4. RISK FACTORS

Notwithstanding the prospects of the Group as outlined in this Prospectus, applicants for the Public Issue Shares should carefully consider the following factors (which may not be exhaustive) that may have a significant impact on the future performance of the Group in addition to other information contained elsewhere herein, before applying for the Public Issue Shares:

4.1 No Prior Market for FTSHB Shares

Prior to the Public Issue, there has been no public market for the FTSHB shares. There can be no assurance that an active market for the FTSHB shares will develop upon its listing on the MESDAQ Market or, if developed, that such market will be sustained. There can also be no assurance that the issue price will correspond to the price at which the FTSHB shares will be traded on the MESDAQ Market upon or subsequent to its listing or that an active market for the FTSHB shares will develop and continue upon or subsequent to its listing.

The issue price of RM0.28 per Public Issue Share was entirely determined and agreed upon by FTSHB and the Underwriter. Among the factors considered in determining the issue price of the FTSHB Shares, in addition to prevailing market conditions, were the FTSHB Group's estimates of business growth potential and revenue prospects, an assessment of the Group's management, investment made and the consideration of the above factors in relation to market valuation of companies in similar businesses.

4.2 Delay in or Abortion of the Listing

The occurrence of any one or more of the following events (which may not be exhaustive) may cause a delay in or abortion of the Listing:

(a) the Underwriter(s) fail to honour their obligations under the Underwriting Agreement; or

(b) the Company is unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 200 public shareholders at the point of its admission to the MESDAQ Market.

Although the Directors of FTSHB will endeavour to ensure compliance by FTSHB of the various listing requirements, including, inter-alia, the public spread requirement imposed by the SC and Bursa Securities, for the successful listing exercise, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the listing exercise.

4.3 Control by Substantial Shareholders

Upon completion of the Public Issue, (before the exercise of their ESOS options), the Company will be controlled by three (3) substantial shareholders, namely Tee Gee Kheng, Luisito Santos Encarnacion and Phan Sin Tian, who will in aggregate, beneficially own approximately 65.06% of the enlarged issued and paid-up share capital of FTSHB. As a result, these shareholders, acting together, will be able to effectively control the outcome of certain matters requiring the vote of FTSHB shareholders including the constitution of the Board of Directors and thus the direction and future operations of the Group, decisions regarding acquisitions and other business opportunities, the declaration of dividends and the issuance of additional shares and other securities, unless they are required to abstain from voting by law and/or the relevant authorities.

Nonetheless, the Group has appointed two (2) independent non-executive directors as a step towards good corporate governance to ensure that any future transactions involving related parties, if any, are entered into on arms-length basis.

4.4 Dependence on Key Personnel

The Group's future performance depends to a significant extent on the continued efforts and abilities as well as the networking of its directors, key technical, sales and marketing and senior management personnel. Accordingly, the loss of any of these individuals could have a direct adverse impact on its future performance. Whilst the Group has made efforts to nurture and maintain a good relationship with its management team and key technical personnel, there can be no assurance that the loss of any of the key employees can be avoided. The Group mitigates this by offering a competitive salary package, training and conducive working environment.

The Group will be implementing an ESOS in conjunction with its listing status as a MESDAQ Market company after its IPO, to allow the employees of the Group to participate directly in the equity of the Company and upon becoming shareholders, to participate in the Group's prospects and future growth.

4.5 Project Risks

The Group's contracts with clients are generally entered into on a project basis. Due to the complexity of the projects that the Group undertakes, the projects are subjected to the following risk factors:-

a) Most of the Group's services are based on fixed-price contracts of which the price is determined at bid time, based on estimates. The Group may under-estimate project costs in tendering or bidding for a project. In such event, the Group may incur cost overruns which will reduce profits or incur losses;

b) Clients may delay or cancel their projects due to unforeseen circumstances. Delays may arise from incomplete specifications or unanticipated difficulties in developing the solutions. Project delays will affect profit margins as time spent negotiating and resolving issues will delay the recognition of revenues. Additional costs may also be incurred as a result of these project delays. Further, any changes in the clients' management may also cause cancellation of awarded projects; and

c) Failure to implement projects that fully satisfy the requirements and expectations of the clients may lead to claims being made against the Group, adversely affecting profits and reputation. This usually arises from technology deficiencies, staff turnover, human errors, misinterpretation of and failure to adhere to specifications and procedures.

The Group will conduct studies on the complexity and the specification of each project in order to ensure smooth implementation and minimise cost overrun.

4.6 Operational Risks

There is no assurance that the Group will continue to be profitable in the future years, or that it will achieve increasing or consistent levels of profitability. The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. Forecast of such nature is subject to inherent risk and uncertainties. These includes, amongst others, changes in Group's operating cycles and expenses, the ability of the Group to develop and market new products and services and to control costs, market acceptance of the Group's new products and services, the length of its sales cycles, debtors' collection period and other business risks common to going on concerns.

The Directors of FTSHB believe that the Group should be able to maintain its record of profitability in the future as the Group has been diversifying its product range by offering software solutions to different industries. The Group continues to manage its cash flow position prudently by monitoring its debtors position, close monitoring of operating expenditure and careful consideration of any proposed capital expenditure to ensure the continued sustainable financial position of its business.

4.7 Competition

The application software market is competitive and rapidly changing. The Group expects to face intense competition from existing competitors and new entrants into the market in the future. The principal elements of competition include timing and market acceptance of new products, product functionality, reliability, customer service, products distribution channels and performance.

There can be no assurance that the Group will be able to maintain its market share in the future to compete successfully with its existing and potential competitors. However, the Group focuses on using the latest technology to develop and upgrade their software. The Group's competitive advantage is having full suite of locally developed integrated software products. The systems that the Group supplies are also customized thus provide a degree of differentiation, which helps to secure businesses. In view of this, the Group's strategy is to constantly meet and improve on meeting customers' requirements through factors such as pricing, distribution, customisation, quality and customer satisfaction.

4.8 Market Acceptance for the Group's Products and Services

The Group's future results depend on the overall demand for the Group's products and services. Depending on the type of industry, some industry may consider the use of technology a necessity, whilst others do not see the urgency of using any application software. There is no assurance that their products will gain market acceptance. Therefore its success is also dependent on its ability to offer commercially viable software solutions that keep pace with continuing changes in technology, evolving industry standards and if any, emerging client needs and preferences. However, to date, the Group's products and services have been well-received by its clients and the Group plans to further enhance and improve the features of its products through market research and better customer service to ensure continuing acceptance of its products and services.

4.9 Protection of Group Proprietary Technology/Intellectual Property Rights

The infringement of copyright and illegal copying of proprietary software can be deemed as amongst the major constraints impacting the proprietary software industry. In order to protect its intellectual property rights, it relies on a combination of trademark and copyright protection. The Group's success is dependent upon its ability to protect its proprietary technology. However, these can only afford it with limited protection and there is no assurance that the company will be able to protect or effectively enforce its proprietary rights against unauthorised third party copying, use or exploitation of its software.

The Group procured all its employees to sign agreements, which will effectively limit the possibility of direct copying of its products by employees who resign which acts as another mitigating factor. In order to protect against theft by unknown persons, all company's executables files are shrunk to prevent theft of source code. Notwithstanding the above, the risk of intellectual property infringement is substantially reduced in view that the Group's software is mostly sold as customised software, which is tailored to the specific needs of the Group's clients.

In order to protect the Group's intellectual property, FTSB had on 4 December 2003 submitted applications to the Intellectual Property Corporation of Malaysia for the registration of trademarks in relation to ***Fast Track*** which is pending the issuance of the Certificate of Registration of Trademark. Further, the Group also enjoys Copyright protection for its entire Software product under the general category of literary work pursuant to the Copyright Act, 1987.

In addition, the Group has also entered into Software Licensing Agreement with its respective customers to protect its proprietary right over its Software products. Salient terms of the said Agreement are as follows:-

(i) That only a mere licence is granted to the customers;
(ii) That it would amount to an infringement of the Group's copyright, if the customer were to copy, alter, modify, reproduce or transfer to a third party its software product or even the documentation such as the operation manual or users' manuals, programming manuals, modification manuals, flow charts, drawings and software listings which are designed to assist or supplement the understanding or application of the Licensed Software;
(iii) That the customer is allowed to install the software only at designated premises;
(iv) That customer is allowed to make only 2 copies as its back up copy;
(v) That the Group is under no obligation to provide updated or new releases to its customers; and
(vi) In addition to the contractual remedies available to the Group under the said Agreement, any unauthorised use, alteration, modification, reproduction, publication, disclosure or transfer of the Software without the prior written consent of the Group will also entitle the Group to any available equitable remedy against its customers.

4.10 Future Capital Injections

It is the management's opinion that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of liquidity will be sufficient to meet the Group's projected working capital and other cash requirements. However, the Group, subsequent to this offering, may need to raise substantial additional capital to fund the ongoing development and expansion of its business, including its research and development and marketing and sales efforts, the amount of which cannot be quantified at this juncture. There is no assurance that any additional funds needed will be available to the Group on favourable terms, or at all. Although based on assumptions that the Group considers reasonable, there is also no assurance that the Group's estimate of its anticipated liquidity needs is accurate or that new business developments or other unforeseen events will not occur, resulting in the need to raise additional funds. In addition, it is probable that raising additional funds via equity issues result in a substantial dilution and reduction in returns, if any, to investors.

The Directors of FTSHB believe that, upon the listing of the Company on the MESDAQ Market, the Company would have the option of tapping the debt capital market or further raising equity capital, if required. As such, there would be the availability of further funding options upon its successful listing on the MESDAQ Market to meet its requirements.

4.11 Future Growth

The Group's potential expansion may significantly strain the Group's management, financial, customer support, operational and other resources. The Group will continue to adopt an aggressive stand in order to achieve the group's growth targets as set out in its five-year business plan in Section 8 of this Prospectus. However, there can be no assurance that management would be successful in implementing the plan or that the plan would not give rise to other problems.

The Group's proposed future plan will be dependent upon, among other things, the Group's ability to enter into strategic marketing or other arrangements on a timely basis and on favourable terms, hire and retain skilled management as well as financial, technical, R&D and marketing personnel; successfully manage growth including monitoring operations and controlling costs, among other things and obtain adequate financing when needed. 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 delays in its implementation or even deviation from its original plans.

4.12 Material Defects Liability

The software solutions which the Group develops and provides to its customers are important to ensure smooth operations of its customers' business. Any defects or error in these software could result in lost client revenues, adverse customer reaction towards the Group and its products and negative publicity. The Group does not maintain any product liability insurance, nor has it taken out any third party liability insurance.

Although the Group has not experienced any claims against it, any significant claim against the Group in future may have a material adverse effect on the Group's results and prospects.

Having said that, pursuant to the Software Licensing Agreement that had been entered into by the Group and its customers, the Group is protected from any liability towards its customers in respect of any loss or damage (including consequential loss) which may be suffered or incurred or which may arise directly or indirectly in respect of goods or services supplied by the Group or in respect of a failure or omission on the part of its part to comply with its contractual obligations under the said Agreement.

4.13 Political, Economic and Regulatory Considerations

Adverse developments in political, economic and regulatory conditions in Malaysia and other countries in which the Group may operate could materially and adversely affect the financial prospects of the Group. Political and economic uncertainties that could unfavourably affect the Group include, inter-alia changes in political leadership, expropriation, nationalisation, re-negotiation or nullification of existing sales orders and contracts, changes in interest rates and methods of taxation and currency exchange rules and contracts.

Whilst the Group strives to continually take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Group.

4.14 Forward Looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and other statements which are forward looking in nature, and are subject to uncertainties, contingencies and other exogenic factors. All forward looking statements are based on estimates and assumptions made by the Group 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. Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the Group and industry, changes in interest rates and changes in foreign exchange rates.

Any deviations from the expectations of the Group from its actual performance may have adverse effect on the Group's financial and business performance. The Group believes that the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct.

4.15 Acquisitions and Joint Ventures

If appropriate opportunities arise, the Group intends to acquire new businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business, or to benefit from such acquisitions and joint ventures. The acquisitions and joint ventures may cause the Group to seek additional capital which may or may not be available on satisfactory terms.

As a mitigating factor, the management of the Group will exercise due diligence prior to undertaking such investments.

4.16 Conditions of the MSC Status

FTSB, a subsidiary of FTSHB was granted MSC status on 17 November 2003 by MDC. Presently, all MSC status companies are granted financial and non-financial incentives. The MDC is the body responsible for monitoring all MSC designated companies. There can be no assurance that the Group will continue to retain its MSC status or that the Group will continue to enjoy or not experience delays in enjoying the MSC incentives granted to all MSC status companies, all of which could materially and adversely affect the Group's business, operating results and financial condition.

Hence, if FTSB looses its MSC status, it will cease to be entitled to benefits accorded to MSC status companies, including inter-alia, the financial incentive given to MSC status companies and could thus subject the Group to be liable to pay statutory income tax. There can also be no assurance that the MSC incentives will not be changed or modified in any way in the future.

4.17 Rapid Technological / Products Changes in the Software Application Market

The market for the Group's products is characterized by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments, software and hardware applications and frequent new product introductions and enhancements. The Group's products may become obsolete due to changes in the technology used in developing the software. The Group's future depends substantially upon its ability to address the increasingly sophisticated needs of its customers, if one or more of the Group's competitors introduce products and services that better address customer needs or for any reason gain market share, the Group's business, operating results and financial conditions could be adversely affected. The Group may not be successful in developing and marketing new products or enhancements to its existing products to adequately address the changing needs of the marketplace. In recognition of this, the Group with its experienced and skilled personnel will constantly endeavour to develop enterprise-wide applications using the latest appropriate technology to deliver leading edge solutions in the market.

4.18 Investment Activities

The Group may from time to time invest in businesses that are synergistic to the Group's business. There is a potential risk that these investments may have longer than expected gestation period or may not be entirely successful. In this event, the Group may take time to recover or be unable to recover its initial investments. The Group seeks to limit these risks through, inter-alia, a careful selection of investment and by practicing prudent financial policy. In addition, the Group has no intention of venturing into any business that is not related to its core business. However, there can be no assurance that any such venture, in the future, will yield return to the Group.

4.19 Security and System Disruption

The Group is operating in a high technology environment where its operations are susceptible to various security risks in the form of computer viruses, industrial espionage, hacking and fraud. The Group, in response to this threat, has set up firewalls and taken all other necessary steps to minimize the risk of any potential security breaches. In addition, the Group's valuable data is back-up on a regular basis on data tapes and stored physically on another premise. As a result, there has not been any stoppage or instances of attacks or damage to the Group's system or data. However, there can be no assurance that in the future, there will not be any security breaches that may materially affect the operations and hence performance of the Group.

4.20 Insurance Coverage

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operations. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets on a continuous basis. For the Group's operations, all assets such as office equipment, furniture and fittings are sufficiently insured under fire and other insurance policies.

However, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential loss arising there from.

4.21 Dependence on Particular Products, Markets or Geographical Locations

The Group's business is focused on providing ICT solutions for the manufacturing industries. The Group's continued success is therefore very dependent on the continuous growth in these industries.

It plans to mitigate the over dependence on these industries in Malaysia by diversifying its business geographically.

4.22 Foreign Market Risk and Foreign Currency Fluctuation Risk

The Group plans to expand its marketing and distribution network into ASEAN, United States of America and China markets from the proceeds received from the Public Issue. Therefore, this would expose the Group to certain foreign market risks which include but are not limited to the adverse changes in political climate and economic conditions, risk of war and unfavourable changes in the foreign governments' policies towards foreign products. To mitigate this risk, the Group will establish joint-ventures with the local companies as well as appoint resellers which will minimise the Group's exposure to the risks inherent in the foreign markets.

The Group will also be exposed to foreign currency risks as a result of its overseas expansion. However, the most commonly used currency in the Group's business would be the US Dollar. As the Malaysian Ringgit is currently pegged against the US Dollar since 1 September 1998, foreign currency risk is minimised. Nevertheless, in the event that the fixed exchange rate is lifted or re-pegged to a new rate, the Group may have a greater exposure to foreign currency risks. No assurance can be given that any future significant fluctuations in exchange rates or any financial crisis will not have any impact on the revenue and earnings of the Group.

5. INDUSTRY OVERVIEW

5.1 Overview of the World Economy

World output, projected to grow by 4.6% in 2004, is close to matching the strong global growth of 4.7% at the beginning of the new millennium, the highest in the last two decades. The global economy recovered from the adverse effects of the 11 September incident, which drove the world into recession in 2001, and the subsequent fallout from the Severe Acute Respiratory Syndrome (SARS) epidemic, as well as the war in Iraq to attain broad-based growth. This recovery was supported by the accommodative monetary and fiscal policies pursued by major economies which revived confidence to fuel global growth.

The continued strengthening of the global economy is mainly driven by sustained consumption and export growth in the United States (US) and Japanese economies. Elsewhere, the vibrant economies in the Asia-Pacific region, in particular China and to a lesser extent India, further supported the strengthening of global growth. Amidst this optimistic development, world inflation continued to remain benign despite concerns over rising oil prices.

The gradual pick-up in world trade contributed in a big way towards global growth. World trade, which practically came to a standstill in 2001 (0.1%), slowly gained strength in subsequent years, supported by strong import demand from developing Asia, the transition economies and the US, to record a growth of 4.5% for 2003. World trade is projected to strengthen even further in 2004 at 6.8% as global growth becomes more broad based.

(Source: Economic Report 2004/2005)

5.2 Overview of the Malaysian Economy

Malaysia's growth momentum continues into 2004 after recording a strong growth in 2003. Unlike 2003, when the global economy was affected by the war in Iraq and Severe Acute Respiratory Syndrome (SARS) the external environment in 2004 has improved markedly with upswing in the global electronics demand as well as favourable commodity prices. This enabled the Malaysian economy to expand steadily from 7.6% in the first quarter of 2004 to 8% in the second quarter, the highest since the third quarter of 2000.

The robust domestic activities, which supported growth in 2002 through to 2004, are further augmented by favourable external environment. Of significance, the domestic sector is buoyed by the expansion in private consumption and investment activities. The manufacturing sector registered a solid growth of 12.3% during the first half of 2004, while the services sector expanded strongly by 6.8% in the same period. With the Leading Index pointing towards further expansion in the second half of the year, both sectors are envisaged to contribute significantly to the economic growth. The build-up in international reserves arising from larger current account surplus and inflows of foreign capital continues to strengthen Malaysia's macroeconomic fundamentals. Given this favourable scenario, the Malaysian economy is set to surpass its earlier estimate of 6.0 -6.5% and post a stronger growth of 7% in 2004 (2003: 5.3%).

This impressive growth performance in an environment of low inflation helps to generate additional employment and new business opportunities, Consequently, national income in current prices is envisaged to increase by 10.8% to RM411,794 million, with per capita income rising by 8.5% to reach RM16,098 (2003: RM14,838). Similarly, per capita income in terms of purchasing power parity is estimated to increase by 9.3% to USD10,163 (2003: USD9,295).

(Source: Economic Report 2004/2005)

The SME industry in Malaysia is a sector with huge potential, especially with the increased focus in the ICT industry. In 2004, the total ICT market in Malaysia is expected to reach US$2.69 billion, in which the SME industry (defined by IDC as companies with up to 499 employees) will command 36% of the entire ICT market. Although IT spending on personal computers ("PC") hardware is still the dominant factor among SMEs, software is gaining momentum, particularly in ERM, CRM, and security applications. Through the result of an end user survey by IDC, many companies are willing to invest in software today. For small companies, investments in software will gradually provide them a fluent transition from a small organization to a larger scale organization. As the economy continues to recover, IT spending from SMEs is expected to grow at a healthy compound annual growth rate ("CAGR") of 12.5% from 2002-2007.

(Source: Extracted from "Market Research Report ("Report") for Submission to the Securities Commision in Conjunction with Fast Track Solution Holdings Berhad Initial Public Offering (IPO) on Bursa Securities" prepared by IDC (data updated up to Q2, 2004 as provided by IDC). This Report was not prepared for inclusion in this Prospectus)

Malaysia is well placed to benefit from the new wave of growth based on ICT revolution. During the Eight Malaysia Plan period (2001-2005), focus will be given towards further strengthening of the human resources capabilities, hard and soft infrastructure as well as the building of a critical mass of SMIs and Internet users to enable Malaysia to move rapidly towards becoming a developed nation with a knowledge-based society.

(Source: The Eight-Malaysia Plan 2001-2005)

5.3 Overview of the Malaysian IT Industry

In Malaysia, the period from 1996 and 2000 saw rapid growth in ICT utilisation with investments in ICT expanding at a rate of 9.2% per annum from RM3.8 billion in 1995 to RM5.9 billion in 2000. This was largely due to the increasing local awareness of the importance of production, diffusion and utilisation of knowledge and information for improving competitive and overall economic performance. Special incentives such as the abolition of sales tax on computers and components, and the granting of accelerated capital allowance for expenses on computers and other ICT equipment also assisted in increasing the usage of ICT.

(Source: The Eight Malaysia Plan 2001-2005)

In Budget 2004, the Government provided an additional sum of RM300 million to Malaysian Venture Capital Management Berhad ("MAVCAP"), increasing its total available funds to RM800 million to futher develop the venture capital industry. As at end-June 2004, MAVCAP approved 65 applications worth RM166.2 million or 20.8% of total funds, mainly for ICT and biotechnology projects. Two of the companies that benefited from the funds are now listed on the Malaysian Exchange of Securities Dealing and Automated Quotation ("MESDAQ") market, while several others are in the process of being listed. The Malaysia Debt Ventures ("MDV") was established with a fund of RM1.6 billion to assist the development of high growth industries. By July 2004, MDV had approved loan applications worth RM826 million, out of which RM667 million or 89% has been disbursed. In total, MDV approved 38 applications and disbursed loans to 35 companies for projects in ICT, oil and gas and transportation. With regard to venture capital for the non-ICT sector, Malaysian Technology Development Corporation ("MTDC") was provided with a fund of RM1 billion. A total of 26 loan applications is being processed by MTDC while two applications in the biotechnology industry, amounting to RM8.5 million, were approved and disbursed.

Within the services sector, ICT and tourism-related industries continue to generate significant growth, both in terms of output and foreign exchange earnings. In the ICT industry, the Multimedia Development Corporation ("MDC") gained further ground in its endeavour to make the Multimedia Super Corridor ("MSC") a global ICT hub. As at end-August 2004, there were 1,099 MSC status companies, comprising 768 Malaysian-owned, 302 foreign-owned and 29 joint-venture companies. The number of jobs created increased by 17.3%, from about 19,100 jobs in 2003 to 22,300 jobs in 2004, out of which 88% constitute knowledge workers in the fields of software development and programming as well as managerial and technical support in sales, finance and marketing. Currently, there are 65 international world-class companies operating in the MSC. In 2004, total sales from MSC activities is expected to reach RM6.8 billion, of which RM5.3 billion are exports while RM1.5 billion are local sales.

In terms of R&D, MSC companies have had significant success. R&D expenditure of MSC companies is anticipated to increase significantly by 21.2% to RM657 million in 2004 (2003: RM542 million). The research activities focussed on areas such as communications, software solutions, micro-systems, and integrated circuit designs. Arising from R&D efforts, a total of 151 patents, 41 industrial designs and 188 trademarks were registered, signifying the achievements of the 590 R&D personnel working in the MSC. Development of the local ICT industry, shared services and business process outsourcing has been identified as new sources of high growth. Specific measures have been implemented to facilitate the development of this sector, including attracting ICT talents through the brain-gain programme and enhancing ICT infostructure, especially in wider broadband connectivity. Concerted efforts are ongoing in promoting strategic alliances and synergistic partnerships in areas of business process outsourcing and shared services. Arising from these measures, homegrown IT companies, now provide services to one of the world's leading telecommunications companies in customer support operations and manage regional supply chain activities and logistics for a major electrical and electronics ("E&E") company in the Asia Pacific region. As for business process outsourcing, the MSC has already pulled in Global 500 companies. Investments in business process outsourcing also increased with foreign affiliated companies in banking, insurance and courier services as well as automotive industries, have established centres in the MSC. Consequently, Malaysia has emerged as an attractive destination for shared services and outsourcing activities, third only behind India and China, as indicated in a survey by A.T. Kearney, released in March 2004. Outsourcing is expected to generate investment of over RM1 billion and create more than 8,000 jobs by the end of 2004.

Modelled after MIDA, the MDC is a one-stop agency for selcted services, which among others, promotes ICT-related services to local and foreign multinational companies. These have spawned new activities in the MSC, such as the establishment of R&D centres for software applications for the E&E industry. In order to attract more multinational and foreign companies to set up their businesses in the MSC, MDC continues to deliver world-class technology infrastructure such as high-capacity digital fibre optics network, modern business centres and efficient transportation as well as comfortable living environment to attract ICT investors.

(Source: Economic Report 2004/2005)

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5.4 Overview of the Malaysian Packaged Software Industry

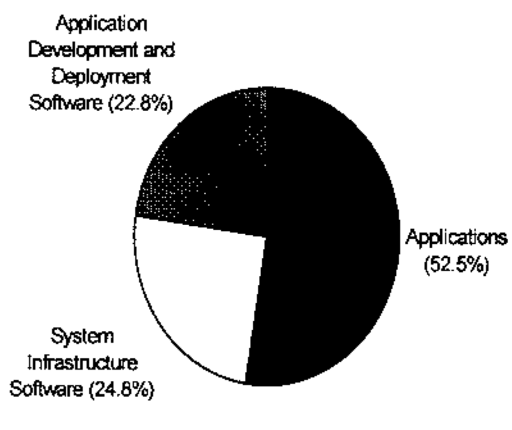
The Malaysia packaged software market experienced moderate growth of 6.3% to reach revenue of US$334.7 million in 2003, increasing from US$315 million in 2002. The Malaysian government is concerned with the rate of IT technology adoption among SME. The government has taken some actions to encourage the SME sector's uptake on IT. Such actions include providing tax incentives, improving IT infrastructure and setting up of research and development sites, and benefits to attract technology experts. Several technology-related financial grants or assistance schemes are available for local SMEs, which are made available through various government agencies including Small and Medium Industries Development Corporation and Malaysian Technology Development Corporation.

The packaged software market is made up of three primary markets, namely:

- Applications market
- System Infrastructure Software market
- Application Development and Deployment Software market

In 2003, as displayed in the following chart, applications continued to make up the largest proportion of the software market with a share of 52.5% and a value of US$175.7 million. This was followed by system infrastructure software (24.8% market share) at US$82.8 million, and application development and deployment software (22.8% market share) at US$76.2 million.

MALAYSIA PACKAGED SOFTWARE MARKET BREAKDOWN BY PRIMARY MARKET, 2003



Source: IDC, Q2 2004

(Source: Extracted from "Market Research Report ("Report") for Submission to the Securities Commision in Conjunction with Fast Track Solution Holdings Berhad Initial Public Offering (IPO) on Bursa Securities" prepared by IDC (data updated up to Q2, 2004 as provided by IDC). This Report was not prepared for inclusion in this Prospectus)

5.5 Overview of the Malaysian Applications Market

In 2003, Malaysia applications software license and maintenance revenue was US$175.7 million. Within the applications segment, the single largest segment was back-office applications, which contributed for 69.2% of the market or US$121.5 million. This is also the largest secondary packaged software market in Malaysia in 2003.

The application market includes both business and consumer applications. Business applications, in turn, consist of enterprise applications and non-enterprise business applications such as collaborative, content-management, authoring and speech-and-translation applications. Consumer applications include software products for recreation, education and/or personal productivity enhancement.

The following table provides an overview of the functional markets that constitute the applications markets.

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PACKAGED SOFTWARE FUNCTIONAL TAXONOMY, 2003: APPLICATIONS BY SECONDARY MARKET

Consumer Applications	Collaborative Applications	Content Applications	Back-Office Applications	Engineering Applications	CRM Applications
Consumer Software	Integrated collaborative environments	Content Management	Accounting	Mechanical CAD	Sales
	Messaging application	Authoring software	Treasury management	Mechanical CAE	Marketing
	Team collaborative application	Translation / globalization	Inventory management	Mechanical CAM	Customer service and contact center
	Conference applications		Procurement/ sales order processing	Product Information management (PIM)	Other CRM
	Other collaborative applications		Human resource management	Other engineering	
			Payroll		
			Maintenance management		
			Project management		
			Contact management		
			Logistics		
			Operations management		
			Business performance management		
			Other back-office		

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5.6 Overview of Malaysia Back-office Enterprise Applications Market

As a secondary market of the applications market, back-office enterprise applications are enterprise applications that automate and optimize business processes related to resources required to meet business or organizational objectives but are neither customer, prospective nor specialized to any types of engineering.

The automation resources include people, capital, materials, and facilities. The resulting applications track, route, analyze, and report on these resources. The market includes software that is specific to certain industries as well as software that is theoretically cross-industry.

ERM applications integrate and optimize the back office functionality of organizations. The definition of ERM includes functional applications such as accounting, treasury management, inventory management; procurement/sales order processing, human resource management, payroll, maintenance management, project management, contract management, and business performance management. Under the functional market of an operations management application, any back-office enterprise applications are definitively industry specific. It addresses problems that are unique to a particular industry sector of the economy. For example, materials requirement planning software in manufacturing, multiple-listing-service software in real estate, radiology and other clinical laboratory applications in healthcare delivery, and so forth. The vertical specific applications are manufacturing, retail, wholesale distribution, healthcare, financial, professional services, telecommunications, insurance and other industry-specific applications.

Fast Track is positioned in the back-office enterprise applications market. Via its FT/MRP Manufacturing Software, ***Fast Track*** provides ERM functional applications of accounting, inventory management, procurement/sales order processing and maintenance management, while also offers operations management applications for the manufacturing industry.

In 2003, the ERM applications market totalled US$73.2 million in revenue and accounting for 60.2% of the back-office enterprise applications market. Operations management specifically for manufacturing sectors totalled US$6.3 million in revenue and accounting 5.2% of the back-office enterprise applications market. Government initiatives to raise the competitive advantage of local manufacturers over foreign manufacturing companies through adopting IT technology have driven back-office enterprise applications spending in Malaysia. Competition from foreign manufacturers is expected to increase in Malaysia, as the effect of AFTA becomes more apparent.

ERM vendors' target markets are no longer restricted to the major conglomerates or organizations. SMEs now have the option to deploy comprehensive enterprise applications with full functionalities at an affordable price as application vendors have repackaged their offerings with attractive pricing and flexible functionalities.

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The following table shows the 2003 software revenue and market share revenues of ERM and manufacturing applications segments in the overall Malaysia back-office enterprise applications market.

ENTERPRISE RESOURCE MANAGEMENT AND MANUFACTURING APPLICATIONS MARKET REVENUE, 2003 (US$M)

	2003 (US$M)	% Total Back-Office Enterprise Applications Market
ERM	73.16	60.2%
Manufacturing Applications	6.33	5.2%
Total Back-Office Enterprise Applications	121.54	100.0%

MALAYSIA APPLICATIONS MARKET FORECAST, 2003-2008 (US$M)

	2003	2004	2005	2006	2007	2008	CAGR 2003-2008
Applications	175.67	184.70	195.48	207.06	219.17	232.75	5.8%

(Source: Extracted from "Market Research Report ("Report") for Submission to the Securities Commision in Conjunction with Fast Track Solution Holdings Berhad Initial Public Offering (IPO) on Bursa Securities" prepared by IDC (data updated up to Q2, 2004 as provided by IDC). This Report was not prepared for inclusion in this Prospectus)

5.6.1 Bargaining Power of Buyers and Suppliers (Demand and Supply Conditions)

Asia/Pacific economies are very price sensitive as most of the global value chain relies on the relatively cheaper source of labor and materials in this part of the world. Therefore, investments in IT are often strategically viewed as 'necessary evils' in the SME sector. However, things are changing, the competitiveness of the SMEs in Malaysia is beginning to be raised by strategic investments in IT.

IDC's data shows that back office enterprise applications market in Malaysia reached US$121.5 million in 2003 and IDC predicts it will grow to US$149.2 million in 2008. This is due mainly to attractive product offerings of SME-packaged and industry specific solutions by vendors, and government initiatives in supporting local manufacturing industries.

Generally, SMEs in the manufacturing industry lack the fundamental knowledge of computerization. Vendors face the challenge of verifying proven installation methodology, justifying return-on-investment (ROI), and proving successful implementation with reference sites. Manufacturers have the bargaining power of choosing from a variety of global and local enterprise application solutions from Tier-3 or free products to evaluate the best possible option, which might still seen as sufficient to address the need of automation.

On the other hand, buyers who realize the need to automate and evaluate software functionalities of a vendor will find it difficult to bargain for deals. This is because the cost of the software typically follows the value of the automation derived out of it.

In this industry, suppliers have a low bargaining power. The key supply factor in the back office enterprise applications industry is the skilled professionals, developers and programmers. In Malaysia, it is now an employer's markets due to the lack luster economic condition and the growing population of IT graduates internally and returning from overseas. As such, currently, there are enough skilled developers in this country for employers to exploit.

In 2000, 108,000 people were employed in the IT arena. In 2010, this figure will almost triple to 306,610. The most popular job types will be technical support and business/systems analyst. A strong technical support workforce will be necessary to assist companies as they become more automated and require assistance in their investment on software, hardware and services.

(Source: Extracted from "Market Research Report ("Report") for Submission to the Securities Commision in Conjunction with Fast Track Solution Holdings Berhad Initial Public Offering (IPO) on Bursa Securities" prepared by IDC (data updated up to Q2, 2004 as provided by IDC). This Report was not prepared for inclusion in this Prospectus)

5.6.2 Threat of Substitute products

The threat of substitute products is relatively low. Back office enterprise applications that are designed specifically for the manufacturing industry would typically result in lower interest and tendency to switch. It would be costly in both monetary and technical perspective to switch to another brand or platform. The types of substitute products in the market are:

Manual Processes and Labor

Computerization and automation yields benefits to the organization that are hard to replace as they intend to replace manual and repetitive labor instead. Buyers do have alternatives – manual processes and labor. These are available because the cost savings in manual labor outweigh the costs of automation. However, when the organization grows, the costs are exponentially higher, creating a need to automate in the end. Players in the software market would feel the real pressure of substitutes that lie in the way that software is sold in the future, as a service rather than a product. This means longer-term contracts on a recurring fee-based mode, which has the potential to lock-in customers to the software on a longer-term basis.

In-House Solution and ASP

Computerization can also be in the form of in-house developed software. Companies may opt to hire a group of software programmers to customarily develop specific business process solution, instead of implementing a packaged enterprise application. Instead of spending software dollars on license and maintenance, companies are paying for programmers' skills and in/house or third party system support. The transfer of knowledge is essential for the upkeep of an in-house developed system through proper documentation and process. ASP, or Application Service Provider is a form of service, where the software is hosted by the software vendor or Internet data center or at the customer's site itself, in efforts to lower entry investment costs for customers. It presents to SMEs another option, where customers only subscribe to applications they required.

Lower-end Software Products

Substitute exists also in the form of basic or low-end software, with the likes of basic spreadsheet, and stock-check software. Manufacturers who view existing fundamental software sufficient to meet their immediate requirements to address basic business process computerization will find it difficult to justify any new investments in automation.

(Source: Extracted from "Market Research Report ("Report") for Submission to the Securities Commision in Conjunction with Fast Track Solution Holdings Berhad Initial Public Offering (IPO) on Bursa Securities" prepared by IDC (data updated up to Q2, 2004 as provided by IDC). This Report was not prepared for inclusion in this Prospectus)

5.7 Outlook for the Malaysia Back-Office Enterprise Application Market

Back-office enterprise applications market is a secondary market under the applications umbrella. It is also the biggest market among the six secondary markets. Back-office enterprise applications market in Malaysia totalled US$121.5 million in 2003. The total market is expected to increase at a CAGR of 4.2% to reach US$149.2 million in 2008. Vendors in this market are expected to focus more on their installed base for upgrades and purchase of additional licenses, where competition will intensify in the SME marketplace, with AFTA approaching just round the corner. ***Fast Track*** competes in the ERM and Manufacturing applications markets, which are the functional markets under the secondary market of back-office enterprise applications. Both markets are expected to record positive growth rate in the forecast period.

Malaysia's ERM market is expected to reach US$90.4 million in 2008, growing at a CAGR of 4.3%. Opportunity in the ERM market will also be seen in the form of acquisition with AFTA coming into effect. Multinationals (MNCs) interested to invest in the country will penetrate the market via either merger or acquisition. For example, Johnson Control in the United States has acquired IKEDA, a local automotive part manufacturer, as its launch pad in the region. These MNCs bring along their globally implemented ERM solutions, which will be fulfilled by vendors with local presence.

On the other hand, the Malaysia manufacturing applications market is expected to increase at a CAGR of 4.8% over the forecast period, reaching US$8 million in 2008. The importance of competitive edge for the local manufacturing sector will be further investigated, as organizations seek a competitive edge with AFTA coming into place at the end of 2003. This is likely to increase the local demand for supply chains applications in the form of manufacturing specific applications to reduce costs.

MALAYSIA BACK-OFFICE ENTERPRISE APPLICATIONS MARKET FORECAST, 2003-2008 (US$M)

Market	2003	2004	2005	2006	2007	2008	CAGR 2003-2008
ERM Applications	73.16	77.34	81.05	84.45	87.58	90.39	4.3%
Manufacturing Applications	6.33	6.72	7.09	7.42	7.71	8.00	4.8%
Total Back-Office Applications	121.54	126.97	133.44	139.27	144.41	149.24	4.2%

(Source: Extracted from "Market Research Report ("Report") for Submission to the Securities Commision in Conjunction with Fast Track Solution Holdings Berhad Initial Public Offering (IPO) on Bursa Securities" prepared by IDC (data updated up to Q2, 2004 as provided by IDC). This Report was not prepared for inclusion in this Prospectus)

Growth of SME Demand on Software Application.

The SME industry in Malaysia is a sector with huge potential, especially with the increased focus in the ICT industry. In 2004, the total ICT market in Malaysia is expected to reach US$2.69 billion, in which the SME industry (defined by IDC as companies with up to 499 employees) will command 36% of the entire ICT market. Although IT spending on personal computers ("PC") hardware is still the dominant factor among SMEs, software is gaining momentum, particularly in ERM, CRM, and security applications. Through the result of an end user survey by IDC, many companies are willing to invest in software today. For small companies, investments in software will gradually provide them a fluent transition from a small organization to a larger scale organization. As the economy continues to recover, IT spending from SMEs is expected to grow at a healthy compound annual growth rate ("CAGR") of 12.5% from 2002-2007.

(Source: Extracted from "Market Research Report ("Report") for Submission to the Securities Commision in Conjunction with Fast Track Solution Holdings Berhad Initial Public Offering (IPO) on Bursa Securities" prepared by IDC (data updated up to Q2, 2004 as provided by IDC). This Report was not prepared for inclusion in this Prospectus)

5.8 Government Incentives for the Information Technology Industry

Malaysia has offered a 10 point Bill of Guarantees. The Government of Malaysia has formally provided the following incentives to "MSC Status" companies, in order to facilitate and assist the development of a truly IT and multimedia environment:

(a) Provide a world-class physical and information infrastructure;

(b) Allow unrestricted employment of local and foreign knowledge workers;

(c) Ensure freedom of ownership by exempting companies with MSC status from local ownership requirements;

(d) Give the freedom to source capital globally for MSC infrastructure and the right to borrow fund globally;

(e) Provide competitive financial incentives including no income tax for up to 10 years or an investment tax allowance and no duties on the import of multimedia equipment;

(f) Become a regional leader in intellectual property protection and cyberlaws;

(g) Ensure no Internet censorship;

(h) Provide globally competitive telecommunications tariffs;

(i) Tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub; and

(j) Provide an effective one-stop agency – MDC.

(Source: MSC website extracted on 1 September 2004)

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