46														
Foreign	-	-														
Total	100.00	100.00														
<p>Note:-</p> <p>* After Proposed Restricted Issue, Proposed Public Issue and Proposed Offer for Sale</p>																
(xi) SJHB should disclose in its listing prospectus relevant information in relation to the material contracts with the Government of Malaysia	Complied. Please refer to Section 4.5.															

6. APPROVAL AND CONDITIONS (Cont'd)**6.2 MORATORIUM ON SHARES**

In accordance with the SC Guidelines, certain shareholders of SJHB will not be allowed to sell, transfer or assign their shareholdings amounting to 45% of the enlarged issued and paid-up capital of SJHB for one (1) year from the date of admission of SJHB to the Official List of the Second Board of the Bursa Securities.

The existing shareholders of SJHB whose Shares are subjected to the moratorium as imposed by the SC are as follows: -

Name of shareholders	No. of Shares held after IPO	% of enlarged issued and paid-up share capital (%)	No. of Shares held under moratorium	% of enlarged issued and paid-up share capital (%)
Colonel (Honorary) Jamaluddin bin Hassan RMAF	#16,145,400	20.18	12,000,000	15.00
Abdul Aziz bin Jamal	#16,145,400	20.18	12,000,000	15.00
Gan Chin Sam	#16,145,400	20.18	12,000,000	15.00
	48,436,200	60.54	36,000,000	45.00

Note: -

Including their respective entitlements for the pink form share allocation pursuant to the IPO.

The restriction, which is fully accepted by the shareholders, is specifically endorsed on the share certificates representing the respective shareholdings of the shareholders which are under moratorium to ensure that SJHB's registrars do not register any transfer not in compliance with the restriction imposed by the SC. The shareholders have provided an undertaking that they shall not sell, transfer or assign their respective shareholdings under moratorium in accordance with the SC Guidelines.

The endorsement affixed on the Share certificates is as follows: -

*"The shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the Securities Commission ("**moratorium period**"). The shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the moratorium period. No share certificates will be issued to replace this certificate during the moratorium period unless the same shall be endorsed with this restriction".*

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7. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST

7.1 EXISTING AND PROPOSED RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Save as disclosed below and in Section 7.5 of this Prospectus, there is no current, subsisting and / or proposed related party transaction or arrangements between SJHB Group and its Promoters, Substantial Shareholders, Directors and /or persons connected with any of the aforementioned persons within twelve (12) months preceding the date of this Prospectus.

Details of the related party transactions are as follows: -

Related party	Nature of transaction	Interested Promoters / Substantial Shareholders / Directors	Transaction value for the financial year ended 30 June 2004 (RM)	Transaction value for the four (4) months period ended 31 October 2004 (RM)
Motivest Travel & Tours Sdn Bhd	Purchase of air travel tickets	Abdul Aziz bin Jamal Khair Anuar bin Mohamad	101,226	49,629

The transactions with related parties are of expenditure in nature, which are required for the Group's day-to-day operations. The Directors and the Substantial Shareholders of SJHB have provided undertakings that all the business transactions between the Group, the Directors and Substantial Shareholders and persons connected to them and the key management of SJHB, shall be based on the arms length basis and on commercial terms and shall not be disadvantageous to the Group.

To ensure the continuation of such transactions, the shareholders have granted to the Directors of SJHB by way of resolutions passed on 3 January 2005, the shareholders' mandate for the Group to enter into the abovementioned transactions, Further details of the shareholders' mandate are set out in Section 7.7 below.

7.2 TRANSACTION OF UNUSUAL IN THEIR NATURE OR CONDITIONS

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the corporation or any of its parent or subsidiaries was a party in respect of the past one (1) financial year and the subsequent financial period thereof, if any, immediately preceding the date of the prospectus.

7.3 OUTSTANDING LOANS MADE BY CORPORATION OR ANY OF ITS PARENT OR SUBSIDIARIES TO/FOR THE BENEFIT OF RELATED PARTIES

There are no outstanding loans (including guarantees of any kind) made by the corporation or any of its parent or subsidiaries to or for the benefit of the related party(ies).

7.4 INTEREST IN SIMILAR BUSINESS

None of the Directors or Substantial Shareholders and/or key management of SJHB are interested, directly or indirectly in any business carrying on a similar trade as the Company and its subsidiary and associated companies.

7. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

7.5 PROMOTIONS OF ANY MATERIAL ASSETS ACQUIRED/TO BE ACQUIRED WITHIN TWO YEARS PRECEDING THE DATE OF THIS PROSPECTUS

Save as disclosed below, none of the other Directors and Substantial Shareholders has any interest, direct or indirect, in the promotion of or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to the Company or any of its subsidiary and associated companies within the two (2) years preceding the date of this Prospectus:-

- (i) Conditional sale and purchase agreement dated 15 January 2004 between the Company and SJSB in relation to the acquisition by the Company of 100% of the issued and paid-up share capital of SJSB, comprising of 7,000,000 shares of RM1.00 each for a total consideration of RM20,575,000 to be satisfied by the issuance of 41,150,000 new SJHB Shares at an issue price of RM0.50 per SJHB Share. The transaction was completed on 31 December 2004.

7.6 CONTRACTS OR ARRANGEMENTS IN WHICH THE DIRECTORS OR SUBSTANTIAL SHAREHOLDERS IS INTERESTED AND SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP

None of the other Directors and/or Substantial Shareholders of SJHB has interest in any contract or arrangement, which is significant in relation to the business of the Group.

To mitigate any potential conflict of interest, the Promoter, Director and/or Substantial Shareholder have provided written undertakings not to be involved in any new business in the future, which will give, rise to competition/conflict with the current business of the Group.

7.7 RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

Save as disclosed in Section 7.1 above, there is no other recurrent related party transactions involving recurrent transactions of revenue or trading in nature involving the Company or the Group.

Pursuant to Paragraph 10.09 of the Listing requirements, SJHB may seek the shareholders' mandate in respect of related party transactions involving recurrent transactions of revenue or trading in nature subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year; and
- (c) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

7. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

7.8 DECLARATION BY THE ADVISERS

AmMerchant Bank hereby confirm that there is no conflict of interest with respect of their capacity as Adviser to the Group for the IPO.

Messrs. Teh & Lee hereby confirm that there is no conflict of interest with respect of their capacity as Solicitors to the Group for the IPO and due diligence.

Messrs. Anuarul Azizan Chew & Co. hereby confirm that there is no conflict of interest with respect of their capacity as Reporting Accountants to the Group for the IPO.

Messrs. Leou & Associates hereby confirm that there is no conflict of interest with respect of their capacity as Auditors to SJHB and its subsidiaries.

Messrs. Frost & Sullivan (M) Sdn Bhd have confirmed that there is no conflict of interest with respect of their capacity as the Independent Business and Market Research Consultant for the IPO.

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8. OTHER INFORMATION CONCERNING THE CORPORATION / GROUP**8.1 INFORMATION ON LAND AND BUILDINGS**

A summary of the land and buildings owned by the Group is as follows: -

No	Name of Registered Owner / Title Identification	Postal address / Location of property	Approximate Age of Building / Tenure / Date of Expiry of Lease	Description and existing Use	Land area / Built up area	Restriction in Interest / Encumbrances	Prices Paid/ Date of Transaction	Audited Net Book Value @ 31.10.2004 (RM)
1.	SJSB / PN8415, Lot 40227 Mukim Sungai Buloh District of Petaling State of Selangor	Lot 40227, Jalan U5/12, Mah Sing Integrated Industrial Park, Shah Alam, Selangor Darul Ehsan	N/A / Leasehold 99 years / 11 Dec 2096	An industrial lot with infrastructure development. The land is vacant at the moment.	The land area is 4,158 Sq Meter	Land cannot be transferred, leased or charged except with the consent of the State Authority / Charged to Malaysian Banking Berhad @	RM1,186,043 / 3 May 2000	1,174,055
2.	SJSB / PM272, Lot 31487^ Mukim of Kapar District of Klang State of Selangor	29, Jalan Tiara 5, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan	10 Years / Leasehold 99 years / 8 May 2093	Double Storey Shop Office (Intermediate Lot) for service and/or light industry. Currently used as the Head Office of SJHB Group.	The land area is 223 Sq Meter / The built up area is 446 Sq Meter (Ground & first floor)	Land cannot be transferred, leased or charged except with the consent of the State Authority / Charged to Malaysian Banking Berhad @	RM578,000 / 10 Feb 1995	589,560

Notes:-

^ The certificate of fitness for Lot 31487 was issued on 25 November 1997.

@ There are no breach of land use condition nor non-compliance to the building regulations for the abovementioned Lot 40227 and Lot 31487.

8.2 ACQUISITIONS OF PROPERTIES DURING TWO (2) YEARS PRECEDING THE VALUATION

None of the properties as set out in the table of Section 8.1 above were acquired during the two (2) years preceding the valuation.

9. FINANCIAL INFORMATION**9.1 HISTORICAL FINANCIAL INFORMATION**

The following table sets out a summary of the proforma consolidated results of the Group for the financial years/periods from 31 December 1999 to 31 October 2004, prepared on the assumption that the Group has been in existence throughout the years/periods under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 of this Prospectus.

	-----Financial year / periods ended----->						
	31.12.1999 (RM'000)	31.12.2000 (RM'000)	30.06.2001 (RM'000)	30.06.2002 (RM'000)	30.06.2003 (RM'000)	30.06.2004 (RM'000)	31.10.2004 (RM'000)
Revenue	9,329	16,437	9,836	53,771	54,177	61,218	20,618
EBIDTA	2,487	3,986	963	9,522	10,770	12,341	4,813
Amortisation	-	-	-	-	-	(31)	(10)
Depreciation	(75)	(385)	(592)	(667)	(841)	(996)	(325)
Interest expense	(34)	(126)	(164)	(443)	(558)	(567)	(229)
Interest income	10	2	6	15	41	221	-
Exceptional items	-	-	-	-	-	310	-
PBT and MI	2,388	3,477	213	8,427	9,412	11,278	4,249
Taxation	(77)	(1,065)	(276)	(2,696)	(3,220)	(3,174)	(1,383)
PAT	2,311	2,412	(63)	5,731	6,192	8,104	2,866
MI	11	(14)	(3)	(14)	46	(16)	(11)
PAT after MI	2,322	2,398	(66)	5,717	6,238	8,088	2,855
No. of ordinary shares of RM0.50 each in issue ('000) #	41,154	41,154	41,154	41,154	41,154	41,154	41,154
Gross Earnings Per Share (sen) [@]	5.83	8.41	^1.02	20.44	22.98	27.37	^30.89
Net Earnings/(Loss) Per Share (sen) [~]	5.64	5.83	^(0.32)	13.89	15.16	19.65	^20.81

Notes: -

The associated company of SJHB, is not accounted for in the consolidated financial statements of SJHB under the equity method of accounting as the Directors of SJHB are of the opinion that this has no material effect on the results of the Group.

* The exceptional item represents gain on disposal of subsidiaries companies, namely Noda Solar Systems (M) Sdn Bhd and Minda Vision Sdn Bhd.

Assuming that the Acquisition had taken effect throughout the years/periods under review and the enlarged share capital of SJHB is 41,154,000 Shares.

^^ Annualised.

@ Calculated based on the consolidated profit before taxation after minority interest.

~ Calculated based on the consolidated profit/(loss) after taxation and minority interest.

9. FINANCIAL INFORMATION (Cont'd)

Emphasis of Matter

The audited financial statements of SJHB and its subsidiary companies and associated company for the relevant years/periods under review were not subject to any audit qualification except for the emphasis of matter in the auditors' reports as follows:-

SJSB

As regards to the emphasis of matter in auditors' report for the financial years/period ended 31 December 1999 to 30 June 2001, the auditors had draw attention to the following:-

- (i) in common with many businesses of similar size and organisation, SJSB's system of internal controls is dependent upon the close involvement of the Directors (who are major shareholders). In these circumstances, the auditors have to rely on representation from the Directors that all SJSB's transactions have been reflected and properly recorded in the financial statements; and
- (ii) the financial statements of the subsidiary companies are not consolidated with the financial statements of SJSB as the management has no definite plan to hold the investments on a long-term basis. This represents a departure from the requirements of International Accounting Standards No. 3 and/or Malaysian Accounting Standards Board ("MASB") Standard 11, Consolidated Financial Statements and Investments in Subsidiaries.

As regards to the abovementioned emphasis of matter and based on the auditors' letter, the following measures have been undertaken by SJSB to address the issue:

- (i) Recruitment of additional staff

Additional key personnel has enabled SJSB to allocate and segregate task/job according to their departmental function. Every department is headed by an experienced and capable senior management team which report directly to the Board of Directors. This has resulted in reduction of reliance and close involvement of the Directors. Proper internal control systems have been established (such as segregation of duties, proper documentation, etc) and auditors' tests revealed that the integrity and the functioning of the system have been properly implemented during audit; and

- (ii) Implementation of Group Structural Basis

Prior to year 2002, the various companies in SJSB and its subsidiary companies and associated company ("SJSB Group") have significant autonomy in their operations and managements. However in year 2002, SJSB Group had streamlined its management system on a group structure which includes a formal management system.

With the successful implementation of the revised structure of SJSB Group, the Board of Directors has complied with MASB Standard 11, Consolidated Financial Statements and Investments in Subsidiaries by adopting the consolidation financial statements requirement.

9. FINANCIAL INFORMATION (Cont'd)

SAR

As regards to the emphasis of matter in the auditors' report for the financial years/period ended 31 December 1999 to 30 June 2001, the auditors highlighted that it is in common with many businesses of similar size and organisation, SAR's system of internal controls is dependent upon the close involvement of the Directors (who are major shareholders). In these circumstances, the auditors have to rely on representation from the Directors that all SAR's transactions have been reflected and properly recorded in the financial statements.

Based on the auditors' letter, additional key personnel has enabled SAR to allocate and segregate task/job according to their departmental function. Every department is headed by an experienced and capable senior management team which report directly to the Board of Directors. This has resulted in reduction of reliance and close involvement of the Directors. Proper internal control systems have been established (such as segregation of duties, proper documentation, etc) and auditors' tests revealed that the integrity and the functioning of the system have been properly implemented during audit.

TSB

As regards to the emphasis of matter in the auditors' report for the financial years/period ended 31 December 1999 to 30 June 2001, the auditors highlighted that it is in common with many businesses of similar size and organisation, TSB's system of internal controls is dependent upon the close involvement of the Directors (who are major shareholders). In these circumstances, the auditors have to rely on representation from the Directors that all TSB's transactions have been reflected and properly recorded in the financial statements.

Based on the auditors' letter, close supervision by SJSB and the deployment of SJSB's staff to handle the operation in TSB, has enabled TSB to establish and implement proper internal control procedures, which audit tests showed that the system have been properly implemented.

SHT

As regards to the emphasis of matter in the auditors' reports for the financial period/year ended 30 June 2002 and 30 June 2003, the auditors had draw attention to the following:-

- (i) in common with many businesses of similar size and organisation, SHT's system of internal controls is dependent upon the close involvement of the Directors (who are major shareholders). In these circumstances, the auditors have to rely on representation from the Directors that all SHT's transactions have been reflected and properly recorded in the financial statements; and
- (ii) SHT has a capital deficiency for the financial period/year under review. Hence, the validity of the continuation as a going concern of SHT is dependent upon future profitable operations and/or obtaining additional finance from the shareholders and/or from other sources. The financial statements of SHT do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should SHT be unable to continue as a going concern.

9. FINANCIAL INFORMATION (Cont'd)

As regards to the abovementioned emphasis of matter and based on the auditors' letter, the following measures have been undertaken by SHT to address the issue:

- (i) Close supervision by SJSB and the deployment of SJSB's staff to handle the operation in SHT, has enabled SHT to establish and implement proper internal control procedures, which our audit tests showed that the system have been properly implemented; and
- (ii) When SHT became a subsidiary company of the SJSB Group on 10 November 2003, SJSB had given an undertaking to provide the financial support as and when SHT requires it. The auditors are of the opinion that SJSB is capable and willing to provide financial support to SHT. Consequently, the auditors' audit opinion is expressed to reflect this matter.

The auditors had also highlighted that the following actions had been adopted by SJSB Group to enhance their internal control system:-

- (i) Recruitment of additional staff

SJSB Group's manpower workforce at its various offices and workshop bases, which is headed by an experienced and capable senior management team, has the capability to fully address the emphasis of matter issue that have been highlighted in year 2001 and before.

Additional staff employed has enabled SJSB Group to allocate and segregate task/job according to their departmental function. Proper internal control systems have been established (such as segregation of duties, proper documentation, etc) and auditors' tests revealed that the integrity and the functioning of the system have been properly implemented during their course of audit;

- (ii) ISO 9001:2000

In year 2000, SJSB worked towards achieving the MS ISO 9001:2000 Quality Management System. In order to meet the MS ISO 9001:2000 standard, the Quality Assurance Department of the SJSB Group was established to handle the requirements to be fulfilled in order to achieve the ISO standard in Quality Management.

On 5 April 2001, SJSB was awarded the MS ISO 9001:2000 Quality Management System Certificate by Sirim Qas International Sdn Bhd. During the implementation of the MS ISO 9001:2000, numerous internal controls in respect of documentations, quality control and human resources were set up which further strengthened and enhanced the SJSB Group's internal control system. A comprehensive company procedural manual was also drafted and implemented by all departments in the SJSB Group; and

9. FINANCIAL INFORMATION (Cont'd)

(iii) Internal Control Framework

The Board of Directors of SJSB Group acknowledges the importance of internal control system and affirms that it is their responsibilities to maintain a sound internal control system to safeguard the Group's assets. In this respect, an internal audit function was established in 2001 to conduct control reviews and report their findings and recommendations to the Board of Directors. Prior to the establishment of the internal control function, the Board of Directors review the controls based on the results of the financial reports and supplemented with the findings of the External Auditors which were obtained in the course of the statutory audits.

To further strengthen the current risk management practices of SJSB Group, the Internal Auditors were tasked to facilitate the operating and management structures that define the functions, responsibilities and authorities of the management, segregation of duties and responsibilities.

A timely and accurate financial reporting was implemented by SJSB Group to facilitate and monitor management performance measure. The Board of Directors will receive a monthly management financial statement from the Finance & Accounting Department.

The auditors are of the opinion that the procedures applied thereafter are effective in addressing the matters raised. Apart from the emphasis of matters stated above, there were no other emphasis of matter in the auditors' report of SJSB Group for the years/period ended 31 December 1999 to 30 June 2003.

For the latest financial statements of SJHB Group (i.e. for the 4 month period ended 31 October 2004), no audit qualification/emphasis of matter was reported in the financial statements.

9.2 ANALYSIS OF HISTORICAL FINANCIAL INFORMATION**9.2.1 Overview of Revenue and Operating Profit**

Turnover of SJHB Group is mainly generated from supplying, servicing and maintenance of aviation and marine safety and survival equipment and accessories, contract management and consultant of OEMs, providing security and surveillance systems, solution and consultancy services, overhaul and service of aviation related compressed cylinders, supplying and distribution of environmental product and providing training and seminar in respect of Environment Management System. The commentary on turnover and profitability of SJHB Group for the years/periods under review are set out as follows:-

Turnover

For the financial years ended 31 December 1999 and 31 December 2000, the SJHB Group recorded significant increase in turnover as a result of increase in demand from MOD for the supply and servicing of aviation and marine safety and survival equipment.

For the half year financial period ended 30 June 2001, turnover of the SJHB Group was proportionately higher as compared to previous year and was contributed from the existing and additional contracts entered into with MOD and the Ministry of Transport.

9. FINANCIAL INFORMATION (Cont'd)

During the financial years ended 30 June 2002, 30 June 2003 and 30 June 2004, SJHB Group achieved higher turnover of RM53.77 million, RM54.18 million and RM61.2 million respectively. This was mainly contributed by the services, maintenance, repair and overhaul income, where there was a consistent increase in equipments that were identified and were due for the scheduled servicing and maintenance. Moreover, during these periods, SJHB group has performed major overhaul the repair and maintenance of the Arrester Barrier Net, Arrester Cable and Ejection Seat System that also contributed to the increase in the maintenance turnover.

During the financial years ended 30 June 2002 and 30 June 2003, income from supply, delivery and commissioning of equipment and systems improved due an increase in the customer inventory levels of products and equipment and the introduction of new equipment to replace obsolete equipment. The increase in turnover in 2002 is also due to the additional new one-off contract secured from MOD as well as contract with the Department of Fire and Rescue, i.e. Bomba (Ministry of Local Housing and Development), whereby SJSB was contracted to deliver underwater remote operated vehicle for Bomba and the commission and installation of the Electronic Security System for MOD at its bases.

The lower income generated from the supply, delivery and commissioning of equipment and system for the financial year ended 30 June 2004 was due to the lack of one-off contracts from the MOD.

For the financial period ended 31 October 2004, the turnover of SJHB Group was proportionately higher as compared to previous year. The turnover generated was mainly from the existing on-going contracts with the MOD.

Profit before taxation

Save for the financial period ended 30 June 2001, the growth of SJHB Group's PBT is in line with the movement its turnover of the SJHB Group during the period under review. The SJHB Group's PBT grew from RM2.39 million in the financial year 31 December 1999 to RM11.28 million in the financial year ended 30 June 2004. For the four (4) months financial period ended 31 October 2004, the turnover of SJHB Group was proportionately higher as compared to previous year.

For the six (6) months financial period ended 30 June 2001, the PBT of SJHB Group was marginally low mainly due to increase in staff costs and higher provision of depreciation during the period.

Effective tax rate

The effective tax rate of the SJHB Group for the financial years/periods under review was higher than the statutory rate, except for the financial year/period ended 31 December 1999 and 30 June 2004. This was due to certain expenses being disallowed for taxation purposes. No taxation has been provided for the financial year ended 31 December 1999 in line with the waiver of tax pursuant to the Income Tax (Amendment) Act 1999. For the financial year ended 30 June 2004, the effective tax rate was lower than the statutory rate mainly due to incentives given to small and medium size companies where the first RM500,000 of the chargeable income is taxable at a rate of 20.00%. For every Ringgit exceeding RM500,000, the chargeable income is taxable at a rate of 28.00%.

9. FINANCIAL INFORMATION (Cont'd)

9.2.2 Segmental Analysis of Revenue and Operating Profit

Analysis of Revenue by Companies: -

Financial year / period ended	31.12.1999 (RM'000)	31.12.2000 (RM'000)	30.06.2001 (RM'000)	30.06.2002 (RM'000)	30.06.2003 (RM'000)	30.06.2004 (RM'000)	31.10.2004 (RM'000)
SJHB	-	-	-	-	-	-	-
SJSB	8,916	15,403	9,415	52,682	52,568	58,893	20,117
SAR	-	183	66	210	375	236	172
MSJ	-	-	-	-	-	2	1
SCS	-	-	20	40	1	107	25
SSSB	-	-	-	10	-	-	-
SESB	-	-	-	325	615	1,293	7
TSB	135	542	81	-	202	269	-
PMSS	278	309	254	504	416	418	296
SHT	-	-	-	-	-	-	-
Proforma Consolidated Revenue	9,329	16,437	9,836	53,771	54,177	61,218	20,618

Note : All inter-company transactions have been eliminated.

Analysis of Revenue by Activities:-

Financial year / period ended	31.12.1999 (RM'000)	31.12.2000 (RM'000)	30.06.2001 (RM'000)	30.06.2002 (RM'000)	30.06.2003 (RM'000)	30.06.2004 (RM'000)	31.10.2004 (RM'000)
Servicing, Maintenance, Repairs & Overhauls							
Man Hours Charges	791	7,400	5,609	10,644	22,001	31,617	15,309
Replacement Spare Parts	6,427	1,875	2,695	18,687	16,622	23,092	3,826
Consumable Parts	-	14	-	78	292	677	736
	7,218	9,289	8,304	29,409	38,915	55,386	19,871
Consultancy	-	-	-	-	285	1,221	7
Supply, Delivery & Commissioning of Equipment & Systems	-	891	373	20,203	10,599	72	-
Trading & Other Income	2,111	6,257	1,159	4,159	4,378	4,539	740
Proforma Consolidated Revenue	9,329	16,437	9,836	53,771	54,177	61,218	20,618

Note : All inter-company transactions have been eliminated.

9. FINANCIAL INFORMATION (Cont'd)**Analysis of Profit Before Taxation by Companies: -**

Financial year / period ended	31.12.1999 (RM'000)	31.12.2000 (RM'000)	30.06.2001 (RM'000)	30.06.2002 (RM'000)	30.06.2003 (RM'000)	30.06.2004 (RM'000)	31.10.2004 (RM'000)
SJHB	-	-	-	-	-	(2)	(2)
SJSB	2,395	3,202	242	8,768	9,636	10,936	4,562
SAR	-	6	(18)	48	83	15	^
MSJ	-	(3)	(2)	-	-	-	^
SCS	-	-	2	3	-	7	^
SSSB	-	-	(4)	1	-	-	-
SESB	-	-	-	(329)	45	231	(319)
TSB	23	217	(28)	(44)	(6)	(50)	(27)
PMSS	(30)	55	21	76	(131)	48	87
SHT	-	-	-	(96)	(215)	(186)	(42)
Adjustments	-	-	-	-	-	279	^(10)
Proforma Consolidated PBT	2,388	3,477	213	8,427	9,412	11,278	4,249

Notes :-

^ Amount less than RM1,000.

* Amortisation of goodwill and gain on disposal of subsidiaries.

Amortisation of goodwill.

All inter-company transactions have been eliminated.

9.3 FINANCIAL PERFORMANCE, POSITION AND OPERATIONS

The Directors are of the view that the financial performance, position and operations of the Group are not affected by any of the following: -

- (i) Any known trends, demands, commitments, events or uncertainties that have had, or that the corporation reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the corporation/group;
- (ii) Any material capital expenditure commitments, the purpose of such commitments and the anticipated source of funds;
- (iii) Any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the corporation/group;
- (iv) Any known trends, demand, commitment, events or uncertainties that have resulted in a substantial increase in revenue which is attributable to prices, volume of goods/services being sold and the introduction of new products/services or any other factors; and
- (v) Any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

9. FINANCIAL INFORMATION (Cont'd)**9.4 WORKING CAPITAL, BORROWINGS, MATERIAL CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL LITIGATION****(i) Working Capital**

The Directors of SJHB Group are of the opinion that, after taking into account the cashflow forecast, the banking facilities available and the net proceeds from the IPO, the Group will have adequate working capital for a period of twelve (12) months from the date of issue of this Prospectus.

(ii) Borrowings

As at 26 January 2005 (being the last practicable date prior to the printing of this Prospectus) the total bank borrowings in the form of bank overdrafts, term loans, trust receipts, letters of credit, banker's acceptance and hire purchase financing amounted to approximately RM9.94 million. The borrowings can be analysed further as follows: -

Borrowings	Amount (RM '000)	Amount (RM '000)
Long Term borrowings		
• Interest bearing	348	348
Short Term borrowings		
• Interest bearing	4,104	
• Trade line financing	5,486	
	9,590	9,590
Total Borrowings		9,938

The Group has no foreign currency borrowings as at 26 January 2005.

The Group has not defaulted on payment of either interest and/or principal sums in respect of any of its borrowings throughout the past one financial year and the subsequent financial period thereof, immediately preceding the date of the prospectus.

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9. FINANCIAL INFORMATION (Cont'd)**(iii) Outstanding Trade Debts and Ageing Analysis of the total debts of SJHB Group**

Ageing analysis of total trade receivables as at 31 October 2004 are as follows:

	Proforma Group RM'000
Current 1 – 30 days	13,901
30 – 60 days	2,507
61 – 90 days	1,906
91 days – 180 days	3,846
181 days and above	211
	22,371
Normal trade credit period ranging from	30 to 90 days

As at 31 October 2004, there were RM0.272 million trade debts exceeding 180 days and there were RM4.118 million trade debts exceeding the Group's credit period. A provision of RM0.061 million has been provided for those debts exceeding 180 days in the proforma consolidated financial statements of SJHB Group for the financial period ended 31 October 2004. Subsequently, in January 2005, the SJHB Group had made an additional provision of RM0.211 million in its financial statements for the remaining outstanding debts above 180 days which were not provided for earlier in its proforma consolidated financial statements for the period ended 31 October 2004. The Directors of SJHB are of the opinion that the above provisions would not materially affect the NTA of the Group and the consolidated profit forecast of SJHB Group for the financial year ending 30 June 2005.

The Directors of SJHB, are of the opinion that trade debts exceeding credit period are recoverable in full after taking into consideration the long term relationship between the Group and these customers and various credit control measures being implemented by the Group to minimise customer defaults. The directors of SJHB are satisfied that no further provision for doubtful recovery needs to be made in respect of these debts.

(iv) Material Contingent Liabilities

As at 26 January 2005 being the latest practicable date prior to the printing of this Prospectus, there are no material contingent liabilities incurred by the Group.

(v) Material Commitments

As at 26 January 2005 being the latest practicable date prior to the printing of this Prospectus, there are no material commitments for capital expenditure incurred or known to be incurred by the Group, which may have a substantial impact on the financial position of the Group.

(vi) Material Litigation

As at 26 January 2005, being the latest practicable date prior to the printing of this Prospectus, the Group is not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of the Group and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of SJHB Group.

9. FINANCIAL INFORMATION (Cont'd)**9.5 CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005**

Financial Year Ending 30 June	Forecast 2005 (RM'000)
Revenue	66,800 [^]
Consolidated PBT	12,271
Taxation	(3,551)
Consolidated PAT	8,720
MI	(2)
Consolidated PAT after MI	8,718
Less: - Pre-acquisition profit*	(4,523)
	<u>4,195</u>
Enlarged Issued share capital ('000)	80,000
Gross EPS (sen) ⁽¹⁾	15.34
Net EPS (sen) ⁽²⁾	10.90
Gross PE based on the Issue/Offer Price of RM1.00 per Share (times)	6.52
Net PE based on the Issue/Offer Price of RM1.00 per Share (times)	9.17

Notes: -

(1) Calculated based on consolidated PBT after MI before deducting pre-acquisition profits.

(2) Calculated based on consolidated PAT after MI before deducting pre-acquisition profits.

[^] The investment in an associated company, TISC, is not accounted for in the consolidated financial statements of SJHB under the equity method of accounting as the Directors of SJHB are of the opinion that this has no material effect on the results of the Group.

* The acquisition of SJSB by SJHB was completed on 31 December 2004.

Further details of the Consolidated Profit Forecast are set out in Section 9.6 of this Prospectus**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

9. FINANCIAL INFORMATION (Cont'd)

9.6 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST OF THE SJHB GROUP FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005
(Prepared for inclusion in the Prospectus)



Anuarul Azizan Chew & Co (FAC 0291)
Chartered Accountants

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1 8 FEB 2005

The Board of Directors
Satang Jaya Holdings Berhad
149-A, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

Dear Sirs,

SATANG JAYA HOLDINGS BERHAD ("SJHB") AND ITS SUBSIDIARY COMPANIES AND ASSOCIATED COMPANY ("SJHB GROUP" OR "THE GROUP")

CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 30 JUNE 2005

We have reviewed the consolidated profit forecast of SJHB Group for the year ending 30 June 2005 as set out in the accompanying appendix in accordance with the standards applicable to the review of the forecasts. The forecast has been prepared for the purpose of inclusion in the Prospectus dated 23 FEB 2005, in connection with the listing of and quotation for the entire issued and paid up share capital of 80,000,000 ordinary shares of RM0.50 each ("Shares") in SJHB on the Second Board of the Bursa Malaysia Securities Berhad and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the period ended 31 October 2004. The Directors of the Group are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which the management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

9. FINANCIAL INFORMATION (Cont'd)

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying appendix, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the period ended 31 October 2004.

Yours faithfully,



ANUARUL AZIZAN CHEW & CO
Firm Number: AF 0791
Chartered Accountants



TEE GUAN PIAN
Approved Number: 1886/05/06 (J/PH)
Partner of Firm

9. FINANCIAL INFORMATION (Cont'd)**APPENDIX 1/3**
**SJHB GROUP
 CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 30 JUNE 2005**

On the bases and assumptions set out below, the Board of Directors of the respective companies in SJHB Group forecast that the consolidated profit forecast of SJHB Group for the financial year ending 30 June 2005 after incorporating the effects of the listing scheme are as follows:-

	2005 Profit Forecast RM'000
Turnover	66,800
Consolidated profit before taxation and minority interest	12,271
Less: Taxation	(3,551)
Consolidated profit after taxation	8,720
Minority interest	(2)
Consolidated profit after taxation and minority interest	8,718
Less: Pre-acquisition profit*	(4,523)
	<u>4,195</u>
Entarged issued and paid-up share capital ('000)	80,000
Gross earnings per Share (sen) ⁽¹⁾	15.34
Net earnings per Share (sen) ⁽²⁾	10.90
Gross price-earnings multiple based on the Issue/Offer Price of RM1.00 per Shares (times)	6.52
Net price-earnings multiple based on the Issue/Offer Price of RM1.00 per Shares (times)	9.17

Notes:-

The associated company of SJHB is not accounted for in the consolidated financial statements of SJHB under the equity method of accounting as the Directors are of the opinion that this has no material effect on the results of the Group.

- (1) Calculated based on consolidated profit before taxation after minority interest before deducting pre-acquisition profits.
- (2) Calculated based on consolidated profit after taxation after minority interest before deducting pre-acquisition profits.

* The acquisition of SJSB by SJHB was completed on 31 December 2004.

9. FINANCIAL INFORMATION (Cont'd)

APPENDIX 2/3**Principal Bases and Assumptions**

The principal bases and assumptions upon which the consolidated profit forecast of SJHB Group has been made are as follows:-

1. There will be no significant changes in the principal activities, Group structure, key management, operating policies and business policies presently adopted by the Group. In respect of accounting policies, an existing accounting standard is applicable to the profit forecast of the Group.
2. There will be no significant changes to the prevailing economic, political and market conditions in Malaysia and elsewhere that will materially affect the activities or performance of the Group.
3. There will be no material changes to present legislation or Government regulations, rates and bases of duties, levies and taxes which will materially affect the Group's activities or the markets in which it operates.
4. There will be no major industrial disputes or any abnormal or extraordinary circumstances which will materially affect the Group operations, sales and supplies.
5. Inflation and foreign currency exchange rates will not fluctuate significantly from the present and forecasted level. The Ringgit Malaysia ("RM") will continue to be pegged to the United States Dollar ("USD") at a rate of USD1.00 : RM3.80.
6. The existing financial facilities will remain available to the Group whereas additional facilities will be obtained as required. Interest rates will not vary significantly from the present levels.
7. Capital expenditure will be implemented and incurred as scheduled and 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.
8. The sales and related costs as forecasted by the Directors after taking into consideration the present market conditions of selling prices and related costs of the Group. Generally, the current trend of increasing demand for the products and services of the Group will be maintained. There will be no significant changes in the prices and utilisation rate of raw materials, labour and other operating costs of the Group.
9. The existing secured contracts will not be terminated or suffer any significant decrease in value.
10. The commencement and completion of contracts secured or to be secured will not have any delays in its timing.

9. FINANCIAL INFORMATION (Cont'd)

APPENDIX 3/3**Principal Bases and Assumptions (cont'd)**

11. The estimated contract or non-contract sales are based on management's best estimate, after taking into consideration the historical track records, relationship with customers, response received from customers on the tender/proposal submitted, and technical ability of the Group.
12. The value of future contracts will not be significantly different from the current estimation.
13. The Group's services will be enhanced to keep pace with continuing changes in technology, evolving industry standards and emerging client needs and preferences. There will be no significant defects or errors of the Group's services that will materially affect the business of the Group.
14. There will not be any loss of the Group's existing customers, distributors and business alliances that will materially affect the revenue of the Group. The Group will not experience exceptional level of bad or doubtful debts.
15. There will be no major breakdown or disruption in the servicing equipments and tools nor will there be any disruption in the supply of materials which will adversely affect the operations of the Group.
16. There will be no unusual material fluctuation in operating costs (including labour, cost of materials and overheads) that would adversely affect the activities and operation of the Group.
17. There will be sufficient supply of skilled and unskilled labour, materials, services and equipment to meet the operational requirements anticipated to be carried out by the Group.
18. The Group will not be engaged in any material litigation and there will be no legal proceedings, which will adversely affect their activities or performance or give rise to any additional contingent liabilities, which will materially affect their position or business. There will be no material claims.
19. The tax liabilities will be at the prevailing tax rate and all unabsorbed business losses and unutilised capital allowances will be agreed and approved by the Inland Revenue Board.
20. Proposed listing expenses estimated at RM1,700,000 will be set off against the share premium account in the financial year ending 30 June 2005.
21. The listing scheme as mentioned in the Prospectus is expected to be completed by the first (1st) quarter of 2005.
22. The sales forecast does not incorporate any overseas sales.

9. FINANCIAL INFORMATION (Cont'd)**9.7 DIRECTORS' COMMENTS ON THE PROFIT FORECAST**

For the forecasted financial year ending 30 June 2005, the Board expects SJHB Group's turnover to increase by approximately 9.11% i.e. from RM61.22 million to RM66.80 million. Accordingly, the Group's PAT is forecasted to increase to RM8.72 million. The forecasted improvement in the results was mainly due to the expected extension/renewal of the existing contracts currently undertaken by SJHB Group. In addition, the SJHB Group also forecasted to secure additional contracts. The secured contracts to date consist approximately 84% of the forecasted revenue of approximately RM66.80 million. The remaining turnover of the SJHB Group is expected to be attributed from contracts to be finalised and signed within the financial year ending 30 June 2005.

The Board of Directors confirm that the profit forecast of the Group and the underlying bases and assumptions stated therein have been reviewed by the Directors after due and careful enquiry, and that the Directors, having taken into account the future prospects of the industry, future plans of SJHB Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit forecast of SJHB Group are achievable and the assumptions made are reasonable.

Nevertheless, in light of the current economic environment in Malaysia and globally, certain assumptions, including interest and exchange rates, may differ significantly from actual, should the economic situation differ significantly from the date of this profit forecast and this may have a material impact on SJHB Group profit forecast.

9.8 DIVIDEND FORECAST

Based on the consolidated profit forecast for the financial year ending 30 June 2005, the Directors of SJHB is proposing a dividend of 3% for the financial year ending 30 June 2005.

The intended appropriation of the forecast consolidated PAT after MI for the financial year ending 30 June 2005 would be as follows: -

Financial Year Ending 30 June	Forecast 2005
Gross dividend per Share (sen)	1.50
Net dividend per Share (sen)	1.08
Gross dividend yield (%) ^(Note 1)	1.50
Net dividend yield (%) ^(Note 1)	1.08
Net dividend cover (times)	10.09

Note: -

(1) Based on the IPO price of RM1.00 per ordinary share.

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

Investors should note that future dividends might be waived if:-

- (i) The Group records a loss instead of the forecast profits; or
- (ii) The payment of dividends would adversely affect the Group's cashflow and operations.

9. FINANCIAL INFORMATION (Cont'd)**9.9 SENSITIVITY ANALYSIS**

The following sensitivity analysis is prepared by the management of SJHB Group and has not been independently verified by the Reporting Accountants. It is based on the forecast assumptions set out in Section 9.6 above and assuming all factors remaining unchanged except for the 5% and 10% upward or downward variations in the turnover and the cost of sales. Notwithstanding the impacts of the variations in the turnover and cost of sales as outlined here, there may exist other factors which have not been taken into account, while variations may have a significant effect, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows: -

9.9.1 Variations in Revenue

Forecast for the financial year ending 30 June 2005

	Revenue (RM'000)	PBT (RM'000)	PAT & After MI (RM'000)
As Forecasted	66,800	12,271	8,718
Up 10%	73,480	18,951	13,643
Up 5%	70,140	15,611	11,238
Down 5%	63,460	8,931	6,428
Down 10%	60,120	5,591	4,024

The sensitivity analysis on turnover is prepared based on the assumption that all other things remain unchanged except for the 5% and 10% upward and downward variation in the revenue.

9.9.2 Variations in Cost of Sales

Forecast for the financial year ending 30 June 2005

	Cost of Sales (RM'000)	PBT (RM'000)	PAT & After MI (RM'000)
As Forecasted	37,622	12,271	8,718
Up 10%	41,384	8,509	6,124
Up 5%	39,503	10,390	7,479
Down 5%	35,741	14,152	10,188
Down 10%	33,860	16,033	11,542

The sensitivity analysis on cost of sales is prepared based on the assumption that all other things remain unchanged except for the 5% and 10% upward and downward variation in the cost of sales.

9. FINANCIAL INFORMATION (Cont'd)**9.10 PROFORMA CONSOLIDATED BALANCE SHEETS OF SJHB GROUP AS AT 31 OCTOBER 2004**

The Proforma Consolidated Balance Sheets as at 31 October 2004 set out below has been prepared for illustrative purposes only to show the effects on the audited balance sheet of SJHB, had the Listing Scheme been effected on that date.

	Audited as at 31.10.2004 RM'000	⁽¹⁾ Proforma 1 Acquisition RM'000	⁽²⁾ Proforma 2 Restricted Issue RM'000	⁽³⁾ Proforma 3 Public Issue and Offer for Sale RM'000	⁽⁴⁾ Proforma 4 Utilisation RM'000
PROPERTY, PLANT AND EQUIPMENT	-	3,875	3,875	3,875	11,875
INVESTMENT IN ASSOCIATED COMPANY	-	160	160	160	160
OTHER INVESTMENTS	-	23	23	23	23
AMOUNT DUE FROM ASSOCIATED COMPANY	-	11	11	11	11
GOODWILL ON CONSOLIDATION	-	270	270	270	270
PRE-LISTING EXPENDITURES	77	630	630	630	-
PRE-CONTRACT EXPENDITURES	-	216	216	216	216
	77	5,185	5,185	5,185	12,555
CURRENT ASSETS					
Inventories	-	336	336	336	336
Trade receivables	-	22,371	22,371	22,371	22,371
Other receivables and deposits	-	6,975	6,975	6,975	6,975
Deposits with licensed banks	-	7,004	7,004	7,004	7,004
Tax recoverable	-	159	159	159	159
Cash and bank balances	#	3,052	17,475	27,475	16,405
	#	39,897	54,320	64,320	53,250
LESS : CURRENT LIABILITIES					
Trade payables	-	2,542	2,542	2,542	2,542
Other payables and accruals	3	3,889	3,889	3,889	3,889
Term loan	-	359	359	359	-
Hire purchase payables	-	217	217	217	-
Bills payable	-	11,043	11,043	11,043	10,153
Amount due to Directors	76	76	76	76	76
Amount due to related parties	-	17	17	17	17
Provision for taxation	-	4,481	4,481	4,481	4,481
	79	22,624	22,624	22,624	21,158
NET CURRENT (LIABILITIES)/ASSETS	(79)	17,273	31,696	41,696	32,092
	(2)	22,458	36,881	46,881	44,647
REPRESENTED BY:					
SHARE CAPITAL	2	20,577	35,000	40,000	40,000
ACCUMULATED LOSS	(4)	(4)	(4)	(4)	(4)
RESERVE ON CONSOLIDATION	-	1,282	1,282	1,282	1,282
SHARE PREMIUM ACCOUNT	-	-	-	5,000	3,300
	(2)	21,855	36,278	46,278	44,578
MINORITY INTEREST	-	50	50	50	50
LONG TERM LIABILITIES					
Hire purchase payables	-	478	478	478	-
Term loans	-	56	56	56	-
Deferred tax liabilities	-	19	19	19	19
	(2)	22,458	36,881	46,881	44,647
Number of ordinary shares in issue ('000)	4	41,154	70,000	80,000	80,000
(Net liabilities) / Net tangible assets ("(NL)" / "NTA")	(79)	20,739	35,162	45,162	44,092
(NL) / NTA per ordinary share (RM)	(19.75)	0.50	0.50	0.56	0.55

9. FINANCIAL INFORMATION (Cont'd)

Notes: -

*Proforma 1 – Based on the assumptions that the Acquisition have been effected.**Proforma 2 – Incorporates Proforma 1 and the Restricted Issue of 28,846,000 new Shares at the issue price of RM0.50 to selected shareholders.**Proforma 3 – Incorporates Proforma 2 and the Public Issue of 10,000,000 new Shares in SJHB at an issue price of RM1.00 per Share and after adjusting for estimated listing expenses of RM1.7 million against the Share Premium Account. The Offer for Sale will not have any effect on the share capital of SJHB.**Proforma 4 – Incorporates Proforma 3 and after utilisation of proceeds from IPO.*

Represents RM2.00.

9.11 MOVEMENTS IN THE SHARE CAPITAL AND SHARE PREMIUM

The movements in the share capital and share premium account of the Company are as follows: -

	Audited as at 31.10.2004	⁽¹⁾ Proforma 1 Acquisition	⁽²⁾ Proforma 2 Restricted Issue	⁽³⁾ Proforma 3 Public Issue and Offer for Sale	Proforma 4 Utilisation
	RM'000	RM'000	RM'000	RM'000	RM'000
SHARE CAPITAL	2	20,577	35,000	40,000	40,000
ACCUMULATED LOSS	(4)	(4)	(4)	(4)	(4)
RESERVE ON CONSOLIDATION	-	1,282	1,282	1,282	1,282
SHARE PREMIUM ACCOUNT	-	-	-	5,000	3,300
	(2)	21,855	36,278	46,278	44,578
MINORITY INTEREST	-	50	50	50	50
LONG TERM LIABILITIES					
Hire purchase payables	-	478	478	478	-
Term loan	-	56	56	56	-
Deferred tax liabilities	-	19	19	19	19
	(2)	22,458	36,881	46,881	44,647
Number of ordinary shares in issue ('000)	4	41,154	70,000	80,000	80,000
Net tangibles assets ("NTA")	(79)	20,739	35,162	45,162	44,092
NTA per ordinary share (RM)	(19.75)	0.50	0.50	0.56	0.55

Notes: -

*Proforma 1 – Based on the assumptions that the Acquisition have been effected.**Proforma 2 – Incorporates Proforma 1 and the Restricted Issue of 28,846,000 Shares at the issue price of RM0.50 to selected shareholders.**Proforma 3 – Incorporates Proforma 2 and the Public Issue of 10,000,000 Shares in SJHB at an issue price of RM1.00 per Share and after adjusting for estimated listing expenses of RM1.7 million against the Share Premium Account. The Offer for Sale will not have any effect on the share capital of SJHB.**Proforma 4 – Incorporates Proforma 3 and after utilisation of proceeds from IPO.*

9. FINANCIAL INFORMATION (Cont'd)

9.12 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED
BALANCE SHEETS AS AT 31 OCTOBER 2004
(Prepared for inclusion in the Prospectus)

 AnuarulAzizanChew

Anuarul Azizan Chew & Co (AF 0791)
Chartered Accountants

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18 FEB 2005

The Board of Directors
Satang Jaya Holdings Berhad
149-A, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

Dear Sirs,


**SATANG JAYA HOLDINGS BERHAD ("SJHB")
PROFORMA CONSOLIDATED BALANCE SHEETS**

We have reviewed the presentation of the proforma consolidated balance sheets of SJHB and its subsidiary companies as at 31 October 2004, together with the notes thereon, for which the Directors of the respective companies are collectively and individually responsible. The proforma consolidated balance sheets have been prepared for the purpose of inclusion in the Prospectus dated 23 FEB 2005, in connection with the listing of and quotation for the entire issued and paid up share capital of 80,000,000 ordinary shares of RM0.50 each ("Shares") in SJHB on the Second Board of the Bursa Malaysia Securities Berhad.

In our opinion,

- (i) the proforma consolidated balance sheets have been properly compiled on the basis of preparation as stated in the notes to proforma consolidated balance sheets;
- (ii) such basis is consistent with the accounting policies of SJHB and its subsidiary companies; and
- (iii) the adjustments are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully,


ANUARUL AZIZAN CHEW & CO
Firm Number: AF 0791
Chartered Accountants


TEE GUAN PIAN
Approved Number: 1886/05/06 (J/PH)
Partner of Firm

9. FINANCIAL INFORMATION (Cont'd)**SJHB AND ITS SUBSIDIARY COMPANIES AND ASSOCIATED COMPANY ("SJHB GROUP" OR "THE GROUP")****PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004**

	Audited as at 31.10.2004 RM'000	Proforma I Acquisition RM'000	Proforma II Restricted Issue RM'000	Proforma III Public Issue and Offer for Sale RM'000	Proforma IV Utilisation RM'000
ASSETS EMPLOYED					
PROPERTY, PLANT AND EQUIPMENT	-	3,875	3,875	3,875	11,875
INVESTMENT IN ASSOCIATED COMPANY	-	160	160	160	160
OTHER INVESTMENT	-	23	23	23	23
AMOUNT DUE FROM ASSOCIATED COMPANY	-	11	11	11	11
GOODWILL ON CONSOLIDATION	-	270	270	270	270
PRE-LISTING EXPENDITURES	77	630	630	630	-
PRE-CONTRACT EXPENDITURES	-	216	216	216	216
CURRENT ASSETS					
Inventories	-	336	336	336	336
Trade receivables	-	22,371	22,371	22,371	22,371
Other receivables and deposits	-	6,975	6,975	6,975	6,975
Deposits with licensed banks	-	7,004	7,004	7,004	7,004
Tax recoverable	-	159	159	159	159
Cash and bank balances	#	3,052	17,475	27,475	16,405
	#	39,897	54,320	64,320	53,250
LESS: CURRENT LIABILITIES					
Trade payables	-	2,542	2,542	2,542	2,542
Other payables and accruals	3	3,889	3,889	3,889	3,889
Term loans	-	359	359	359	-
Hire purchase payables	-	217	217	217	-
Bills payable	-	11,043	11,043	11,043	10,153
Amount due to Directors	76	76	76	76	76
Amount due to related parties	-	17	17	17	17
Provision for taxation	-	4,481	4,481	4,481	4,481
	79	22,624	22,624	22,624	21,158
NET CURRENT (LIABILITIES)/ASSETS	(79)	17,273	31,696	41,696	32,092
	(2)	22,458	36,881	46,881	44,647
FINANCED BY					
SHARE CAPITAL	2	20,577	35,000	40,000	40,000
ACCUMULATED LOSS	(4)	(4)	(4)	(4)	(4)
RESERVE ON CONSOLIDATION	-	1,282	1,282	1,282	1,282
SHARE PREMIUM ACCOUNT	-	-	-	5,000	3,300
	(2)	21,855	36,278	46,278	44,578
MINORITY INTEREST	-	50	50	50	50
LONG TERM LIABILITIES					
Term loans	-	56	56	56	-
Hire purchase payables	-	478	478	478	-
Deferred tax liabilities	-	19	19	19	19
	(2)	22,458	36,881	46,881	44,647
Number of ordinary shares in issue ('000)	4	41,154	70,000	80,000	80,000
(Net liabilities)/Net tangible assets ("(NL)/NTA")	(79)	20,739	35,162	45,162	44,092
(NL)/NTA per ordinary share (RM)	(19.75)	0.50	0.50	0.56	0.55

Represents RM2.00.

9. FINANCIAL INFORMATION (Cont'd)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**1. Basis of preparation**

The proforma consolidated balance sheets are provided for illustrative purposes only, based on the audited financial statements of SJHB and its subsidiary companies as at 31 October 2004, to show the effects of the following transactions on the assumption that the transactions had been effected on 31 October 2004.

An investment in associated company, The Industrial and Scientific Co. Sdn. Bhd. is not accounted for in the consolidated financial statements of SJHB under the equity method of accounting as the Directors are of the opinion that this has no material effect on the results of the Group.

1.1 Proforma I – Acquisition

Proforma I incorporates the acquisition of entire issued and paid-up share capital of Satang Jaya Sdn. Bhd. ("SJSB") comprising 7,000,000 ordinary shares of RM1.00 each for a total consideration of RM20,575,000 satisfied by the issuance of 41,150,000 new Shares in SJHB at an issue price of RM0.50 per Share in SJHB.

The purchase consideration of RM20,575,000 was arrived at a willing-buyer-willing-seller basis after taking into consideration the audited consolidated net tangible assets ("NTA") of SJSB and its subsidiary companies and associated company of approximately RM20.6 million as at 30 November 2003. The acquisition of SJSB was completed on 31 December 2004.

Upon completion of the Acquisition of SJSB, the share capital of SJHB had increased from RM2,000 comprising 4,000 Shares to RM20,577,000 comprising 41,154,000 Shares.

1.2 Proforma II – Restricted Issue

Proforma II incorporates the effects of Proforma I and the Restricted Issue of 28,846,000 new Shares at an issue price of RM0.50 per Share ("Restricted Issue") to selected shareholders of SJHB. The Restricted Issue was undertaken on the basis of approximately 0.701 new Shares for every one (1) existing Share held by the selected shareholders of SJHB (after the Acquisition of SJSB).

All new Shares issued pursuant to the Restricted Issue, upon allotment and issue, rank *pari passu* in all respect with the then issued and paid-up share capital of SJHB, except that they will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment of the said Shares.

9. FINANCIAL INFORMATION (Cont'd)**1.3 Proforma III – Public Issue and Offer for Sale**

Proforma III incorporates the effects of Proforma II and the Public Issue of 10,000,000 new Shares ("Public Issue") or 12.50% of its enlarged issued and paid-up share capital (after the share issue) at the initial public offering ("IPO") price of RM1.00 per Public Issue Share.

Following the Public Issue, the number of Shares in issue will increase from 70,000,000 to 80,000,000 Shares.

All new Shares issued pursuant to the Public Issue, upon allotment and issue, rank pari passu in all respect with the then issued and paid-up share capital of SJHB, except that they will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment of the said Shares.

The Offer for Sale consisting of 20,000,000 Shares or 25.00% of the enlarged paid-up share capital (after the Public Issue) at the IPO price of RM1.00 per Offer Share, is allocated to investors identified by SJHB Group.

The Offer for Sale has no impact on the proforma balance sheet as this is a shareholders' transaction.

1.4 Proforma IV - Utilisation

Proforma IV incorporates the effects of Proforma III and the utilisation of proceeds from Restricted Issue and Public Issue as follows:-

	RM'000
Repayment of bank borrowings	2,000
Purchase of land and construction of factory or purchase of land and factory building	8,000
Working capital	12,723
Finance estimated listing expenses	1,700
	24,423

The estimated listing expenses of RM1,700,000 will be set off against Share Premium Account.

9. FINANCIAL INFORMATION (Cont'd)**2. Share Capital**

The movements in the issued and paid-up capital of SJHB are as follows:-

	No. of Shares '000	RM'000
As at 31 October 2004	4	2
Acquisition	41,150	20,575
As per Proforma I	41,154	20,577
Restricted Issue	28,846	14,423
As per Proforma II	70,000	35,000
Public Issue	10,000	5,000
As per Proforma III	80,000	40,000

3. Share Premium Account

The estimated listing expenses of RM1,700,000 will be set off against Share Premium Account. The movements in the share premium account are as follows:-

	RM'000
As at 31 October 2004	-
Premium arising from the Public Issue	5,000
Finance estimated listing expenses	(1,700)
As per Proforma IV	3,300

4. Accounting Principles and Bases

The proforma consolidated balance sheets have been prepared on the accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements of SJHB and its subsidiary companies.