
2. PARTICULARS OF THE PUBLIC ISSUE

2.1 Introduction

A copy of this Prospectus has been registered by the SC. A copy of this Prospectus, together with the Form of Application, has also been lodged with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for its contents.

Approval has been obtained from the SC for the proposed listing of MGB on 4 March 2004. Approval has been obtained from BMSB for the proposed listing of MGB and the admission to the Official List of the MESDAQ Market on 5 March 2004. These Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from MCD that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants. BMSB and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiaries or of its Shares.

No shares will be issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, BMSB has prescribed MGB Shares as a prescribed security. In consequence thereof, the Public Issue Shares will be deposited directly with MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

Pursuant to the Listing Requirements of BMSB for MESDAQ Market, at least 25% but not more than 49% of the issued and paid-up share capital of the Company must be held by a minimum number of 200 public shareholders upon admission to the MESDAQ Market. In the event that the public spread requirement is not met upon completion of the Public Issue, the Company may not be allowed to proceed with its listing on the MESDAQ Market and accordingly, monies paid in respect of all applications will be returned without interest.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications (refer to Sections 14.4 and 14.5 of this Prospectus) **MUST** have a CDS Account. Where an applicant does not presently have a CDS Account, he should open a CDS Account at an ADA prior to making an application for the Public Issue Shares. In the case of an application by way of Application Forms, an applicant must state his CDS Account number in the space provided in the Application Form.

In the case of an application by way of Electronic Share Application, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by way of keying in his CDS Account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by MGB. Neither the delivery of this Prospectus nor any sale made in connection with this Prospectus shall, in any circumstance, and at any time constitute a representation or create any implication that there has been no change in the affairs of MGB since the date hereof.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

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

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

2.2 Indicative Timetable

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market is set out below:

Event	Tentative Date
Opening date of Application	30 April 2004
Closing date of Application	11 May 2004
Balloting of applications	13 May 2004
Allotment of shares	19 May 2004
Listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market of BMSB	24 May 2004

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The Directors and the Underwriter may in their discretion mutually decide to extend the closing date of the application to a further date or dates. Should the closing date of the application be extended, the dates for the allotment of the Public Issue Shares and the listing of and quotation for the entire enlarged issued and paid-up share capital of MGB on the MESDAQ Market of BMSB would be extended accordingly. MGB will notify the public via an advertisement in a widely circulated English and Bahasa Malaysia newspaper in the event there is an extension of time on the closing date of the application.

2.3 Purposes of the Public Issue

The purposes of the Public Issue are as follows:

- (a) To enable the Company to gain access to the capital market to raise funds for future expansion and continued growth of the MGB Group;
- (b) To provide an opportunity for the eligible employees and business associates of the MGB Group and Malaysian public to participate in the continuing growth of the Group by way of equity participation; and
- (c) To obtain listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of MGB on the MESDAQ Market, which is expected to enhance the business, profile and future prospects of the Group.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

2.4 Details of the Public Issue

The Public Issue of 71,000,000 new ordinary shares of 10 sen each is an invitation by the Company to eligible employees and business associates of the MGB Group, the Malaysian public and identified placees to apply for the Public Issue Shares at an issue price of 21 sen per Share, payable in full on application upon the terms and conditions of this Prospectus.

The Public Issue Shares, upon allotment and issue, will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares in the Company including voting rights and dividends and/or distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

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

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

The Public Issue Shares totalling 71,000,000 Shares shall be allocated in the following manner:-

(a) Eligible Employees and Business Associates

8,500,000 new Shares representing 3.0% of the enlarged issued and paid-up share capital are reserved for application by 187 eligible employees and 15 business associates of the MGB Group.

The allocation of the shares to the eligible employees of the MGB Group, as approved by the Board of MGB, is generally based on seniority in ranking, length of service, performance and contribution to the success of the Group.

The allocation of the shares to the business associates of the MGB Group, as approved by the Board of MGB, is generally based on length of relationship, value of transactions for the financial year ended 31 December 2003 and the significance of contribution to the success of the Group.

(b) Malaysian Public

8,000,000 new Shares representing 2.8% of the enlarged issued and paid-up share capital are available for application by Malaysian citizens, companies, co-operatives, societies and institutions to be allocated via ballot.

(c) Private Placement

54,500,000 new Shares representing 19.2% of the enlarged issued and paid-up share capital will be placed with Malaysian institutional investors and/or individual investors by the placement agents.

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The Public Issue Shares under paragraph (c) above are not underwritten. Any Public Issue Shares in respect of paragraph (a) above which are not subscribed for will be made available for application by members of the Malaysian public. All the Public Issue Shares under paragraphs (a) and (b) above, will be fully underwritten at an underwriting commission of 2.0% of the Issue Price.

2.5 Pricing of the Public Issue Shares

The Issue Price was determined and agreed upon by the Company and Hwang-DBS as the Adviser and Underwriter, after taking into consideration the following factors:

- (i) the Group's forecast net EPS of 2.6 sen for the year ending 31 December 2004, computed based on the enlarged issued and paid-up share capital of 283,540,000 Shares, and the forecast net PE Multiple of approximately 8.0 times;
- (ii) the Group's operating and financial history and conditions as described in Sections 4 and 9 of this Prospectus;
- (iii) the industry review, future plans and strategies and outlook of the Group as described in Section 4 of this Prospectus; and
- (iv) the proforma consolidated NTA per Share of MGB of 12 sen as at 31 December 2003.

2.6 Proceeds of the Public Issue and Utilisation of Proceeds

The gross proceeds of approximately RM14.9 million from the Public Issue accruing entirely to the Company will be utilised in the following manner:-

	<i>Notes</i>	RM'000
Repayment of bank borrowings	<i>(a)</i>	5,000
Capital expenditure for office expansion	<i>(b)</i>	2,600
R&D expenditure	<i>(c)</i>	3,000
Working capital	<i>(d)</i>	3,110
Estimated listing expenses	<i>(e)</i>	1,200
		<u>14,910</u>

Save for the R&D expenditure, the above proceeds are expected to be fully utilised within one (1) year from the date of the listing of the MGB Shares on the MESDAQ Market. The R&D expenditure is expected to be fully utilised within three (3) years from the date of listing of the MGB Shares on the MESDAQ Market.

(a) Repayment of bank borrowings

The Group will utilise RM5.0 million of the proceeds from the Public Issue to repay bank borrowings comprising term loan (which were obtained to finance the purchase of the existing headquarters of MGB) and trade facilities, which totalled approximately RM12.0 million as at 31 March 2004. The balance of the bank borrowings will be repaid through internally generated funds. The repayment of borrowings is expected to contribute to total interest savings of approximately RM837,000 based on interest rates ranging from 3.87% to 7.25% per annum.

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The actual amount of bank borrowings outstanding upon listing of MGB on the MESDAQ Market may vary as the Group is serving/repaying its bank borrowings continuously. In the event of any variance in the actual amount of bank borrowings to be repaid using the proceeds from the Public Issue, any excess proceeds shall either be utilised to repay other borrowings of the Group or for working capital purpose.

(b) Capital expenditure for office expansion

As part of its expansion plan, the Group plans to allocate an amount of RM2.6 million for capital expenditure on an office building which is proposed to be used as the Group's Information Communication Technology Centre for product research and development purposes. In this respect, MESB had on 12 April 2004 entered into a Sale and Purchase Agreement with MHP to acquire an office building adjacent to the existing headquarters of MGB which bears postal address of No. 4 Jalan Astaka U8/83, Bukit Jelutong, Seksyen U8, Shah Alam, Selangor Darul Ehsan for a consideration of RM2,600,000.

(c) R&D expenditure

An amount of RM3.0 million will be earmarked for R&D expenditure on application, products and system development.

(d) Working capital

The proceeds from the Public Issue allocated for working capital requirements will be utilised to fund the Group's general working capital and administrative requirements.

(e) Estimated listing expenses

The estimated listing expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of MGB on the MESDAQ Market, to be borne by the Company, are as follows:

	RM'000
Professional fees	630
Fees to authorities	38
Advertisement and printing	80
Underwriting commission, placement fee and brokerage	275
Issuing house	80
Contingencies	97
Total estimated listing expenses	1,200

2.7 Brokerage and Underwriting Commission

Brokerage relating to the Public Issue Shares is payable by the Company at the rate of 1% of the Issue Price in respect of successful applications bearing the stamps of Hwang-DBS, participating organisations of BMSB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Underwriter mentioned in the Corporate Directory section of this Prospectus have entered into an underwriting agreement with the Company on 8 April 2004 for the underwriting of the Public Issue Shares to be made available for application by the Malaysian public and application by the eligible employees and business associates of the MGB Group. Underwriting commission and management fee is payable by the Company at the rate of 2.0% and 1.0% of the Issue Price respectively for the Shares which are being underwritten.

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

2.8 Salient Terms of the Underwriting Agreement

The Underwriting Agreement dated 8 April 2004 between MGB and the Underwriter contain certain clauses as set out below which may allow the Underwriter to withdraw from their obligations under the Underwriting Agreement:

Clause 3 Conditions Precedent

- 3.1 The obligations of the Underwriter under this Agreement are conditional upon:-
 - 3.1.1 the Company obtaining SC's approval for the registration of the Prospectus;
 - 3.1.2 the delivery to the SC of the Prospectus for registration in accordance with the requirement under the SCA;
 - 3.1.3 the lodgement with the ROC of the Prospectus in accordance with section 43 of the SCA;
 - 3.1.4 the Underwriter being reasonably satisfied that the listing and quotation will be granted two (2) business days (or such other period as BMSB may permit) after BMSB has received all the necessary supporting documents and receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;
 - 3.1.5 on or prior to the Closing Date, in the reasonable opinion of the Underwriter (whose opinion is final and binding) there not being any adverse and material change or development reasonably and likely to involve a prospective adverse and material change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that set out in the Prospectus which is material in the context of the Proposed Listing or any occurrence of any event rendering untrue or incorrect or not complied with to an extent which is material, any of the warranties and representations in clause 9 below as though given or made on such date;
 - 3.1.6 the approvals and consents obtained in relation to the Public Issue as at the date of this Agreement not being withdrawn, revoked, suspended or terminated on or prior to the Closing Date;
 - 3.1.7 the Company meeting the public shareholding spread requirements under the Listing Requirements of BMSB for the MESDAQ Market.
- 3.2 If any of the conditions in the above clauses 3.1.1 to 3.1.7 is not satisfied on or before the Closing Date, the Underwriter is entitled to -
 - 3.2.1 terminate this Agreement to the extent of its obligations contained in it; and
 - 3.2.2 cease performance of its obligations under this Agreement.
- 3.3 In the event this Agreement is terminated pursuant to clause 3.2, the parties to this Agreement will be released and discharged from their obligations under this Agreement (except for the liability of the Company for payments of costs and expenses as provided in clause 16.3 below incurred prior to or in connection with such termination).

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

- 3.4 The Underwriter may at its discretion waive compliance with any of the provisions of this clause and such waiver shall not prejudice the other rights of the Underwriter under this Agreement.

Clause 8 Representations and Warranties by the Company

- 8.1 In consideration of the Underwriter agreeing, at the request of the Company, to underwrite the Underwritten Shares, the Company represents and warrants to the Underwriter that :
- 8.1.1 the Prospectus does not and will not :-
 - (a) contain any false or misleading statement or information;
 - (b) omit to state any material statement or information required to be so stated; or
 - (c) omit to state any material statement or information which is necessary to make the statement or information not misleading;
 - 8.1.2 the Company is a company duly incorporated under the laws of Malaysia with full power and authority to conduct its businesses in each jurisdiction where it carries on business;
 - 8.1.3 the Company is in compliance with and will continue to comply with all the requirements and provisions of the Companies Act, the SCA, Listing Requirements of BMSB for the MESDAQ Market and such other applicable laws and will obtain any licenses, permits, consents, approvals and authorisations required under the laws of Malaysia;
 - 8.1.4 the Proposed Listing is not contrary to the provisions of the Company's Memorandum and Articles of Association;
 - 8.1.5 all consents, approvals, authorisations, license, exemptions, registration, recording, filing or notarisation and/or other orders required of or to be procured by the Company under the laws of Malaysia for or in connection with the Proposed Listing (if not already obtained as at the date hereof) will be obtained and be validly in force prior to the Closing Date;
 - 8.1.6 the Company will continue to take all Companies Action necessary to comply with all legal and other requirements to ensure that the Proposed Listing will not infringe any existing laws or the terms of any such consent, approval and authorisation;
 - 8.1.7 the Company's execution and delivery of this Agreement, its issue and delivery of the Prospectus, its allotment and issue of the Issue Shares in accordance with the terms and conditions of the Prospectus and its compliance with the terms and conditions of this Agreement and the Prospectus:-
 - (a) are in accordance, where applicable, with the Memorandum and Articles of Association of the Company;
 - (b) do not and will not conflict with, or result in a breach of any terms or provisions of, or constitute a default under the Company's Memorandum and Articles of Association or any existing law or regulation applying to or affecting the Company;

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

- (c) do not and will not, up to and on the Closing Date, infringe the terms or constitute a default under, or cause to be exceeded any limit imposed by, any trust deed, agreement or other instrument or obligations to which the Company or any other member of the Group or any part of their respective undertakings, assets, properties or revenues are bound and which, in the case of any member of the Group, are material in the reasonable opinion of the Underwriter in the context of the issuance of the Underwritten Shares; and
 - (d) do not and will not infringe any Malaysian laws, and the execution and delivery by the Company of the Agreement, the issue and delivery of the Prospectus and the performance of the Company's obligations to be assumed under the Agreement and the Prospectus constitute and will constitute valid and legally binding obligations of the Company;
- 8.1.8 the Company and each member of the Group will promptly notify the Underwriter of any material facts, information, situations or circumstances which it believes may materially and adversely affect the Proposed Listing and the underwriting, issue, offering or placement of the Public Issue Shares;
- 8.1.9 save as disclosed in the Prospectus, the Group is not in default under or in breach of -
 - (a) any contracts or agreements to which it is bound; or
 - (b) any license, permit, directive, legislation or regulation of any relevant authority (including the SC) applicable to or affecting it, the effect of which would materially and adversely affect the financial condition of the Group;
- 8.1.10 there are no other circumstances or situations, which have not been disclosed in the Prospectus, which is or are likely to materially and adversely affect:-
 - (a) the financial condition of the Group;
 - (b) the earnings, affairs or business prospects of the Group; or
 - (c) the success of the offer and issuance of the Underwritten Shares.
- 8.1.11 no information, which may in any way materially affect the Underwriter's decision to underwrite the Underwritten Shares, has been withheld from the Underwriter;
- 8.1.12 the Underwritten Shares will be free from all claims, charges, liens and other encumbrances;
- 8.1.13 the Company and each member of the Group have not entered into any contracts or commitments of any unusual and onerous nature except as disclosed in the Prospectus;
- 8.1.14 the Company and/each of the members of the Group is/are not :-
 - (a) the subject of any winding up or receivership proceedings under the Companies Act or any special administration under the Pengurusan Danaharta Nasional Berhad Companies Act 1998; or
 - (b) entering or proposing to enter into any scheme of arrangement with any creditors or any shareholders or negotiating with any of them with regards to the same;

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

- 8.1.15 all information furnished by the Company in connection with the Company, the Agreement and the Prospectus do not contain any untrue statement or omit to state any fact, the omission of which makes any statements made in light of the circumstances under which they were made, misleading, and all expressions of expectation, intention, belief and opinion contained were honestly made on reasonable grounds after due and careful inquiry by the Company and the Company is not aware of any material fact which would make such information furnished untrue or misleading.
- 8.1.16 the statutory books and books of account of the Company and each other member of the Group, including the latest audited statements and the balance sheets -
- (a) have been and are maintained in accordance with generally accepted accounting principles in Malaysia and all applicable legal requirements;
 - (b) contain true, full and accurate records (in all material respects) of its operations and the state of its affairs at a date, and
 - (c) in particular, accurately disclose or reserve against all the actual or contingent liabilities of the Company as at such date and all material unrealised or anticipated losses from any commitment entered into by it and which existed on that date;
- 8.1.17 all such other books and documents (including documents of title) which are the property of the Group are in its possession or under its control;
- 8.1.18 since the date of the Accounts, the Group :-
- (a) has carried on business in the same manner as before; and
 - (b) has not made any material commitment or disposal other than in the ordinary course of business of the Group or entered into any contract of an unusual or onerous nature other than that disclosed in the Prospectus;
- 8.1.19 the statements of fact, including the Recitals, contained in this Agreement are true, complete and accurate;
- 8.1.20 save as disclosed in the Prospectus, the Company or its subsidiaries are not engaged in any material litigation, arbitration or administrative proceedings (current or pending) or in default or any agreement which may materially and adversely affect the business, assets or financial condition of the Group or otherwise materially and adversely affect its ability to perform its obligations under this Agreement and the Prospectus;
- 8.1.21 the Underwritten Shares will rank equally with all the existing ordinary shares of the Company and will entitle the holders to the same rights, benefits and privileges as those of the existing ordinary shares;
- 8.1.22 there has been no material adverse change in the financial position of the Company or any members of the Group since the date of the Accounts which would materially and adversely affect the offer and issuance of the Underwritten Shares;
- 8.1.23 all necessary returns have been, or will be by the relevant times, delivered by or on behalf of the Company to the relevant taxing authorities and the Company is not in default in the payment of any taxes, levies, duties, charges and fees or a material amount to any tax authority;
- 8.1.24 all accounts, documents and returns necessary to be delivered or made to the ROC have been, or will be by the relevant times, delivered or made in all material respects;

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

- 8.1.25 the proceeds of the Underwritten Shares will be applied by the Group solely for the purposes set out in the Prospectus; and
- 8.1.26 all the representations and warranties set out in this clause 8 and the covenants and undertakings set out in clause 9 below are true, accurate and in effect in all respects and will continue to be true, accurate and in effect from the Agreement Date until the issuance and listing of and quotation for the Underwritten Shares on the MESDAQ Market of BMSB.
- 8.2 Each of the representations and warranties of the Company in this Agreement are separate and independent and are not limited by reference to any other provision.

Clause 9 Undertakings of the Company

- 9.1 The Company undertakes with the Underwriter that it will -
 - 9.1.1 duly perform and observe all the covenants, conditions, provisions and obligations on its part contained in this Agreement;
 - 9.1.2 give to the Underwriter any or all information which the Underwriter may reasonably request or require for effecting the allotment and issuance of the Underwritten Shares;
 - 9.1.3 immediately notify the Underwriter of any facts, information, situations or circumstances which may materially and adversely affect the success of the Proposed Listing and the underwriting, subscription and placement of the Issue Shares;
 - 9.1.4 immediately notify the Underwriter of any material change affecting any of the warranties or the terms and conditions in this Agreement at any time prior to the Closing Date and take such steps as may be reasonably requested by the Underwriter to remedy and/or publicise the same;
 - 9.1.5 pay all stamp duties and other documentary taxes or duties, including any interest and penalties resulting from delay or omission on the part of the Company, payable in Malaysia on, or in connection with, the allotment and issue of the Underwritten Shares, and the execution of this Agreement;
 - 9.1.6 do all other things and sign or execute such documents as may be reasonably necessary or required in order to complete the allotment and issuance of the Underwritten Shares;
 - 9.1.7 comply with all the provisions of the CA and the SCA and the requirements of the SC, BMSB and any other regulatory authority in Malaysia in connection with the Proposed Listing;
 - 9.1.8 not take any action to distribute the Prospectus or any relevant application forms for the Underwritten Shares or other material in any jurisdiction or country unless permitted by the laws of the country or jurisdiction;
 - 9.1.9 use reasonable endeavours to procure the fulfilment of the conditions precedent in clause 3;

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

- 9.1.10 will not, without the approval of the Underwriter (such consent not to be unreasonably withheld), issue any announcement in Malaysia or elsewhere which could be material in the context of the offering and the issue of the Underwritten Shares between the date of this Agreement and the Closing Date (both dates inclusive);
- 9.1.11 fix the Closing Date together with the Underwriter; and
- 9.1.12 apply for admission of the Company to the Official list of BMSB and for the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market of BMSB.

Clause 10 Breach of Representations, Warranties or Undertakings

- 10.1 Upon the occurrence of any of the following events coming to the notice of the Underwriter prior to the Closing Date, the Underwriter will be entitled to elect to treat such breach, failure or change as releasing or discharging them from their obligations under this Agreement, by giving notice in writing to such effect to the Company -
 - 10.1.1 any breach of the representations or warranties in clause 8 or the covenants and undertakings in clause 9 by the Company which, if capable of being remedied, is not remedied by the earlier of -
 - (a) the date falling three (3) Market Days after notice of such breach is given by the Underwriter to the Company; or
 - (b) the Closing Date;
 - 10.1.2 any failure by the Company to perform any of its obligations or to comply with any of the provisions in this Agreement which, if capable of being remedied, is not remedied by the earlier of -
 - (a) the date falling three (3) Market Days after notice of such default is given by the Underwriter to the Company; or
 - (b) the Closing Date; and
 - 10.1.3 any material change rendering any of the representations and warranties in clause 8 false, misleading or otherwise inaccurate.
- 10.2 Notwithstanding clause 10.1, the Company will remain liable for the payment of the costs and expenses referred to in clause 16.3 which are incurred prior to or in connection with such release and discharge.
- 10.3 Any failure by the Company to make any notification will not prejudice the right of the Underwriter to treat any further or other breach, failure or change as releasing and discharging the Underwriter from their obligations under this Agreement.

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

Clause 12 Indemnity

12.1 Upon any material misrepresentation or material breach of such warranties contained in clause 8 or failure to perform the said undertakings in any material respects contained in clause 9 coming to the notice of the Underwriter, the Underwriter shall be entitled (but not bound), without prejudice to any other right or remedy which it may have (including under this clause 12), by notice to the Company following prior consultation with the Company to elect to treat such material breach or material failure as releasing and discharging it from its obligations under this Agreement PROVIDED THAT:-

- (1) the exercise of the aforesaid rights pursuant to this Clause 12, upon or following the occurrence of any such breach shall not prejudice or nullify any right or claims for damages (including the right to payment of the expenses referred to in Clause 16.3) or any other remedy which the Underwriter may have against the Company for or arising from any such breach; and
- (2) the non-exercise thereof before the final allotment of the Public Issue Shares shall not prejudice or nullify the Underwriter's rights to rescind this Agreement upon or following the occurrence of any further or other breach thereof.

Clause 13 Rights and Remedies to Continue after Completion

13.1 The respective indemnities, agreements, representations, warranties and other statements of the Company and the Underwriter, as set out in this Agreement or made by or on behalf of it respectively, pursuant to this Agreement shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Underwriter or the Company and shall survive the subscription, delivery of and payment for the Underwritten Shares and will continue until twelve (12) months after the Listing Date.

Clause 14 Termination of Agreement

14.1 Notwithstanding anything herein contained, if in the reasonable opinion of the Underwriter there shall have been such a change in national monetary, financial, political or economic conditions or exchange control or currency exchange rates and any event or series of events beyond the reasonable control of the Underwriter (including without limitation acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, act of God or accidents) as would in their reasonable opinion prejudice materially the issue and offering of the Public Issue Shares and their distribution or sale then the Underwriter may give written notice to the Company to terminate this Agreement before 5.00p.m. on the Closing Date and thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 16.3 below incurred prior to or in connection with such termination) be released and discharged from their respective obligations under this Agreement.

2. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

- 14.2 The Underwriter shall have the right to terminate this Agreement by notice in writing served by the Underwriter on the Company in the event that the approval of BMSB for the listing of and quotation for the Issue Shares on the MESDAQ Market of BMSB is withdrawn or not procured or procured but subject to conditions not acceptable to the Underwriter and upon such termination the liabilities hereto of the Company and the Underwriter shall become null and void and none of the Parties shall have a claim against each other save that each party shall return any monies paid to the other under this Agreement within forty-eight (48) hours of the receipt of such notice PROVIDED THAT the Company shall remain liable for the payment of the Underwriting Commission and Management Fee pursuant to Clause 7.1 and for the payment of all costs and expenses referred to in Clause 12 and 16.3 hereof.
- 14.3 In the event that the Closing Date does not occur within ninety (90) days from the date of this Agreement (or any other date as may be extended by the Underwriter), this Agreement will lapse and the Underwriter will be released and discharged from all of its obligations under this Agreement. For the avoidance of doubt, the Company will not be released from its liability to pay all costs, charges and expenses referred to in clause 16.3 which are incurred prior to or in connection to the negotiation, preparation, execution and stamping of this Agreement.
- 14.4 In the event of any breach by the Company of its representations, warranties, undertakings or material obligations under this Agreement which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company, then the Underwriter may terminate this Agreement by giving written notice to the Company before 5.00 p.m. on the Closing Date and thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in clause 16.3) be released and discharged from their respective obligations hereunder without prejudice to their rights under this Agreement.

Clause 16 General

- 16.3 The Company will bear and pay all costs, charges and expenses of and incidental to the offering of the Underwritten Shares, including costs, charges and expenses that may be incurred in connection with the negotiation, preparation, execution and stamping of this Agreement.

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3. RISK FACTORS

There are a number of risk factors, both specific to the MGB Group and relating to the general business environment, which may impact on the operating performance and financial position of the Group and affect the achievability of the forecast. Investors should carefully consider the following factors (which may not be exhaustive) which may have a significant impact on the future performance of the Group before applying for the Public Issue Shares.

3.1 Business Risks

The MGB Group is not insulated from general business risk as well as certain risks inherent in the industry in which it operates. For example, the Group may be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian economy, entry of new players, constraints in labour supply and increase in labour costs, changes in law and tax legislation affecting the industry, increase in costing for new software, systems and/or additional engineering equipment, changes in business and credit conditions, fluctuations in foreign exchange rates and changes in system technology.

Any adverse development in the political situations and economic uncertainties in Malaysia and/or other countries which MGB Group has business links, directly or indirectly could materially and adversely affect the financial performance of the Group. These include risks of war, global economic downturn, expropriation, nationalisation, unfavourable change in government policy and regulations such as foreign exchange rates and methods of taxation and currency exchange controls. In addition, some business activities of the Company are subject to Government and other regulations. In order to market these products, the Company needs to obtain approvals and clearance from regulatory authorities and to comply with these extensive regulations with regards to product safety. Non-compliance with regulations or the lack of necessary approvals will prevent or delay the introduction of these products to the market.

The Group's revenue will also depend on the timely completion of the projects, which will affect the timing of income recognition in the relevant financial periods of the Group.

There can be no assurance that any change to these factors will not have a material adverse effect on the Group's business.

Although the Group seeks to limit these business risks through, inter alia, prudent management policies, constant upgrading on latest technology advancements in IBMS and security systems, maintaining good business relationship with its customers and principals, having a large pool of suppliers, expansion of its clientele base in both local and export markets, careful contractual terms, close project supervision and planning, and effective human resource management, no assurance can be given that any change in any of these factors will not have a material adverse effect on the Group's business.

3.2 Competition

The ICT industry is one of the most competitive in the world, with top ICT companies competing for market share, launching of new products or services, introduction of new technologies, R&D and labour. Within Malaysia, with the existing local market being relatively small compared to that of USA or other developed nations, competition is still intense as the few companies compete for the local market share. Nevertheless, the Group has ventured overseas and has made inroads into countries such as Brunei and Vietnam.

3. RISK FACTORS (*Cont'd*)

The MGB Group's strategy is to constantly meet and improve on fulfilling customers' needs and requirements in terms of ICT related infrastructure, namely, in the design, supply, installation and maintenance of intelligent building management systems. The Group faces competition from other system providers of intelligent building management systems as well as project management engineering services. As far as the Directors are aware, there are only three (3) perceived major local competitors.

Although this sub-sector of the ICT industry is relatively small, the Directors of MGB are confident that the businesses of the Group will not be materially affected by the competition given its long established businesses with over seventeen (17) years of experience and its reputation as one of the leading companies in IBMS and ISMS market in Malaysia.

Whilst the Group seeks to limit these risks by taking every measure to maintain or increase its competitive edge through, inter alia, strengthening its R&D activities so as to enhance its ability to constantly innovate, develop and introduce new improved products on a timely basis, keeping abreast with technological advancement, providing its clients with comprehensive, customised and cost-effective solutions to address their integration needs, and commitment to provide quality products and services to its clients, no assurances can be given that any adverse economic factors will not have a material effect on the Group's business.

3.3 Rapid Technological Changes

Rapid advancement in technology and the integration of information technology and Internet technologies are constantly redefining market needs and the role of IBMS and ISMS players. Modern technology is changing rapidly due to the increasing computer processing power and new technological discoveries. As a result, the rapid technological changes may negate the competitive advantage of the Group.

Building owners and managers are looking more for automated system or a piece of equipment with a pre-defined service support agreement. Building owners and managers today want an integrated building automated system with appropriate maintenance, back-up and training agreements to maximise their return on assets. Building owners are also looking at integrating the separate systems and services within their premises into a real interoperable cohesive solution. The traditional relationship between customers and suppliers, which exist for the term of the project or the duration of the service contract, is no longer viable. Building owners and managers are switching to performance contracts for value-added services and a long term relationship with their suppliers as opposed to just a system or a piece of equipment, changing the traditional role of the plain product and system supplier of building automation and security systems to a complete solution provider and integrator.

To remain competitive, the MGB Group has realigned their focus from being system and equipment providers to enhancing customer service and long-term support capabilities by developing their solutions and service businesses aimed at improving customers' productivity, competitiveness and overall building performance. The development of integrated products and services by the MGB Group is crucial in the identification of trends, problems and potential areas of improvement for their clients. Successful identification will lead to an overall improvement of building performance and profitability for building owners and managers.

Further, the Group's R&D team constantly keeps abreast with new technologies and market trends, wherein the marketing team works closely with the R&D team to provide feedback on market trends and client requirements. The Group also focuses on its human resource development by investing in external and in-house training sessions to update and educate its employees.

3. RISK FACTORS *(Cont'd)*

3.4 Ease of Entry by Principals

Companies wanting to enter this market would have to secure distribution rights or reseller rights from BAS manufacturers overseas carrying trademarks such as Invensys, Johnson Controls, Honeywell Trane, amongst others. Companies are also required to have their staff fully trained to install, integrate and maintain such building controls technology acquired from their principals overseas. The main barrier of entry into this market is not so much on the hardware level (i.e. sensors, network controllers, actuators) but on the software level. As such, the Group is vulnerable to the potential threat of the principals or direct manufacturers entering into the market. The entry by these principals may potentially result in a loss of customers and consequentially have adverse effects on the Group's revenue.

However, the integration software is what transforms a building to a single seat operation with multiple manufacturing systems and interaction between intelligent systems, an area in which the Group specialises. Principals intending to enter the market will need to form strategic partnerships with other players with the capability to provide value-added activities such as system integration and e-project management, established track record and access to local contacts. The Group has not been in competition with the principals in tendering any of its projects. The Directors of MGB believe that it will be to the detriment of the principals to enter into the market and compete with the Group as such actions will jeopardise the long term business relationship that the principals have established with the MGB Group over the years. Further, MESB had been nominated "Dealer of the Year" by its principals on several occasions, and as such, the discontinuance by MESB of business relationship with the principals will result in the loss of business to the principals and may affect the business of the principals to a certain extent.

In the event of the principals entering into the same business segment as the MGB Group, the Directors of MGB believe that the MGB Group is competitive vis-à-vis other IBMS and ISMS players due to its niche expertise, industry focus, established track record and local knowledge and contacts. In addition, the Group's business strategy and future plans are intended to consolidate the inherent strengths so as to maintain and enhance its competitiveness. The MGB Group also has a strong R&D support team to research and develop existing communications protocols and network controller hardware that would have a better competitive edge in this market, as such companies can offer integration and the intelligent management of a wider range of products and services.

3.5 Reliance on Distributor / License Agreements

The Group partly relies on various third parties to provide hardware and software products. Hence, the Group's business may be materially and adversely affected if these third party products are no longer provided. The Group has various exclusive and non-exclusive distributor / license agreements with reputable international hardware and software manufacturers / principals such as Invensys Building Systems Pte Ltd and NexWatch, which are subject to periodic renewal. The Group will be unable to continue to develop or provide the hardware or software products should these agreements be terminated.

However, the MGB Group has developed long term business relationship with these principals as evidenced in Section 4.7 of this Prospectus. The continuous relationship with these principals through the years are also a testimony to the strong working relationship committed for mutual business support. Further, the MGB Group was able to successfully enter into various distribution/dealer agreements with several international reputable hardware and software manufacturers over the years because of its commitment in providing quality products and services to its customers. Premised on the above, the Directors of MGB believe that there is no reason for the principals not to renew their distributor / license agreements with the Group.

3. **RISK FACTORS (Cont'd)**

The Group further believes that in the event of termination by any principal of any distributor / license agreement, the Group will be able to collaborate with other principals to carry on its business operations and maintains its portfolio of clients.

3.6 **Dependence on Protection of Intellectual Property**

The MGB Group's success is dependent on its ability to use industry third party proprietary technology to protect their technology. However, existing patent, copyright, trademark and trade secret laws afford limited protection. Accordingly, there can be no assurance that the Group will be able to protect their proprietary rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial conditions. Third parties may challenge or dispute the Group's intellectual property rights in terms of, amongst others, title and third party intellectual property rights infringement and the Group could incur substantial costs in defending or prosecuting any claims relating to its intellectual property rights. Issues relating to intellectual property rights can be complicated and there can be no assurance that disputes will not arise or that any disputes in relation to the Group's intellectual property will be resolved in the Group's favour. Moreover, any such disputes could be time consuming, cause delays in introducing new or improved products and services or require that the Group discontinue using the challenged technology. As such, this could have a material adverse effect on the Group's reputation, business, operating results and financial condition.

3.7 **Risk Associated with Geographical Expansion**

The immediate focus of the MGB Group is to establish and build a distribution network locally and overseas. The Group intends to appoint more distribution agents in order to cover a larger geographical area at a reasonable cost and to expand through acquisition of companies with existing technology in China, Thailand and other foreign markets. However, there can be no assurance that the Group will be able to successfully identify, negotiate or integrate such acquisitions or expansion with its current business and to benefit from such acquisitions or expansions.

Furthermore, the Group will be exposed to additional risks relating to operation in foreign countries which include, inter-alia, foreign economic, political and legislative uncertainties. Failure to accurately assess these issues could affect the Group's business, financial condition and operating results. Although the Group exercises prudence and conducts feasibility studies prior to making any decision in its expansion abroad, there can be no assurance that such expansion would be successful and profitable and that such expansion would not have a material adverse effect on the Group's business, operating results and financial conditions.

3.8 **Security Risk**

The Group is operating in the high technology environment where its operations are susceptible to various security risks in the form of computer viruses, industrial espionage, hacking and fraud. In this respect, the Group has set up firewalls and all executable files are shrunk to prevent decompilation by unauthorised persons, thereby minimising the risk of any potential security breaches. However, there can be no assurance that in the future, there will not be any security breaches that may materially affect the operation and hence the performance of the Group.

3. RISK FACTORS (*Cont'd*)

3.9 Foreign Exchange Fluctuation

The Group sources its products, such as systems and equipment, mainly from overseas. Such purchases are mainly denominated in USD and as such, the Group is subject to the risk of foreign exchange fluctuation. However, the USD is currently being pegged to the Ringgit at USD1.00 to RM3.80 and thus, the MGB Group does not expect to be materially affected by fluctuation in exchange rates in the foreseeable future. Nevertheless, there can be no assurance that any future significant fluctuation in exchange rates will not have an impact on the financial performance of the Group.

3.10 Risks Associated with Economic Conditions that are Significant to the Business

Like any company operating in an open economy, the MGB Group is subject to market forces. There are potentials for products and technology going obsolete, production processes being cost ineffective, market share being eroded or a downturn in the industry or overall economy. To mitigate such risks, the MGB Group has implemented various strategies such as increasing its product range and services, expansion of market base and intensifying R&D activities to strengthen and expand its business activities. Nevertheless, there are no assurance that any change in market forces will not have a material effect on the Group.

Furthermore, the information technology industry within which the MGB Group operates, is characterised by rapid changes in technology and frequent introduction to new and more advanced BAS products, changing customer demands and evolving industry standards. The Group will be subject to risks and uncertainties which include, amongst others, failure to keep abreast with changing technology standard and requirements, failure to anticipate and adapt to developing market trends and requirements, or failure to develop commercially viable software products and services.

In this respect, as set out in Section 3.3 above, the Group's R&D team constantly keeps abreast with new technologies and market trends, wherein the marketing team works closely with the R&D team to provide feedback on market trends and client requirements. The Group also focuses on its human resource development by investing in external and in-house training sessions to update and educate its employees.

3.11 Adequacy of Insurance Coverage and Risk of Business Disruptions

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operations. In ensuring that such risks are minimised, the Group reviews and ensures adequate coverage for its assets on a continuous basis. At present, the Directors believe that the Group is adequately insured against unforeseen events such as fire and lightning, malicious damage, theft and burglary. In addition, the Group has also installed adequate fire fighting systems, such as fire hydrants, hose reels and fire extinguishers, in the building premises and exercises stringent security measures to minimise risk of fire breakout. The Group did not experience any disruption in business arising from energy disruptions which have a significant impact on the Group's operations for the past twelve (12) months. The management of MGB Group is of the view that power failure or black-out would not pose critical risks or have any material impact on the Group's operations.

Although the Group has taken the necessary steps to insure its assets adequately, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential loss arising from the damage or loss of the assets of the Group.

3. RISK FACTORS *(Cont'd)*

3.12 Dependence on Key Personnel

As in any other business, the MGB Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management team. The loss of any of the MGB Group's Directors and key members of the senior management team could adversely affect the MGB Group's continued ability to manage the operations effectively and competitively.

The Directors of MGB recognise the importance of the Group's ability to attract and retain its key personnel and have in place a human resource strategy, which includes a suitable compensation package and a human resource training and development program for all supporting employees in all key functions of the Group's operation. The Group has made continuous efforts to strategically develop a dynamic and strong management team and groom the younger members of the senior management team in assisting senior key personnel to operate and manage the Group's activities. As such, the loss of any key personnel is therefore, not expected to cause any major disruption to the Group's operations.

3.13 Control by Substantial Shareholder

MGB is controlled by the promoter, namely MCSB, who controls approximately 75% of the Company's issued and paid up capital after the Public Issue. Consequently, the aforesaid shareholder may be able to influence the outcome of certain matters such as the election of directors and the approval of business ventures requiring the vote of the Company's shareholders unless it is required to abstain from voting by law and/or by the relevant authorities.

The introduction of corporate governance that requires the formation of Audit Committee, which includes two (2) independent non-executive directors, may effectively help to promote transparency in all material transactions and the MGB Group's accountability, thereby representing the interest of the minority and general public at large. The promoter would also be required to abstain from voting if there is any related party transaction, which may pose as a conflict to the interest of the Company.

3.14 Borrowings

The MGB Group's total borrowings as at 31 March 2004 amounted to approximately RM12.0 million, all of which are domestic borrowings and are interest-bearing. Fluctuation of interest rates may have a material effect on the Group's profitability. These credit facilities may also be subject to periodic review by the banks or financiers and contain certain covenants which may limit the Group's operating and financial flexibility. Any act or omission by the Group that breaches such covenants may give rise to rights by the banks or financiers to terminate the relevant credit facilities and/or enforce any security granted, in relation to those credit facilities. These covenants are commonly contained in credit facility agreements in Malaysia. There can be no assurance that the aforesaid breaches will not have any adverse effect on the Group's operational and financial results. The MGB Group has not in the past and is not presently in breach of any such covenants of any credit facility granted to the Group and will at all times take all reasonable efforts to observe such covenants.

3.15 Litigation Risks

Agreements entered into by the MGB Group with its customers typically contain provisions designed to limit the Group's exposure to potential liability claims. However, the effectiveness of the said limitation of liability clause is subject to the determination of the courts of competent jurisdiction. As such, there is no assurance that the provisions in the agreements between the Group and its principals/suppliers/customers may be sufficient to protect the MGB Group. The MGB Group has not, to-date, experienced any material product or other liability claims.

3. RISK FACTORS *(Cont'd)*

3.16 No Prior Market for MGB Shares

Prior to this Public Issue, there has been no public market for the MGB Shares. There can be no assurance that an active market for MGB Shares will develop upon their listing on the MESDAQ Market or, if developed, that such market will be sustained. The Issue Price for the Public Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies involved in businesses similar to that of the Group and the prevailing market conditions. There can be no assurance that the Issue Price will correspond to the price at which MGB Shares will trade on the MESDAQ Market upon or subsequent to their listing or that an active market for MGB Shares will develop and continue upon or subsequent to their listing. The price at which the MGB Shares will be traded may be higher or lower than the Issue Price.

3.17 Uncertainty in the Five (5)-Year Business Development Plan

The success of the Group's business development plan will be dependent upon, amongst others, the Group's ability to successfully penetrate into overseas market as well as the Group's ability to further develop and commercialise further applications of its technology, its ability to enter into strategic marketing and licensing or other arrangements on a timely basis and on favourable terms, hire and retain skilled management, as well as obtaining adequate financing as and when needed. As a mitigating factor, the Group has been in operation since 1986 and its management is experienced in the IBMS and ISMS industry. Nevertheless, there can be no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delay in its implementation or deviation from its original plans. In addition, the actual results may deviate from the business plan due to rapid technological changes, market as well as competitive pressure.

3.18 Profit Forecast

This Prospectus contains the consolidated profit forecast of MGB that is based on assumptions which the Directors of the Company deem to be reasonable, but which nevertheless is subject to uncertainties and is contingent in nature. Due to the inherent uncertainties of the consolidated profit forecast and as events and circumstances frequently do not occur as expected, there can be no assurance that the consolidated profit forecast contained herein will be realised and actual results may be materially different from the forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit forecast that are contained herein.

Investors are advised to read carefully the assumptions made in this Prospectus of the consolidated profit forecast as set out in Section 9.6 of this Prospectus.

3.19 Forward Looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by the Directors of the Company, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Although the MGB Group believes that the expectations reflected in such forward-looking statements are reasonable at this point in time, there can be no assurance that such expectations will prove to have been correct.