

1. SUMMARY INFORMATION**SATANG JAYA HOLDINGS BERHAD**

(Company No. 633265-K)
(Incorporated in Malaysia under the Companies Act, 1965)

THE SUMMARY INFORMATION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE SJHB GROUP AND SHOULD BE READ AND UNDERSTOOD IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE SHARES OF THE COMPANY.

1.1 HISTORY AND BUSINESS

SJHB was incorporated in Malaysia under the Act on 4 November 2003 as a public company under the name of Satang Jaya Holdings Berhad. SJHB is principally an investment holding company. The principal activities of its subsidiary companies and associated company are as detailed below:-

Subsidiary Companies

Name of company	Country of incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activity
SJSB	Malaysia	7,000,000	100.00	Distribution and supply of defence, commercial aviation and marine equipment and accessories, contract management and consultant to OEMs and investment holding.
<u>Subsidiaries of SJSB</u>				
SAR	Malaysia	250,000	100.00	Maintenance, repairs and overhaul of safety and survival equipments.
SSSB	Malaysia	250,000	100.00	Maintenance, repairs and overhaul of aviation ground support safety equipments and related accessories.
MSJ	Malaysia	250,000	100.00	Maintenance, repairs and overhaul of aviation electronics safety equipments and electro-mechanical related accessories.

1. SUMMARY INFORMATION (Cont'd)

Name of company	Country of incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activity
SCS	Malaysia	250,000	100.00	Maintenance, repairs and overhaul of aviation related cylinders that include servicing, inspection, recycling and refilling of gas and other related services.
SESB	Malaysia	80,000	100.00	Supplying and distribution of environmental product, providing consultancy, training and seminar in respect of Environment Management System and other related services.
SHT	Malaysia	250,000	99.99*	Providing consultancy and solution services and implementing of high-tech and integrated surveillance security system and its related services.
TSB	Malaysia	10,002	100.00	Supplying of defence and aviation equipment and accessories.
PMSS	Malaysia	150,000	69.00	Supplying and maintenance of marine safety and survival equipment and accessories.

Note:-

* There are 2 subscriber's shares which are held by Colonel (Honorary) Jamaluddin bin Hassan RMAF and Abdul Aziz bin Jamal (both are the Promoters, Substantial Shareholders and Directors of SJHB) each holding 1 ordinary share of RM1.00 each.

Associated Company

Name of company	Country of incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activity
TISC	Malaysia	280,000	38.00	Importing and distributing of all industrial, scientific and marine products and LPG gas and also maintenance of safety and survival aviation and marine equipments.

Further details on the history and business of the Group are set out in Section 4 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)**Brief History and Business Overview of the SJHB Group**

The SJHB Group was formed in 1991 and started its business with supplying spare parts and act as representative for spare parts OEMs of the aviation and aerospace industry. Subsequently in 1999, SJHB Group expanded its business to provide support services such as maintenance, repairs and overhaul of safety and survival equipment for the defence aviation and aerospace industry as a result of the "contractorisation" programme introduced by the MOD.

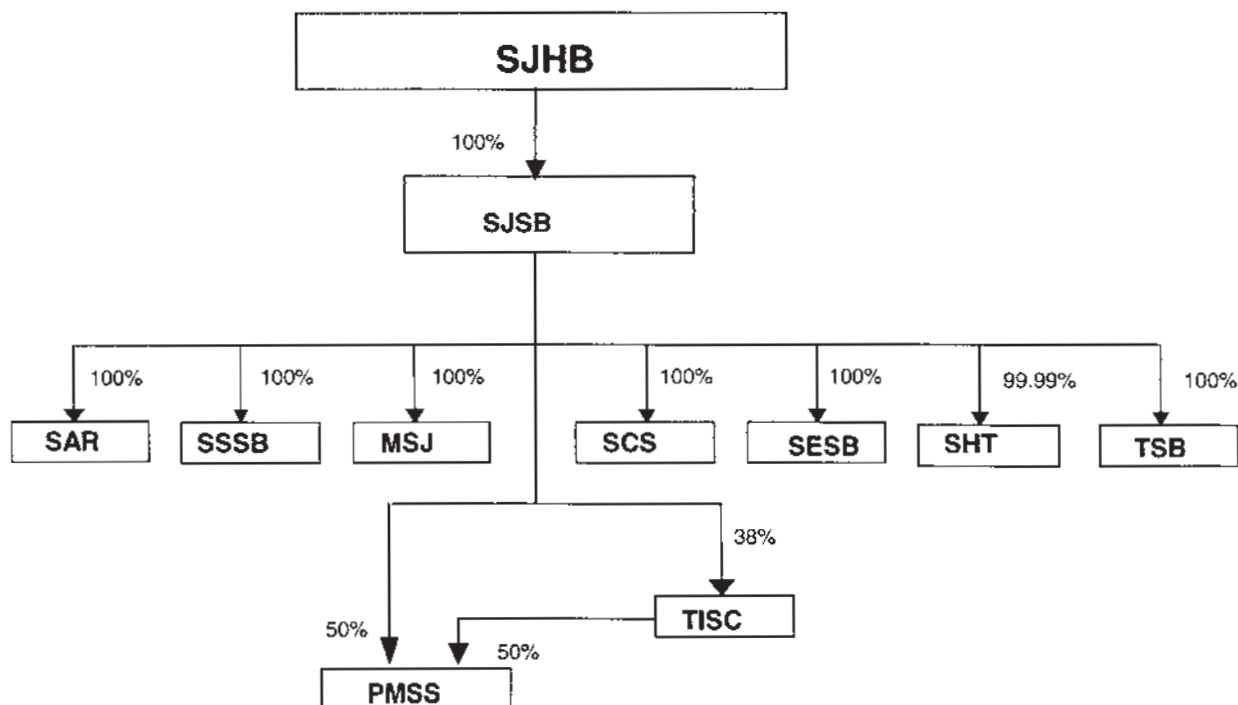
Under the MOD's contractorisation programme, SJHB Group was appointed to provide for the repair, maintenance and overhaul of safety and survival equipments and its related accessories for RMAF.

SJHB Group also provide services to other agencies of MOD, namely RMN and MA, DCA, Home Ministry which includes Royal Malaysian Police and Ministry of Local Housing and Development namely, the Fire and Rescue Department of Malaysia ("Jabatan BOMBA & Penyelamat Malaysia").

In addition, the SJHB Group also provide services to the private sector. Its major clients in the private sector are namely, Airod Sdn. Bhd. ("Airod"), Systematic Aviation Services Sdn. Bhd., Berjaya Air Sdn. Bhd., Transmile (Aviation & Spares) Sdn. Bhd., Air Asia Berhad ("AirAsia"), and several other aviation related companies.

SJHB Group aims to be a one-stop centre for the supply of defence and commercial aviation and marine equipment and accessories, contract management and consultant to OEMs.

An overview of the SJHB Group's corporate structure is as set out below:



Further details of SJHB Group are set out in Section 4 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)**1.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL OF SJHB**

The direct and indirect shareholdings of the Promoters, Substantial Shareholders, Directors, key management and technical personnel of the Group are as follows: -

Name	Designation	No. of Ordinary Shares Held in SJHB Before the IPO				No. of Ordinary Shares Held in SJHB After the IPO			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Promoters / Substantial Shareholders									
Colonel (Honorary) Jamaluddin bin Hassan RMAF	Promoter / Substantial Shareholder	25,898,600	37.00	-	-	#16,145,400	20.18	-	-
Abdul Aziz bin Jamal	Promoter / Substantial Shareholder	20,998,800	30.00	-	-	#16,145,400	20.18	-	-
Gan Chin Sam	Promoter / Substantial Shareholder	20,998,800	30.00	-	-	#16,145,400	20.18	-	-
Directors									
Colonel (Honorary) Jamaluddin bin Hassan RMAF	Executive Chairman / Managing Director	25,898,600	37.00	-	-	#16,145,400	20.18	-	-
Abdul Aziz bin Jamal	Executive Director	20,998,800	30.00	-	-	#16,145,400	20.18	-	-
Gan Chin Sam	Executive Director	20,998,800	30.00	-	-	#16,145,400	20.18	-	-
Hakim bin Sukirman	Executive Director	2,099,800	3.00	-	-	#2,279,800	2.85	-	-
Khir Anuar bin Mohamad	Executive Director	-	-	-	-	#130,000	0.16	-	-
Lt. Col. (R) Mohd Johari bin Mohd Rais	Independent Non-Executive Director	-	-	-	-	#50,000	0.06	-	-
Ahmad Shakir bin Ismail	Independent Non-Executive Director	-	-	-	-	#50,000	0.06	-	-
Prof. Dr. Mohd Isa bin Mohd Samat	Independent Non-Executive Director	-	-	-	-	#50,000	0.06	-	-
Key Management and Technical Personnel									
Lt. Col. (R) Mohd Shariff bin Badrishah	Senior General Manager Corporate Affairs	-	-	-	-	#35,000	0.04	-	-
Kamarrudin bin Mohamad	General Manager of Quality Assurance	-	-	-	-	#30,000	0.04	-	-

1. SUMMARY INFORMATION (Cont'd)

Name	Designation	No. of Ordinary Shares Held in SJHB Before the IPO				No. of Ordinary Shares Held in SJHB After the IPO			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Ahmad Husaini Zakwan bin Hassan Basri	General Manager of Business Development	-	-	-	-	#70,000	0.09	-	-
Shahrin bin Hj Md Nor	Senior Manager of Operations	-	-	-	-	#40,000	0.05	-	-

Note: -

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

Further details of the Promoters, substantial shareholders, Directors, key management and technical personnel of SJHB are set out in Section 5 of this Prospectus.

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1. SUMMARY INFORMATION (Cont'd)**1.3 FINANCIAL HIGHLIGHTS**

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 years / 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.

The financial statements of SJHB Group for the years/periods under review were not subjected to any audit qualification save for the emphasis of matter by the auditors as disclosed in Section 9.1 of this Prospectus. 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.

1. SUMMARY INFORMATION (Cont'd)**1.4 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 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
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 loan	-	56	56	56	-
Deferred tax liabilities	-	19	19	19	19
	(2)	22,458	36,881	46,881	44,647
Number of 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 Share (RM)	(19.75)	0.50	0.50	0.56	0.55

1. SUMMARY 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 existing shareholders of SJHB.

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. 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.*

Detailed Proforma Consolidated Balance Sheets and the Reporting Accountants' letter thereon are set out in Sections 9.12 and 10 of this Prospectus respectively.

1.5 SUMMARY OF MATERIAL RISK FACTORS

The following are a list of some of the material risk factors (which may not be exhaustive) as extracted from Section 3 of this Prospectus which applicants for the Public Issue/Offer Shares should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Public Issue/Offer Shares:-

- (i) No Prior Market for SJHB's Shares;
- (ii) Political, Social, Economic and Regulatory Considerations;
- (iii) Business Risks;
- (iv) Competitive Risks;
- (v) Dependence on Key Personnel;
- (vi) Control by Substantial Shareholders;
- (vii) Licenses and Certifications;
- (viii) Financial Risks;
- (ix) Cyclical Risk;
- (x) Rapid Over-Expansion / Rapid Development of Technological Change;
- (xi) Foreign Exchange Risk;
- (xii) Environmental Concerns;
- (xiii) Capital Market Risks;
- (xiv) Achievability of Profit Forecast;
- (xv) Disclosure Regarding Forward-Looking Statements;
- (xvi) Dependence on Suppliers and OEMs;
- (xvii) Investment Activities Risk;
- (xviii) Breakout of Fire, Energy Crisis and other Emergencies and Uninsurable Risk;
- (xix) Insurance Coverage on Assets;
- (xx) Dependence on Particular Markets
- (xxi) Related Party Transactions/Conflict of Interest; and
- (xxii) Delay In or Abortion of Listing.

Further details of the material risk factors are set out in Section 3 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)**1.6 PRINCIPAL STATISTICS RELATING TO THE IPO****1.6.1 SHARE CAPITAL**

The following statistics relating to the IPO are derived from the full text of the Prospectus and should be read in conjunction with the text:-

	Number of ordinary share of RM0.50 each	Share capital (RM)
AUTHORISED SHARE CAPITAL	200,000,000	100,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL:		
Existing Shares	70,000,000	35,000,000
• New Shares to be issued pursuant to the Public Issue	10,000,000	5,000,000
ENLARGED SHARE CAPITAL	80,000,000	40,000,000
• Existing Shares to be offered pursuant to the Offer For Sale	20,000,000	10,000,000

The Issue/Offer Price is RM1.00 per ordinary share payable in full upon application, subject to the terms and conditions of this Prospectus.

1.6.2 CLASS OF SHARES

There is only one class of shares in the Company namely ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the other existing issued and paid-up Shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

1.7 PROFORMA GROUP NTA AS AT 31 OCTOBER 2004

Proforma Group NTA as at 31 October 2004 (RM'000) (after taking into account the estimated listing expenses of RM1,700,000)	44,092
Proforma Group NTA per Share (RM) (based on the enlarged issued and paid-up share capital of 80,000,000 Shares)	0.55

Detailed calculations of the proforma Group NTA are set out in Section 9.11 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)**1.8 PROFIT AND DIVIDEND RECORD****CONSOLIDATED PROFIT FORECAST**

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**DIVIDEND FORECAST**

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 Share.

Further details of the Dividend Forecast are set out in Section 9.8 of this Prospectus

1. SUMMARY INFORMATION (Cont'd)**1.9 PROPOSED UTILISATION OF PROCEEDS**

The total gross proceeds arising from the Restricted Issue and the Public Issue will be utilised by the Group in the following manner: -

		Timeframe for utilisation	Amount (RM'000)
(i)	Repayment of borrowings	6 Months	2,000
(ii)	Purchase of land and construction of factory or purchase of land and factory building	18 Months	8,000
(iii)	Working capital	18 Months	12,723
(iv)	Estimated listing expenses	1 Month	1,700
Total proceeds			24,423

SJHB will bear all expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of SJHB on the Second Board of the Bursa Securities, which include underwriting commission, brokerage, professional fees, authorities fees, advertising and other fees the aggregate is estimated to be RM1.70 million.

The Offer for Sale will raise gross proceeds of RM20.00 million. This amount shall accrue to the Offerors and no part of the proceeds is receivable by SJHB. The Offerors shall bear all expenses, such as placement fee, management fee, brokerage, registration fee and share transfer fee relating to the Offer Shares.

Further details of the utilisation are set out in Section 2.6 of this Prospectus.

1.10 MATERIAL LITIGATIONS, BORROWINGS, MATERIAL CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

Save as disclosed in the ensuing pages, as at 26 January 2005 (being the last practicable date prior to the printing of this Prospectus), the Directors are not aware of any material litigations, borrowings, material contingent liabilities and commitment which, upon becoming enforceable, may have material impact on the profits or net asset value of the Group.

Further information on all material litigations, borrowings, contingent liabilities and commitment is set out in Section 9.4 of this Prospectus.

(i) 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.

1. SUMMARY INFORMATION (Cont'd)**(ii) Borrowings**

As disclosed in Section 9.4 of this Prospectus, 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 payments 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 this Prospectus.

(iii) 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.

(iv) 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.

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2. PARTICULARS OF THE IPO

A copy of this Prospectus has been registered with the SC and lodged with the ROC who takes no responsibility for its contents.

The approval of the SC shall not be taken to indicate that the SC recommends the IPO and that investors should rely on their own evaluation to assess the merits and risks of the IPO.

Application will be made to the Bursa Securities within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of SJHB on the Second Board of the Bursa Securities. These Shares will be admitted to the Official List on the Second Board of the Bursa Securities and official quotation will commence upon receipt of confirmation from Central Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by the Bursa Securities to deal in and for the quotation of the entire enlarged issued and fully paid-up Shares on the Second Board of the Bursa Securities. Accordingly, monies paid in respect of any Application accepted from the IPO will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the Bursa Securities within the aforesaid time frame.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the Bursa Securities has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with the Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository.

Pursuant to the SC Guidelines, at least 25% of the issued and paid up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each at the point of listing. In the event that the above requirement is not met pursuant to the IPO, the Company may not be allowed to proceed with its listing on the Second Board of the Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned without interest if the said permission is not granted.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications must have a CDS Account. In the case of an application by way of Application Form, an applicant should state his CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish his CDS Account number to the Participating Financial Institution by way of keying his CDS Account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the IPO by way of Electronic Share Application.

The Bursa Securities assumes no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Second Board of the Bursa Securities is not to be taken as an indication of the merits of the Company or of its Shares. No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by SJHB. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of SJHB since the date hereof.

2. PARTICULARS OF THE IPO (Cont'd)

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the IPO Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

2.1 SHARE CAPITAL

	Number of ordinary share of RM0.50 each	Share capital (RM)
AUTHORISED SHARE CAPITAL	200,000,000	100,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL:		
Existing Shares	70,000,000	35,000,000
• New Shares to be issued pursuant to the Public Issue	10,000,000	5,000,000
ENLARGED SHARE CAPITAL	80,000,000	40,000,000
• Existing Shares to be offered pursuant to the Offer For Sale	20,000,000	10,000,000

The Issue/Offer Price is RM1.00 per Share payable in full upon application, subject to the terms and conditions of this Prospectus.

There is only one class of Shares in the Company, namely, ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the other existing issued ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association of the Company.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

2. PARTICULARS OF THE IPO (Cont'd)**2.2 CRITICAL DATES OF THE IPO**

Events	Tentative Date
Opening Date of the IPO	23 February 2005
Closing Date of the IPO *	4 March 2005
Tentative Balloting Date	8 March 2005
Tentative Listing Date	16 March 2005

* *This timetable is tentative and is subject to changes, which may be necessary to facilitate implementation procedures. The application for the issue shares will close at the date as stated above or later date as the Directors and/or Promoters of SJHB together with the Managing Underwriter in their absolute discretion may decide. Should there be an extension of the closing date, the date of Listing will be extended.*

Should the closing date of the aforesaid application be extended, the dates for the balloting and the listing of SJHB's entire issued and paid up capital on the Second Board of the Bursa Securities might be extended accordingly. Any changes to the application period for the public issue will be notified to the public via an advertisement in a daily Bahasa Malaysia and English newspaper.

2.3 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price of RM1.00 per Share was determined and agreed upon by the Company, the Offerors and AmMerchant Bank as Adviser and Managing Underwriter based on various factors including the following:-

- (i) The Group's financial operating history and conditions and financial position as outlined in Sections 1.3 and 1.4 of this Prospectus;
- (ii) The future plans of the Group is as detailed in Section 4.7 of this Prospectus and the prospects of the industry in which the Group operates as outlined Sections 4.4.4 and 4.4.9 of this Prospectus;
- (iii) The forecast net PE Multiple of 9.17 times calculated based on the forecast net EPS of 10.90 sen and the enlarged issued and paid-up share capital of 80,000,000 Shares in SJHB;
- (iv) The Proforma Consolidated NTA of SJHB Group as at 31 October 2004 of RM0.55 per Share based on the enlarged issued and paid-up share capital of 80,000,000 Shares in SJHB; and
- (v) The forecast gross dividend of 3.0% based on the enlarged issued and paid-up share capital of 80,000,000 Shares in SJHB.

The Directors and Promoters of SJHB and AmMerchant Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

However, shareholders should also note the market price of SJHB Shares upon listing on Bursa Securities are subject to the vagaries of the market forces and other uncertainties which may affect the price of SJHB Shares being traded.

2. PARTICULARS OF THE IPO (Cont'd)**2.4 DETAILS OF THE IPO****Public Issue**

The Public Issue of 10,000,000 new Shares at an issue price of RM1.00 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(i) Malaysian Public

6,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) Eligible Employees, Directors and/or Business Associates of the Group

4,000,000 Public Issue Shares will be reserved for the 210 eligible employees and Directors of the Group as well as 8 business associates of the Group.

The Shares have been allocated to the eligible employees and Directors of the Group based on the following criteria as approved by the Company's Board of Directors: -

- (a) At least eighteen (18) years old;
- (b) Job position;
- (c) Length of service; and
- (d) Non-Malaysian citizens are not eligible.

Details of the Pink Form Shares Allocation to the eligible Directors of the SJHB Group are as follows: -

Name of Directors	Designation	Pink Form Allocation
Colonel (Honorary) Jamaluddin bin Hassan RMAF	Executive Chairman / Managing Director	180,000
Abdul Aziz bin Jamal	Executive Director	180,000
Gan Chin Sam	Executive Director	180,000
Hakim bin Sukirman	Executive Director	180,000
Khair Anuar bin Mohamad	Executive Director	130,000
Lt. Col. (R) Mohd Johari bin Mohd Rais	Independent Non-Executive Director	50,000
Ahmad Shakir bin Ismail	Independent Non-Executive Director	50,000
Prof. Dr. Mohd Isa bin Mohd Samat	Independent Non-Executive Director	50,000
Total		1,000,000

2. PARTICULARS OF THE IPO (Cont'd)**Offer For Sale**

The Offer for sale of 20,000,000 Shares or 25% of the enlarged and paid-up share capital (after the Public Issue) at the price of RM1.00 per Offer Share are to be allocated to identified investors.

In summary, the IPO Shares will be allocated in the following manner: -

	Public Issue Shares	Offer Shares	Total IPO Shares
Malaysian public	6,000,000	-	6,000,000
Eligible Employees, Directors and/or Business Associates of the Group	4,000,000	-	4,000,000
Investors	-	20,000,000	20,000,000
Total	10,000,000	20,000,000	30,000,000

All the Public Issue Shares available for application by the Malaysian public and the eligible employees, Directors and/or business associates of the Group have been fully underwritten. The Offer Shares available for application by identified investors are not underwritten. The Placement Agent has received irrevocable undertakings from the identified investors to take up the Offer Shares available for application under the private placement.

In the event of an under-subscription of the Public Issue Shares by the Malaysian public, the unsubscribed Public Issue Shares will be made available to identified investors. Any Public Issue Shares which are not taken up by eligible employees and Directors of the Group and/or the business associates of the Group will be made available for application by the Malaysian Public and/or identified investors via private placement. Any further Public Issue Shares not subscribed for will be made available for subscription by the Underwriters in proportion specified in the Underwriting Agreement dated 28 January 2005.

2.5 PURPOSES OF THE IPO

The purposes of the IPO are as follows: -

- (i) To provide the opportunity for the eligible employees and Directors of the Group and/or the business associates of the Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group;
- (ii) To enable the Group to gain recognition and certain stature through its listing status and further enhance its corporate reputation and assist the Group in expanding its customer base;
- (iii) To provide additional funds to meet the present and future working capital requirement of the Group;
- (iv) To enable the Group to gain access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the Group; and
- (v) To facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of the Bursa Securities.

2. PARTICULARS OF THE IPO (Cont'd)**2.6 UTILISATION OF PROCEEDS**

SJHB is expected to raise total gross proceeds of approximately RM24.42 million from the Restricted Issue and the Public Issue.

The Company intends to utilise the proceeds raised in the following manner: -

	Timeframe for utilisation	Amount (RM'000)
(i) Repayment of bank borrowings	6 Months	2,000
(ii) Purchase of land and construction of factory or purchase of land and factory building	18 Months	8,000
(iii) Working capital	18 Months	12,723
(iv) Estimated listing expenses	1 Month	1,700
Total proceeds		24,423

SJHB will bear all expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of SJHB on the Second Board of the Bursa Securities, which include underwriting commission, brokerage, professional fees, authorities fees, advertising and other fees the aggregate is estimated to be RM1.70 million.

The Offer For Sale will raise gross proceeds of RM20.00 million. This amount shall accrue to the Offerors and no part of the proceeds is receivable by SJHB. The Offerors shall bear all expenses, such as placement fee, management fee, brokerage, registration fee and share transfer fee relating to the Offer Shares.

There is no minimum subscription to be raised from the IPO as all the Public Issue Shares are fully underwritten.

Notes: -

(i) Repayment of Borrowings

As at 26 January 2005, the total borrowing facilities of the Group amounted to approximately RM35.0 million, out of which the borrowing facilities utilised amount to approximately RM9.94 million.

Such borrowing have been utilised to finance the working capital requirements of the Group.

SJHB Group plans to utilise part of the listing proceeds amounting to RM2.0 million to reduce the borrowings. By repaying the bank borrowings, SJHB would be able to reduce its finance cost amounting to approximately RM163,000 per annum based on an average cost of borrowings of 8.15%.

(ii) Purchase of land and construction of factory or to purchase of land and factory building

SJHB Group plans to utilise approximately RM8.0 million of the total proceeds to construct a factory building on a piece of strategically located land (yet to be identified) or to purchase a factory building (inclusive of land) to centralise the Group's operations. This will increase the efficiency of the Group's operations as all of its activities will be centralised in the new factory.

2. PARTICULARS OF THE IPO (Cont'd)

The budgeted cost of the land and the construction of the factory or for the purchase of a factory building (inclusive of land) is expected to be approximately RM8.0 million.

(iii) Working Capital

Of the total proceeds, RM12.723 million will be used as general working capital for SJHB Group as follows:-

Utilisation	Amount (RM'000)
(a) Replacement of tools, equipment and replacement parts	*2,000
(b) Increase in strength of workforce and staff training	*2,000
(c) Upgrading and enhancing workshop facilities	*1,500
(d) General working capital for Group operations (which may include, but not limited to upgrading of information technology systems, placement of deposits for banking facilities, repayment of borrowings, operating expenses, etc.)	7,223
	12,723

Note:-

* Any unutilised amount will be used as general working capital for Group operations.

(iv) Finance Estimated Listing Expenses

The estimated listing expenses for the Listing are as follows: -

Estimated listing expenses	Amount (RM)
Fees to authorities	75,000
Professional fees #	600,000
Underwriting and brokerage fees	300,000
Printing, advertising and other miscellaneous expenses @	725,000
Total	1,700,000

Notes: -

Include fees for the Adviser, Reporting Accountants, Solicitors and other professional advisors.

@ Any unutilised amount shall be used for working capital purposes of the Group.

2.6.1 Financial Impact From Utilisation of Proceeds

The utilisation of the Public Issue proceeds by the Group is expected to have a positive financial impact on the Group's interest savings. The repayment of the borrowings of RM2.0 million will reduce the Group's gearing level from approximately 0.41 times to approximately 0.33 times (based on the Group's total borrowings as at 26 January 2005 and Group shareholders' funds as at 26 January 2005. At prevailing average interest rate of approximately 8.15%, SJHB Group would be able to save interest cost of approximately RM163,000 per annum.

As the listing proceeds are only expected to be received by the end of third quarter of the financial year ending 30 June 2005, it is not expected to have a material financial impact on the Group for the financial year ending 30 June 2005.

2. PARTICULARS OF THE IPO (Cont'd)

2.7 UNDERWRITING COMMISSION AND BROKERAGE

AmMerchant Bank and AmSecurities Sdn Bhd, as the Underwriters, have entered into an agreement on 28 January 2005 to underwrite the 10,000,000 Public Issue Shares to be issued to the Malaysian public, the eligible employees, Directors and/or business associates of the Group. Underwriting commission is payable by the Company in respect of the Public Issue at the rate of 2.0% of the total underwritten Shares of 10,000,000 at the Issue Price of RM1.00 per Share to the respective Underwriters.

Brokerage is payable by the Company in respect of the Public Issue and by the Offerors in respect of the Offer For Sale made available for application by the Malaysian public at the rate of 1.0% of the IPO Price of RM1.00 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Note: Unless stated, all capitalised terms shall bear the same meanings as prescribed in the Underwriting Agreement.

The following are some of the Clauses of the Underwriting Agreement dated 28 January 2005 ("Agreement"), including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer: -

Clause 4.1

Conditions Precedent: The several obligations of the Underwriters under this Agreement shall further be conditional upon: -

- (a) **ROC & SC:** the acceptance for registration with the ROC and the SC of the Prospectus and such other documentations as may be required in accordance with the SCA and the Companies Act in relation to the Public Issue and the lodgement of the Prospectus with the ROC prior to the issuance of the Prospectus to the public;
- (b) **Approval by the SC:** on or prior to the Closing Date, the SC having approved the Prospectus (and if such approvals are conditional), all conditions bring upon terms acceptable to the Underwriters;
- (c) **Issuance of Issue Shares:** the Managing Underwriter having been reasonably satisfied that the Company has in relation to the issuance of Issue Shares complied with all policies guidelines and requirements of the relevant authorities in Malaysia and all revisions, amendments or supplements thereto;
- (d) **Issue of Prospectus:** the issuance of the Prospectus to the public (including advertisement of the Prospectus and all other procedures, requirements, letters and documents required under Chapter 3 of the Listing Requirements) have been complied with within three (3) months from the date hereof or such extension as consented by all the Underwriters;

2. PARTICULARS OF THE IPO (Cont'd)

- (e) **Bursa Securities Approval for Quotation:**
- (i) Bursa Securities agreeing in principle to the listing of and quotation for (on terms satisfactory to the Managing Underwriter) the entire enlarged issued and paid-up share capital of the Company within three (3) months from the date hereof or such later date as consented by all the Underwriters prior to the issuance of the Prospectus;
 - (ii) the Underwriters being reasonably satisfied that such approval for listing and quotation will be granted two (2) Market Days (or such other days as Bursa Securities may permit) after the submission to Bursa Securities of the relevant documents required for such listing of and quotation for the entire enlarged issued and paid-up share capital of the Company; and
 - (iii) the respective Shares are deposited in or transferred to the securities account maintained by the entitled shareholders under the Securities Industry (Central Depository) Act, 1991;
- (f) **Material Adverse Condition:** there having been, as at any time hereafter up to and including the Closing Date, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of the Company and its subsidiaries (if any) (which in the reasonable opinion of the Underwriters are or will be material in the context of the issue of the Issue Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect the extent of which is or will be material to any of the representations, warranties and undertakings contained in **Clauses 3.1 and 3.2** if they are repeated on and as of the Closing Date;
- (g) **No Prohibition by Laws on the Public Issue:** the issue, offering and subscription of the Issue Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
- (h) **Approvals:** all necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been obtained and are in full force and effect;
- (i) **Payment of Expenses:** the Underwriters having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in **Clause 13**;
- (j) **Resolutions:** the delivery to the Managing Underwriter prior to the date of registration of the Prospectus of:- (aa) a copy certified as true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement and the performance of its obligations herein, the Prospectus, the Public Issue and authorising the execution of this Agreement and the issuance of the Prospectus; (bb) a certificate dated the date of the Prospectus signed by the duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in **Clause 4.1(d)**; and

2. PARTICULARS OF THE IPO (Cont'd)

- (k) **Report & Confirmation:** the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Company or its subsidiaries (if any) and that there is no occurrence of any event rendering, untrue, misleading or incorrect, and as of the Closing Date to a material extent any representations and/or warranties contained in **Clause 3** as though they have been given and/or made on such date and the Company has complied with all the terms of this Agreement and satisfied that all the conditions on its part under this Agreement to be performed and satisfied on or prior to the Closing Date.

Clause 4.2

Non-Fulfillment of Conditions Precedent: In the event any of the conditions set forth in **Clause 4.1** are not satisfied by the Closing Date, the Underwriters or any of the Underwriters shall, subject as mentioned below, thereupon be entitled but not bound to terminate this Agreement and upon such termination, the Underwriters shall have no further claims against the Company and save for the Company's undertaking under Clause 3.3 and the Company's liability for payment of costs and expenses under Clause 13 and the parties shall be released and discharged from their respective obligations hereunder. The Underwriters reserve the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriters' rights under this Agreement.

Clause 13.1

Cost and Expenses: The Company shall bear and pay all costs, charges and expenses of and incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of Bursa Securities including the costs, charges and expenses relating to the Public Issue (including the Underwriting Commission), the issue and allotment of the Issue Shares to the successful applicants thereof (including, if applicable, the Underwritten Shares or any part thereof to the Underwriters or their nominee(s) including but without limitation, to:- (i) the costs, charges and expenses incurred in the transfer of the Issue Shares, (ii) the charges payable to Bursa Depository, and (iii) the stamp costs, if any, incurred thereof) and the costs, charges and expenses that may be incurred in connection with the negotiation and execution of this Agreement and the stamping hereof and the costs, charges and expenses that may be incurred by the Underwriters in splitting the share certificates in respect of the shares applied for by them hereunder into such denominations as may be required by the Underwriters.

Clause 14.1

Events of Termination: Notwithstanding anything herein contained, the Managing Underwriter and/or the Underwriters, acting through the Managing Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if: -

2. PARTICULARS OF THE IPO (Cont'd)

- 14.1.1 **Breaches in Representations, Warranties or Undertakings:** there is any breach by the Company of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company or by the Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriters, which is required to be disclosed pursuant to this Agreement which, in the opinion of the Managing Underwriter and/or the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or
- 14.1.2 **Information Withheld:** there is withholding of information of a material nature from the Underwriters, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Managing Underwriter and/or Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or
- 14.1.3 **Material and/or Adverse Changes:** there shall have occurred, happened or come into effect any material and/or adverse change to the business or financial condition of the Company or the Group; or
- 14.1.4 **Force Majeure / Lapse of Agreement:** there shall have occurred, happened or come into effect any of the following circumstances: -
- (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter and/or the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war, hijacking, hostility invasion, natural catastrophe, earthquakes, storm, lightning, tempest, riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance against the government, insurrection, revolt military/ usurped power or accidents);

which, (in the reasonable opinion of the Managing Underwriter and/or the Underwriters), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or

2. PARTICULARS OF THE IPO (Cont'd)

if in the reasonable opinion of any Underwriter that the success of the Public Issue is seriously and/or materially jeopardised by the Kuala Lumpur Composite Index falling below 700 points and remaining below 700 points for 3 consecutive Market Days at any time between the date of this Agreement and up to and including the Closing Date;

14.1.5 **Withdrawal or Non-Procurement of Approval for Listing by Bursa Securities:** the approval in principle of Bursa Securities for the admission of the Company to the Official List of Bursa Securities or for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of Bursa Securities is withdrawn or not procured within six (6) weeks from the date of issue of Prospectus or such other period as may be specified by the SC; or

14.1.6 **Failure to Perform Obligations:** there is failure on the part of the Company to perform any of its obligations herein contained.

Clause 14.2

Underwriters Obligations Discharged: Upon such notice(s) being given under **Clause 14.1**, the Managing Underwriter and/or the Underwriters shall be released and discharged of their obligations without prejudice to its rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of its obligations and liabilities for the payment of the costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies and for any antecedent breach.

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3. RISK FACTORS

In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations: -

(i) No Prior Market for SJHB's Shares

Prior to this Public Issue, there has been no public market for SJHB's Shares. There can be no assurance that an active market for SJHB's Shares will develop and continue to develop upon or subsequent to its listing on the Second Board of the Bursa Securities or, if developed, that such a market will be sustained. The IPO Price of RM1.00 for the IPO Shares has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and condition, its prospects and the prospects of the industry in which the Company operates, the management of the Company, the market prices for shares of companies engaged in business similar to that of the Company and the prevailing market conditions at the time the application for listing of SJHB was submitted to the SC. There can be no assurance that the IPO Price will correspond to the price at which SJHB's Shares will trade on the Second Board of the Bursa Securities upon or subsequent to its Listing.

(ii) Political, Social, Economic and Regulatory Considerations

Adverse developments in political, economic and regulatory conditions in Malaysia and any other countries where SJHB Group may market its products and services, or sources its supplies, could materially affect the financial and operational condition or the overall profitability of SJHB Group. Other political and economic uncertainties include the risk of war, terrorism, riots, outbreak of harmful diseases, expropriation, nationalisation, renegotiation, or nullification of existing contracts, changes in rates of interest and methods of taxation, changes in import tariff policies and currency exchange controls.

Whilst SJHB will continue to take effective measures such as maintain strict compliance to all acts, requirements and regulation under which it operates prudent financial management and increase the efficiency of its operating procedures, there is no assurance that adverse political, economic and regulatory conditions will not materially affect the Company.

(iii) Business Risks

The Group is subject to certain risk inherent to the defence, aerospace and maritime industry. These may include shortage in skilled workforce, increase in cost of workforce and operating cost, changes in general economic, business and credit conditions and changes in Government policies.

The Group has taken steps to mitigate the risks through continuous effort to maintain and source for experienced and technically trained workforce. The Group keep abreast with new technology and continuously improve its products and services to meet customers' demand and expectations. Further, the Group maintain good relationship with its current suppliers, stockist and OEMs. However, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group's business.

3. RISK FACTORS (Cont'd)

(iv) Competitive Risks

As per the Directors of SJHB Group, they are not aware of any other local competitors who possess certification from the relevant bodies to provide the same range of comprehensive services and maintenance, repairs and overhaul of the safety and survival equipment/parts for the defence and commercial aviation industry as the SJHB Group in Malaysia. In addition, SJHB Group is certified by the DCA, under the Safety & Survival (Aviation) category. However, in terms of foreign competitors, there may be some foreign companies which may operate in the Malaysian market, in view of global liberalisation of business conduct in the future.

However, SJHB Group, which operates in a niche market and with their reputation of being dependable and credible service provider, coupled with a proven track record of over 10 years within the industry is confident that it will be very competitive in the market place.

In addition, SJHB Group has a group of experienced and technically trained personnel (mostly former RMAF technical personnel) and this form a high barrier of entry for any new companies to penetrate into the industry that SJHB Group is operating in as there are very few places that can provide the required training for maintenance and servicing of the safety and survival equipment for the defence aviation industry. SJHB Group also sends its personnel for training with its OEMs partners to keep abreast with the advances of technology in the safety and survival equipment for this industry.

Another barrier of entry is that any party interested to enter into this industry will require the licences, certifications, approvals and permits from the relevant regulatory bodies and certification from the respective OEMs.

Although the SJHB Group will remain competitive by offering high quality value-added services and products at competitive prices, no assurance is given that the SJHB Group will be able to maintain its existing market share in the future.

(v) Dependence on Key Personnel

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and key management. The Group will strive to continue attracting and retaining skilled personnel to support its business operation and has made efforts to train its staff. As a result of this, the Group has enjoyed the support of management staff with long-term service.

The Group is headed by an experienced, dedicated and dynamic management team with almost all of its key personnel having been in the industry for more than 10 years. They are trained and possess relevant knowledge and experience for this industry and can provide synergy and growth to the Group.

The success of the Group's business was achieved through the deliberate and careful planning of the Directors with the support of the Group's key management team.

3. RISK FACTORS (Cont'd)

(vi) Control by Substantial Shareholders

Upon completion of the the IPO, the Promoters and Substantial Shareholders of SJHB, namely Colonel (Honorary) Jamaluddin bin Hassan RMAF, Abdul Aziz bin Jamal and Gan Chin Sam, will collectively control 60.54% of SJHB's enlarged issued and paid up share capital. As a result, they would be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

Nevertheless, this is mitigated by the fact that certain transactions, the Substantial Shareholders of SJHB will be required to abstain from voting by law and/or by the relevant authorities. An audit committee is in place to ensure that, amongst others, any future transactions involving related parties, if any, are entered into on an arms-length terms/basis.

(vii) Licences and Certifications

The Group's licences and certifications are pertinent to its business operations. The certifications obtained from the relevant bodies enable SJHB Group to provide the current range of comprehensive services and maintenance, repairs and overhaul of the safety and survival equipment/parts for the defence and commercial aviation industry.

There can be no assurance that the above licences and certifications will be renewed or continuously be granted by the relevant authorities and bodies in the future.

However, since SJHB Group began its operations in the industry, it has been successful to renew, obtain and extend the relevant licences and certifications without fail. The Board is confident that SJHB Group meets the stringent requirements to renew, obtain and extend the relevant licences and certifications.

In addition, SJHB Group has a group of experienced and technically trained personnel (mostly former RMAF technical personnel) who are periodically sent for training to improve their knowledge of the latest technology in the maintenance and servicing of the safety and survival equipment for the defence aviation industry. SJHB Group also sends its personnel for training with its OEMs partners to keep abreast with the advances of technology in the safety and survival equipment for this industry.

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3. RISK FACTORS (Cont'd)

(viii) Financial Risks

Borrowings And Interest Rates Risks

The SJHB Group is able to meet its financial obligations through a combination of internally generated funds and external financing. All the borrowings of SJHB Group are interest bearing and consists of domestic borrowings only and presently, the SJHB Group enjoys good credit standing with its bankers and has adequate credit facilities.

There can be no assurance that the performance of SJHB Group would remain favourable in the event of adverse changes in the interest rates. Notwithstanding this and based on the existing gearing level, the funds to be generated in the future are expected to meet the repayment of the facilities.

The Listing of SJHB will be advantageous in the long term as it will enable the SJHB Group to tap into the capital market in the future to meet its long term funding requirements. The usage of relatively cheaper funds from the capital market will enhance profitability through interest savings and expansion of operations and also lessen the SJHB Group's exposure to fluctuations in interest risks.

Restrictive Covenants

Pursuant to various credit facilities agreement entered or to be entered into by the SJHB Group with its financiers, in certain instances the SJHB Group will be bound by positive or negative covenants which may limit SJHB Group's operating and financial flexibility. The aforesaid covenants are typically contained in credit facilities agreements. Any act by the SJHB Group falling within the ambit of such covenants would require approval from the relevant financier. In the event of breaching of such covenants, it may give rise to a right by the financier to terminate the relevant credit facility and/or enforce any security pledged in the credit facility agreement. The Directors of SJHB are aware of such covenants and shall take all precautions necessary to prevent any such breach while conducting the business of SJHB Group.

(ix) Cyclical Risk

The defence, aerospace and maritime industry is dependent on the economic conditions of the country. Nevertheless, the requirement of a national defence policy is to protect the sovereignty of the country as well as the exclusive economic zone, will experience little compromise. Thus, the defence industry in general is less susceptible to the economic downturn.

The cyclical risk for SJHB Group is mitigated by the fact that SJHB Group provide servicing and maintenance of safety and survival equipment for the aerospace and maritime industry, which is pertinent to increase the survival rate of users during accidents/mishaps. As such, SJHB Group will be able to maintain a sustainable stream of income and mitigate the cyclical risk. The Group will continue to review its development strategies in response to the ever-changing economic conditions and market demands.

Nonetheless, no assurance could be given that any change to these factors would not have any material adverse impact on the Group's business.

3. RISK FACTORS (Cont'd)

(x) Rapid Over-Expansion / Rapid Development of Technological Change

The markets for the Group's products and services are characterised by technological developments, evolving industry standards, swift changes in customer requirements, suppliers and OEMs standard and requirements and future enhancements in parts and products. The Group's future depends substantially upon its ability to address the needs of its customers and by meeting the standard set by the authorities, customers, suppliers and OEMs.

The Group maybe required to collaborate with their suppliers and OEMs to continuously improve their services and expertise in safety and survival equipment for the defence, aerospace and maritime industry.

If the Group is unable to continuously improve their services and expertise in safety and survival equipment for the defence, aerospace and maritime industry on a timely and cost-effective basis, or if one or more of the Group's competitors are able to provide better services that address customer needs or for any reason gain market share, the Group's business, operating results and financial condition would be adversely affected.

(xi) Foreign Exchange Risk

As SJHB Group procure its supply of parts and equipments via imports from overseas, SJHB Group will be susceptible to foreign exchange risk. However, this risk had been mitigated by the currency controls introduced by the Government in 1998 and the pegging of the Ringgit against the US Dollar. This has to certain extent, stabilised the risks to the fluctuations of foreign exchange. Further, the SJHB Group may use hedging techniques to minimise this risk. However, there can be no assurance that any future significant fluctuations in exchange rates or financial crisis will not impact on the revenue, costs and earnings of the SJHB Group.

(xii) Environmental Concerns

SJHB Group disposes all the unwanted / unrecycleable waste discharge or pollutants to the relevant bodies/waste recycling treatment plants and adheres to the regulations of the Department of Environment and other local authorities on environmental concerns. Any spare parts which were replaced by SJHB Group during servicing or maintenance of the equipment will be returned to the customers.

Although the Group has conscientiously addressed environmental concerns, the nature of the operations are such that there can be no assurance that such environmental concerns and/or changes in the current laws and/or regulations on environmental matters will not have an adverse impact on the future operations of the Group.

(xiii) Capital Market Risks

As an investor of SJHB, please note that the SJHB Shares will be listed on the Second Board of the Bursa Securities. The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of the listed shares of SJHB. Nevertheless the profitability of SJHB is not dependent on the performance of the Bursa Securities as the business activities of SJHB have no direct correlation with the performance of securities listed on the Bursa Securities.

3. RISK FACTORS (Cont'd)

(xiv) Achievability of Profit Forecast

It should be noted that the profit forecast are based on various assumption with respect to the levels and timing of revenues, costs, interest rates, exchange rates and various other matters of an operational or financial nature, which assumptions are believed by the Directors of the Company to be reasonable. These assumptions are nevertheless subject to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties of forecast and because of the events and circumstances may not occur as expected, no assurance can be given that such assumptions and the resultant forecast results will be realised, and actual results may be materially different from that shown. Potential investors should note carefully the bases and assumptions to the profit forecast as well as the comments by the Reporting Accountants in their letter on the consolidated profit forecast as set out in Section 9.6 of this Prospectus.

(xv) Disclosure Regarding Forward-Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements express or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of the Company or its adviser that the plans and objectives of the Group will be achieved.

(xvi) Dependence on Suppliers and OEMs

SJHB Group is not solely dependent on any major suppliers or OEMs, as the Group has established a wide network of suppliers and OEMs. Such network is established through long-term relationships with most of its suppliers over the past ten (10) years.

The suppliers and OEMs of SJHB Groups are internationally renowned companies who also provide technical support in the safety and survival for the defence, aerospace and maritime industry to SJHB. The suppliers and OEMs has been with the SJHB Group for more than ten (10) years. However, even though the SJHB Group has managed to maintain a good relationship with its suppliers and OEMs, there can be no assurance that the SJHB Group will be able to maintain its relationships in the future.

(xvii) Investment Activities Risk

The Group may from time to time invest in new ventures that are relatively new to the Malaysian market. As such, there is a potential risk that these investments may have longer than expected gestation period or may not be entirely successful. In this event, the Group may take time to recover or be unable to recover its initial investments. The Group plans to mitigate this risk, together with other possible ventures risks in the future by exercising due care in the evaluation of such ventures. Nevertheless, there can be no assurance that such ventures, if any, will yield positive returns to the Group.

3. RISK FACTORS (Cont'd)

In addition, if appropriate opportunities present themselves, the Group may intend to acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business. Acquisitions and joint ventures may cause the Group to seek additional capital, which may or may not be available on satisfactory terms.

(xviii) Breakout of Fire, Energy Crisis and other Emergencies and Uninsurable Risk

In the event of any breakout of fire, energy crisis and other emergencies, the Directors of the SJHB Group are of the opinion that the SJHB Group's assets consisting mainly of buildings, spare parts, factory and office equipment are adequately insured for public liability, fire/flood, theft, money in transit, consequential loss and personal accident term life for staff. In addition, most of the equipment/spare parts are located within the airports/RMAF bases where high security and safety procedure are strictly enforced. However, there are other uninsurable risks such as natural disaster, which may be beyond the insurance coverage. In the event that these risks occur, it will affect the operations of the SJHB Group.

(xix) Insurance Coverage on Assets

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could potentially jeopardise its business operation and financial position of the Group. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its properties and assets and development projects on a continuous basis.

For the Group's operations, all assets such as inventory, office equipment and furniture and fitting are sufficiently insured under fire and other insurance policies.

Although the Group has taken necessary steps to ensure that its assets are adequately insured, there can be no assurance that the insurance coverage taken by the Group would be adequate to compensate for the replacement cost of the assets or any consequential loss arising thereof.

(xx) Dependence on Particular Markets

SJHB Group has been appointed by the MOD as one of the contractors in the "Contractorisation" programme where SJHB Group provide for the repair, maintenance and overhaul of safety and survival equipments and its related accessories for the RMAF. Most of the service contracts signed with the MOD is for a period of three (3) years, with options to extend up to five (5) years. SJHB Group is therefore reliant on the MOD. The loss of the contract with the MOD is likely to have a material effect on the profitability of the SJHB Group. It should be noted that no guarantee or assurance can be given for the SJHB Group to be able to remain as the contract holder after the expiry of the agreement. In addition, no guarantee or assurance can also be given for SJHB Group to be able to maintain the contract with the MOD for the entire period of the contract and/or that the contract may be terminated due to reasons such as the non-fulfilment of contractual obligations and changes to the Government policies.

3. RISK FACTORS (Cont'd)

However, in order not to be over dependent on the contracts with the MOD, the SJHB Group is constantly making efforts to diversify into the private sector. SJHB Group is expanding its compressed cylinder workshop in Klang to accommodate more volume for a planned expansion to the compressed cylinder servicing market in the private sector. SJHB Group also has plans to expand to other Asean countries, in particular Indonesia, where it participated in the Indo Defence 2004 Expo & Forum in November 2004 held in Jakarta, Indonesia. In addition, SJHB Group is in a final discussion with counterparts in Indonesia and Brunei to set up a joint venture to maintain and service their safety and survival equipment. The SJHB Group will continue to strive for a wider market share for its services and products in the private sector.

(xxi) Related Party Transactions / Conflict of Interest

There are certain related party transactions involving the Directors and Substantial Shareholders and/or persons connected with the Directors or Substantial Shareholders of SJHB. The Directors and Substantial Shareholders of SJHB have given an undertaking that all business transactions between the Group and the Directors and Substantial Shareholders and their related persons, shall be based on arms length basis and on commercial terms that shall not be disadvantageous to the Group.

None of the Promoters, Directors and/or Substantial Shareholders of SJHB has interests in any company carrying on similar businesses as the Group. To mitigate any potential conflict of interest, the Promoters, Directors and Substantial Shareholders 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.

(xxii) Delay In or Abortion of Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following event occurs:

- (i) The eligible Directors, employees as well as business associates of the Group fail to subscribe the IPO Shares allocated to them;
- (ii) The underwriters of the IPO fail to honour their obligations under the underwriting agreements;
- (iii) The investors under the placement fail to subscribe the IPO Shares allocated to them; and
- (iv) SJHB is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of SJHB must be held by a minimum of 1,000 public shareholders holding no less than 100 Shares in SJHB each at the time of Listing.