
1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Ivan Sia Teck Fatt <i>(Managing Director)</i>	No. 28, Jalan USJ 13/5B Subang Jaya 47630 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Hor Chee Hong <i>(Executive Director)</i>	No. 12, Lintang Delima 4 11700 Georgetown Penang	Company Director	Malaysian
Ng Thean Hooi <i>(Executive Director)</i>	No. 84, Medan Tembaga Island Park 11600 Penang	Company Director	Malaysian
Teh Aik Kong <i>(Executive Director)</i>	No. 19, Jalan Kelab Cina 34000 Taiping Perak Darul Ridzuan	Company Director	Malaysian
Dato' Lai Pin Yong <i>(Non-Independent Non-Executive Director)</i>	No. 84, Changkat Minden Jalan 1 11700 Gelugor Penang	Company Director	Malaysian
Tam Kok Meng <i>(Independent Non-Executive Director)</i>	No. 19, Jalan 10 Taman Murni Batu 9/12 Jalan Cheras 43200 Kuala Lumpur	Company Director	Malaysian
Ahmad Shalimin Bin Ahmad Shaffie <i>(Independent Non-Executive Director)</i>	No. 35, Jalan Panglima Asam Kumbang 34000 Taiping Perak Darul Ridzuan	Company Director	Malaysian
Dato' Goh Nai Kooi @ Gah Mai Kwai <i>(Alternate Director to Dato' Lai Pin Yong)</i>	No. 14, Edgecumbe Road 10250 Penang	Company Director	Malaysian
Datin Ko Soek King <i>(Alternate Director to Hor Chee Hong)</i>	No. 84, Changkat Minden Jalan 1 11700 Gelugor Penang	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Tam Kok Meng	Chairman	Independent Non-Executive Director
Ahmad Shalimin Bin Ahmad Shaffie	Member	Independent Non-Executive Director
Ng Thean Hooi	Member	Executive Director

1. CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARY** : Lily Yin Kam May (MAICSA 0878038)
No. 31, Jalan USJ 5/1J
47600 Subang UEP
Petaling Jaya
Selangor Darul Ehsan
Tel. No.: (603) 2141 3060
- REGISTERED OFFICE** : Suite 17.06(B)
17th Floor, Menara MAA
No. 12, Jalan Dewan Bahasa
50460 Kuala Lumpur
Tel. No.:(603) 2141 3060
Fax No.: (603) 2141 3061
E-mail address: general@crestcorp.com.my
- HEAD OFFICE** : No. 17 (1st Floor)
Jalan 26A/70A
Plaza Prismaville
Desa Sri Hartamas
50480 Kuala Lumpur
Tel. No.:(603) 6201 2178
Fax No.: (603) 6201 3243
E-mail address: sales@mexter.com.my
Website: www.mexter.com.my
- AUDITORS AND REPORTING ACCOUNTANTS** : KPMG (AF 0758)
Chartered Accountants
179-3, Jalan Munshi Abdullah
75100 Melaka
Tel. No.: (606) 284 8204
- SOLICITORS FOR THE LISTING EXERCISE** : Jin & Co.
Advocates & Solicitors
Suite No. 8-10-9
Level 10, Menara Mutiara Bangsar
No. 8, Jalan Liku, Bangsar
59100 Kuala Lumpur
Tel. No.: (603) 2284 2811
- SHARE REGISTRAR** : ShareWorks Sdn Bhd (229948-U)
No. 23, Jalan Sri Hartamas 7
Sri Hartamas
50480 Kuala Lumpur
Tel. No.: (603) 6201 1120
- PRINCIPAL BANKER** : Alliance Bank Malaysia Berhad (88103-W)
Wisma Projass
No. 3, Jalan SS15/2A
47500 Subang Jaya
Selangor Darul Ehsan
- INDEPENDENT MARKET RESEARCHER** : Frost & Sullivan (M) Sdn Bhd (522293-W)
Suite E-08-15, Block E
Plaza Mont' Kiara
No. 2, Jalan Kiara
Mont' Kiara
50480 Kuala Lumpur
Tel. No.: (603) 6204 5800

1. CORPORATE DIRECTORY (Cont'd)

**ADVISER, SPONSOR,
UNDERWRITER AND
PLACEMENT AGENT** : Alliance Merchant Bank Berhad (21605-D)
Level 29, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel. No.: (603) 2692 7788

ISSUING HOUSE : MIDF Consultancy and Corporate Services Sendirian
Berhad (11324-H)
12th Floor, Bangunan MIDF
195A, Jalan Tun Razak
50400 Kuala Lumpur
Tel. No.: (603) 2160 2739

LISTING SOUGHT : MESDAQ Market

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2. INFORMATION SUMMARY

THE FOLLOWING IS A SUMMARY OF THE SALIENT INFORMATION ABOUT THE MEXTER GROUP AND THE PUBLIC ISSUE. INVESTORS SHOULD READ AND UNDERSTAND THE PROSPECTUS IN ITS ENTIRETY PRIOR TO DECIDING WHETHER TO INVEST IN MEXTER.

2.1 HISTORY AND BUSINESS

Mexter was incorporated in Malaysia on 2 April 2004 under the Act as a public limited company under its present name. As at the date of this Prospectus, the authorised share capital of Mexter is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 in Mexter of which RM5,461,000 comprising 54,610,000 ordinary shares of RM0.10 each in Mexter is issued and fully paid-up.

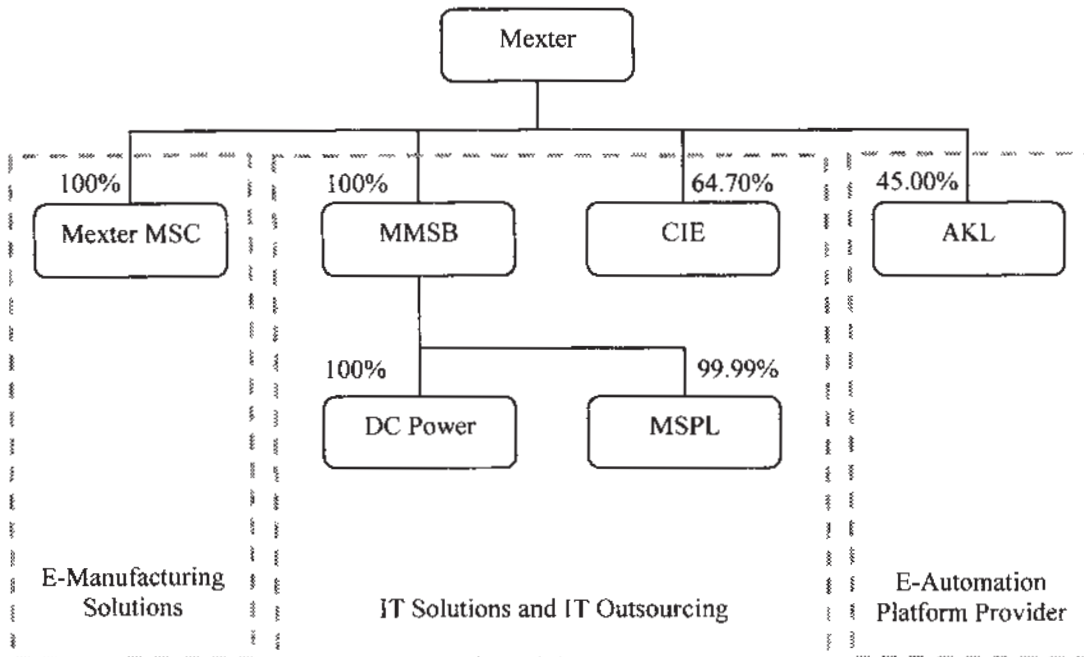
Mexter was established to be the investment holding company of the Mexter Group in conjunction with the listing of the Group on the MESDAQ Market. The principal activities of the Company's subsidiary and associated companies are as follows:-

Name	Date/country of incorporation	% effective equity interest	Issued and paid-up capital	Principal activities
MMSB	14 August 1992/ Malaysia	100.00	RM350,000	Provision of IT solutions and IT outsourcing services
Mexter MSC	8 November 2002/ Malaysia	100.00	RM2	Performing R&D and the provision of E-Manufacturing and MPM systems which consist of a combination of software programs and hardware systems
CIE	13 October 2000/ Malaysia	64.70	RM170,002	Provision of IT solutions and IT outsourcing services
Subsidiary companies of MMSB				
DC Power	29 November 1994/ Malaysia	100.00	RM360,004	Management consulting and IT consulting services
MSPL	26 May 2001/ Singapore	99.99	SGD100,000	Provision of IT solutions and IT outsourcing services
Associated company				
AKL	10 April 2000/ Malaysia	45.00	RM760,002	Provision of solutions covering automation systems, networked and embedded computing devices

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2. INFORMATION SUMMARY (Cont'd)

The Group's corporate structure is as follows:-



The Mexter Group comprises seven (7) companies specialising in three (3) separate business divisions, namely, (i) E-Manufacturing Solutions Division, (ii) IT Solutions and IT Outsourcing Division, and (iii) E-Automation Platform Provider Division.

The Mexter Group and its core division – E-Manufacturing Solutions Division's history can be traced back to the incorporation of MMSB on 14 August 1992 where MMSB was set-up to distribute IT and automation products and to provide system integration services. In 2001, the Group marked its foray into China when it secured projects from Solectron (Suzhou) Technology Co., Ltd. In 2003, the Mexter Group reached another major milestone when its E-Manufacturing Solutions Division successfully penetrated into the automotive industry when it managed to secure LucasVaryity (M) Sdn Bhd (a member of TRW Automotive Inc.) as its new client.

On 8 November 2002, Mexter MSC was incorporated with the principal activities of performing R&D and the provision of E-Manufacturing and MPM systems. On 29 November 2002, Mexter MSC obtained the MSC status from the MDC. Subsequently, the Mexter Group streamlined its business operation by transferring all the E-Manufacturing Solutions Division business operations under MMSB to Mexter MSC.

The Group's IT Solutions and IT Outsourcing Division's history started in 1994 where MMSB was also involved in the provision of IT services to its clients. Subsequently, DC Power was incorporated on 29 November 1994, CIE was incorporated on 13 October 2000 and MSPL was incorporated on 26 May 2001 to penetrate into different market segments of the IT solutions and IT outsourcing business.

The Group's E-Automation Platform Provider Division's history began in 1994 when MMSB was appointed by Advantech Corporation Limited (a Taiwan-listed company) as the distributor for its products in Malaysia. After six (6) years of successful cooperation with Advantech Corporation Limited, the partnership was further strengthened with the establishment of a joint-venture company called Advantech Control (M) Sdn Bhd on 10 April 2000.

Further details on the Mexter Group's history and principal activities are set out in Section 6.1 and Section 6.5 of this Prospectus respectively.

2. INFORMATION SUMMARY (Cont'd)

2.2 TECHNOLOGY, INTELLECTUAL PROPERTY RIGHTS AND TRADEMARKS

As the technology currently being used in Mexter's products are being developed in-house through ongoing R&D programs undertaken by its R&D arm, Mexter MSC, the Mexter Group regards its intellectual property rights as critical to its continued success and has taken the necessary steps to protect its intellectual property rights.

Applications for the registration of trademarks have been filed by the Group on 20 March 2003 and 30 April 2004 in Malaysia, under Classes 9, 16, 37 and 42 (as classified under the International Classification of Goods and Services, for the purpose of registration of trademarks, issued by the Intellectual Property Office of Malaysia) which are still pending as at the date of this Prospectus.

Mexter's underlying principle in selecting the technologies behind its product is "always deliver cost effective solutions with the latest and proven technologies to the valued customers". This principle allows the clients to enjoy the benefits of proven, new technologies with minimal risks of overexposure to emerging technologies which are not stable, thus ensuring a longer product lifecycle and lower total costs of ownerships.

Mexter's software is developed with Object Oriented Programming Approach (OOPA) and currently, the R&D team is using Microsoft.NET framework development tools to design most of its new software products. The software architecture covers from simple standalone database system up to multi-tiers database designed for larger database systems that are powered by Oracle, MS SQL Server or MySQL. Most of the reporting systems in the Company's solutions are developed using web based technologies including HTML, XML, ASP.NET, ASP, CGI, ISAPI and ISAPI filter.

On the hardware front, Mexter had deployed SoC solution with Embedded C as development tools in the design of its MexterTPM system. The Company had also deployed Complex Programmable Logic Device (CPLD)/FPGA solutions with VHDL and Verilog in a SCADA system for signal processing and data conversion. Its products are also designed with various micro-controller technologies including Intel 8051 and Motorola 68HC11.

Further details of the Group's technology, trademarks and licences are disclosed in Section 6.4.5 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

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

Based on the Register of Members of Mexter as at the Latest Practicable Date, the direct and indirect interests of the Promoters, substantial shareholders, Directors, key management and key technical personnel in the issued share capital of the Company after taking into account the Public Issue are as follows:-

Name	Designation	Nationality/ Place of incorporation	< ----- Shareholding after Public Issue ----- >			
			< -----Direct----- >		< -----Indirect----- >	
<i>Promoters</i>			No. of Shares	%	No. of Shares	%
Ivan Sia Teck Fatt	Managing Director	Malaysian	31,942,798 ^(a)	35.71	-	-
Hor Chee Hong	Executive Director	Malaysian	7,389,370 ^(a)	8.26	-	-
Ng Thean Hooi	Executive Director	Malaysian	7,118,972 ^(a)	7.96	-	-
Teh Aik Kong	Executive Director	Malaysian	5,914,900 ^(a)	6.61	-	-
Tan Hock Sim	Shareholder	Malaysian	491,490	0.55	-	-
Chong Siew Fong	Operations Manager	Malaysian	791,490 ^(a)	0.88	-	-
Jatiwi	Shareholder	Malaysia	5,461,000	6.10	-	-
<i>Substantial Shareholders</i>						
Ivan Sia Teck Fatt	Managing Director	Malaysian	31,942,798 ^(a)	35.71	-	-
Hor Chee Hong	Executive Director	Malaysian	7,389,370 ^(a)	8.26	-	-
Ng Thean Hooi	Executive Director	Malaysian	7,118,972 ^(a)	7.96	-	-
Teh Aik Kong	Executive Director	Malaysian	5,914,900 ^(a)	6.61	-	-
Jatiwi	Shareholder	Malaysia	5,461,000	6.10	-	-
Dato' Lai Pin Yong	Non-Independent Non-Executive Director	Malaysian	-	-	5,461,000 ^(b)	6.10
Dato' Goh Nai Kooi @ Gah Mai Kwai	Alternate Director to Dato' Lai Pin Yong	Malaysian	-	-	5,461,000 ^(b)	6.10

2. INFORMATION SUMMARY (Cont'd)

Name	Designation	Nationality/ Place of incorporation	< ----- Shareholding after Public Issue ----- >			
			< -----Direct----- >		< -----Indirect----- >	
<i>Directors</i>			No. of Shares	%	No. of Shares	%
Ivan Sia Teck Fatt	Managing Director	Malaysian	31,942,798 ^(a)	35.71	-	-
Hor Chee Hong	Executive Director	Malaysian	7,389,370 ^(a)	8.26	-	-
Ng Thean Hooi	Executive Director	Malaysian	7,118,972 ^(a)	7.96	-	-
Teh Aik Kong	Executive Director	Malaysian	5,914,900 ^(a)	6.61	-	-
Dato' Lai Pin Yong	Non-Independent Non-Executive Director	Malaysian	-	-	5,461,000 ^(b)	6.10
Tam Kok Meng	Independent Non-Executive Director	Malaysian	-	-	-	-
Ahmad Shalimin Bin Ahmad Shaffie	Independent Non-Executive Director	Malaysian	-	-	-	-
Dato' Goh Nai Kooi @ Gah Mai Kwai	Alternate Director to Dato' Lai Pin Yong	Malaysian	-	-	5,461,000 ^(b)	6.10
Datin Ko Soek King	Alternate Director to Hor Chee Hong	Malaysian	-	-	5,461,000 ^(c)	6.10
Key management and key technical personnel						
Cheng Chee Chian	Chief Technology Officer	Malaysian	250,000 ^(a)	0.28	-	-
Chong Siew Fong	Sales and Operations Manager	Malaysian	791,490 ^(a)	0.88	-	-
Lim Lee Kwang	Assistant Solution Manager	Malaysian	20,000 ^(a)	0.02	-	-

Notes:-

(a) Inclusive of their Pink Form Shares allocation as follows:-

**Number of Pink Form Shares
allocated**

Ivan Sia Teck Fatt	1,200,000
Hor Chee Hong	1,000,000
Ng Thean Hooi	1,000,000
Teh Aik Kong	1,000,000
Cheng Chee Chian	250,000
Chong Siew Fong	300,000
Lim Lee Kwang	20,000

2. INFORMATION SUMMARY (Cont'd)

(b) *Deemed interest by virtue of their interests in Jatiwi pursuant to Section 6A of the Act.*

(c) *Deemed interest through her spouse Dato' Lai Pin Yong.*

Further information on the promoters, substantial shareholders, Directors, key management and key technical personnel are set out in Section 9 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.4 FINANCIAL HIGHLIGHTS

2.4.1 Proforma consolidated income statements

The following table is extracted from the Accountants' Report set out in Section 13 of this Prospectus and should be read in conjunction with the notes thereto.

The table below sets out a summary of the proforma consolidated income statements of the Mexter Group for the past five (5) financial years ended 31 December 1999 to 2003 and nine (9)-month period ended 30 September 2004 and are provided for illustration purposes based on the audited financial statements of the Mexter Group, prepared on the assumption that the current Mexter Group structure had been in existence throughout the years/period under review:-

	Proforma Group					9-month period ended 30 September 2004 ⁽ⁱ⁾ RM'000
	<----- Year ended 31 December----->					
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Revenue	8,902	11,363	13,231	9,372	11,153	10,128
Profit before interest, depreciation, tax and amortisation	1,199	1,828	2,307	1,076	1,372	3,537
Net interest expense	(30)	(24)	(24)	(37)	(27)	(35)
Depreciation	(74)	(85)	(101)	(143)	(169)	(148)
Amortisation of goodwill	-	-	(7)	(32)	(52)	-
Amortisation of software development costs	-	-	-	-	-	(88)
Impairment loss on goodwill	-	-	-	-	(163)	-
Share of profits of AKL	-	-	135	176	220	124
PBT	1,095	1,719	2,310	1,040	1,181	3,390
Taxation	(145)	(468)	(700)	(257)	(83)	(123)
PAT	950	1,251	1,610	783	1,098	3,267
MI	-	-	(6)	37	27	1
PAT and MI	950	1,251	1,604	820	1,125	3,268
No. of Shares assumed in issue ('000)*	54,610	54,610	54,610	54,610	54,610	54,610
Gross EPS (sen)	2.01	3.15	4.23	1.90	2.16	6.21
Net EPS (sen)	1.74	2.29	2.94	1.50	2.06	5.98

Notes:-

* Based on the number of Mexter Shares in issue after the MMSB Acquisition and Share Split but before Public Issue.

(i) For the financial period ended 30 September 2004, MMSB had declared a special net dividend to the existing shareholders of MMSB amounting to approximately RM2.28 million.

2. INFORMATION SUMMARY (Cont'd)

There were no exceptional or extraordinary items in the relevant financial years/period under review. In addition, there were no audit qualifications for the financial years/period under review. Further information on the Group's Proforma consolidated income statements is set out in Section 5.1 of this Prospectus.

2.4.2 Proforma consolidated balance sheets

The proforma consolidated balance sheets of the Company as at 30 September 2004, assuming that the Acquisitions, the Share Split, the Public Issue, utilisation of proceeds and full exercise of the ESOS Options arising from the ESOS had been completed as at that date, together with the detailed assumptions underlying its preparation are set out in Section 5.4 of this Prospectus. The following table shows a summary of the proforma consolidated balance sheets of Mexter as at 30 September 2004:-

	Company as at 30.09.2004 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000	Proforma IV RM'000
Property, plant and equipment	-	1,518	1,518	4,518	4,518
Investment in associate	-	744	744	744	744
Intangible assets	-	501	501	5,501	5,501
Current assets	311	8,096	8,096	12,233	22,967
Current liabilities	(314)	(4,129)	(4,129)	(4,129)	(4,129)
Net current (liabilities)/assets	(3)	3,967	3,967	8,104	18,838
	(3)	6,730	6,730	18,867	29,601
Financed by:					
Share capital	-*	5,461	5,461	8,945	11,629
Share premium	-	-	-	8,653	16,703
(Accumulated loss)/ Unappropriated profits	(3)	988	988	988	988
(Deficit)/Surplus in shareholders' funds	(3)	6,449	6,449	18,586	29,320
Borrowings	-	159	159	159	159
Deferred tax liabilities	-	122	122	122	122
	(3)	6,730	6,730	18,867	29,601
Net tangible (liabilities)/assets (RM'000)	(3)	5,948	5,948	13,085	23,819
Net tangible assets per share (sen)	#	108.92	10.89	14.63	20.48
Number of ordinary shares of RM1.00 each in issued ('000)	-*	5,461	-	-	-
Number of ordinary shares of RM0.10 each in issued ('000)	-	-	54,610	89,452	116,287

Notes:-

* Denotes 2 ordinary shares of RM1 each.

(RM1,500).

2. INFORMATION SUMMARY (Cont'd)

Proforma I	After the Acquisitions
Proforma II	After Proforma I and the Share Split
Proforma III	After Proforma II and the Public Issue and utilisation of proceeds
Proforma IV	After Proforma III and assuming 26,835,000 ESOS Options are granted and fully exercised into new Mexter Shares at an exercise price of RM0.40 per share

Further details on the Group's proforma consolidated balance sheets are set out in Section 5.4 of this Prospectus.

2.5 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

(i) Share Capital

	RM
<i>Authorised share capital</i>	
250,000,000 ordinary shares of RM0.10 in Mexter	<u>25,000,000</u>
<i>Issued and fully paid-up share capital as at the date of this Prospectus</i>	
54,610,020 ordinary shares of RM0.10 in Mexter	5,461,002
<i>To be issued and credited pursuant to the Public Issue</i>	
34,842,000 new ordinary shares of RM0.10 in Mexter	3,484,200
<i>Enlarged issued and paid-up share capital upon Listing</i>	
89,452,020 ordinary shares of RM0.10 in Mexter	<u>8,945,202</u>
<i>Assuming all the ESOS Options are granted and exercised*</i>	
26,835,000 new ordinary shares of RM0.10 in Mexter	2,683,500
<i>Enlarged issued and paid-up share capital after full exercise of ESOS Options</i>	
116,287,020 ordinary shares of RM0.10 in Mexter	<u>11,628,702</u>

Note:-

* The ESOS of up to 30% of the issued and paid-up capital of the Company will be established in conjunction with the Listing. An initial grant of 10,000,000 ESOS Options will be granted to the eligible Directors and employees of the Group, and will only be exercisable after one (1) year has lapsed from the Listing date.

(ii) Issue Price per Public Issue Share RM0.40

The factors taken into consideration in determining the price of the Public Issue Shares are set out in Section 3.8 of this Prospectus.

(iii) Market capitalisation of Mexter upon Listing (before exercise of any ESOS Options) based on the Issue Price of RM0.40 per Public Issue Share RM35,780,808

(iv) Class of shares, ranking and rights

There is only one (1) class of shares in the Company, being ordinary shares of RM0.10 each. The Public Issue Shares shall rank *pari passu* in all respects with the existing issued and fully paid-up ordinary shares of Mexter including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

2. INFORMATION SUMMARY (Cont'd)

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

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on a poll, every shareholder who is present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary shares held. A proxy may but need not be a member of the Company. If the proxy is not a member, he/she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

(v) **Proforma consolidated NTA of the Mexter Group as at 30 September 2004**

Proforma consolidated NTA (after the Acquisitions, Share Split, Public Issue and utilisation of proceeds). RM13,083,113

Proforma consolidated NTA per Mexter Share (based on the enlarged issued and paid-up share capital of 89,452,020 Mexter Shares after the Public Issue). RM0.15

Further details on the Public Issue are set out in Section 3 of this Prospectus.

2.6 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM13.937 million arising from the Public Issue will be fully utilised by the Company and its subsidiary companies, as follows:-

	RM'000	Estimated timeframe for utilisation from the Listing date
Business expansion	1,000	Within 2 years
Purchase of a corporate headquarters-cum-warehouse	2,500	Within 2 years
R&D expenses	5,000	Within 4 years
Working capital	3,637	Within 2 years
Estimated Listing expenses	1,800	Within 1 year
Total	13,937	

Further details on the utilisation of proceeds are set out in Section 3.9 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

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

(i) Material litigation

As at 14 March 2005, neither the Company nor its subsidiary companies are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the financial position of the Company and/or its subsidiary companies upon becoming enforceable, and the Board does not have any knowledge of any proceedings pending or threatened against the Company and/or its subsidiary companies or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Company and/or its subsidiary companies.

(ii) Working capital

The Board is of the opinion that, after taking into account the financial position of the Group, banking facilities available and the total gross proceeds to be raised from the Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(iii) Borrowings

As at 14 March 2005, the total outstanding interest bearing borrowings of the Group is as follows:-

	< ----- Amount Outstanding as at 14 March 2005 ----- >		
	Payable within twelve (12) months RM'000	Payable after twelve (12) months RM'000	Total RM'000
Trade bill payable	277	-	277
Hire purchase	10	37	47

The Group does not have any non-interest bearing borrowings or foreign borrowings as at 14 March 2005.

There has been no default by the Mexter Group on payments of either interest and/or principal sums in respect of its borrowings throughout the past financial year ended 31 December 2003 and the subsequent period up to 14 March 2005.

(iv) Material capital commitments

As at 14 March 2005, the Board is not aware of any capital commitment contracted or known to be contracted by the Company or its subsidiary companies which, upon becoming enforceable, may have a material impact on the financial position of the Group.

(v) Contingent liabilities

As at 14 March 2005, the Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of the Group.

2.8 EXCLUSION OF PROFIT FORECAST AND PROJECTIONS

Mexter's revenue and operating results are dependent on the delivery schedule of its projects which is subject to many factors, some of which are highlighted in Section 4 of this Prospectus. Mexter's profit forecast and projections are subject to the vagaries and uncertainty of the business environment in which it operates in and hence are not disclosed in this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.9 RISK FACTORS

Investors should rely on their own evaluation and carefully consider the following risk factors (which may not be exhaustive) that may have a significant impact on the future performance of the Group, in addition to the other information contained elsewhere in this Prospectus, before applying for any of the Public Issue Shares, which are the subject of this Prospectus. The order in which the risk factors are presented should not be construed as a ranking of the risk factors.

- 1) No prior market for Mexter Shares;
- 2) Business risk;
- 3) Political, economic and regulatory factors;
- 4) Capital market risk;
- 5) Competition;
- 6) Rapid technological changes;
- 7) Protection of the Group's proprietary technology/intellectual property rights;
- 8) Dependence on Directors, key management and key technical personnel;
- 9) Dependence on few key customers;
- 10) Dependence on key products and delay in R&D;
- 11) Lack of long-term contracts;
- 12) Control by the substantial shareholders;
- 13) Future sales of Mexter Shares by the substantial shareholders;
- 14) Market acceptance of products;
- 15) Future capital injections;
- 16) Foreign exchange risk;
- 17) Litigation risk;
- 18) Disclosure regarding forward-looking statements;
- 19) Insurance coverage on the Group's assets and disaster recovery;
- 20) Changes in MSC status;
- 21) Underwriting;
- 22) Security and system disruption;
- 23) Uncertainty of five (5)-year business development plan; and
- 24) Failure/delay in the Listing.

Further details of the risk factors are set out in Section 4 of this Prospectus.

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3. PARTICULARS OF THE PUBLIC ISSUE

3.1 INTRODUCTION

This Prospectus is dated 23 March 2005.

A copy of this Prospectus has been registered by the SC who assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. A copy of this Prospectus, together with the form of application, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Approval has been obtained for the Public Issue from the SC and the FIC (via the SC) on 4 January 2005 and 14 March 2005, and the Securities Exchange on 7 January 2005. Approval has also been obtained from the Securities Exchange on 7 January 2005 for the admission to the Official List of the MESDAQ Market and for permission to deal in and for quotation of the entire issued and paid-up share capital of Mexter including the Public Issue Shares which are the subject of this Prospectus.

The entire issued and paid-up share capital of Mexter comprising 89,452,020 Mexter Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from Bursa Depository that all the CDS Account of successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants. The Securities Exchange assumes 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 subsidiary companies or of its Shares.

Under the Securities Exchange's trading rules, effective from the date of listing, trading in all Securities Exchange listed securities can only be executed through an ADA who is also a Securities Exchange member.

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

Applicants of the Public Issue Shares must have a CDS account. In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application ("ESA"), the applicant shall furnish his/her CDS account number to the participating financial institution in the ESA by keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her ESA requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of ESA.

Pursuant to the MMLR, at least 25% but not more than 49% of the issued and paid-up share capital must be in the hands of public shareholders with a minimum number of 200 public shareholders at the point of Listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be returned in full without interest.

Investors should rely only on the information contained in this Prospectus or information that the Company has referred investors to. The Company has not authorised anyone to provide investors with information that is different. The information contained in this Prospectus shall not be deemed to indicate that there are no changes in the affairs of the Group since the date of this Prospectus.

The distribution of this Prospectus and the sale of the Public Issue Shares are subject to Malaysian Laws and the Company and Alliance take no responsibility for the distribution of this Prospectus and the sale of the Public Issue Shares outside Malaysia, which shall be restricted by law in other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and shall 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 an invitation.

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

Investors should rely on their own evaluation to assess the merits and risks of the investments. In considering the investment, investors who are in any doubt as to the action to be taken should, consult their stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

3.2 OPENING AND CLOSING OF APPLICATIONS

Applications will be accepted from 10.00 a.m. on 23 March 2005 and will be closed at 5.00 p.m. on 30 March 2005 or such other later time and date or dates as the Directors of Mexter and the Underwriter may in their absolute discretion mutually decide.

3.3 INDICATIVE TIMETABLE

The indicate timing of events leading up to the Listing is set out below:

Event	Indicative Time/Date
Opening time and date of application	10.00 a.m. on 23 March 2005
Closing time and date of application	5.00 p.m. on 30 March 2005
Tentative balloting date	1 April 2005
Tentative allotment date	11 April 2005
Tentative Listing date	12 April 2005

Note:-

The Directors of Mexter and the Underwriter may in their absolute 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 of the balloting, allotment and Listing would be extended accordingly.

In the event the closing date of the application is extended, the notice of the extension will be advertised in a widely circulated English and Bahasa Malaysia newspaper not less than one (1) Market Day before the original closing date of the application.

3.4 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:-

- (a) To obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of Mexter on the MESDAQ Market, which is expected to enhance the business, profile and future prospects of the Company;
- (b) To enable the Company to have access to the capital market to raise funds for future expansion and continued growth of the Mexter Group;
- (c) To enhance the stature of the Group in marketing of its products and services, and to retain and attract new skilled employees; and
- (d) To increase the Mexter Group's profile in Malaysia and in the international markets that it is serving and intends to serve in the future.

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

3.5 SHARE CAPITAL AND RIGHTS ATTACHING TO THE PUBLIC ISSUE SHARE(S)

	RM
<i>Authorised share capital</i>	
25,000,000 ordinary shares of RM0.10 in Mexter	<u>25,000,000</u>
<i>Issued and fully paid-up share capital as at the date of this Prospectus</i>	
54,610,020 ordinary shares of RM0.10 in Mexter	5,461,002
<i>To be issued and credited pursuant to the Public Issue</i>	
34,842,000 new ordinary shares of RM0.10 in Mexter	<u>3,484,200</u>
<i>Enlarged issued and paid-up share capital upon Listing</i>	
89,452,020 ordinary shares of RM0.10 in Mexter	8,945,202
<i>Assuming all ESOS Options are granted and exercised*</i>	
26,835,000 new ordinary shares of RM0.10 in Mexter	2,683,500
<i>Enlarged issued and paid-up share capital after full exercise of ESOS Options</i>	
116,287,020 ordinary shares of RM0.10 in Mexter	<u>11,628,702</u>

Note:-

- * *The ESOS of up to 30% of the issued and paid-up capital of the Company will be established in conjunction with the Listing. An initial grant of 10,000,000 ESOS Options will be granted to the eligible Directors and employees of the Group, and will only be exercisable after one (1) year has lapsed from the Listing date.*

Issue Price per Public Issue Share

RM0.40

The factors taken into consideration in determining the price of the Public Issue Shares are set out in Section 3.8 of this Prospectus.

The issue price of RM0.40 for each Public Issue Share is payable in full upon application.

Class of shares, ranking and rights

There is only one (1) class of shares in the Company, being ordinary shares of RM0.10 each. The Public Issue Shares shall rank *pari passu* in all respects with the existing issued and fully paid-up ordinary shares of Mexter including voting rights and the rights to all other distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

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

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on a poll, every shareholder who is present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary shares held. A proxy may but need not be a member of the Company. If the Proxy is not a member, he/she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

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

3.6 DETAILS OF THE PUBLIC ISSUE

The Public Issue Shares totalling 34,842,000 new Mexter Shares at an issue price of RM0.40 per Mexter Share shall will be allocated in the following manner:-

(i) Malaysian Public

3,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

(ii) Private placement

25,217,000 Public Issue Shares will be placed with identified investors by the placement agent.

(iii) Eligible Directors, employees and business associates

6,625,000 Public Issue Shares will be reserved for application by the eligible Directors, employees and business associates.

The Public Issue Shares under paragraph (ii) above are not underwritten. Any Public Issue Shares under paragraph (iii) above which are not subscribed by the eligible Directors, employees and business associates of the Mexter Group ("Unsubscribed Shares") will be offered to other eligible Directors, employees and business associates. However, if the Unsubscribed Shares are not fully subscribed under the subsequent offer, the Unsubscribed Shares will be made available for application by members of the Malaysian public, of which such Unsubscribed Shares are fully underwritten by the Underwriter.

The Public Issue Shares made available to the Malaysian public under paragraph (i) above have been fully underwritten via the conditional Underwriting Agreement referred to in Section 3.11 of this Prospectus by the Underwriter as set out under the Corporate Directory of this Prospectus.

3.7 DETAILS OF PINK FORM SHARES ALLOCATION

The allocation of the Pink Form Shares in respect of Section 3.6 above is based on the following criteria, which has been approved by the Board:-

(i) Eligible Directors and employees

- must be at least eighteen (18) years of age and confirmed in service on the date of allocation;
- must have worked with the Group (excluding AKL) for a period of at least three (3) months;
- position and length of service in the Group; and
- contribution to the success of the Group.

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

Based on the abovementioned criteria, 1,488,500 Public Issue Shares are reserved for application by thirty-five (35) employees of the Mexter Group whilst the remaining 4,200,000 Public Issue Shares are reserved for application by the following four (4) eligible Directors:-

Name of Director	Designation	No. of Mexter Shares reserved for each eligible Director
Ivan Sia Teck Fatt	Managing Director	1,200,000
Hor Chee Hong	Executive Director	1,000,000
Ng Thean Hooi	Executive Director	1,000,000
Teh Aik Kong	Executive Director	1,000,000
		4,200,000

(ii) Business associates of the Mexter Group

- the length of relationship; and
- the value of transactions.

Based on the above mentioned criteria, 936,500 Public Issue Shares have been reserved for business associates of the Mexter Group, namely, the suppliers and customers of the Mexter Group. The Mexter Group has a total of two (2) business associates who are eligible to subscribe to the reserved shares. The number of Public Issue Shares available for allocation to business associates is based on the value of transactions of such business associates with the Mexter Group throughout the financial year ended 31 December 2003.

3.8 PRICING OF THE PUBLIC ISSUE SHARES

The issue price of RM0.40 per Public Issue Share was determined and agreed upon by the Company and Alliance, as Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:-

- (i) the Mexter Group's financial and operating history and conditions as described in Section 5 and Section 6 of this Prospectus;
- (ii) the industry outlook in which it operates, future plans, strategies and outlook of the Group as described in Section 7 and Section 8 of this Prospectus;
- (iii) the prevailing market conditions; and
- (iv) the proforma consolidated NTA per share of the Mexter Group of RM0.15 as at 30 September 2004 after the Acquisitions, Share Split, Public Issue and utilisation of proceeds.

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

3.9 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM13.937 million arising from the Public Issue will be fully utilised by the Group, as follows:-

	Note	RM'000	Estimated timeframe for utilisation from the Listing date
Business expansion	(i)	1,000	Within 2 years
Purchase of a corporate headquarters-cum-warehouse	(ii)	2,500	Within 2 years
R&D expenses	(iii)	5,000	Within 4 years
Working capital	(iv)	3,637	Within 2 years
Estimated Listing expenses	(v)	1,800	Within 1 year
Total		<u>13,937</u>	

Notes:-

(i) **Business expansion**

The Mexter Group intends to invest RM1.00 million of the proceeds raised to set up branch offices in Shenzhen and Shanghai in China within two (2) years from the Listing date. The allocation would also be used for capital expenditure i.e. purchase office equipments and furniture and fittings as well as to meet general expenses such as hiring of staff, salaries for staff, travelling expenses and general administration.

(ii) **Purchase of a corporate headquarters-cum-warehouse**

The Group intends to invest RM2.50 million of the proceeds raised to acquire a building to be used as the corporate headquarters-cum-warehouse within two (2) years from the Listing date. The allocation would also be utilised for renovation purposes, purchase office equipments and furniture and fittings.

(iii) **R&D expenses**

The key thrust of the MPM solutions in the various industries lies in the strength of the Mexter Group's R&D activities, which consequently generates value added products to existing and potential customers. As R&D has been of paramount importance to maintain the Mexter Group's technological advantage over its competitors, the Company has allocated RM5.00 million of the proceeds raised for the development of its future products as well as continuing enhancement of its existing range of products for the next four (4) years. The allocation will cover manpower cost, hardware and software, training and other related expenses.

(iv) **Working capital**

The Company intends to allocate approximately RM3.64 million from the proceeds raised to meet the Mexter Group's working capital requirements that are in line with the requirements of the Group's operations and business expansion plan. The funds will be used to finance day-to-day operations of the Group.

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

(v) **Estimated Listing expenses**

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

	RM
Professional advisory fees	700,000
Fees to the authorities	71,000
Underwriting commission, placement fee and brokerage fee	462,000
Printing and advertising fees	200,000
Miscellaneous expenses	90,000
Contingencies*	277,000
Total estimated Listing expenses	<u>1,800,000</u>

* Any unutilised amount will be used for working capital purposes.

Any variations to the estimated Listing expenses will result in an adjustment via the amount allocated for utilisation of working capital of the Mexter Group.

The utilisation of proceeds as set out above is expected to enhance the future earnings of the Group as the proceeds from the Public Issue is a cheaper source of funding compared to bank borrowings and will further enable the Group to carry out its plans and strategies as set out in Section 8 of this Prospectus.

There is no minimum subscription to be raised from the Public Issue as the Public Issue in respect of the 3,000,000 Public Issue Shares available for subscription by the Malaysian public is fully underwritten.

3.10 **BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE**

Brokerage

Brokerage relating to the Public Issue Shares will be paid by the Company at a rate of 1.0% of the issue price of RM0.40 per Public Issue Share in respect of successful applications bearing the stamp of Alliance, a member company of the Securities Exchange, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIDFCCS.

Underwriting commission

An Underwriting Agreement was entered into between the Company and Alliance to underwrite 3,000,000 Public Issue Shares to be made available to Malaysian citizens, companies, societies, co-operatives and institutions pursuant to the Public Issue and any of the Unsubscribed Shares made available for application by the eligible Directors, employees and business associates who have contributed to the success of the Mexter Group. Underwriting commission is payable by the Company at the rate 2.0 % of the issue price of RM0.40 per Public Issue Share and amounts to a minimum of RM24,000.

Placement fee

A placement fee shall be payable by the Company to the Placement Agent in respect of the Public Issue Shares placed out to placees identified and secured by the Placement Agent at the rate of 2.5% of the issue price of RM0.40 per Public Issue Share. In respect of the Public Issue Shares placed out to placees identified and secured by the Company, the Company shall pay the Placement Agent an administration fee of RM10,000.

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

3.11 DETAILS OF THE UNDERWRITING AGREEMENT

An underwriting agreement was entered into between the Company and Alliance (the "Underwriter") on 1 March 2005 ("Underwriting Agreement") to underwrite 3,000,000 Mexter Shares to be made available to Malaysian citizens, companies, societies, co-operatives and institutions pursuant to the Public Issue and any of the Unsubscribed Shares made available for application by the eligible Directors, employees and business associates of the Group ("Underwritten Shares"). Underwriting commission is payable by the Company at the rate 2.0 % of the issue price of RM0.40 per Public Issue Share. There is a *force majeure* clause in the Underwriting Agreement which allows the Underwriter to withdraw from the underwriting agreement under adverse circumstances.

The other salient terms of the Underwriting Agreement are summarised as follows:-

1. The obligation of the Underwriter to underwrite the Underwritten Shares is conditional on the performance by the Company of their obligations under the underwriting agreement and on (among others):
 - 1.1 The Underwriter being provided with the reports or confirmation and the Underwriter being satisfied at the closing date of the application for the public issue shares that:-
 - (a) there has been no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole from that provided in the Prospectus; or
 - (b) there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking that is materially untrue or inaccurate or result in a material breach of the underwriting agreement by the Company;
 - 1.2 The issue of the Prospectus not later than 1 month from the date of the underwriting agreement or such later date as the Underwriter and the Company may from time to time agree;
 - 1.3 The registration of the Prospectus and such other documents as may be required accordance with the Securities Commission Act, 1993 ("SCA") of Malaysia in relation to the Public Issue with the SC and its lodgement with the Registrar of Companies by the share issue date;
 - 1.4 The approval of SC and Securities Exchange for the admission of the Company to the Official List and the listing of and quotation for its entire issued and paid up share capital being obtained on terms acceptable to the Underwriter remaining in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the Public Issue has been completed) have been complied with;
 - 1.5 The Underwriter being satisfied that the Company will, following completion of the Public Issue be admitted to the official list and its share capital listed and quoted on the MESDAQ Market without undue delay;
 - 1.6 The Public Issue not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the Public Issue and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the Public Issue and/or listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market have been obtained and are in force on the closing date for the public issue shares or the Underwriter being reasonably satisfied that the same will be in force on the closing date of the Public Issue Shares;

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

- 1.7 The Underwriter being satisfied that the Company has complied with and that Public Issue is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;
 - 1.8 The Public Issue being approved by the shareholders of the Company at an extraordinary general meeting and the delivery by the Company to the Underwriter of certified true copies of the required shareholders' resolutions of the Company inter alia authorising the Directors of the Company to do all such acts and things as necessary or expedient in relation to the Public Issue; and
 - 1.9 The delivery by the Company to the Underwriter of certified true copies of the aforesaid Board Resolution(s) of the Company inter alia authorising the execution of the Underwriting Agreement together with any other documents deemed by the Directors to be incidental or ancillary to or expedient in connection with the Public Issue Shares or the underwriting of the Underwritten Shares.
2. Notwithstanding anything contained in the underwriting agreement, the Underwriter may by notice in writing to the Company given at any time before 5.00 pm on the closing date, terminate, cancel and withdraw their underwriting commitment if (among others):
- 2.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Section 3 (Representations, Warranties and Undertakings), which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to the Company; or
 - 2.2 there is failure on the part of the Company to perform any of its obligations contained in the underwriting agreement; or
 - 2.3 there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the underwriting agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Shares issued under the Public Issue; or
 - 2.4 the success of the Public Issue is seriously jeopardised by the Kuala Lumpur Composite Index falling below 600 points and remaining below 600 points for three (3) consecutive Market Days at any time between the effective date of this Agreement and the closing date; or
 - 2.5 there shall have occurred, or happened any of the following circumstances:-
 - (a) any material change, or any development involving in a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (b) any change in law, regulation, directive, policy or ruling in any jurisdiction; or
 - (c) any event or series of events beyond the reasonable control of the Underwriter including (without limitation) acts of government, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts or war or accidents which has or is likely to have the effect of making any material part of the underwriting agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the underwritten shares;

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

which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue, or the listing of the Company on the MESDAQ Market or market conditions generally or which has or is likely to have the effect of making any material part of the underwriting agreement incapable of performance in accordance with its terms.

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4. RISK FACTORS

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION AND CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE GROUP, IN ADDITION TO THE OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE APPLYING FOR ANY OF THE PUBLIC ISSUE SHARES, WHICH ARE THE SUBJECT OF THIS PROSPECTUS. THE ORDER IN WHICH THE RISK FACTORS ARE PRESENTED SHOULD NOT BE CONSTRUED AS A RANKING OF THE RISK FACTORS.

4.1 NO PRIOR MARKET FOR MEXTER SHARES

Prior to this Public Issue, there has been no public market for Mexter Shares. There can be no assurance that an active public market for Mexter Shares will be developed or be sustained upon its Listing. The issue price of RM0.40 per Public Issue Share was determined after taking into consideration various factors including, but not limited to, the Group's financial and operating history and conditions, the industry outlook in which it operates, future plans, strategies and outlook of the Group and the prevailing market conditions prior to the issuance of this Prospectus.

There can be no assurance that the market price of the Mexter Shares will not decline below the Issue Price. The Group believes that a number of factors could cause the price of the Mexter Shares to fluctuate, including sales of substantial amounts of Mexter Shares in the public market in the immediate future, announcements of developments relating to the Group's business, fluctuations in the Group's operating results and sales levels, general industry conditions or the world-wide economy, announcements of new products or product enhancements by the Group or its competitors, and developments in patent, copyright or other intellectual property rights.

In addition, in recent years, the stock market in general, and the market for the shares of many high technology companies in particular, has experienced extreme price fluctuations which have often been unrelated to the operating performance of such companies. Such fluctuations may adversely affect the market price of the Mexter Shares.

4.2 BUSINESS RISK

The Mexter Group is principally involved in performing R&D and the provision of E-Manufacturing and MPM systems which consist of a combination of software programs and hardware systems, provision of IT solutions and IT outsourcing services, provision of solutions covering automation systems, networked and embedded computing devices and management consulting and IT consulting services. The Group is therefore vulnerable to certain risks inherent in the IT industry in which it operates. These include, amongst others, changes in conditions such as deterioration in prevailing market conditions, constraints in skilled labour supply, changes in economic and business conditions, foreign exchange fluctuations, changes in governmental and international policies, the introduction of new and superior technology or products by competitors, changes in legal and environmental framework in the industry in which the Group operates and a drop in demand for its products and services.

The Group seeks to limit these risks through, inter-alia, expansion into both existing and new markets, development and enhancement of new and existing products and services, improving its technological competence through R&D and advanced technologies, expanding its customer base and maintaining good business relationship with its existing and future customers.

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4. RISK FACTORS (Cont'd)

4.3 POLITICAL, ECONOMIC AND REGULATORY FACTORS

The financial and business prospects of the Group and the industry in which it operates may depend to some degree on the developments in the political, economic and regulatory factors in Malaysia and other countries which the Mexter Group operates. Amongst the political, economic and regulatory factors are war, riots, global economic downturn and unfavourable change in the Government's policy such as taxation, currency exchange controls, licensing regulations and Government policies. Whilst Mexter will continue to adopt effective measures such as prudent financial management and efficient operating procedures, there can be no assurance that any adverse political, economic and regulatory factors will not materially affect the Group's future financial position and/or business prospects.

Currently, save for general company and contract laws, the business activities of the Group in Malaysia are not subject to any specific legislation. However, there can be no assurance that future policy changes will not affect the operations of the Group.

4.4 CAPITAL MARKET RISK

As a potential investor of Mexter, it is to be noted that Mexter will be listed on the MESDAQ Market. The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors will invariably contribute to the volatility of trading volumes witnessed on the Securities Exchange, thus adding risk of volatility to the market price of the listed Mexter Shares. Nevertheless, it shall be noted that the profitability of Mexter is not dependent on the performance of the Securities Exchange.

4.5 COMPETITION

The industry in which the Mexter Group operates is an emerging market and is a relatively competitive and rapidly changing market place. The Group has experienced and expects to continue to experience competition from current and future competitors. The Directors of Mexter believe that the Group's ability to compete depends on many factors within and outside its control, such as (but not limited to) timing and market acceptance of its existing and new products and services, product differentiation, product enhancement, product functionality, performance and reliability, price differentiation, sales and marketing efforts, product distribution channels and customer service and support.

Further, the Mexter Group competes for projects with several competitors, some of which may have longer operating histories, larger customer bases and professional staff, greater brand recognition and better financial, technical, marketing and other resources than Mexter. However, the Directors of Mexter believe that the Group has a competitive advantage in the nature, features, quality and cost of its products and services, lock-in effect with its existing customers, strong R&D capabilities, strong customer references, quick response time for delivery and deployment of its products coupled with a reliable on-site service and support team. In addition, the Directors of Mexter also plan to acquire and/or form strategic alliances with technology and consulting partners with the objectives of incorporating new technology into its product range and also to stay ahead of technology development.

In spite of the above, there can be no assurance that the Mexter Group will be able to compete successfully against existing and new competitors, or that the competitive pressures will not have any material effect on the Group's business, operating results and financial conditions.

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4. RISK FACTORS (Cont'd)

4.6 RAPID TECHNOLOGICAL CHANGES

The market for the Group's products is characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements and frequent new product introductions and enhancements. The Group's products may become obsolete due to changes in technology used in developing its products. As such, the Group's future depends substantially upon its ability to address the increasingly sophisticated needs of its customers. To the extent that 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 condition could be materially and adversely affected. The Group may or 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 constantly endeavours to develop and/or enhance its products expeditiously including continuously upgrading and installing additional R&D equipment to facilitate its R&D efforts for enhancement of existing products and to introduce new products.

4.7 PROTECTION OF THE GROUP'S PROPRIETARY TECHNOLOGY/INTELLECTUAL PROPERTY RIGHTS

The Group's success is dependent among others, on its ability to create new and enhanced versions of its MexterMPM suite of products for its customers. However, the Group's commercial success is dependent to a degree on its ability to protect its intellectual property rights in those products. As at the date of this Prospectus, the Group has filed applications for the registration of its trademarks and patents locally to shield itself against third party copying. Furthermore, the Group plans to file applications for its trademarks and patents in the overseas market in which it operates.

However, existing copyright, trademark and trade secret laws accord only limited practical protection. There might be delay in the trademark and patent application process and there can be no assurance that such applications will be successful. Even if successfully registered, there can be no assurance that the Group will be able to effectively and expeditiously protect its intellectual property 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 condition.

On the other hand, the Directors believe that risks of unauthorised third party copying, use or exploitation are relatively low due to the nature of the Group's products which are complex and require time to develop and integrate, and thus the Group's products may be less affected by risks of widespread unauthorised used, copying and exploitation.

In addition, the Group intends to continue with its current policy of requiring its employees to enter into confidentiality and non-disclosure agreements with the Group and to limit access to and distribution of its proprietary information and the proprietary information of its customers to mitigate the risk of misappropriation of the Group's proprietary information. There can be no assurance that the steps it has taken is adequate to deter misappropriation of proprietary information and/or unauthorised use of such information.

4.8 DEPENDENCE ON DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

The Directors of the Company recognise and believe that the Group's continuing success depends to a significant extent on the abilities and continuing efforts of its existing Managing and Executive Directors as well as its key management and key technical personnel. The labour market for skilled personnel in this field is highly competitive. The Directors of the Company recognise that the Group's continuing success depends to a significant extent upon, amongst others, the ability of the Group to retain its existing key management and key technical personnel and at the same time attract new skilled personnel to strengthen its existing personnel.

4. RISK FACTORS (Cont'd)

The Group currently enjoys cordial relationship with its employees and these employees do not belong to any trade union. The Group seeks to mitigate this risk by offering its employees competitive remuneration and benefits packages. However, there can be no assurance that the measures taken or to be taken will be successful and that any change in the Group's existing key management and key technical personnel will not have any material effect on the Group's business and operations.

4.9 DEPENDENCY ON FEW KEY CUSTOMERS

The Mexter Group secures its customers on a project to project basis. Once a project has been carried out, the customers are not contractually bound to award further projects to the Company in the future. The Group's top ten (10) customers account for approximately 89.4% of the Group's total revenue, based on the audited financial statements for the nine (9)-month period ended 30 September 2004.

The Mexter Group believes that the risk of losing major customers is mitigated as the present business divisions, synergistic to the E-Manufacturing Solutions Division, namely IT Solutions and IT Outsourcing Division and E-Automation Platform Provider Division, will provide the Group with the know-how technologies which could be applied to the existing and new MexterMPM systems to further enhance its features and technology.

Nevertheless, the Directors of Mexter believe that the Group's continuing efforts to expand and penetrate new markets such as China, Korea and Thailand, adapting its existing product range to other industries such as automotive, food, pharmaceutical and consumer appliance industries as well as maintaining good relationship with its existing customers, providing good customer service and support and establishing new relationships with potential customers in the future can minimise its dependency on certain customers as well as the local market.

In spite of the above, there can be no assurance that the existing and new customers will continue to use the Group's products and services in the future or will maintain their relationship with the Group.

4.10 DEPENDENCE ON KEY PRODUCTS AND DELAY IN R&D

Presently, the Company depends on its key products such as MexterPVS, MexterATS and MexterTPM, which are part of Mexter's suite of products known as MexterMPM, to generate sufficient revenues for the continual growth of the Group. The sale of MexterMPM accounts for approximately 66.5% of the Group's total revenue based on the audited financial statements for the nine (9)-month period ended 30 September 2004. No assurance can be given that the sales of these products will continue to grow in the future. The failure of any one or more to the Group's products to generate sufficient sales will materially and adversely affect the business operating results and financial conditions of the Group. However, the Directors of Mexter believe that the present business divisions synergistic to the E-Manufacturing division, namely IT solutions and IT outsourcing and e-automation platform, is expected to grow in the future thus providing the Group with base line income.

In addition, the Company seeks to limit this risk by devoting substantial resources to R&D both human resource and equipment with the purpose of enhancing existing products as well as developing new products that are on the front edge of the market and meets the industry requirements and expectations. Presently, the R&D department consists of eighteen (18) staff comprising software engineers, system engineers, and project engineers with various industrial experiences and know-how that are able to assist and support the Group in implementing its business plan to meet the demands and expectations of its customers. However, the completion and the successful implementation of R&D efforts may require a long lead-time. There can be no assurance that there will not be any delay in the completion of R&D efforts and that any delay in its R&D efforts will not have any material impact on the business operating results and financial conditions of the Group.

4. RISK FACTORS (Cont'd)

4.11 LACK OF LONG-TERM CONTRACTS

The Mexter Group's sales are mainly on purchase order for a project-to-project basis, and no long-term contract is entered into between the Mexter Group and its customers, which is common in the IT industry. The Mexter Group believes that this risk is mitigated as most of its customers are the Group's long term customers with its top ten (10) customers having had dealings with the Group ranging from one (1) year to fourteen (14) years. However, the Group enters into maintenance contracts with its clients. There is no assurance that the Mexter Group will continue to be able to receive orders on this basis from existing customers, and, in the event there is any failure of future orders, this will have a material impact on the future financial performance of the Group.

4.12 CONTROL BY THE SUBSTANTIAL SHAREHOLDERS

Following the Public Issue, the substantial shareholders, as shown in Section 9.1 of this Prospectus, will collectively hold 64.64% of the Company's enlarged issued and fully paid-up share capital. The said substantial shareholders, if they act together, may be able to influence the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

The introduction of corporate governance that requires the formation of an Audit Committee, which includes two (2) Independent Directors, would effectively help to promote greater transparency in all material transactions and the Mexter Group's accountability, thereby safeguarding the interests of the minority shareholders and the general public at large. The substantial shareholders would also be required to abstain from voting if there is any related-party transaction which may pose as a conflict of interest to the Company.

4.13 FUTURE SALES OF MEXTER SHARES BY THE SUBSTANTIAL SHAREHOLDERS

Any future sales of Mexter Shares may have a downward pressure on the share price. The sale of a significant amount of Mexter Shares in the public market after the Public Issue, or the perception that such sales may occur could materially adversely affect the market price of Mexter Shares. Except as otherwise described under the moratorium of Promoters' shares set out in Section 10.2 of this Prospectus, there will be no other restriction on the ability of the substantial shareholders to sell their Mexter Shares either on the MESDAQ Market or otherwise.

4.14 MARKET ACCEPTANCE OF PRODUCTS

Mexter proposes to expand into China, Korea and Thailand, as well as, adapt its existing product range to other industries such as automotive, food, pharmaceutical and consumer appliance industries. Substantial resources may be devoted to these expansions such as setting up of branch offices in the overseas market etc. Although the Group seeks to expand its business to new markets and industries in the future, there can be no assurance that the Group will be able to successfully penetrate these new markets as it may be difficult. Neither can Mexter guarantee that these efforts will be profitable.

4.15 FUTURE CAPITAL INJECTIONS

It is the Directors' opinion that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of funds will be sufficient to meet the Group's projected working capital and other cash requirements for a period of twelve (12) months from the date of this Prospectus. There is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available or, if available, that it will be on terms satisfactory to the Group. The sale of additional equity or other convertible securities to non-shareholders will result in further dilution of the existing shareholders of the Company.

4. RISK FACTORS (Cont'd)

4.16 FOREIGN EXCHANGE RISK

The Mexter Group's current sales revenue is mainly denominated in RM. Moving forward, the Mexter Group expects to increase its presences in the overseas markets, therefore the Group may be exposed to foreign exchange risk. Notwithstanding the Group will seek to mitigate such risks should the need arise, there can be no assurance that any significant fluctuation in exchange rates will not impact on the revenue and earnings of the Mexter Group.

4.17 LITIGATION RISK

To date, there have not been any material litigation claims that have been presented against the Mexter Group by its customers, suppliers, employees or any other party. However, there can be no assurance that such claims will not be brought in the future. In the event of any such actions being brought in the future, it is foreseeable that this would incur management time and expense, with possible adverse effects on business operating results and financial conditions.

4.18 DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts. Although the Group believes that, the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to be correct. Certain statements in this Prospectus are based on historical statistics which may not be reflective of the future results, and others are forward-looking in nature, which may or may not be achieved. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect the business and operations of Mexter and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievement of Mexter or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements.

4.19 INSURANCE COVERAGE ON THE GROUP'S ASSETS AND DISASTER RECOVERY

The Group's daily operations may be affected by events of emergency such as explosion, fire, flooding, energy crisis, health crisis, sabotage, civil commotion, war or acts of God.

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

In addition, the Group currently has a disaster recovery plan wherein the critical software codes and copyright drawings are kept at a different location other than the branch offices for safekeeping purposes. However, there can be no assurance that the insurance coverage and/or the disaster recovery centre would be adequate for the replacement cost of the assets or any consequential loss arising therefrom.

4.20 CHANGES IN MSC STATUS

On 8 November 2002, Mexter MSC was incorporated with the principal activities of performing R&D and the provision of E-Manufacturing and MPM systems. Mexter MSC was granted MSC status on 29 November 2002 by MDC. The salient conditions imposed on Mexter MSC, as a MSC status company are as set out in Section 6.4.5(c) of this Prospectus.

4. RISK FACTORS (Cont'd)

The MDC is the body responsible for monitoring all MSC-designated companies. It has the right to revoke any company's MSC status if the company, amongst others, breaches any of the conditions of approval of its MSC status. There can be no assurance that Mexter MSC will continue to retain its MSC status or that it will continue to enjoy or not experience delays in enjoying the MSC incentives outlined above, all of which could materially and adversely affect the Group's business, operating results and financial condition.

4.21 UNDERWRITING

The 3,000,000 Public Issue Shares made available for application by the Malaysian public has been fully underwritten by the Underwriter listed in the Corporate Directory in this Prospectus. In addition, the Underwriter has further conditionally agreed to underwrite the Public Issue Shares made available for application by the eligible Directors, employees and business associates of the Mexter Group which are not taken up. In the event of a shortfall in the subscription of the Public Issue Shares, the Underwriter will have to subscribe for all the under-subscribed shares. Should the amount subscribed for be a significant quantum, the Underwriter may end up as substantial shareholder (i.e. holding 5% or more of the aggregate of the nominal amount of all the voting shares in the Company). This may result in non-compliance of the public shareholding spread requirements of the Securities Exchange and could adversely affect the success of the Listing.

The underwriting agreement also provides for circumstances, as highlighted in Section 3.11, under which the Underwriter may be entitled, on or prior to the closing date of the Public Issue, to release or discharge their obligations under the underwriting agreement. This conditional obligation of the Underwriter may result in the Public Issue Shares not being underwritten and this could adversely affect the success of the Listing.

4.22 SECURITY AND SYSTEM DISRUPTION

There has been no major system or security disruption on the Mexter Group which has had any significant material adverse impact on its operations for the past twelve (12) months prior to the Latest Practicable Date nor does the management of Mexter anticipate any future major disruptions to its operations. However, there is no assurance that any future security or system disruption will not materially affect the Group's business although the management of Mexter has sought to mitigate this risk by having its R&D and branch offices in more than one location to minimise possible losses associated with this risk.

4.23 UNCERTAINTY OF FIVE (5)-YEAR BUSINESS DEVELOPMENT PLAN

The success of the Group's five (5)-year business development plan will be determined by:-

- (i) the acceptability of the Group's products;
- (ii) its marketing strategies;
- (iii) its R&D activities;
- (iv) its ability to further develop and commercialise new products;
- (v) the ability to recruit and retain skilled management as well as technical, marketing, financial and other key personnel; and
- (vi) the ability to obtain further financing as and 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. In addition, the actual results may deviate from the business plan due to rapid technological changes, market as well as competitive pressures.

4. RISK FACTORS (Cont'd)

4.24 FAILURE/DELAY IN THE LISTING

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

- (a) the Underwriter of the Public Issue fail to honour their obligations under the underwriting agreement;
- (b) the places for the private placement fail to subscribe for their portion of the Public Issue Shares allocated to them; and
- (c) Mexter is unable to meet the public spread requirements, that is, at least 25% but not more than 49% of the issued and paid-up share capital of Mexter must be held by a minimum number of two hundred (200) public shareholders (including employees) upon completion of the Public Issue and at the time of its admission on the MESDAQ Market.

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5. FINANCIAL INFORMATION

5.1 HISTORICAL FINANCIAL INFORMATION

The table below sets out a summary of the proforma consolidated income statements of the Mexter Group for the past five (5) financial years ended 31 December 1999 to 2003 and nine (9)-month period ended 30 September 2004 and is provided for illustration purposes based on the audited financial statements of the Group, prepared on the assumption that the current Mexter Group structure had been in existence throughout the years/period under review. The proforma consolidated income statements of the Group have been extracted from and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 13 of this Prospectus.

	Proforma Group					9-month period ended 30 September 2004 ⁽ⁱ⁾
	< ----- Year ended 31 December ----- >					
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
Revenue	8,902 ⁽¹⁾	11,363 ⁽²⁾	13,231 ⁽³⁾	9,372 ⁽⁴⁾	11,153 ⁽⁵⁾	10,128 ⁽⁶⁾
Profit before interest, depreciation, tax and amortisation	1,199	1,828	2,307	1,076	1,372	3,537
Net interest expense	(30)	(24)	(24)	(37)	(27)	(35)
Depreciation	(74)	(85)	(101)	(143)	(169)	(148)
Amortisation of goodwill	-	-	(7)	(32)	(52)	-
Amortisation of software development costs	-	-	-	-	-	(88)
Impairment loss on goodwill	-	-	-	-	(163)	-
Share of profits of AKL	-	-	135	176	220	124
PBT	1,095 ⁽¹⁾	1,719 ⁽²⁾	2,310 ⁽³⁾	1,040 ⁽⁴⁾	1,181 ⁽⁵⁾	3,390
Taxation ⁽⁷⁾	(145)	(468)	(700)	(257)	(83)	(123)
PAT	950	1,251	1,610	783	1,098	3,267
MI	-	-	(6)	37	27	1
PAT and MI	950	1,251	1,604	820	1,125	3,268
No. of Shares assumed in issue ('000)*	54,610	54,610	54,610	54,610	54,610	54,610
Gross EPS (sen)	2.01	3.15	4.23	1.90	2.16	6.21
Net EPS (sen)	1.74	2.29	2.94	1.50	2.06	5.98

Notes:-

* Based on the number of Mexter Shares assumed in issue after the MMSB Acquisition and Share Split but before Public Issue.

(i) For the financial period ended 30 September 2004, MMSB had declared a special net dividend to the existing shareholders of MMSB amounting to approximately RM2.28 million.

5. FINANCIAL INFORMATION (Cont'd)

- (1) *For the financial year ended 31 December 1999, the Group had achieved a PBT of approximately RM1.10 million on the back of a turnover of RM8.90 million.*
- (2) *For the financial year ended 31 December 2000, the Group's revenue increased by 27.65% to approximately RM11.36 million as compared to the previous year's revenue. The significant increase in revenue was due to the increase in demand for MexterPVS coupled with the introduction of additional products and services related to MexterPVS. The Group's PBT for the financial year ended 31 December 2000 increased by 56.99% to approximately RM1.72 million mainly as a result in the increase in revenue and the better gross profit margins commanded by MexterPVS.*
- (3) *For the financial year ended 31 December 2001, the Group's revenue increased by 16.10% to approximately RM13.23 million as compared to the previous year's revenue. The increase in revenue was mainly attributable to the increase in demand of the Group's existing products, the introduction of MexterATS and the successful foray of the Group into China. The Group's PBT for the financial year ended 31 December 2001 increased by 34.38% to approximately RM2.31 million due to the increase in revenue and better gross profit margins commanded by the Group's existing and new products.*
- (4) *For the financial year ended 31 December 2002, the Group's revenue declined by 29.17% to approximately RM9.37 million as compared to the previous year's revenue. This significant decline was mainly attributable to the poor global sentiments in the wake of the 11 September 2001 terrorist attacks in the US which resulted in a slowdown in capital expenditure by MNCs thus indirectly weakening the demand for the Group's products and services. The Group's PBT for the financial year ended 31 December 2002 declined significantly by 54.98% to approximately RM1.04 million due to the decline in revenue coupled with the increase in administrative expenses, particularly marketing expenses in line with the Group's foray into China.*
- (5) *For the financial year ended 31 December 2003, the Group's revenue increased by 19.00% to approximately RM11.15 million as compared to the previous year's revenue. The increase in revenue was mainly attributable to the increase in demand of the Group's products and services due to the global recovery of the IT industry coupled with the successful penetration of the Group in the automotive industry via the introduction of new products. The increase in the Group's PBT for the financial year ended 31 December 2003 by 13.56% to approximately RM1.18 million is in line with the increase in revenue.*
- (6) *For the nine (9)-month period ended 30 September 2004, the Group's registered a revenue and PBT of approximately RM10.13 million and RM3.39 million respectively. The Group's revenue for the nine (9)-month period is mainly driven by the revenue from the Group's E-Manufacturing Solutions Division and its IT Solutions and IT Outsourcing Division.*
- (7) *There was no provision for tax for the financial year ended 31 December 1999 as all income was waived from tax pursuant to the Income Tax (Amendment) Act, 1999. For the financial year ended 31 December 2000, the lower proforma effective tax rate as compared to the statutory tax rate was mainly due to the reversal of provision for certain expenses, which were not deductible previously. The proforma effective tax rate for the financial years ended 31 December 2001 and 2002 was higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes as well as utilisation of unutilised tax losses. For the financial year ended 31 December 2003 and the nine (9)-month period ended 30 September 2004, the proforma effective tax rate was lower than the statutory effective tax rate due to Mexter MSC's income being exempted from tax as Mexter MSC is a MSC status company.*

There were no exceptional or extraordinary items in the relevant financial years/period under review. In addition, there was no material impact of foreign exchange, interest rates or commodity prices on operating profits of the Mexter Group in the relevant financial years/period under review. There were no audit qualifications for the financial years/period under review.

5. FINANCIAL INFORMATION (Cont'd)

5.2 SEGMENTAL ANALYSIS

The following is the segmental analysis of the revenue and profits by company. The analysis provides an illustration of the consolidated financial results, assuming that the Mexter Group has been in existence since the beginning of the financial years presented. The following analysis should be read in conjunction with the Group's consolidated financial statements set out in Section 5.1 of this Prospectus.

(i) Analysis of revenue by company

	Proforma Group					9-month period ended 30.09.2004 RM'000
	< ----- Year ended 31 December ----- >					
<i>Revenue</i>	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Mexter	-	-	-	-	-	-
MMSB	8,868	11,327	12,845	9,127	10,149	4,859
Mexter MSC	-	-	-	566	1,856	5,644
CIE	-	-	710	-	22	99
DC Power	48	55	-	245	659	100
MSPL	-	-	21	-	203	50
	8,916	11,382	13,576	9,938	12,889	10,752
Less: Inter-company sales	(14)	(19)	(345)	(566)	(1,736)	(624)
Total	8,902	11,363	13,231	9,372	11,153	10,128

(ii) Analysis of PBT/(LBT) by company

	Proforma Group					9-month period ended 30.09.2004 RM'000
	< ----- Year ended 31 December ----- >					
<i>PBT/(LBT)</i>	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Mexter	-	-	-	-	-	(3)
MMSB	1,091	1,722	2,280	569	(127)	95
Mexter MSC	-	-	-	528	1,363	3,188
CIE	-	(3)	25	(95)	(76)	(5)
DC Power	4	-	(3)	33	7	(21)
MSPL	-	-	(126)	(89)	9	12
	1,095	1,719	2,176	946	1,176	3,266
Less: Consolidated Adjustments	-	-	(1)	(82)	(215)	-
Share of PBT of AKL	-	-	135	176	220	124
Total	1,095	1,719	2,310	1,040	1,181	3,390

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5. FINANCIAL INFORMATION (Cont'd)

5.3 DIRECTORS' DECLARATION ON THE FINANCIAL PERFORMANCE OF THE GROUP

Save as disclosed in Section 5 and Section 13 of this Prospectus, the Directors of Mexter are of the view that the financial performance, position and operations of the Group are not affected by any of the following:-

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

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5. FINANCIAL INFORMATION (Cont'd)

5.4 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2004
(Prepared for inclusion in the Prospectus)

Mexter Technology Berhad ("Mexter") and its subsidiaries ("Mexter Group")
Proforma consolidated balance sheets as at 30 September 2004

The proforma consolidated balance sheets of Mexter Group as at 30 September 2004 as set out below are provided for illustrative purpose only and incorporate the transactions referred to in the notes as if they were effected on 30 September 2004.

	<i>Note</i>	<i>Company as at 30.9.2004</i>	<i>Proforma I After acquisition of subsidiaries</i>	<i>Proforma II After Proforma I and share split</i>	<i>Proforma III After Proforma II and public issue and utilisation of proceeds</i>	<i>Proforma IV After Proforma III and exercise of ESOS</i>
		<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Property, plant and equipment		-	1,518	1,518	4,518	4,518
Investment in associate		-	744	744	744	744
Intangible assets		-	501	501	5,501	5,501
Current assets		311	8,096	8,096	12,233	22,967
Current liabilities		(314)	(4,129)	(4,129)	(4,129)	(4,129)
Net current (liabilities)/assets		<u>(3)</u>	<u>3,967</u>	<u>3,967</u>	<u>8,104</u>	<u>18,838</u>
		<u>(3)</u>	<u>6,730</u>	<u>6,730</u>	<u>18,867</u>	<u>29,601</u>
Financed by:						
Share capital	3	-*	5,461	5,461	8,945	11,629
Share premium	3	-	-	-	8,653	16,703
(Accumulated loss)/ Unappropriated profits		(3)	988	988	988	988
(Deficit)/Surplus in shareholders' funds		<u>(3)</u>	<u>6,449</u>	<u>6,449</u>	<u>18,586</u>	<u>29,320</u>
Borrowings		-	159	159	159	159
Deferred tax liabilities		<u>-</u>	<u>122</u>	<u>122</u>	<u>122</u>	<u>122</u>
		<u>(3)</u>	<u>6,730</u>	<u>6,730</u>	<u>18,867</u>	<u>29,601</u>
Net tangible (liabilities)/assets (RM'000)		(3)	5,948	5,948	13,085	23,819
Net tangible assets per share (sen)		#	108.92	10.89	14.63	20.48
Number of ordinary shares of RM1.00 each in issued ('000)		-*	5,461	-	-	-
Number of ordinary shares of RM0.10 each in issued ('000)		-	-	54,610	89,452	116,287

* denotes 2 ordinary shares of RM1 each
(RM1,500)

Mexter Technology Berhad ("Mexter") and its subsidiaries ("Mexter Group")
Notes to the proforma consolidated balance sheets
as at 30 September 2004



1. Basis of preparation

- a) The proforma consolidated balance sheets of Mexter Group have been prepared for illustrative purposes only and are based on the audited financial statements of Mexter and the audited consolidated financial statements of Mexter (M) Sdn. Bhd. ("MMSB") and its subsidiaries for the period ended 30 September 2004.
- b) The proforma consolidated balance sheets of Mexter Group have been prepared based on accounting policies consistent with those adopted in the preparation of the audited consolidated financial statements of MMSB, save for the adoption of the merger method of accounting for the acquisition of MMSB as the basis of consolidation for the purpose of the proforma consolidated balance sheets.

2. Proforma consolidated balance sheets of Mexter Group

The proforma consolidated balance sheets incorporate, on a proforma basis, the following transactions as though they have been effected on 30 September 2004.

2.1 Proforma I

Proforma I incorporates the following:

- i) Acquisition of the entire issued and paid-up share capital of MMSB comprising 350,000 ordinary shares of RM1.00 each for a total purchase consideration of RM5,461,000 based on the audited shareholders' funds of MMSB as at 31 December 2003 of RM5,461,000. The purchase consideration was satisfied by the issuance of 5,461,000 new ordinary shares of RM1.00 each in Mexter at an issue price of RM1.00 per ordinary share credited as fully paid.
- ii) Acquisition of the entire issued and paid-up share capital of Mexter MSC Sdn. Bhd. ("Mexter MSC") comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM1,838,000 based on the audited shareholders' funds of Mexter MSC as at 31 December 2003.
- iii) Acquisition of 64.70% of the issued and paid-up share capital of CIE Automation Sdn. Bhd. ("CIE") comprising 170,002 ordinary shares of RM1.00 each for a total cash consideration of RM1,700 based on the audited net tangible assets (NTA) of CIE as at 31 December 2003.
- iv) Acquisition of 45% of the issued and paid-up share capital of Advantech Control (M) Sdn. Bhd. ("AKL") comprising 760,002 ordinary shares of RM1.00 each for a total cash consideration of RM669,890 based on the audited net tangible assets (NTA) of AKL as at 31 December 2003.

2.2 Proforma II

Proforma II incorporates Proforma I and the share split of one (1) Mexter ordinary share of RM1.00 each into ten (10) Mexter ordinary shares of RM0.10 each, by way of a sub-division of the par value of the existing ordinary shares in Mexter.

5. FINANCIAL INFORMATION (Cont'd)



Upon completion of the share split, the issued and paid-up share capital of Mexter changed from RM5,461,002 comprising 5,461,002 ordinary shares of RM1.00 each to RM5,461,002 comprising 54,610,020 ordinary shares of RM0.10 each in Mexter.

2.3 Proforma III

Proforma III incorporates Proforma II and the following:

- i) Public issue of 34,842,000 new ordinary shares of RM0.10 each at an issue price of RM0.40 per ordinary share; and
- ii) Utilisation of gross proceeds arising from the public issue of RM13,937,000 in the following manner:

	<i>RM'000</i>
Business expansion	1,000
Purchase of corporate headquarter – cum – warehouse	2,500
Research and development expenses	5,000
Working capital	3,637
Payments of share issue expenses	1,800
	13,937
	13,937

2.4 Proforma IV

Proforma IV incorporates Proforma III and the following:

Establishment of an ESOS of up to 26,835,000 new ordinary shares in Mexter representing 30% of the issued and paid-up share capital of Mexter for the benefit of Executive Directors and eligible employees of the Mexter Group upon listing on the MESDAQ Market and on the assumption that the 26,835,000 options are granted and are fully exercised at the exercise price of RM0.40 per ordinary share.

5. FINANCIAL INFORMATION (Cont'd)



3. The movements in share capital and share premium accounts are as follows: -

	Share capital RM'000	Share premium RM'000
As at 30 September 2004	.*	-
Issue of 5,461,000 new ordinary shares of RM1.00 each pursuant to the acquisition of MMSB	5,461	-
Balance after Proforma I and II	<u>5,461</u>	<u>-</u>
Public Issue of 34,842,000 ordinary shares of RM0.10 each at the issue price of RM0.40 per ordinary share	3,484	10,453
Less: Share issue expenses	-	(1,800)
Balance after Proforma III	<u>8,945</u>	<u>8,653</u>
ESOS of 26,835,000 ordinary shares of RM0.10 each at the exercise price of RM0.40 per ordinary share	2,684	8,050
Balance after Proforma IV	<u><u>11,629</u></u>	<u><u>16,703</u></u>

* denotes RM2

5. FINANCIAL INFORMATION (Cont'd)

5.5 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2004
(Prepared for inclusion in the Prospectus)



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The Board of Directors
Mexter Technology Berhad
Suite 17.06 (B)
17th Floor, Menara MAA
No. 12, Jalan Dewan Bahasa
50460 Kuala Lumpur

15 MAR 2005

Dear Sirs

Reporting accountants' letter on the proforma consolidated balance sheets as at 30 September 2004

We have reviewed the presentation of the proforma consolidated balance sheets of Mexter Technology Berhad ("Mexter") and its subsidiaries (collectively known as "Mexter Group") as at 30 September 2004 which have been prepared for illustrative purposes only, for which the Directors are solely responsible, as set out in the attachment, for inclusion in the Prospectus to be dated ... **23 MAR 2005** in connection with the listing of Mexter on the MESDAQ Market of the Bursa Malaysia Securities Berhad.

In our opinion,

- the proforma consolidated balance sheets have been properly compiled on the basis of preparation stated;
- such basis is consistent with the accounting policies of Mexter Group; and
- the adjustments are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully

KPMG
Firm Number: AF0758
Chartered Accountants

Tang Seng Choon
Partner
Approval number: 2011/12/05 (J)

5. FINANCIAL INFORMATION (Cont'd)

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

5.6.1 Material litigation

As at 14 March 2005, neither the Company nor its subsidiary companies are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the financial position of the Company and/or its subsidiary companies upon becoming enforceable, and the Board does not have any knowledge of any proceedings pending or threatened against the Company and/or its subsidiary companies or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Company and/or its subsidiary companies.

5.6.2 Working capital

The Board is of the opinion that, after taking into account the financial position of the Group, banking facilities available and the total gross proceeds to be raised from the Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

5.6.3 Borrowings

As at 14 March 2005, the total outstanding interest bearing borrowings of the Group is as follows:-

	< ----- Amount Outstanding as at 14 March 2005 ----- >		
	Payable within twelve (12) months RM'000	Payable after twelve (12) months RM'000	Total RM'000
Trade bill payable	277	-	277
Hire purchase	10	37	47

The Group does not have any non-interest bearing borrowings or foreign borrowings as at 14 March 2005.

There has been no default by the Mexter Group on payments of either interest and/or principal sums in respect of its borrowings throughout the past financial year ended 31 December 2003 and the subsequent period up to 14 March 2005.

5.6.4 Material capital commitments

As at 14 March 2005, the Board is not aware of any capital commitment contracted or known to be contracted by the Company or its subsidiary companies which, upon becoming enforceable, may have a material impact on the financial position of the Group.

5.6.5 Contingent liabilities

As at 14 March 2005, the Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of the Group.

5.7 EXCLUSION OF PROFIT FORECAST AND PROJECTIONS

Mexter's revenue and operating results are dependent on the delivery schedule of its projects which is subject to many factors, some of which are highlighted in Section 4 of this Prospectus. Mexter's profit forecast and projections are subject to the vagaries and uncertainty of the business environment in which it operates in and hence are not disclosed in this Prospectus.