

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

9.1 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

9.1.1 Interest in similar business

None of the Directors or substantial shareholders of the Group, has any interest, whether direct or indirect, in any business carrying on a similar trade as the Group.

9.1.2 Promotion of any material assets acquired or to be acquired within 2 years preceding the date of this Prospectus

None of the Directors or substantial shareholders of Jadi Imaging, has any interest, whether direct or indirect, in the promotion of or in any assets which have, within the two years preceding the date of this Prospectus, been acquired by or disposed of or leased to the Group, or are proposed to be acquired by or disposed of or leased to the Group.

9.1.3 Contracts or arrangements in which the Directors, substantial shareholders, key management and key technical personnel are interested

Save as disclosed below, none of the Directors, substantial shareholders, key management and key technical personnel of the Group has interest in any subsisting contract or arrangement, which is significant to the business of the Group as at the date of this Prospectus.

The Group has in its ordinary course of business, entered into recurrent related party transactions with certain related parties of the Group as described below:

Name of Company	Principal activities	Nature of transaction	Interested related party	Nature of interest	Transaction value for the FYE 31 December 2005 (RM'000)
Minasia Trading	Distribution of Toners	Distributor for Jadi Imaging Group	Lee Chee Keng	Lee Chee Keng is a substantial shareholder of Jadi Imaging.	597
KTL Sdn Bhd	Provision of electrical contracting works (concurrent with installation of new machinery and equipment and other associated works in the factory)	Provider of electrical contracting works to Jadi Imaging Group	Won Tian Loong	Won Tian Loong is the brother-in-law of Liew Kim Siong, who is the Executive Chairman / Group CEO, Promoter and substantial shareholder of Jadi Imaging.	44

The Group's transactions with both Minasia Trading and KTL Sdn Bhd are priced competitively, carried out at arm's length basis and under terms and conditions that are not materially or significantly different from those obtainable from unrelated third parties.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Review procedures for the recurrent related party transactions (“RRPT”)

The Group shall implement the following methods and procedures upon listing of the Company's Shares on the Second Board of Bursa Securities by which the transaction prices are determined to ensure that the RRPT are undertaken on an arm's length basis and on the Group's normal commercial terms which are no more favourable to the related party than those generally available to the public and are not prejudicial to the minority shareholders:

- i) A list of companies connected to the related parties will be circulated within the Group and all contracting parties will be notified that all RRPT are required to be undertaken on an arm's length basis and on normal commercial terms;
- ii) All RRPT will be reviewed by the internal auditor and an executive director;
- iii) The transaction prices and terms are determined based on the prevailing market rates which are determined by market forces, demand and supply, quality of the products or services and other relevant factors, where appropriate, at least 2 quotations will be obtained from unrelated third parties to ascertain the appropriate transaction prices;
- iv) A register will be maintained by the Company to record all RRPT which are entered into by the Group;
- v) The annual internal audit plan shall incorporate a review of all RRPT entered into to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;
- vi) The Board and the Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor RRPT have been complied with and the review shall be done at every quarter together with the review of quarterly results;
- vii) The Board and the Audit Committee shall continue to review the procedures as and when required, with the authority to sub-delegate to individuals or committees within the Company as they deem appropriate. If a member of the Board or Audit Committee has an interest in the transaction to be reviewed by the Board or the Audit Committee as the case may be, he will abstain from any decision making by the Board or the Audit Committee in respect of that transaction; and
- viii) The Audit Committee will ensure that disclosure shall be made in the annual report of Jadi Imaging of the aggregate value of transactions conducted during the relevant financial years based on the types of RRPT and the names of related parties involved in each type of RRPT and their relationship with the Group.

9.1.4 Transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which Jadi Imaging or any of its subsidiary companies was a party in respect of the past 1 financial year and the financial period immediately preceding the date of this Prospectus

The Group has not entered into any transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which Jadi Imaging or any of its subsidiary companies was a party in respect of the past one financial year and the financial period immediately preceding the date of this Prospectus.

9.1.5 Outstanding loans

There are no outstanding loans and/or guarantee of any kind made by Jadi Imaging or any of its subsidiary companies to or for the benefit of the related party(ies).

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

9.2 DECLARATIONS BY THE ADVISERS

RHB Sakura had extended a bridging loan of approximately RM14.2 million to certain shareholders of Jadi Imaging as share financing for them to subscribe to their entitlements pursuant to the Rights Issue. Part of the proceeds to be raised from the Offer for Sale will be utilised to repay the abovementioned bridging loan.

RHB Sakura's total exposure to these shareholders represents only approximately 1.52% of RHB Sakura's gross loan and advances of RM931.93 million based on its latest audited accounts as at 31 December 2004. In view of the foregoing, RHB Sakura confirms that there is no existing or potential conflict of interest in its capacity as the Adviser and Underwriter for the Flotation Scheme.

Messrs Wong Beh & Toh has given its confirmation that there is no conflict of interest in its capacity as the Solicitors for the Flotation Scheme.

Messrs Peter I.M. Chieng & Co has given its confirmation that there is no conflict of interest in its capacity as the Auditors, Reporting Accountants and Tax Agent for the Flotation Scheme.

Vital Factor has given its confirmation that there is no conflict of interest in its capacity as the Independent Business and Market Research Consultants in relation to the Flotation Scheme.

Henry Butcher has given its confirmation that there is no conflict of interest in its capacity as the Independent Valuer in relation to the Flotation Scheme.

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10. MAJOR LICENCES AND PERMITS

10. MAJOR LICENCES, APPROVALS AND PERMITS

As at the date of this Prospectus, the major licences, approvals and permits of the Jadi Imaging Group, together with the conditions attached thereto and status of compliance thereon, are as follows:

Licensee	Licence	Licensor	Date of licence / letter of approval	Date of Expiry	Main conditions imposed	Status of compliance
Jadi Technologies	For "Penempatan Projek Pengilangan" in Negeri Selangor for manufacturing Black Toner at No. 1, Jalan U1/25A, Seksyen U1, Hicom-Glenmarie Industrial Park, 40150, Selangor Darul Ehsan.	Pejabat Setiausaha Kerajaan Selangor Darul Ehsan	25 September 2000	Not applicable	(a) To obtain approval and to comply with all the rules set out by the Environmental Department. (b) To obtain approval and to comply with all the rules that are set out by the local authority. (c) To comply with all the rules that have been set out by the relevant technical department. (d) To ensure the safety of the public/surrounding area.	Met
Jadi Technologies	Manufacturing Licence for Black Toner. (No. A012373 and Serial No: A019145)	MITI	17 October 2000	Not applicable	Conditions of the licence among others are: (a) The shares held by non-Malaysians cannot be sold without prior written approval from the MITI. (b) The composition of the Board of Directors in this company must in general reflect the equity structure, of the company, and the MITI must be notified of the relevant appointment and any changes in the composition of the Board of Directors. (c) The company must employ and train Malaysian citizen in order to reflect the composition of the multi-racial culture for all levels position.	Met

10. MAJOR LICENCES AND PERMITS (Cont'd)

Licensor	Licence	Licensor	Date of licence / letter of approval	Date of Expiry	Main conditions imposed	Status of compliance
Jadi Technologies	Licence under the Sales Tax Act, 1972 – Manufacturing Licence for product(s) Black /Colour Toner for copier & laser printers. (Licence No: A70053)	Royal and Malaysia	3 July 2000	Not applicable	(d) The company must at least appoint Malaysian owned companies to distribute its production for the local market and must appoint Bumiputera distributors to distribute at least 30% of its local market sales where possible. Selection and appointment of Bumiputera distributors have to be made after discussion with the MITI. The appointment of foreign companies as distributors must have the prior approval from the MITI.	Not applicable
Jadi Technologies	Industrial licence for "perindustrian membuat dakwat, iklan tak berhaya, patil". (Licence No: OUI1010520000001)	Majlis Bandaraya Shah Alam	1 January 2006	31 December 2006	None	Not applicable
Jadi Technologies	Permission to import / purchase materials and components free of sales tax for use in manufacture of goods. (Licence No: B10 - 00000077/2000) (File No.05003181) (File No.05003182) (File No.05003183)	Royal and Malaysia	12 July 2005	14 July 2006	None	Not applicable

10. MAJOR LICENCES AND PERMITS (Cont'd)

Licensee	Licence	Licensor	Date of licence / letter of approval	Date of Expiry	Main conditions imposed	Status of compliance
Jadi Technologies	Certificate of Fitness for "Pengandung Tekanan Tak Berapi".	Jabatan Keselamatan and Kesihatan Perkerjaan Selangor	16 August 2004	26 October 2005 ¹	None	Not applicable
Jadi Technologies	Certificate of Fitness for "mesin angkat selain mesin angkat guna tangan".	Jabatan Keselamatan and Kesihatan Perkerjaan Selangor	13 August 2004	16 October 2005 ¹	None	Not applicable
Jadi Technologies	Exemption from import duty on the raw materials/ components imported for manufacturing for finished goods of Jadi Technologies (raw material: Titanium Dioxide pigments).	Ministry of Finance	21 December 2005	3 January 2008	Conditions of the licence among others are: (a) All the raw materials/components which are exempted from duty/tax are to be kept at the company's factory store according to the written rules provided by the Custom's Department. All change of address or addition of store/factory can only be made after prior written approval has been obtained from the Custom's Department which has control over the company. (b) The company is allowed to export its finished product through a third party (trader) after the company has obtained approval from the Custom's Department. (c) The relevant raw material/component cannot be removed from the store and the factory's premises that have been approved for the purpose of sub-contract unless with written approval from the Custom's Department. (d) If the raw material/component that are exempted from duty/tax are used to produce the finished product for the export market, the company is required to state the declaration in each and every custom's export form.	Met

10. MAJOR LICENCES AND PERMITS (Cont'd)

Licensee	License	Licensor	Date of licence / letter of approval	Date of Expiry	Main conditions imposed	Status of compliance
Jadi Technologies	Exemption from import duty on the raw materials/ components imported for manufacturing for finished goods of Jadi Technologies (raw material: Carbon Black).	Ministry of Finance	8 July 2005	27 July 2007	<p>Conditions of the licence among others are:</p> <p>(a) All the raw materials/components which are exempted from duty/tax are to be kept at the company's factory store according to the written rules provided by the Custom's Department. All change of address or addition of store/factory can only be made after prior written approval has been obtained from the Custom's Department which has control over the company.</p> <p>(b) The company is allowed to export its finished product through a third party (trader) after the company has obtained approval from the Custom's Department.</p> <p>(c) The relevant raw material/component cannot be removed from the store and the factory's premises that have been approved for the purpose of sub-contract unless with written approval from the Custom's Department.</p> <p>(d) If the raw material/component that are exempted from duty/tax are used to produce the finished product for the export market, the company is required to state the declaration in each and every custom's export form.</p>	Met
Jadi Technologies (S)	Business licence	Jiangsu Provincial Government, China	2 September 2005	1 September 2055	None	Not applicable

Note:

1. *The Jabatan Keselamatan dan Kesihatan Pekerjaan Selangor held an inspection on 27 October 2005 and issued the notification for payment to renew the certificates of fitness on 3 January 2006. Payment was made by Jadi Technologies on 9 January 2006 and the certificates of fitness are now pending issuance.*

II. LANDED PROPERTIES

Details on the land and building owned by the Jadi Imaging Group are as follows:

Registered / Beneficial owner	Title details	Location	Description/ Existing use	Tenure of lease	Land / Built-up area (square feet)	Approximate age of building	Restriction of interest	Land-use conditions	Encumbrances	Issuance of Certificate of Fitness	Audited NBY as at 31.12.05 RM'000
Horsedale Development Berhad / Jadi Technologies ^(a)	Master Title No. 136183, Lot No. P.T. 1, Town of Glenmarie, District of Petaling, State of Selangor	No. 1, Jalan Peguam UI/25A, Hicom-Glenmarie Industrial Park, Section UI, 40150 Shah Alam, Selangor Darul Ehsan	Building/ Head Office / factory / warehouse	Freehold	67,518 / 50,186	8 years	-	Building-construction of building according to Jabatan Perancang Bandar dan Desa Negeri Selangor	Charged in favour of United Overseas Bank (Malaysia) Bhd ^(c)	7 April 1995	8,487 ^(d)
Horsedale Development Berhad / Jadi Technologies ^(b)	Master Title No. 136183, Lot No. P.T. 1, Town of Glenmarie, District of Petaling, State of Selangor	211, Tingkat 1 Block 1 Jalan Pegawai UI/33 Pangsapuri Sri Kerjaya Seksyen UI 40150 Shah Alam Selangor Darul Ehsan	Building/ Apartment	Freehold	Not applicable / 855	4 years	-	Building-construction of building according to Jabatan Perancang Bandar dan Desa Negeri Selangor	-	1 August 2001	120 ^(d)

Notes:

- (a) *Sale and Purchase Agreement dated 23 June 2000 between Technitone (M) Sdn Bhd as vendor and Jadi Technologies as purchaser and Deed of Novation Cum Assignment dated 23 March 2001 between Technitone (M) Sdn Bhd as assignor, Jadi Technologies as assignee, Horsedale Development Berhad as vendor have been executed by the respective parties. To date, the issuance of separate individual title is still pending.*
- (b) *Sale and Purchase Agreement dated 1 March 2003 between SSL Dev. Sdn Bhd as vendor and Jadi Technologies as purchaser and Novation Cum Assignment dated 16 January 2003 between SSL Dev. Sdn Bhd as assignor, Jadi Technologies as assignee, Horsedale Development Berhad as developer have been executed by the respective parties. To date, the issuance of separate strata title is still pending.*
- (c) *A first party legal charge for RM5,000,000 and second legal charge for RM3,500,000 are to be created over property bearing address No.1, Jalan Peguam UI/25A, Seksyen UI, Hicom-Glenmarie Industrial Park Shah Alam erected on part of land held under Master Title No. 136183, Lot No. P.T. 1, Town of Glenmarie, District of Petaling, State of Selangor upon the issuance of individual title to the property. Pending the issuance of an individual title to the property, a Loan Agreement cum Deed of Assignment dated 30 December 2003 between United Overseas Bank (Malaysia) Bhd. as lender and Jadi Technologies as assignor has been executed by the respective parties.*

II. LANDED PROPERTIES (Cont'd)

- (d) *The property was revalued by Henry Butcher, an Independent Valuer, on 30 November 2004 (date of valuation). The market value as assessed by Henry Butcher of RM8.5 million has been incorporated into the books of Jadi Technologies for the FYE 31 December 2005, representing a revaluation surplus of RM1,075,463 (net of deferred taxation). A copy of the valuation certificate by Henry Butcher is set out in Section 15 of the Prospectus.*
- (e) *The property was not revalued as provisions under applicable accounting standards allow revaluations to be carried out by similar class of assets to which a particular property belongs and need not be applied to all the properties held by the company. The property is classified under the "investment property" class whilst the factory office located at No. 1, Jalan Peguam UI/25A, Hicom-Glenmarie Industrial Park, Section UI, 40150 Shah Alam, Selangor Darul Ehsan is classified under the "property, plant and equipment" class.*

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

12.1.1 Profit and dividend record

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 RM	2002 RM	2003 RM	2004 RM	2005 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.

12. FINANCIAL INFORMATION (Cont'd)**Commentary****(i) FYE 31 December 2001**

Revenue performance for the FYE 31 December 2001 saw a decline due to the transitional period for the newly acquired factory, plant and machineries at the end of FYE 31 December 2000. Revenue decreased by 14.57% with consequential decreases in PBT and PAT by 66.80% and 57.41% respectively. PBT and PAT margins were at 8.43% and 7.74% respectively. During the FYE 31 December 2001, Jadi Technologies was granted pioneer status with tax exemption of up to 70% of the statutory income for 5 years commencing 1 January 2001. Hence, the effective tax rate of the Group was relatively lower at 8.18% due to the tax exemption granted under the pioneer status for Jadi Technologies.

(ii) FYE 31 December 2002

Revenue for the FYE 31 December 2002 improved by 23.02% as compared to FYE 31 December 2001 with the installation of the second production line during the financial year under review. A corresponding increase in PBT by 27.58% as compared to the FYE 31 December 2001 was noted whilst PBT margin improved to 8.74%. The overall increase in fixed operating expenses and finance costs was in line with the start up of the new production line.

Effective tax rate was significantly higher due to the provision for deferred tax and underprovision of tax in prior years. As such, PAT margin for the FYE 31 December 2002 was lower at 3.29% due to higher tax expenses incurred for the year. PAT for the FYE 31 December 2002 was recorded at approximately RM0.48 million, a decline as compared to the FYE 31 December 2001.

(iii) FYE 31 December 2003

For the FYE 31 December 2003, the Group's revenue increased by 63.10% to RM23.59 million with the full-year of operation of the second production line. The increase in revenue was largely due to incremental export sales orders generated from existing and new customers from countries such as China, Thailand, Indonesia and America, as a result of the adoption of a competitive pricing policy and the continuous marketing efforts undertaken by the management such as participation in overseas exhibitions and promotions.

PBT margin for the FYE 31 December 2003 was 12.77%, an improvement as compared to the previous FYE 31 December 2002. With the low effective tax rate of 11.24%, the improved PAT margin was recorded at 11.33%. Both PBT and PAT recorded growth of 138.15% and 461.17% respectively as compared to the previous FYE 31 December 2002.

(iv) FYE 31 December 2004

With the commencement of the third production line since the second half of FYE 31 December 2004, the Group's revenue recorded continuous improvement of 51.98%, due to higher customers' demand for the Group's Toner products and successful marketing efforts in securing new customers during the FYE 31 December 2004.

The overall PBT margin for the financial year under review stood at 25.85% whilst PAT margin was recorded at 22.35%, a significant improvement as compared to previous years due to increase in production efficiency as well as purchase rebates from bulk purchases of raw materials. PBT and PAT for the FYE 31 December 2004 increased by 207.72% and 199.78% respectively as compared to the preceding FYE 31 December 2003.

12. FINANCIAL INFORMATION (Cont'd)**(v) FYE 31 December 2005**

Revenue for the FYE 31 December 2005 was recorded at RM44.80 million, representing an increase of 24.97% as compared to FYE 31 December 2004. The increase in revenue was in line with the increased production capacity with the full-year operation of the third production line which commenced during the second half of FYE 31 December 2004.

PAT for the FYE 31 December 2005 increased by 6.59% as compared to FYE 31 December 2004. The lower effective tax rate for the FYE 31 December 2005 was due to certain overprovision of deferred taxation during the prior years.

12.1.2 Segmental analysis of proforma Group's revenue

The following tables set out the breakdown of the proforma Group's revenue by geographical locations and business activities / types of Toners. The proforma Group's revenue is prepared based on the assumption that the current structure of the Group has been in existence throughout the financial years under review.

Analysis by geographical location

	<-----FYE 31 December----->				
	2001	2002	2003	2004	2005
	RM	RM	RM	RM	RM
Africa	26,410	13,110	233,305	188,252	46,022
Asia (excluding Middle East)	4,746,448	5,057,853	12,242,691	18,280,462	25,373,151
Middle East	2,330,308	3,313,260	3,415,605	3,534,228	3,691,196
United States	-	33,630	44,156	1,349,266	678,300
South America	458,655	521,869	1,199,064	4,455,359	5,415,762
Eastern Europe	1,216,929	1,893,631	2,018,172	5,289,954	6,679,745
Western Europe	1,555,100	2,375,899	2,363,898	730,683	480,909
Total export sales	10,333,850	13,209,252	21,516,891	33,828,204	42,365,085
Total domestic sales	1,423,005	1,254,543	2,073,803	2,024,634	2,439,530
Total revenue	11,756,855	14,463,795	23,590,694	35,852,838	44,804,615

Export sales

Export sales relate to sale of Toners in foreign markets to customers from countries in Europe, Middle East, Asia, United States, South America and Africa. Revenue from the foreign markets showed a steady growth with an exceptionally higher revenue in the FYE 31 December 2003. The significant increase in the FYE 31 December 2003 was in line with the increase in production capacity with the new production line installed in the FYE 31 December 2002 and the increase in the number of new customers in the FYE 31 December 2003 resulting from continuous marketing efforts undertaken by the management such as participation in overseas exhibitions and promotions.

The growth in revenue over the financial years under review was in line with the capacity expansion of Jadi Technologies with the start up of the second and third production lines to cater for the increasing customers' demand for Jadi Technologies' products.

Domestic sales

Domestic sales relate to sale of Toners to local customers, which contributed between 5% to 12% of total revenue for the financial years under review.

12. FINANCIAL INFORMATION (Cont'd)

Analysis by business activities / types of Toners

	<-----FYE 31 December----->				
	2001	2002	2003	2004	2005
	RM	RM	RM	RM	RM
Laser Printer Toners					
Magnetic Mono Component	1,053,697	4,985,304	11,172,234	17,868,199	26,688,431
Non-Magnetic Mono Component	-	-	192,951	1,928,490	2,427,570
Copier Toners					
Magnetic Mono Component	3,027,919	3,222,354	5,932,176	8,730,796	8,577,655
Dual Component	7,246,612	6,038,449	6,032,769	5,890,200	5,746,111
Multi-Function Office Equipment Toners					
Magnetic 1 ½ Component	-	18,696	63,152	1,420,601	867,833
Others					
Carriers and other sales	428,627	198,992	197,412	14,552	497,015
Total revenue	11,756,855	14,463,795	23,590,694	35,852,838	44,804,615

Revenue from the manufacture of laser printer Toners, which comprise of the magnetic mono component and the non-magnetic mono component, showed significant increases over the financial years under review. Driven by high global demand and marketability of printer Toners, the combined revenue of laser printer Toners grew exponentially over the financial years under review and contributed more than 60.0% of the total revenue of the Group for the FYE 31 December 2005.

Revenue from copier Toners and multi-function office equipment Toners were dependent on customers' demands from the various business segments and activities. The effects of the decline in revenue from these Toners during certain financial years under review were minimised with the higher revenue from the laser printer Toners.

Manufacture of carriers and other sales are supplementary revenues generated by the Jadi Imaging Group, and the fluctuations of such business activities during the financial years under review were dependent on specific customers' orders.

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12. FINANCIAL INFORMATION (Cont'd)

12.1.3 Directors' declaration on financial performance

As at 28 February 2006 (being the latest practicable date prior to the registration of this Prospectus) and save as disclosed in this Prospectus, the Directors of Jadi Imaging hereby confirm that the financial condition and operations of the Jadi Imaging Group are not affected by any of the following factors:

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

12.1.4 Working capital, material litigation, material capital commitments, borrowings and contingent liabilities

(a) 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.

(b) 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.

(c) 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	<u>10,535</u>

12. FINANCIAL INFORMATION (Cont'd)*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. To date, 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:

<i>Registered capital</i>	<i>Total commitment</i>		<i>Payment made</i>	<i>Balance</i>
	<i>USD</i>	<i>RM*</i>	<i>(RM equivalent)</i>	<i>outstanding</i>
<i>Payable in cash</i>	1,000,000	3,800,000	1,984,070	1,815,930
<i>Payable in the form of equipment and office facilities</i>	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 pulverizing 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.

12. FINANCIAL INFORMATION (Cont'd)

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.

(d) 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:	
<i>Short term borrowings</i>	
Bankers' acceptance	648
Term loan	1,018
Hire purchase	3,935
<i>Long term borrowings</i>	
Term loan	2,112
Hire purchase	1,221
Total	<u>8,934</u>

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.

(e) 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.

12. FINANCIAL INFORMATION (Cont'd)**12.2 FUTURE FINANCIAL INFORMATION****12.2.1 Consolidated profit forecast**

The Directors of Jadi Imaging forecast that the consolidated PAT of Jadi Imaging for the FYE 31 December 2006 after the IPO and Bonus Issue II will be as follows:

	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.

12.2.2 Bases and assumptions underlying the consolidated profit forecast

The general principal bases and assumptions upon which the consolidated profit forecast has been prepared are set out below:

1. There will be no significant changes to the prevailing local, regional and global economic, political and market conditions that may have a material adverse effect on Jadi Imaging Group's performance, either directly or indirectly.
2. There will not be any significant changes in the present legislations, government regulations, operational regulations, duties and levies which will adversely affect the operations of Jadi Imaging Group or the markets in which they operate.
3. Interest rates in the financial market during the forecast year would not fluctuate significantly from the present levels.
4. There will be no significant changes in the present inflation rate and exchange rates of foreign currencies against the Ringgit Malaysia which may adversely affect Jadi Imaging Group's operations. There will be no change in capital controls in Malaysia which will affect adversely the ability of the Group to manage both its domestic and overseas business.
5. There will be no significant changes in the principal activities and operations of Jadi Imaging Group.

12. FINANCIAL INFORMATION (Cont'd)

6. There will be no significant changes in the Jadi Imaging Group's organisational structure and management, accounting and operational policies.
7. Founders, senior management and key personnel of Jadi Imaging Group will continue to remain in full employment. Jadi Imaging will be able to attract, train and retain qualified key personnel to expand operations, as planned.
8. Existing financing facilities will remain available to Jadi Imaging Group and interest rates will not change significantly from those presently prevailing. Jadi Imaging Group will be able to secure sufficient financing facilities for working capital purposes, if necessary. Any external borrowings of Jadi Imaging Group will be repaid as and when they are due.
9. There will be no significant changes in the current rates and bases of taxation applicable to the respective entities of Jadi Imaging Group.
10. Jadi Imaging Group will not engage in any material litigation and there will not be any legal proceedings against Jadi Imaging Group which will adversely affect the activities or performance of Jadi Imaging Group or give rise to any contingent liabilities which will materially affect the position or operations of Jadi Imaging Group.
11. Rights and obligations under all material contracts and agreements entered into in the ordinary course of business between Jadi Imaging Group and third parties will continue to be in force at the existing terms and conditions.
12. There will be no major breakdown of or disruption to Jadi Imaging Group's operating activities and production facilities, industrial disputes, disruption in the supplies by suppliers of major products and raw materials, labour (both direct and indirect) or any other abnormal factors both domestic and overseas, which may adversely affect Jadi Imaging Group's operations. Production levels of Jadi Imaging Group's manufacturing operations would be achieved as forecasted.
13. There will be no adverse effect from weather conditions, industrial accidents, machinery breakdowns or other similar occurrences, climatic diseases, wars, terrorist attacks and other natural risks, both domestic and foreign, that may lead to recession which will adversely affect the operations, income and expenditure of the Group at the forecasted levels.
14. There will be no significant changes in the prices of major products and raw material supplies, skilled and unskilled labour wages and salaries and other major operating and overhead costs.
15. Staff costs, business expansion costs and other operating expenses will not differ significantly from those forecasted.
16. All existing agreements and contracts from the existing customers will not be terminated at dates earlier than specified in the terms and conditions of those agreements and contracts or adversely varied. There will be no significant loss of existing customers of Jadi Imaging Group and revenue from prospective customers would be achieved as forecasted.
17. Capital expenditure will be implemented on schedule and there will be no material acquisitions or disposals of property, plant and equipment other than those planned. Depreciation rates of property, plant and equipment will not differ from those currently applied.
18. There will be no exceptional occurrences of bad and doubtful debts, write down of inventories or exceptional reduction in the carrying amounts of other current assets. There will not be any substantial impairment on the carrying value of the Group's property, plant and equipment and other non-current assets.
19. There will be no significant change in the accounting policies from those presently adopted by Jadi Imaging Group for the FYE 31 December 2005.

12. FINANCIAL INFORMATION (Cont'd)

In addition to the above, the specific bases and assumptions upon which the consolidated profit forecast has been prepared are set out below:

Jadi Imaging

1. The Public Issue and Bonus Issue II are expected to be completed by end April 2006. Proceeds from the Listing will be utilised as intended.
2. The expenses in relation to the Listing of RM1,600,000 would be incurred in the forecast year and will be set off against the share premium account of Jadi Imaging arising from the Public Issue.
3. Options to subscribe for 50 million Shares in Jadi Imaging will be granted to eligible employees and directors of Jadi Imaging Group pursuant to the ESOS, prior to the Listing of Jadi Imaging based on an exercise price of 19.6 sen per Share, the theoretical ex-bonus price of the IPO Shares after the Bonus Issue II.

The options granted can only be exercised by an eligible person after the first anniversary of the Listing. Such eligible person is only allowed to exercise up to 25% of the options granted in each year following the first anniversary until the expiry of the ESOS.

Share based payment expense arising from the ESOS for the forecast year would be approximately RM512,000. The ESOS option valuation is calculated based on the following bases and assumptions:

- (a) The theoretical ex-bonus issue price of the IPO Shares of 19.6 sen represents the market price and strike price of Jadi Imaging Shares at the grant date of the ESOS.
- (b) The historical volatility rate of the underlying Jadi Imaging Shares, in the absence of available historical share price, was estimated at 20.9%, based on the historical five years standard deviation of the Second Board Index of Bursa Malaysia Securities Berhad.
- (c) The risk free rate and expected dividend rate are 3% and 5% respectively.

Jadi Technologies

1. The directors of Jadi Technologies do not expect any change in the nature of its principal activities.
2. The expected revenue (sales in amount of RM equivalent and in metric tonnes) and the expected gross profit of Jadi Technologies would be achieved as forecasted below:

Sales (RM'000)	55,387
Sales (metric tonnes)	2,050
Gross profit (RM'000)	20,367

3. The directors of Jadi Technologies forecasted that there will be tax savings on the tax payable for the forecast year due to the expected tax incentive on reinvestment allowance based on the forecasted capital expenditure of Jadi Technologies.
4. The acquisition of factory premise of Jadi Technologies would be carried out as planned. The new production line is expected to be fully operational and commence its production activities in October 2006. Production level of the new production line would be achieved as forecasted.

12. FINANCIAL INFORMATION (Cont'd)**Jadi Technologies (S)**

1. The intended commencement of business operations of Jadi Technologies (S) and the acquisition of the new production lines would be carried out as planned. The new production line is expected to be fully operational and commence its production activities by April 2006. Production level of the new production lines would be achieved as forecasted.
2. The expected revenue (sales in amount of RM equivalent and in metric tonnes) and the expected gross profit (in RM equivalent) of Jadi Technologies (S) would be achieved as forecasted below:

Sales (RM'000)	8,134
Sales (metric tonnes)	300
Gross profit (RM'000)	2,503

3. There will be no change in the government regulations, legislations, capital controls and investment policies in China which will affect adversely the ability of the Group in repatriation of profits or in managing its business in Jadi Technologies (S).
4. The statutory corporate income tax rate and local income tax rate for Jadi Technologies (S) are 15% and 3% respectively.
5. Jadi Technologies (S), being a foreign-invested enterprise of production nature operating in Suzhou Industrial Park in China, is expected to be entitled to exemption of corporate tax and local income tax in the forecast year.

12.2.3 Directors' comments on consolidated profit forecast

Revenue for FYE 31 December 2006 is expected to chart an increase by more than 41% with the expected increase in production capacity, in line with the intended acquisition of the fourth and fifth production lines during the same year. With the set up of the fourth production line in Suzhou, China, which is expected to be fully operational by the second quarter of FYE 31 December 2006, the Jadi Imaging Group is expected to further strengthen its market presence in the China Toner market. Further, the increased production levels with the fifth production line by the fourth quarter of FYE 31 December 2006 would further support the Group's strategy in achieving its revenue forecast.

Concurrent with the forecasted revenue growth, PAT for FYE 31 December 2006 is expected to achieve an increase of approximately 27.49% as compared to FYE 31 December 2005. PAT margin for the Jadi Imaging Group for the FYE 31 December 2006 is forecasted to be at 17.15%. Despite the increase in overall PAT, the PAT margin for FYE 31 December 2006 is forecasted to be lower as compared to FYE 31 December 2005 due to the Group's competitive pricing policy to increase its market share in export Toner markets as well as the anticipation of higher overhead costs with the initial start up of the fourth and fifth production lines. Further, higher administrative expenses are expected upon the imminent listing of Jadi Imaging.

The Directors of Jadi Imaging confirm that the consolidated profit forecast of the Jadi Imaging Group and the underlying bases and assumptions as set out in Section 12.2.2 of this Prospectus have been reviewed by the Directors after due and careful enquiry. After having taken into account the future prospects of the global and Malaysian Toner industry, the future plans of the Group and its expected level of gearing, liquidity and working capital requirements, the Directors of Jadi Imaging are of the opinion that the consolidated profit forecast is achievable under the prevailing market, operating and economic environment.

Notwithstanding the above, the bases and assumptions upon which the consolidated profit forecast was prepared cover future periods for which there are inherent risks. These bases and assumptions are subject to significant uncertainties and contingencies, which are often outside the control of the Jadi Imaging Group. Accordingly, there is no assurance that the actual results of the Group will not differ materially from the consolidated profit forecast in the event that the market, operating and economic environment vary from those assumed by the Directors of Jadi Imaging.

12. FINANCIAL INFORMATION (Cont'd)

12.2.4 Reporting Accountants' letter on the consolidated profit forecast



Member of Affilica International,
affiliates worldwide

Chartered Accountants

2-E (1st Floor) Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel: (+6 03) 7728 5889
(+6 03) 7729 2889
(+6 03) 7729 2998

Fax: (+6 03) 7729 5998

E-mail: pimc@tm.net.my
www.pimc.com.my

17 March 2006

The Board of Directors
Jadi Imaging Holdings Berhad
No 1, Jalan Peguam U1/25A
Section U1
Hicom-Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan

Attn: Mr. Liew Kim Siong

Dear Sirs,

JADI IMAGING HOLDINGS BERHAD ("Jadi Imaging") CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006

We have reviewed the consolidated profit forecast of Jadi Imaging and its subsidiary companies, Jadi Imaging Technologies Sdn. Bhd. ("Jadi Technologies") and Jadi Imaging Technologies (Suzhou) Co., Ltd ("Jadi Technologies (S)") ("Jadi Imaging Group"), for the financial year ending 31 December 2006 as set out in Appendix I (which we have stamped for identification), in accordance with the professional standard in Malaysia applicable to the review of the forecast, AI 810. The forecast has been prepared for inclusion in the Prospectus in connection with the following transactions:

- **Bonus Issue I**

On 16 January 2006, Jadi Imaging implemented a bonus issue of 77,000,000 new ordinary shares of RM0.10 each ("Shares") to be issued to all shareholders of Jadi Imaging on the basis of approximately 11 new Shares for every 10 Shares held. The Bonus Issue I was capitalised from the retained profits.

Upon completion of Bonus Issue I, the issued and paid-up share capital of Jadi Imaging increased from RM7,000,002 comprising 70,000,020 Shares to RM14,700,002 comprising 147,000,020 Shares.

- **Rights Issue**

On 18 January 2006, Jadi Imaging implemented a rights issue of 156,999,980 new Shares at par on the basis of approximately 1,068 new Shares for every 1,000 Shares held after the Bonus Issue I. The Rights Issue increased the issued and paid-up share capital of Jadi Imaging from RM14,700,002 comprising 147,000,020 Shares to RM30,400,000 comprising 304,000,000 Shares.

- **Initial Public Offering ("IPO")**

The IPO is to comprise an initial public offering of 172,000,000 Shares ("IPO Shares"), of which 96,000,000 IPO Shares are to be issued by the Company pursuant to the public issue ("Public Issue") and 76,000,000 Shares are to be offered by the Offerors (collectively LTL Venture Holdings Sdn. Bhd., Liew Kim Foong, Won Thean Sang, Won Thiam Foo, Won Tian Loong, Eu Lan Eng, Chan Kheng Hoe, Lee Chee Keng, Lim Hock Guan and Mohd Salmi bin Mansor) ("Offer Shares") pursuant to the offer for sale ("Offer for Sale") as set out below:

12. FINANCIAL INFORMATION (Cont'd)

Peter I.M. Chieng & Co.
AF-0311
Estd. 1980

Jadi Imaging Holdings Berhad

17 March 2006

(i) Public Issue

Jadi Imaging is to make a public issue of 96,000,000 new Shares ("Public Issue Shares"), representing 24% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, at an IPO price of 22 sen per IPO Share. Based on the IPO Price of 22 sen per IPO Share, the total gross proceeds receivable by the Company from the Public Issue is approximately RM21.12 million.

(ii) Offer for Sale

In conjunction with the flotation on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Flotation"), the Offerors are to collectively make an offer for sale of 76,000,000 Offer Shares, representing 19% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, at an offer price of 22 sen per Offer Share.

76,000,000 Offer Shares are to be offered to Bumiputera investors approved by the Ministry of International Trade and Industry.

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

• **Bonus Issue II**

As part of the Flotation and an incentive to the shareholders of Jadi Imaging subsequent to the Public Issue and Offer for Sale, Jadi Imaging is to implement a bonus issue of 50,000,000 new Shares to all shareholders of Jadi Imaging prior to the listing on the Second Board of Bursa Securities ("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. The Bonus Issue II is to be capitalised from the share premium account arising from the Public Issue.

Upon completion of the Bonus Issue II, the issued and paid-up share capital of Jadi Imaging will increase from RM40,000,000 comprising 400,000,000 Shares to RM45,000,000 comprising 450,000,000 Shares.

• **Listing**

Finally, Jadi Imaging is to seek admission to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued and paid-up share capital of Jadi Imaging of RM45,000,000 comprising 450,000,000 Shares on the Second Board of Bursa Securities.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the directors of Jadi Imaging as set out in the accompanying Appendix I (which we have stamped for the purpose of identification) and is presented on a basis consistent with the accounting policies adopted and disclosed by the Jadi Imaging Group in their audited financial statements for the financial year ended 31 December 2005. The directors of Jadi Imaging are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

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

12. FINANCIAL INFORMATION (Cont'd)

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Estd. 1980

Jadi Imaging Holdings Berhad

17 March 2006

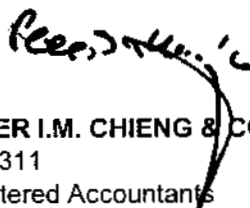
In particular, the profit forecast is substantially dependant on the achievability of the General Assumptions and Specific Assumptions set out in the accompanying Appendix I. As certain of these assumptions are based on the directors' plans for Jadi Imaging Group, some of which have not crystallised or are still in their initial stages of implementation.

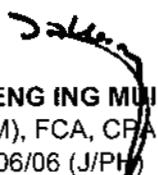
Subject to the matters stated in the preceding paragraphs:

- (a) nothing has come to our attention which causes us to believe that the assumptions made by the directors, as set out in the accompanying Appendix I, do not provide a reasonable basis for the preparation of the forecast of the consolidated profit after taxation; and
- (b) in our opinion, the forecast of the consolidated profit after taxation, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Jadi Imaging Group in their audited financial statements for the financial year ended 31 December 2005.

The accompanying forecast and this letter have been prepared solely for inclusion in the Prospectus in connection with the abovementioned transactions. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully


PETER I.M. CHIENG & CO.
AF 0311
Chartered Accountants


CHIENG ING MUI
CA(M), FCA, CFA
711/06/06 (J/PH)

Petaling Jaya, Selangor Darul Ehsan.

12. FINANCIAL INFORMATION (Cont'd)**Appendix I****CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006**

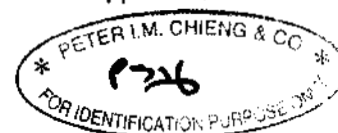
The directors of Jadi Imaging forecast that, in the absence of unforeseen circumstances, the consolidated profit after taxation of the Jadi Imaging Group for the financial year ending 31 December 2006 will be as follows:

	Forecast year ending 31 December 2006 RM'000
Consolidated profit from operations	12,539
Taxation	<u>(1,647)</u>
Consolidated profit after taxation	<u>10,892</u>

The principal assumptions made by the directors, upon which the profit forecast of Jadi Imaging Group have been prepared are as follows:

General Assumptions

1. There will be no significant changes to the prevailing local, regional and global economic, political and market conditions that may have a material adverse effect on Jadi Imaging Group's performance, either directly or indirectly.
2. There will not be any significant changes in the present legislations, government regulations, operational regulations, duties and levies which will adversely affect the operations of Jadi Imaging Group or the markets in which they operate.
3. Interest rates in the financial market during the forecast year would not fluctuate significantly from the present levels.
4. There will be no significant changes in the present inflation rate and exchange rates of foreign currencies against the Ringgit Malaysia which may adversely affect Jadi Imaging Group's operations. There will be no change in capital controls in Malaysia which will affect adversely the ability of the Group to manage both its domestic and overseas business.
5. There will be no significant changes in the principal activities and operations of Jadi Imaging Group.
6. There will be no significant changes in the Jadi Imaging Group's organisational structure and management, accounting and operational policies.
7. Founders, senior management and key personnel of Jadi Imaging Group will continue to remain in full employment. Jadi Imaging Group will be able to attract, train and retain qualified key personnel to expand operations, as planned.
8. Existing financing facilities will remain available to Jadi Imaging Group and interest rates will not change significantly from those presently prevailing. Jadi Imaging Group will be able to secure sufficient financing facilities for working capital purposes, if necessary. Any external borrowings of Jadi Imaging Group will be repaid as and when they are due.
9. There will be no significant changes in the current rates and bases of taxation applicable to the respective entities of Jadi Imaging Group.



12. FINANCIAL INFORMATION (Cont'd)

Appendix I

CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006 (Cont'd)

10. Jadi Imaging Group will not engage in any material litigation and there will not be any legal proceedings against Jadi Imaging Group which will adversely affect the activities or performance of Jadi Imaging Group or give rise to any contingent liabilities which will materially affect the position or operations of Jadi Imaging Group.
11. Rights and obligations under all material contracts and agreements entered into in the ordinary course of business between Jadi Imaging Group and third parties will continue to be in force at the existing terms and conditions.
12. There will be no major breakdown of or disruption to Jadi Imaging Group's operating activities and production facilities, industrial disputes, disruption in the supplies by suppliers of major products and raw materials, labour (both direct and indirect) or any other abnormal factors both domestic and overseas, which may adversely affect Jadi Imaging Group's operations. Production levels of Jadi Imaging Group's manufacturing operations would be achieved as forecasted.
13. There will be no adverse effect from weather conditions, industrial accidents, machinery breakdowns or other similar occurrences, climatic diseases, wars, terrorist attacks and other natural risks, both domestic and foreign, that may lead to recession which will adversely affect the operations, income and expenditure of the Group at the forecasted levels.
14. There will be no significant changes in the prices of major products and raw material supplies, skilled and unskilled labour wages and salaries and other major operating and overhead costs.
15. Staff costs, business expansion costs and other operating expenses will not differ significantly from those forecasted.
16. All existing agreements and contracts from the existing customers will not be terminated at dates earlier than specified in the terms and conditions of those agreements and contracts or adversely varied. There will be no significant loss of existing customers of Jadi Imaging Group and revenue from prospective customers would be achieved as forecasted.
17. Capital expenditure will be implemented on schedule and there will be no material acquisitions or disposals of property, plant and equipment other than those planned. Depreciation rates of property, plant and equipment will not differ from those currently applied.
18. There will be no exceptional occurrences of bad and doubtful debts, write down of inventories or exceptional reduction in the carrying amounts of other current assets. There will not be any substantial impairment on the carrying value of the Group's property, plant and equipment and other non-current assets.
19. There will be no significant change in the accounting policies from those presently adopted by Jadi Imaging Group for the financial year ended 31 December 2005.



12. FINANCIAL INFORMATION (Cont'd)**Appendix I****CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006 (Cont'd)****Specific Assumptions****Jadi Imaging**

1. The Public Issue and Bonus Issue II to be completed by April 2006. Proceeds from the Listing will be utilised as intended.
2. The expenses in relation to the Listing of RM1,600,000 would be incurred in the forecast years and will be set off against the share premium account of Jadi Imaging arising from the Public Issue.
3. Options to subscribe for 50 million shares in Jadi Imaging will be granted to eligible employees and directors of Jadi Imaging Group pursuant to the Employees' Share Option Scheme ("ESOS"), prior to the Listing based on an exercise price of 19.6 sen per share, the theoretical ex-bonus price of the IPO Shares after the Bonus Issue II.

The options granted can only be exercised by an eligible person after the first anniversary of the Listing. Such eligible person is allowed to exercise up to 25% of the options granted in each year following the first anniversary until the expiry of the ESOS.

Share based payment expense arising from the ESOS for the forecast year would be approximately RM512,000. The ESOS option valuation is calculated based on the following bases and assumptions:

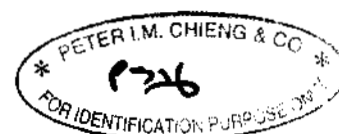
- (i) The theoretical ex-bonus issue price of the IPO shares of 19.6 sen represents the market price and strike price of Jadi Imaging Shares at the grant date of the ESOS.
- (ii) The historical volatility rate of the underlying Jadi Imaging Shares, in the absence of available historical share price, was estimated at 20.9%, based on the historical five years standard deviation of the Second Board Index of Bursa Malaysia Securities Berhad.
- (iii) The risk free rate and expected dividend rate are 3% and 5% respectively.

Jadi Technologies

1. The directors of Jadi Technologies do not expect any change in the nature of its principal activities.
2. The expected revenue (sales in amount and in metric tonnes) and the expected gross profit of Jadi Technologies would be achieved as forecasted below:

Sales (RM'000)	55,387
Sales (metric tonnes)	2,050
Gross profit (RM'000)	20,367

3. The directors of Jadi Technologies forecasted that there will be tax savings on the tax payable for the forecast year due to the expected tax incentive on reinvestment allowance based on the forecasted capital expenditure of Jadi Technologies.
4. The acquisition of the new production line and factory premise of Jadi Technologies would be carried out as planned. The new production line is expected to be fully operational and commence its production activities in October 2006. Production level of the new production line would be achieved as forecasted.



12. FINANCIAL INFORMATION (Cont'd)

Appendix I

CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006
(Cont'd)

Jadi Technologies (S)

1. The intended commencement of business operations of Jadi Technologies (S) and the acquisition of the new production line would be carried out as planned. The new production line is expected to be fully operational and commence its production activities by April 2006. Production level of the new production line would be achieved as forecasted.
2. The expected revenue (sales in amount of RM equivalent and in metric tonnes) and the expected gross profit (in RM equivalent) of Jadi Technologies (S) would be achieved as forecasted below:

Sales (RM'000)	8,134
Sales (metric tonnes)	300
Gross profit (RM'000)	2,503

3. There will be no change in the government regulations, legislations, capital controls and investment policies in China which will affect adversely the ability of the Group in repatriation of profits or in managing its business in Jadi Technologies (S).
4. The statutory corporate income tax rate and local income tax rate for Jadi Technologies (S) are 15% and 3% respectively. Jadi Technologies (S), being a foreign-invested enterprise of production nature operating in Suzhou Industrial Park in China, is expected to be entitled to exemption of corporate tax and local income tax in the forecast year.

12. FINANCIAL INFORMATION (Cont'd)**12.2.5 Sensitivity analysis****(a) Variations in revenue (assuming all other factors remain unchanged)**

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 12.2.2 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in revenue.

FYE 31 December 2006

RM'000	<-----Forecast for the FYE 31 December 2006----->				
	-10%	-5%	As forecast	+5%	+10%
Revenue	57,169	60,345	63,521	66,697	69,873
Raw material cost	35,572	35,572	35,572	35,572	35,572
PBT	6,661	9,621	12,539	15,457	18,376
PAT	5,439	8,185	10,892	13,599	16,256

For the FYE 31 December 2006, an increase in revenue by 5% and 10% will result in an increase in the Group's PBT by 23.27% and 46.55% and the Group's PAT by 24.85% and 49.25%. Conversely, a decrease in revenue by 5% and 10% will result in a decrease in the Group's PBT by 23.27% and 46.88% and the Group's PAT by 24.85% and 50.06%.

(b) Variations in raw material cost (assuming all other factors remain unchanged)

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 12.2.2 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in raw material cost.

FYE 31 December 2006

RM'000	<-----Forecast for the FYE 31 December 2006----->				
	-10%	-5%	As forecast	+5%	+10%
Revenue	63,521	63,521	63,521	63,521	63,521
Raw material cost	32,015	33,793	35,572	37,350	39,129
PBT	15,808	14,173	12,539	10,905	9,271
PAT	13,924	12,408	10,892	9,376	7,860

For the FYE 31 December 2006, an increase in raw material cost by 5% and 10% will result in a decrease in the Group's PBT by 13.03% and 26.06% and the Group's PAT by 13.92% and 27.84%. Conversely, a decrease in raw material cost by 5% and 10% will result in an increase in the Group's PBT by 13.03% and 26.07% and the Group's PAT by 13.92% and 27.84%.

12. FINANCIAL INFORMATION (Cont'd)**(c) Variations in cost of sales (assuming all other factors remain unchanged)**

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 12.2.2 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in cost of sales.

FYE 31 December 2006

RM'000	-----Forecast for the FYE 31 December 2006----->				
	-10%	-5%	As forecast	+5%	+10%
Revenue	63,521	63,521	63,521	63,521	63,521
Cost of sales	36,586	38,619	40,651	42,684	44,716
PBT	16,278	14,409	12,539	10,670	8,800
PAT	14,364	12,628	10,892	9,156	7,420

For the FYE 31 December 2006, an increase in cost of sales by 5% and 10% will result in a decrease in the Group's PBT by 14.91% and 29.82% and the Group's PAT by 15.94% and 31.88%. Conversely, a decrease in cost of sales by 5% and 10% will result in an increase in the Group's PBT by 14.91% and 29.82% and the Group's PAT by 15.94% and 31.88%.

12.2.6 Dividend forecast

Jadi Imaging intends to pursue a dividend policy in line with its profitability that would allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for its future growth and expansion.

Based on the consolidated profit forecast of Jadi Imaging for the FYE 31 December 2006 and on the assumption that the present basis for calculating taxation and the taxation rates remain unchanged, the Directors of Jadi Imaging anticipate that the Company will be in a position to declare a tax-exempt net dividend, based on the enlarged issued share capital of 450,000,000 Shares, of 0.60 sen per Share for the FYE 31 December 2006.

The final dividend represents a net dividend yield of 3.06% for the FYE 31 December 2006 based on the theoretical ex-bonus price of RM0.196 per Share. The final dividend also represents a net dividend cover of 4.03 times for the FYE 31 December 2006.

Potential investors should note that Jadi Imaging is principally an investment holding company and the core operations of the Group are carried out through its subsidiary companies namely, Jadi Technologies and Jadi Technologies (S). Accordingly, the major source of income of Jadi Imaging is dividends and other distributions received from Jadi Technologies and Jadi Technologies (S). The Company's ability to pay dividends or make other distributions to its shareholders is dependent upon a number of factors, including the operating results and financial conditions of Jadi Technologies and Jadi Technologies (S), the capital expenditure requirements, availability of tax credits, ability of Jadi Technologies (S) to repatriate profits and other factors that the respective boards of directors of Jadi Technologies and Jadi Technologies (S) may consider to be relevant. Future dividend payment may also be waived if the Group has insufficient cash flow to meet any dividend payment.

12. FINANCIAL INFORMATION (Cont'd)**12.3 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.

	(I) After Audited as at 31 December 2005 RM'000	(II) After Bonus Issue I and Rights Issue RM'000	(II) After (I), IPO and utilisation of proceeds RM'000	(III) After (II) and Bonus Issue II 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

12. FINANCIAL INFORMATION (Cont'd)

12.3.1 Notes to the Proforma Consolidated Balance Sheets

- The proforma consolidated balance sheets have been prepared for illustrative purposes only to show the effects on the financial position of the Jadi Imaging Group of the transactions as stated in Notes 2, 3 and 4, had the transactions been implemented and completed on 31 December 2005, and by application of the accounting policies of Jadi Imaging as disclosed in its audited financial statements for the FYE 31 December 2005.

- Proforma (I)

Proforma (I) incorporates the effects of the Bonus Issue I of 77,000,000 new Shares to be issued to all shareholders of Jadi Imaging on the basis of approximately 11 new Shares for every 10 Shares held as at 31 December 2005 as well as the Rights Issue of 156,999,980 new Shares at par on the basis of approximately 1,068 new Shares for every 1,000 Shares held after the Bonus Issue I. The Bonus Issue I was capitalised from the retained profits.

Upon completion of Bonus Issue I and Rights Issue, the issued and paid-up share capital of Jadi Imaging increased from RM7,000,002 comprising 70,000,020 Shares to RM30,400,000 comprising 304,000,000 Shares.

Taking into consideration of the capitalisation of amount due to shareholders of approximately RM1.428 million, the net proceeds received from the Rights Issue of approximately RM14.272 million will be utilised for the purpose of acquisition of land and building, plant and machineries, in line with the business expansion plan of Jadi Imaging Group.

The Bonus Issue I and Rights Issue was completed on 16 January 2006 and 18 January 2006 respectively.

- Proforma (II)

Proforma (II) incorporates the effects of Proforma (I), the IPO which comprise an initial public offering of 172,000,000 IPO Shares, of which 96,000,000 Public Issue Shares are to be issued by the Company pursuant to the Public Issue and 76,000,000 Offer Shares are to be offered by the Offerors, and the utilisation of proceeds.

- Public Issue

Jadi Imaging is to make a public issue of 96,000,000 new Shares, representing 24% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, at an IPO Price of 22 sen per Public Issue Share. Based on the IPO Price of 22 sen per IPO Share, the total gross proceeds receivable by the Company from the Public Issue is approximately RM21.12 million.

The estimated expenses in relation to the Listing is RM1,600,000 and will be set off against the share premium account arising from the Public Issue. The net proceeds from the Public Issue is assumed to be utilised for the purpose of acquisition of land and building, plant and machineries and for working capital, as follows:

	RM
Acquisition of new factory	6,000,000
Acquisition of new production lines	20,000,000
	26,000,000
Utilisation of proceeds from Rights Issue as assumed in Proforma I	(14,272,030)
	11,727,970
Working capital*	7,792,030
Estimated listing expenses^	1,600,000
	<u>21,120,000</u>

12. FINANCIAL INFORMATION (Cont'd)

Notes:

* Included in cash and cash equivalents under current assets, pending utilisation.

^ The estimated listing expenses of RM1,600,000 have been set off against the share premium account.

(ii) Offer for Sale

In conjunction with the Flotation, the Offerors are to collectively make an offer for sale of 76,000,000 Offer Shares, representing 19% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, at the IPO Price of 22 sen per Offer Share.

76,000,000 Offer Shares are to be offered to Bumiputera investors approved by the Ministry of International Trade and Industry.

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

4. Proforma (III)

Proforma (III) incorporates the effects of Proforma (I), Proforma (II) and the effects of the Bonus Issue II of 50,000,000 new Shares 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. The Bonus Issue II is to be capitalised from the share premium account arising from the Public Issue.

Upon completion of the Bonus Issue II, the issued and paid-up share capital of Jadi Imaging will increase from RM40,000,000 comprising 400,000,000 Shares to RM45,000,000 comprising 450,000,000 Shares.

5. The proforma effects on the share capital are as follows:

	RM'000	No. of ordinary shares ('000)
As at 31 December 2005	7,000	70,000
Effects arising from Proforma (I):		
Bonus Issue I	7,700	77,000
Rights Issue	15,700	157,000
	30,400	304,000
Effects arising from Proforma (II):		
Public Issue	9,600	96,000
	40,000	400,000
Effects arising from Proforma (III):		
Bonus Issue II	5,000	50,000
	45,000	450,000

12. FINANCIAL INFORMATION (Cont'd)

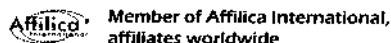
6. The proforma effects on the share premium account are as follows:

	RM'000
As at 31 December 2005	-
Effects arising from Proforma (II):	
Public Issue	11,520
Estimated listing expenses	(1,600)
	<u>9,920</u>
Effects arising from Proforma (III):	
Bonus Issue II	(5,000)
	<u>4,920</u>

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12. FINANCIAL INFORMATION (Cont'd)

12.4 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005



Chartered Accountants

17 March 2006
The Board of Directors
Jadi Imaging Holdings Berhad
No 1, Jalan Peguam U1/25A
Section U1
Hicom-Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan

2-E (1st Floor) Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel: (+6 03) 7728 5889
(+6 03) 7729 2889
(+6 03) 7729 2998

Fax: (+6 03) 7729 5998

E-mail: pimc@tm.net.my
www.pimc.com.my

Attn: Mr. Liew Kim Siong

Dear Sirs,

**JADI IMAGING HOLDINGS BERHAD ("Jadi Imaging")
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005**

We report on the proforma consolidated balance sheets set out in the accompanying statement (which we have stamped for the purpose of identification), which have been prepared for illustrative purposes only, to provide information on the proforma consolidated balance sheet of Jadi Imaging and its subsidiary companies, Jadi Imaging Technologies Sdn. Bhd. ("Jadi Technologies") and Jadi Imaging Technologies (Suzhou) Co., Ltd ("Jadi Technologies (S)") ("Jadi Imaging Group"), as at 31 December 2005 that has been presented would have been affected by the following transactions had the transactions been completed on that date:

• **Bonus Issue I**

A bonus issue of 77,000,000 new ordinary shares of RM0.10 each ("Shares") to all shareholders of Jadi Imaging on the basis of approximately 11 new Shares for every 10 Shares held. The Bonus Issue I was capitalised from the retained profits.

Upon completion of the Bonus Issue I, the issued and paid-up share capital of Jadi Imaging will increase from RM7,000,002 comprising 70,000,020 Shares to RM14,700,002 comprising 147,000,020 Shares.

The Bonus Issue I was completed on 16 January 2006.

• **Rights Issue**

A rights issue of 156,999,980 new Shares at par on the basis of approximately 1,068 new Shares for every 1,000 Shares held after the Bonus Issue I. The Rights Issue increased the issued and paid-up share capital of Jadi Imaging from RM14,700,002 comprising 147,000,020 Shares to RM30,400,000 comprising 304,000,000 Shares.

The Rights Issue was completed on 18 January 2006.

• **Initial Public Offering ("IPO")**

The IPO is to comprise an initial public offering of 172,000,000 Shares ("IPO Shares"), of which 96,000,000 IPO Shares are to be issued by the Company pursuant to the public issue ("Public Issue") and 76,000,000 Shares are to be offered by the Offerors (collectively LTL Venture Holdings Sdn. Bhd., Liew Kim Foong, Won Thean Sang, Won Thiam Foo, Won Tian Loong, Eu Lan Eng, Chan Kheng Hoe, Lee Chee Keng, Lim Hock Guan and Mohd Salmi bin Mansor) ("Offer Shares") pursuant to the offer for sale ("Offer for Sale") as set out below:

12. FINANCIAL INFORMATION (Cont'd)

Peter I.M. Chieng & Co.
AF: 0311
Estd. 1980

Jadi Imaging Holdings Berhad

17 March 2006

(i) Public Issue

Jadi Imaging is to make a public issue of 96,000,000 new Shares, representing 24% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, at an IPO price of 22 sen per IPO Share. Based on the IPO Price of 22 sen per IPO Share, the total gross proceeds receivable by the Company from the Public Issue is approximately RM21.12 million.

(ii) Offer for Sale

In conjunction with the flotation on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Flotation"), the Offerors are to collectively make an offer for sale of 76,000,000 Offer Shares, representing 19% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, at an offer price of 22 sen per Offer Share.

76,000,000 Offer Shares are to be offered to Bumiputera investors approved by the Ministry of International Trade and Industry.

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

• **Bonus Issue II**

As part of the Flotation and an incentive to the shareholders of Jadi Imaging subsequent to the Public Issue and Offer for Sale, Jadi Imaging is to implement a bonus issue of 50,000,000 new Shares to all shareholders of Jadi Imaging prior to the listing on the Second Board of Bursa Securities ("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. The Bonus Issue II is to be capitalised from the share premium account arising from the Public Issue.

Upon completion of the Bonus Issue II, the issued and paid-up share capital of Jadi Imaging will increase from RM40,000,000 comprising 400,000,000 Shares to RM45,000,000 comprising 450,000,000 Shares.

• **Listing**

Finally, Jadi Imaging is to seek admission to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued and paid-up share capital of Jadi Imaging of RM45,000,000 comprising 450,000,000 Shares on the Second Board of Bursa Securities.

It is the sole responsibility of the directors of Jadi Imaging to prepare the proforma consolidated balance sheets in accordance with paragraphs 19 to 21, Chapter 13, of the Securities Commission Prospectus Guidelines (Revised 1 April 2003) in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion, as required by paragraph 22, Chapter 13 of the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the proforma consolidated balance sheets with the responsible officers of Jadi Imaging. Our work involved no independent examination of any of the underlying financial information.

12. FINANCIAL INFORMATION (Cont'd)

Peter I.M. Chieng & Co.
AF: 0311
Estd. 1980

Jadi Imaging Holdings Berhad

17 March 2006

In our opinion,

- (a) the proforma consolidated balance sheets have been properly compiled on the bases stated; and
- (b) within the context of the assumed date of the transactions:
 - (i) such bases are consistent with the accounting policies of the Jadi Imaging Group; and
 - (ii) the adjustments set out are appropriate for the purposes of the proforma consolidated balance sheets pursuant to paragraphs 19 to 21, Chapter 13 of the Guidelines.

The accompanying proforma balance sheets and this letter have been prepared for the purposes stated above, in connection with the aforesaid transactions. This letter should not be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

Peter I.M. Chieng

PETER I.M. CHIENG & CO.
AF 0311
Chartered Accountants

Chieng Ing Mui

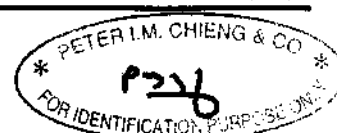
CHIENG ING MUI
CA(M), FCA, CFA
711/06/06 (J/PA)

Petaling Jaya, Selangor Darul Ehsan.

12. FINANCIAL INFORMATION (Cont'd)

JADI IMAGING HOLDINGS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005

		(I)	(II)	(III)
	Audited as at 31 December 2005 RM'000	After Bonus Issue I and Rights Issue RM'000	After (I), IPO and utilisation of proceeds RM'000	After (II) and Bonus Issue II 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
	<u>17,879</u>	<u>17,879</u>	<u>25,671</u>	<u>25,671</u>
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
	<u>12,180</u>	<u>10,752</u>	<u>10,752</u>	<u>10,752</u>
NET CURRENT ASSETS	<u>5,699</u>	<u>7,127</u>	<u>14,919</u>	<u>14,919</u>
	<u>30,291</u>	<u>45,991</u>	<u>65,511</u>	<u>65,511</u>
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	<u>24,371</u>	<u>40,071</u>	<u>59,591</u>	<u>59,591</u>
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
	<u>30,291</u>	<u>45,991</u>	<u>65,511</u>	<u>65,511</u>
Number of shares of RM0.10 each in issue ('000)	<u>70,000</u>	<u>304,000</u>	<u>400,000</u>	<u>450,000</u>
Net tangible assets per share (RM)	<u>0.35</u>	<u>0.13</u>	<u>0.15</u>	<u>0.13</u>



12. FINANCIAL INFORMATION (Cont'd)**JADI IMAGING HOLDINGS BERHAD****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005**

1. The proforma consolidated balance sheets have been prepared for illustrative purposes only to show the effects on the financial position of the Jadi Imaging Group of the transactions as stated in Notes 2, 3 and 4, had the transactions been implemented and completed on 31 December 2005, and by application of the accounting policies of Jadi Imaging as disclosed in its audited financial statements for the financial year ended 31 December 2005.

2. Proforma (I)

Proforma (I) incorporates the effects of the Bonus Issue I of 77,000,000 new Shares issued to all shareholders of Jadi Imaging on the basis of approximately 11 new Shares for every 10 Shares held as at 31 December 2005 as well as the Rights Issue of 156,999,980 new Shares at par on the basis of approximately 1,068 new Shares for every 1,000 Shares held after the Bonus Issue I. The Bonus Issue I was capitalised from the retained profits.

Upon completion of the Bonus Issue I and Rights Issue, the issued and paid-up share capital of Jadi Imaging increased from RM7,000,002 comprising 70,000,020 Shares to RM30,400,000 comprising 304,000,000 Shares.

Taking into consideration of the capitalisation of amount due to shareholders of approximately RM1.428 million, the net proceeds received from the Rights Issue of approximately RM14.272 million will be utilised for the purpose of acquisition of land and building, plant and machineries, in line with the business expansion plan of Jadi Imaging Group.

The Bonus Issue I and Rights Issue was completed on 16 January 2006 and 18 January 2006 respectively.

3. Proforma (II)

Proforma (II) incorporates the effects of Proforma (I), the IPO which comprise an initial public offering of 172,000,000 IPO Shares, of which 96,000,000 Public Issue Shares are to be issued by the Company pursuant to the Public Issue and 76,000,000 Offer Shares are to be offered by the Offerors pursuant to the Offer for Sale, and the utilisation of proceeds.

(i) Public Issue

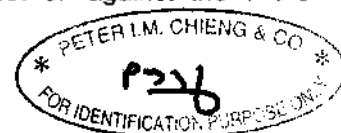
Jadi Imaging is to make a public issue of 96,000,000 new Shares, representing 24% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, at an IPO price of 22 sen per IPO Share. Based on the IPO Price of 22 sen per IPO Share, the total gross proceeds receivable by the Company from the Public Issue is approximately RM21.12 million.

The estimated expenses in relation to the Listing is RM1,600,000 will be set off against the share premium account arising from the Public Issue. The net proceeds from the Public Issue is assumed to be utilised for the purpose of acquisition of land and building, plant and machineries and for working capital, as follows:

	RM
Acquisition of new factory	6,000,000
Acquisition of new production lines	20,000,000
	26,000,000
Utilisation of proceeds from Rights Issue as assumed in Proforma I	(14,272,030)
	11,727,970
Working capital*	7,792,030
Estimated listing expenses^	1,600,000
	<u>21,120,000</u>

* Included in cash and cash equivalents under current assets, pending utilisation

^ The estimated listing expenses of RM1,600,000 have been set off against the share premium account.



12. FINANCIAL INFORMATION (Cont'd)

JADI IMAGING HOLDINGS BERHAD

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005 (Cont'd)

3. Proforma (II) (Cont'd)

(ii) Offer for Sale

In conjunction with the Flotation, the Offerors are to collectively make an offer for sale of 76,000,000 Offer Shares, representing 19% of the enlarged issued and paid-up share capital of Jadi Imaging after the Public Issue, at an offer price of 22 sen per Offer Share.

76,000,000 Offer Shares are to be offered to Bumiputera investors approved by the Ministry of International Trade and Industry.

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

4. Proforma (III)

Proforma (III) incorporates the effects of Proforma (I), Proforma (II) and the effects of the Bonus Issue II of 50,000,000 new Shares 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. The Bonus Issue II is to be capitalised from the share premium account arising from the Public Issue.

Upon completion of the Bonus Issue II, the issued and paid-up share capital of Jadi Imaging will increase from RM40,000,000 comprising 400,000,000 Shares to RM45,000,000 comprising 450,000,000 Shares.

Note:

	Amount RM'000	Number of ordinary shares ('000)
Proforma effects on share capital:		
As at 31 December 2005	7,000	70,000
Effects arising from Proforma (I):		
Bonus Issue I	7,700	77,000
Rights Issue	15,700	157,000
	<u>30,400</u>	<u>304,000</u>
Effects arising from Proforma (II):		
Public Issue	9,600	96,000
	<u>40,000</u>	<u>400,000</u>
Effects arising from Proforma (III):		
Bonus Issue II	5,000	50,000
	<u>45,000</u>	<u>450,000</u>
Proforma effects on share premium:		
As at 31 December 2005	-	
Effects arising from Proforma (II):		
Public Issue	11,520	
Estimated listing expenses	(1,600)	
	<u>9,920</u>	
Effects arising from Proforma (III):		
Bonus Issue II	(5,000)	
	<u>4,920</u>	

