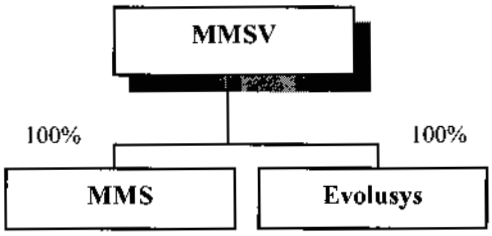
5. INFORMATION ON THE MMSV GROUP

5.1 History

MMSV was incorporated in Malaysia under the Act on 29 March 2004 as a private limited company under the name MMS Ventures Sdn Bhd. The Company was converted into a public company and assumed its present name on 19 October 2004.

The Company was established as the investment holding company of the MMSV Group in conjunction with the listing of MMSV on the MESDAQ Market. Currently, MMSV is principally involved in investment holding with 2 subsidiary companies namely MMS which is involved in the design and manufacture of Industrial Automation Systems and Machinery and design of precision Die Sets, Jigs and Fixtures, and Evolusys which is involved in the provision of software development.

The Group's corporate structure is summarised as follows:



MMS was incorporated in Malaysia under the Act on 14 February 1997. In 1999, MMS commenced operations in the design and manufacture of Industrial Automation Systems and Machinery focusing on handler systems for the semiconductor and optoelectronics industries. Subsequently, in 2000, as part of its product development, MMS began manufacturing trim and form systems, incorporating precision tooling and automated systems as part of its core business. In 2001, MMS successfully developed its first LED assembly machinery with servo driven press utilising clinching technology. In the same year, MMS also successfully developed a complete PC-based software platform to facilitate the design and control of its Industrial Automation Systems and Machinery. By 2002, MMS had extended its product range to include the design and manufacture of high speed turret test handling systems, an integrated system with testing, trimming, forming, vision inspection, sorting and taping capabilities. Since then, MMS has been continuously expanding its range of products, the latest being the design and manufacture of test handling systems including MMS' precision encoder reader tester system and integrated test manufacturing system.

As part of the management's emphasis on quality, MMS was awarded the ISO 9001:2000 accreditation in Quality Management System by SGS United Kingdom Ltd on 2 May 2000, which was subsequently renewed on 18 June 2004.

Evolusys was incorporated in Malaysia under the Act on 22 June 2002. In 2002, Evolusys commenced its operations as a software development company principally engaged in the business of providing consultancy services and supply of software on industrial automation control systems to MMS and external parties. However, in line with the Group's business development plan, the activities of Evolusys were streamlined in 2004 to provide support solely for the design and manufacture operations of MMS, focusing on mainly the development of software for the Group's industrial automation systems.

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5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

5.2 Share capital

The present authorised share capital of MMSV is RM25,000,000 comprising 250,000,000 MMSV Shares, of which 126,392,140 MMSV Shares are issued and fully paid-up.

The changes in the issued and paid-up share capital of MMSV from the date of incorporation are as follows:

Date of allotment	No. of MMSV Shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
29.03.04	2	0.10	Subscriber shares	0.20
10.09.04	18	0.10	Cash	2
08.09.05	126,392,120	0.10	Issued as consideration for the Acquisition of MMS	12,639,214

5.3 Flotation Scheme

In conjunction with, and as an integral part of, the listing of and quotation for the entire issued and paid-up share capital of MMSV on the MESDAQ Market, the Company undertook a restructuring exercise, which was approved by MITI on 10 January 2005 and SC (and under the FIC Guidelines) on 6 July 2005. Details of the Flotation Scheme are as follows:

5.3.1 Acquisitions

(a) Acquisition of MMS

On 23 November 2004, MMSV entered into a conditional sale and purchase agreement with the shareholders of MMS for the acquisition of 3,500,000 ordinary shares of RM1.00 each in MMS representing the entire issued and paid-up share capital of MMS for a purchase consideration of RM12,639,212 wholly satisfied by the issuance of 126,392,120 new MMSV Shares at par as follows:

Shareholders of MMS	No. of ordinary shares in MMS acquired by MMSV	% of share capital of MMS	No. of MMSV Shares issued as consideration
Liew Woei Chieh	6,127	0.2	221,258
Saw Chong Keat	60,180	1.7	2,173,222
Sia Teik Keat	476,495	13.6	17,207,204
Goh Kim Hock	476,495	13.6	17,207,204
Tan Beng Chuan	476,495	13.6	17,207,204
KSSB	476,495	13.6	17,207,204
IMTSB	476,495	13.6	17,207,204
AJFSB	476,495	13.6	17,207,204
Tan Beng Cheong	374,458	10.7	13,522,440
Teoh Soo Kuang	170,175	4.9	6,145,365
Cheong Kin Seng	12,072	0.4	435,944
Lim Beng Aik	18,018	0.5	650,667
Total	**3,500,000**	**100.0**	**126,392,120**

The purchase consideration of RM12,639,212 was arrived at on a willing buyer-willing seller basis, based on the proforma consolidated NTA of MMS as at 31 May 2004 of RM12,639,212 after taking into account the adjustments as set out below:

	RM
Audited NTA of MMS as at 31 May 2004	9,126,510
Adjustments:	
Issuance of 3,499,998 new ordinary shares of RM1.00 each in MMS at par for cash pursuant to subscription of shares on 1 June 2004	3,499,998
Audited NTA of Evolusys, a wholly-owned subsidiary, as at 31 May 2004, after deducting cost of investment of MMS	12,704
Proforma consolidated NTA of MMS as at 31 May 2004	**12,639,212**

The MMSV Shares issued and allotted pursuant to the Acquisition of MMS will, upon allotment and issue, rank pari passu in all respect with the existing issued MMSV Shares, save and except that they will not be entitled to any dividend, rights, allotment or other distribution declared, made or paid to shareholders prior to the date of their allotment.

The Acquisition of MMS was completed on 8 September 2005.

(b) Acquisition of Evolusys

On 23 November 2004, MMSV entered into a conditional share sale agreement with MMS for the acquisition of 10,000 ordinary shares of RM1.00 each in Evolusys, representing the entire issued and paid-up share capital of Evolusys held by MMS for a purchase consideration of RM10,000 to be wholly satisfied in cash.

The purchase consideration of RM10,000 was arrived at on a willing buyer-willing seller basis after taking into account the cost of investment of MMS in Evolusys as at 31 May 2004 of RM10,000. The cash consideration is treated as an inter-company debt owing by MMSV to MMS.

The Acquisition of Evolusys was completed on 8 September 2005.

5.3.2 Transfer of Shares

On 8 September 2005, the existing 20 MMSV Shares held by Khew Sin Mei and Lim Phaik Lan were transferred to Saw Chong Keat for a cash consideration of RM2.00. Khew Sin Mei, who is the company secretary of MMSV, and Lim Phaik Lan are effectively the incorporating shareholders of MMSV. The said transfer is to neaten the shareholding structure of MMSV by transferring the said shares from the incorporating shareholders to Saw Chong Keat, the Executive Director of MMSV.

5.3.3 Public Issue

In conjunction with the proposed flotation of MMSV on the MESDAQ Market, the Company will undertake a public issue of 36,607,860 Issue Shares, representing approximately 22.46% of the enlarged issued and paid-up share capital of MMSV, at an issue price of RM0.27 per Issue Share. Further details of the Public Issue are set out in Section 2.5 of this Prospectus.

5.3.4 Listing

Upon completion of the Public Issue, MMSV shall be admitted to the Official List of Bursa Securities for the listing of and quotation for its entire enlarged issued and paid-up share capital of RM16,300,000 comprising 163,000,000 MMSV Shares on the MESDAQ Market.

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

5.3.5 Approvals and conditions

MMSV's Flotation Scheme was approved by SC (and under the FIC Guidelines) on 6 July 2005 and MITI on 10 January 2005 respectively.

The approval by SC (and under the FIC Guidelines) were subject to conditions outlined in Section 7.2 of this Prospectus.

Subsequently, on 16 August 2005, MMSV had made an application to MITI and the SC to increase the Pink Form Allocation of the Issue Shares from 2,444,960 Issue Shares to 6,607,860 Issue Shares with the total Public Issue remaining unchanged ("Pink Form Reallocation").

The Pink Form Reallocation was approved by MITI on 1 September 2005. MITI's approval was subject to MMSV obtaining the approval of the SC for the Pink Form Reallocation and compliance with FIC Guidelines. The Pink Form Reallocation was approved by the SC (and under the FIC Guidelines) on 26 October 2005.

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5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

5.4 Business overview

The MMSV Group is principally involved in the design and manufacture of Industrial Automation Systems and Machinery, design of precision Die Sets, Jigs and Fixtures and provision of software development. The types of Industrial Automation Systems and Machinery currently manufactured by the Group include camera focusing and testing systems, trim and form systems, test handling systems, vision inspection systems, marking systems and others.

The breakdown of the revenue contribution from each of the product categories for the financial year ended 31 December 2004 and 6-month period ended 30 June 2005 is summarised below:

Business Activities	Revenue for the financial year ended 31 December 2004		Revenue for the 6-month period ended 30 June 2005	
	RM'000	%	RM'000	%
Design and Manufacture of Industrial Automation Systems and Machinery				
Camera Focusing and Testing Systems	13,037	62.0	10,036*	63.2
Focusing System	*6,996*	*33.3*	*4,485*	*28.2*
Testing System	*6,041*	*28.7*	*5,552*	*35.0*
Trim and Form Systems	1,818*	8.6	845*	5.3
Clinching	*332*	*1.6*	*290*	*1.8*
Turret Trim and Form	*1,272*	*6.0*	*32*	*0.2*
Semi-Automated Trim and Form	-	-	-	-
Linear Trim and Form	*215*	*1.0*	*522*	*3.3*
Test Handling Systems	1,891	9.0	1,358	8.6
Tray to Tray	*429*	*2.0*	*277*	*1.7*
Tube to Tube	*607*	*2.9*	-	-
Tape to Tape	-	-	-	-
Precision Encoder Reader	*517*	*2.5*	*660*	*4.2*
Integrated Test Manufacturing System	*338*	*1.6*	*421*	*2.7*
Vision Inspection Systems	32	0.2	214	1.3
Marking Systems	2,024	9.6	1,103	6.9
Others[1]	725	3.4	646	4.1
Design Services				
Die Sets	345	1.7	1,362	8.6
Others[2]	1,163	5.5	320	2.0
Software development	-	-	-	-
Total	**21,035**	**100.0**	**15,884**	**100.0**

Notes:

1. *Design and manufacture of other Industrial Automation Systems and Machinery comprises products such as optical mouse lid attachment systems, LED lens attachment systems, stand-alone temperature characterisation chamber, LED de-lamp semi-auto tester and pins and bead assembly tooling machine*
2. *Design services under others include modification, replacement, spare parts and other design service charges*

* *Subject to rounding differences*

For the financial year ended 31 December 2004, the design and manufacture of Industrial Automation Systems and Machinery accounted for 92.8% of the Group's total revenue with a contribution of approximately RM19.5 million revenue, whilst, design of precision Die Sets, Jigs and Fixtures contributed 7.2% of the Group's revenue with approximately RM1.5 million revenue.

For the 6 month period ended 30 June 2005, the design and manufacture of Industrial Automation Systems and Machinery accounted for 89.4% of the Group's total revenue with a contribution of approximately RM14.2 million revenue, whilst, design of precision Die Sets, Jigs and Fixtures contributed 10.6% of the Group's revenue with approximately RM1.7 million revenue.

Since 2004, the provision of software development by Evolusys is only to support the design and manufacturing operations of MMS. As such, there is no direct revenue contribution from the provision of software development. Instead, the contribution of the provision of software development becomes an integral part of the design and manufacture activities of the Group.

5.4.1 Products and services

5.4.1.1 Design and manufacture of Industrial Automation Systems and Machinery

Industrial Automation Systems and Machinery is a set of machinery and equipment that are integrated to perform a series of manufacturing tasks automatically, thus minimising the need for manual intervention and overcome limitations of human labour. These Industrial Automation Systems and Machinery are aimed to produce high volume output, perform highly precise movements, handle small items, achieve consistent high quality output and/or minimise contamination. It is the core of all manufacturing operations and can be used for one process, a series of processes or an entire manufacturing process from start to end. The major differences among manufacturing operations are the different levels of automation and integration and the number of automated processes.

The Group's Industrial Automation Systems and Machinery are essentially robotic systems that are designed to emulate human motor skills and decision-making to replace tedious manufacturing processes that are conventionally performed manually or to perform manufacturing processes in an environment beyond human capabilities.

The Group's products currently perform various functions for a wide range of devices which involves testing, handling, trimming, forming, clinching, positioning and/or marking of fragile OLED glass screens, embedded digital cameras for mobile phones, microprocessors, LEDs, digital signal processing chips, application specific ICs and specialised memory ICs for the electrical and electronics industry. These products are mostly customised to meet each customer's specific production or functional requirement.

To date, the Group has a design base of over 14 models of Industrial Automation Systems and Machinery, each of which is mechanically different from one another but are capable of integration with other machinery and equipment on a similar machine platform. Generally, the different models of Industrial Automation Systems and Machinery designed and manufactured by the Group can be classified into 5 broad categories summarised below, each of which is designed to perform separate functions:

Product	Description
Camera Focusing and Testing Systems	
• Focusing System	A set of customised machinery and equipment which incorporates testing system with focal adjustment function for camera lens Purpose: To test and set focal distance of micro camera lens in embedded digital camera modules including testing of the image quality according to specifications, checking for dirt or blemishes on lens, adjusting camera lens barrel to obtain sharp image and fixing of focus length Usage: Mainly used in the consumer electronics industry such as mobile phone industry
• Testing System	A set of machinery and equipment programmed to recognise hundreds of tool forms and perform measuring, testing, frame grabbing and inspections functions Purpose: To test performance of the camera including voltage, image, video capture and quality inspection Usage: Mainly used in the consumer electronics industry such as mobile phone industry

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

Product	Description
Trim and Form Systems	
	A set of customised machinery and equipment designed to deflash, trim and form and singulate the electronic components
	Purpose: To deflash *(to remove excessive materials such as resin materials or other moulding materials attached on the IC package or its leads)*, trim *(removing and/or cutting off leads or legs from IC chips to required length)*, form *(forming and/or bending the leads based on specifications)* and singulate *(separate IC chips from leadframe into individual components)* electronic components
	Usage: Mainly used in electronics industry including optoelectronics such as LED and the semiconductor industry such as IC chips, diode and other electronic components
• Turret Trim and Form	Designed to perform trim, form and singulate functions, component verification, electrical testing, marking and vision on lead profile
• Linear Trim and Form	Designed to perform deflash, trim, form and singulate functions
• Semi-Automated Trim and Form	Designed to perform trim, form, electrical testing, vision inspection and sorting functions
• Clinching	Designed using clinching process to arrange and assemble LED on lighting device for automotive industry
Test Handling Systems	
	A mechanical system or machinery designed to move, position and sort packaged items during testing, which is programmable and equipped with accurate and rapid movement of multiple axis control technologies, generally utilising robotic arm to perform pick and place to move items to specified locations or stations
	Purpose: To conduct tests such as static and dynamic electrical and optical characteristics tests based on functional test, resistant test, stress test, leakage test, alternating current test and direct current test. Offers high throughput, low cost fault identification and diagnostic accuracy
	Usage: Mainly used in electronics production line such as circuit board test applications to identify defective components quickly and precisely
• Tray to Tray	Designed to handle products while carrying out tests, incorporating multiple axes control technologies for accurate and rapid movements with minimal vibration
• Tube to Tube	A programmable system that is driven by servo motors to move products through specified locations for testing
• Tape to Tape	A taping module with dual turret system utilising barcode scanner
• Precision Encoder Reader	Designed for testing the sensitivity of electronic products and accuracy of reading from encoders that are mounted on high-speed spindle
• Integrated Test Manufacturing System	Designed to integrate many simultaneous processes into a single machine. Among the processes integrated into this machine were forming, cutting, singulation, electrical test, functional test, kapton tape attach and sorting. Other relevant processes may be integrated into this machine on a modular basis.
Vision Inspection Systems	
	A set of machinery and equipment which incorporates a camera and customised software to perform visual inspection
	Purpose: To differentiate objects, establish object orientation and identify defects through advanced imaging software including barcode imaging, label inspection, gauging, discolouration detection and optical character recognition

Product	Description
	Usage: Mainly used to inspect, detect, grade and isolate components with defects quickly, accurately and consistently. Vision inspection may be used as a primary quality check before performing physical testing such as dynamic electrical testing, where electrical current is flowed into the tested device to verify functionality.
Marking Systems	A programmable machine to mark numbers, texts or identity code on products. Purpose: To mark numbers, texts or identity codes on products which can be manually input, bar scanned or downloaded from computers Usage: Mainly used for product identification and specifications, addition of functional elements, product traceability, protection against imitation, provide colour and design and aesthetic printing
• Ink Marking	To mark on flex circuits, printed circuit boards and/or directly onto the components devices for identification. Provides more options and greater flexibility for the management of time and date codes, shift codes and counters
• OLED Laser Marking	To provide permanent marking on surface of OLEDs using laser energy. Combines accuracy and precision with stability and ruggedness for many applications including engraving, coding and aesthetic printing. Ideal for production environments requiring an automated and fast marking system that is safe and easy to use
• Rotary Laser Marking	The platform was designed to mark on integrated circuit chips, optoelectronics and display components or products which were moved/handled in a rotary fashion. This platform allows for products to also undergo other processes such as testing, inspection and packing; besides the marking process. Designed with flexibility in mind, this platform may be configured to suit each customer's process requirements.

Further details on the product development milestones for each category are summarised in Section 5.4.15 of this Prospectus.

Although the MMSV Group focuses on mainly designing and manufacturing the 5 broad categories of products set out above, it is also able to undertake customised design and manufacture of other types of Industrial Automation Systems and Machinery. For instance, the Group has the in-house capabilities to undertake customised design and manufacture of products such as LED lens attachment system, mouse lid attachment system, temperature characterisation chamber, LED de-lamp semi-auto tester and pin and bead assembly tooling machine.

Design of Industrial Automation Systems and Machinery

The Group's Industrial Automation Systems and Machinery are designed on platforms, a framework on which the Group can build its automation systems and machinery to achieve the desired arrangement of tasks as specified by its customers. There are generally 3 different basic types of platform, which provides the base for the Group to build its Industrial Automation Systems and Machinery, namely the M-Line, M-Matrix and Turret platforms

The Group's M-Matrix and M-Line platforms are customisable platforms designed to address high volume processing of semiconductor devices in different process arrangements and sequences. The M-Matrix platform is a customisable platform designed for matrix and array processing of any discrete package, while the M-Line is designed for linear processes suitable for LEDs, most IC packages and discrete products. These 2 platforms are generally used to achieve high production throughput rates at the lowest cost of test which is essential to meeting the economic requirements in the electronics markets. As such, to cater for high volume processes, M-Matrix platforms are mainly used for component testing, labeling (inkjet), dispensing and spot welding, whilst M-Line platforms are used for orientation correction, attaching, trimming, forming and singulating.

The core of the MMSV Group's product designs is to employ a "universal slot" concept, a design platform which is able to offer the user the adaptability and flexibility to install any machinery and equipment into the tester "slots". With this goal in mind, in 2002, the Group successfully developed a docking platform for its Trim and Form Systems called the "Turret" platform, designed to mainly cater for the optoelectronics industry. The Turret platform effectively provides the user with the ability to integrate different machines into a dial configuration thus enabling optional testing functions to be added on a modular basis. This new configuration gives the user the flexibility to undertake a series of tests and processes on inputs in a desired sequence. The advantage of this design is that it provides cost savings to the operator by achieving flexibility for multiple tests and processes. The Turret platform can be used for processes which involves singulation, component verification, electrical testing, marking and vision on lead profile.

Notwithstanding the 3 basic platforms mentioned, the Group's innovation in combining these basic platforms and the incorporation of precision diesets into the design of new industrial automation has resulted in a number of hybrid platforms under the MMSV stable.

MMSV has two platforms for product marking and identification. The technology employed for this purpose is laser and inkjet marking. One platform is designed to mark products in a matrix tray while the other marks products moved in a rotary fashion. The latter platform allows products to undergo other combined processes such as testing, inspection and packing, which eliminate the need for a few separate machines. Designed with flexibility in mind, this platform may be configured to suit each customer's process requirements. These two platforms were designed to mark on integrated circuit chips, optoelectronics and display components.

MMSV's integrated test manufacturing system was designed to integrate many processes into a single compact machine. This system comes with a servo-powered mechanical press and a multi-armed circular motion indexer. The circular motion indexer provides efficient use of space hence keeps this machine compact. Among the processes integrated into this machine are forming, cutting, singulation, electrical test, functional test, kapton tape attach and sorting. Other appropriate processes may be integrated into this machine as well.

MMSV's automatic tray-to-tray inspection system was designed to eliminate the issues associated with human inspection. This system provides consistent results and minimises handling by operators, thus reducing quality issues and human errors. The handling of the tray and inspection process is fully automated.

MMSV's fully automatic parts assembly machine was developed to assemble various components for the automotive industry into a sub assembly stage prior to being installed into a car. The various components are moved and assembled into a sub assembly state through the use of some robotic manipulators. This ensures quality consistency of assembled product.

Manufacture of Industrial Automation Systems and Machinery

The Industrial Automation Systems and Machinery manufactured by the Group are able to incorporate features and peripheral equipment which are based on customers' requirements and specifications including robotic arms for pick and place, automatic or semi-automatic feeder/unloading/packaging, vision inspection system, electrical and optical testing system and customised software to control timing and movements of all tools and functions within the machinery and system.

Most of the Industrial Automation Systems and Machinery of the Group are manufactured for multinational companies in Malaysia such as Agilent, Penang Seagate Industries Sdn Bhd, Globetronics Industries Sdn Bhd, Lumileds, Osram Technologies (Malaysia) Sdn Bhd and Osram Opto Semiconductor (Malaysia) Sdn Bhd ("Osram Opto") as well as overseas companies such as Flextronics, USI, Guide Corporation (US), Hana Microelectronics Public Company Limited (Thailand) and Seagate Technology (Thailand) Ltd.

As most of the Group's Industrial Automation Systems and Machinery are manufactured for the electrical and electronics industry as well as other similar activities which require precise timing, movements, actions and speed, high standard of quality is critical. In this regard, the Group's emphasis on high quality standards is reflected through its total quality assurance programmes and adherence to meeting customer specifications and requirements. MMS obtained the ISO 9001:2000 accreditation in Quality Management System from SGS United Kingdom Ltd on 2 May 2000 and was subsequently renewed on 18 June 2004.

5.4.1.2 Design of precision Die Sets, Jigs and Fixtures

To complement the design and manufacturing activities, the Group also undertakes the design of precision Die Sets, Jigs and Fixtures that normally form part of a total automation system for its internal requirements as well as for its external customers. The Group is capable of developing tight tolerance precision Die Sets, Jigs and Fixtures that require high accuracy manufacturing techniques using quality components and materials. The various types of precision Die Sets, Jigs and Fixtures manufactured by the Group offer functions such as punching, trimming, cutting, inserting, forming and gauging.

With in-house capabilities and facilities for designing and fabricating supporting parts and equipment, the Group is able to control the quality of its Industrial Automation Systems and Machinery manufactured throughout the entire manufacturing process, provide faster turnaround and reduce dependencies on external parties. At the same time, the design services also provide support to the Group's design and manufacturing of Industrial Automation Systems and Machinery as it helps extend the range of products offered and increase the value-adding activities to meet its customers' specific requirements.

5.4.1.3 Other services

As a customised designer and manufacturer of Industrial Automation Systems and Machinery, the Group also provides other services to its customers such as product conceptualisation, technical consultancy, project management, system and engineering design, software design and development, system assembly and integration and testing and debugging. All such activities are backed by the R&D efforts undertaken by the Group, particularly in the conceptualisation and design phase. In addition, the Group also undertakes R&D on sub-modules or processes that could be incorporated across a number of automated and semi-automated systems.

5.4.2 Operational facilities and capabilities

The Group's operational facilities consist of machinery, equipment and software focusing on engineering design and conceptualisation, software design and development and manufacturing of Industrial Automation Systems and Machinery.

Presently, the existing operations of the Group is undertaken in a rented premise located at Plot 84-A, Jalan Lintang Bayan Lepas 9, Taman Perindustrian Bayan Lepas, Fasa 4, Pulau Pinang, Malaysia on a piece of leasehold land measuring 87,120 sq. ft., with a total built-up area of 55,859 sq. ft. consisting a single storey production area and a double storey office building. The operations of the Group are supported by the following:

(i) manufacturing facilities including 3 milling machines, 2 grinding machines, a jig grinding machine, 1 turning machine and 1 profile projector; and

(ii) engineering design and software development facilities including general machining and quality control tools and software, engineering design and software development such as workstations, solid edges 3D computer-aided design software, programming software such as visual basic and computer aided design software, visual studio, visual C++, RTX real time software and Dynacam mechanical cam design and analysis software.

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

The production of the Group for the financial year ended 31 December 2004 and 6-month period ended 30 June 2005 are summarised below:

Products	Financial year ended 31 December 2004		6-month period ended 30 June 2005	
	Production output*		Production output*	
	Complete Unit(s) No. of units	Conversion kit(s) No. of units	Complete Unit(s) No. of units	Conversion kit(s) No. of units
Camera Focusing and Testing Systems				
Focusing System	70	241	18	24
Testing System	61	64	29	17
Trim & Form Systems				
Turret Trim and Form	3	3	-	2
Linear Trim and Form	1	-	2	-
Semi-Automated Trim and Form	-	-	-	-
Clinching	1	4	1	-
Test Handling Systems				
Tray to Tray	1	12	2	1
Tube to Tube	3	4	-	-
Tape to Tape	-	-	-	-
Precision Encoder Reader	1	2	2	-
Integrated Test Manufacturing System	-	2	1	-
Vision Inspection Systems	1	-	1	-
Marking Systems	18	110	2	7
Others ^	6	88	1	26

Notes:

* *The value and profit margin for complete units are significantly higher than that for conversion kits*
^ *Please refer to Section 5.4.1.1 and Section 9.2(i) of this Prospectus on description of other products*

As the Group's business activities are not highly dependent on machinery or other fixed assets, there is no practical limit on its production capacity. Any increase in production would mainly require the increase in skilled labour and production/office space.

As part of its expansion plan, the Group plans to utilise part of the proceeds raised from the Public Issue to partially finance the acquisition of the factory building it is currently renting.

MMSV is currently operating in a newly-constructed premise owned by MCE, in which the MMS Group was the principal tenant since 1 May 2005, initially occupying the entire built-up area of the plant at a rental charge of RM44,000 per month. The construction of the new plant commenced on 17 May 2004 and was physically completed on 30 November 2004. Subsequently, on 26 March 2005, MMS received the Occupational Certificate ("OC") from Majlis Perbandaran Pulau Pinang to operate in the new plant. Subsequently, the plant was commissioned on 1 May 2005.

On 1 August 2005, the rental agreement dated 1 May 2005 with MCE was mutually revoked and replaced by a new rental agreement. Under the new rental agreement, MMS as tenant and MCE as landlord have mutually agreed that the monthly rental charge for the plant be reduced to RM30,300 per month based on a revised rental area of 15,000 sq. ft., with shared accommodation of the plant's common area comprising the following:

(i) 1,474 sq. ft. for housing of mechanical and electrical utilities;
(ii) 5,975 sq. ft. for general amenities such as lobby, corridors and rest rooms; and
(iii) 11,200 sq. ft. reserved as production and/or assembly space for future expansion

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

which shall be under the operation of MCE until the completion of the acquisition of the plant pursuant to the Public Issue.

The revision in the rental arrangement by the Group had taken into consideration the Group's rental overheads and the immediate requirement for a total operating space of approximately 15,000 sq. ft., the utilisation of which currently consists of approximately 9,000 sq. ft. for office space (including R&D, designing and programming) and approximately 6,000 sq. ft. for assembly, testing, debugging and R&D evaluation.

With the completion of the acquisition of this new production plant from MCE, the MMSV Group will own a manufacturing facility with total built-up area of 55,859 sq. ft. out of which 20,323 sq. ft. will be allocated for production whilst 16,887 sq. ft. will be allocated for office space, which will include floor space for designing, programming and R&D. Meanwhile, an area of 1,474 sq. ft. will be used to house the mechanical and electrical utilities while an area of 5,975 sq. ft. will be used for general purposes. The Group intends to reserve an area of approximately 11,200 sq. ft. as production and/or assembly space to cater for future expansion. This reserved floor space will allow the increase of concurrent manufacturing capacity from an average of 30 to 35 machines per month to an average capacity of 80 machines per month.

Investments estimated at approximately RM1.5 million will also be made to further equip the new production facilities with new software application, workstations, printers, CNC and CMM machine.

The new plant will provide the Group with the much-needed space to house its expanding engineering design and software development and R&D team as well as increase the assembly capacity of the Group. Further, the new plant will also enhance the image of the Group as a multinational manufacturing solutions provider.

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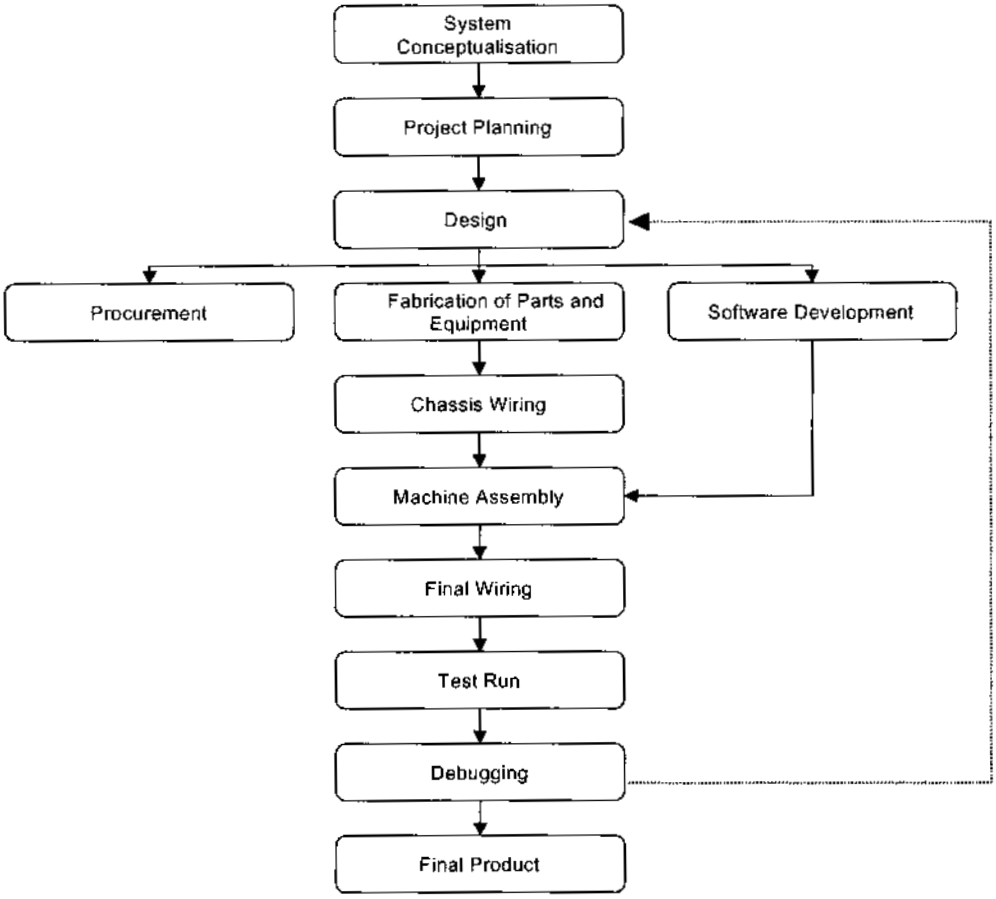
5.4.3 Automation systems design and manufacturing process

The process of the design and manufacture of Industrial Automation Systems and Machinery is illustrated below:



Pre design stage: System conceptualisation and project planning

The process starts with system conceptualisation to meet the specifications and requirements of customers. Through a process of discussion and R&D between the Group and its customers, a customised solution is conceptualised. A project team is then formed comprising project engineers, design engineers, mechanical engineers, electrical engineers, software engineers and wiring and assembly technicians to undertake the overall planning of the project.

Design stage

Customised system design is then undertaken incorporating the designs of mechanical, electrical, software, vision, machine control and precision parts and equipment. In some cases, customers may provide their own designs, which are then used by the Group, usually after modifications to better suit the customers' requirements. The design process will require engineers to use computer aided design and engineering software and tools to design the structure, mechanics, functions and capabilities of the machinery and total system to match the specifications and requirements of customers.

Post design stage: Procurement, fabrication of parts and equipment and software development

Once the design or drawings of the systems are finalised and validated, the next process will involve the following:

- Procurement of common and off-the-shelf parts, components and materials, and specialised or proprietary parts, components and materials. In addition, the Group also outsource machining and tooling of customised parts and components;

- Fabrication of precision Die Sets, Jigs and Fixtures; and

- Development of software for control of the individual parts, machine, processes, movements, functions and ultimately the entire system.

All the in-house developed/fabricated, outsourced and purchased parts, components and equipment undergo stringent quality control checks and testing to ensure they meet functional and quality standards and specifications. Quality control and testing also includes the software components.

Assembly stage: Wiring and machine assembly

Once all the various parts are fully tested, the next phase is to assemble and integrate them into a working system. Wiring and assembly technicians mainly undertake the assembly and integration of the machinery with the assistance and supervision from the engineers. The software components developed for the systems are also integrated in this process.

Final stage: Test run and debugging

Upon completion of the assembly and integration of the system, the systems are prepared for a test run. The system then undergoes full system testing and debugging until it runs smoothly and is in compliance to customer and system specifications. Built-in safety features are also tested during this stage.

Once the products have completed all the tests, the customer will then perform an inspection of the machinery at the Group's site prior to delivery. Once the system is ready for delivery, the machinery are crated/packed for transportation and delivery to the customer's premises.

5.4.4 Quality control and management

The Group places significant emphasis on product quality and adheres to stringent quality standards in order to provide its customers with the assurance of high quality products and services. A dedicated quality control team comprising 3 personnel (comprising 1 quality assurance manager and 2 technical and design engineers) are responsible for ensuring that products meet the specifications and expectations of customers as well as the quality standards of the Group. Amongst the key areas of the Group's quality control and management programmes include:

- Design control – completed design of Industrial Automation Systems and Machinery has to be verified and validated by senior technical personnel and project director to ensure that it meets approved specifications and requirements of customers

- Manufacturing and assembly process control – each stage of the manufacturing and assembly process has to be checked by a senior technical personnel to ensure it meets approved specifications and design

- Functional testing and test run – completed Industrial Automation Systems and Machinery will undertake functional testing and test run to detect inherent faults in the systems and machinery

- Reliability testing – completed Industrial Automation Systems and Machinery will undertake extended period of run time to ensure it functions according to specification and requirements

MMS was awarded the ISO 9001:2000 accreditation in Quality Management System by SGS United Kingdom Ltd on 2 May 2000, which was subsequently renewed on 18 June 2004.

5.4.5 Principal markets

Presently, the principal markets of the Group can be segregated into the local and export market. For the financial year ended 31 December 2004, the breakdown of the revenue contribution is summarised below:

Countries	Revenue contribution for financial year ended 31 December 2004 RM'000	% of total Group revenue
Malaysia		
Local Free Trade Zone companies	17,547	83.4
Local licensed manufacturing warehouses	34	0.2
Others	429	2.0
US	52	0.3
Thailand	434	2.0
China	2,453	11.7
Australia	33	0.2
Taiwan	53	0.2
Total	**21,035**	**100.0**

As shown above, although the local market contributed 86% of the Group's total revenue, approximately 84% of the total sale of the Group's products were made to local Free Trade Zone companies and local licensed manufacturing warehouses which would ultimately be exported to the global market. The remaining sales to the local market comprise mainly to multinational companies operating in Malaysia.

For the financial year ended 31 December 2004, the Group's direct export sales accounted for approximately 14% of the total Group revenue, with sales to new export markets such as China, Taiwan and Australia. Amongst the products exported are testing systems and trim and form systems.

For the 6-month period ended 30 June 2005, the breakdown of the Group's revenue contribution is summarised below:

Countries	Revenue contribution for 6-month year ended 30 June 2005 RM'000	% of total Group revenue
Malaysia		
Local Free Trade Zone companies	5,806	36.6
Local licensed manufacturing warehouse	362	2.3
Others	23	0.1
US	160	1.0
Thailand	302	1.9
China	9,048	56.9
Australia	112	0.7
Singapore	72	0.5
Total	**15,885**	**100.0**

As illustrated above, for the 6-month period ended 30 June 2005, the Group's direct export sales accounted for approximately 61% of the total Group revenue, with increased sales to China. Amongst the products exported are camera testing systems and camera focusing system. The success of the Group in gaining access to the overseas market is mainly the result of its ability to meet the international standards of quality and expectations of overseas customers.

5.4.6 Market share

Based on the Vital Factor Report, the estimated market size of the specialised industrial machinery and equipment market focusing on electronics and electrical sectors in Malaysia for 2004 based on production output is approximately RM850 million. Based on the Group's total revenue of approximately RM21.0 million in the financial year ended 31 December 2004, the Group accounted for approximately 2.5% of the specialised industrial machinery and equipment market in Malaysia.

5.4.7 Major licenses and permits

Details of the major licenses and permits currently held by the Group are as follows:

Approving authority	Date of issuance/ (Date of expiry)	Type of major licenses / permits	Salient terms / conditions imposed	Status of compliance
Royal Malaysian Customs	22.08.2005/ (18.08.2007)	Manufacturing Warehouse License	(i) No dutiable/taxable goods other than Raw Materials/ Components, machineries that are used directly in manufacturing and finished products as approved by the State Director of Customs can be kept in the Licensed Manufacturing Warehouse; (ii) The machineries that are used directly in manufacturing must be new. Used machinery can only be imported on condition that the licensee has obtained approval from MITI; (iii) A copy of the approved plan of the licensed premise must be displayed at a conspicuous place at the premise; (iv) The licensee is required to submit to the Industry Division of the Customs Department a monthly return in the national language on or before the 28th of the following month. The return must be certified by the company's accountant with details as prescribed in the licence; (v) The licensee is required to submit an audited annual statement of accounts to the controlling Customs Station. The statement of accounts must contain details of raw materials / components used, finished products manufactured, finished products released and balance in stock; (vi) A total of 80% of finished products (in value) is for export and a total of 20% of the finished product is for local market as approved. Release for local sale is subject to any duty / tax applicable at the time;	Complied

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

Approving authority	Date of issuance/ (Date of expiry)	Type of major licenses / permits	Salient terms / conditions imposed	Status of compliance
Royal Malaysian Customs *(Cont'd)*			(vii) The licensee is bound by the General Bond (Bon Am) of RM120,000.00 which is sealed for the purpose of adhering to the Laws and for the safety of duty / tax on raw materials / components, finished products kept in the licensed manufacturing warehouse and the movement of the dutiable goods; and (viii) The licensee is required to inform the Senior Officer of Customs controlling the factory in writing within 14 days if any of the following events occurs: a) Change in the Board of Directors b) Any decision made for the winding up of the company c) Any order made for winding up the company d) Any appointment of liquidator or receiver e) The company is involved in any civil suit or ceased operations	
Royal Malaysian Customs	22.08.2005/ (18.08.2007)	Warehouse License	As above.	Complied
Majlis Perbandaran Pulau Pinang	27.12.2004/ (31.12.2005)	Electrical and Mechanical Works License	The license must be exhibited in the premise where the said nature of works will be performed and must be produced upon inspection by any officer of Majlis Perbandaran Pulau Pinang.	Complied
Majlis Perbandaran Pulau Pinang	07.11.2005	Provisional Licenses for Trade, Business & Industrial Activity and Advertisement	*Provisional License for Trade, Business & Industrial Activity* (i) MMS to maintain the cleanliness of the premises; (ii) MMS to provide adequate area or waste containers for rubbish collection. Rubbish are to be contained in plastic bin liners or suitable containers before disposal into garbage skip; (iii) MMS to take the necessary steps to avoid congestion at its premises;	Complied

Approving authority	Date of issuance/ (Date of expiry)	Type of major licenses / permits	Salient terms / conditions imposed	Status of compliance
Majlis Perbandaran Pulau Pinang *(Cont'd)*			(iv) MMS to provide and maintain suitable workers' mess hall, rest rooms, first aid box, changing rooms and lockers; (v) MMS to avoid making, causing, allowing or authorising the dispersion of dust, gaseous emission, steam, heat, radiation, smell, odour, vibration, smoke or particles from the premises, the amount of which tantamounts to an irritant or air pollution; and (vi) MMS to avoid making or causing irritating noises. *Provisional License for Advertisement* MMS is required to state the advertisement permit number to be assigned when the permit is issued.	
MITI	25.11.2004 (which was subsequently countermanded and replaced with a new MITI license issued on 4 October 2005*)	Manufacturing License	(i) The MITI must be informed of any sale of shares in MMS; (ii) MMS is required to train Malaysians to enable transfer of technology and know-how; and (iii) MMS must undertake projects as approved subject to the above conditions in accordance with the laws and regulations of Malaysia	Complied

Note:

* *Pursuant to the Industrial Coordination Act 1975 in relation to the relocation of MMS from its original operating premises located at 25 Jalan Sungai Tiram 2, Bayan Lepas, 11900 Pulau Pinang to its existing premises located at Plot 84-A, Jalan Lintang Bayan Lepas 9, Taman Perindustrian Bayan Lepas, Fasa 4, 11900 Pulau Pinang. This license shall remain valid until such time MMSV relocates its operations to a different premises.*

5.4.8 Marketing and distribution network

The products and services of the Group are sold directly to various types of end user industries within the electronics and electrical industry such as semiconductors (ICs and electronic components manufacturers and printed circuit board assembly), optoelectronics (parts and components for LED lights) and other electronics and electrical products (computer hardware drive components).

As the products and services of the Group are mainly customised to the specifications and requirements of each customer, significant technical expertise and product knowledge is required in marketing the products effectively. As such, the products are normally distributed directly to the customers by the Group's marketing team together with the engineers. The use of such direct distribution approach not only enables the Group to work closely with its customers to evaluate and better understand customers' needs, but at the same time allows the Group to maintain close working relationship with customers throughout the development process.

Currently, the business development efforts of the Group are managed by the sales and marketing team comprising 4 marketing personnel which is headed by Sia Teik Keat, the Managing Director of MMSV.

Apart from undertaking its own marketing and distribution activities, the Group has also expanded its reach to the global market indirectly through its international customers. By supplying its products and services to international customers such as Agilent, Lumileds and Penang Seagate Industries Sdn Bhd, which would ultimately be exported or used for overseas production, the Group is able to create product awareness in the global markets. As the Group's products become increasingly visible to the global market, the Group expects to increase its sales to the international market in the future.

Overall, the Group has adopted the following marketing strategies:

- position itself as a customised designer and manufacturer of Industrial Automation Systems and Machinery offering wide range of products and services including in-house design, engineering, software development, manufacturing and design of Die Sets, Jigs and Fixtures;

- position itself as an innovative solutions provider supported by in-house R&D, engineering design and software development;

- position itself as a reliable provider of customer service and support through the provision of prior consultation services and reliable network of after sales technical support locally and internationally;

- provide quality products and services backed by in-house R&D, and testing facilities to meet stringent requirements and standards in Industrial Automation Systems and Machinery; and

- expand its market presence overseas and develop new business opportunities through close partnership with existing customers and suppliers.

As part of its strategy to promote its products and services, the Group is planning to participate in exhibitions and conventions locally and overseas. Amongst the overseas exhibitions which the Group had participated include the China Semicon Show 2005 in March 2005 and Singapore Semicon Show 2005 in May 2005. These exhibitions and conventions were visited by top international companies such as Agilent, Hewlett-Packard, Micron Semiconductors Asia, NEC Semiconductors and Panasonic Semiconductors. The Group's active participation in such exhibitions and conventions is aimed at creating customer awareness of the Group's products and services amongst multinational company.

5.4.9 Technology

Technology is the backbone of the Industrial Automation Systems and Machinery and solutions offered by the Group and the Group takes pride in the fact that most of its products are developed in house through the continuous efforts undertaken by its R&D team. Amongst the technologies utilised by the Group for its development of Industrial Automation Systems and Machinery are:

- **Vision systems**

  Vision technology enables machinery to act or react based on a set of rules that are dependent on differences in locations, colours, shapes and markings, and presence or absence of objects. The key component of a vision system is a camera for detection and a highly sophisticated software to interpret images to match against the set of rules. Vision systems are used in automation processes to reduce dependency on humans to undertake repetitive tasks thus enabling faster throughput and less error.

- **Robotics**

  Robotics is a mechanism which is commonly used for performing certain tasks with high speed, precise actions and accuracy, and quality consistency. The Group uses robotics technology for its pick and place function, particularly for electrical and electronics applications.

- **Multi-discipline Engineering**

  Development of Industrial Automation Systems and Machinery relies on a combination of various engineering disciplines including mechanical, electronics, mechatronics, electrical, software and ergonomics.

- **Computing Technology**

  Computing technology is the key control mechanism for automation which enables performance monitoring, tracking and feedback for analysis. All the computing software used by the Group are designed and developed in-house. Amongst the operational tools and languages used by the Group include Vision C++, RTX real time software and Visual Studio.net.

- **Servo Motor Technologies**

  Servo motor technologies are important in the design and manufacture of automation systems where robotic arms are employed.

5.4.10 R&D

Over the years, the MMSV Group has been focusing its R&D efforts towards the continuous development of enhanced products, improvement of operational and manufacturing processes and development of software as part of the automation system. The R&D processes of the Group are primarily in the area of electrical and mechanical engineering, electronics, computing, material science and ergonomics.

The R&D policies of the Group incorporate the following key areas:

- continued involvement in the design and manufacture of Industrial Automation Systems and Machinery to create new and/or enhanced marketable products;
- focused on strategic products that complement and add value to its current products and services;
- focused on providing products and services that consider emerging technologies, customers' changing needs and preferences, changes in economic conditions affecting demand and preferences, industry trends and best practices; and
- customer focused and market driven to maximise success of commercialisation of its products.

The R&D efforts of the Group are aimed towards achieving the following objectives:

- sustaining business growth;
- increase in revenue and profitability;
- improvement in cost effectiveness and efficiencies;
- operation of competitive advantages; and
- increase in customer satisfaction

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

Currently, the Group has R&D facilities which allow the R&D team comprising 5 personnel (including technical engineers, quality assurance personnel and R&D personnel) to design, prototype and test its new products. The R&D team which is headed by Saw Chong Keat continuously undertakes various R&D activities including improvement and enhancement of product range, R&D on conceptualisation and designing processes as well as products specification, develop customised software and prototype, testing and debugging and procurement and design of relevant parts and components.

To undertake its R&D activities, the Group has invested in the necessary infrastructure and facilities set-up including the use of latest measuring tools and equipment, autocad design software, high speed camera and accessories, mechanical system and components, and other related R&D materials. For the past 4 financial years ended 31 December 2004, the Group has spent approximately RM1.4 million on R&D representing an average of approximately 3% of the proforma aggregate revenue of the Group.

Through its continuous R&D efforts, over the years the Group has managed to increase and enhance the types of products offered. The various types of Industrial Automation Systems and Machinery and precision Die Sets, Jigs and Fixtures currently offered by the Group are the result of successful R&D activities undertaken by the Group. This has enabled the Group to spearhead and exercise direct control over the development of its products and services.

In addition, the success of the development of system control software is also one of the key achievements of the Group. The system control software developed by the Group provides the basis for the automation of one or a series of integrated machine and equipment to perform a series of tasks. Other notable achievements of the Group's R&D efforts in software development includes the replacement of PLC-based control system with PC-based motion control system which offers more flexibility, customisation to meet current and future requirements without significant reinvestments in a new system.

The developments and achievements of MMSV's R&D strategy is summarised below:

R&D area	Expected year of implementation					R&D status as at 15 November 2005^
	2004	2005	2006	2007	2008	
New Products						
(a) Precision Encoder-Reader Test Handling System	*					Successful development of running prototype and delivery of the Group's first Precision Encoder-Reader Test Handling System for the semiconductor industry. The Precision Encoder-Reader Test Handling System has been successfully commercialised with 2 units delivered and 2 new orders pending delivery. To improve the marketability of its Precision Encoder-Reader Test Handling System, MMSV is currently developing additional features such as tray input, secondary test (linear) and cosmetic checking features to cater to its customers' varying applications.
(b) Wafer Test, Vision and Sorting System					*	Pending.
(c) Integrated Rotary Test Handling System		*	*	*		Completed design and assembly of prototype that can test inputs between 10,000 to 14,000 units per hour. Debugging and test run commenced in June 2005. MMSV has commenced the development of enhanced features on the Integrated Rotary Test Handling System such as interchangeable modules to enhance the flexibility of this product.
(d) Multiple Head Test Handling System					*	MMSV is currently analysing the trends in market demand, wafer sizes and handling technologies in the electronic wafer industries.

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

R&D area	Expected year of implementation					R&D status as at 15 November 2005^
	2004	2005	2006	2007	2008	
(c) Matrix Programmable Marking System		*				Successful development of running prototype. The Matrix Programmable Marking System has been successfully commercialised for the semiconductor industry with 1 unit delivered in July 2004 ahead of schedule.
New Software Systems						
(a) Factory Information System ("FIS")			*			Completed the following studies: ▪ the international standards governing the format and protocols of machine data exchange ▪ different methods of incorporating messaging systems into factory information systems and their consequences. Data presentation module has been developed, while other modules are undergoing testing and debugging.
(b) Web-based Monitoring System				*		Pending.
New Software Supporting System						
(a) Standardised Software Platform			*			Still under development with partial incorporation into selected machines produced by the Group, such as its Matrix Programmable Marking System (July 2004), latest Linear Trim and Form system (February 2005), and Rotary Test Handling system (Sept 2004). This software provides the standard program template of the machines produced by the Group, which allows the Group's machines to communicate with each other more effectively, thus increasing the connectivity between machines produced. It is currently being upgraded to accommodate "plug and play" functions for modules of other machines. This software is currently being upgraded to incorporate the Real Time Extension software module to perform time critical tasks. The development of the Real Time Extension software module was successfully completed in July 2005 and incorporated in MMSV's first Integrated Rotary Test Handling system. Plug and Play upgrade for this software is expected to be completed by end of 2006.
(b) Control System					*	The existing control systems of the Group's machines, such as that for the Group's Trim & Form systems and Test Handling Systems, are designed to control highly synchronous and repetitive tasks. Continuous enhancement of existing control systems is currently being made to enhance user's ability to programme the Group's machines to undertake more complex repetitive tasks accurately at higher speeds. Further enhancements to be introduced by end of 2005 include control systems, known as e-cam, which will allow users to programme the Group's machines to undertake tasks which are not synchronous thus enabling machines to multi task independently.

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

Note:

^ *being the last practicable date prior to the printing of this Prospectus*

The R&D efforts are viewed as on-going activities for the Group and are driven not only by changes in customer specifications and requirements but also the initiatives of the Group to conduct market research to understand the technological changes and outlook of the industry. To brace itself for such changes and stay ahead of the competition, the Group is presently working towards enhancing its existing product portfolio to provide customers with either faster output or to handle more complex applications as well as focusing on the areas of software and systems development to enhance the functions of existing software modules.

Hence, as part of the future business development plan, the Group intends to allocate part of the proceeds raised from the Public Issue amounting to RM2.5 million to undertake further R&D activities. Further details of the future plans of the Group for its R&D efforts are set out in Section 5.6 of this Prospectus.

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5.4.11 Major customers

The products and services of the Group are sold directly to various types of end user industries within the electronics and electrical industry such as semiconductors (ICs and electronic components manufacturers and printed circuit board assembly), optoelectronics (parts and components for LED lights) and other electronics and electrical products (computer hardware drive components).

Details of the Group's top 10 customers for the financial year ended 31 December 2004 are as follows:

Customers	Contribution to Group's revenue for the financial year ended 31 December 2004 (%)	Length of relationship (years)
Agilent	44.3	6
ASE	24.7	1
USI	11.7	1
Lumileds	9.9	5
ISO Technology Sdn Bhd	2.8	5
MCE	2.0	1
Hana Microelectronics Public Company Ltd (Thailand)	2.0	2
Osram Technologies (M) Sdn Bhd	1.2	1
Viewlink Technology Co. Ltd	0.3	1
Guide Corporation (US)	0.3	4
Total	**99.2**	

As illustrated above, in the financial year ended 31 December 2004, 3 major customers of the Group, namely Agilent, ASE and USI contributed approximately 80.7% of the Group's total revenue. Agilent was an existing customer of the Group while ASE and USI were new customers secured by the Group in 2004.

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5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

Details of the Group's top 10 customers for the 6-month period ended 30 June 2005 are as follows:

Customers	Contribution to Group's revenue for the 6-month period ended 30 June 2005 (%)	Length of relationship (years)
Flextronics	56.7	New Customer
Lumileds	11.3	5
Agilent	10.0	6
ASE	9.4	1
Dominant Semiconductors Sdn Bhd ("Dominant")	2.3	New Customer
Osram Opto	2.2	New Customer
Hana Microelectronics Public Company Ltd (Thailand)	1.9	2
Flextronics Manufacturing (M) Sdn Bhd	1.5	New Customer
Osram Technologies (M) Sdn Bhd	1.4	1
Seagate Technology LLC (USA)	1.0	New Customer
Total	**97.7**	

The Group recognises the need to expand its customer base and thus seeks to minimise its dependency on certain customers. As such, the Group is taking proactive steps to widen its customer base while exploring new markets for its products. As the Group's customers are mainly multinational companies with large global operations around the world, the market leadership and extensive global operations provide significant opportunities for the expansion of the Group's customer base. The Group believes that the global leadership of these customers will continue to provide business growth for the MMSV Group in the future.

In this regard, the Group managed to expand its customer base from 19 active customers for the financial year ended 31 December 2004 to 30 active customers for the 10 month period ended 31 October 2005. Further, for the 6 month period ended 30 June 2005, the Group was able to diversify the composition of its top 3 customers whereby 78.0% of the Group's revenue was contributed by Flextronics (56.7%), Lumileds (11.3%) and Agilent (10.0%). Flextronics was a new customer secured by the Group in 2005 while Lumileds and Agilent were existing customers of the Group.

Currently, the Group does not have any formal long-term contracts with its existing customers as it is a common industry practice to enter into short term sales contracts via confirmed purchase orders as and when the requirement for automation systems arises. Despite the absence of long-term contracts with its customers, the Group has nevertheless been able to establish strong relationships and proven track record in terms of providing quality products and services, which has earned the confidence and recognition of its existing customers. The Group's emphasis has always been in cultivating a stable business relationship with its customers. This is demonstrated by the fact that 4 out of its top 10 customers as at 31 December 2004 have been dealing with the Group for 3 or more years, notwithstanding the Group's efforts to enlarge and diversify its customer base.

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5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

The principal activities of MMSV Group's major customers relevant to MMSV's operations (to whom sales exceeded 2% for the 6-month period ended 30 June 2005) are as follows:

Customer/ (Group Origin)	Principal Activity
Flextronics (Singapore)	Flextronics is a contract manufacturer and electronics manufacturing services provider. Flextronics help customers design, build, ship and service electronics products, such as solutions for cellular phones and other consumer-related devices, through their network of manufacturing facilities.
Lumileds (US)	Lumileds is a manufacturer of LED dices, packaged LEDs and high-brightness LEDs designed for integration into general lighting products.
Agilent (US)	Agilent manufactures electronic equipment and/or components such as test and measurement equipment, semiconductor products, life sciences and chemical analysis solutions, communication solutions and automated test equipment.
ASE (Taiwan)	The ASE Group provides assembly and test (function and defect) outsourcing services for the semiconductor industry.
Dominant (Malaysia)	The primary activity of the company is the provision of outsourcing services for the designing, development, assembly and testing of opto semiconductors.
Osram Opto (Germany)	Osram Opto is a manufacturer of, inter-alia, LEDs, silicon photodetectors, optical sensors, infrared emitters, high-power laser diodes and electronic displays.

(Source: Management of MMSV)

Apart from the aforesaid major customers, the Group has also built strong business relationships with the other existing customers, whereby approximately 20% of its top 10 customers as at 30 June 2005 have been dealing with the Group for 5 or more years.

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5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

5.4.12 Major suppliers

For the financial year ended 31 December 2004, the top 10 suppliers of the Group accounted for 63.9% of the Group's total purchases. Thus far, the Group has not experienced any shortages in the supply of raw materials for its operation.

Details of the Group's top 10 suppliers for the financial year ended 31 December 2004 grouped based on the raw materials supplied are as follows:

Materials supplied	Suppliers	Contribution to Group's purchases for the financial year ended 31 December 2004 (%)	Length of relationship (years)
Hardware – Pneumatics	Festo Sdn Bhd	6.2	6
	SMC Pneumatics (SEA) Sdn Bhd	3.2	6
Hardware – Motors	Hikari Automation Systems Pte Ltd (Singapore)	4.7	5
Hardware – Electrical components	Elcomp Trading Sdn Bhd	4.1	6
	RDV (S) Pte Ltd	3.7	2
	Advantech Automation (PG) Sdn Bhd	3.2	6
Services – Tooling and Machining	MCE	27.1	6
Services – Sheet Metal Work	U-Metal Engineering Sdn Bhd	3.9	6
Services – Wiring	Unique Visoft Engineering Sdn Bhd	3.3	6
Others	Flexible Automation Systems Sdn Bhd	4.5	6
Total		**63.9**	

For the 6-month period ended 30 June 2005, the details of the Group's top 10 suppliers grouped based on the raw materials supplied are as follows:

Materials supplied	Suppliers	Contribution to Group's purchases for the 6 months financial period ended 30 June 2005 (%)	Length of relationship (years)
Hardware-Tester	Elsoft Research Berhad	45.8	2
Hardware – Pneumatics	SMC Pneumatics (SEA) Sdn Bhd	2.9	6
	Festo Sdn Bhd	1.9	6
Hardware – Motors	Hikari Automation Systems Pte Ltd (Singapore)	2.2	5
Hardware – Electrical components	Cadence Technologies Pte. Ltd	4.2	1
	Aemulus Sdn Bhd	3.7	2
	RDV (S) Pte Ltd	2.2	2
	Elcomp Trading Sdn Bhd	1.5	6
Services – Sheet Metal Work	U-Metal Engineering Sdn Bhd	2.3	6
Others	Flexible Automation Systems Sdn Bhd	2.8	6
Total		**69.5**	

For the 6-month period ended 30 June 2005, Elsoft Research Berhad was the top supplier in terms of contribution to the Group's purchases during the period, which arose from the Group's compliance with a commercial term and hardware specification required by a certain customer. The Group is of the view that it is not dependent on any single supplier as the Group can easily source its supply of materials which are widely available. Further, the Group does not have any formal long-term contracts with its suppliers as the supply of materials required by the Group can be easily sourced, rendering it unnecessary for the Group to enter into long-term contracts with its suppliers.

5.4.13 Competitive advantages

The Group provides the convenience of a one-stop-solution centre offering a wide range of products and services as well as flexibility to cater for customisation and changing needs. The complete range of services offered by the Group encompass the designing of the automation systems based on the requirements of its customers, development of the required software to operate the systems, designing of the component parts, assembly of the complete automation systems and providing technical support and after sales service to ensure the smooth running of the automation systems.

The Group believes that it has the following competitive advantages over its competitors:

- **High value adding**

  The Group offers high value adding products and services to its customers as the Group provides comprehensive services right from the stage of conceptualisation and engineering design, software development and design of precision Die Sets, Jigs and Fixtures up to manufacturing of the systems and machinery. The value adding of the Group is derived from the following activities:

  (i) Knowledge and technology based products

  The Group's design and manufacture of Industrial Automation Systems and Machinery essentially combines basic materials such as iron and steel, plastic parts, cables and wires with complex components and services such as electronic parts, electronic switches and controls, IC chips and other electronic components, motors and software development to create fully automated systems and machinery.

  The MMSV Group is able to undertake such highly skilled and technical design and manufacture activities due to its vast knowledge and experience as well as its extensive skill set and expertise which includes, amongst others, trouble shooting skills, innovative thinking, technical skills, multi-discipline engineering expertise and manufacturing capabilities. Further, the Group also utilises advanced technologies such as vision system, robotics, multi-discipline engineering, computer technology and servo motor technology, as well as innovations and knowledge-based skills to create value to its customers through the development of innovative solutions and systems.

  The Group is able to enhance the value of its products and services through its ability to apply and commercialise multi-discipline technologies such as electrical, electronic, mechatronics, mechanical, computing, material science and ergonomics, in developing manufacturing solutions in the form of Industrial Automation Systems and Machinery. The value of the MMSV Group's products and services is further strengthened due to the constant drive to undertake R&D in engineering technologies in order to solve manufacturing problems and create innovative solutions.

  Hence, the Group's innovative and practical application of engineering technologies coupled with its knowledge, skills and experience significantly enhances the value of the products and services which the Group can offer to its customers.

(ii) R&D

The R&D activities of the Group are critical for the design and manufacture of Industrial Automation Systems and Machinery as well as product enhancement. This involves the utilisation of leading technologies to ensure products and services are up to date and meet customers requirements.

Over the years, through its continuous R&D efforts in software development, the Group has managed to develop faster and more intelligent automation systems. These enhanced systems are also more flexible and incorporate options which allows easy conversion and upgrade of existing systems as and when new features or specifications are required, thereby reducing the cost of replacement for its customers. This in turn is expected to indirectly generate repeat orders for the Group, thus maintaining a continuous relationship with its customers.

Apart from the in-house R&D efforts to enhance its own products, the Group also undertake R&D together with its customers during the inception stage of the customers' new product development. Such joint effort not only enables the Group to better understand the customers' products and as such, the Group is able to design suitable automation systems that meet the manufacturing process requirements, but also allows both parties to share their technical knowledge and skills to assist the customers towards successful development of new products.

(iii) Technical support and customer service

The Group also emphasises on providing technical support and customer service both before and after sales. Prior to the delivery of the automation systems, a team of engineers and technical personnel will be involved in the product development process of the customers in order to design and develop the automation systems required to meet the customers specifications. Subsequently, upon delivery of the automation systems, a group of technical personnel will provide assembly and servicing services including buy-offs for the customers. At the same time, the technical personnel will also provide training for the customers' personnel to ensure smooth commissioning of the automation systems. Further, the Group provides overnight service support to distinguish itself from its competitors.

(iv) High precision Die Sets, Jigs and Fixtures

Apart from its strength in designing and manufacturing automation systems the Group is also known for its in-house design capabilities for high precision Die Sets, Jigs and Fixtures. The Group's ability to design Die Sets and cam-based systems for integration into automation systems enables the production of high precision, accurate, reliable and faster equipment. It also enables the Group to innovate as it undertakes its own design of the precision Die Sets, Jigs and Fixtures.

- **High quality products**

The Group is committed to ensuring high quality products that meet the specifications and expectations of its customers. This is demonstrated through its emphasis on adhering to stringent quality control management beginning with the project planning and management stage up to the testing of the completed products. As a testimony of the emphasis on quality management, MMS has been accredited with the ISO 9001:2000 accreditation since 2 May 2000 which was subsequently renewed on 18 June 2004. This certification provides customers with greater assurance in the quality of products designed and manufactured by the MMSV Group.

- **In-house R&D capabilities**

  The Group continuously undertakes in-house R&D activities as part of the product development process and customisation to meet the specifications and requirements of each customer. Such R&D efforts are undertaken at different stages of the product development and customisation beginning from the system conceptualisation, designing of systems, parts and equipments and the deployment of relevant technologies into the systems and machinery.

  The various types of Industrial Automation Systems and Machinery and precision Die Sets, Jigs and Fixtures currently offered by the Group are the result of successful R&D activities undertaken by the Group. This has enabled the Group to spearhead and exercise direct control over the development of its products and services. The ability of the Group to utilise such in-house R&D capabilities not only allows the Group to offer products which meet the specifications and requirements of customers, but also enables the Group to provide innovative engineering solutions.

  As all the products currently offered by the Group are the result of its successful R&D efforts, the Group is not subject to any royalties or franchise fees, except for the subcomponents procured directly from its suppliers. Through the continuous success of its R&D efforts, future products can also be created by the Group without the need to license any technologies or intellectual properties. The development of enhanced products would provide the Group with a basis for sustainable business and growth in the future.

  Apart from the in-house R&D efforts, the Group also undertakes R&D programmes through partnership with its customers. This approach which allows the Group to work simultaneously with its customers on product development not only shortens the delivery lead time considerably but also provides the opportunity for the Group to anticipate the changing demands of its customers through a better understanding of their product road map. In turn, this enables the Group to be proactive in the designing of its products and ensure timely development of new products to meet customer needs and gain a competitive edge against its competitors through product differentiation and market leadership.

- **In-house software design and development**

  The strength of MMSV Group also lies in its ability to create innovative and customisable software, which is the engine of intelligence of its automated systems and machinery. With an innate strength in software technology, the Group has been able to design software applications that facilitate the control of the integrated automation machinery designed by the Group. Thus, having an in-house software design and development team provides the Group with another competitive edge.

  Software development requires advanced technological know-how and also the expertise of the computer system engineers. The Group has the in-house capabilities to undertake software design and development enabling it to provide customised software to control the various functions of the systems and machinery. To-date, all the systems and machinery produced by the Group are controlled by software which are developed in-house.

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The MMSV Group strives to continuously improve the software contents of its automation systems to cater for wider applications, increased versatility, intelligence and speed. Such improvements are essential to meet the rapid technological changes and the short product life cycles faced by customers. Amongst the successful development and improvement of its software capabilities include, the successful development of its standard PC-based software platform that acts as the "backbone" program for the development of control systems for all its automation systems and the integration of real time system into its automation systems. Through such developments, the Group has been able to rely on one standard software platform for the design of various types of automation systems, thus shortening the lead-time for design and delivery of its products. Further, the use of standard platform in the design of various automation systems provides the Group with the flexibility to cater for any subsequent modification of the automation systems, thereby making it cheaper for its customers to vary production capabilities.

The ability of the Group in integrating the various improvements in its software development into its hardware design has enabled the MMSV Group to maintain its competitive edge through the development of faster, intelligent and more efficient automation systems.

- **Effective sales and marketing approach**

The Group's marketing team has extensive engineering knowledge and in-depth technical understanding on the Group's products as well as an existing marketing network within the industry both locally and internationally. This enables the Group to market and distribute its products effectively.

The Group's engineers are also involved in marketing the products and services of the Group as significant technical expertise and product knowledge is required in marketing the products effectively. This approach not only enables the Group to work closely with its customers to evaluate and better understand the customers' needs, but at the same time allows the Group to maintain close working relationship with the customers throughout the development process. In addition, this allows the Group to better understand the product road map of its customers, hence providing the Group with a first mover advantage to design automation systems to cater for new product specifications of its existing customers.

- **Highly skilled and capable personnel**

The vast experience and expertise of the current management and key personnel is an invaluable asset to the Group. The Group's key personnel have gained valuable experience and insights while participating in customers' products and process developments to enable them to identify new markets and cross industry borders. The sound technical knowledge together with the vast experience of its key personnel have enabled the Group to gain a competitive edge over its competitors and contributed significantly to the growth of the Group over the years.

In order to instil a high sense of belonging to the Group and teamwork amongst its employees, the Group maintains a flat organisation structure, thus creating a supportive working environment. This has enabled the Group to maintain a stable workforce and continuity in the management since the commencement of its operations in 1999. Essentially, the Group's human resource policy, which promotes employee satisfaction and loyalty, has enabled the Group to preserve its technical know-how and expertise, and instil customer confidence in the continuity of Group's product development and after sales services.

The Group focuses on providing continuous in-house technical training either through job coaching by the senior management or on the job training, and ongoing external training to help its employees gain new knowledge and experience to help the Group continue to grow in the future.

At the same time, the Group also encourages its employees to pursue higher education and self-development by providing sponsorship to its employees for tertiary education at local universities. So far, the Group has sponsored 3 of its employees to further their education for Masters of Science degree under a joint program between University of Teknologi Malaysia and Warwick University (United Kingdom).

Further, as part of the long term plan to nurture its key management, the Group also undertakes various efforts to groom younger management staff to participate in the management of the Group. Great emphasis is placed on teamwork to encourage each employee to contribute to the success of the business of the Group.

- **Established track record and experience**

Over the years, the Group has established a track record in terms of the quality standards and timely delivery of its products. This provides a good reference in terms of the capabilities and reliability of the Group in meeting customers' technical and timing specifications.

Further, with the vast experience in the design of various automation systems, the Group has managed to build an extensive database or design library which houses all the hardware and software designs developed for previous modules.

The wide range of designs available allows the Group to develop new products using previous modules, resulting in faster delivery time, lower tooling and design costs and enhanced capabilities to meet customers' specifications. This provides the Group with a competitive advantage over smaller or less experienced companies.

- **Healthy financial position**

The Group has established a good and healthy financial performance for the past 5 financial years recording growth and profitability throughout the period. In addition, currently the Group has no borrowings. The Group has been relying on internally generated funds and capital injection from its shareholders to finance its growth and operations. This relieves the Group from any financial obligations and from incurring financial costs thus improving the profitability of the Group. Furthermore, without any existing financial obligation, the Group will be in a better position to obtain financing for further expansion.

5.4.14 Employees

As at 15 November 2005, the Group has a total workforce of 60 employees. The breakdown of the Group's employees is as follows:

Category	No. of employees	Average years of service (years)
Management and professionals	8	5
Technical professionals		
Engineers [1]	26	3
Quality Assurance	1	1
R&D	6	3
Sales and marketing	3	3
Clerical and administrative	7	2
Factory workers – skilled [2]	9	4
Total	60	

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

Notes:

1. *Engineers include Senior Project Engineers, Machine Design Engineers, Electrical Control Engineers and Control and Software Engineers*
2. *Skilled factory workers include assembly and service technician and machinists*

As at 15 November 2005, except for two foreign employees, all of the Group's employees are Malaysian.

The relationship and co-operation between management and employees have been good and such relationship and co-operation are expected to continue in the near future. There have been no work stoppages or labour disputes affecting the Group's business nor has the Group experienced any significant turnover of employees. The employees of the Group do not belong to any organised union.

The Group focuses on providing annual training programmes, both in-house and external training. In-house training programmes which focus on technical training by senior management include computer aided manufacturing designs/calculation, motor selection, production management, project management, velocity analysis and servo development while external training which focus on management training are in the areas of supervisory, presentation skills, sales and marketing and just-in-time management system.

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5.4.15 Development milestones

The significant development milestones for the Group can be segregated into the hardware development and software development as described below:

(i) Hardware development

Year	Achievements
2000	• Successful development of running prototype of the Group's first linear trim and form machine for the semiconductor industry • Successful development of running prototype and delivery of the Group's first stand-alone vision inspection system for the semiconductor industry to serially inspect and grade inputs according to marking on transistors, cracks, chips or forming profile, void in packages of semiconductors and/or bent leads • Successful development of running prototype and delivery of the Group's first LED lens attachment machine to attach lens onto LED units for the semiconductor and consumer electronics industry • Successful development of running prototype and delivery of the Group's first optical mouse lid attachment system for the computer industry
2001	• Successful delivery of the Group's first linear trim and form machine for the semiconductor industry • Successful development of running prototype of the Group's first cellular phone embedded camera focusing system for the mobile phone industry • Successful development of running prototype and delivery of the Group's first LED assembly machine with service driven press utilising clinching technology for the optoelectronics industry. The assembly machine which uses clinching technology to assemble LEDs on vehicle tail light products, was developed for the LED production process patented by Lumileds. It is currently widely used to assemble tail lights for well known manufacturers such as Mercedes, Lexus and Ford
2002	• Successful development of running prototype and delivery of the Group's first high speed turret test handling system, an integrated system of testing, trimming, forming, vision inspection, sorting and taping capabilities for the photo-electronics industry • Successful delivery of the Group's first cellular phone embedded camera focusing system for the mobile phone industry • Successful development of the Group's first inkjet marking machine for the electronics industry
2003	• Successful development of running prototype and delivery of the Group's first tape to tape test handling system to conduct tests and identify defective units in recalled batches of electronics products • Successful development of running prototype and delivery of the Group's first optical mouse tube to tube test handling system • Successful development of running prototype and delivery of the Group's first mobile phone embedded camera testing system for mobile phone applications under a joint R&D venture with Agilent • Successful development of running prototype of the Group's first tray to tray test handling system designed to manipulate input devices into testing stations for the electronics industry

Year	Achievements
2004	• Successful delivery of the Group's first tray to tray test handling system designed to manipulate input devices into testing stations for the electronics industry • Successful development of running prototype and delivery of the Group's first Precision Encoder Reader test handling system to test the sensitivity and data reading accuracy of a moving encoder reader used in surveillance systems and weapon targeting systems in the military • Successful development of running prototype and delivery of the Group's first OLED fully automatic laser marking system to mark organic LEDs glass screens for TV and display applications

The status on the Group's hardware development as at 15 November 2005, in accordance with the Group's 5-year business development plan, is outlined in Section 5.4.10 of this Prospectus.

(ii) Software development

Year	Achievements
1999	• Successful development of the Group's first PC-based software for the development of control systems for its automation systems
2000	• Successful development of software for the Group's first vision inspection system
2001	• Successful development of a standard PC-based software platform known as Personal Computer Machine Control Application for Controlling ("PCMCA") using C++ programming and Windows NT which acts as the "backbone" program for the development of control systems for all its automation systems
2002	• Successful implementation of PCMCA into all machines built by the Group
2003	• Successful development of a machine control software platform based on Microsoft's software technology, .Net framework known as MCSP.Net which enables the Group to create Windows-based user interface, data access and web application
2004	• Successful implementation of MCSP.Net in the control software creation for new machines built by the Group

The status on the Group's software development as at 15 November 2005, in accordance with the Group's 5-year business development plan, is outlined in Section 5.4.10 of this Prospectus.

5.4.16 Interruptions to operations

There has been no interruption to operations in the Group's business or operations in the past 12 months.

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5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

5.5 Subsidiary and associated companies

As at 15 November 2005, the details of the subsidiary companies of MMSV, all of which were incorporated in Malaysia, are as follows:

Name	Date / Place of incorporation	Issued and paid-up share capital (RM)	Effective interest (%)	Principal activities
MMS	14 February 1997, Malaysia	3,500,000	100.0	Design and manufacture of Industrial Automation Systems and Machinery, and design of precision Die Sets, Jigs and Fixtures
Evolusys	22 June 2002, Malaysia	10,000	100.0	Provision of software development

As at 15 November 2005, MMSV does not have any associated company.

Further information on the subsidiary companies of MMSV is set out hereafter.

5.5.1 Information on MMS

(a) History

MMS (Company No.:419556-V) was incorporated in Malaysia under the Act on 14 February 1997 as a private limited company under its present name. In 1999, MMS commenced operations in the design and manufacture of Industrial Automation Systems and Machinery focusing on handler systems for the semiconductor and optoelectronics industries. Presently, MMS is principally involved in the design and manufacture of Industrial Automation Systems and Machinery and design of precision Die Sets, Jigs and Fixtures.

(b) Share capital

The present authorised share capital of MMS is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 3,500,000 ordinary shares have been issued and fully paid-up.

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

Date of Allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
21.02.1997	2	1.00	Subscribers' shares	2
01.06.2004	3,499,998	1.00	Cash	3,500,000

(c) Substantial shareholders

MMS is a wholly owned subsidiary of MMSV. Please refer to Section 6 for information on MMSV's substantial shareholders.

(d) Subsidiary and associated companies

As at 15 November 2005, MMS does not have any subsidiary or associated company.

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

5.5.2 Information on Evolusys

(a) History

Evolusys (Company No.:583890-U) was incorporated in Malaysia under the Act on 22 June 2002 as a private limited company under its present name. In 2002, Evolusys commenced operations as a software development company principally engaged in the business of providing consultancy services and supply of software on industrial automation control systems to MMS and external parties. However, in conjunction with the Group's business development plan, the activities of Evolusys were streamlined in 2004 to provide support solely for the design and manufacture operations of MMS, focusing on mainly the development of software for the Group's industrial automation systems. Presently, Evolusys is principally involved in the provision of software development.

(b) Share capital

The present authorised share capital of Evolusys is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 10,000 ordinary shares have been issued and fully paid-up.

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

Date of Allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
22.06.2002	2	1.00	Subscribers' shares	2
04.07.2002	18	1.00	Cash	20
20.05.2004	9,980	1.00	Cash	10,000

(c) Substantial shareholders

Evolusys is a wholly owned subsidiary of MMSV. Please refer to Section 6 of this Prospectus for information on MMSV's substantial shareholders.

(d) Subsidiary and associated companies

As at 15 November 2005, Evolusys does not have any subsidiary or associated company.

5.6 5-year business development plan

The business vision of the MMSV Group is to be "*the leader and global provider of innovative and advanced Industrial Automation Systems and Machinery offering research, design, integration and manufacturing services*". In order to achieve this vision, the Group strives to continue excelling in its core business of design and manufacture of Industrial Automation Systems and Machinery as well as continuously improving its R&D activities, its provision of customer service and technical consultation and engineering solutions and its business partnerships with customers and industry players. The Group is committed to providing total engineering solutions and to be best-in-class.

In line with its business vision, the Group's business development plans are focused on achieving the following objectives:

(i) enhancing its existing product portfolio to provide customers with either faster output or to handle more complex applications;

(ii) focusing its efforts to embark on R&D activities particularly on the areas of software and systems development to enhance the functionality of the Industrial Automation Systems and Machinery designed and manufactured by the Group;

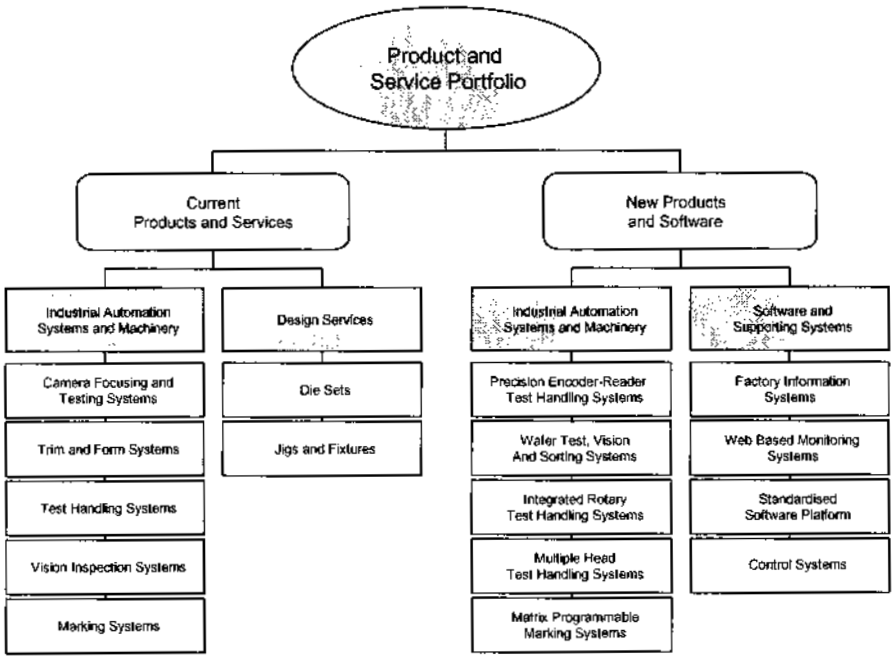
(iii) focusing its sales and marketing efforts to develop new sales and distribution channels for market expansion through collaborations and business partnerships; and

(iv) enhancing the quality of its services by focusing on provision of before and after sales services and customer technical support.

Product strategy

The Group plans to expand its current product portfolio by incorporating new products focusing on improving areas such as functionality in terms of handling more complex applications and continuous improvements in speed of processing and ultimately speed of output. The main focus of the Group's product development strategy is to design flexible systems suitable for multiple applications through modularisation and enhancing value added features to its existing product lines.

The full product and service portfolio of the Group is as illustrated below:



Examples of the new products include:

(i) Precision Encoder-Reader Test Handling Systems

The Group intends to design and develop a system for testing the sensitivity of products as well as accuracy of reading from encoders that are mounted on high-speed spindle. The system is featured with pick and place mechanism, carrousel turntable and pick up head turret rotary indexer. It will also be programmed to perform polarity check and correction of orientation prior to testing. Software programmes developed by the Group will be integrated with a database management system for data collection, statistical analysis, information processing and customisation of test functions such as electrical and optical tests and 2D / 3D vision inspection functions.

(ii) Wafer Test, Vision and Sorting Systems

The Group intends to design a system to perform tests and categorisation specifically to handle leadless IC chips. The system will be designed to include turret head pick and place mechanism with 12 servo axes. In addition, vision function will be incorporated to determine the accurate location of items and perform inspection on packages defects such as cracks, chip or other dimensional and geometric defects. This system will allow critical process design variables to be changed quickly without code writing, resulting in fast process changeovers and minimum machine downtime. This flexibility will be an important feature for customers as it caters for constant change of product specifications.

(iii) Integrated Rotary Test Handling Systems

The Group intends to design an integrated end-of-line equipment using turret machine platform for short test-time discrete products such as transistors, diode, capacitors, power devices and leadless packages. The design of the system is based on rotary technologies driven by servomotors with multi processing capability for optimum speed and performance capabilities. The system will be capable of handling multiple test functions including electrical and optical tests, and vision inspection for marking lead profiles and defects.

(iv) Multiple Head Test Handling Systems

The Group intends to design a standard machine platform to conduct simultaneous testing of multiple devices by applying pick and place mechanism using robotic techniques and standard linear tray-to-tray mechanism. The system is expected to offer highly productive capability for long test-time devices applying simultaneous testing approach. With this system, 80% of the cycle time is expected to be utilised for test operations, thus increasing efficiency and output. The system can be customised through software programs to include capabilities to perform embedded diagnostics, data collection, motion control instructions, graphical presentation and statistical analysis functions

(v) Matrix Programmable Marking Systems

The Group intends to develop a Matrix Programmable Marking System using ink or laser technologies. The system is capable of marking on surfaces in strip leadframe, either in row, matrix or loose units. The system can be programmed according to the arrangement of the items, marking content and size, whilst the date can also be stored for retrieval purposes for ease of product conversion. The system, which is designed to cater for smaller sized parts and components, will be capable of marking high density barcode symbols and storing more information within a smaller space.

R&D strategy

In order to further enhance the functionality of its products, the Group intends to also focus its R&D efforts on software and systems development whilst at the same time continuously research and develop products and services to ensure product sustainability and to cater for technological changes. An amount of RM2.5 million from the proceeds raised from the Public Issue will be utilised by the Group towards such R&D efforts.

The underlying impetus of the Group's R&D strategy is to develop both its engineering and software capabilities to support its product development strategy through:

(i) increasing the flexibility of the Group's products to cater for multiple applications as well as the accuracy and reliability of the Group's machines in volume, complexity and/or in inspection;

(ii) increasing the dexterity of the Group's products, i.e. capability to handle smaller and/or more fragile manufacturing inputs;

(iii) increasing the intelligence and competency of the Group's products by being able to recognise different modules and undertake various functions including decision making; and

(iv) increasing the user-friendliness of the Group's products as well as the usefulness by enabling their program to interface with other factory/business management systems.

Examples of the R&D activities on software and systems development to be undertaken include:

(i) New software systems

Factory Information Systems

The Group intends to develop a real time production floor monitoring system with the capability to automatically transfer data from machines on the production floor to factory management systems or enterprise resources planning system. The data collected by this system will be complied for analysis and statistical presentation. This enables decision making to be based on current information while minimising data entry error and redundancy. Data can also be stored in the system database and tracked for performance.

Web-Based Monitoring Systems

The Group intends to incorporate web-enabled program to facilitate remote monitoring, trouble shooting and debugging. The Group plans to deploy local area networking loops to configure and integrate the Industrial Automation Systems and Machinery from factory floor to business system. This integration will provide a common point of access for production data and a single interface between production and business system.

With real time/online system and associated data analysis, it will provide factory decision makers with immediate access to detailed, real-time factory information. Further, through the system, subtle process inefficiencies and product quality problem can be detected and corrected immediately, and provides centralisation of data for further analytical analysis and reporting.

(ii) New software supporting systems

Standardised software platform

The Group intends to develop a standardised software platform to cater to all types of Industrial Automation Systems and Machinery to minimise the need for customisation through developing standardised programming structure as well as incorporating improvements such as embedded diagnostics, data collection and statistical analysis functions. This platform will also provide features such as remote debugging and trouble shooting technology through networking. Further areas of R&D in software development include creation of advance graphical user interface to enable ease of operation, maintenance and system performance monitoring. The successful development of this platform will provide the basis of integration into factory information system.

Control Systems

One of the areas of R&D in control system includes synchronising the Industrial Automation Systems and Machinery with multi-axis motion control. The purpose of this R&D is to focus on the application of electronic cam. This technology can be applied to the control of machines having multiple synchronised axes. The system will be an embedded modular control system with plug and play features and interchangeable capability to enable application for multiple processes tie-line system. The Group also plans to adopt an open system using PC-based motion control system and utilise Ethernet local area networking for motion control network.

Apart from the above, the Group will also undertake R&D in the area of manufacturing process improvement with the aim of enhancing its manufacturing processes through machine integration and optimising test debugging processes. Such R&D efforts include selection of process flow best practices, continuous evaluation and improvement of existing processes and procedures to optimise work flow, modification of existing machinery and equipment to increase efficiency in the production process, creation of new peripherals and jigs to increase effectiveness and efficiency of production and application of innovation and new technologies. Through improvements in manufacturing processes, the Group aims to increase cost competitiveness for its products and services, improved product quality and faster turnaround for manufactured products. In addition, the MMSV Group will also undertake significant R&D in engineering related fields to improve its manufacturing processes. The developments and achievements of MMSV's R&D strategy is summarised in Section 5.4.10 of this Prospectus.

Market expansion strategy

The Group's main marketing strategy is to consolidate its local base and strengthen its position in the domestic market by servicing a larger number of customers while expanding into the overseas market. Previously, the Group has concentrated its marketing efforts on only certain customers in order to gain recognition in the industry. However, as part of its plan to expand its market coverage, the Group is looking into the possibility of obtaining new customers, both locally and internationally. To achieve this, the MMSV Group has expanded its sales and marketing team to include a total of 4 marketing personnel, 2 of which are dedicated to international sales and marketing, concentrating on Europe, US, Thailand, China and Japan. To expand its sales and marketing efforts both locally and overseas, the Group intends to set up sales and marketing offices in Melaka and Seremban to cater for the new local markets, and appoint sales agents in Germany to cater for the new overseas markets.

If the Group is successful in penetrating these new international markets, the MMSV Group intends to further strengthen its distribution channels by setting-up its own offshore marketing arm in the future.

Further, the Group also plans to expand its presence globally in the long term in order to gain worldwide recognition. As an initial step, the Group will be focusing its effort towards establishing a close relationship with its existing international customers in order to tap into their global customer base. In line with this strategy, the MMSV Group is looking into the possibility of establishing business partnerships with multinational equipment suppliers by becoming their original equipment manufacturer to cater for the production facilities worldwide. This would not only indirectly open up new geographical markets for the Group, but would also indirectly enhance the technological expertise of the Group through world-class technological transfers. At the same time, the Group will also be able to accelerate the process of brand building and market expansion by tapping into the marketing and distribution channels of these strategic business partnerships.

At the same time, through its R&D activities, the Group is also planning to penetrate into new industries such as the automobile, warehousing and IT industries.

Apart from undertaking new marketing strategies, the Group also plans to participate in local and overseas exhibitions in order to promote its products in new markets. For example, in 2005, the Group had participated in its maiden exhibition in China, namely the China Semicon Show 2005 in March 2005 and the Singapore Semicon Show 2005 in May 2005, where the Group displayed its range of products from test handlers for its LED package to camera module focusing test handlers. The Group also displayed its capabilities in trim and form systems and laser marking handlers in the two exhibitions. The Group's main objective for its involvement in semiconductor exhibitions in the Asia Pacific is to create awareness of the Group's comparative advantage and to showcase its capabilities, especially on test and packaging, to a regional audience where demand for test and assembly processes is growing.

5. INFORMATION ON THE MMSV GROUP *(Cont'd)*

Customer services strategy

Apart from promoting its high quality products, the Group believes that timely delivery of products and services and customer service are equally important. As such, the Group intends to win the confidence of its customers by increasing the coverage and depth of its customer support to position itself as a reliable solutions provider. The customer and technical support strategy includes the provision of before sales services i.e. pre-order consultancy services to minimise potential manufacturing issues by identifying the customers' product development road map at conceptual stage. Meanwhile, the after sales technical service involves the provision of training to customers on the operation and maintenance of the automation systems as well as trouble shooting/debugging during on-site test run.

In line with its market expansion strategy, the Group plans to expand its team of technical personnel, especially in assembly and after sales service to cater for international customers. For this purpose, the Group is looking into the feasibility of setting up service centres in overseas markets to be closer to its customers in order to provide fast and efficient customer services and technical support as and when required by customers.

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