6. INFORMATION ON THE MEXTER GROUP

6.1 HISTORY AND BUSINESS

Mexter was incorporated in Malaysia on 2 April 2004 under the Act as a public limited company under its present name. 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. Mexter commenced operations on 23 April 2004. 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.

(i) E-Manufacturing Solutions 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 in Melaka to distribute IT and automation products and to provide system integration services. In the same year, MMSB managed to secure projects from two (2) MNCs namely, Infineon Technologies (M) Sdn Bhd *(formerly known as Siemens Component Advanced Technologies Sdn Bhd)* and National Semiconductor Sdn Bhd.

The success in the above projects provided the Mexter Group with the market acceptance and market access to the other clients especially MNCs and local contract manufacturers.

Leveraging on the experience in the IT and automation and the knowledge of the manufacturing industry, together with the Group's R&D efforts, the Group has successfully developed and commercialised a series of MPM systems such as MexterPVS system in 1998, and MexterATS system in 2001. These new systems helped the Mexter Group to secure new clientele such as Solectron Technology Sdn Bhd, Motorola Technology Sdn Bhd, Unico Technology Berhad *(now known as TFS Electronic Manufacturing Services Sdn Bhd)*, etc. The new systems have helped the Mexter Group to move into the emerging industry of E-Manufacturing, especially a new niche market sector called MPM.

The Mexter Group's quest for bigger market share has also led the Group to set up branches in Petaling Jaya in 1994, Penang in 1998, Johor Bahru in 2000 and the incorporation of MSPL in 2001. In 2001, the Group marked its foray into China when it secured projects from Solectron (Suzhou) Technology Co., Ltd.

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.

In 2003, the Mexter Group reached another major milestone as its E-Manufacturing Solutions Division successfully penetrated into the automotive industry when it managed to secure LucasVarity (M) Sdn Bhd (a member company of TRW Automotive Inc.) as its new client, thus reducing the exposure of the Group to the seasonal cycle of the electronics industry.

(ii) IT Solutions and IT Outsourcing Division

The Group's IT Solutions and IT Outsourcing Division started in 1994. Over the year, MMSB was also involved in the provision of various IT services to its clients. Subsequently, DC Power was incorporated on 29 November 1994, and CIE was incorporated on 13 October 2000 to form a strategic partnership to strengthen its business in the water utilities industry. Leveraging on the partnership in CIE, the Group has successfully penetrated the local water utilities industry with its SCADA and automation solutions for a water treatment plant in Selangor. On 26 May 2001, MSPL was incorporated. These three (3) subsidiary companies were incorporated to penetrate into different market segments of the IT solutions and IT outsourcing business.

(iii) E-Automation Platform Provider Division

The Mexter 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. Since then, the Group has been involved in providing automation system, networked and embedded computing devices. Some of these products have been used by local vendors/companies in certain mega projects.

In 2000, 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. This partnership allows Mexter to gain first-hand information on cutting edge technologies in IT and automation products.

As at the Latest Practicable Date, the Mexter Group has clientele in three (3) countries namely, Malaysia, Indonesia and China. The further expansion into these overseas markets would help the Mexter Group in its business expansion plan.

6.2 SHARE CAPITAL

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 each, of which 54,610,000 ordinary shares of RM0.10 each are issued and fully paid-up. Upon completion of the Public Issue (before exercise of the ESOS Options), the issued and paid-up share capital of Mexter will be increased to RM8,945,202 comprising 89,452,020 ordinary shares of RM0.10 each.

The changes in the issued and paid-up share capital of Mexter since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total issued and paid-up share capital RM
02.04.2004	2	1.00	Cash	2
31.01.2005	5,461,000	1.00	Shares issued pursuant to the MMSB Acquisition by Mexter at par	5,461,002
02.02.2005	54,610,020	0.10	Share split 10:1	5,461,002

As at the date of this Prospectus, save for the ESOS, no person has an option or is entitled to be given an option to subscribe for any shares of the Company or its subsidiary and associated companies.

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6.3 RESTRUCTURING AND LISTING SCHEME

As an integral part of the listing and quotation for the entire issued and paid-up capital of the Company on the MESDAQ Market, the Company undertook a restructuring scheme which was approved by the following:-

(i) Securities Exchange vide its letter dated 7 January 2005; and
(ii) SC and the FIC (via the SC) vide its letters dated 4 January 2005 and 14 March 2005.

The restructuring scheme entails the following:-

6.3.1 Acquisitions

(i) MMSB Acquisition

Mexter had on 31 January 2005, acquired the entire issued and paid-up share capital of MMSB comprising 350,000 shares of RM1.00 each in MMSB from the vendors of MMSB for a total purchase consideration of RM5,461,000 fully satisfied by the issuance of 5,461,000 new ordinary shares of RM1.00 each in Mexter at par in the following manner:-

	Shareholding in MMSB		**Number of new Mexter Shares to be issued as consideration**	
Vendors of MMSB	***No. of ordinary shares of RM1.00 each***	***%***	***No. of ordinary shares of RM1.00 each***	***%^***
Ivan Sia Teck Fatt	197,033	56.30	3,074,278	56.30
Hor Chee Hong	40,950	11.70	638,937	11.70
Ng Thean Hooi	39,217	11.20	611,897	11.20
Jatiwi Sdn Bhd	35,000	10.00	546,100	10.00
Teh Aik Kong	31,500	9.00	491,490	9.00
Tan Hock Sim	3,150	0.90	49,149	0.90
Chong Siew Fong	3,150	0.90	49,149	0.90
	350,000	100.00	5,461,000	100.00

Note:-

^ *Based on the enlarged share capital of 5,461,002 ordinary shares of RM1.00 each in Mexter after the MMSB Acquisition.*

The purchase consideration of RM5,461,000 for the MMSB Acquisition was arrived at based on the audited shareholders' funds of MMSB as at 31 December 2003 of RM5,461,000.

The ordinary shares of RM1.00 each in MMSB acquired by Mexter shall be free from all liens, pledges, charges, mortgages and other encumbrances whatsoever and with all rights attached thereto including any dividend, bonus or rights issue hereafter to be declared.

Upon completion of the MMSB Acquisition, the issued and paid-up share capital of Mexter increased from RM2 to RM5,461,002 comprising 5,461,002 ordinary shares of RM1.00 each.

The new ordinary shares of RM1.00 each in Mexter issued pursuant to the MMSB Acquisition rank pari passu in all respects with the existing issued and paid-up share capital of Mexter and shall carry all rights to receive all dividends and other distributions declared and paid subsequent to the allotment thereof.

(ii) Cash Acquisitions

Subsequent to the MMSB Acquisition, Mexter had on 31 January 2005 acquired the entire equity interest in Mexter MSC, 45.00% equity interest in AKL and 64.70% equity interest in CIE for a total cash consideration of RM2,509,590 based on the audited shareholders' funds of Mexter MSC, and the audited NTA of AKL and CIE as at 31 December 2003, details as follows:-

Company	Vendor	Audited shareholders' funds/ NTA as at 31 December 2003 RM	% equity interest acquired	Cash consideration RM
Mexter MSC	MMSB	1,838,000	100.00	1,838,000
AKL	DC Power	1,488,646	45.00	669,890
CIE	MMSB	2,627	64.70	1,700
Total				2,509,590

The ordinary shares of RM1.00 each in Mexter MSC, AKL and CIE acquired by Mexter shall be free from all liens, pledges, charges, mortgages and other encumbrances whatsoever and with all rights attached thereto including any dividend, bonus or rights issue hereafter to be declared.

6.3.2 Share Split

The share split involved a change in the par value of the ordinary shares of Mexter from RM1.00 each to RM0.10 each, by way of sub-division of the par value of the existing ordinary shares in Mexter.

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 to RM5,461,002 comprising 54,610,020 ordinary shares of RM0.10 each in Mexter.

6.3.3 Public Issue

In conjunction with the listing of Mexter on the MESDAQ Market, the Company will undertake a public issue of 34,842,000 Public Issue Shares at an issue price of RM0.40 per Public Issue Share in the following manner:-

(a) Malaysian public

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

(b) Private placement

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

(c) 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 new Mexter Shares to be issued pursuant to the Public Issue shall, upon allotment and issue, rank pari passu in all respects with the existing issued and paid-up share capital of Mexter and shall carry all rights to receive all dividends and other distributions declared and paid subsequent to the allotment thereof.

6.3.5 ESOS

Mexter had on 7 January 2005 and 3 February 2005 obtained the approval of the Securities Exchange and the existing shareholders of the Company respectively, to establish an ESOS to motivate, retain and reward eligible employees whose services are vital to the operation and continued growth of the Mexter Group.

The ESOS Options to be granted under the ESOS will involve up to 30% of the Company's issued and paid-up share capital at any time during the existence of the ESOS. Based on the enlarged issued and paid-up share capital of Mexter of RM8,945,202 comprising 89,452,020 Shares after the Public Issue, the number of new Mexter Shares to be issued pursuant to the ESOS is up to a maximum of 26,835,000 Mexter Shares.

The new Mexter Shares to be issued upon the exercise of the ESOS Options shall, upon allotment and issue, rank pari passu in all respects with the existing issued and paid-up share capital of Mexter and shall carry all rights to receive all dividends and other distributions declared and paid subsequent to the allotment thereof.

In conjunction with the listing of the Company on the MESDAQ Market, the Board made an initial grant of up to 10,000,000 ESOS Options to the eligible Directors and employees. The exercise price of the ESOS Options which are the subject matter of the Initial Grant is the Issue Price. However, the ESOS Options granted under the Initial Grant will only be exercisable after one (1) year has lapsed from the Listing date.

In addition to the Initial Grant, the Board shall, within the duration of the ESOS, make offers to grant ESOS Options to the eligible employees in accordance with the ESOS By-Laws adopted by the shareholders of the Company. Each such ESOS Options which is not part of the Initial Grant shall be exercisable at a price which shall be set at a discount of not more than 10% of the weighted average market price of the Mexter Shares for the five (5) Market Days immediately preceding the offer date (or such other pricing mechanism as may be permitted by the Securities Exchange or any other relevant regulatory authorities, from time to time) provided that the exercise price of the ESOS Options shall in no event be less than the par value of the Mexter Shares.

The Directors of Mexter intend to utilise the proceeds from the exercise of the ESOS Options as and when received for working capital purposes.

The ESOS By-Laws, are set out in Section 15 of this Prospectus.

6.4 BUSINESS OVERVIEW

6.4.1 Background

Mexter is principally an investment holding company. The business activities of the Mexter Group can be classified into three (3) divisions as follows:-

Division	Functions	Subsidiary/associated company(ies) involved
E-Manufacturing Solutions	Performing R&D and the provision of E-Manufacturing and MPM systems which consist of a combination of software programs and hardware systems	• Mexter MSC
IT Solutions and IT Outsourcing	Provision of IT solutions and IT outsourcing services	• MMSB • MSPL • CIE • DC Power
E-Automation Platform Provider	Provision of solutions covering automation systems, networked and embedded computing devices	• AKL

For the nine (9)-month period ended 30 September 2004, approximately 66% of the Group's total sales are from E-Manufacturing Solutions Division, and the balance of approximately 34% are from IT Solutions and IT Outsourcing Division and E-Automation Platform Provider Division.

6.4.2 Market share

According to Frost & Sullivan's Report, there was a heavy market concentration of 60% market share amongst the top three (3) suppliers of MPM systems in the Malaysian market in 2004. In terms of revenues, the Mexter Group (via its core division i.e. E-Manufacturing Solutions Division) was estimated to account for approximately 35% of the MPM systems in the Malaysian market in 2004, followed by three (3) other players which accounted for 14%, 11% and 4% respectively. The remaining 36% is estimated to have come mainly from imports, including turnkey solutions.

6.4.3 Principal products and services

The Group's products can be categorised as follows:-

(i) E-Manufacturing Solutions Division

The E-Manufacturing Solutions Division is principally undertaken by Mexter MSC. The principal products offered by this division, which are solely developed by the Mexter Group are as follows:-

Product(s)	Objective(s)	Applications
Mexter PVS and MexterPVS Plug-In	Material Quality Assurance	This module provides foolproof material quality verification to prevent product quality issues.
MexterPMS	Material Management	These modules allow comprehensive material management in the production lines and intermediate storage areas:- • track material and components from warehouse to shop floor through a planned route; • part tracking; • inventory management; and • barcode or RFID base.
MexterTest	Test Integration	This module allows the MexterMPM system to integrate with various test systems in the production lines such as in-circuit testers, flying probe testers, automatic optical inspection and x-ray machine models.
MexterTPM	Total Productivity Management	This module captures real-time events and summarises data from the production equipments to provide a holistic view of:- • machine performance; • utilisation and throughput of a single machine, a line or the whole factory; and • feeder lifecycle and maintenance. This module will be enhanced with SECS/GEM based interfaces which allows a system to communicate with various types of machine using a standard machine language.

Product(s)	Objective(s)	Applications
MexterATS and MexterMPS	Traceability	This data-centric module aims to efficiently link all the attributes (lot code, day code, vendor, client part number, unique part number) of materials used in the assembly process to the main product unit's serial number. The information is recorded in a plant-wide central server which could be accessed via a web portal equipped with a search engine. It allows the manufacturers to trace product issues down to lot-size of one (1); thus reducing the magnitude of product recall to a number of units, rather than hundreds or thousands of units.
MexterEcute	Box Build Execution	This module currently allow users to monitor and enforce the box-build assembly processes:- • assembly sequence verification with close-loop control to production machines; • Bill of Material ("BOM") verification; • process planning and enforcing via routing server; • WIP tracking; and • barcode or RFID base.
MexterPortal	Information Gateway	This module allows user to access and monitor plan information via a web portal.
MexterPro	Professional Services	This is a service provided to develop customised features for the MexterMPM range of solutions.

Further information on the Mexter Group's MPM systems are as follows:-

(a) MexterPVS and MexterPVS Plug-In

Manufacturers in various industries are facing greater challenges today due to increased competition and higher demand from their clients. 'Zero defect' and 'high productivity' are prerequisites as are new requirements such as 'visibility' and 'traceability'. This type of solution is particularly important in Asia Pacific where turnover of factory operators are significantly higher compared to their peers in the US and Europe; the frequent changes in factory operators are a key challenge to the manufacturers because the risk of human errors is also higher.

MexterPVS is a solution that addresses such challenges. This module helps all electronics manufacturers, OEM manufacturers, and contract manufacturers to perform feeder location verification, assembly setup, part setup verification and inventory tracking throughout the factory.

Existing features on the basic model are:-

- real-time feeder verification;
- pre-setup for next model;
- part count with pre-alert for replenishment;
- event logging;
- multiple security access; and
- user-configurable report generation.

The following are the key value propositions of MexterPVS:-

- reduces machine downtime with pre-production material and inventory verification;
- improves the yield at first run due to reduced placement and selection errors; and
- provide audit trails.

MexterPVS is considered a high-end solution for wrong part prevention as it can interface with most of the SMT machines such as *Fuji, Universal GSM, Siemens Siplace, Sanyo, Yamaha, Panasonic and Philips Assembleon.* This is a key competitive advantage for the Mexter Group and is highly demanded by customers because most of the OEM/EMS manufacturers have a mixture of different types of SMT machine in their plants.

MexterPVS Plug-In

For those manufacturers who have already invested in non-close loop wrong part prevention solution, they can upgrade their existing system with MexterPVS Plug-In which serve as the intermediate system consisting of both hardware and software interface. The upgraded system will be able to interface with all the SMT machines types supported by MexterPVS, thus allowing their existing system to have foolproof control without having to retrain their factory operators with new software interface and operations.

(b) MexterPMS

MexterPMS is designed to help manage inventory on the shop floor. MexterPMS is an independent module that can integrate with MexterPVS or other third-party PVS products to capture the information on material usage and location. It knows the complete part inventory of all materials available for production by using a unique reel identifier for accurate part movement, verification and balance quantities available. MexterPMS helps part receiving and issuing with a computer workstation, hand-held barcode scanner or radio frequency terminal; and it can print barcode label and/or RFID tag.

It knows how much material is consumed in the production line, how much more material is required, and thus will only allow operators to retrieve the right amount of material, or alternatively, if there is remaining material somewhere in the shop floor, MexterPMS will locate it and instruct the operator to retrieve the material from the lines or *kanban* (a temporary storage area) along the production lines. If the material is running below a pre-set threshold, MexterPMS will trigger an alert for material transfer from the warehouse or for further action from procurement office. In short, it will minimise the peaks and dips of the inventory level to avoid over-stock and under-stock, thus reducing stockholding costs and minimising stock obsolesces and wastage.

The following are the key features for MexterPMS:-

- supports both barcode identification and RFID;
- real-time tracking of WIP via board count;
- real-time tracking of balance quantity of each component type by its carrier (i.e. reel or cartridge);
- tracking of material usage to jobs or lots during the receiving process;
- user configurable reports;
- user configurable alert with Short Messaging Service ("SMS");
- event logging; and
- multiple security access.

(c) MexterTest

MexterTest is a set of test equipment integration modules that increases productivity and performance by optimising test and inspection processes. This module will automatically program the test equipment on the test parameters, based on the part number (i.e. material type) captured via barcode scanner or radio frequency terminal. This reduces the time spent by the operator to manually key in the test parameters, and also eliminates any chance of data entry mistake thus, reducing cycle time and ensures high product quality.

The test results could also be captured by this module and automatically shared with the other applications on the shop floor such as Repair Station or Traceability system. It not only reduces manual documentation, but also ensures the application and equipment on the shop floor could be integrated to streamline the flow of information.

(d) MexterTPM

MexterTPM is a three-tier system where at the lowest layer, a MexterTPM terminal is attached to each equipment to capture its uptime or downtime, response time to alert, response time to reinstate the machine, mean time between failure, and the causes of machine downtime. The data is captured via both machine interfaces and also human entry from the shop floor; the data from all machines and lines are then further consolidated at a central MexterTPM workstation for further analysis. Machine interfacing is either via proprietary protocols or standard industry protocol SECS/GEM.

A graphical user interface allows managers and factory operators to monitor key equipment, with alarms and SMS messaging to alert them of problems. Further analysis could then be applied to identify the causes behind each issue such as machine downtime and bottleneck so that it can trace the causes to issues of machine calibration, material, maintenance or even people performance. The real-time and historical error reports help the management to improve efficiency, resolve process problems, and meet regulatory requirements.

Existing features on the basic model of MexterTPM include:-

- real-time machine status monitoring;
- tracking of machine down time;
- tracking of machine failure code;
- network enabled;
- suitable industrial environment such as dust proof, vibration proof, splash proof etc.; and
- the ability to integrate with additional reporting tools.

MexterTPM is able to identify the reasons behind machine downtime and monitor and improve on the line utilisation. This has helped Mexter's client achieve the following:-

- transparent access to equipment status in real time;
- quick response time to equipment failures;
- better maintenance planning;
- better utilisation of human resources;
- improved productivity;
- cut down on paper activities;
- observes and helps correct line balance and equipment utilisation; and
- track production throughput.

MexterTPM is cost effective as one does not have to use the more costly SECS/GEM software module, while meeting the requirement of high-level overview of machine performance.

(e) MexterATS and MexterMPS

MexterATS is an essential tool and the next prerequisite system for manufacturers looking to improve their traceability capabilities, material management and customer satisfaction. Coupled with MexterPVS, process and components mismatches are identified before the product reaches the end user and the process plan is improved based on real production data. MexterATS minimises the cost of market recalls by reducing both the number of recall incidents and the magnitude of each recall incident. This is made possible with MexterATS's capability to identify the specific serial numbers that were built with faulty component or faulty process. The reports provided will include machines, materials, stations, shifts and factory operators involved in the assembly of the defective product, thus enabling managers to identify discrepancies from the plan. It also improves employee productivity by minimising the time employees must spend recording data for audit trail purposes, client compliance or regulatory reporting.

Common features of MexterATS for both the electronics and automotive industry include:-

- automated data capturing at the source to ensure data accuracy and the avoidance of manual manipulation of data;
- efficient data structure to reduce data size, data loss and delay in data retrieval;
- user friendly search engine;
- tracking accuracy is down to lot size of one (1);
- data could be exported to external database or report tools;
- highly automated with minimal human intervention; and
- data archiving to satisfy internal quality requirement, client specification, regulatory and audit trail requirements.

The following are the current features of MexterATS specifically for the electronic assembly processes:-

- tracks each board within a multi-board panels especially for assembly process that involves small products like personal digital assistants and handphones; and
- handles top-and-bottom SMT process where a line is used to mount components on either the top or the bottom side of a PCB.

MexterMPS

PCBs for small electronic devices are assembled using multi-board panel which is a panel which hold a number of small PCB boards for simultaneous board assembly. As the panel goes through each SMT machine, all the boards in the panel will be mounted with electronics chips and integrated circuits at the same time by the same machine, thus saving time and costs. However, this make traceability to these small PCBs even more challenging as it is hard to place a barcode on each small PCB and scan all the boards in the panel all at once as the panel come out from the SMT machine.

MexterMPS, which stands for Mexter Multi-Panel System, is designed specifically to counter this challenge. With this module, Mexter's client is able to have traceability even in a multi-board panel assembly process.

(f) MexterEcute

For manufacturers who have invested in a separate application for material management, machine performance monitoring, assembly process management, and traceability, they will eventually wish to see that such a separate application could be integrated seamlessly, so that planning, monitoring and execution could all be conducted on a single platform.

MexterEcute is a package consisting of MexterPVS, MexterATS, MexterTPM, and MexterPMS packaged in a single platform to monitor and enforce the box-build assembly processes and material flow. It allows the user to have:-

- process planning and enforcing via routing server;
- assembly sequence verification with close-loop control to production machines;
- Bill of Material verification;
- WIP tracking;
- barcode base material tracking;
- product genealogy tracking; and
- machine and line performance monitoring.

Existing features of MexterEcute are:-

- real-time material verification;
- integration to test equipment and programmable logic controllers to enable control on machines;
- part count with pre-alert for replenishment;
- component traceability;
- enforcing of different operations modes such as rework, missed and failed operations; and
- data integration to the Enterprise Resource Planning ("ERP") system.

(g) MexterPortal

With the vast amount of plant information residing on various applications, manufacturers are facing challenges to ensure such data could be informative and useful to its employees, from senior executives, managers to factory operators. This is particularly so if the systems are individual isles of information.

MexterPortal is a web-based information system that consists of a cluster of data server, web server, and portal application server that is designed to connect executives in an 'extended' enterprise to vital on-time information sources.

This system has been deployed together with MexterATS to provide OEM manufacturers and contract manufacturers real-time access to traceability and shop floor data. The future enhancement of MexterPortal will make this fundamental system much more sophisticated.

(h) MexterPro

It is common for manufacturers to purchase commercial-off-the-shelf products and later find them unsuitable for their processes or unable to integrate to their existing equipment and applications. Consequently, the manufacturers will have to change its processes, or tailor-make the system. As for contract manufacturers, they are sometimes forced to change due to their clients' requirements and differences in clients' processes. Therefore, there is always a need for professional services.

MexterPro is provided as an additional system development service to tailor-make the MexterMPM range of systems for its clients. The MexterPro professional service team shares vast experience and business knowledge in project consulting, design, development, implementation, and support that fits the clients' environment. MexterPro plays a critical role to ensure a high level of service and quick turnaround time for its clients. This is particularly so for contract manufacturers who often need to change its processes to meet different clients' requirement on information sharing, and to tailor it to the infrastructural differences of various plants.

(ii) IT Solutions and IT Outsourcing Division

The IT Solutions and IT Outsourcing Division is undertaken by MMSB, MSPL, CIE and DC Power. The services provided by this division are as follows:-

- customised software development;
- maintenance and support of IT system; and
- sales and services of IT products and peripherals.

(iii) E-Automation Platform Provider Division

The E-Automation Platform Provider Division is carried out under AKL. This division focuses on the sales and marketing of Advantech brand of IT products which are use in the industrial automation, network computing, embedded computing and web appliances.

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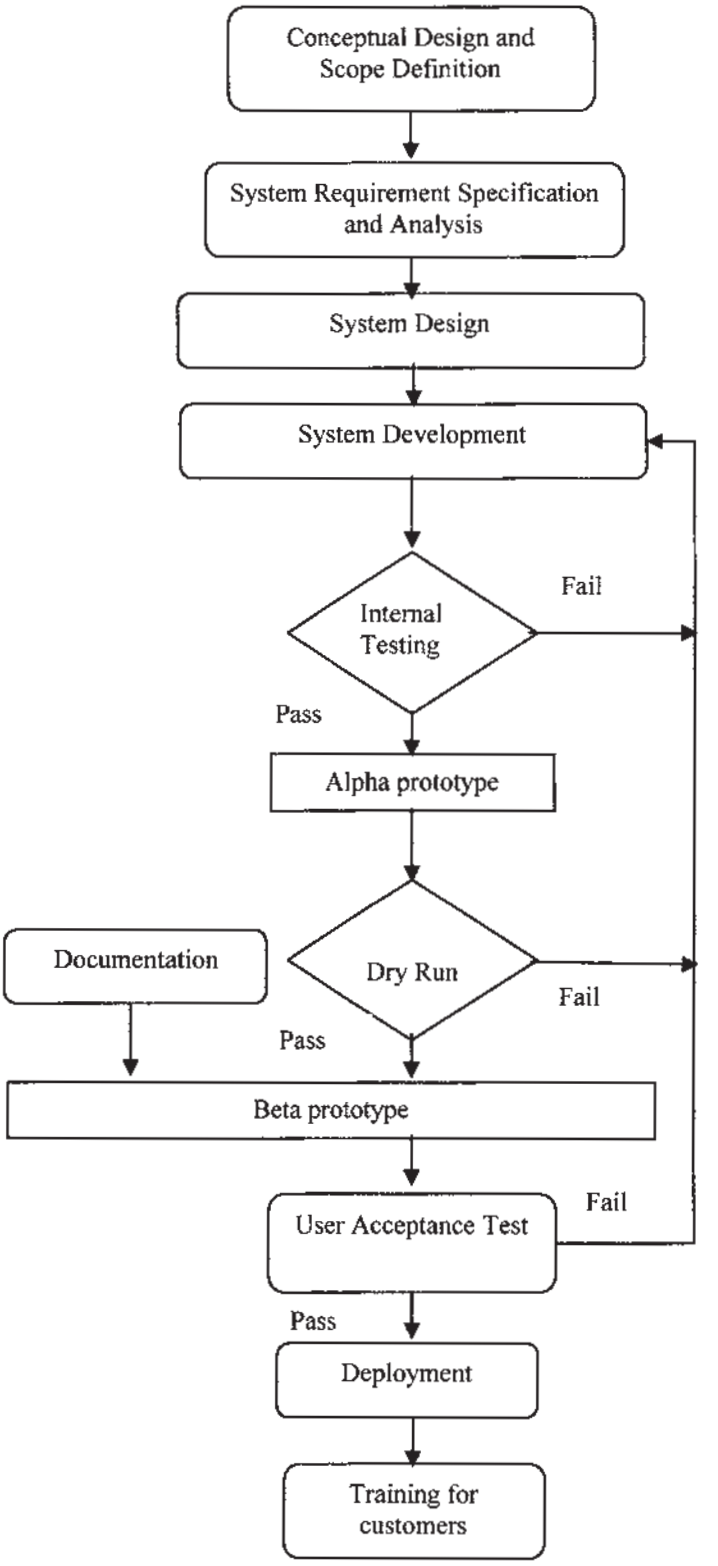
6.4.4 Product development process

The Mexter Group's product development process is as follows:-



Process	Description of Stages
Conceptual Design and Scope Definition	Every project will begin with the following preliminary tasks:- • define the conceptual design of the project and deliverables; • define the project scope; • resource allocation and budget planning; and • secure approval to proceed. The work at this stage is performed by the Chief Technology Officer and under the advice of both the Chief Executive Officer and Chief Operating Officer.
System Requirement Specification and Analysis	This is a critical stage where the target specification of the end product will be clearly identified. The primary tasks in this stage include:- • conduct user survey to gather specifications and to confirm conceptual design; • specification analysis; • specification documentation; and • define development timeline. The work at this stage is performed by the Software Engineers.
System Design	The design stage calls for the following tasks:- • system architecture design; • define technologies to deploy; • alternative design analysis and selection; • define program logic, software tools to employ, and functional specification; • define data structure, data flow diagram, electronics schematic diagram, and user interface; and • design test scenario. The work at this stage is performed by the Chief Technology Officer and Software Engineers.
System Development	Upon confirmation of the above design, the development process will proceed with the following tasks:- • define modules and identify reusable library code; • develop software code; • fabricate hardware system (if any); and • develop test simulation tools. The work at this stage is performed by the Software Engineers and Systems Engineers.
Internal Testing	In-house testing of the software and hardware system will be conducted on the individual modules using test simulation tools:- • test modules against functional specification; • identify non-compliance and anomalies; • review and modify code; and • re-test modified code. This is followed by a system integration test which covers:- • software modules integration; • hardware integration; • identify non-compliance and anomalies; • review and modify code/hardware; and • re-test integrated system.

Process	Description of Stages
Dry-run of Alpha Prototype	The in-house proven Alpha Prototype will then be installed in the actual manufacturing environment for dry-run which will test the following:- • impact to the process flow; • user friendliness or foolproof; • effects of unknown users/process factors; and • data integrity and availability with actual production. The system will become Beta Prototype after passing the dry run. Most of the time, the system will be fine-tuned further before being released as a Beta Prototype.
Documentation	Upon confirmation of the Beta Prototype, the following work will be performed:- • develop and document help specification; • develop user manuals; • develop technical manuals; • compile internal documentation from design to development stages in order to facilitate future follow-ups; and • prepare training materials.
User Acceptance Test	This stage will involve full system testing in the actual environment by the end user and the technical manager of the system. It involves:- • full system set up in the actual environment; • simulate test scenario in actual production lines; • conduct acceptance test; • evaluate test results; and • review users' feedbacks. This is conducted by the Chief Technology Officer, Software Engineers and Systems Engineers.
Deployment	After user's acceptance, this is the observation stage which involves the following:- • on-site standby/support; • review system's stability and data integrity; • recording of system anomalies under a full ramp-up production scenario; and • trouble shooting and fine tuning.
Training	The following training will be conducted on-site for the Group's customers:- • user training; and • first level support and maintenance training.

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6.4.5 Technology, Intellectual Property Rights, Patents, Trademarks, Licences and Franchises

The Group relies on a combination of copyright protection, trademark, service mark and domain name registration to establish and protect its intellectual property, brand name and logos and internet domain names.

(a) Technology

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 rights to its intellectual rights.

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.

(b) Trademarks, Service Marks and Logos

The Group has taken steps to protect its trademarks in Malaysia. 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, the details of which are as follows:-

(i) Trademarks

- Part Verification System (PVS) – Peace of Mind; and
- Mexter.

The Group is unable to ensure that it will be given due registration as it is subject to the approval of the trademark authorities and the process from the date of application to the date of registration of trademarks and service marks may take approximately one (1) to three (3) years.

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(ii) Logos

The Mexter logo is set out below:-

The registration is for a period of ten (10) years and may be renewed at the expiration of this period and upon the expiration of each succeeding period of ten (10) years.

(c) Licences

The Group's business activities do not presently require any licences or permits from any authorities.

Nevertheless, Mexter MSC, a wholly-owned subsidiary company of Mexter, was awarded MSC status by MDC on 29 November 2002. This award of MSC status is subject to Mexter MSC complying with salient conditions imposed by MDC as set out below:-

(i) undertake the MSC-qualifying activities as specified in the Company's business plan as approved, and thereafter continue with such business activities unless otherwise approved by MDC;

(ii) locate the company's headquarters and the implementation and operation of the MSC-qualifying activities in a MSC-designated cybercity;

(iii) ensure that at all times at least 15% of the total number of employees (excluding support staff) of the company shall be "knowledge workers" (as defined by MDC);

(iv) continuously comply with the MSC's environmental guidelines as determined by MDC from time to time;

(v) submit to MDC a copy of the company's Annual Report and Audited Statements in parallel with the submission to the Companies Commission of Malaysia; and

(vi) comply with all such statutory, regulatory and/or licensing requirements as may be applicable.

Presently, all MSC status companies are granted financial and non-financial incentives. Financial incentives include:-

- a five (5) year exemption from Malaysian income tax (only on income derived from MSC related activities) commencing from the date when the company starts generating income, renewable to ten (10) years, where the renewal will depend on the Group's performance in transferring technology or knowledge to Malaysia, or a 100% investment tax allowance on new investments made in MSC cybercities, commencing from the date on which the first qualifying capital expenditure is incurred;
- duty-fee importation of multimedia equipment, provided that the equipment is used by the company in the operation of its business, and not for direct sale and trading or use as components in manufactured items; and
- research and development grants for MSC small and medium enterprises that are at least 51% Malaysian owned.

Non-financial incentives include:-

- unrestricted employment of foreign knowledge workers;
- freedom of ownership; and
- freedom to source capital for MSC infrastructure globally, and the right to borrow funds globally. All MSC status companies will be given exemptions by the Controller of Foreign Exchange from exchange control requirements which will allow them to execute transaction in any currency in Malaysia or elsewhere, borrow any amount from financial institutions, associate companies or non residents, hedge foreign exchange exposure, remit funds globally and open foreign currency in Malaysia or abroad with no limits on balances.

(d) Copyright

The Group has copyright in relation to the content of its website www.mexter.com.my. In addition, the Group has also copyright its in-house software/hardware products which are as follows:-

- ATS Scanner Holder; and
- ATS Stopper,

which are a set of mechanical structure that mounts the scanners for the ATS system to conveyors and stops the PCB board to enable automated scanning of PCB serial number.

Under the Malaysian Copyright Act 1987, copyright is the exclusive right to control in Malaysia the reproduction in any material form, the performance, showing or playing in public, the broadcasting, the communication by cable and the distribution of the copies to the public by sale, rental, lease or lending, of the whole or substantial part thereof, either than its original or derivative form. The copyright shall subsist during the life of the author and fifty (50) years after his death.

Copyright of a work shall vest initially with the author. Nevertheless, where a work is commissioned by a person which is not the author's employer under a contract service or apprenticeship or is made in the course of the author's employment, the copyright shall be deemed to be transferred to the person who commissioned the work or the author's employer, subject to any agreement between the parties excluding or limiting such transfer. The aforesaid software was authored by employees of Mexter Group who did so in the course of their employment.

The availability and extent of protection of Mexter Group intellectual property including its software copyright and trademarks in those other jurisdictions would depend on the intellectual property laws in those jurisdictions which may vary depending on the applicable laws in those jurisdictions.

6.4.6 Principal Markets, Marketing and Distribution

The Group's key market remains in the local Malaysian market although it has penetrated overseas countries such as Indonesia and China. For the nine (9)-month period ended 30 September 2004, the Group's principal markets consist of the following countries:

Country	Amount of sales as percentage of Group turnover for the nine (9)-month period ended 30 September 2004 (%)
Malaysia	70.20
China	13.85
Indonesia	15.95
	100.00

Currently, the Group has its corporate headquarters in Kuala Lumpur and has branches in Penang, Melaka and Johor Bahru to provide sales and engineering support functions. Each branch office is headed by an operations manager or Chief Operating Officer and supported by a team of marketing staff and engineer/technical staff. The set-up of branches by region, i.e. northern, central and southern regions of Malaysia is to enable the Group to provide better and faster service to its clients according to their geographical location.

For the China market, the Mexter Group is in the process of appointing a China local distributor to sell and market the Group's MexterMPM systems in China.

6.4.7 R&D

The Group recognises the importance of R&D to ensure its business sustainability and success in the long term. The R&D department is spearheaded by the Group's Chief Executive Officer and Chief Operating Officer and is assisted by the Chief Technology Officer, Mr Cheng Chee Chian. As at Latest Practicable Date, the R&D team consists of eighteen (18) staff include, amongst others, software engineers, system engineers, and project engineers with various industrial experiences and know-how.

In line with the Group's continuous product enhancement and development plans, the Group has spent approximately RM984,000 on R&D for the past three (3) financial years ended 31 December 2003 and nine (9)-month period ended 30 September 2004, which was approximately 2.2% of the Group's turnover for the same period. The expenditure spent on R&D for the financial years ended 31 December 2001 and 2002 has been included as part of the operating expenses of the Group.

The Mexter Group has successfully commercialised its R&D efforts via the selling of the Group's range of innovative E-Manufacturing products since 1999. These IT products comprise MPM systems such as MexterPVS/MexterPVS Plug-In, MexterPMS, MexterTest, MexterTPM, MexterATS/MexterMPS, MexterEcute, MexterPortal and MexterPro.

The R&D strategies of the Group are as follows:-

(i) building of R&D core competencies and in-house talent;
(ii) focusing on industry needs in manufacturing sites and headquarters;
(iii) tapping into academic and research houses;
(iv) forming strategic alliances with other technology and consulting partners; and
(v) acquiring of technologies.

The Group's R&D policies on new or proposed products will be to achieve the following results:-

(i) increase the sophistication of its products' features and thus strengthening its competitiveness;
(ii) widen the scope of its service offerings to cover other parts of the manufacturing processes, such as design, planning, testing, optimisation, maintenance, repair and etc., thus creating additional revenue sources;
(iii) reduce product costs whilst maintaining the same functions as well as prices; and
(iv) enable the existing products to be applied to other industries such as car manufacturing, food, pharmaceutical and consumer appliances.

The innovations from the Group's R&D has resulted in repeated orders from its clients and enhanced clients' satisfaction. The traceability and defects prevention systems offered by MexterATS and MexterPVS were nominated as one of the finalists of Asia Pacific IT Awards 2003 in Best Industrial Applications and Manufacturing Design category organised by MDC.

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6.4.8 Awards and Accreditations

The Group has achieved the following awards/accreditations:-

Date	Description
13 August 2004	Golden Bull Award 2004 – The 2nd Malaysia 100 Outstanding Small Medium Enterprises awarded by Nanyang Siang Pau
13 October 2004	MSC-APICTA (Asia Pacific ICT Awards) 2004 for "Best of Startup Company" awarded by MDC

6.4.9 Interruptions in Operations

The Group did not experience any disruption in business which had a significant effect on its operations during the twelve (12)-month period prior to the Latest Practicable Date.

6.4.10 Information on Employees

As at Latest Practicable Date, the Group has a total of forty-nine (49) employees (including Directors of Mexter but excluding AKL employees of sixteen (16) employees) comprising forty-eight (48) Malaysians and one (1) foreigner. The breakdown of the total number of employees and their length of service in the Group are as follows:-

Categories of employee	Average length of employment			Total
	Less than two (2) years	Two (2) to five (5) years	More than five (5) years	
Company Directors (Executive)	1	2	1	4
Managers/Professionals	3	2	1	6
Engineers	9	9	4	22
Technical and Supervisory	4	3	4	11
Clerical and Related Operations	3	1	2	6
General	-	-	-	-
Total	20	17	12	49

As the Group realises the importance of retaining valuable skilled employees, it will allocate approximately RM110,000 annually for the next five (5) years with the aim of increasing the employees' knowledge in software and systems engineering by sending them to technical and management training courses, seminars and conferences.

The Board of Directors believes that the working relationship between its senior management and its employees is good. There are no labour nor industrial disputes between the employees and the management which could have a material adverse financial impact on the Group. The employees do not belong to any labour union and enjoy a cordial relationship with the management.

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6.4.11 Competitive Advantages

The Mexter Group believes that it has the following competitive advantages:-

(i) Long-standing relationships with MNCs and local contract manufacturers

Approximately twelve (12) years involvement in the IT and automation solutions for the electronic industry, the Group has served both local contract manufacturers and MNCs, include, amongst others, Infineon Technologies (M) Sdn Bhd, Infineon Technologies (Integrated Circuit) Sdn Bhd, National Semiconductor Sdn Bhd, Western Digital Sdn Bhd, Solectron Technology Sdn Bhd (Penang plant and Johor Bharu plant and its sister plants in Shenzhen and Suzhou of China, and Batam of Indonesia), Sharp-Roxy Electronics Corporation (M) Sdn Bhd and Unico Technology Berhad (now known as TFS Electronic Manufacturing Services Sdn Bhd).

The Mexter Group's capability and dedication to its clients have enabled the Group to establish long-standing relationships with its clients over the years. This is can be seen from the repeated orders from its existing clients.

Please refer to Section 6.6 of this Prospectus for further details of the Group's top ten (10) customers.

(ii) Innovative products with unique technology

The Group's MexterMPM systems are able to support a wide variety of machines. This is an important feature as a typical PCB assembly environment normally uses different brands of machine in a production line because each vendor's machine has its strength in different part of the production processes. In order to support a wide variety of machine, the system must be able to control different brands of machine and achieve close-loop control to the whole production line.

(iii) Quick response time and reliable support

An important client expectation in the MPM industry is the need for a vendor to have fast response time to any change required, and also the need for reliable support. A good support team and knowledgeable software team who can quickly customise the changes are prerequisites to securing the client's confidence.

According to the Directors of Mexter, the Group has structured its resources to achieve both. A dedicated service team is provided to these clients to have 24 hours by 7 days support, and even on-site support during the critical stage of the production. In addition, the product development strategy is designed to have the software built on components or modules which could be reused or modified without having to revamp the whole software program. Therefore, Mexter can afford a short response time for new feature development. The fact that Mexter owns and controls its own intellectual properties also allows it to prioritise the development work to meet the client demand.

(iv) Experienced and knowledgeable management team

As MPM systems are mission critical to the production processes, any instability and flaws could undermine the manufacturers' reputation and their competitiveness. This means the technical expertise, knowledge and management skill sets of the vendor is crucial to the success of its clients. The team must have good system development experience and know the intricacies of running a software development business. Frequent ad-hoc requirement for changes in the software could undermine its quality, and its eventual performance in the client's production environment. Therefore the management must have the ability to balance between meeting client's demand in a short time frame, and maintaining the long-term viability of its software. The fact that the Mexter Group continues to have repeated orders for its products demonstrates the management's insights, experience and knowledge.

(v) Commitment to R&D and experienced technical team

It was the vision of the founder and management to invest in R&D, which rewarded Mexter with good products like MexterPVS, MexterTPM, MexterEcute and MexterATS. Mexter will continue with its focus on R&D to ensure its long-term viability in its industry. Electronics and automotive manufacturers always seek technological leverage to stay competitive, and hence as their solution provider, Mexter has to constantly explore and incorporate new technology in its solutions.

While getting repeated orders for its product is the best industry recognition for its prowess in R&D, Mexter was also nominated as the finalist for Asia Pacific IT Awards in 2003 for its innovation in Best Industrial Applications and Manufacturing Design. The Company attributes its success in R&D to its strong engineers/technical staff who have been carefully identified, recruited and then patiently nurtured. Currently, Mexter MSC, the R&D arm, has a total of eighteen (18) staff focusing on R&D.

In short, both the commitment to R&D and the technical team has positioned the Company as a competitive player in the MPM industry.

6.4.12 Location

The Group's places of business are situated at the following locations:-

Address	Activity
No. 17 (1st Floor) Jalan 26A/70A Plaza Prismaville Desa Sri Hartamas 50480 Kuala Lumpur	- The Mexter Group head office for corporate planning - Sales, support and engineering office for Mexter MSC/MMSB/CIE/DC Power
No. 8-3-09, Sunny Point Jalan Batu Uban 11700 Penang	The Mexter Group branch office for sales, support and engineering for the northern region of Malaysia
No. 15, 1-15, 2-15 Jalan Bachang Jaya Off Jalan Tun Fatimah 75250 Melaka	The Mexter Group branch office for sales, support and engineering for the southern region of Malaysia
No. 11-2, Jalan Molek 1/12 Taman Molek 81100 Johor Bahru	The Mexter Group's branch office for sales, support and engineering for Johor Bahru, Singapore and Batam of Indonesia
No. 96 (Ground, 1st and 2nd Floor) Persiaran Bayan Indah Bayan Bay 11900 Penang	R&D office which is housed under Mexter MSC

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6.4.13 Competition

According to the Directors of Mexter, the solution providers to the MPM industry are highly specialised and few in number although there are many other general IT and automation solutions providers in both the local and overseas markets. According to Frost & Sullivan's Report, the local and foreign companies (in alphabetical order) which provide products similar to those of the Mexter Group's core division – E-Manufacturing Solutions Division are as follows:-

Company	Country
Bartector Pte Ltd	Canada
Cardos Automation System Sdn Bhd	Malaysia
Mecomb Malaysia Sdn Bhd	Malaysia
Motorola Global Software Group	US
Tecnomatix Technologies Limited	US
TraceXpert Pte Ltd	Netherlands

As the industry in which the Mexter Group operates is relatively competitive and rapidly changing, the Group faces competition from other solutions providers domestically and regionally. However, the Directors of Mexter believe that the Group as a local solution provider has competitive cost advantages over its foreign competitors in terms of lower R&D human resource cost, affordability to deploy on-site service and support team. More particularly, the MexterMPM systems have the technology edge of being able to interface to a wide range of SMT machines. This is crucial as a typical PCB assembly environment normally uses multi-vendor equipment. The Group also has competitive advantages over its local competitors due to its established track record, wider product range and the ability of the Group's MexterMPM systems to interface with other SMT machines.

6.4.14 Relevant laws and regulations governing the industry

There are no government laws, regulations and policies governing the MPM industry in Malaysia nor is the Board currently aware of any specific material peculiarity in the said industry.

6.4.15 Demand and supply conditions

According to the Frost & Sullivan Report (World Manufacturing Process Management (MPM) Markets, Frost & Sullivan 2003), MPM is an emerging industry with a potential of USD300 million in 2003, and projected a world wide turnover of USD2.8 billion in 2011. In Malaysia, the market size in 2004 is estimated at RM16.6 million and is projected to reach RM31.3 million in 2008 with a 17.1% CAGR; in China, the market is USD33.5 million in 2004, and is projected to grow to USD92.8 million in 2008 with a CAGR of 29.2%.

According to the Directors of Mexter, although there are many other general IT and automation solutions providers in both the local and overseas market, the local and overseas systems providers in the MPM industry are highly specialised and a few in numbers.

The Directors of Mexter believe that with the Group's years of experience in the MPM industry coupled with the continual innovation of the Group's R&D team, the Group is well positioned to capture the next wave of growth in the MPM Industry.

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6.5 SUBSIDIARY AND ASSOCIATED COMPANIES

Details of the subsidiary and associated companies of Mexter as at the date of this Prospectus 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	RM 170,002	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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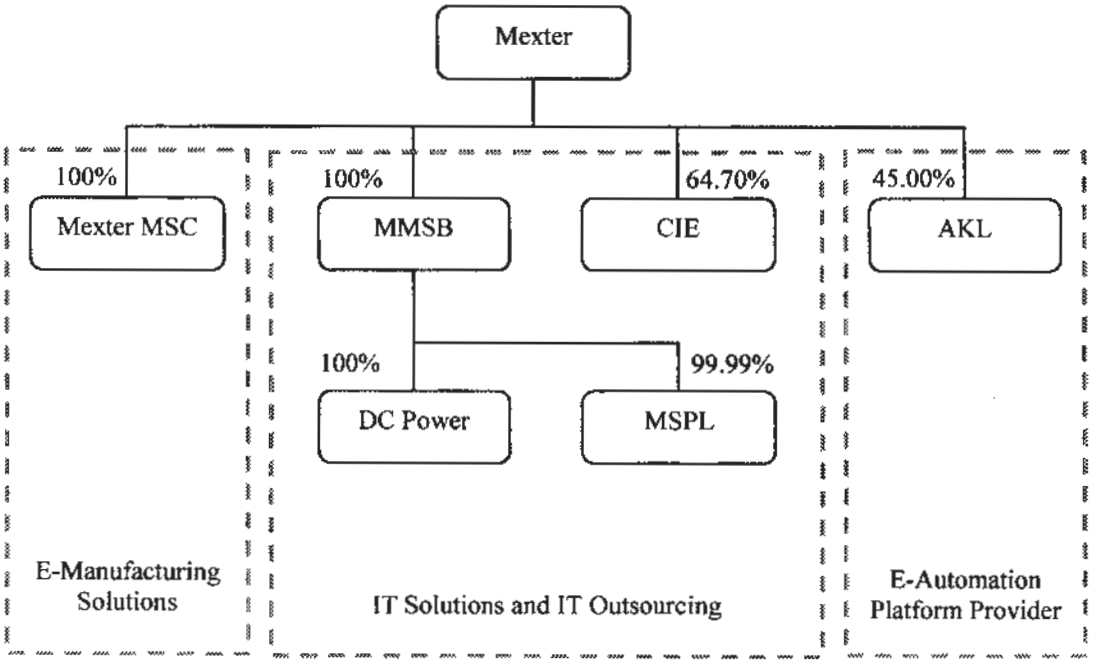
6. INFORMATION ON THE MEXTER GROUP *(Cont'd)*

The Group's corporate structure is as follows:-



6.5.1 Information on MMSB

6.5.1.1 History and Business

MMSB was incorporated in Malaysia on 14 August 1992 under the Act as a private limited company under its present name. MMSB commenced operations in 1992.

The principal activity of MMSB is the provision of IT solutions and IT outsourcing service.

6.5.1.2 Share Capital

The present authorised and issued and paid-up share capital of MMSB is as follows:-

	No. of shares	Amount (RM)
Authorised		
Ordinary shares of RM1.00 each	500,000	500,000
Issued and paid-up		
Ordinary shares of RM1.00 each	350,000	350,000

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6.5.1.3 Changes in Share Capital

The changes in the issued and paid-up share capital of MMSB since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Total issued and paid-up share capital (RM)
14.08.1992	2	1.00	Cash	2
11.10.1993	49,998	1.00	Cash	50,000
08.07.1994	100,000	1.00	Cash	150,000
25.03.1995	200,000	1.00	Cash	350,000

6.5.1.4 Substantial Shareholders

As at the date of this Prospectus, MMSB is a wholly-owned subsidiary of Mexter.

6.5.1.5 Subsidiary and Associated Companies

As at the date of this Prospectus, MMSB has two (2) subsidiaries, namely DC Power and MSPL. MMSB does not have any associated companies.

6.5.2 Information on DC Power

6.5.2.1 History and Business

DC Power was incorporated in Malaysia on 29 November 1994 under the Act as a private limited company under its former name of Mexter Manufacturing (M) Sdn Bhd and assumed its present name on 3 February 1999. DC Power commenced operations in 1994.

The principal activity of DC Power is management consulting and IT consulting services.

6.5.2.2 Share Capital

The present authorised and issued and paid-up share capital of DC Power is as follows:-

	No. of shares	Amount (RM)
Authorised		
Ordinary shares of RM1.00 each	500,000	500,000
Issued and paid-up		
Ordinary shares of RM1.00 each	360,004	360,004

6.5.2.3 Changes in Share Capital

The changes in the issued and paid-up share capital of DC Power since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Total issued and paid-up share capital (RM)
29.11.1994	4	1.00	Cash	4
21.09.2000	360,000	1.00	Cash	360,004

6.5.2.4 Substantial Shareholders

As at the date of this Prospectus, DC Power is a wholly-owned subsidiary of Mexter, through MMSB.

6.5.2.5 Subsidiary and Associated Companies

As at the date of this Prospectus, DC Power does not have any subsidiary or associated companies.

6.5.3 Information on MSPL

6.5.3.1 History and Business

MSPL was incorporated in Singapore on 26 May 2001 under the Companies Act, Cap.50, Republic of Singapore under its present name. MSPL commenced operations in 2001.

The principal activity of MSPL is the provision of IT solutions and IT outsourcing services.

6.5.3.2 Share Capital

The present authorised and issued and paid-up share capital of MSPL is as follows:-

	No. of shares	Amount (SGD)
Authorised		
Ordinary shares of SGD1.00 each	100,000	100,000
Issued and paid-up		
Ordinary shares of SGD1.00 each	100,000	100,000

6.5.3.3 Changes in Share Capital

The changes in the issued and paid-up share capital of MSPL since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Par value (SGD)	Consideration	Total issued and paid-up share capital (SGD)
26.05.2001	2	1.00	Cash	2
17.05.2002	99,998	1.00	Cash	100,000

6.5.3.4 Substantial Shareholders

As at the date of this Prospectus, MSPL is a 99.99% subsidiary of Mexter, through MMSB.

6.5.3.5 Subsidiary and Associated Companies

As at the date of this Prospectus, MSPL does not have any subsidiary or associated companies.

6.5.4 Information on Mexter MSC

6.5.4.1 History and Business

Mexter MSC was incorporated in Malaysia on 8 November 2002 under the Act as a private limited company under its present name. Mexter MSC commenced operations in 2002.

The principal activity of Mexter MSC is performing R&D and the provision of E-Manufacturing and MPM systems which consist of a combination of software programs and hardware systems.

6.5.4.2 Share Capital

The present authorised and issued and paid-up share capital of Mexter MSC is as follows:-

	No. of shares	Amount (RM)
Authorised		
Ordinary shares of RM1.00 each	100,000	100,000
Issued and paid-up		
Ordinary shares of RM1.00 each	2	2

6.5.4.3 Changes in Share Capital

The changes in the issued and paid-up share capital of Mexter MSC since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Total issued and paid-up share capital (RM)
8.11.2002	2	1.00	Cash	2

6.5.4.4 Substantial Shareholders

As at the date of this Prospectus, Mexter MSC is a wholly-owned subsidiary of Mexter.

6.5.4.5 Subsidiary and Associated Companies

As at the date of this Prospectus, Mexter MSC does not have any subsidiary or associated companies.

6.5.5 Information on CIE

6.5.5.1 History and Business

CIE was incorporated in Malaysia on 13 October 2000 under the Act as a private limited company under the name of Vital Quantum Sdn Bhd and assumed its present name on 10 November 2000. CIE commenced operations in 2000.

The principal activity of CIE is the provision of IT solutions and IT outsourcing services.

6.5.5.2 Share Capital

The present authorised and issued and paid-up share capital of CIE is as follows:-

	No. of shares	Amount (RM)
Authorised		
Ordinary shares of RM1.00 each	500,000	500,000
Issued and paid-up		
Ordinary shares of RM1.00 each	170,002	170,002

6.5.5.3 Changes in Share Capital

The changes in the issued and paid-up share capital of CIE since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Total issued and paid-up share capital (RM)
13.10.2000	2	1.00	Cash	2
20.02.2001	170,000	1.00	Cash	170,002

6.5.5.4 Substantial Shareholders

As at the date of this Prospectus, Mexter holds 64.7% of the equity in CIE and the remaining 35.3% equity is held by Chong Chiew Ping.

6.5.5.5 Subsidiary and Associated Companies

As at the date of this Prospectus, CIE does not have any subsidiary or associated companies.

6.5.6 Information on AKL

6.5.6.1 History and Business

AKL was incorporated in Malaysia on 10 April 2000 under the Act as a private limited company under its present name. AKL commenced operations in 2000.

The principal activity of AKL is the provision of solutions covering automation systems, networked and embedded computing devices.

6.5.6.2 Share Capital

The present authorised and issued and paid-up share capital of AKL is as follows:-

	No. of shares	Amount (RM)
Authorised		
Ordinary shares of RM1.00 each	1,000,000	1,000,000
Issued and paid-up		
Ordinary shares of RM1.00 each	760,002	760,002

6.5.6.3 Changes in Share Capital

The changes in the issued and paid-up share capital of AKL since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Total issued and paid-up share capital (RM)
10.04.2000	2	1.00	Cash	2
04.10.2000	760,000	1.00	Cash	760,002

6.5.6.4 Substantial Shareholders

As at the date of this Prospectus, AKL is an associated company of Mexter. Mexter holds 45% equity interest in AKL. The remaining 55% of AKL's equity is held by Advantech Automation Corporation Limited (Bermuda).

6.5.6.5 Subsidiary and Associated Companies

As at the date of this Prospectus, AKL does not have any subsidiary or associated companies.

6.6 MAJOR CUSTOMERS

The Group's top ten (10) customers for the nine (9)-month period ended 30 September 2004 are as follows:-

Name of Customers	Location	Length of Relationship (years)	% of Turnover
Solectron Technology Sdn Bhd	Malaysia	7	20.31
Infineon Technologies (Malaysia) Sdn Bhd	Malaysia	14	16.65
P.T. Solectron Technology	Indonesia	4	16.00
Infineon Technologies (Integrated Circuit) Sdn Bhd	Malaysia	14	15.68
LucasVarity (M) Sdn Bhd	Malaysia/China	3	7.34
Wayflash Limited	China	1	4.96
CG Solutions Enterprise Sdn Bhd	Malaysia	1	2.96
Advanced Application System Sdn Bhd	Malaysia	2	2.34
Infineon Technologies (Advanced Logic) Sdn Bhd	Malaysia	14	1.67
Solectron (Shenzhen) Technology Co Ltd	China	4	1.51

The Group has a well established customer base and its top ten (10) customers have had dealings with the Group ranging from one (1) year to fourteen (14) years. For the nine (9)-month period ended 30 September 2004, the Group has had dealings with a total of approximately eighty-five (85) customers. 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 automobile, 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.

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6.7 MAJOR SUPPLIERS

The Group's top ten (10) suppliers for the nine (9)-month period ended 30 September 2004 are as follows:-

Name of Suppliers	Location	Length of Relationship (years)	% of Purchases
First Tech Pacific Distributors Sdn Bhd	Malaysia	6	15.15
AKL	Malaysia	5	9.84
Upeca Engineering Sdn Bhd	Malaysia	1	7.80
Dell Asia Pacific Sdn Bhd	Malaysia	6	7.58
Spartan Peripheral (M) Sdn Bhd	Malaysia	4	5.35
Grand-Flo Electronic System Sdn Bhd	Malaysia	6	5.20
Creative Precision Engineering Sdn Bhd	Malaysia	4	4.48
M-Link System (M) Sdn Bhd	Malaysia	6	3.42
Excelnex Integrated Sdn Bhd	Malaysia	1	3.08
RES Malaysia Sdn Bhd	Malaysia	6	2.11

The Group has a wide supplier base, comprising a total of approximately fifty (50) suppliers for the nine (9)-month period ended 30 September 2004 and are not dependent on any single supplier. In addition, the Directors of Mexter believe that the Group will not face any difficulties in sourcing for its supplies as there are many alternative suppliers in which the Mexter Group could source for its supplies, if necessary.

6.8 DESCRIPTION OF LANDED PROPERTIES

The details of the landed properties of the Mexter Group as at the date of this Prospectus are set out below:-

Name of registered owner/Location	Description/ Existing use	Tenure	Approximate age of building (years)	Land area (square feet)	Built -up area (square feet)	Audited NBV as at 30.09.2004 (RM'000)	Restriction in interest/ Encumbrance	Date of CF
MMSB								
H.S. (M) 441 for P.T. No. 4787 in the Mukim of Bachang, District of Melaka. Bearing the postal address: No 15, 1-15, 2-15 Jalan Bachang Jaya 1, Taman Bachang Jaya, Off Jalan Tun Fatimah, 75250 Melaka.	3-storey shophouse used as Melaka branch office for sales, support & engineering	Freehold	8	1,561	4,620	360	Charged to Public Finance Berhad for banking facilities	CF issued on 30.12.95

Save as disclosed above, there are no restrictions in interest in the title to the land, and there is no breach of land-use conditions either. None of the properties above have been revalued in conjunction with the Listing.

6.8.1 Landed properties purchased during the preceding two (2) years

There were no purchases of landed properties which are still owned by the Group during the two (2) years preceding the date of this Prospectus.

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