2. INFORMATION SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS. INVESTORS SHOULD THEREFORE READ AND UNDERSTAND THE INFORMATION SUMMARY IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS BEFORE DECIDING TO INVEST IN THE IPO.

2.1 HISTORY AND PRINCIPAL ACTIVITIES

Jadi Imaging was incorporated in Malaysia under the Act on 15 September 2000 as a private limited company under the name of Jadi Imaging Holdings Sdn Bhd. Subsequently, the Company changed its status to a public limited company under the name Jadi Imaging Holdings Berhad on 15 February 2001. On 12 July 2004, the Company converted into a private limited company under the name Jadi Imaging Holdings Sdn Bhd and later changed its status to public limited company on 5 February 2005 and assumed its present name.

Jadi Imaging is principally an investment holding company with two wholly-owned subsidiary companies namely, Jadi Technologies and Jadi Technologies (S) which are principally involved in the manufacturing of Toners. The particulars of Jadi Technologies and Jadi Technologies (S) are as follows:

Subsidiary company	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest (%)	Principal activities
Jadi Technologies	22 July 1999 Malaysia	6,770,000	100	Manufacturing of Toners

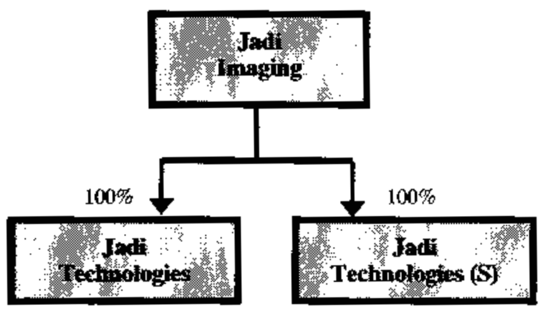
Subsidiary company	Date and place of incorporation	Total registered capital (USD)	Effective equity interest (%)	Principal activities
Jadi Technologies (S)	2 September 2005 China	3,500,000^	100	Manufacturing of Toners*

Notes:

^ *The paid-up registered capital todate is USD525,000.*

* *At present, Jadi Technologies (S) has yet to commence operations and is expected to do so in April 2006.*

The Jadi Imaging Group's corporate structure is as follows:



Further information on the history and business of the Jadi Imaging Group is set out in Section 6 of this Prospectus.

2.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

The information summary on the Promoters, substantial shareholders, Directors, key management and key technical personnel is extracted from and should be read in conjunction with the detailed information set out in Section 7 of this Prospectus.

2.2.1 Promoters

The direct and indirect interests of the Promoters of Jadi Imaging in the Shares before and after the IPO and the Bonus Issue II are as follows:

		Before IPO and Bonus Issue II				After IPO and Bonus Issue II			
		←------Direct------→		←------Indirect-----→		←------Direct------→		←------Indirect-----→	
Promoter	Nationality /Place of incorporation	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
LTL	Malaysia	188,084,833	61.87	-	-	158,696,578	35.27	-	-
Liew Kim Siong	Malaysian	-	-	188,084,833 [1]	61.87	2,250,000 [2]	0.50	158,696,578 [1]	35.27
Ng Poh Imm	Malaysian	-	-	188,084,833 [1]	61.87	-	-	158,696,578 [1]	35.27
Eu Lan Eng	Malaysian	25,839,992	8.50	-	-	23,636,244 [2]	5.25	-	-
Lim Hock Guan	Malaysian	21,705,594	7.14	-	-	19,713,595 [2]	4.38	-	-

Notes:

1. *Deemed interested through LTL's interest in Jadi Imaging by virtue of Section 6A of the Act.*
2. *Assuming full subscription of the Public Issue Shares reserved for them under the Pink Form Allocations.*

2.2.2 Substantial shareholders

The direct and indirect interests of the substantial shareholders of Jadi Imaging in the Shares before and after the IPO and the Bonus Issue II are as follows:

		Before IPO and Bonus Issue II				After IPO and Bonus Issue II			
		←------Direct------→		←------Indirect-----→		←------Direct------→		←------Indirect-----→	
Substantial shareholder	Nationality /Place of incorporation	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
LTL	Malaysia	188,084,833	61.87	-	-	158,696,578	35.27	-	-
Liew Kim Siong	Malaysian	-	-	188,084,833 [1]	61.87	2,250,000 [2]	0.50	158,696,578 [1]	35.27
Ng Poh Imm	Malaysian	-	-	188,084,833 [1]	61.87	-	-	158,696,578 [1]	35.27
Eu Lan Eng	Malaysian	25,839,992	8.50	-	-	23,636,244 [2]	5.25	-	-
Liew Kim Foong	Malaysian	21,705,594	7.14	-	-	18,314,095	4.07	-	-

2. INFORMATION SUMMARY *(Cont'd)*

Substantial shareholder	Nationality /Place of incorporation	Before IPO and Bonus Issue II ←Direct→ No. of Shares	%	←Indirect→ No. of Shares	%	After IPO and Bonus Issue II ←Direct→ No. of Shares	%	←Indirect→ No. of Shares	%
Lim Hock Guan	Malaysian	21,705,594	7.14	-	-	19,713,595 [2]	4.38	-	-
Lee Chee Keng	Malaysian	21,705,594	7.14	-	-	21,689,095 [2]	4.82	-	-

Notes:

1. *Deemed interested through LTL's interest in Jadi Imaging by virtue of Section 6A of the Act.*

2. *Assuming full subscription of the Public Issue Shares reserved for them under the Pink Form Allocations.*

2.2.3 Directors

The direct and indirect interests of the Directors of Jadi Imaging in the Shares after the IPO and the Bonus Issue II are as follows:

Director	Designation	←Direct→ No. of Shares	%	←Indirect→ No. of Shares	%
Liew Kim Siong	Executive Chairman / Group CEO	2,250,000 [2]	0.50	158,696,578 [1]	35.27
Eu Lan Eng	Executive Director / General Manager	23,636,244 [2]	5.25	-	-
Lim Hock Guan	Executive Director / Corporate Affairs Director	19,713,595 [2]	4.38	-	-
Mohd Salmi bin Mansor	Executive Director / Factory Manager	8,077,498 [2]	1.79	-	-
Pathmarajah A/L R Nagalingam	Independent Non-Executive Director	450,000 [2]	0.10	-	-
Lim Yew Thoon	Independent Non-Executive Director	337,500 [2]	0.08	-	-

Notes:

1. *Deemed interested through LTL's interest in Jadi Imaging by virtue of Section 6A of the Act.*

2. *Assuming full subscription of the Public Issue Shares reserved for them under the Pink Form Allocations.*

2.2.4 Key management and key technical personnel

The direct and indirect interests of the key management and key technical personnel of the Jadi Imaging Group in the Shares after the IPO and the Bonus Issue II are as follows:

Key management and key technical personnel	Designation	←-------Direct------→ No. of Shares	%	←-----Indirect------→ No. of Shares	%
Liew Kim Siong	Executive Chairman / Group CEO	2,250,000 [2]	0.50	158,696,578 [1]	35.27
Eu Lan Eng	Executive Director / General Manager	23,636,244 [2]	5.25	-	-
Lim Hock Guan	Executive Director / Corporate Affairs Director	19,713,595 [2]	4.38	-	-
Mohd Salmi bin Mansor	Executive Director / Factory Manager	8,077,498 [2]	1.79	-	-
Lew Choong Teck	QC and R&D Manager	450,000 [2]	0.10	-	-
Lim Thor Seng	Production Manager	320,625 [2]	0.07	-	-
Tang Li Li	Accounts Manager	259,875 [2]	0.06	-	-

Notes:

1. *Deemed interested through LTL's interest in Jadi Imaging by virtue of Section 6A of the Act.*

2. *Assuming full subscription of the Public Issue Shares reserved for them under the Pink Form Allocations.*

2.3 MAJOR LICENCES

Jadi Technologies has been granted a manufacturing licence by the MITI for the manufacturing of Black Toners. In addition, Jadi Technologies also relies on other licences, approvals and permits such as, *inter alia*, the Manufacturer's Licence under the Sales Tax Act, 1972 granted by the Royal Customs and Excise Malaysia to operate its business.

Jadi Technologies (S) has been granted a formal business licence by the Jiangsu Provincial Government to carry out research and manufacturing of Toners for a 50-year term of operation from 2 September 2005 (which is the incorporation date of Jadi Technologies (S)) until 1 September 2055.

For further details on the major licences of Jadi Technologies and Jadi Technologies (S) together with the status of compliance, please refer to Section 10 of this Prospectus.

2.4 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the proforma Group's financial performance for the past five FYE 31 December 2005, based on the assumption that the current structure of the Group has been in existence throughout the financial years under review. The proforma consolidated profit and dividend records should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 13 of this Prospectus.

	←FYE 31 December→				
	2001	**2002**	**2003**	**2004**	**2005**
	RM	**RM**	**RM**	**RM**	**RM**
Revenue	11,756,855	14,463,795	23,590,694	35,852,838	44,804,615
EBITDA	1,739,523	2,723,189	5,098,251	12,257,186	12,486,197
Depreciation	(312,857)	(840,412)	(1,308,662)	(1,938,807)	(2,539,856)
Interest expenses	(435,391)	(618,147)	(777,824)	(1,050,523)	(897,450)
PBT	991,275	1,264,630	3,011,765	9,267,856	9,048,891
Taxation	(81,109)	(788,238)	(338,393)	(1,253,533)	(506,079)
PAT	910,166	476,392	2,673,372	8,014,323	8,542,812
Gross EPS ~ (sen)	1.42	1.81	4.30	13.24	12.93
Gross EPS ^ (sen)	0.67	0.86	2.05	6.30	6.16
Net EPS ~ (sen)	1.30	0.68	3.82	11.45	12.20
Net EPS ^ (sen)	0.62	0.32	1.82	5.45	5.81
Dividend rate (%)	-	-	-	5.35	-

Notes:

~ *Based on the actual number of Shares in issue of 70,000,020 as at 31 December 2005.*

^ *Based on the proforma number of Shares in issue of 147,000,020 after the Bonus Issue I.*

1. *The proforma consolidated income statements of the Group were presented on the assumption that Jadi Imaging held 100% equity interest in Jadi Technologies and Jadi Technologies (S) throughout the financial years under review.*

2. *There were no exceptional items or extraordinary items in the financial years under review.*

3. *The proforma consolidated income statements include adjustments to taxation expenses for the financial years under review in compliance with Financial Reporting Standards 112: Income Taxes.*

4. *The dividend rate for the FYE 31 December 2004 was based on the then existing number of Shares of 70,000,020.*

5. *Jadi Imaging was incorporated on 15 September 2000 and its first set of audited financial results was for the financial period from 15 September 2000 to 31 December 2001. Accordingly, adjustments have been made to the audited financial results of Jadi Imaging on a time apportionment basis to arrive at the above proforma results.*

6. *For the purpose of consolidation, the income statement of Jadi Technologies (S) for the financial period from 2 September 2005 (date of incorporation) to 31 December 2005 was translated based on the average exchange rate of RMB2.142:RM1.*

For further details and commentary on the proforma consolidated profit and dividend records, please refer to Section 12.1 of this Prospectus.

2.5 PROFORMA CONSOLIDATED BALANCE SHEETS OF JADI IMAGING AS AT 31 DECEMBER 2005

The proforma consolidated balance sheets set out below are provided for illustrative purposes only to show the effects of the IPO assuming that the Flotation Scheme had been effected on 31 December 2005. The proforma consolidated balance sheets should be read in conjunction with the accompanying notes included in the Proforma Consolidated Balance Sheets as set out in Section 12.3 of this Prospectus.

	Audited as at 31 December 2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	24,422	38,694	50,422	50,422
Investments	170	170	170	170
CURRENT ASSETS				
Inventories	8,588	8,588	8,588	8,588
Trade receivables	3,344	3,344	3,344	3,344
Other receivables, prepayments and deposits	3,249	3,249	3,249	3,249
Cash and bank balances	2,698	2,698	10,490	10,490
	17,879	17,879	25,671	25,671
CURRENT LIABILITIES				
Trade payables	3,952	3,952	3,952	3,952
Other payables and accruals	729	729	729	729
Hire purchase payables	3,901	3,901	3,901	3,901
Short term borrowings	1,406	1,406	1,406	1,406
Amount due to shareholders	1,428	-	-	-
Amount due to directors	728	728	728	728
Provision for taxation	36	36	36	36
	12,180	10,752	10,752	10,752
NET CURRENT ASSETS	5,699	7,127	14,919	14,919
	30,291	45,991	65,511	65,511
FINANCED BY:				
Share capital	7,000	30,400	40,000	45,000
Share premium	-	-	9,920	4,920
Revaluation reserve	1,075	1,075	1,075	1,075
Foreign exchange reserve	4	4	4	4
Retained profits	16,292	8,592	8,592	8,592
Shareholders' funds	24,371	40,071	59,591	59,591
NON-CURRENT LIABILITIES				
Hire purchase payables	1,885	1,885	1,885	1,885
Term loan - long term	2,291	2,291	2,291	2,291
Deferred tax liabilities	1,744	1,744	1,744	1,744
	30,291	45,991	65,511	65,511
Number of shares of RM0.10 each in issue ('000)	70,000	304,000	400,000	450,000
Net tangible assets per share (RM)	0.35	0.13	0.15	0.13

2. INFORMATION SUMMARY *(Cont'd)*

Proforma I	:	After Bonus Issue I and Rights Issue
Proforma II	:	After Proforma I, IPO and utilisation of proceeds
Proforma III	:	After Proforma II and Bonus Issue II

2.6 AUDIT MATTERS

Peter I.M. Chieng & Co (previously known as HLB I.M. Chieng & Co.) ("PIMC") was appointed as Auditors of Jadi Imaging on 15 December 2000 and has reported on the financial statements of Jadi Imaging for the financial period commencing from 15 September 2000 (date of incorporation) to 31 December 2001 and the 4 FYE 31 December 2005 without qualification and their respective Auditors' Reports did not include any emphasis of matter.

PIMC was appointed as Auditors of Jadi Technologies on 24 July 2000 and has reported on the financial statements of Jadi Technologies for the 5 FYE 31 December 2005 without qualification and their respective Auditors' Reports did not include any emphasis of matter.

Suzhou Lixin Certified Public Accountants Co., Ltd. was appointed as Auditors of Jadi Technologies (S) on 16 January 2006 and has reported on the first audited financial statements of Jadi Technologies (S) for the 4-month financial period ended 31 December 2005 without qualification and their Auditors' Report did not include any emphasis of matter.

2.7 PRINCIPAL STATISTICS RELATING TO THE IPO

2.7.1 Share capital

	RM
Authorised share capital	
1,000,000,000 ordinary shares of RM0.10 each	100,000,000
Issued and fully paid-up as at the date of this Prospectus	
304,000,000 ordinary shares of RM0.10 each	30,400,000
To be issued pursuant to the Public Issue	
96,000,000 new ordinary shares of RM0.10 each	9,600,000
To be issued pursuant to the Bonus Issue II	
50,000,000 new ordinary shares of RM0.10 each	5,000,000
Enlarged issued and paid-up share capital	45,000,000

There is only one class of shares in Jadi Imaging, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with each other. The Public Issue Shares will rank *pari passu* in all respects with the then existing issued and paid-up 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.

The Bonus Shares will rank *pari passu* with the then existing issued ordinary shares of the Company in all respects except that they will not be entitled to any dividends, rights, allotment and/or other distributions the entitlement date of which is prior to the date of allotment of the Bonus Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary 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 in respect of the whole of any surplus in the event of liquidation of the Company, in accordance with its Articles of Association.

At every general meeting of Jadi Imaging, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person who is present who is a shareholder or representative or proxy or attorney to 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.

For further details on the share capital of Jadi Imaging, please refer to Section 6.2 of this Prospectus.

2.7.2 IPO Price

The IPO Price in respect of the IPO is RM0.22 per Share. The theoretical ex-bonus price after the Public Issue and Bonus Issue II will be RM0.196 per Share. For further details on the basis of arriving at the IPO Price, please refer to Section 3.7 of this Prospectus.

2.7.3 Proforma consolidated NTA as at 31 December 2005

The following information has been extracted from and should be read in conjunction with the accompanying notes included in the Proforma Consolidated Balance Sheets set out in Section 12.3 of this Prospectus.

Proforma consolidated NTA (RM'000) *(after the Public Issue and Bonus Issue II and deducting estimated listing expenses of RM1.6 million)*	59,591
Proforma consolidated NTA per Share (RM) *(based on the enlarged issued and paid-up share capital of 450,000,000 Shares)*	0.13

2.7.4 Consolidated profit forecast

The following table sets out a summary of the consolidated profit forecast of Jadi Imaging for the FYE 31 December 2006, and should be read in conjunction with the accompanying notes included in the consolidated profit forecast set out in Section 12.2 of this Prospectus.

	Profit forecast for the FYE 2006 RM'000
Revenue	63,521
Consolidated PBT	12,539
Less: Taxation	(1,647)
Consolidated PAT	10,892
Net EPS (sen):	
- Based on weighted average number of shares[1]	2.71
- Based on enlarged issued and paid-up share capital[2]	2.42
Net PE Multiple[3] (times):	
- Based on weighted average number of shares[1]	7.23
- Based on enlarged issued and paid-up share capital[2]	8.10

Notes:

1. *Calculated based on the weighted average number of shares in issue of 401,333,333 Shares, which is based on the assumption that the Public Issue and Bonus Issue II are completed by end April 2006.*

2. *Calculated based on the enlarged number of shares of 450,000,000 Shares after Bonus Issue II.*

3. *Calculated based on the theoretical ex-bonus price of RM0.196 per Share.*

The principal bases and assumptions underlying the consolidated profit forecast are set out in the appendix accompanying the Reporting Accountants' letter on the consolidated profit forecast as set out in Section 12.2.4 of this Prospectus.

2.7.5 Dividend forecast

The following table sets out a summary of the dividend forecast for the FYE 31 December 2006, and should be read in conjunction with the accompanying notes included in the dividend forecast set out in Section 12.2.6 of this Prospectus:

	Dividend forecast for the FYE 2006
Proposed tax-exempt dividend per Share (sen)	0.60
Net dividend yield based on the theoretical ex-bonus price of RM0.196 per Share *(%)*	3.06
Net dividend cover *(times)*	4.03

2.8 RISK FACTORS

An investment in the Shares to be listed on Bursa Securities involves a certain degree of risks. Applicants for the IPO Shares should therefore rely on their own evaluations and are advised to carefully consider the following summary of risk factors (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus before applying for the IPO Shares:

- AFTA and increased competition
- Dependence on key personnel
- Ownership and control by Promoters
- No long term contracts with customers
- No long term contracts with suppliers
- Dependence on few major suppliers
- Potential loss of customers
- Product liability
- Adequacy of insurance coverage
- Dependence on foreign labour
- Regulatory risks in key export markets
- Fluctuations in raw materials prices
- Foreign exchange risk
- Seasonality
- Smart chip technology
- Expansion of the Group's business in China
- Economic, political and regulatory risks and market considerations
- Environmental concerns
- Potential delay or failure of the Listing
- No prior market for the Shares

- Volatility in the share price and trading volume
- Consolidated profit forecast and forward-looking statements

For details on the risk factors, please refer to Section 4 of this Prospectus.

2.9 UTILISATION OF PROCEEDS

None of the gross proceeds of the Offer for Sale will accrue to Jadi Imaging as the proceeds from the Offer for Sale amounting to RM16.72 million will accrue entirely to the Offerors.

The total proceeds receivable by Jadi Imaging from the Rights Issue is RM14.27 million, after taking into account the set-off against an aggregate amount of RM1.43 million due by the Company to certain shareholders of Jadi Imaging as at 31 December 2005. The Public Issue is expected to raise gross proceeds of RM21.12 million.

The total gross proceeds arising from the Rights Issue and Public Issue of RM35.39 million will accrue entirely to the Company and will be utilised in the following manner:

	RM'000
Acquisition of a new factory	6,000
Acquisition of new production lines	20,000
Estimated listing expenses *	1,600
Working capital *	7,792
	35,392

Note:

* *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

For further details on the utilisation of proceeds arising from the Rights Issue and Public Issue, please refer to Section 3.8 of this Prospectus.

2.10 WORKING CAPITAL, MATERIAL LITIGATION, MATERIAL CAPITAL COMMITMENTS, BORROWINGS AND CONTINGENT LIABILITIES

2.10.1 Working capital

The Directors of Jadi Imaging are of the opinion that after taking into account the cash flow projections, the banking facilities available and the proceeds to be raised from the Rights Issue and Public Issue, the Jadi Imaging Group will have adequate working capital for a period of 12 months from the date of issue of this Prospectus.

2.10.2 Material litigation

As at 28 February 2006, neither Jadi Imaging nor its subsidiary companies are engaged in any litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of Jadi Imaging or its subsidiary companies and the Directors of Jadi Imaging have no knowledge of any proceedings pending or threatened against Jadi Imaging or its subsidiary companies or of any facts likely to give rise to any proceedings which may materially and adversely affect the position and business of Jadi Imaging or its subsidiary companies.

2.10.3 Material capital commitments

As at 28 February 2006 (being the latest practicable date of which such amounts could be calculated prior to the registration of this Prospectus), the material capital commitments incurred or known to be incurred by the Jadi Imaging Group that may have a substantial impact on the results of the financial position of the Group are as follows:

	RM'000
Approved and contracted for	
The setting up of Jadi Technologies (S)[1]	5,029
The setting up of the fifth production line[2]	5,506
Approved but not contracted for	-
Total	10,535

Notes:

1. *The setting up of Jadi Technologies (S) comprises the following:*

As part of the incorporation of Jadi Technologies (S), Jadi Imaging has committed to a registered capital of USD3.5 million, of which USD1.0 million shall be payable in cash and the balance in the form of equipment and office facilities which includes an extruder system and a pulverising and classifying system, details of which are set out below. Todate, an amount of USD525,000 of the above registered capital, equivalent to RM1,984,070 has been paid in cash and payments for the purchase of the extruder system and pulverising and classifying system have been made as follows:

	Total commitment		*Payment made (RM equivalent)*	*Balance outstanding*
Registered capital	*USD*	*RM**	*RM*	*RM*
Payable in cash	*1,000,000*	*3,800,000*	*1,984,070*	*1,815,930*
Payable in the form of equipment and office facilities	*2,500,000*	*9,500,000*	*6,443,360^*	*3,056,640*
	3,500,000	*13,300,000*	*8,427,430*	*4,872,570*

^ *Comprise of the purchase of the following equipment:*

(a) Jadi Technologies had on 28 July 2005, contracted to acquire a Mc-Twin screw extruder system for a total purchase consideration of EURO300,000. Jadi Technologies had on 17 August 2005 and 7 February 2006, paid a total of EURO270,000, being 90% of the total purchase consideration, equivalent to RM1,219,260. As at 28 February 2006, the said purchase of extruder system has yet to be completed and the balance of EURO30,000 remains outstanding. The outstanding amount shall be funded from the proceeds to be raised from the Rights Issue and Public Issue as shown in Section 3.8 of this Prospectus.

(b) Jadi Technologies had on 22 August 2005, contracted to acquire a pulverising and classifying system to be commissioned and installed in Suzhou, China for a total purchase consideration of JPY175,000,000. Jadi Technologies had on 5 September 2005 and 24 January 2006, paid a total of JPY157,500,000, being 90% of the total purchase consideration, equivalent to RM5,224,100. As at 28 February 2006, the said pulverising and classifying system acquisition has yet to be completed and the balance of JPY17,500,000 remains outstanding. The outstanding amount shall be funded from the proceeds to be raised from the Rights Issue and Public Issue as shown in Section 3.8 of this Prospectus.

* *Assuming an exchange rate of USD1:RM3.80.*

As part of the setting up of Jadi Technologies (S) in Suzhou, China, Jadi Technologies (S) had on 23 November 2005 and 23 December 2005, contracted for office and factory renovation works totalling RMB1,130,000. As at 28 February 2006, Jadi Technologies (S) had paid RMB791,000, equivalent to RM370,665, and the balance of RMB339,000, equivalent to RM156,582 (assuming an exchange rate of RMB2.165:RM1 as at 28 February 2006) remains outstanding.

As such, the total commitment which remains outstanding in relation to the setting up of Jadi Technologies (S) is RM5.029 million.

2. *The setting up of the fifth production line comprises the following:*

   (a) *Jadi Technologies had on 27 January 2006, contracted to acquire a Mc-Twin screw extruder system for a total purchase consideration of EURO295,000. Jadi Technologies had on 7 February 2006, paid a deposit of EURO59,000, being 20% of the total purchase consideration, equivalent to RM265,028. As at 28 February 2006, the said purchase of extruder system has yet to be completed and the balance of EURO236,000, equivalent to RM1,039,698 (assuming an exchange rate of EURO1:RM4.4055 as at 28 February 2006), remains outstanding. The outstanding amount shall be funded from the proceeds to be raised from the Rights Issue and Public Issue as shown in Section 3.8 of this Prospectus.*

   (b) *Jadi Technologies had on 27 January 2006, contracted to acquire a pulverising and classifying system for a total purchase consideration of JPY175,000,000. Jadi Technologies had on 7 February 2006, paid a deposit of JPY35,000,000, being 20% of the total purchase consideration, equivalent to RM1,105,650. As at 28 February 2006, the said pulverizing and classifying system acquisition has yet to be completed and the balance of JPY140,000,000, equivalent to RM4,466,000 (assuming an exchange rate of JPY1:RM0.0319 as at 28 February 2006), remains outstanding. The outstanding amount shall be funded from the proceeds to be raised from the Rights Issue and Public Issue as shown in Section 3.8 of this Prospectus.*

As such, the total commitment which remains outstanding in relation to the setting up of the fifth production line is RM5.506 million.

2.10.4 Borrowings

As at 28 February 2006 (being the latest practicable date at which such amounts could be calculated prior to the registration of this Prospectus), the Jadi Imaging Group had total borrowings of approximately RM8.934 million, details of which are set out below:

	RM'000
Interest bearing borrowings:	
Short term borrowings	
Bankers' acceptance	648
Term loan	1,018
Hire purchase	3,935
Long term borrowings	
Term loan	2,112
Hire purchase	1,221
Total	8,934

As at 28 February 2006, the Group does not have any foreign currency denominated borrowings.

There has not been any default on payments of either interest and/or principal sums for the borrowings disclosed above in respect of the past one financial year and the financial period immediately preceding the date of this Prospectus.

2.10.5 Contingent liabilities

As at 28 February 2006 (being the latest practicable date prior to the registration of this Prospectus), the Directors of Jadi Imaging are not aware of any contingent liabilities which have become enforceable or is likely to become enforceable, which in the opinion of the Directors of Jadi Imaging, will or may substantially affect the ability of the Group or the Company to meet its obligations as and when they fall due.

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3. PARTICULARS OF THE IPO

3.1 PRELIMINARY

This Prospectus is dated 27 March 2006.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the securities of Jadi Imaging as securities to be deposited into the CDS. In consequence thereof, the Shares issued through this Prospectus will be deposited directly with the Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of the Depository.

Approval-in-principle has been obtained from Bursa Securities on 2 June 2005 for the admission of Jadi Imaging to the Official List of the Second Board of Bursa Securities and the listing of and quotation for the entire issued and paid-up share capital of the Company, including the IPO Shares which are the subject of this Prospectus. The entire issued and paid-up share capital of Jadi Imaging will be admitted to the Official List of the Second Board of Bursa Securities and official quotation will commence after the receipt of confirmation from Depository that all CDS Accounts of the successful applicants have been duly credited and an undertaking that notices of allotment will be issued and despatched to all the successful applicants.

Persons submitting applications by way of Application Forms or Electronic Share Applications or Internet Share Applications (refer to Sections 19.4, 19.5 and 19.6 of this Prospectus) **MUST** have a CDS Account. Where an applicant does not presently have a CDS Account, he should open a CDS Account at an ADA prior to making an application for the IPO Shares.

In the case of an application by way of Application Forms, an applicant must 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, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by way of keying in his CDS Account number if the instruction on the ATM screen at which he enters his Electronic Share Application requires him to do so. In the case of an application by way of Internet Share Application, an applicant can make an application only if the applicant has a CDS Account and an existing account with access to the Internet financial services facilities with the Internet Participating Financial Institution and the applicant shall furnish his CDS Account number to the Internet Participating Financial Institution by way of keying in his CDS Account number into the online application form. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application or Internet Share Application.

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 Jadi Imaging, the Offerors or the Adviser. 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 Jadi Imaging or the Group since the date of this Prospectus.

This Prospectus has been prepared in the context of a public offering of securities under the laws of Malaysia. The distribution of this Prospectus and the sale of the IPO Shares in certain other jurisdictions may be restricted by law. Persons who may be in 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 or an offer to sell any IPO Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

This Prospectus can also be viewed or downloaded from Bursa Securities' website at *www.bursamalaysia.com*, or *via* hyperlink to Bursa Securities' website through the websites of RHB Bank Berhad at *www.rhbbank.com.my* and Malayan Banking Berhad at *www.maybank2u.com*, and at the website of CIMB Securities Sdn Bhd at *www.eipocimb.com*.

If you are in any doubt about this Prospectus, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.2 OPENING AND CLOSING OF APPLICATIONS

Applications for the IPO Shares will be accepted from 10.00 a.m. on 27 March 2006 and will be closed at 5.00 p.m. on 3 April 2006 or for such further period or periods as the Directors of Jadi Imaging, the Offerors and the Underwriter in their absolute discretion may mutually decide. **Late applications will not be accepted.**

3.3 IMPORTANT TENTATIVE DATES

The indicative timing of events leading up to the listing of and quotation for the entire enlarged issued and paid-up share capital of Jadi Imaging of 450,000,000 Shares on the Second Board of Bursa Securities is set out below:

Event	**Tentative date**
Opening date of the applications	27 March 2006
Closing date of the applications	3 April 2006
Tentative balloting date	5 April 2006
Tentative date of despatch of notice of allotment to successful applicants	19 April 2006
Tentative listing date	20 April 2006

Applications for the Shares will close at the time and date as stated above or such other date as the Directors of Jadi Imaging, the Offerors and the Underwriter in their absolute discretion may mutually decide. Any extension of the abovementioned dates will be published in a widely circulated English and Bahasa Malaysia newspaper in Malaysia.

3.4 SHARE CAPITAL

	RM
Authorised share capital	
1,000,000,000 ordinary shares of RM0.10 each	100,000,000
Issued and fully paid-up as at the date of this Prospectus	
304,000,000 ordinary shares of RM0.10 each	30,400,000
To be issued pursuant to the Public Issue	
96,000,000 new ordinary shares of RM0.10 each	9,600,000
To be issued pursuant to the Bonus Issue II	
50,000,000 new ordinary shares of RM0.10 each	5,000,000
Enlarged issued and paid-up share capital	45,000,000

There is only one class of shares in Jadi Imaging, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with each other. The Public Issue Shares will rank *pari passu* in all respects with the then existing issued and paid-up 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.

The Bonus Shares will rank *pari passu* with the then existing issued ordinary shares of the Company in all respects except that they will not be entitled to any dividends, rights, allotment and/or other distributions the entitlement date of which is prior to the date of allotment of the Bonus Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary 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 in respect of the whole of any surplus in the event of liquidation of the Company, in accordance with its Articles of Association.

At every general meeting of Jadi Imaging, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person who is present who is a shareholder or representative or proxy or attorney to 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.

3.5 DETAILS OF THE IPO

The IPO (comprising the Public Issue and Offer for Sale) is subject to the terms and conditions of this Prospectus and upon acceptance, the aggregate 172,000,000 IPO Shares will be allocated in the following manner:

3.5.1 Pink Form Allocation

20,000,000 Public Issue Shares, representing approximately 5.00% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, will be reserved for subscription by 6 Directors, 38 eligible employees of the Jadi Imaging Group and 26 persons who have contributed to the success of the Jadi Imaging Group.

4,002,000 Public Issue Shares have been allocated to the eligible employees of the Jadi Imaging Group based on, *inter-alia*, performance, job grade and length of service and 8,944,000 Public Issue Shares have been allocated to persons who have contributed to the success of the Jadi Imaging Group based on, *inter-alia*, amount of contribution.

The Directors of Jadi Imaging have been allocated an aggregate of 7,054,000 Public Issue Shares in the following manner:

Directors	No. of Public Issue Shares allocated
Liew Kim Siong	2,000,000
Eu Lan Eng	1,630,000
Lim Hock Guan	1,244,000
Mohd Salmi bin Mansor	1,480,000
Pathmarajah A/L R Nagalingam	400,000
Lim Yew Thoon	300,000
	7,054,000

3.5.2 Malaysian public

30,000,000 Public Issue Shares, representing approximately 7.50% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, 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 applicants.

3.5.3 Bumiputera investors approved by the MITI

122,000,000 IPO Shares (comprising 46,000,000 Public Issue Shares and 76,000,000 Offer Shares), representing 30.50% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, will be allocated to Bumiputera investors approved by the MITI.

As part of the Listing and an incentive to the shareholders of Jadi Imaging subsequent to the Public Issue and Offer for Sale, Jadi Imaging shall implement a bonus issue of 50,000,000 new Shares to be issued to all shareholders of Jadi Imaging prior to the Listing on the basis of 1 new Share for every 8 Shares held after the Public Issue and Offer for Sale and will be completed prior to the Listing. For futher information on the Bonus Issue II, please refer to Section 6.4.5 of the Prospectus.

Any Public Issue Shares under Section 3.5.1 not subscribed for by the eligible Directors and employees of the Jadi Imaging Group and persons who have contributed to the success of the Jadi Imaging Group will first be made available for application by the eligible Directors and employees of the Jadi Imaging Group who wish to apply for additional Public Issue Shares before being 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 applicants) and if undersubscribed, such Public Issue Shares will be made available for subscription by the Underwriter.

The 20,000,000 Public Issue Shares and 30,000,000 Public Issue Shares under Section 3.5.1 and Section 3.5.2 respectively are underwritten by the Underwriter.

The 122,000,000 IPO Shares under Section 3.5.3 are not underwritten as irrevocable undertakings to subscribe for the said IPO Shares have been given by the respective Bumiputera investors.

There is no minimum subscription amount to be raised from the IPO. All the IPO Shares will either be underwritten by the Underwriter or subscribed by the Bumiputera investors pursuant to their respective written irrevocable undertakings.

The salient terms of the underwriting agreement are set out in Section 3.9 of this Prospectus.

3.6 PURPOSES OF THE IPO

The purposes of the IPO are as follows:

(a) to provide an opportunity for eligible Directors and employees of Jadi Imaging and its subsidiary companies, persons who have contributed to the success of the Jadi Imaging Group and for Malaysian investors to participate in the continuing growth of the Group by way of equity participation;

(b) to provide the Group with access to the capital market to raise funds for future expansion and continued growth; and

(c) to obtain the listing of and quotation for the entire issued and paid-up share capital of Jadi Imaging comprising 450,000,000 Shares on the Second Board of Bursa Securities, which is expected to enhance the business, profile and future prospects of the Jadi Imaging Group.

3.7 BASIS OF ARRIVING AT THE IPO PRICE

The IPO price of RM0.22 per IPO Share was determined and agreed upon by the Company, the Offerors and RHB Sakura as the Underwriter based on various factors after taking into account the following:

- the Group's future plans and prospects as set out in Section 5.5 of this Prospectus;
- the prevailing equity market conditions;
- the forecast net PE Multiple of 8.10 times based on the theoretical ex-bonus price of RM0.196 and the forecast net EPS of 2.42 sen for the FYE 31 December 2006 (computed based on the forecast consolidated PAT of RM10.89 million and the enlarged issued and paid-up share capital of 450,000,000 Shares);
- the forecast net PE Multiple of 7.23 times based on the theoretical ex-bonus price of RM0.196 and the forecast net EPS of 2.71 sen for the FYE 31 December 2006 (computed based on the forecast consolidated PAT of RM10.89 million and the weighted average number of shares in issue of 401,333,333 Shares); and
- the proforma consolidated NTA per Share of Jadi Imaging of RM0.13 as at 31 December 2005 after the Flotation Scheme and net of estimated listing expenses.

Investors are to take note that the Bonus Issue II will be implemented prior to the official quotation of the entire enlarged issued and paid-up share capital of Jadi Imaging on the Second Board of Bursa Securities. Based on the IPO price of RM0.22 per IPO Share, the theoretical ex-bonus price will be RM0.196 per ordinary share.

Investors should take note that the market price of the Shares upon and subsequent to the listing of Jadi Imaging on Bursa Securities is subject to the vagaries of market forces and other uncertainties, which may affect the price of the Shares being traded. Investors should also bear in mind the Risk Factors as set out in Section 4 of this Prospectus and form their own views on the valuation of the IPO Shares before deciding to invest in the IPO Shares.

3.8 UTILISATION OF PROCEEDS

The Offer for Sale is expected to raise gross proceeds of RM16.72 million, which will accrue to the Offerors and none of the proceeds of the Offer for Sale is receivable by Jadi Imaging. The Offerors shall bear all expenses such as stamp duty (if any), registration and share transfer fees relating to the Offer Shares.

All proceeds to be raised from the Rights Issue and the Public Issue will accrue to the Company. The Company shall bear all expenses relating to the Rights Issue and the Public Issue such as brokerage and underwriting commission and other expenses and fees incidental to the Listing estimated at RM1.60 million.

The total proceeds receivable by Jadi Imaging from the Rights Issue is RM14.27 million, after taking into account the set-off against an aggregate amount of RM1.43 million due by the Company to certain shareholders of Jadi Imaging as at 31 December 2005. The Public Issue is expected to raise gross proceeds of RM21.12 million.

3. PARTICULARS OF THE IPO *(Cont'd)*

The total gross proceeds arising from the Rights Issue and the Public Issue of RM35.39 million will be utilised in the following manner:

	Notes	**RM'000**	**Timeframe for utilisation**
Acquisition of a new factory	*1*	6,000	By mid 2006
Acquisition of new production lines	*2*	20,000	By 4th quarter of 2006
Estimated listing expenses *	*3*	1,600	By 2nd quarter of 2006
Working capital *		7,792	Within 24 months from date of Listing
		35,392	

Notes:

* *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

1. *Acquisition of a new factory*

It is the intention of the Group to identify a factory building within the Klang Valley for acquisition at a reasonable price to increase the Group's production capacity.

To date, Jadi Imaging has yet to identify a new factory building and in this respect, the Company has not entered into any sale and purchase agreement for this purpose. There is no construction work involved as the Company intends to acquire an already-constructed factory building en bloc.

2. *Acquisition of new production lines*

The Group has allocated RM20 million of the total gross proceeds arising from the Rights Issue and the Public Issue to acquire 2 additional production lines, one of which will be commissioned and installed in Suzhou, China and the other is expected to be commissioned and installed in the new factory as mentioned in Note 1 above. The 2 new production lines would comprise the acquisition of the following:

Description	*Estimated period of commencement*	*Cost RM'000*
Fourth Toner production line to be commissioned and installed in Suzhou, China.[(i)]	*By the second quarter of 2006*	*10,000*
Fifth Toner production line expected to be commissioned and installed in the new factory to be acquired.[(ii)]	*By the fourth quarter of 2006*	*10,000*
Total		*20,000*

(i) *Part of the equipment for the fourth Toner production line comprising an extruder system and pulverising and classifying system have been contracted for, as set out in Section 2.10.3 of this Prospectus. The remaining payments for the extruder system and pulverising and classifying system of EURO30,000 and JPY17,500,000 respectively (or approximately RM690,415 in total assuming exchange rates of EURO1:RM4.4055 and JPY1:RM0.0319 as at 28 February 2006) shall be funded from the proceeds of RM10.0 million as stated above.*

Approximately RM6,443,360 has been paid by the Jadi Imaging Group for the abovementioned extruder system and pulverising and classifying system from internally generated funds. Therefore, approximately RM6,443,360 from the proceeds will be allocated to replenish the Group's working capital utilised for the above purpose.

(ii) Part of the equipment for the fifth Toner production line comprising an extruder system and pulverising and classifying system have been contracted for, as set out in Section 2.10.3 of this Prospectus. The remaining payments for the extruder system and pulverising and classifying system of EURO236,000 and JPY140,000,000 respectively (or approximately RM5,505,698 in total assuming exchange rates of EURO1:RM4.4055 and JPY1:RM0.0319 as at 28 February 2006) shall be funded from the proceeds of RM10.0 million as stated above.

Approximately RM1,370,678 has been paid by the Jadi Imaging Group as deposits for the abovementioned extruder system and pulverising and classifying system from internally generated funds. Therefore, approximately RM1,370,678 from the proceeds will be allocated to replenish the Group's working capital utilised for the above purpose.

3. <u>Estimated listing expenses</u>

Jadi Imaging will bear all expenses incidental to the Listing estimated at RM1.6 million as follows:

	RM'000
Professional advisory fees	*633*
Fees to authorities and issuing house	*185*
Advertising and printing costs	*300*
Underwriting commission and brokerage	*254*
Miscellaneous and contingencies	*228*
	1,600

The financial impact of the above utilisation of proceeds on the Jadi Imaging Group for the FYE 31 December 2006 is summarised as follows:

(All amounts are stated in RM'000)	**After the Flotation Scheme**	**Incremental effects associated with utilisation of proceeds from Rights Issue and Public Issue**
Consolidated PAT	10,892	631 [(a)]

Note:

(a) The increase in PAT after the utilisation of proceeds from the Rights Issue and Public Issue for the FYE 31 December 2006 is mainly due to interest savings on assumed additional borrowings required for the acquisition of factory and additional production lines (assuming an interest rate of 8% per annum with the assumed drawdown of borrowings in February 2006 for the fourth production line, June 2006 for the factory and August 2006 for the fifth production line).

3.9 BROKERAGE AND UNDERWRITING COMMISSION

3.9.1 Brokerage

Brokerage is payable by the Company in respect of the sale of the Public Issue Shares to the Malaysian public at the rate of 1% of the IPO Price of RM0.22 per IPO Share in respect of successful applications bearing the stamps of RHB Sakura, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or MIH.

3.9.2 Underwriting commission

The Underwriter has agreed to underwrite 50,000,000 Public Issue Shares comprising 30,000,000 Public Issue Shares made available for application by the Malaysian public and 20,000,000 Public Issue Shares made available for application by the eligible Directors and employees of the Jadi Imaging Group and persons who have contributed to the success of the Jadi Imaging Group ("Underwritten Shares").

Underwriting commission is payable by the Company at the rate of 2.20% of the IPO price of RM0.22 per Public Issue Share.

3.9.3 Details of underwriting agreement

An underwriting agreement was entered into between RHB Sakura and Jadi Imaging on 17 January 2006 and varied by both parties on 17 March 2006 ("Underwriting Agreement"). The salient terms (including escape clauses) of the Underwriting Agreement, amongst others, are as follows:

(a) Pursuant to Clause 6.1 of the Underwriting Agreement, the obligation of the Underwriter to underwrite the Underwritten Shares is conditional upon, inter alia, the following:

(i) The Underwriter being provided with the reports or confirmation and being satisfied at the last date for acceptance, application for and payment of the subscription moneys ("Closing Date") that:

- there has been no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole from that provided in the Prospectus; or

- there has not occurred any event or the discovery of any facts or circumstances or omission of any material facts or development which would render any representation, warranty or undertaking in Clause 11 of the Underwriting Agreement (Representations, Warranties and Undertakings) materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by the Company; or

- there has been no material change in national or international monetary, financial, political or economic conditions or exchange controls or currency exchange rates which would prejudice the success of the IPO which include stock market conditions and interest rates. For this purpose, a drop in the composite index of Bursa Securities by 20% or more from the date of the Underwriting Agreement can be deemed a material adverse change in the stock market condition.

(ii) The Underwriter receiving a certificate in the form or substantially in the form contained in Schedule 1 (Certificate) of the Underwriting Agreement dated the Closing Date signed by all the Directors 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 11 of the Underwriting Agreement (Representations, Warranties and Undertakings);

(iii) The issue of the Prospectus not later than 120 days from the date of the Underwriting Agreement or such later date as the Underwriter and the Company may from time to time mutually agree in writing, otherwise the Underwriting Agreement shall expire and be null and void;

(iv) The registration of the Prospectus and such other documents as may be required in accordance with the SCA in relation to the IPO with the SC and its lodgement with the ROC by the date of issue of the Prospectus in Malaysia being a date not later than 120 days after the date of the Underwriting Agreement or such later date as the Company and the Underwriter may from time to time agree;

(v) The approval of SC referred to in Clause 2.2 of the Underwriting Agreement (Approvals) for the admission of the Company to the Official List of the Second Board of Bursa Securities and the listing of and quotation for its entire issued and paid up share capital being obtained on terms acceptable to the Underwriter remaining in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the IPO has been completed) have been complied with;

(vi) The Underwriter being satisfied that the Company will, following completion of the Public Issue and Bonus Issue II, be admitted to the Official List of the Second Board of Bursa Securities and its share capital listed and quoted on the Second Board of Bursa Securities without undue delay;

(vii) The Underwriter being satisfied with the arrangements of the Company to pay the expenses referred to in Clause 10 of the Underwriting Agreement (Fees and Commission);

(viii) The Underwriter receiving a copy certified by a Director or secretary of the Company to be a true and accurate copy and in full force and effect of a resolution of the Directors in form and substance acceptable to the Underwriter:

- approving the Prospectus and the application forms for the Shares issued under the Prospectus in the agreed form or as varied with consent of the Underwriter from time to time in accordance with the provisions of the Underwriting Agreement ("Issue Documents"), the Underwriting Agreement and the transactions contemplated by it;

- authorising a person to sign and deliver the Underwriting Agreement on behalf of the Company;

- authorising the issuance of the Issue Documents;

(ix) The Underwriting Agreement being signed by all parties and stamped;

(x) The IPO not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the IPO and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the IPO and/or listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of Bursa Securites have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date; and

(xi) The Underwriter being satisfied that the Company has complied with and that the IPO is in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements thereto.

(b) Pursuant to Clause 6.3 of the Underwriting Agreement, in the event any of the conditions set out in Clause 6.1 of the Underwriting Agreement (Conditions Precedent) is not fulfilled or complied to the satisfaction of the Underwriter by the Closing Date, the Underwriter shall be entitled to terminate the Underwriting Agreement by notice given to the other party not later than the date of allotment and issuance of the Public Issue Shares, and in such event the provisions of Clause 14.2 of the Underwriting Agreement shall apply but without prejudice to the rights of the Underwriter under Clause 10 of the Underwriting Agreement (Fees and Commission).

(c) Pursuant to Clause 14.1 of the Underwriting Agreement, notwithstanding anything contained in the Underwriting Agreement, the Underwriter may by notice in writing to the Company given at any time before the allotment and issuance of the Public Issue Shares, terminate, cancel and withdraw its underwriting commitment if:

(i) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 11 of the Underwriting Agreement (Representations, Warranties and Undertakings), which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to the Company by the Underwriter or by the Closing Date, whichever is the earlier; or

(ii) there is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement; or

(iii) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriter, 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 IPO, or the distribution or sale of the Shares issued under the IPO; or

(iv) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or

(v) the closing date of the application of the IPO Shares does not occur within ninety (90) days from the date of the Underwriting Agreement.

(vi) there shall have occurred, or happened any of the following circumstances:

- any material adverse 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 currency exchange rates or the occurrence of any combination of any of the foregoing which would prejudice the IPO; or

- any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities which has/likely to have material adverse effect on the Jadi Imaging Group; or

- any event or series of events beyond the reasonable control of the Underwriter and the Company including (without limitation) acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the IPO or pursuant to the underwriting of the Underwritten Shares; or

- any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise; or

- any material change in financial conditions as stated above to include stock market conditions and interest rates. For this purpose, a drop in the composite index of Bursa Securities by 20% or more from the date of the Underwriting Agreement can be deemed a material adverse change in the stock market condition to allow the Underwriter to invoke Clause 14.1 of the Underwriting Agreement;

which, in the reasonable opinion of the Underwriter, 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 as a whole, the success of the IPO, or the listing of the Company on the Second Board of Bursa Securities or market conditions generally or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

(d) Pursuant to Clause 14.2 of the Underwriting Agreement, upon any such notice(s) being given pursuant to Clause 14.1 of the Underwriting Agreement (Termination), the Underwriter shall be released and discharged of its obligations without prejudice to its rights under the Underwriting Agreement, and where the Underwriter has terminated or withdrawn its underwriting commitments pursuant to Clause 14.1 of the the Underwriting Agreement (Termination), the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of the Underwriting Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities under Clause 11 of the Underwriting Agreement (Representations, Warranties and Undertakings) and under Clause 12 of the Underwriting Agreement (Costs and Expenses) for the payment of costs and expenses already incurred up to the date of or in connection with such termination and under Clause 8.3.2 of the Underwriting Agreement (Prospectus and Listing) for the payment of any taxes, duties or levies, and for any antecedent breach.

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4. RISK FACTORS

Notwithstanding the prospects of the Jadi Imaging Group as outlined in this Prospectus, applicants for the IPO Shares should rely on their own evaluations and are advised to carefully consider the following risk factors (which may not be exhaustive) which may have a significant impact on the future performance of the Jadi Imaging Group in addition to other information contained in this Prospectus before applying for the IPO Shares.

4.1 AFTA AND INCREASED COMPETITION

A significant portion of the Group's earnings is derived from sales outside Malaysia and as such, the Group faces the most competition from foreign Toner manufacturers in the global market. With market liberalisation through AFTA and the World Trade Organisation, the level of competition amongst Toner manufacturers is expected to increase.

In its efforts to maintain and subsequently increase its competitiveness, the Jadi Imaging Group seeks to enhance its market share by continuously broadening its array of products, enhancing its product quality and addressing customers' changing needs and requirements through continuous R&D activities and maintaining a strict product QC policy. In addition, with the Group's established reputation as a producer and supplier of Toners overseas since commencement of operations in 1999 and its wide customer base in 41 countries overseas, the Directors of Jadi Imaging are confident that the Group is in a position to remain competitive in the Toner industry. Further, the implementation of AFTA actually provides the Group opportunities to compete more effectively in ASEAN countries with minimal trade restrictions.

Notwithstanding the above, there is no assurance that the Group will be able to maintain or strengthen its existing market share or the Group will not be adversely affected by increased competition.

4.2 DEPENDENCE ON KEY PERSONNEL

The Group believes that its continued success depends to a significant extent upon the abilities and continued services of its Directors and other key management and key technical personnel. The loss of the services of any of these individuals may have material adverse effect on the Group's business, operating results and financial conditions.

The Group is led by Liew Kim Siong, aged 47, who is the Executive Chairman/Group CEO of the Jadi Imaging Group. Liew Kim Siong has vast and valuable experience in the copier and Toner industries. His expertise is one of the primary reasons for the success, growth and development of the Jadi Imaging Group since its inception. If he ceases to be involved in the management of the Group's business, the Group's business and profitability could be adversely affected. In order to mitigate this risk, Jadi Imaging has:

(i) entered into a service agreement with Liew Kim Siong in relation to his employment as CEO of the Group under the provisions of the service agreement. Details of the service agreement are set out under Section 7.7 of this Prospectus; and

(ii) in place a management succession plan.

As part of the Group's management succession plan and in order to retain its key personnel, the Directors of Jadi Imaging have implemented, amongst others, the following:

(a) continuous management development and training programmes for the key management personnel;

(b) training and career development programmes for all employees of the Jadi Imaging Group; and

(c) allocation of IPO Shares and ESOS options to all eligible employees of the Group, as a measure to instill a sense of ownership in the key management and key technical personnel through direct equity participation in Jadi Imaging as well as to increase the level of commitment and loyalty amongst the key management and key technical personnel of the Group.

Notwithstanding its efforts to create a conducive working environment and providing motivation to the employees, there is no assurance that the above measures would be successful in retaining the Group's key management and key technical personnel. For further details on the Group's management succession plan, please refer to Section 7.8 of this Prospectus.

4.3 OWNERSHIP AND CONTROL BY PROMOTERS

After the IPO and Bonus Issue II, LTL (a company controlled by Liew Kim Siong and Ng Poh Imm), Liew Kim Siong, Eu Lan Eng and Lim Hock Guan will collectively control 45.40% of the Company's enlarged issued and paid up capital. Hence, they will 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.

4.4 NO LONG TERM CONTRACTS WITH CUSTOMERS

The Group does not have any formal contracts with its customers. It is common in the industry to work from purchase orders.

The Group has enjoyed long-term business relationships with its top 10 customers. Based on the consolidated income statements for the FYE 31 December 2005, all of its top 10 customers (who contributed to 49.1% of the Group's total turnover) have been dealing with the Group for 3 years or more. The Directors of Jadi Imaging are of the view that the Group will continue to have the support of its major customers in the future due to the long-term business relationship with them.

The remaining 50.9% of the Group's revenue for the FYE 31 December 2005 was attributable to 128 customers. With its diverse and large customer base of 138 customers spanning across 42 countries (as at 31 December 2005), the Directors of Jadi Imaging believe the risk of over-dependence on any one customer is minimal.

Notwithstanding the abovesaid, there is no assurance that the Group will be able to enjoy the continuing support of its major customers and that there would be no significant change in the demand and price of its products, and that the change would not adversely affect the profitability of the Group.

4.5 NO LONG TERM CONTRACTS WITH SUPPLIERS

There are no formal contracts entered into between the Group and its major suppliers. Generally the major raw materials used in the Group's production process comprise processed resins and iron oxide (commonly known as magnetite). Resins and iron oxide constitute the largest proportion of raw materials used in the production of Toners. For the FYE 31 December 2005, resins and iron oxide accounted for 76.7% of the total Group purchases of raw materials.

Although Malaysia is a producer of resins, only the general types of resins are produced locally. In 2004, approximately 40% of total consumption of resins in Malaysia was still sourced from imports. It is therefore common for industries to import resins particularly those that are not available in Malaysia. Similarly, there are no local manufacturers that produce the type of iron oxides that are specifically used in the production of the Group's Toners. *(Source: Independent Assessment of the Toner Industry by Vital Factor)*

Thus, the Group sources its resin and iron oxide from multiple suppliers in Japan, Brazil and Germany to mitigate disruption from any one supplier. These raw materials are readily available and the Group has not in the past experienced any difficulty in sourcing for these raw materials.

As the Group has not in the past experienced any difficulty or disruption in production due to shortage of supply of such raw materials, the Directors of Jadi Imaging believe that the Group has good working relationship with its suppliers, many of whom have been supplying raw materials to the Group since 1999. For the FYE 31 December 2005, 6 out of its top 10 suppliers had been dealing with the Group for approximately 6 years.

Notwithstanding the above, there can be no assurance that there would be no significant change in the supply and price of raw materials and that the change would not have a material effect on the performance of the Jadi Imaging Group.

4.6 DEPENDENCE ON FEW MAJOR SUPPLIERS

For the FYE 31 December 2005, the Group is dependent on its top two suppliers, SK Kogyo Co., Ltd (now known as Bussan Chemicals Co. Ltd) ("Bussan") and Lanxess Deutschland GmBH ("Lanxess"), which accounted for 49.9% and 19.4% of total Group purchases respectively. Therefore, the Group is dependent to a significant extent on these two suppliers. Bussan supplies resin and wax whilst Lanxess supplies iron oxide to the Group.

The Directors of the Company are of the view that the Group will not face any problems in sourcing its raw materials from these two suppliers due to the following reasons:

(a) The Group has been dealing with them for the past 6 years. The Directors are of the opinion that this continuing business relationship will provide the basis for reliable and continuous support from them.

(b) Apart from Bussan, Jadi Imaging Group has alternative suppliers of resin in its list of top 10 suppliers for the FYE 31 December 2005, i.e. SK Chemicals Co., Ltd, Nagase & Co Ltd and Zeon Chemicals L.P, which it could rely on if the need arises. Nagase & Co Ltd is an agent for Sanyo Chemicals Co., Ltd and Mitsubishi Rayon Co., Ltd.

(c) Furthermore, in the event of any disruption in supplies, the Group has already identified other alternative suppliers of resin and iron oxide as at 31 December 2005 as follows:

<u>*Resin*</u>
- Sekisui Chemicals Co., Ltd.; and
- Fujikura Kasei Co., Ltd.

<u>*Iron Oxide*</u>
- Elementis Pigments;
- Saehan Media; and
- Toda Kogyo Corp.

(d) As resin is regarded as a commodity, it is readily available and can be easily sourced from overseas countries. Similarly iron oxide is also readily available in the world market and can be imported from overseas without any major hindrances. *(Source: Independent Assessment of the Toner Industry by Vital Factor)*

To date, the Group has not experienced any disruption in the supply of any raw materials including resin and iron oxide.

4.7 POTENTIAL LOSS OF CUSTOMERS

Customers of independent Toner manufacturers are primarily wholesalers, importers, distributors and dealers of Toners, and Toner cartridge remanufacturers and refillers. There are some buyers of compatible Toners which are involved in producing Toner cartridges that infringe on intellectual property rights and cases where the original brand owners have successfully taken legal actions against them.

Although the independent Toner manufacturers do not have control over the final use of their compatible Toners, they may face potential loss of some direct or indirect customers from such prohibited activities, which may ultimately impact on the demand for their compatible Toners.

The manufacture and sales of compatible Toners that are formulated by independent Toner manufacturers do not infringe on any intellectual property rights. Similarly, independent manufacturers of compatible Toners do not set out to supply remanufacturers that infringe on intellectual property rights.

There is a large pool of legitimate Toner cartridge remanufacturers and refillers, which will continue to provide the demand for compatible Toners. In any case, the loss of demand for compatible Toners from remanufacturers that infringe on intellectual property rights are likely to be replaced by legitimate remanufacturers and refillers. As such, in the longer term, the net effect may be minimal.

(Source: Independent Assessment of the Toner Industry by Vital Factor)

However there is no assurance that the potential loss of customers will not impact on the business of the Group.

4.8 PRODUCT LIABILITY

The Group does not have any product liability insurance. Since its incorporation, the Group has not had any product liability claims. The Group's strict QC policy has ensured that the Group has had no prior experience of product liability. In addition, the Group's terms of sale include a limitation of liability whereby the maximum amount claimable against the Group for any product defect shall only be the cost of the product.

However, there can be no assurance that there would not be any product liability suit or action, whether or not meritorious, which could have a material adverse impact on the Group's business, operating results and financial conditions. Additionally, a suit alleging a defect or a breach of an express or implied warranty, if successful, may also have an adverse precedent effect on other and future actions.

4.9 ADEQUACY OF INSURANCE COVERAGE

The Directors of Jadi Imaging recognise the importance of having adequate insurance coverage for the Group's assets. The Group endeavours to carry out periodic review to ensure that its assets are adequately insured. The types of insurance policies taken by the Group cover, amongst others, buildings, stock-in-trade, plant and machinery, office equipments and furniture and fittings. However, 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 therefrom.

4.10 DEPENDENCE ON FOREIGN LABOUR

In Malaysia, the employment of foreign workers is allowed in the construction, plantation, service and manufacturing sectors. A substantial number of the Group's factory workers are foreigners whose employment in Malaysia is governed and authorised by the Government's immigration department.

As at 28 February 2006, the Group has a total of 46 foreign workers in Malaysia, which represented approximately 50% of its total workforce. To-date, the Group has not experienced any shortages in foreign labour. However, there is no assurance that any changes to current immigration rules and policies adopted by the Government will not have any adverse impact on the Group's labour force.

Further information on the Group's employees is set out in Section 6.6.16 of this Prospectus.

4.11 REGULATORY RISKS IN KEY EXPORT MARKETS

For the FYE 31 December 2005, the Group exported its products to 41 countries overseas, including China, USA, Indonesia, Singapore, Brazil, Iran, Ukraine, India, Thailand, Hong Kong, Vietnam, Jordan, Egypt and Pakistan. For the same financial year, 94.6% of the Group's revenue was derived from the international market, while the remaining 5.4% of the Group's revenue was derived from the domestic market. As such, the future growth and level of profitability of the Group are closely linked to, *inter- alia*, the regulatory conditions of the various foreign countries which serve as key markets for the Group's products. Examples of the regulatory risks include, amongst others, changes in the interpretation of current regulations or introduction of new laws or regulations which impose and/or increase restrictions on the conduct of the Group's business in the various foreign countries which serve as key markets for the Group's products such as imposition of certain local ownership criteria, limitation on the scope of business, restrictions on business and export licences and other trade barriers.

For the FYE 31 December 2005, the Group has established a customer base of 138 customers in 42 countries, including Malaysia. As such, the Directors of Jadi Imaging are of the view that the regulatory risks are mitigated by the fact that the Group is not over dependent on any one customer or any one geographical location for the Group's business. Notwithstanding the aforesaid, there is no assurance that the Group's revenue and operating results will not vary adversely.

Whilst the Group has not in the past experienced any restrictions on the conduct of the Group's business in the various foreign countries and has not been served with any notices, summons or been subject to any proceedings for breach or non-compliance with any foreign laws and legislations, there is no assurance that any adverse development or change in the regulatory environment of the differing nations would not have an adverse impact on the Group's ability to conduct business and to grow its market share in international markets.

4.12 FLUCTUATIONS IN RAW MATERIALS PRICES

For the FYE 31 December 2005, resins accounted for 57.3% of the total purchases of raw materials for the Group.

As resin is a commodity, the cost of sourcing this commodity as raw material for the production of Toners is subject to fluctuations in world prices. This could adversely impact on the margin of manufacturers including the Jadi Imaging Group. Fluctuations in raw material prices could also be caused by other external factors such as the recent increase in the price of crude oil, which has also impacted on the price of petrochemical products such as resins. *(Source: Independent Assessment of the Toner Industry by Vital Factor)*

However in most situations, increases in the price of raw materials are usually passed on to customers. Manufacturers with strong financial stability are able to hold stocks of this raw material to cushion against fluctuations in prices. As this raw material is a commodity and therefore subject to world prices, all manufacturers that use this material are equally affected. *(Source: Independent Assessment of the Toner Industry by Vital Factor)*

4.13 FOREIGN EXCHANGE RISK

For the FYE 31 December 2005, the Group's export sales contributed 94.6% of total Group revenue and these are denominated in USD. The Group also imports all of its raw materials for the manufacture of Toners and these are transacted in USD and JPY. On 21 July 2005, the Malaysian Government had removed the pegging of the RM to the USD for a managed float system. As such, there is a risk that adverse foreign exchange movements may have a material and negative impact on the Group's earnings.

In mitigating its foreign exchange risk, the Group will continue its current practice in maintaining a natural hedge, whenever possible, by matching its trade receipts which are mainly denominated in USD with the settlement of trade payables on raw material purchases which are transacted in USD. In addition, the management of Jadi Imaging will constantly monitor the Group's foreign exposure and will take the necessary steps to minimise the exchange rate exposure whenever deemed appropriate.

Nevertheless, there is no assurance that the foreign exchange risk would not have a material impact on the Group's earnings.

4.14 SEASONALITY

The Jadi Imaging Group's products are subject to some seasonality whereby sales orders usually slow down slightly before and during the festive seasons specifically in the months of November to February. The demand for Toners slows down in line with the decline in usage of printers, facsimile machines and copiers during holiday season.

Despite the decrease in demand for Toners during the months November to February, the Group continues to manufacture and accumulate stocks of Toners in anticipation of the increase in sales orders after February. Jadi Imaging Group's production operates on three 8-hour shifts per day, 7 days a week.

4.15 SMART CHIP TECHNOLOGY

Lately some original brand owners of printers have incorporated smart chips into their Toner cartridges and ink refills. Hewlett-Packard ("HP"), for example, has incorporated smart chips in their laser printer Toner cartridges that send out *via* radio frequency, messages to HP printers. Some of these messages include manufacturing date, serial number and to display "Toner low". The printer is also able to detect non-genuine HP Toner cartridge and will display a message indicating "Non-HP cartridge detected". Most of Epson's printers come with a smart chip. The Epson printer will not work if the smart chip is not present.

There is a risk that smart chip technology may be used widely in the future to enable only original brand Toner cartridges to be used. If this practice is widespread, it may impact on the demand for compatible Toners.

However, original brand owners' attempt to use smart chip to prevent use of compatible Toners may be breaching anti-competition laws in many countries. For example, in December 2002, the European Parliament banned the use of smart chips in ink refills that restrict consumers' ability to use compatible refills.

In addition, compatible smart chips that are able to emulate original smart chips are already available from remanufacturers to be incorporated into remanufactured and refilled Toner cartridges.

Currently, HP allows end-users the option to reset the printer and override the procedure, thereby allowing the printer to continue printing if they are using compatible Toner cartridges.

(Source: Independent Assessment of the Toner Industry by Vital Factor)

However there is no assurance that the increasing use of the smart chip technology will not impact on the business of the Group.

4.16 EXPANSION OF THE GROUP'S BUSINESS IN CHINA

For the FYE 31 December 2005, exports to China accounted for 14.7% of the Group's total revenue. It is expected that the continuing growth in China's economy will stimulate the demand for Toners through the increased usage of printers, copiers and facsimile machines. To capitalise on the potential growth and demand in China, part of the Group's expansion plans is to establish its fourth production line in Suzhou, Jiangsu Province. The production line is expected to be operational by April 2006.

Although the establishment of the Group's China subsidiary, Jadi Technologies (S), has been approved by the relevant authorities and granted a business licence, there is no assurance that the Group's expansion efforts in China would be consistently profitable. In addition, like any other foreign investment, the Group's operations in China would be subject to the policies of the Chinese Government on foreign investment. As such, the growth and level of profitability of Jadi Technologies (S) are also dependent on the political climate, economic and business conditions of China.

In mitigating the above, the Group will carefully implement its expansion plans. One main advantage is the fact that the Group has already made headway into the China market through its existing exports into the country. In addition, the Group can utilise its existing customer base in China as a platform for further growth and development. Having a presence in China will enable the Group to service its Chinese customers more effectively by working closely to understand the needs and requirements of these customers.

4.17 ECONOMIC, POLITICAL AND REGULATORY RISKS AND MARKET CONSIDERATIONS

Changes in political, economic and regulatory conditions in Malaysia and other countries where the Group exports its products to could materially and adversely affect the financial and business prospects of the Toner industry as a whole as well as the prospects of the Jadi Imaging Group. Political and economic uncertainties include (but are not limited to) changes in political leadership, changes in both monetary and fiscal policies, risk of war, expropriation, changes in rate of interest, nationalisation, renegotiation or nullification of existing contracts, financial crises, changes in controls or support for industry and change of government.

However, the risks are mitigated by the fact that the Group exported to 41 foreign countries in the FYE 31 December 2005 and the Group has established policies to assess the regulatory requirements ahead of the launch of any new product in foreign countries.

In its effort to further develop foreign markets, there is no assurance that the Jadi Imaging Group will not be affected by shifts in trade and economic policies. Should any foreign country which serves as a market for the Group's products decides to impose a ban on the import of the Group's products, the Group may be adversely affected as a consequence of a loss of revenue.

4.18 ENVIRONMENTAL CONCERNS

The Malaysian Government places emphasis on environmental pollution control. Regulations for noise, water and marine pollution control were established under Malaysia's principal environment legislation, namely the Environment Quality Act, 1974 which is administered by the Department of Environment ("DOE"). Any discharge of dust or debris from production has to comply with the standards which have been set out under the rules in the Environmental Quality (Clean Air) 1978 and the Environmental Quality Act 1974.

As such, the activities that are carried out by the Group are subject to the provision of law under the Environmental Quality Act 1974 and Environmental Quality (Clean Air) 1978. During the manufacturing process, any material or excess energy generated, in addition to the final product, can be termed as waste. In the case of the Jadi Imaging Group, although the manufacturing of Toners does not generate any scheduled waste, Toner dust, which is the by-product, is produced. The excess Toner dust resulting from the production processes is disposed of by the Jadi Imaging Group through an approved waste disposal collector.

(Source: Independent Assessment of the Toner Industry by Vital Factor)

DOE conducts routine inspections on the Group's production facilities and in the past, the Group has not experienced any environmental issues or concerns raised by DOE with regards to the Group's operations. Nevertheless, there is a possibility that the Malaysian Government may alter its existing regulations with regards to environmental matters in light of increasing environmental awareness, which may require the Group to incur additional expenses to modify or improve its manufacturing facilities and processes, which may in turn affect the operations and financial performance of the Group.

4.19 POTENTIAL DELAY OR FAILURE OF THE LISTING

The Listing may be potentially delayed or aborted in the event of the following:

(a) the Bumiputera investors identified under the Public Issue and Offer for Sale fail to pay for the IPO Shares allocated to them notwithstanding that they have furnished their irrevocable undertaking letters to subscribe for such IPO Shares; or

(b) the Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder; or

(c) Jadi Imaging is unable to meet the public spread requirements of at least 25% of the issued and paid-up share capital of Jadi Imaging being held by a minimum of 1,000 public shareholders holding not less than 100 Shares each.

4.20 NO PRIOR MARKET FOR THE SHARES

The IPO Price of RM0.22 per Share has been determined and agreed upon by Jadi Imaging, the Offerors and RHB Sakura as Underwriter, after taking into consideration a number of factors, including but not limited to, the Group's future plans and prospects, forecast earnings and the prevailing equity market conditions.

Prior to this IPO, there was no public market for Jadi Imaging's Shares. There can be no assurance that an active market for the Shares will develop upon its listing on Bursa Securities or, if developed, that such a market can be sustained.

4.21 VOLATILITY IN THE SHARE PRICE AND TRADING VOLUME

The market price of the Shares may fluctuate as a result of sales of substantial amounts of the Shares in the public market and variations in the Group's financial performance and low trading volume. The market price of the Shares is also susceptible to external factors that may affect the Toner industry as well as announcements of acquisitions or strategic alliances by the Company or its competitors or of gain or loss of major customers or contracts.

The performance of Bursa Securities is very much dependent on external factors such as the performance of regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various economic sectors. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of the listed Shares.

4.22 CONSOLIDATED PROFIT FORECAST AND FORWARD-LOOKING STATEMENTS

This Prospectus contains the consolidated profit forecast of Jadi Imaging (details of which are set out in Section 12.2 of this Prospectus) which have been prepared based on various bases and assumptions that the Directors of Jadi Imaging consider reasonable based on prevailing market and operating conditions. These bases and assumptions are subject to uncertainties and contingencies that are often outside the control of the Jadi Imaging Group. There is no assurance that the actual results of the Jadi Imaging Group will not differ materially from the consolidated profit forecast in the event that the market and operating environment varies from those assumed.

In addition, certain statements in this Prospectus are based on historical data, which may not be reflective of future results. Other forward-looking statements regarding the Group's financial position, business strategy, plans and prospects are subject to inherent uncertainties, unknown risks or other factors which may cause the actual performance or achievements to differ materially from those expressed or implied in such forward-looking statements.

Potential investors will be deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit forecast that are contained herein.

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5. INDUSTRY OVERVIEW AND PROSPECTS

THE FOLLOWING DISCUSSION ON THE GLOBAL ECONOMY, MALAYSIAN ECONOMY AND THE TONER INDUSTRY IS NOT INTENDED TO BE EXHAUSTIVE BUT REFLECTS SOME OF THE FACTORS WHICH ARE CONSIDERED RELEVANT TO UNDERSTANDING THE BUSINESS AND PROFITABILITY OF THE JADI IMAGING GROUP BASED ON PREVAILING REGULATIONS AND ECONOMIC TRENDS AND DEVELOPMENTS.

5.1 GLOBAL ECONOMIC OVERVIEW

5.1.1 Developments in 2005

The world economy is expected to expand at a more moderate pace in 2005 in the midst of sharply higher oil prices as well as tighter monetary policy in the USA. While the pace of global growth will be somewhat lower, it will, nonetheless, continue to remain strong with further expansion in economic activities.

World economic growth, which had recorded a thirty-year high of 5.1% in 2004, is estimated to moderate to 4.3% in 2005. Global growth continues to be led by China and the USA, with growth rates of 9% and 3.5%, respectively. Most countries in emerging Asia are expected to post satisfactory growth rates, albeit below 2004 levels. The recovery in Japan is envisaged to continue to be sustained, underpinned by rising corporate investment and private consumption as well as a rebound in exports. Performance in the 12-nation euro area is anticipated to improve, although differing widely across the region, as the weak EURO boosts export competitiveness.

The economies of the ASEAN 5 (which comprise Indonesia, Malaysia, Singapore, Thailand and the Philippines) remain strong in 2005, although at lower rates of GDP growth, mainly driven by sustained exports and domestic demand. Generally, monetary and fiscal policies remain accommodative and investor sentiment strengthened in most economies in the region. Intra-regional trade is also expected to continue expanding at a brisk pace given the still robust growth of China and India, and underpinned by governments' efforts to further enhance competitiveness and regional integration.

(Source: Economic Report 2005/2006)

5.1.2 Outlook in 2006

The year 2006 will face greater challenges arising from high oil prices, tightening monetary policies especially in the USA, widening global imbalances as well as continued geo-political tensions and security concerns. Nevertheless, given the resilience of major economies, the global economy is expected to expand at 4.3%, supported by China and the USA. Economic growth in China is forecast to continue, but at a slightly lower rate of 8.2%, providing the impetus for growth in Asia in general and the ASEAN region in particular, while the USA is projected to register a growth of 3.3%. In Japan, growth is projected to be firm at 2% as deflation eases and domestic demand sustains.

Economic activity in the 12-nation euro area is also expected to improve, although uneven across the region, at 1.8%. The expected improvement is on account of favourable financing conditions, rise in business confidence amid signs of recovery in the services and manufacturing sectors and a strong external sector. As for the UK, growth prospects are envisaged to improve by 2.2% with the services sector spurring growth, supported by a more accommodative monetary policy.

(Source: Economic Report 2005/2006)

5.2 MALAYSIAN ECONOMIC OVERVIEW

5.2.1 The Malaysian economy in 2005

The Malaysian economy remains resilient despite moderation in the growth of global economy amidst high oil prices and less accommodative monetary policy, particularly in the USA. The nation continues to sustain its growth momentum, with strong domestic demand providing the impetus for the expansion in domestic economic activities.

Economic fundamentals have further strengthened while domestic demand continued to be resilient amidst firm consumer spending as well as continued uptrend in private investment activities. These factors, coupled with pro-active measures by the Government to promote economic activities provided the enabling environment for the Malaysian economy to expand favourably, albeit at a lower rate of 4.9% in the first half of 2005, compared with 8.1% during the same period of 2004. Despite sharp increases in oil prices, the Malaysian economy is expected to register 5.1% growth in the second half of the year, with growth for the year averaging 5%. This projection is premised on a growth of 4.8% in the leading index for January-June 2005, which indicates continued expansion in the second half of 2005. Growth is expected to be broad based with major sectors recording positive growth, backed by recovery in global electronics demand. The continuing build-up in international reserves arising from larger current account surplus and inflows of foreign capital has also strengthened domestic macroeconomic fundamentals.

The expansion in the economy is reflected by positive growth in all sectors, except construction. The main drivers of growth are the services, manufacturing and the primary commodity sectors. Strong domestic consumption is expected to drive the services sector, especially in wholesale and retail trade, hotels and restaurants; transport, storage, and communication; and financial services sub-sectors. The recovery of global electronics demand will accelerate manufacturing exports, resulting in a stronger momentum in manufacturing production in the second half of the year. Meanwhile, stable commodity prices will help sustain the growth momentum of the agriculture sector. Growth in private consumption remains firm, arising from higher household income. Private investment is expected to further strengthen, reinforced by continued accommodative and more flexible monetary policy as well as higher inflow of foreign direct investments.

In tandem with the expansion in economic activities, national income as measured by GNP, is estimated to increase by 9.1% to RM463,546 million (2004: 14.1%; RM425,060 million), with per capita income rising by 6.8% to reach RM17,741 (2004: 11.7%; RM16,616). Based on purchasing power parity, per capita income is expected to increase by 7.2% to US$10,323 (2004: 7.4%; US$9,630).

(Source: Economic Report 2005/2006)

5.2.2 Prospects of the Malaysian economy in 2006

The Malaysian economy is expected to maintain its growth momentum in 2006 in line with sustained private sector activities, favourable external environment and Government's continuing efforts to further diversify the economy through new sources of growth. Growth is expected to be broad-based with expansion in all sectors, driven by private investment spending and strong activities in the services sector. Accordingly, real GDP growth is forecast to expand by 5.5% in 2006 and per capita income envisaged to rise further by 7.1% to RM18,995 (2005: 6.8%; RM17,741). In terms of purchasing power parity, per capita income will increase by 6.9% to USD11,030 (2005: 7.2%; USD10,323).

All sectors are projected to record positive growth with manufacturing and services sectors continuing to be the key drivers of growth. The manufacturing sector is expected to grow at a higher rate following the strengthening of global electronics demand and the continuing strong pace of domestic economic activities. The services sector will continue to strengthen with all sub-sectors recording positive growth. Growth in the services sector is expected to be supported by continued expansion in new services activities such as information and communications technology-related and business outsourcing services, as well as private healthcare and education services. The agriculture sector is projected to continue on its expansion path, on account of continuing efforts to diversify and modernise the sector, particularly the production of food commodities to help reduce high imports. The construction sector is envisaged to stage a turnaround, boosted by the commencement of new infrastructure projects under the 9^{th} Malaysia Plan.

Following recovery in global electronics demand in the second half of 2005, growth of the manufacturing sector is anticipated to grow by 4.9% (2005: 4.8%). The landscape of the manufacturing sector is expected to change in tandem with new developments and the shift towards technology-driven manufacturing processes with more R&D activities. New developments include advanced technologies such as nanotechnology, biotechnology and advanced manufacturing practices, which encompass high knowledge-content processing technologies. These developments are expected to contribute positively to growth of the manufacturing sector.

(Source: Economic Report 2005/2006)

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THE OVERVIEW AND PROSPECTS OF THE TONER INDUSTRY AS SET OUT IN SECTION 5.3 AND 5.4 BELOW ARE SUMMARISED FROM THE INDEPENDENT MARKET RESEARCH REPORT PREPARED BY VITAL FACTOR, THE INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS.

5.3 OVERVIEW OF THE TONER INDUSTRY

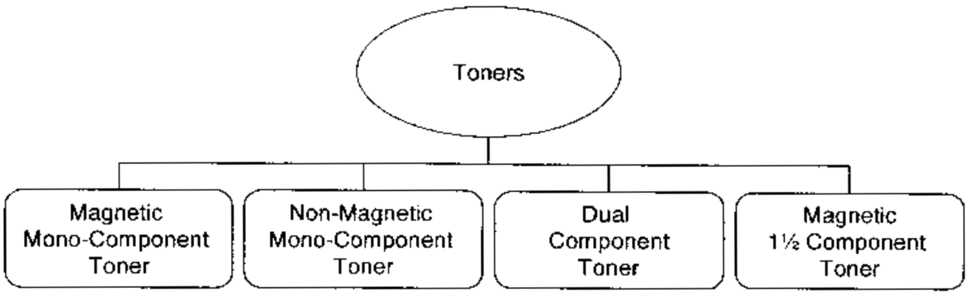
Based on the research conducted by Vital Factor, the Toner industry is classified as a sub-sector of the "Other Chemical Products" sector, which is part of the total umbrella of "Chemicals and Chemical Products Industry". The Toner industry plays an important supporting role to the business sector by ensuring that office equipment runs efficiently and effectively. Toner is a powder used in laser printers, copiers, facsimile machines and multi-function office equipment to form text and images mainly on paper.

The Toner industry is a relatively underdeveloped industry in Malaysia. As at end 2005, the Jadi Imaging Group is the only manufacturer of Toners in Malaysia.

5.3.1 Structure of the Toner industry

Based on the research conducted by Vital Factor, the Toner industry is segmented into 2 categories namely Dry Toners and Wet Toners. Dry Toners are fused and bonded, by heat and pressure, onto the printing surfaces to form images. This process is commonly used in laser printers, copiers and facsimile machines. Wet or Liquid Toners are composed of acrylic resins combined with pigments, usually carbon black or other colour dyes, suspended in a liquid medium. The printing process involves washing or spraying the Wet Toner onto a printing mechanism, for example a drum, which has the electrostatic image to be printed. Images formed from Wet Toners penetrate and colour the paper fibres, unlike Dry Toners, which adhere to the paper surface. Wet Toners are mainly used in large format laser printers and in the textile industry.

Different types of office equipment utilise different types of Toners. There are different types of Toners and this can be segmented into the following:



- Magnetic Mono-Component Toners and Non-magnetic Mono-Component Toners are used mainly in laser printers. Magnetic Mono-Component Toners consist of a single Toner mixture containing magnetic materials, for example iron or iron compound. The Toner-iron mixture is attracted to the magnetised image on the printing mechanism, for example a drum. The Toner-iron mixture is completely consumed in the printing process.

- Non-magnetic Mono-Component Toners consist of Toners only, which are electrostatically charged and are allowed to be attracted to an electrostatic image having an opposite charge on a printing mechanism, for example a drum. The Toner is completely consumed in the printing process.

- Dual Component Toner and Magnetic 1½ Component Toners are used mainly in copiers. However, Magnetic 1½ Component Toners are not commonly used. Dual Component Toners consist of two separate parts, a non-magnetic Toner mixture and a magnetic carrier. Through a process of triboelectrification, it causes the Toner mixture to cling to the carrier. The Toner is then "carried" by the magnetic carrier to the magnetised image on the printing mechanism, for example a drum. In the printing process, the Toner mixture is completely consumed but not the carrier, which becomes less effective over time and must be replaced.

- Magnetic 1½ Component Toners consist of two separate parts, a magnetic Toner mixture and a magnetic carrier. Through a process of triboelectrification that creates electric charges, it causes the magnetic Toner mixture to cling to the carrier. The magnetic component within the magnetic Toner mixture is specially insulated such that the triboelectrification process does not affect it. The magnetic Toner mixture is then "carried" by the magnetic carrier to the magnetised image on the printing mechanism, for example a drum. In the printing process, the magnetic Toner mixture is completely consumed but not the carrier, which becomes less effective over time and must be replaced.

Based on the research conducted by Vital Factor, the Jadi Imaging Group is the only manufacturer of Toners in Malaysia and hence its audited revenue figures are used to indicate the performance of the industry. The Toner industry has been experiencing significant growth and this is demonstrated by the following:

- Between 2001 and 2005, sales value of the manufacture of Toners in Malaysia grew at an average annual rate of 39.7%.

- In 2005, sales value of the manufacture of Toners in Malaysia grew by 25.0% to RM44.8 million.

5.3.2 Industry's reliance on and vulnerability to imports

Currently, Malaysia is primarily reliant on imports of Toners. The local Toner manufacturing industry is relatively underdeveloped with Jadi Imaging Group as the only independent Toner manufacturer in Malaysia servicing the compatible Toner market. Jadi Imaging Group focuses on the export market with 94.6% of total Group revenue for the FYE 31 December 2005 derived from export sales.

Between 2000 and 2004, the import value of "Chemical Preparations for Photographic uses" (including Toners) grew at an average annual rate of 29.8%. In 2004, the import value of such products grew by 17.9% to reach approximately RM101.3 million.

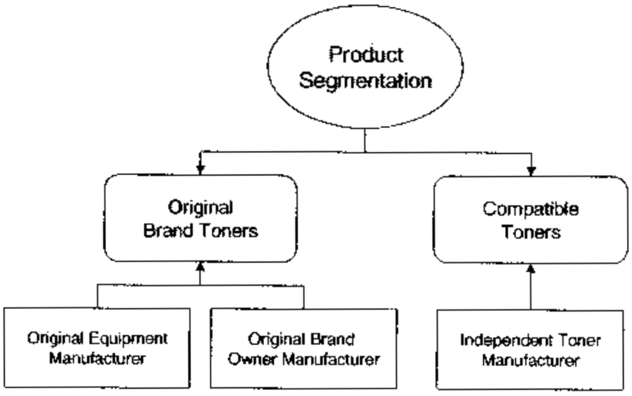
For the first ten months of 2005, import value of "Chemical Preparations for Photographic uses" (including Toners) declined by 49.2% compared to the same period in 2004. For the first ten months of 2005, import value of "Chemical Preparations for Photographic uses" (including Toners) amounted to RM47.3 million.

Toners are classified as one of other products under "Chemical Preparations for Photographic uses". This category also includes many chemical preparations for processing and development of photographs, and all other unmixed chemicals that are used for photographic purposes, either in measured portions or put up for retail sales in a form ready for use.

The import of this type of Toners is in powdered form and excludes those that are contained in ready-to-use cartridges.

5.3.3 Product segmentation

According to Vital Factor, the Toner industry can be segmented into the following products:



- Original brand Toners are either manufactured internally by the original brand owner themselves or sub-contracted to OEM using specifications provided by the original brand owner.

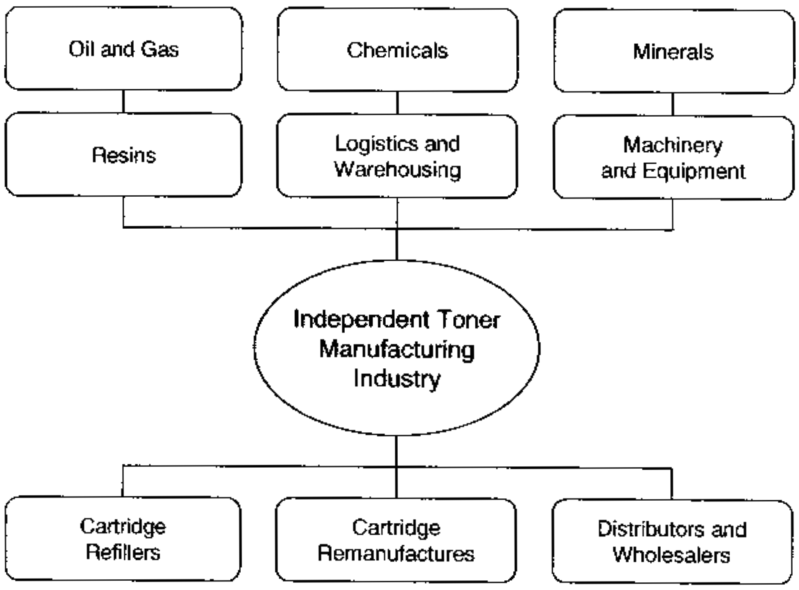
- Compatible Toners, which are formulated and manufactured independently from the original brand owner, may be used in a wide spectrum of brands.

- Manufacturers of compatible Toners are referred to as independent Toner manufacturers such as the Jadi Imaging Group.

- Independent Toner manufacturers have to undertake their own independent R&D to develop the right formulation that is suitable for specific brands and models of equipment. As there are many brands and models of laser printers, copiers and facsimile machines, independent Toner manufacturers have to undertake significant R&D if they wish to cater to a wide range of brands and models.

5.3.4 Toner industry linkages

According to Vital Factor, the Toner industry has extensive linkages to its upstream, downstream and midstream activities. These linkages are depicted in the figure below:



The linkages of the Toner industry illustrate its critical role to many other dependent industries. As such, the significant role of the Toner industry will also act as a catalyst for economic activities, employment and the creation of wealth.

5.3.5 Industry life cycle of the Toner industry

The Toner industry is in the growth stages of the industry life-cycle based on the research conducted by Vital Factor. For further information on the outlook and prospects of the Toner industry, please refer to Section 5.4 of the Prospectus.

5.3.6 Barriers to Entry

According to the research conducted by Vital Factor, the barriers to entry into the Toner industry are high. This is substantiated by the fact that in Malaysia, there is only one local producer of Toner.

The main barrier to entry into the Toner industry is the relatively high capital set-up cost required in the manufacturing of Toners. Other barriers of entry include factors such as R&D in the formulation of Toners, track record, product quality and the technical expertise required in the integration of production line equipment.

(a) Capital and set-up costs

The barriers to entry into the manufacture of Toners based on capital requirements (excluding land and building) are high. The capital cost of setting-up a small-sized Toner manufacturing plant would be approximately RM7 million. This is only for one single production line focusing on producing one type of monochrome Toner. With this size of establishment, the maximum volume of output is estimated at approximately 350 tonnes per year. Revenue for this size of production is estimated at RM8 to RM10 million a year.

Capital costs would start to escalate for larger operations to enable greater economies of scale. Larger operations are necessary to meet the demands of export countries and to meet the requirements of customers for different types of Toners.

(b) R&D in formulation of Toners

Based on the research conducted by Vital Factor, the formulation of Toners is another major contribution to barriers of entry. There are different types of formulations that are required for laser printers, copiers and facsimile machines. In addition, there are varying requirements within each model and type of office equipment. Experience and expertise are required in the formulation of Toners and this is supported by R&D to produce a Toner that is compatible with the original. This would pose as major barriers to entry for new entrants into the Toner industry.

(c) Track record

Based on the research conducted by Vital Factor, track record also forms one of the barriers to entry for new entrants. It is unlikely that a new entrant without any track record will be able to compete effectively in this market. It will take some time for a new entrant to be established in the market before customers are willing to take the new entrant on as a supplier. As such, a track record would pose barriers to entry for new entrants as they would find it difficult to gain immediate access into the market.

(d) **Product quality**

As Toners are regarded as critical raw materials for laser printers, copiers and facsimile machines, quality is a critical factor in the ability to continually secure sales orders. The success of an independent Toner manufacturer is to be able to produce compatible Toners that are equal if not exceed the quality of original brands and ensure that they are suitable for the particular model of office equipment.

The production of quality Toners is dependent on stringent production control and testing facilities to ensure that the particle size, shape and particle size distribution specifications meet customers' requirements. Ultimately a narrower and consistent particle size and particle shape distribution produce higher resolution images on paper.

As such, operators that have stringent quality assurance programmes in place including ISO accreditation and the required testing facilities are in a stronger position to compete effectively.

(e) **Integration of production line equipment**

The skills and experience in integrating the production line equipment to optimise on efficiency and effectiveness in production processes and quality of products will pose a barrier to entry for new entrants. Although each type of machinery and equipment can be purchased separately, it will be difficult for a new entrant to set-up a production line and expect to produce Toners that are of acceptable quality to customers immediately.

5.3.7 Labour intensity

According to the research conducted by Vital Factor, the manufacture of Toners is part of the manufacture of chemical products.

The following is a comparison of the usage of labour based on sales generated per employee for the Toner industry and other manufacturing industries:

	Sales Per Employee 2005 ***RM ('000)***
Overall manufacturing industry	451.8 #
Manufacture of Chemical Products, not elsewhere classified	558.5 #
Manufacture of Toners based on the Jadi Imaging Group	471.6 *

Notes:
\# *Figures are extrapolated from the first nine months of 2005.*
* *Based on the Group's turnover of RM44.8 million and the number of employees for the FYE 31 December 2005.*

In 2005, sales per employee for the manufacture of Toners based on the Jadi Imaging Group is marginally higher compared to the overall manufacturing industry. As such, this indicates that Jadi Imaging Group uses marginally less labour for each Ringgit of sales generated compared to the overall manufacturing industry.

5.3.8 Government legislation, policies and incentives

(a) **Government regulations**

Apart from the normal manufacturing licence, the research conducted by Vital Factor indicates that there are no material government laws, regulations and policies that may impede on an operator's performance and growth within a free enterprise environment.

Application of a manufacturing licence under the Industrial Coordination Act, 1975 is mandatory for companies with shareholders' funds of RM2.5 million or above or engaging 75 or more full-time employees.

(b) **Government incentives**

As part of the Malaysian Government's intention to nurture the growth and development of the manufacturing industry, including the manufacturing of Toners, the Government provides the following incentives for eligible companies:

- Pioneer Status and Investment Tax Allowance

  Eligibility for either the pioneer status or investment tax allowance will be determined according to the priorities termed as "promoted activities' or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration.

- Reinvestment Allowance

  All manufacturing companies that have been in operation for at least 12 months and incur qualifying capital expenditure to expand production capacity, modernise and upgrade production facilities, diversify into related products, and automate its production facilities can obtain a Reinvestment Allowance. Eligible manufacturers for Reinvestment Allowance are entitled to the following:

  - The Reinvestment Allowance is 60% of qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

  - The Reinvestment Allowance will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim upon completion of the qualifying project, for example after the building is completed or when the plant/machinery is put to operational use. Assets acquired for the reinvestment cannot be disposed during two years from the time of reinvestment.

With regard to products for the export market, full exemption from import duty on raw materials/components is normally granted, provided the raw materials/components are not produced locally or, where they are produced locally, are not of acceptable quality and price.

(c) **Environmental regulations**

The manufacturing of Toners does not generate any scheduled wastes. The only environmental issue faced by companies in the production of Toners is the control and disposal of Toner dust, which escapes into the air during the process of manufacturing.

The prescribed limits of air impurities which include smoke, soot, dust, ash, cinders, grit, solid particles of any kind inclusive of particulates and others that are emitted from manufacturing processes are governed by the Environmental Quality Act 1974 and Environmental Quality (Clean Air) Regulations 1978.

5.3.9 Supply and demand conditions

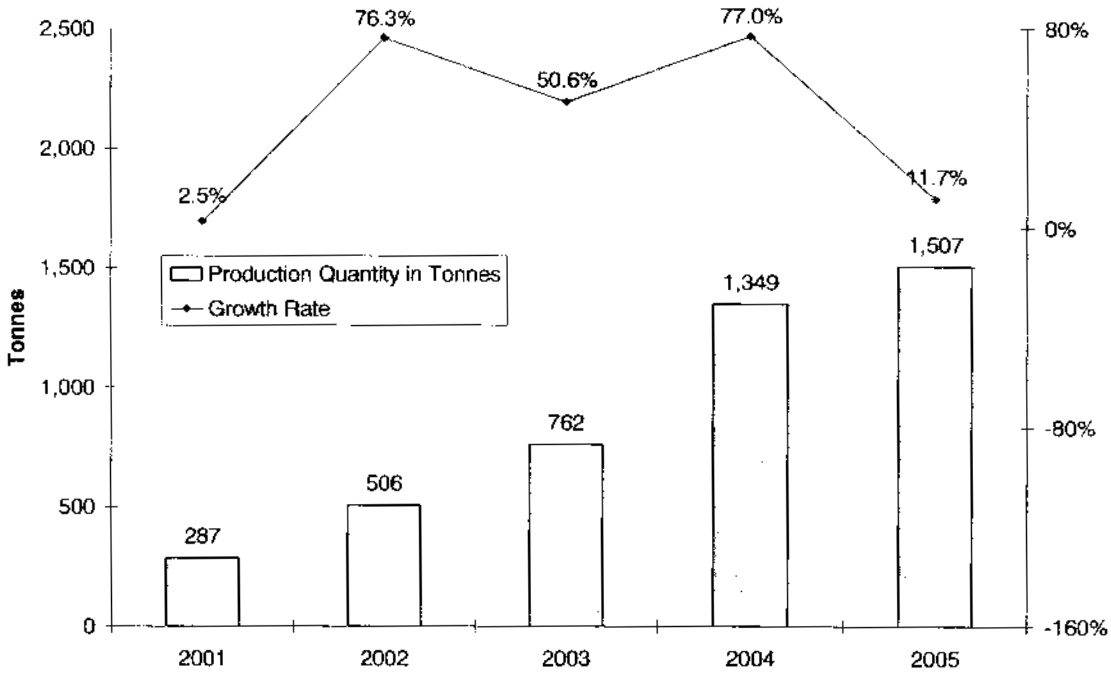
Supply conditions

According to the research by Vital Factor, Toners fall under the sub-sector of "Other Chemical Products" under the total umbrella of "Chemicals and Chemical Products Industry". As at end 2005, Jadi Technologies is the only Toner manufacturer in Malaysia.

According to the research by Vital Factor, there are no statistics available specifically on the local production of Toners in Malaysia. As such, the audited revenue and production output of Jadi Technologies will be used to substantiate the performance of the industry. In addition, as Jadi Technologies is the only Toner manufacturer in Malaysia, its revenue and production output will be used to represent the industry. Similarly the audited export revenue for Jadi Technologies will be used to provide a representation of the export performance of the industry.

(a) **Local production of Toners**

The quantity of local production of Toners in Malaysia is derived from the production output of the Jadi Imaging Group from their Toner manufacturing activities:



The production quantity of Toners in Malaysia grew at an average annual rate of 51.4% between 2001 and 2005. In 2005, production quantity of Toners grew by 11.7% amounting to approximately 1,507 tonnes.

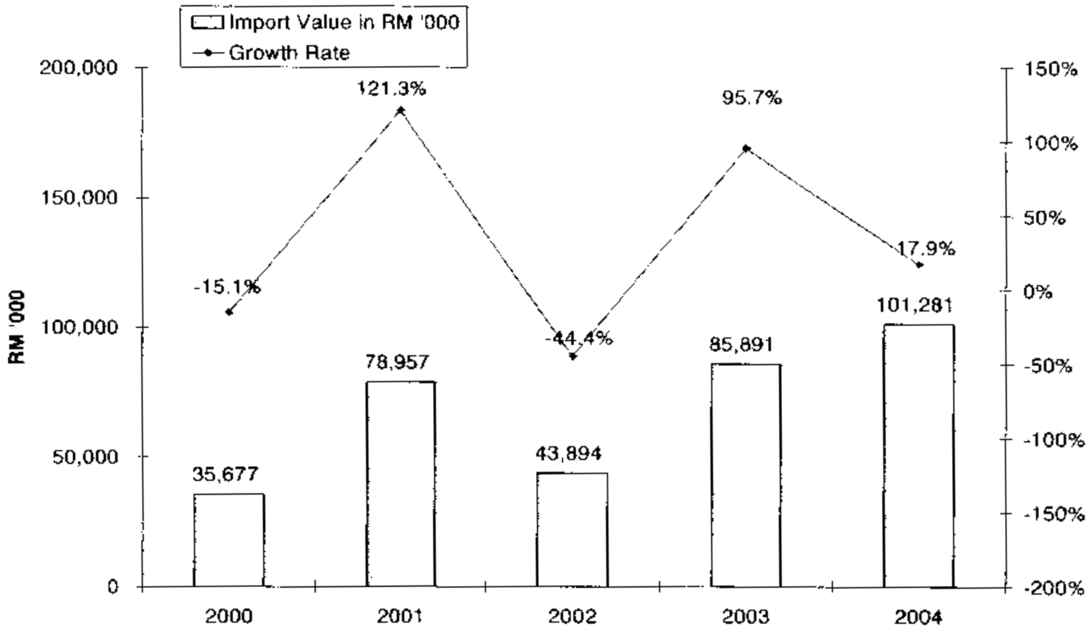
The strong growth in production quantity over the last five years indicates a continuing demand for Toners.

(b) **Imports of Toners**

Toners are classified as one of other products under "Chemical Preparations for Photographic uses". This category also includes many chemical preparations for processing and development of photographs, and all other unmixed chemicals that are used for photographic purposes, either in measured portions or put up for retail sales in a form ready for use.

The import of this type of Toners is in powdered form and excludes those that are contained in ready-to-use cartridges.

The import value of Toners between 2000 and 2004 are as follows:



Between 2000 and 2004, import value of "Chemical Preparations for Photographic uses" (including Toners) grew at an average annual rate of 29.8%. In 2004, the import value of such products grew by 17.9% to reach approximately RM101.3 million.

For the first ten months of 2005, import value of "Chemical Preparations for Photographic uses" (including Toners) declined by 49.2% compared to the same period in 2004. For the first ten months of 2005, import value of "Chemical Preparations for Photographic uses" (including Toners) amounted to RM47.3 million.

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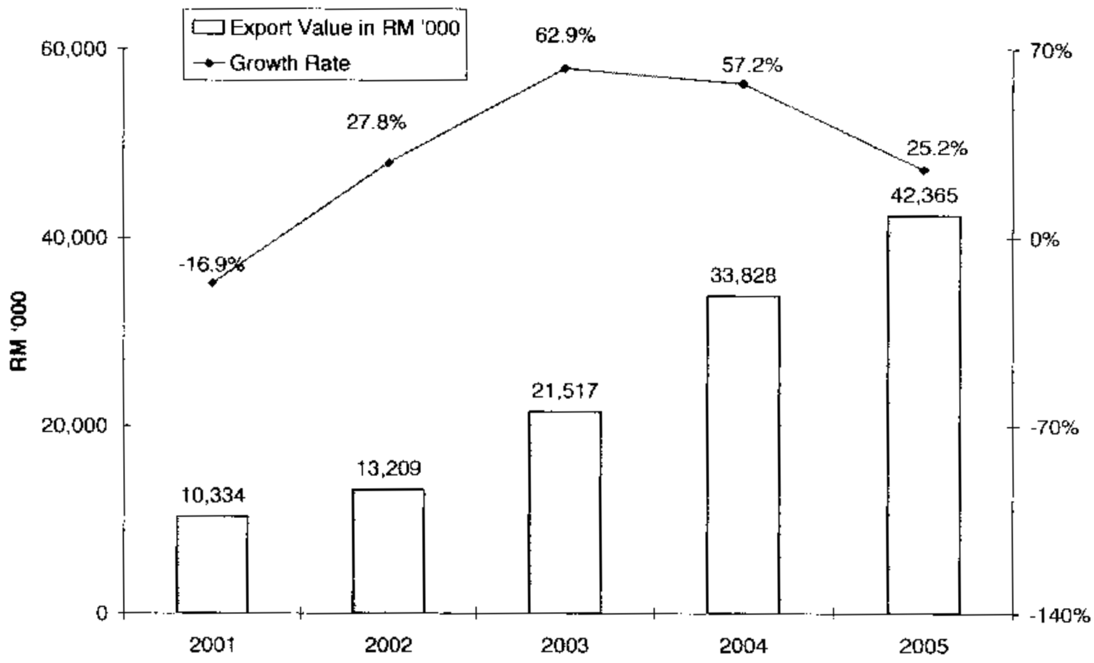
Demand conditions

(a) **Exports**

The following value of exports of Toners in Malaysia is derived from the audited export revenue of the Jadi Imaging Group from their Toner manufacturing activities.



The export value of Toners grew at an average annual growth rate of 42.3% between 2001 and 2005. In 2005, export value of Toners grew by 25.2% to RM42.4 million.

The continuing growth in exports of Toners is indicative of the growing acceptance and competitiveness of Malaysian manufactured Toners in the world market.

5.3.10 Threat of substitute products

According to the research by Vital Factor, there are no direct substitutes for Toners used in laser printers, copiers and facsimile machines. There are however, alternatives in the use of different types of office/home office printing equipment and these include dot matrix printers, line printers, bubble and inkjet printers and large format printers. These printers would use different types of raw materials as input namely:

- ribbons for dot matrix printers and line printers;
- ink for bubble jet and ink jet printers; and
- wet Toners for large format printers.

However, the above alternative types of printers do not represent a major threat to laser printers. Laser printers continue to be a popular choice due to its many advantages including high print quality, high speed, compact size, quietness and cost effectiveness. In fact, laser printers have been replacing dot matrix and line printers. Line printers are primarily used in data processing using computer forms. Bubble jet and ink jet printers primarily cater to the home office market mainly for colour printing and low volume usage. Large format printers are specifically used in the printing and publishing sector.

5.3.11 Competitive analysis

(a) Competitive nature

Manufacturers in the Toner industry operate under normal competitive conditions. As with most free enterprise environments, competition is based on a number of factors, including:

- Quality of products and services
- Cost competitiveness
- Prompt delivery schedules
- Production capabilities and capacities

Competition exists in both the local and global markets:

Competition within the Malaysian market

- Within the compatible Toner market, the only independent Toner manufacturer in Malaysia (which is the Jadi Imaging Group) would compete with imports of compatible Toners; and
- Within the overall Toner industry servicing end-users of office equipment, the only independent Toner manufacturer (which is the Jadi Imaging Group) would compete with imports of compatible Toners and original brand Toners.

Competition within the Overseas Market

- For the compatible Toner market, independent Toner manufacturers would compete with other independent Toner manufacturers; and
- For the overall Toner industry servicing end-users of office equipment, independent Toner manufacturers would compete with other independent Toner manufacturers and original brand Toners.

(b) Competitive intensity

Within the compatible Toner market, the research by Vital Factor indicates that the competition in Malaysia is moderate to high and this is based on the following observations:

Factors that Increases Competitive Intensity

- The primary competitive pressure comes from imports. There are approximately 160 Toner Cartridge refillers and remanufacturers in Malaysia. A very high proportion of them use imported Toners. Thus, the high number that uses imported Toners would place significant competitive pressure within the compatible Toner market in Malaysia.

Factors that Moderates Competitive Intensity

- The research by Vital Factor indicates that there is only one independent Toner manufacturer for the compatible Toner market in Malaysia.
- Manufacturers that undertake R&D to enhance the quality of Toners and meet the specifications and requirements of customers are in a stronger position to compete in the world market.

- The research by Vital Factor indicates that the barriers to entry into the manufacture of Toners are high based on capital requirements (excluding land and building) whereby the start-up investment for a small sized manufacturing plant is approximately RM7 million for a single production line.

- Other factors that moderate competitive intensity for manufacturers of Toners are technical skills and a proven track record. Manufacturers that have the technical skills and experience to continually improve on production efficiency and effectiveness, in addition to a strong proven track record, are more likely to be able to compete effectively in the world market.

5.3.12 Critical success factors

According to the research conducted by Vital Factor, the critical success factors for manufacturers in the Toner industry such as Jadi Technologies include:

(a) **Quality of products**

To ensure business sustainability, producers must be able to continually meet and deliver quality products that are compatible with the original brands of Toners. Those who adopt stringent controls in their production processes with adequate quality testing facilities and have attained internationally recognised accreditations, such as ISO 9001:2000 are in a better position to compete effectively in this area.

(b) **R&D in formulation of Toners**

This is key in ensuring that the compatible Toners meet with the quality specifications of customers and is suitable for use with the design and model of office equipment. R&D is essential to provide manufacturers with a competitive edge, ensuring sustainability and long-term success in the market. Manufacturers with in-house R&D capabilities will be able to compete effectively in the global market.

(c) **Established track record**

As Toner is the main consumable material used in laser printers, copiers and facsimile machines, customers must have some assurance of the quality of the products. As such, other than production capabilities, a reputable track record is required to continually secure new sales order.

(d) **Financial stability**

Manufacturers in a healthy financial position are more likely to retain and attract new customers. Potential customers would emphasise financial stability as a key criterion in the evaluation of a prospective supplier as they would not want any disruption in the supply of products. In addition, a financially strong manufacturer would be in a better position to upgrade its manufacturing capabilities, if necessary, to keep abreast with technology, changes in production or to meet future demand for increased capacity.

5.4 PROSPECTS AND OUTLOOK OF THE TONER INDUSTRY

Based on the research by Vital Factor, the outlook of the Toner industry is favourable. The following factors and observations on local production and import and export performances provide support for the favourable outlook.

(a) **Local production of Toners**

As there is no specific data available from the Department of Statistics of Malaysia on the local production of Toners in Malaysia and Jadi Technologies is the only Toner manufacturer in Malaysia, the revenue of Jadi Technologies will be used to represent the industry.

- Between 2001 and 2005, sales value of the manufacture of Toners grew at an average annual rate of 39.7%;
- In 2005, sales value of the manufacture of Toners grew by 25.0% to RM44.8 million;
- Between 2001 and 2005, production quantity of Toners in Malaysia grew at an average annual rate of 51.4%; and
- In 2005, production quantity of Toners grew by 11.7% to reach 1,507 tonnes.

(b) **Imports of Toners**

According to the research conducted by Vital Factor, the imports of Toners are classified under "Chemical Preparations for Photographic uses". The import value of "Chemical Preparations for Photographic uses" (including Toners) is as follows:

- Between 2000 and 2004, import value of "Chemical Preparations for Photographic uses" (including Toners) grew at an average annual rate of 29.8%;
- In 2004, the import value of such products grew by 17.9% to reach approximately RM101.3 million;
- Between 2000 and 2004, import quantity of "Chemical Preparations for Photographic uses" (including Toners) grew at an average annual rate of 15.4%;
- For the first ten months of 2005, import value of "Chemical Preparations for Photographic uses" (including Toners) declined by 49.2% compared to the same period in 2004; and
- For the first ten months of 2005, import value of "Chemical Preparations for Photographic uses" (including Toners) amounted to RM47.3 million.

(c) **Exports of Toners**

As Jadi Technologies is the only Toner manufacturer in Malaysia, its export revenue will be used to represent the industry.

- Between 2001 and 2005, export value of Toners grew at an average annual growth rate of 42.3%; and
- In 2005, export value of Toners grew by 25.2% to RM42.4 million.

5.4.1 Drivers of growth

Some of the drivers of growth for the Toner industry according to the research by Vital Factor are:

- Economic growth and business expansion such as GDP growth and an increase in business activities will inadvertently generate demand for office equipment such as printers, copiers and facsimile machines. This will in turn stimulate demand for Toners as a raw material. According to Bank Negara Malaysia, the combination of strong domestic demand and exports has resulted in overall growth in GDP of 5.3% in 2005;

- Growth in end-user industry sectors including cartridge remanufacturers and refillers, and copier bottle refillers will inadvertently generate demand for Toners;

- The Malaysian Government has been encouraging the growth of the Toner industry through the provision of incentives on promoted activities or products under the Promotion of Investments Act 1986. The Government's efforts in nurturing the growth of this type of activities such as Toner manufacturing will fuel further developments in this sector;

- Growth in export markets will also continue to generate demand for Toners; and

- Growth in the usage of the Internet for accessing information has also contributed to the increase in the use of printers. This will inadvertently stimulate the demand of Toners.

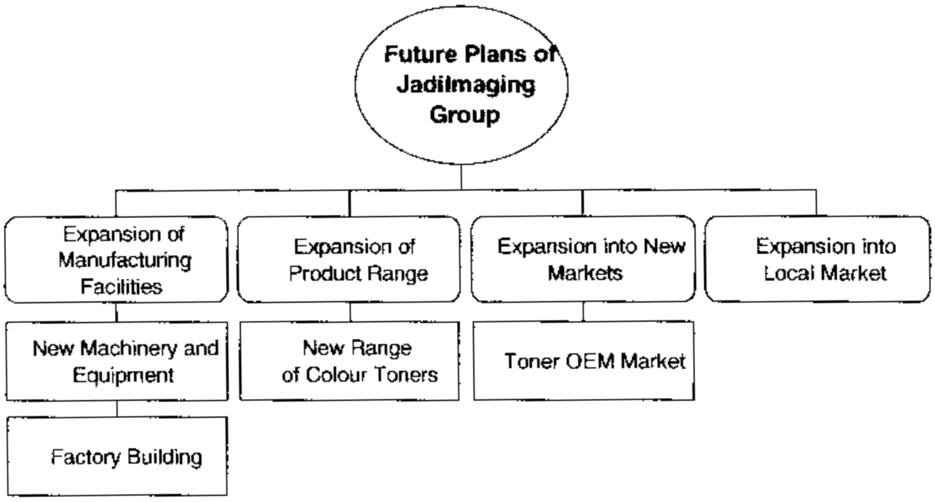
5.5 PROSPECTS AND PLANS OF THE JADI IMAGING GROUP

The Group currently exports its Toners to 41 countries globally. For the FYE 31 December 2005, the Group's top eight export markets were China, Indonesia, Brazil, Ukraine, Vietnam, India, Singapore and Thailand, and sales to these countries collectively contributed approximately 66.5% of the Group's revenue. For the FYE 31 December 2005, the Group recorded a turnover growth rate of 26.4% compared against turnover for FYE 31 December 2004 in respect of the Group's sales to these top eight export markets. Accordingly, the Board is confident that with the favourable economic outlook for such countries in 2006, China, Indonesia, Brazil, Ukraine, Vietnam, India, Singapore and Thailand will continue to serve as the Group's key export markets.

Based on the research conducted by Vital Factor, an assessment of the economic performance for some of the Group's key export markets are as follows:

- China's real GDP growth in 2006 is projected at around 8.0%;
- Indonesia's real GDP growth in 2006 is projected at around 6.0%;
- Brazil's real GDP growth in 2006 is projected at around 3.5%;
- Ukraine's real GDP growth in 2006 is projected at around 4.0%;
- Vietnam's real GDP growth in 2006 is projected at around 7%;
- India's real GDP growth in 2006 is projected at around 6.3%;
- Singapore's real GDP growth in 2006 is projected at around 4.5%; and
- Thailand's real GDP growth in 2006 is projected at around 6.2%.

The future plans of the Jadi Imaging Group are focused in four key areas as depicted in the figure below:



(a) **Expansion of manufacturing facilities**

Part of the Jadi Imaging Group's plans involves the purchase of new machinery and equipment for the expansion of its production facilities. In line with this, the Group has incorporated a subsidiary company in Suzhou, China to set up its fourth production line. In addition, the Group is planning to acquire a factory building within the Klang Valley for the installation of its fifth production line. The fourth and fifth production lines are expected to commence operations by April 2006 and October 2006 respectively.

Currently, the Group has three production lines producing monochrome or Black Toners. With the two additional production lines, the Group is targeting to increase its current production capacity of approximately 2,300 tonnes per annum to approximately 4,400 tonnes per annum. The Group expects to purchase the following new machinery and equipment for the fourth and the fifth production lines in 2006 respectively:

- Mixing (pre and post) machine and accessories;
- Extruder machine and accessories;
- Grinding and classifying equipment;
- Steel structure; and
- Miscellaneous equipment.

Both the fourth and fifth production lines will focus on the manufacturing of Black Toners and will have additional features to accommodate the production of Colour Toners.

(b) **Expansion of product range**

Currently, the Jadi Imaging Group produces monochrome or Black Toner. However with the impending demand for colour printers and copiers, the Group intends to extend its range of products to include Colour Toners. Although the demand for Colour Toners is still minimal at this stage, the Group is currently undertaking R&D to produce compatible Toners to be used in colour printers and copiers.

The Group intends to market its new range of Colour Toners using its existing distribution channels through intermediaries particularly for the export markets. The Group expects to launch Colour Toners in 2007.

(c) **Expansion into new markets**

The Jadi Imaging Group is an independent producer of compatible Toners for use in various brands of laser printers, facsimile machines, copiers and multi-function office equipment. As part of its future plans, the Group intends to explore opportunities to manufacture Toners for brand owners or producers of laser printers, facsimile machines, copiers and multi-function office equipment by the 4^{th} quarter of 2006.

(d) **Expansion into local market**

As the Group is the only manufacturer of Toners in Malaysia, the Directors believe there are ample opportunities for import substitution. In addition, the import of "Chemical Preparations for Photographic uses" (including Toners) are subject to a 5% import duty for imports from ASEAN countries under the Common Effective Preferential Tariff ("CEPT") and a 20% import duty for imports from non-ASEAN countries. *(Source: Independent Assessment of the Toner Industry by Vital Factor)*

For the FYE 31 December 2005, the local market contributed approximately 5.4% of the total turnover of the Group. Part of the Group's future plans is to expand its local sales using its existing distribution channels of mainly intermediaries. As this is also dependent on the Group's production capacity, it is expected that the strategy to increase local sales will tie in with the commencement of the fifth production line in October 2006.

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