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**1 INFORMATION SUMMARY**


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**THE FOLLOWING IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE ISSUE SHARES.**

**1.1 HISTORY AND NATURE OF BUSINESS**
*Incorporation*

INIX was incorporated on 13 September 2004 in Malaysia under the Act as a public company. It was established to be the investment holding company of the Group in conjunction with the listing of the Group on the MESDAQ Market.

The INIX Group is principally involved in the development and sales of integrated intelligent wireless security, automation and CCTV surveillance systems for home as well as for business users.

*History and Principal Activities*

INIX is principally an investment holding company with one (1) wholly-owned subsidiary company, i.e. ITSB. The principal activities of the Company's subsidiary company are as follows:-

<b>Name of subsidiary</b>	<b>Date and place of incorporation</b>	<b>Equity interest (%)</b>	<b>Issued and paid-up share capital as at 15 July 2005 (RM)</b>	<b>Principal activity</b>
ITSB	15 April 2003 Malaysia	100.0	1,667,146	Development and sales of integrated intelligent wireless security, automation and CCTV surveillance systems for home and business users

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**1 INFORMATION SUMMARY (Cont'd)**

The INIX Group is principally involved in the development and sales of integrated intelligent wireless security, automation and CCTV surveillance systems for home as well as business users. INIX's systems are sold under the Secure Smith brand and mainly focus on the intelligent home and building solutions market. The latest versions of INIX's proprietary Secure Smith are designed with intercom, voice messaging and internet capabilities.

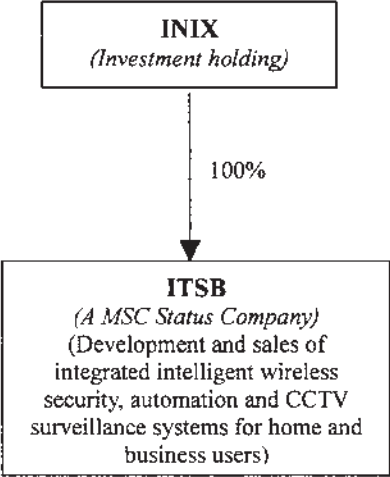
The Group's achievements in product development and commercialisation for the abovesaid systems have received the following recognitions: -

- "ITEX Silver Medal" at the 15<sup>th</sup> International Invention Innovation Industrial Design & Technology Exhibition 2004 organised by the Malaysian Invention & Design Society;
- "Most Promising Start-Up" Award at the *Venture Accelerate 2003* organised by Bursa Securities, Malaysian Venture Capital Association, McKinsey & Co and Malaysian Institute of Management;
- "Industry Excellence for IT Award 2004" at the MCBC Business Excellence Awards organised by the MCBC;
- "ITEX Gold Medal" at 16<sup>th</sup> International Invention Innovation Industrial Design & Technology Exhibition 2005 ("ITEX 2005") organised by the Malaysian Invention & Design Society; and
- "Special Award" from the President of Korea Invention Promotion Association at ITEX 2005.

The core strength of INIX's products lies in their multi-functional integrated features.

Further information on the subsidiary company of INIX is set out in Section 4.4 of this Prospectus.

The Group's corporate structure with its principal activities and focus are depicted below: -



Further details on the Group's business overview are provided in Section 4.3 of this Prospectus.

## 1 INFORMATION SUMMARY (Cont'd)

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### 1.2 PRODUCTS AND SERVICES

Notable products internally designed and developed by INIX Group or developed by its Co-Founders in PCSSB include: -

#### (A) Secure Smith

INIX's 3-in-1 intelligent home solution system "in a box", which integrates security, automation and CCTV surveillance systems. The evolution of the Secure Smith system is as follows: -

- Sentinel Security (1<sup>st</sup> version) that includes 8 security zones, auto dialer and PC link;
- Sentinel Security & Automation (2<sup>nd</sup> version) that includes, in addition to the above, 8 points automation and voice feedback capability;
- Sentinel (3<sup>rd</sup> version), an upgrade of the 2<sup>nd</sup> version to 16 points automation (G-LOP);
- Sentinel (4<sup>th</sup> version), an upgrade of the 3<sup>rd</sup> version to 64 points automation (G-LOP);
- Sentinel Pro (5<sup>th</sup> version) which has additional integrated, automation, video surveillance and security features;
- Secure Smith (latest version) that includes extra features such as telephone answering system, daily scenario scheduling and remote hardware status notification;

In addition, Secure Smith is available in DIY packages (Basic and Deluxe Edition Wireless Security System and SS Wireless Intelligent System) that eliminate the need of wiring thus providing cost and time savings;

#### (B) I-CMS

I-CMS enables the entire operations of Secure Smith to be signalled automatically to, recorded in, and maintained and supervised from a central location monitored by trained operators and alarm investigators 24 hours a day; and

#### (C) Smart Card Access

Bizen E@cess XS-2 is an integrated digital card reader system which can be used for various applications in offices, residential and factories. This smart card access system is a digital visual verification system to provide time stamped information with visual attachment to reduce fraud.

### 1.3 TECHNOLOGY, INTELLECTUAL PROPERTY AND R & D

#### 1.3.1 Technology

The Group is a developer of integrated intelligent wireless security, automation and CCTV surveillance systems for home and business users. The Group develops the hardware, the software and the firmware in respect of its Secure Smith system.

**1 INFORMATION SUMMARY (Cont'd)**

At the heart of the wireless features of INIX Group’s Secure Smith system is its proprietary G-LOP and D-RF wireless technologies. G-LOP is based on PLC technologies whereby electronic signals, data and information that instruct Secure Smith’s system are carried via existing power lines in a typical home or building.

D-RF technology enables digital wireless communications via radio frequency transmissions between the Secure Smith system and security sensors, specifically in an environment where power lines are not present. These proprietary technologies are critical in enabling the Secure Smith system to be installed and to function without extensive rewiring.

Further details on technology used by the INIX Group are set out in Section 4.3.4 of this Prospectus.

**1.3.2 Intellectual Property**

All products of the Group are either internally designed and developed by INIX Group or developed by its Co-Founders in PCSSB. The designs, including the G-LOP and D-RF technologies are proprietary to the Group. Therefore, the INIX Group recognises the importance of its intellectual property rights to its continuing success and has taken the necessary steps to protect its intellectual property rights.

ITSB is currently seeking protection for its brand name to ensure that there is no infringement or misuse of its brandname. The table below sets out the trademarks applied for which are still pending registration: -

<b>Trademark</b>	<b>Classes Applied for in Malaysia</b>
SecureSmith	9 (2004-13994)
	37 (2004-13993)
G-LOP	9 (2004-13992)

- Note:
- (1) Class 9 is in respect of data processing equipment and computers
  - (2) Class 37 is in respect of service of security systems

ITSB owns the copyright over its websites i.e. www.inix.com.my and has developed its own software, hardware and firmware.

At the present moment, the Group does not intend to patent any of its products as the disclosure of the specifications of its products as required under the patent registration process may be commercially sensitive.

Further details on intellectual properties of the INIX Group are set out in Section 4.3.3 of this Prospectus.

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## 1 INFORMATION SUMMARY (Cont'd)

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### 1.3.3 R & D

In order to remain competitive, INIX Group concentrates on R&D activities to develop new products to ensure that the Group remains in the forefront of technological development and for its continued success in the industry. As at 15 July 2005, the Group has a team of 10 experienced personnel involved in R&D activities covering the following:-

- Continued R&D of new products;
- Modifications and enhancements of existing products to incorporate new features and applications;
- Integration of existing and new products and peripherals to ensure that INIX's products are "Intelligent Home Ready";
- Adapting, modifying and/or improving products for the export markets; and
- Developing advisory, customisation and consultancy solutions.

Further details on R & D of the INIX Group are set out in Section 4.3.4 of this Prospectus.

### 1.4 RISK FACTORS

Applicants for the Issue Shares should carefully consider the following risk factors (which are not exhaustive), in addition to the other information contained in this Prospectus before applying for the Issue Shares.

#### (A) BUSINESS RISKS

- (i) Limited operating history;
- (ii) Dependence on key personnel;
- (iii) No prior market for the Company's shares;
- (iv) Management of future growth;
- (v) Foreign currency risk;
- (vi) Product defects liability;
- (vii) MSC Status;
- (viii) Intellectual property issues;
- (ix) New brand name;
- (x) Rapid technology changes;
- (xi) Dependence on property development and construction industry;
- (xii) Business operations on leased properties; and
- (xiii) Delays/lapses in the development of ongoing project sites.

#### (B) OTHER RISKS

- (i) Capital market risks;
- (ii) Control by certain substantial shareholders;
- (iii) Political, economic and legislative considerations;
- (iv) Forward looking statements;
- (v) Delay in or abortion of the Public Issue;
- (vi) Termination of underwriting agreement;
- (vii) Competition; and
- (viii) Dependence on distribution network.

For a detailed commentary on the risk factors, please refer to Section 3 of this Prospectus.

## 1 INFORMATION SUMMARY (Cont'd)

### 1.5 FINANCIAL HIGHLIGHTS

#### Historical Financial Information

The following table should be read in conjunction with the Accountants' Report as set out in Section 13 herein.

The table below sets out a summary of the proforma consolidated income statement of INIX Group for the fifteen (15) month financial period ended 31 July 2004 and the six (6) month financial period ended 31 January 2005 and has been prepared for illustrative purposes based on the audited income statements of the INIX Group and on the assumption that the INIX Group had been in existence throughout the financial periods under review.

	15 month financial period ended 31 July 2004 RM'000	6 month financial period ended 31 January 2005 RM'000
Revenue	5,550	7,758
Less: Cost of sales	(2,163)	(3,895)
Gross profit	3,387	3,863
Less : Selling and marketing expenses	(402)	(304)
Administrative expenses	(577)	(510)
Other operating expenses	(161)	(210)
R&D expenses	(666)	(295)
EBITDA	1,581	2,544
Less: Interest expense	(34)	(1)
Depreciation	(73)	(45)
Amortisation	(125)	(50)
PBT	1,349	2,448
Less: Taxation	-	-
Net profit	1,349	2,448
Number of ordinary shares assumed in issue ('000)	80,510	80,510
Gross EPS (sen)	1.68	3.04
Net EPS (sen)	1.68	3.04

*Notes:-*

<sup>(a)</sup> Issued and paid-up share capital consisting 80,510,000 INIX Shares represents the enlarged issued and paid-up share capital of INIX upon completion of the Acquisition of ITSB.

<sup>(b)</sup> There were no extraordinary or exceptional items during the financial periods under review.

<sup>(c)</sup> There are no minority interests during the financial periods under review.

<sup>(d)</sup> The gross EPS has been calculated based on the proforma PBT divided by 80,510,000 Shares assumed in issue after the Acquisition of ITSB.

**1 INFORMATION SUMMARY (Cont'd)**

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<sup>(e)</sup> *The net EPS has been calculated based on the proforma net profit divided by 80,510,000 Shares assumed in issue after the Acquisition of ITSB.*

The financial statements of INIX Group for the financial periods under review were not subjected to any audit qualifications.

For more details on the financial information, please refer to Sections 8 and 13 of this Prospectus.

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## 1 INFORMATION SUMMARY (Cont'd)

## 1.6 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 JANUARY 2005

	<---COMPANY--->		<---PROFORMA GROUP--->			
	Existing	I	II	III	IV	V
	Audited as at 31.01.05 RM	After Share Subdivision RM	After I and Acquisition of ITSB RM	After II and Public Issue RM	After III and the Proposed Utilisation of Proceeds RM	After IV, and the Assumed Full exercise of ESOS options RM
INTANGIBLE ASSET	-	-	825,000	825,000	825,000	825,000
PROPERTY, PLANT AND EQUIPMENT	-	-	554,965	554,965	1,054,965	1,054,965
<b>CURRENT ASSETS</b>						
Inventories	-	-	399,988	399,988	399,988	399,988
Trade receivables	-	-	8,371,514	8,371,514	8,371,514	8,371,514
Other receivables and prepayments	179,510	179,510	257,852	257,852	78,342	78,342
Amount due from a shareholder	-	-	271,878	271,878	271,878	271,878
Cash and bank balances	2	2	1,328,618	11,471,618	9,351,128	19,326,128
	179,512	179,512	10,629,850	20,772,850	18,472,850	28,447,850
<b>LESS: CURRENT LIABILITIES</b>						
Trade payables	-	-	1,345,989	1,345,989	1,345,989	1,345,989
Other payables	3,025	3,025	79,082	79,082	79,082	79,082
Amount due to subsidiary company	182,860	182,860	-	-	-	-
Provision for warranties	-	-	85,476	85,476	85,476	85,476
	185,885	185,885	1,510,547	1,510,547	1,510,547	1,510,547
<b>NET CURRENT (LIABILITIES)/ ASSETS</b>	<b>(6,373)</b>	<b>(6,373)</b>	<b>9,119,303</b>	<b>19,262,303</b>	<b>16,962,303</b>	<b>26,937,303</b>
	<b>(6,373)</b>	<b>(6,373)</b>	<b>10,499,268</b>	<b>20,642,268</b>	<b>18,842,268</b>	<b>28,817,268</b>
SHARE CAPITAL	2	2	8,051,000	9,500,000	9,500,000	10,925,000
SHARE PREMIUM	-	-	-	8,694,000	6,894,000	15,444,000
RESERVE ON CONSOLIDATION	-	-	2,454,643	2,454,643	2,454,643	2,454,643
ACCUMULATED LOSSES	(6,375)	(6,375)	(6,375)	(6,375)	(6,375)	(6,375)
<b>SHAREHOLDERS' (DEFICIT)/EQUITY</b>	<b>(6,373)</b>	<b>(6,373)</b>	<b>10,499,268</b>	<b>20,642,268</b>	<b>18,842,268</b>	<b>28,817,268</b>
<b>Number of ordinary shares of</b>						
- RM1 each	2	-	-	-	-	-
- RM0.10 each	-	20	80,510,000	95,000,000	95,000,000	109,250,000
<b>Net Tangible (Liabilities)/Assets (RM)</b>	<b>(6,373)</b>	<b>(6,373)</b>	<b>9,674,268</b>	<b>19,817,268</b>	<b>18,017,268</b>	<b>27,992,268</b>
<b>Net Tangible (Liabilities)/Assets per ordinary share (RM)</b>	<b>(3,186.50)</b>	<b>(318.65)</b>	<b>0.12</b>	<b>0.21</b>	<b>0.19</b>	<b>0.26</b>

Note: -

The Proforma Consolidated Balance Sheets are provided for illustrative purposes only, based on bases and accounting principles consistent with those adopted in the preparation of audited financial statements of INIX Group as at 31 January 2005 and on the assumptions that the Share Subdivision, Acquisition of ITSB, Public Issue and ESOS have been effected on 31 January 2005.

For notes to the Proforma Consolidated Balance Sheets of INIX, please refer to Section 14 of this Prospectus.



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**1 INFORMATION SUMMARY (Cont'd)**


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**1.7 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE****(i) Share capital**

Authorised:- 250,000,000 INIX Shares	<u>RM25,000,000</u>
Issued and paid-up:- 80,510,000 INIX Shares credited as fully paid up	RM8,051,000
To be issued pursuant to the Public Issue:- 14,490,000 new INIX Shares	<u>RM1,449,000</u>
Enlarged issued and paid-up share capital comprising 95,000,000 INIX Shares	<u>RM9,500,000</u>

**(ii) Issue Price per INIX Share to the public** RM0.70

**(iii) Market capitalisation of INIX based on the Issue Price of the Public Issue** RM66,500,000

**(iv) Proforma Consolidated NTA of INIX Group as at 31 January 2005**

Proforma Consolidated NTA as at 31 January 2005 after the Acquisition of ITSB, Public Issue and the utilisation of proceeds RM18,017,268

Proforma Consolidated NTA per INIX Share (based on the enlarged issued and paid-up share capital of 95,000,000 INIX Shares upon Listing and after proposed utilisation of proceeds) 19 sen

**(v) Classes of shares and ranking**

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

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

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder shall have one vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each INIX Share held. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Act shall not apply.

## 1 INFORMATION SUMMARY (Cont'd)

### 1.8 PROSPECTS AND OUTLOOK

#### *The Growing Malaysian Intelligent Home Market*

INIX expects to grow its sales in Malaysia and overseas in respect of the sales of its intelligent home systems.

The intelligent home market in Malaysia is a nascent market in comparison to other markets such as the US and Korea. Concerted efforts by the government to promote IT have created a greater awareness amongst the public of intelligent home systems. The Malaysian market is estimated to be worth RM24 million in 2003. Growth is expected to be at a rate of 24% CAGR for the next 4 years to be worth RM69.2 million in 2008. (Source: Independent Market Research Report)

The growth factors for the future include:-

- *Increased affluence and growing awareness of intelligent home systems*

With a growing segment of middle class population in Malaysia, higher consumer spending for goods can be expected and this is expected to increase the number of consumers able and willing to invest in intelligent home solutions. Further, increasingly more consumers will be aware of the existence of these solutions and this may lead to intelligent home solutions becoming standard features for new homes.

- *Introduction of smart appliances*

Electrical appliances manufacturers have launched and marketed intelligent home appliances. This will further promote awareness of consumers to the advantages of intelligent homes systems as well as further create the demand for home automation to manage these smart appliances.

- *Concern for security*

The concern of increasing crime rates will drive further growth for home security and surveillance systems.

All of the above factors augur well for the INIX Group.

### 1.9 PROCEEDS FROM THE PUBLIC ISSUE AND THE PROPOSED UTILISATION

The gross proceeds from the Public Issue amounting to RM10,143,000 will accrue entirely to the Company and will be utilised as follows:-

	RM'000	Expected time frame for utilisation
R&D	2,500	Mid 2007
Purchase of equipment/ fixed assets	500	Mid 2007
Advertising and Promotion	1,000	Mid 2007
Working capital	4,343	End 2006
Estimated listing expenses	1,800	3rd quarter 2005
	<b>10,143</b>	

## 1 INFORMATION SUMMARY (Cont'd)

*Note: In the event that funds for estimated listing expenses are not fully utilised as intended, the remaining funds will be accrued for the Group's working capital requirements.*

Full details of the proposed utilisation are set out in Section 2.7 of this Prospectus.

### 1.10 DIRECT AND INDIRECT SHAREHOLDINGS OF PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL

#### 1.10.1 Promoters', Substantial Shareholders' and Directors' Shareholdings

The shareholdings of the promoters, substantial shareholders and directors as at 15 July 2005 and after incorporating the effects of the Public Issue are as follows: -

	Nationality/ Place of incorporation	Designation/ Principal activity	<---Before the Public Issue--->				<---After the Public Issue**--->			
			Direct	%	Indirect	%	Direct	%	Indirect	%
<b>Promoters</b>										
Jimmy Tok Soon Guan	Malaysian	Chief Executive Officer	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
Cheong Kok Yai	Malaysian	Chief Technical Officer	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
Chong Chen Fah	Malaysian	Chief Financial Officer	2,495,821	3.10	-	-	2,995,821**	3.15	-	-
PCSSB	Malaysia	Selling computers and accessories	35,424,390	44.00	-	-	35,424,390	37.29	-	-
Pesat Cipta Sdn Bhd	Malaysia	Investment holding company	13,686,694	17.00	-	-	13,686,694	14.41	-	-
Mohamed Raza Dahya	British	Shareholder	8,051,000	10.00	-	-	8,051,000	8.47	-	-
<b>Substantial Shareholders</b>										
Jimmy Tok Soon Guan	Malaysian	Chief Executive Officer	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
Cheong Kok Yai	Malaysian	Chief Technical Officer	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
PCSSB	Malaysia	Selling computers and accessories	35,424,390	44.00	-	-	35,424,390	37.29	-	-
Pesat Cipta Sdn Bhd	Malaysia	Investment holding company	13,686,694	17.00	-	-	13,686,694	14.41	-	-
Mok Chin Fan	Malaysian	Non-independent Non-executive Director	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
Mohamed Raza Dahya	British	Shareholder	8,051,000	10.00	-	-	8,051,000	8.47	-	-
Wong Set Chin <sup>†</sup>	Malaysian	Shareholder	4,508,559	5.60	-	-	4,508,559	4.75	-	-
Mohd Azmi bin Mat Nayan	Malaysian	Shareholder	-	-	13,686,694 <sup>^</sup>	17.00	-	-	13,686,694 <sup>^</sup>	14.41
Mohd Najmi bin Mohd Yussof	Malaysian	Shareholder	-	-	13,686,694 <sup>^</sup>	17.00	-	-	13,686,694 <sup>^</sup>	14.41

## 1 INFORMATION SUMMARY (Cont'd)

	Nationality/ Place of incorporation	Designation/ Principal activity	<---Before the Public Issue--->				<---After the Public Issue**--->			
			Direct	%	Indirect	%	Direct	%	Indirect	%
<b>Directors</b>										
Dato' Megat Fairouz Junaidi bin Megat Junid	Malaysian	Independent Non-executive Chairman	-	-	-	-	-	-	-	-
Jimmy Tok Soon Guan	Malaysian	Chief Executive Officer	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
Cheong Kok Yai	Malaysian	Chief Technical Officer	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
Chong Chen Fah	Malaysian	Chief Financial Officer	2,495,821	3.10	-	-	2,995,821**	3.15	-	-
Mok Chin Fan	Malaysian	Non-independent Non-executive Director	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
Mohd Yusoff bin Mohd Noor	Malaysian	Non-independent Non-executive Director	-	-	-	-	-	-	-	-
Madzlan bin Mohamed Nazri	Malaysian	Independent Non-executive Director	-	-	-	-	-	-	-	-

Notes: -

\* Deemed interest in INIX via their shareholdings in PCSSB.

\*\* Assumes that the Directors subscribe for their respective allocation of Issue Shares under the pink form allocations but excludes any ESOS allocations.

^ Deemed interest in INIX via their shareholdings in Pesat Cipta Sdn Bhd.

# Ceases to be a substantial shareholder after the Public Issue.

## 1.10.2 Key Personnel's Shareholdings

The shareholdings of the key personnel of the Group as at 15 July 2005 and after incorporating the effects of the Public Issue are as follows: -

	Nationality	<---Before the Public Issue--->				<---After the Public Issue--->			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Jimmy Tok Soon Guan	Malaysian	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
Cheong Kok Yai	Malaysian	-	-	35,424,390*	44.00	-	-	35,424,390*	37.29
Chong Chen Fah	Malaysian	2,495,821	3.10	-	-	2,995,821**	3.15	-	-
Azri Mohamad Saleh	Malaysian	-	-	-	-	250,000**	0.26	-	-
Yew Eng Teik	Malaysian	-	-	-	-	100,000**	0.10	-	-
Goh Keat Hua	Malaysian	-	-	-	-	50,000**	0.05	-	-
See Fenn Chang	Malaysian	-	-	-	-	10,000**	0.01	-	-
Khong Ming Lok	Malaysian	-	-	-	-	30,000**	0.03	-	-
Normah binti Sapar	Malaysian	-	-	-	-	2,000**	0.002	-	-

Notes: -

\* Deemed interest in INIX via their shareholdings in PCSSB.

\*\* Assumes that the key personnel subscribe for their respective allocation of Issue Shares under the pink form allocations but excludes any ESOS allocations.

**1 INFORMATION SUMMARY (Cont'd)**

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Detailed information on the Promoters/Substantial Shareholders, Directors and key personnel are set out in Section 6 of this Prospectus.

**1.11 BORROWINGS, MATERIAL LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES**

As at 15 July 2005, being the latest practicable date prior to the printing of this Prospectus: -

- (i) The Group has no borrowings;
- (ii) The Group has no outstanding material contingent liabilities;
- (iii) The Group has no contracted capital commitments not provided for in the accounts; and
- (iv) The Group is not engaged in any material litigation or arbitration proceedings either as plaintiff or defendant and the Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially affect the position and business of the Group.

**1.12 FUTURE FINANCIAL INFORMATION**

The INIX Group is essentially a technology-based group involved in the development and sales of integrated intelligent wireless security, automation and CCTV surveillance systems for homes and buildings. Its revenues and profits are subjected to various risks as highlighted in Section 3 of this Prospectus. Notable risks include its limited operating history, obsolescence or loss of market share due to rapid technological changes and changes in demand conditions for the INIX Group's products and services. In light thereof, no profit forecast or projections have been provided in this Prospectus.

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**2 PARTICULARS OF THE PUBLIC ISSUE**


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**2.1 OPENING AND CLOSING OF APPLICATIONS**

Applications for the Issue Shares will open from 10.00 a.m. on 29 July 2005 and will remain open until 5.00 p.m. on 18 August 2005 or for such date or dates as the Board and the Underwriter at their absolute discretion may jointly decide. Late applications will not be accepted.

**2.2 IMPORTANT DATES**

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

<b>Event</b>	<b>Tentative Date</b>
Issue of Prospectus	29 July 2005
Opening date of application for the Public Issue	29 July 2005
Closing date of application for the Public Issue	18 August 2005
Tentative date for balloting of applications	22 August 2005
Tentative date for the despatch of notices of allotment of the Issue Shares to successful applicants	30 August 2005
Tentative listing date	1 September 2005

Save for the opening date of application for the Public Issue, the above dates are tentative and are subject to changes which may be necessary to facilitate implementation procedures. The application for the Issue Shares will close at the date stated above or at such later date or dates as the Board and the Underwriter at their absolute discretion may jointly decide.

Any changes to the closing date for the Public Issue will be notified to the public via an advertisement in a widely circulated English and Bahasa Malaysia newspaper in Malaysia.

**2.3 SHARE CAPITAL**

<i>Authorised:-</i> 250,000,000 INIX Shares	<u>RM25,000,000</u>
<i>Issued and paid-up:-</i> 80,510,000 INIX Shares credited as fully paid-up	RM8,051,000
<i>To be issued pursuant to the Public Issue:-</i> 14,490,000 new INIX Shares	RM1,449,000
Enlarged issued and paid-up share capital comprising 95,000,000 INIX Shares	<u>RM9,500,000</u>
Issue Price per INIX Share to the public	RM0.70

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

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


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

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each INIX Share held. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Act shall not apply.

**2.4 PARTICULARS OF THE PUBLIC ISSUE**

The Public Issue is an invitation by INIX to the Public and eligible directors, employees and business associates of the Group to subscribe for the Issue Shares at an issue price of RM0.70 per share subject to the terms and conditions in this Prospectus.

The Issue Shares are made available for subscription by individuals, companies, societies, co-operatives and institutions by way of private placement and public offer as follows: -

	<b>No of Issue Shares to be allocated</b>
(i) Eligible directors, employees and business associates of the Group	6,650,000
(ii) General Public by way of public offer	2,850,000
(iii) Selected investors by way of private placement	4,990,000
Total	<u>14,490,000</u>

The basis of allocation to be determined shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market in the INIX Shares. To meet shareholding spread requirements, the final allocation to any single applicant shall not breach 5% or more of the enlarged issued and paid-up share capital of the Company upon Listing, regardless of the amount of Issue Shares applied for.

6,650,000 new Issue Shares in respect of item (i) above are reserved for application by eligible directors, employees and business associates of the INIX Group based on their respective position in the INIX Group, number of years of service and contribution to the success of the Group, and in the case of business associates, the length of their relationship with the Group. Based on the criteria, there are 7 directors, 62 employees and 30 business associates who are eligible and are interested in taking up the reserved Issue Shares.

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

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The following director of INIX has been allocated Issue Shares under item (i) above: -

<b>Name</b>	<b>Designation</b>	<b>Number of Issue Shares allocated</b>
Chong Chen Fah	Chief Financial Officer	500,000

In the event any of the Issue Shares under item (i) above are not taken up by the eligible directors, employees and business associates of the INIX Group, such Issue Shares will be made available for application by the investing public under item (ii) by way of public offer.

In the event of an under-subscription of the Issue Shares under item (ii) above, such unsubscribed Issue Shares may be transferred from the public offer tranche and be allocated by way of private placement.

Issue Shares under the private placement tranche (item (iii)) which are under-subscribed will be made available for the investing public under item (ii) above by way of public offer.

The minimum number of INIX Shares to be subscribed for the purpose of the Public Issue shall be the entire 14,490,000 Issue Shares.

The Issue Shares under items (i) and (ii) above will be underwritten by the Underwriter in compliance with the Listing Requirements. The Placement Agent has received irrevocable undertakings from all the selected investors to take up the Issue Shares under item (iii) above and hence those Issue Shares will not be underwritten.

### 2.5 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows: -

- (i) To obtain listing of and quotation for the entire enlarged issued and paid-up share capital of INIX on the MESDAQ Market;
- (ii) To provide INIX with access to the capital markets to raise funds for future expansion and continued growth;
- (iii) To provide an opportunity for investors and institutions, eligible directors, employees and business associates of the Group and the public to participate in the continuing growth of the Company; and
- (iv) To promote greater market recognition to INIX Group both locally and overseas as a leading intelligent security, automation and surveillance systems solutions provider, which in turn will open up more opportunities for the Group.

### 2.6 PRICING OF THE PUBLIC ISSUE

The Issue Price of RM0.70 per INIX Share was determined and agreed upon by the Company and Kenanga as Adviser and Underwriter, after taking into account, inter-alia, the following:-

- (i) The industry overview, future plans and strategies and outlook of the Group as described in Sections 1.8 and 5 of this Prospectus;
- (ii) The Group's earnings potential as a leading intelligent security, automation and surveillance systems solutions provider; and



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


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- (iii) The Group's proforma audited NTA per share as at 31 January 2005 (after adjustment for the Public Issue and utilisation of proceeds thereof) of approximately RM0.19.

**Investors should form their own views on the valuation of the Issue Shares before deciding to invest in the Issue Shares.**

**2.7 PROCEEDS FROM THE PUBLIC ISSUE AND THE PROPOSED UTILISATION**

The gross proceeds from the Public Issue amounting to RM10,143,000 will accrue entirely to the Company and the Company shall bear all expenses relating to the listing of and quotation for the entire enlarged issue and paid-up share capital on the MESDAQ Market.

The proceeds are proposed to be utilised as follows: -

	Notes	RM'000	Expected time frame for utilisation
R&D	(i)	2,500	Mid 2007
Purchase of equipment/ fixed assets	(ii)	500	Mid 2007
Advertising and Promotion	(iii)	1,000	Mid 2007
Working capital	(iv)	4,343	End 2006
Estimated listing expenses	(v)	1,800	3rd Quarter 2005
		<b>10,143</b>	

*Note: (a) In the event that funds for estimated listing expenses are not fully utilised as intended, the remaining funds will be accrued for the Group's working capital requirements.*

**i. R&D**

The Group proposes to allocate approximately RM2.5 million from its listing proceeds for its R&D programme over the next two (2) years to mid 2007.

A major contributor to the expenditure of the Group lies in staff costs. The hiring and training of qualified and experienced personnel in order to maximise the success rate of its R&D activities is one of the Group's strategies. The R&D expenditure incurred by the Group is expected to increase as the Group plans to increase its R&D team size within the next few years.

**ii. Purchase of equipment/fixed assets**

The Group proposes to invest a total of RM0.5 million of the proceeds to purchase various fixed assets such as technical equipment, office equipment and furniture and fittings in order to increase its capacity in support of its growth projections.

**iii. Advertising and Promotion**

INIX Group proposes to utilise RM1.0 million of the listing proceeds in advertising and promotion to ensure that their products achieve the visibility and recognition in the market.

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


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**iv. Working Capital**

The Company proposes to allocate approximately RM4.34 million to meet its working capital requirements such as marketing and sales promotion efforts, staff salaries, purchase of materials and extending credit to customers.

**v. Estimated listing expenses**

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

	<b>RM</b>
Professional fees	650,000
Bursa Securities' perusal fee and listing fees	35,000
Prospectus registration fee for SC and ROC	5,500
Advertising & printing costs	220,000
Underwriting, placement and brokerage	300,000
Issuing House	50,000
Miscellaneous & Contingencies	539,500
<b>Total</b>	<u><b>1,800,000*</b></u>

\* *In the event that additional expenses are incurred, the additional amounts will be paid from the proceeds for its working capital requirement.*

**2.7.1 Financial Impact from the Utilisation of Proceeds**

The financial impact from the utilisation of the proceeds, include inter-alia, the following: -

- (i) The enhancement of the existing products, development and launching of potential new products to enhance the earnings of the Group; and
- (ii) the increased working capital of INIX Group by RM4.34 million will enable the Group to expand its business both locally and internationally.

Overall, the utilisation of proceeds is expected to improve the liquidity and cashflow position of the Group.

**2.8 BROKERAGE, UNDERWRITING AND PLACEMENT COMMISSION****2.8.1 Brokerage Fee**

Brokerage fee relating to the Issue Shares will be paid by the Company at the rate of 1.0% of the Issue Price of RM0.70 per Issue Share in respect of successful applications which bear the stamp of Kenanga, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or the Issuing House.

**2.8.2 Underwriting Commission**

Kenanga has agreed to underwrite the 9,500,000 of the Issue Shares which will be made available for application by eligible directors, employees and business

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

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associates of the Group and general public by way of balloting. Underwriting commission is payable by the Company at the rate of 1.75% of the Issue Price of RM0.70 per Issue Share.

### 2.8.3 Placement Commission

Kenanga will arrange for the placement of up to 4,990,000 of the Issue Shares at a rate of 1.75% of the Issue Price of RM0.70 per Issue Share.

### 2.8.4 Salient Provisions of the Underwriting Agreement

The following is an extract of some of the salient clauses contained in the Underwriting Agreement dated 25 July 2005 entered into between the Company and the Underwriter, including escape clauses, which may allow the underwriter to withdraw from obligations under the agreement after the opening of the offer: -

#### *CONDITIONS PRECEDENT FOR UNDERWRITING*

*The obligations of the Underwriter under the Underwriting Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:-*

- (a) Bursa Securities having agreed in principle on or prior to the closing date of the Public Issue ("Closing Date") or such other date as may be agreed between the Underwriter and the Company, to the listing of and quotation for (on terms satisfactory to the Underwriter) the entire issued and paid-up share capital of the Company on the MESDAQ Market of Bursa Securities on terms satisfactory to the Underwriter and the Underwriter being reasonably satisfied that such listing and quotation will be granted three (3) business days (or such other period as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and receipt of confirmation from the Central Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;*
- (b) the issuance of and subscription for the Issue Shares pursuant to and in accordance with the provisions hereof and in the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any agency, legislative, executive or regulatory body or authority of Malaysia (including the Bursa Securities) and to take place within ninety (90) days from the date of this Agreement;*
- (c) the approval from the SC in respect of the Prospectus and registration of the Prospectus with the SC pursuant to the Securities Commission Act 1993 and subsequent lodgement of the Prospectus with the ROC;*
- (d) the issue of the Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting prior to the Closing Date;*
- (e) there having been, as at any time hereafter up to and including the Closing Date or any extensions to the Closing Date, as the case may be, no event of default pursuant to the provisions herein contained, and no breach of any representation, warranty, covenant, undertaking or obligation of the Company in the Underwriting Agreement or which is contained in any certificate, statement, or notice provided under or in connection with the Underwriting Agreement or which proves to be incorrect in any material respect;*

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

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- (f) *the proceeds from the places for all the shares under the private placement tranche having been received by the issuing house appointed by the Company for the Public Issue on the Closing Date;*
- (g) *the delivery to the Underwriter prior to the date of the issuance of the Prospectus of: -*
  - (i) *a certified true copy by an authorised officer of the Company of the Memorandum and Articles of Association of the Company and all the resolutions of the directors of the Company and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus; and*
  - (ii) *a certificate dated the day of the Prospectus signed by the duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in the representations and warranties clauses and covenants and undertakings clauses of the Underwriting Agreement hereof;*
- (h) *the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change of condition or circumstances subsequent to the date of the Underwriting Agreement that would or may have an adverse effect on the performance or financial position of the Company or any of its subsidiaries;*
- (i) *the Underwriter having being satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in the costs and expenses clauses of the Underwriting Agreement;*
- (j) *the Composite Index of Bursa Securities is at no less than 800 points, on or prior to the Closing Date;*
- (k) *all necessary approvals and consents required in relation to the Public Issue having been obtained and being in full force and effect; and*
- (l) *this Agreement having been duly executed by all parties and stamped;*
- (m) *the public shareholding spread as required pursuant to the Listing Requirements being met;*
- (n) *there having been, as at any time hereafter up to and including Closing Date and any extensions to the Closing Date, in the reasonable opinion of the Underwriter, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Company or business or operations of the Company or in the prospects or future financial condition or business or operations of the Company (which in the reasonable opinion of the Underwriter, is or will be material in the context of the Public Issue and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained.*

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

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*TERMINATION*

*Notwithstanding anything herein contained, the Underwriter may, at any time, be entitled to terminate their obligations under the Underwriting Agreement by notice in writing delivered to the Company, if in the reasonable opinion of the Underwriter, there shall have occurred, happened or come into effect, any of the following circumstances, on or before the Closing Date or any extensions to the Closing Date as the case may be, namely:-*

- (a) any government requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial condition or business or operations of the Company, and/or the prospects or future financial condition or business or operations of the Company; or*
- (b) any change in national or international monetary, financial, political or economic conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange control or currency exchange rates which would or is likely to have a material adverse effect on the success of the Public Issue, and the distribution of the Issue Shares or the sale of any Underwritten Shares (whether in the primary or in respect of dealings on the secondary market); or*
- (c) any change in law, regulation, directive, policy or ruling in any jurisdiction which would or is likely to have a material adverse effect on the success of the Public Issue and the distribution of the Issue Shares or the sale of any Underwritten Shares (whether in the primary or in respect of dealings on the secondary market); or*
- (d) any event or series of events beyond the reasonable control of the Underwriter by reason of force majeure which has or is likely to make the Underwriting Agreement or any part thereof incapable of performance or which would or is likely to have a material adverse effect on the success of the Public Issue and the distribution of the Issue Shares or the sale of any Underwritten Shares.*

*“Force Majeure” shall mean causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including without limitation (i) war, acts of warfare, hostilities (whether war be declared or not) invasion, incursion by armed force, act of hostile army, nation or enemy; (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power, civil war, industrial action; (iii) flood, fire, arson, storm, lightning tempest, accident, or other Acts of God; and (iv) epidemic, explosion, disease, earthquake, hijacking, sabotage, crime; or*

- (e) any breach of any representation, warranty, covenant, undertaking or obligation of the Company in the Underwriting Agreement either due to failure on the part of the Company to perform any of its obligations herein contained or which is contained in any certificate, statement, or notice provided under or in connection with the Underwriting Agreement or which proves to be incorrect in any material respect; or*
- (f) the occurrence of any event or the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in*

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

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*any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained; or*

- (g) any of the conditions referred to in the conditions precedent clauses of the Underwriting Agreement are not satisfied, provided that the Underwriter may at its discretion and subject to such conditions as the Underwriter may impose, waive compliance with the provisions of the conditions precedent clauses of the Underwriting Agreement; or*
- (h) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities which would prejudice materially the success of the Public Offer; or*
- (i) any withholding of information by the Company from the Underwriter of information of material nature which is required to be disclosed pursuant to the Underwriting Agreement, and if capable of remedy is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which in the opinion of the Underwriter, would have or can be reasonably be expected to have, a material adverse effect on the business or operations of the Company, the success of the Public Issue or the distribution or sale of the Issue Shares.*

*In the event of termination pursuant to the termination clauses of the Underwriting Agreement, the Underwriter also hereto shall be released and discharged from its obligations hereunder except for the liabilities of the Company for the payment of the underwriting commission and costs and expenses as provided for in the Underwriting Agreement which had been incurred prior to or in connection with such termination. Provided always that the parties hereto agree that in the event of termination of the Underwriting Agreement pursuant to a Force Majeure event, the Underwriter and the Company may confer with a view to deferring the Public Issue or amending its terms or the terms of this Agreement and/or entering into a new underwriting agreement as the case may be with the mutual consent of the parties hereto but neither the Underwriter nor the Company shall be under any obligation to make a fresh agreement.*

**2.9 SPONSORSHIP**

Prior to the listing of INIX, the Company will enter into an agreement with Kenanga appointing Kenanga to act as its sponsor pursuant to the Listing Requirements.

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### 3 RISK FACTORS

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**NOTWITHSTANDING THE PROSPECTS OF THE COMPANY AS OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE ISSUE SHARES.**

#### **(A) BUSINESS RISKS**

##### **(i) Limited operating history**

INIX has had a short operating history. ITSB started its business operations on 15 April 2003. In the short period since its inception, the Group has been profitable, with the Group achieving a PAT of RM1.35 million for the fifteen (15) month financial period ended 31 July 2004 and RM2.45 million for the six (6) month financial period ended 31 January 2005. As the Group has a limited operating history, its prospects must be assessed in the light of the risk and difficulties normally encountered by any new company with a limited operating history such as the ability to control unforeseen costs, the forecasting of revenue and operating results, competition, debt collection, market acceptance for the Group's products and other business risks common to going concerns.

Notwithstanding its short operating history, ITSB has successfully become a leading player in the intelligent home systems market in Malaysia and is managed by a team of experienced personnel some of whom have been involved in the development of intelligent security, automation and surveillance systems for home and business users for more than 10 years. The management's experiences and continuing contributions will be critical to ensure the continuing success of the Company.

The historical financial records of the Company are included under Sections 8 and 13 of this Prospectus.

##### **(ii) Dependence on key personnel**

The Group's continued success will depend substantially upon the abilities and continued efforts of its Promoters, Jimmy Tok Soon Guan its Chief Executive Officer and Cheong Kok Yai its Chief Technical Officer and the senior management team. The Group is guided by the above-mentioned directors as they bring along their extensive knowledge and experience in IT, in the conceptualisation, design and development of integrated intelligent security, automation and CCTV surveillance systems as well as their marketing network. The loss of either one of the mentioned Directors or senior management staff could adversely affect the Group's performance.

The Group's future success will also depend upon its ability to attract and retain a sufficient number of highly skilled employees to continue to support its growth. The Group manages this by continuing to hire personnel as and when necessary to accommodate the increase in the size and scale of the Group's operations. The Board believes that by offering a competitive salary package, training and conducive working environment, the risk of dependence on its current key personnel is further mitigated. Recognising the importance of its human resources, efforts have been taken to groom younger members of the senior management team to ensure a smooth transition in the management team.

##### **(iii) No prior market for the Company's shares**

Prior to the Public Issue, there was no public market for the INIX Shares. There can be no assurance that an active market can develop for the INIX Shares upon its listing on the MESDAQ Market or if developed, that such a market can be sustained. The Issue Price of RM0.70 per Issue Share has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and conditions, the prospects of the industry in which the Company operates, the Company's R&D capability and technology, the management of the Company

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

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and prevailing economic and market conditions. There can be no assurance that the price at which INIX Shares will trade on the MESDAQ Market upon or subsequent to its listing will be at a higher level than the Issue Price.

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 INIX Shares.

#### **(iv) Management of future growth**

The Group is currently experiencing a period of growth and has projected in its development plans rapid expansion and further growth. The Group's ability to manage its growth will depend on a variety of factors such as its ability to improve its operational, financial and other internal systems, its ability to train, recruit, motivate and manage its employees as well as its efforts to continue to develop new products that are commercially accepted. If the Group is unable to achieve the anticipated performance levels or to sustain its competitive advantages, its business and financial performance may be adversely affected.

#### **(v) Foreign currency risk**

INIX exports its products to countries such as Singapore and Australia. The exports are partly denominated in USD and other currencies. The Group also imports components from overseas that are partly denominated in USD. As such, INIX Group is exposed to exchange rate risks.

In respect of USD exposures, the risk of exchange fluctuation had been low as the RM was, until recently pegged against the USD. There is no certainty and no assurance that any future foreign exchange fluctuations will not adversely affect the financial results of the INIX Group.

#### **(vi) Product defects liability**

The development and sale of the Company's products exposes it to the risk of product liability (including warranty) claims in the event that such products fail to carry out their function in accordance with their intended use. In the event of a widespread product failure the Company may have to recall such products or to pay compensation for its failure.

To mitigate the risks of product liability, the Group maintains product liability insurance, and has taken out any third party liability insurance. However, there has been no product claims by customers in the past. As a further mitigating factor, the Company has experienced directors and management, who are able to develop products that are of quality and reliability and to fix the product defects.

INIX Group provides certain limited product warranties to customers for all its products sold. There is provision in the accounts of the INIX Group in respect of product warranties. The Group also mitigates the above risk by carrying out stringent tests in order to reduce the occurrence of product defects.

#### **(vii) MSC Status**

ITSB was granted MSC Status on 28 November 2003 and awarded Pioneer Status under section 4A of the Promotion of Investments Act 1986. As such, it is entitled to enjoy certain financial and non-financial incentives like 100% income tax exemption on all profits derived from its MSC-qualifying activities. The Pioneer Status is renewable for a further period of five (5) years upon expiry in 2008 upon approval from MITI.



### 3 RISK FACTORS (Cont'd)

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MDC is the body responsible for monitoring all MSC status companies. MDC has the right to revoke any company's MSC status at any time if it does not comply with the conditions of grant of MSC status as imposed by the MDC. As such, there can be no assurance that the Company will continue to retain its MSC and Pioneer Status or that the Company will continue to enjoy or not experience delays in enjoying the MSC incentives, all of which could materially and adversely affect the Group's business, operating results and financial condition. There can also be no assurance that the MSC incentives will not be changed or modified in any way in the future. However, the INIX Group will continue to comply with the conditions imposed by MDC in order retain its MSC Status.

#### (viii) Intellectual property issues

The INIX Group's strength is in the development of intelligent security, automation and surveillance systems. All the products developed by INIX Group depend heavily on its own proprietary design solutions and technical know-how. The Group's success also depends on its ability to protect its technology know-how, engineering designs and concepts developed. There can be no assurance that the Group is able to protect its proprietary rights against unauthorised third party copying, use or exploitation, any of which could have material adverse effects on the Group's business, operating results and financial conditions as well as its competitive advantages.

However, the Group has the following procedures to minimise the risks of unauthorised copying:-

- (i) After the Secure Smith's circuit boards are assembled, the Group uploads the firmware into the chips and fuses the programming leads. This makes it very difficult to reproduce the firmware by direct copying.
- (ii) The software written for the Secure Smith product is programmed in-house and has security features which make unauthorised copying difficult.

The Group is in the process of applying the registration of its trademark for the "INIX" brand in Malaysia (see Section 4.3.3). The Group also intends to register its trade brands in countries in which it markets its solutions.

#### (ix) New brandname

INIX Group has mainly been involved in R&D since it commenced operations and has reached commercialisation stage for most of its products in year 2003. Thus its products are relatively new to the market. However, market acceptance of its products has been achieved within a short period of time. Whilst the commercialisation of its products thus far has been successful, there can be no assurance that the Group's products will continue to increase the market penetration that is expected by the management.

The Group has taken steps to diversify its market by promoting its products via the following: -

- (i) Participation in tradeshows and roadshows;
- (ii) Marketing its products directly to developers of various sizes;
- (iii) Sales through its extensive network of dealers; and
- (iv) Exporting its products overseas.

#### (x) Rapid technology changes

The market for the INIX Group's products and services is subject to inherent risks due to the rapid technological development, evolving industry standards, swift changes in customer requirements, new product introduction and enhancements. The Group's products may become obsolete or lose market share due to changes in technology and thus, the Group's future depends substantially upon its ability

### 3 RISK FACTORS (Cont'd)

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to address the increasing sophisticated needs of its customers and to provide an attractive value proposition to customers.

The Group seeks to minimise this risk by actively and continuously pursuing technology innovation, new product lines extension and advancement, industry best practices and strategic business alliances. Close ties with suppliers have enabled the Group to constantly have access to the latest development in the smart home sector.

The Group also provides continuous staff development to align their skills and knowledge with the requirements of the latest technology in the design and development of integrated intelligent security, automation and CCTV surveillance systems. Continuous efforts in its on-going R&D are made to increase the efficiencies for the development of new products.

Although the Group has made efforts to mitigate the risks, there is no assurance that the Group will be successful in developing and marketing new commercially accepted products or making enhancements to its existing products.

#### (xi) Dependence on property development and construction industry

As INIX Group is involved in the provision of integrated intelligent home systems for the property development and construction industry in Malaysia, there will be likelihood that the Group will experience a downturn should there be a downturn in the property development and construction industry.

However, growth in the residential segment is expected to continue to be driven by sustained demand for houses, encouraged mainly by the continued favourable economic conditions. *(Source: Bank Negara Malaysia Annual Report 2004)*

This will ensure additional opportunities for the Group expansion. Arising from the above, the Group is diversifying into other viable markets such as the overseas market and the existing homes markets through retail and dealer sales.

The Board believes that with the right business strategy, INIX would be able to sustain its competitive advantages.

#### (xii) Business operations on leased properties

INIX Group is currently operating from leased properties. There is no assurance that the Group or the landlord will renew the tenancy agreement upon expiry. The Group will incur additional costs for relocating if the tenancy agreement is not renewable.

However, the Board is of the view that the businesses of INIX can be relocated and the relocation will not have any material or adverse effect on the business of INIX Group.

#### (xiii) Delays/lapses in the development of ongoing project sites

Delays in the development of ongoing project sites may have an adverse impact on the Group's revenue and profit stream as the Group is unable to recognise the revenues in their financial statements, should such a delay occur. This will bring uncertainty upon the future growth and profitability of the Group.

However, the Group's has teamed up with reputable developers in order to mitigate this risk. Further, the Group believes in diversifying its customers widely to include dealers, retailers and export markets.

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

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#### **(B) OTHER RISKS**

##### **(i) Capital market risks**

It is to be noted that INIX 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. Sentiments are also largely driven by internal factors such as the 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 Bursa Securities, thus adding risk to the market price of the shares of INIX to be listed on Bursa Securities. Nevertheless, it should be noted that the profitability of INIX is not dependent on the performance of Bursa Securities.

##### **(ii) Control by certain substantial shareholders**

The Company will be controlled by the Promoters who will collectively control approximately 63.32% of the Company's issued and paid-up share capital after the Public Issue. As a result, the Promoters will be able to effectively influence the outcome of certain corporate actions in a manner that could cause conflict with the interests of minority shareholders.

However in the event of related party transactions involving any of the Promoters of the Company, such Promoters would be required to abstain from voting. In addition, INIX has appointed two (2) independent non-executive directors, as a step towards good corporate governance and protecting the interests of minority shareholders.

##### **(iii) Political, economic and legislative considerations**

Development in political and economic conditions in Malaysia and other countries where the Group is currently operating or where the Group may market its products in the future could materially affect the financial prospects of the Group. Political and economic uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, fluctuations in foreign exchange rates, inflation, changes in interest rates and methods of taxation.

##### **(iv) Forward looking statements**

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The word "anticipates", "believe", "intends", "plans", "expects", "forecast", "predicts" and similar expressions as they relate to the Group or its business are intended to identify such forward-looking statements. The Group believes that, barring any unforeseen circumstances the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effects on the Group's financial and business performance.

##### **(v) Delay in or abortion of the Public Issue**

The occurrence of any one (1) or more of the following events may cause a delay in or abortion of the Public Issue:-

- (a) the identified investors fail to subscribe for the portion of Issue Shares to be placed to them;
- (b) the Underwriter exercise their rights pursuant to the Underwriting Agreement and discharge themselves from their obligations thereunder; or

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

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- (c) the Company 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 the Company be held by a minimum number of 200 public shareholders (including employees).

Although the Board will endeavour to ensure compliance by INIX of the various listing requirements, including, inter-alia, the public spread requirement imposed by Bursa Securities for the successful Public Issue, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the Public Issue.

**(vi) Termination of underwriting agreement**

The Underwriting Agreement is terminable by the Underwriter if the Underwriter is of the reasonable opinion that the success of the Public Issue is seriously jeopardised by certain events, details of which are set out in Section 2.8.4 of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if it is of the reasonable opinion that the events detailed in Section 2.8.4 have occurred. In the event the Public Issue could not be completed, all monies paid in respect of all applications will be returned without any interest.

**(vii) Competition**

The market in each of the Group's core areas of business may be very competitive and characterised by rapid technological innovation. The Group has experienced and expects to continue to experience keen competition from current and future competitors. Some of the Group's competitors may have significantly greater resources and can further enter the market by introducing new products and technologies. Increased competition could result in price reductions, reduced revenue and margins and loss of market share, any one of which could materially and adversely affect the Group's business, operating results and financial conditions.

The Board believes that their experience, past dealings and good rapport with potential customers and maintaining its competitive edge as well as continual marketing efforts can minimise its dependency on certain customers.

The Group believes that its ability to compete depends upon many factors both within and outside its control, including the timing and market acceptance of new products and services, its ability to provide a higher level of service, past dealings and good rapport with potential customers.

The Group's competitive edge also lies in its ability to conceptualise, design and develop integrated intelligent wireless security, automation and CCTV surveillance home systems to replace the traditional security, surveillance and automation systems which require wiring. In addition, the Group also mitigates this risk by entering into long term binding agreements with its distributors.

However, there can be no assurance that the Company will be able to maintain its competitiveness against current and future competitors or that competitive pressures will not materially and adversely affect the Company's business, operating results and financial condition.

**(viii) Dependence on distribution network**

The Group has appointed various distributors, dealers and resellers for its Secure Smith products locally and overseas. The cessation of these distributorships arrangements may have an adverse effect on INIX's business.

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

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The Board believes that their experience, past dealings and good rapport with potential customers and maintaining its competitive edge as well as continual marketing efforts can minimise its dependency on certain customers.

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**4 INFORMATION ON INIX GROUP**

**4.1 HISTORY**

*Incorporation*

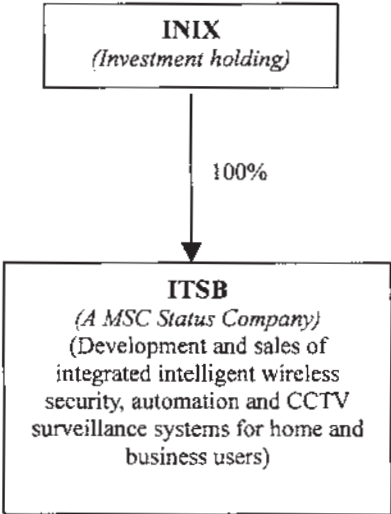
INIX was incorporated on 13 September 2004 in Malaysia under the Act as a public company. It was established to be the investment holding company of the Group in conjunction with the listing of the Group on the MESDAQ Market.

The INIX Group is principally involved in the development and sales of integrated intelligent wireless security, automation and CCTV surveillance systems for home as well as for business users.

INIX is principally an investment holding company with one (1) wholly-owned subsidiary company, i.e. ITSB. The principal activities of the Company's subsidiary company is as follows:-

Name of subsidiary	Date and place of incorporation	Equity interest (%)	Issued and paid-up share capital as at 15 July 2005 (RM)	Principal activity
ITSB	15 April 2003 Malaysia	100.0	1,667,146	Development and sales of integrated intelligent wireless security, automation and CCTV surveillance systems for home and business users

The Group's corporate structure is depicted below: -



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**4 INFORMATION ON INIX GROUP (Cont'd)**


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**4.1.1 Restructuring and Listing Scheme**

As an integral part of the listing of and quotation for the entire issued and paid-up capital of the Company on the MESDAQ Market, the Company undertook a restructuring exercise that was approved by the SC on 30 May 2005. The restructuring exercise involved the following steps: -

**(i) Share subdivision**

On 17 June 2005, INIX subdivided its entire issued and paid up share capital of par value of RM1.00 each into ordinary shares of par value of RM0.10 each.

**(ii) Acquisition of ITSB**

Pursuant to the conditional SPA between INIX and the shareholders of ITSB dated 28 September 2004, INIX acquired 1,667,146 ordinary shares of RM1.00 each in ITSB, representing 100.0% of the issued share capital of ITSB for a purchase consideration of RM8,050,998 satisfied entirely by the issuance of 80,509,980 INIX Shares.

The purchase consideration was arrived at on a willing-buyer willing seller basis based on the adjusted shareholders funds of ITSB as at 31 July 2004 of RM8,049,975. The Acquisition of ITSB was completed on 17 June 2005.

Upon completion of the acquisition of ITSB, the issued and paid-up share capital of INIX increased from RM2 comprising 20 INIX Shares to RM8,051,000 comprising 80,510,000 INIX Shares.

**(iii) Public Issue**

In conjunction with the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market, INIX will issue 14,490,000 new INIX Shares at an issue price of RM0.70 per share to individuals, companies, societies, co-operatives and institutions by way of private placement and public offer as follows: -

	<b>No of Issue Shares to be allocated</b>
(i) Eligible directors, employees and business associates of the Group	6,650,000
(ii) General Public by way of public offer	2,850,000
(iii) Selected investors by way of private placement	4,990,000
<b>Total</b>	<b>14,490,000</b>

Upon completion of the Public Issue, the issued and paid-up share capital of INIX will increase from RM8,051,000 comprising 80,510,000 INIX Shares to RM9,500,000 comprising 95,000,000 INIX Shares credited as fully paid-up.

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**4 INFORMATION ON INIX GROUP (Cont'd)**


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**(iv) Listing and Quotation on MESDAQ Market**

Upon completion of the Public Issue, the entire issued and paid-up share capital of INIX of RM9,500,000 comprising 95,000,000 INIX Shares will be listed on the MESDAQ Market.

**(v) ESOS**

In conjunction with the Listing, INIX will implement an ESOS involving up to 15% of INIX's issued and paid-up share capital at any time during the existence of the ESOS, to be issued pursuant to the options to be granted under the ESOS to the eligible directors and employees of the Group.

**4.2 SHARE CAPITAL**

As at the date of this Prospectus, the authorised share capital of INIX is RM25,000,000 comprising 250,000,000 INIX Shares. The issued and paid-up share capital of INIX is RM8,051,000 comprising 80,510,000 INIX Shares credited as fully paid-up. Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase to RM9,500,000 comprising 95,000,000 INIX Shares credited as fully paid-up.

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

<b>Date of allotment</b>	<b>No. of ordinary shares allotted</b>	<b>Par value (RM)</b>	<b>Consideration</b>	<b>Number of issued and paid up ordinary shares of RM0.10 each</b>	<b>Total issued and paid-up share capital (RM)</b>
13.09.2004	2	1.00	Subscribers' shares	*	2
17.06.2005	-	0.10	Subdivision of RM1.00 par value shares to RM0.10 par value shares	20	2
17.06.2005	80,509,980	0.10	Issued pursuant to the Acquisition of ITSB	80,510,000	8,051,000

*Note: -*

\* Represents two (2) ordinary shares of RM1.00 each

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## 4 INFORMATION ON INIX GROUP (Cont'd)

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### 4.3 BUSINESS OVERVIEW

#### 4.3.1 Principal Activities and History

INIX Group is principally involved in the development and sales of integrated intelligent wireless security, automation and CCTV surveillance systems for homes and businesses. INIX's systems are sold under the Secure Smith brand and mainly focus on the intelligent home and buildings solutions market. The latest versions of Secure Smith is designed with intercom, voice messaging and internet capabilities.

The Group's achievements in product development and commercialisation for the abovesaid systems have received the following recognitions: -

- "ITEX Silver Medal" at the 15<sup>th</sup> International Invention Innovation Industrial Design & Technology Exhibition 2004 organised by the Malaysian Invention & Design Society;
- "Most Promising Start-Up" Award at the *Venture Accelerate 2003* organised by Bursa Securities, Malaysian Venture Capital Association, McKinsey & Co and Malaysian Institute of Management;
- "Industry Excellence for IT Award 2004" at the MCBC Business Excellence Awards organised by the MCBC;
- "ITEX Gold Medal" at 16<sup>th</sup> International Invention Innovation Industrial Design & Technology Exhibition 2005 ("ITEX 2005") organised by the Malaysian Invention & Design Society; and
- "Special Award" from the President of Korea Invention Promotion Association at ITEX 2005.

The core strength of INIX's products lies in their multi-functional integrated features as well as their wireless capabilities that obviate the need for wired installation.

At the core of the Secure Smith's wireless capabilities are the Group's proprietary G-LOP and D-RF technologies. G-LOP is based on PLC technology whereby electronic signals, data and information that instruct Secure Smith's system are carried via existing power lines in a typical home or building. D-RF technology enables digital wireless communications via radio frequency transmissions between the Secure Smith system and electrical appliances, specifically in an environment where power lines are not present.

As at 15 July 2005, INIX Group's Secure Smith intelligent home and building systems have been well received by the market, with approximately 15,700 units orders received since April 2003. Presently, INIX is focused on the business-to-business market ("B2B"), developing strong relationships with residential property developers.

This strategy enables INIX to make further inroads into the intelligent home and building market by leveraging on these established partnerships and riding on the growth of the residential property market.

INIX has also entered the B2C market, by developing an extensive nationwide distribution network of dealers to tap the retail market. This move will enable INIX to gain an early-mover advantage and seize opportunities as the retail market develops. INIX is also actively engaging the export market by participating in international exhibitions to promote the Secure Smith brand globally.

INIX endeavours to continuously improve on the Secure Smith range of products. The Group and its promoters have invested significantly on R&D to ensure its products are reliable, competitive and superior in quality. By developing Secure

#### 4 INFORMATION ON INIX GROUP (Cont'd)

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Smith products locally, INIX has the distinct competitive advantage of being more affordable than its competitors who remain dependent on imported products from foreign manufacturers.

Secure Smith products have also been exported to China, Indonesia, Singapore, Europe, Australia, UK and Sri Lanka.

##### *Evolution of the Group*

INIX Group started operations through ITSB in 2003. Its co-founders, Mr Jimmy Tok Soon Guan and Mr Cheong Kok Yai (“Co-Founders”) have been in the ICT business providing services in systems integration and software development for over eight (8) years under PCSSB.

The Co-Founders saw the opportunity for integrated intelligent home solutions and commenced the design and development of a 3-in-1 first-of-a-kind intelligent home solution system “in a box”, which integrates security, automation and CCTV surveillance systems. In 1996, the Co-Founders rolled out the first version of their intelligent home solution system and continued with the R&D to enhance the system. Between 1996 to 2002, the Co-Founders developed five versions of its intelligent home systems under PCSSB.

On 17 April 2003, ITSB entered into a sale and purchase agreement with PCSSB to acquire the former’s assets relating to the design and supply of the PLC-based integrated intelligent security and automation. These assets constituted an earlier pre-commercialisation version of its present Secure Smith system.

With its internal technical and management expertise, coupled with the financial support of a venture capitalist, INIX was able to accelerate its product development and business expansion, culminating in the development of the 6<sup>th</sup> version of its intelligent home system now known as Secure Smith.

With the commercialisation of its products, the INIX Group is now principally involved in the development and sales of integrated intelligent security, automation and CCTV surveillance systems for home and business users, sold under the Secure Smith brand via INIX’s authorised retailers and distributors. These products are cost effective and incorporate wireless technologies. The latest version of INIX’s proprietary Secure Smith is designed with intercom, voice messaging and internet capabilities

INIX has also developed the I-CMS. I-CMS enables the whole operations of Secure Smith to be signalled automatically to, recorded in, maintained and supervised from a central location where trained operators monitor the system 24 hours a day.

Further information on INIX’s subsidiary company, ITSB is set out in Section 4.4 of this Prospectus.

#### 4 INFORMATION ON INIX GROUP (Cont'd)

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##### 4.3.2 Types of Products and Services

A brief summary of the products which resulted from the Group's R&D efforts are as follows:-

- (A) Secure Smith
- (B) I-CMS
- (C) Smart Card Access

##### *(A) Secure Smith System*

The Group currently markets its Secure Smith product with the slogan "Security & Comfort For Your Home, Where Security and Smart Living Meets". This is met via the integration of "*Security, Surveillance and Home Automation*" features into a single platform utilising proprietary G-LOP and D-RF technologies.

The Secure Smith system is a multi-functional, integrated intelligent wireless security, automation and CCTV surveillance system designed specifically for home and business installation. In addition to having wireless capabilities, the system can also work as a wired system.

The Secure Smith system has amongst others, these distinguishing features: -

##### **(i) SECURITY**

The security feature of the Secure Smith system lies in its design which is aimed at providing maximum reliability. It can provide safety and comfort to end-users by putting them in control of any uneventful situation. The system can coordinate motion-sensors, alarm detectors, smoke detectors etc. with digital wireless technology, thus disconnection of devices would be difficult and maximum protection for the end user is assured. The system is multi micro-processor based, which means that in the unlikely event of failure of one or several micro-processors, the main system will remain operational as other available processors will take over.

##### **(ii) AUTOMATION**

The automation feature of the Secure Smith system allows users to communicate and control their home appliances via a single remote control. When combined with motion sensors, users can pre-program the system to perform various functions, such as turning on/off the lights/air-conditioning units when a person enters/leaves the room. With an Internet connection or with a phone connection users can control their home appliances thousands of miles away, allowing them to conserve electricity.

##### **(iii) SURVEILLANCE**

The surveillance feature of the Secure Smith system allows the monitoring of homes at any place and time (requires a computer/PDA for viewing from an off-site location). This feature also allows the user to record images or video of their homes at any time onto videotapes, computer, CD-Rs or DVD-Rs. In addition, the latest versions of INIX's proprietary Secure Smith is designed with intercom, voice messaging and Internet capabilities.

4 INFORMATION ON INIX GROUP (Cont'd)

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Product Advantages

*User-friendly*

The INIX Group has also produced user-friendly software compatible with MS Windows 98 operating platform and higher versions, making it easy for most users with PCs to operate its software to control their Secure Smith system.

*Hybrid system*

The home security feature utilises the Group's proprietary wireless G-LOP, D-RF and infrared-based technologies that eliminates the need for wiring. Alternatively, the feature can also work as a wired system. The surveillance feature operates through a wired environment, combined with the security and automation features which provide customisable surveillance options to the end-user. The technologies utilised by the Secure Smith system enable quick installation with minimum hassle and the need for rewiring.

*Safety, convenience, comfort and energy savings*

The system provides safety, convenience, comfort, and energy savings by coordinating consumer appliances and surveillance cameras with the security system. Secure Smith also features a PC Interface Software Program for tech savvy users to set schedules and events to be performed by the system. An array of pre-programmed modes such as "Arm to Away, Night, Day, Vacation" is preset into the system to aid new users to understand and use the product. The system is also installed with an auto-dialler and verbal notification capabilities. Further, the system is keypad-free and can be controlled and programmed with a phone, mobile handset, computer, infra-red controllers or PDA.

*Coordination and communications*

The Secure Smith system is also able to communicate with INIX's G-LOP automation device to coordinate and control consumer appliances in homes and businesses. An added feature of the Secure Smith system lies in its ability to interact with INIX's I-CMS that allows home developers to provide central monitoring to its consumers as a value added service.

*Power failure backup*

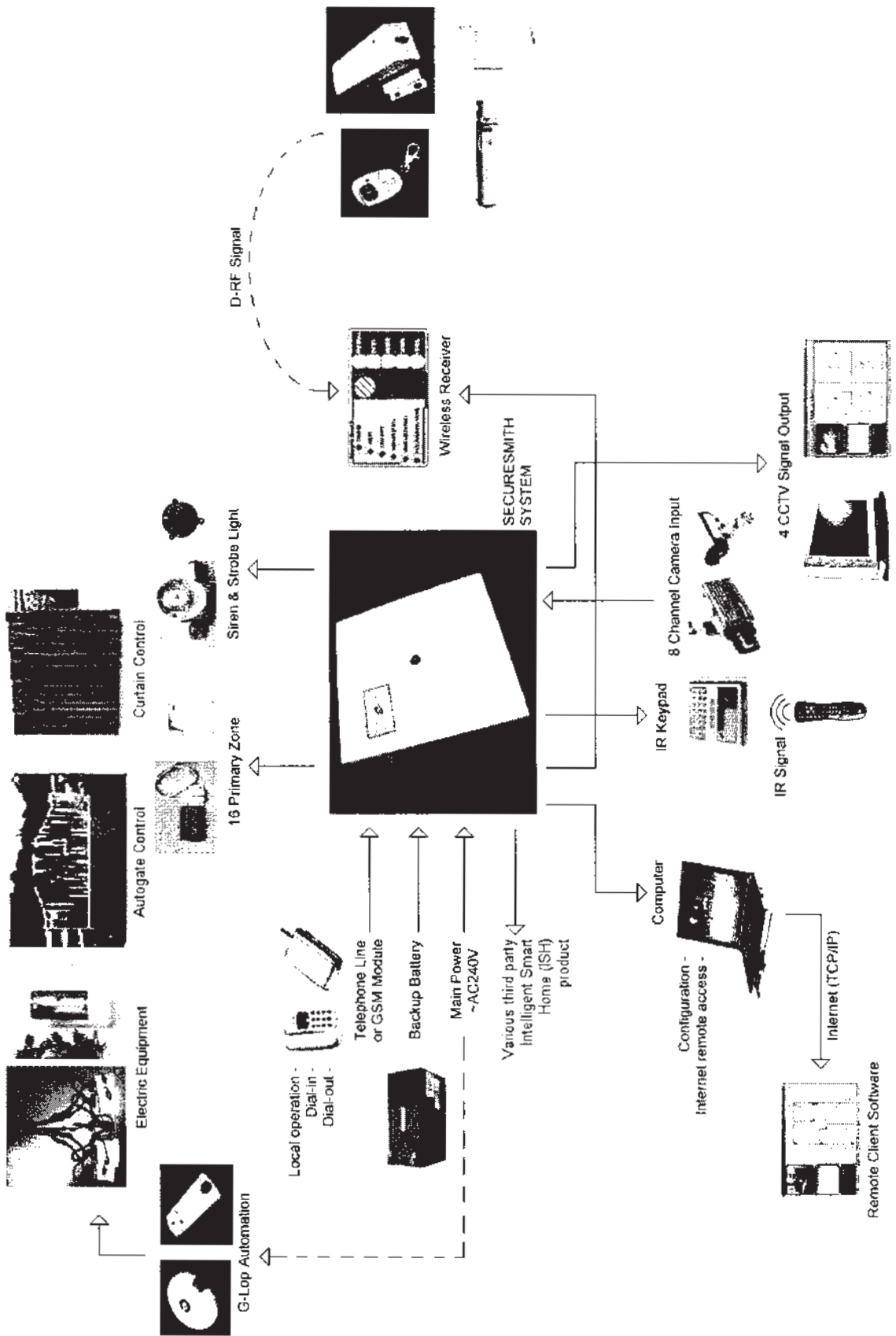
Also included in the Secure Smith system is a sealed lead-acid battery, which provides up to 96 hours of backup power in the event of a power failure thus providing uninterruptible security to the end-user. The product also comes with a 12 months warranty in the case of product defects.

A chart illustrating Secure Smith's capabilities is set out on the following page: -

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4 INFORMATION ON INIX GROUP (Cont'd)

Secure Smith Outline Drawing



#### 4 INFORMATION ON INIX GROUP (Cont'd)

Further details on INIX Group's products are set out below: -

##### A. *Secure Smith*

The Secure Smith system is INIX's 3-in-1 intelligent home solution system "in a box", which integrates security, automation and CCTV surveillance systems.

<i>Security system</i>	
<p><u>Features</u></p> <ul style="list-style-type: none"> <li>➤ 22 Total Hybrid Security zones</li> <li>➤ Built in auto dialer</li> <li>➤ Support up to 16 D-RF Wireless channels for up to 120 transmitters with "Anti-hack" capability</li> <li>➤ D-RF Wireless receiver</li> <li>➤ Programmable alert event with verbal notification to predefined phone numbers</li> <li>➤ Programmable detection with Digital Trigger Compensation to minimise false alarms</li> <li>➤ Keypad-less</li> </ul>	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>➤ Owners will be called at predefined numbers and be verbally informed of the exact location of the intrusion</li> <li>➤ D-RF Wireless Transmitter allows upgrades without wiring</li> <li>➤ May predefine the action to be taken in the event of intrusion</li> <li>➤ Most commands can be carried out utilising a cordless telephone</li> <li>➤ Does not require a keypad unless opted. This will prevent any intruders from disabling the system.</li> </ul>
<i>Automation-G-LOP</i> Automation-consumer appliances	
<p><u>Features</u></p> <ul style="list-style-type: none"> <li>➤ Can control up to 4,000 household appliances from a single panel</li> <li>➤ Plug and Play G-LOP socket</li> <li>➤ Smart Noise Cancellation</li> <li>➤ Programmable ESAVE system-Energy saving for automation</li> <li>➤ Multiple level power control</li> <li>➤ Built in real time clock</li> <li>➤ Built in surge and spike protection</li> </ul>	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>➤ Huge upgrade options with the least possibility of wiring inconvenience</li> <li>➤ G-LOP socket is easy to install as no wiring required</li> <li>➤ System localized to suit Malaysian environment</li> <li>➤ Will reduce electrical consumption if necessary to appliances as well</li> <li>➤ Able to control power level in 99 steps that will give the owner total control over their electrical appliances</li> </ul>
<i>CCTV Surveillance</i>	
<p><u>Features</u></p> <ul style="list-style-type: none"> <li>➤ Micro Computer Controlled CCTV</li> <li>➤ Real-time Adjustable Data Transfer</li> <li>➤ Digital Speed Control</li> <li>➤ High Gain/Low Noise Amplifier</li> <li>➤ Seamless Linkage With Main Panel</li> <li>➤ Supports multiple wired/wireless cameras</li> <li>➤ Local recording on PC, DVR, DVD-R or CD-R</li> </ul>	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>➤ Full control over the cameras, managing picture size, timing and quality</li> <li>➤ Able to adjust the data rate in real time remotely to optimise for different telecommunications systems</li> <li>➤ May adjust the camera switching speed to liking</li> <li>➤ High quality video image. The system is independent of camera types and brands</li> <li>➤ Recording on demand allows owners to record and view the intruder</li> </ul>

**4 INFORMATION ON INIX GROUP (Cont'd)**

<i>Remote Access</i>	
<p><u>Features</u></p> <ul style="list-style-type: none"> <li>➤ Remote Access utilising PC, Mobile Phones, Notebooks, PDAs and etc.</li> <li>➤ Ease of use featuring Voice Feedback And Graphics User Interface.</li> <li>➤ User friendly software that supports Microsoft Windows.</li> <li>➤ 8-Functions programmable Handheld commander provides effortless control over home.</li> <li>➤ IR keypad allows visual indication of status and doubles as wireless receiver.</li> </ul>	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>➤ Owner will be able to have full control of their home remotely, even if they are thousands of miles away</li> <li>➤ The use of a DTMF system will allow the owner to have major control using their mobiles.</li> <li>➤ Built-in password with multiple level password protection prevents unauthorized use.</li> <li>➤ World wide TCP/IP protocol standards ensure connectivity around the world.</li> </ul>

**B. I-CMS**

I-CMS enables the entire operations of Secure Smith to be signalled automatically to, recorded in, and maintained and supervised from a central location monitored by trained operators and alarm investigators 24 hours a day

<i>I-CMS</i>	
<p><u>Features</u></p> <ul style="list-style-type: none"> <li>➤ Provides centralised monitoring service ("CMS").</li> <li>➤ 15 Different DTMF tones are used to represent signals transmission.</li> <li>➤ 12 digit user date code with information reference to zone alert, arm/disarm status.</li> <li>➤ 24 hours monitoring arm/disarm report, zone alert trigger report.</li> <li>➤ Support up to a thousand users record database per CMS centre. Detailed user records for easy reference.</li> <li>➤ Detailed real time PC on screen report in CMS centre.</li> <li>➤ Networkable system</li> <li>➤ Multiple phone lines support for added speed monitoring capability.</li> <li>➤ Built in phone line default detection for CMS receiving end.</li> <li>➤ Built in power back up system.</li> <li>➤ Fast user database record search relative to name, address, telephone number and group.</li> </ul>	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>➤ Provides alternative stream of income to developers, thus adding to the value proposition of the INIX Group to clients.</li> <li>➤ Lower cost of I-CMS will mean lower monthly subscription fees to be paid by end-users</li> <li>➤ May be used in buildings for security, automation and surveillance.</li> </ul>

#### 4 INFORMATION ON INIX GROUP (Cont'd)

##### C. Smart Card Access

Bizen E@cess XS-2 is an integrated digital card reader system which can be used for various applications in offices, residential and factories. This smart card access system is a digital visual verification system to provide time stamped information with visual attachment to reduce fraud.

<i>Bizen E@cess XS-2</i>	
Features	Advantages
<ul style="list-style-type: none"> <li>➤ Integrated digital card reader system</li> <li>➤ For various applications in offices, residential and factories. Can be used for door access control, payroll, digital visual verification system and for security purposes.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Cost effective</li> <li>➤ Easy to use</li> <li>➤ Reduce manual time card entries</li> <li>➤ Digital visual verification system to provide time stamped information with visual attachment to reduce fraud. Users will also benefit from the integrated security feature.</li> </ul>

#### 4.3.3 Intellectual Property, Proprietary Rights, Licenses, Brand Names and Trademarks

All products of the Group are either internally designed and developed by INIX Group or developed by its Co-Founders in PCSSB. The designs, including the G-LOP and D-RF technologies are proprietary to the Group. Therefore, the INIX Group recognises the importance of its intellectual property rights to its continued success and has taken steps to protect its intellectual property rights.

ITSB is currently seeking protection for its brand name to ensure that there is no infringement usage or misuse of its brand name. The table below sets out the trademarks applied for which are still pending registration:-

Trademarks	Classes Applied for in Malaysia
SecureSmith	9 (2004-13994)
	37(2004-13993)
G-LOP	9 (2004-13992)

Note:

- (1) Class 9 is in respect of data processing equipment and computers
- (2) Class 37 is in respect of service of security system

ITSB owns the copyright over its websites i.e. [www.inix.com.my](http://www.inix.com.my) and has developed SecureSmith software.

At the present moment, the Group does not intend to patent any of its products as the disclosure of the specifications of its products as required under the patent registration process may be commercially sensitive.

However, the Group has taken further measures to ensure the protection of its products: -

- (i) After the Secure Smith board is assembled by third parties, the Group then uploads the firmware into the chips and fuses the programming leads, thereby making it very difficult to reproduce the firmware by direct copying.



#### 4 INFORMATION ON INIX GROUP (Cont'd)

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- (ii) The software written for the Secure Smith product is programmed in-house and has security features which make unauthorised copying difficult.

The extent to which the INIX Group is dependent on its intellectual property, brand name, trademarks, patents or licences together with the risks and mitigating factors are outlined in Section 3(A) (vii), (viii) and (ix) of this Prospectus.

##### 4.3.4 R&D and Technology

The Group's mission statement is "*We are committed to becoming the leading R&D house in Malaysia, offering integrated intelligent home and business solutions products via our superior G-LOP Power Line Carrier (G-LOP) and Digital Radio Frequency (D-RF) technologies, strong partner relationships, exceptional service and support, and maintaining the highest standards of quality at competitive prices*"

##### (a) R&D Capability

According to Synovate, in its market research report dated 23 September 2004, there are various intelligent home system brands which are local brands but the technology behind these products are usually either sourced from foreign partners or customized from overseas products.

The INIX Group distinguishes itself as its technology is locally developed and is a result of its Co-Founders efforts.

The INIX Group is committed to becoming a leading and respected R&D house nationally, offering feature-packed cost-effective integrated intelligent home solution products incorporating their proprietary G-LOP and D-RF technology.

The integrated nature of its products coupled with the affordability of its products is an attractive value proposition to INIX's target markets. Thus, product development and advancement will be a critical success factor for the Group because the Group's value proposition is to be able to develop and offer new innovative products to its customers.

In order to remain competitive, INIX Group concentrates on R&D to ensure that the Group remains at the forefront of technological development and for its continued success in the industry. The Group has a team of 10 experienced personnel as at 15 July 2005 involved in R&D activities covering the following:-

- Continued product R&D of new products;
- Modifications and enhancements of existing products to incorporate new features and applications;
- Integration of existing and new products and peripherals to ensure that INIX's products are "Intelligent Home Ready";
- Adapting, modifying and/or improving products for the export markets; and
- Developing advisory, customisation and consultancy solutions.

**4 INFORMATION ON INIX GROUP (Cont'd)**

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The Group's R&D department is headed by Cheong Kok Yai who is the Chief Technical Officer of ITSB. His roles include providing technical guidance to the group of engineers and programmers in the implementation and development of R&D projects.

**(b) R&D Strategy**

The R&D initiatives of the Group is aimed at the development of integrated intelligent home systems, backed by its proprietary G-LOP and D-RF technology:-

*(i) The Secure Smith System*

The formula developed by the Group will enable the Secure Smith system to transmit information from point to point without wires, using readily available power lines and while making sure that the information will not cause any interference.

*(ii) Value Added Services*

The Group continually develop products that will provide related value-added services to the clients such as I-CMS especially for township developers.

*(iii) Enhancement and Improvement of INIX's existing Security Smith system*

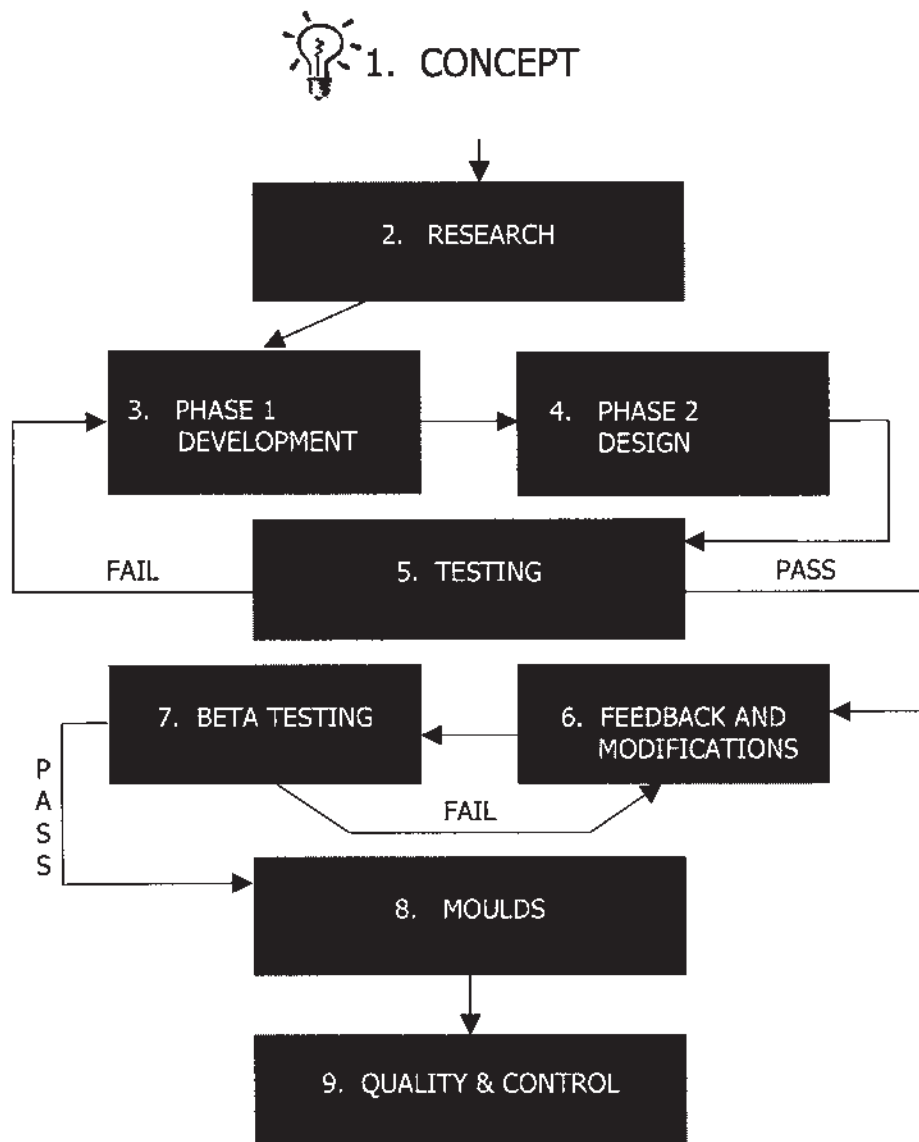
The Group's R&D efforts is also concentrated in the development of upgrades and enhancements in order to further improve the customisation, functionality and compatibility of its existing Secure Smith system.

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4 INFORMATION ON INIX GROUP (Cont'd)

(c) **Research and Product Development Process Flow**

The research and product development process of the Group is broadly summarised as follows:-



## 4 INFORMATION ON INIX GROUP (Cont'd)

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### **Stage 1 : Idea/Concept**

At the beginning of a new project, the management and the R&D team obtain ideas or concepts from various different sources such as feedback from customers, new technology, competitor's analysis and market research. The ideas or concepts are mainly concentrated on overcoming the limitations of the current systems sold by INIX.

### **Stage 2 : Research**

The technical team determines whether the concepts or ideas are viable and systematically sets the scope of research to begin their investigation by utilising resources such as local universities, research firms, the internet, book stores, libraries and industry periodicals.

The team will then ensure the reliability of the outcome of their research and proceed to apply the research information and/or technology into the product development.

### **Stage 3 : Development**

The R&D team then picks suitable readily-available integrated circuits ("ICs") to translate the concepts into an analog electronic circuitry (analog or digital form).

If suitable ICs cannot be found, the R&D engineers will emulate the functions by using substitute programmable ICs. The firmware is then programmed into a small chip that is downward compatible. The programmable ICs are then burnt in and programming lead fused away to avoid duplication by external parties.

### **Stage 4 : Design**

The electronic circuitry would then be designed using integrated development software. Once the schematic design is ready, it would then be transformed into a printed circuit layout drawing. The drawing will then be etched into a copper circuit board using mild acid solutions.

### **Stage 5 : Testing**

Once the design has been completed, the team would then perform multiple stimuli on the circuitry and compare the results of the test to the original concept. The following tests are then carried out: (These are a few samples as it depends on each component as to what test will be carried out.)

- **Voltage Test**

To check all incoming supply points to all various ICS and components and certify that the maximum and minimum voltage is within the specified threshold.

#### 4 INFORMATION ON INIX GROUP (Cont'd)

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- **Heat Test**

To ensure that the components are functional and that they work well within their specified heat range.

- **Noise Emission Test**

To ensure that the components have low 'noise' levels, thus not interfering with other household appliances.

- **Continuity Test**

To ensure that all the copper wiring strips are suitable to carry the maximum given current at any point.

#### **Stage 6 : Feedback and Modifications**

Subsequent to the testing process, feedback is pooled from team members and the modules/components are fine-tuned accordingly. These modules/components will then be re-tested to affirm their stability and quality.

Once the team is satisfied with the results of the fine-tuning process, further design improvisation will be added to increase the durability, reliability, cost effectiveness, speed and power consumption of the modules/components and also to increase compatibility with the other common products that are made in Malaysia.

#### **Stage 7 : Beta Testing**

After each component is fine-tuned and incorporated into the product, small batches of sample products will be produced and distributed to selected end-users for beta testing.

#### **Stage 8 : Moulding/Casings**

A moulding/casing is designed according to the final PCB Board. Based on this design, the mouldings/casings are mass-produced.

#### **Stage 9 : Quality Assurance & Quality Control**

Upon completion of the beta testing phase, the Q&C committee (comprising the Chief Executive Officer, Chief Technical Officer and Chief Operating Officer) will then be responsible for the checking of each component as well as the whole of the system to ensure that it is of quality.

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**4 INFORMATION ON INIX GROUP (Cont'd)**


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**(d) Amount spent on R&D since incorporation**

INIX Group has incurred the following costs for its R&D activities during the fifteen (15) month financial period ended 31 July 2004 and the six (6) month financial period ended 31 January 2005:-

	<b>15 month financial period ended 31 July 2004 RM'000</b>	<b>6 month financial period ended 31 January 2005 RM'000</b>
R&D cost	666	295
Revenue	5,550	7,758
% of revenue	12.00	3.80

**4.3.5 Barriers to Entry**

The intelligent home industry in Malaysia is still growing. Whilst there are many resellers of intelligent home systems components, the Malaysian intelligent home systems market is dominated by a few main players. This may be due to certain barriers of entry in the industry.

The key barriers to entry to the intelligent home sector would be:

- **Domain Expertise - High technical requirements**  
New players who wish to enter the market must have the knowledge of product integration between security, home automation and video surveillance system technology and their applications. At the same time, the relevant player requires technical expertise in the software, firmware and hardware departments before the system can be replicated and introduced in the market. The promoters and management of INIX have extensive knowledge and experience in the industry thus making it difficult for new players to venture into same space in a short period of time. Further, the development of their modules in-house enable the Group to have a cost advantage and technical system knowledge over those players who import or adopt technologies developed by other developers.
- **Strong Technology**  
The company embarking into this industry must have a viable and proven technology, as integration of the three systems into one single source requires a standard communication protocol. This technology should also be constantly updated in order to cater to the demanding needs of end-users. INIX has designed and developed its products using the latest technology, thus making their products very competitive in the industry.
- **Competitive Pricing**  
The product designed must have strong value proposition, as entering the market the product must be as competitive as it can be in terms of pricing, failing which it will not be able to enter the market as smart home products become cheaper. INIX's cost-effective system alone acts as a barrier to new entrants into market as it offers its their products at very competitive prices.
- **Strong Alliances and Partnerships with distributors and customers**  
Building strategic alliances with home developers or even consumer appliances manufacturer to sign as OEM business arrangement is one of the keys of product differentiation. A new player must establish a branding and a reputation for reliability before customers sign on their products.

#### 4 INFORMATION ON INIX GROUP (Cont'd)

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##### 4.3.6 Strengths and Competitive Advantages of INIX Group

INIX's competitive advantage lies in its Secure Smith product which is feature packed, yet is affordably priced to customers. This explains why the Group has garnered a significant market share (17.4%) since commercialisation of its products.

INIX's Secure Smith products have strong advantages as set out below:

- Customisability and affordability

INIX's products can be customised and are yet affordable to housing developers and end-users. This can only be achieved with in-house design and development in respect of all its modules, be it for the security, surveillance and automation functions, which directly lowers the cost of the product. In comparison, certain modules of its competitors may be sourced/imported from other technology developers and this will add on to costs to the end users.

- Integrated , rich-in-features products

Despite having competitive pricing, INIX's products are an attractive value proposition to customers because they are fully integrated, combine the functions of automation, security and surveillance and are yet feature-rich. At the same time, the products have digital wireless technology connectivity, intercom, voice messaging and internet capabilities. The wireless capabilities provide convenience and cost savings as the users do not have to re-wire.

The Board believes that there are many companies that are dealing with security alarm systems in Malaysia. Out of these, there are less than 20 players in the smart home market that offer both security and automation. According to the Board, INIX however, offers an integrated 3-in-1 system incorporating security, automation and surveillance.

As the modules of security, surveillance and automation for the Secure Smith product are highly integrated and its technology are scalable INIX's products are able to be adopted to other industries such as consumer appliances industry.

- Can be sold as a direct off the shelf D.I.Y package; with plug-n-play concept

The bulk of INIX's business is B2B sales directly to developers offering the intelligent or smart home concept. However, the product can also cater for B2C sales to consumers.

The Secure Smith is an intelligent home in a box which can be packaged as a DIY concept marketed locally and internationally through strong and established security, home automation and video surveillance resellers/distributors. This DIY concept is advantageous over other products which require installation by trained technicians.

- R&D Commitment

INIX Group is committed to continuing to develop new features through R&D for its Secure Smith product. This will help to ensure that Secure Smith product has the capability to distinguish itself against other competitors.

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**4 INFORMATION ON INIX GROUP (Cont'd)**


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**4.3.7 MSC Status**

ITSB has obtained approval from Multimedia Development Corporation Sdn Bhd for MSC Status on 28 November 2003. The financial incentive awarded to ITSB in conjunction with ITSB's MSC Status is a five (5) year 100% exemption from income tax under section 4A of the Promotion of Investments Act, 1986.

**4.3.8 Interruptions in the business during the past twelve (12) months**

There has been no interruptions to the Group's business or operations in the past twelve (12) months.

**4.3.9 Employees**

As at 15 July 2005, the Group has 62 staff employed in the following capacities: -

<b>Department</b>	<b>Number of employees</b>	<b>Average months of service</b>
Senior Management	3	23
General and Administration	12	12
Engineering and Operations	30	9
Sales and Marketing	7	18
Research & Development	10	18
<b>TOTAL</b>	<b>62</b>	

As the Board believes that the continued success of the Group is also dependent on the quality of knowledge and skills of its employees, the Board aims to provide relevant training to employees by sending them to courses, seminars and conferences.

The management of the Group has strived to maintain a good working relationship with its employees. To date, no employee of the Group belongs to any labour union and there has been no labour or industrial disputes between the employees and management that could have a material adverse financial impact on the Group.

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## 4 INFORMATION ON INIX GROUP (Cont'd)

## 4.3.10 Key Milestones

The key milestones of INIX Group are as follows:-

Year	Events
<b><u>2003</u></b>	
April 15	➤ Incorporation of ITSB with the focus on developing and offering integrated intelligent home and building solutions which consist of security, automation and surveillance systems.
September 29	➤ Launch of ITSB's "Secure Smith" system by Tun Dr Mahathir bin Mohamad, then Prime Minister of Malaysia at the "Cradle Investment Programme" in Cyberjaya. Also received message from the then Prime Minister which recognises ITSB's initiatives in developing the integrated security automation system.
November 17	➤ Participated at COMDEX Falls exhibition.
November 28	➤ Accorded "MSC Status" by Multimedia Development Corporation for developing Secure Smith home automation and security system for new townships and intelligent homes.
November 29	➤ Participated at Caravan Malaysia 2003.
December 30	➤ Launch of ITSB's new R&D centre in Subang Jaya to continue its research in designing and developing high-quality wireless security products and the transmission of video and audio over power-line.
<b><u>2004</u></b>	
January 29	➤ Awarded Contractors Registration Account for Software Product and Services
February 27	➤ Participated at Ideal Home and Computer Expo.
March 16	➤ Attended launch of Residential & Commercial Area by Proton City, whereby ITSB's products were to be installed in its "Smart Homes".
March 17	➤ Granted CIDB Grade 6 License.
April 1	➤ Awarded Pioneer Status from the MITI by virtue of its MSC status.
April 26	➤ Participated at CeBit Asia 2004.
April 29	➤ Participated at National Innovation Summit 2004.
	➤ Launch of Secure Smith by Prime Minister of Malaysia YAB, Dato' Seri Abdullah Haji Ahmad Badawi at the summit.
May 22	➤ Awarded "ITEX Silver Medal" for the invention of integrated intelligent security systems at the 15 <sup>th</sup> International Invention Innovation Industrial Design & Technology Exhibition at the Mines Resort, Kuala Lumpur.
August 30	➤ Received "Most Promising Start-Up" Award in <i>Venture Accelerate 2003</i> organised by Bursa Securities, the Malaysian Venture Capital Association, McKinsey & Co and Malaysian Institute of Management.

#### 4 INFORMATION ON INIX GROUP (Cont'd)

Year	Events
<b><u>2004 (Cont'd)</u></b>	
September 7	➤ Received congratulatory message from Deputy Prime Minister, Dato' Sri Mohd. Najib Tun Razak on INIX achievements in respect of smart home systems and receiving the "Most Promising Start-Up" Award.
October 21	➤ Received Silver Medal "Industry Excellence for IT Award 2004" at the MCBC Business Excellence Awards organised by the MCBC.
<b><u>2005</u></b>	
May 20	➤ Received "ITEX Gold Medal" at 16 <sup>th</sup> International Invention Innovation Industrial Design and Technology Exhibition 2005 ("ITEX 2005") organised by the Malaysian Invention and Design Society.
	➤ Received "Special Award" from the President of Korea Invention Promotion Association at ITEX 2005.
May 31	➤ Finalist of Malaysian Emerging Brand Award organised by Malaysian International Chamber of Commerce and Industry.

#### 4.4 SUBSIDIARY COMPANY

##### 4.4.1 Information on ITSB

###### (i) History and business

ITSB was incorporated on 15 April 2003 in Malaysia as a private limited company under the Act. The principal activities of ITSB are the development and sales of integrated intelligent wireless security, automation and CCTV surveillance systems for home and business users.

ITSB does not have any subsidiary or associated companies.

###### (ii) Share capital

The present authorised share capital of ITSB is RM5,000,000 comprising 4,995,000 ordinary shares of RM1.00 each and 500,000 redeemable convertible cumulative preference shares ("RCCPS") of RM0.01 each. The present issued and paid-up share capital of ITSB is RM1,667,146 comprising 1,667,146 ordinary shares of RM1.00 each.

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**4 INFORMATION ON INIX GROUP (Cont'd)**


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

*Ordinary Shares*

<b>Date of allotment</b>	<b>No. of ordinary shares allotted</b>	<b>Par value (RM)</b>	<b>Consideration</b>	<b>Total issued and paid-up capital (RM)</b>
15.04.2003	2	1.00	Subscribers' shares	2
02.05.2003	1	1.00	Cash	3
16.12.2003	1,167,000	1.00	Acquisition of Intellectual Property Assets, machinery and technical equipment	1,167,003
06.08.2004	208,333	1.00	Cash	1,375,336
23.9.2004	291,810	1.00	Cash	1,667,146

*RCCPS*

<b>Date of Allotment</b>	<b>No. of RCCPS shares allotted</b>	<b>Par Value (RM)</b>	<b>Consideration</b>	<b>Total issued and paid-up capital (RM)</b>
02.05.2003	249,999	0.01	Cash	2,499.99
10.02.2004	250,000	0.01	Cash	4,999.99
06.08.2004	(499,999)	0.01	Cash redemption	-

**(iii) Directors**

The Directors of ITSB are Jimmy Tok Soon Guan and Cheong Kok Yai.

**(iv) Substantial shareholders**

ITSB is a 100% owned subsidiary company of INIX.

**(v) Employees**

As at 15 July 2005, ITSB has 62 employees.

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#### 4 INFORMATION ON INIX GROUP (Cont'd)

##### 4.5 MAJOR CUSTOMERS

The INIX Group's top ten customers during the fifteen (15) month financial period ended 31 July 2004 are as follows: -

Name of Customer	Contribution to Revenue (%)	Length of Relationship* (months)
Pembinaan Wincon Sdn Bhd	32.48	14 months
Xtreme Logistics Pty Ltd	12.95	17 months
Corporate Pacific Star (M) Sdn Bhd	11.12	20 months
Sanubari Cergas Sdn Bhd	8.63	14 months
Hyper Advance Sdn Bhd	5.80	18 months
Maxvoice Technology Sdn Bhd	5.75	14 months
IT Surplus Sdn Bhd	5.39	23 months
Gview Technology	4.48	14 months
Intelligent Automation System Sdn Bhd	4.46	17 months
Puncak Kencana Sdn Bhd	4.27	19 months
	<u>95.33</u>	

Note: -

\* As at 15 July 2005

The top ten customers of INIX Group contributed approximately 95.33% to its revenue for the fifteen (15) month financial period ended 31 July 2004. The relatively short length of relationship is due to INIX's subsidiary company ITSB only being incorporated on 15 April 2003 and as the Group's products are relatively new to the market. The Board is of the view that the Group is not dependent on any one single customer and that the Group will continue to maintain good rapport with various customers to minimise the dependency on any one single customer.

##### 4.6 MAJOR SUPPLIERS

The INIX Group's top ten suppliers during the fifteen (15) month financial period ended 31 July 2004 are as follows: -

Name of Supplier	Contribution to Purchases (%)	Length of Relationship* (months)
Singa Pyramid Enterprise	44.21	18 months
Online Components Sdn Bhd	33.30	24 months
Chin Yew Moulding Engineering	8.20	21 months
Gates Components (M) Sdn Bhd	2.23	22 months
Niksin Electronic (M) Sdn Bhd	1.88	23 months
Maxvoice Technologies Sdn Bhd	1.52	15 months
Puchong Alarm & Electronic Enterprise	1.43	24 months
Saxco Marketing Sdn Bhd	1.41	19 months
Moca Plastic Industries Sdn Bhd	1.37	15 months
Crystal Graphic Sdn Bhd	1.07	15 months
	<u>96.62</u>	

Note: -

\* As at 15 July 2005

The top ten suppliers of the Group account for approximately 96.62% of total Group purchases for the fifteen (15) month financial period ended 31 July 2004. The INIX Group

**4 INFORMATION ON INIX GROUP (Cont'd)**

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does not depend on any single supplier in relation to raw material pricing and variety as not one single supplier may be able to provide all the materials that is required in the production of Secure Smith. The Group also appoints alternative suppliers in order to minimise the effects of any fluctuations in raw material prices.

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