1. SUMMARY INFORMATION

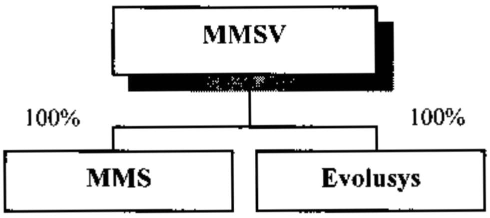
THIS SECTION OF THE PROSPECTUS REPRESENTS ONLY A SUMMARY OF THE SALIENT INFORMATION IN RELATION TO THE MMSV GROUP AND SHOULD BE READ IN CONJUNCTION WITH THE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS. INVESTORS SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS BEFORE DECIDING WHETHER TO INVEST IN THE ISSUE SHARES.

1.1 History and business

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 limited 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.

Further details on the history and business of the MMSV Group are set out in Section 5 of this Prospectus.

1. SUMMARY INFORMATION *(Cont'd)*

1.2 Promoters, substantial shareholders, Directors, key management and key technical personnel

1.2.1 Promoters

The promoters of MMSV and their respective shareholdings after the Public Issue are as follows:

Name	Nationality/ Country of Incorporation	After the Public Issue: Direct: No. of MMSV Shares held	%	Indirect: No. of MMSV Shares held	%
Sia Teik Keat	Malaysian	17,207,204 [1]	10.56	17,207,204 [2]	10.56
Goh Kim Hock	Malaysian	17,207,204 [1]	10.56	17,207,204 [3]	10.56
Tan Beng Chuan	Malaysian	17,207,204 [1]	10.56	17,207,204 [4]	10.56
KSSB	Malaysia	17,207,204	10.56	-	-
IMTSB	Malaysia	17,207,204	10.56	-	-
AJFSB	Malaysia	17,207,204	10.56	-	-

Notes:

1. *Includes their respective entitlements of the Issue Shares reserved for application under the Pink Form Allocation*
2. *Deemed interest by virtue of Section 6A of the Act through his shareholding in KSSB*
3. *Deemed interest by virtue of Section 6A of the Act through his shareholding in IMTSB*
4. *Deemed interest by virtue of Section 6A of the Act through his shareholding in AJFSB*

1.2.2 Substantial shareholders

The substantial shareholders of MMSV and their respective shareholdings after the Public Issue are as follows:

Name	Nationality/ Country of Incorporation	After the Public Issue: Direct: No. of MMSV Shares held	%	Indirect: No. of MMSV Shares held	%
Sia Teik Keat	Malaysian	17,207,204 [1]	10.56	17,207,204 [2]	10.56
Goh Kim Hock	Malaysian	17,207,204 [1]	10.56	17,207,204 [3]	10.56
Tan Beng Chuan	Malaysian	17,207,204 [1]	10.56	17,207,204 [4]	10.56
KSSB	Malaysia	17,207,204	10.56	-	-
IMTSB	Malaysia	17,207,204	10.56	-	-
AJFSB	Malaysia	17,207,204	10.56	-	-
Tan Beng Cheong	Malaysian	13,637,400 [1]	8.37	-	-

Notes:

1. *Inclusive of their respective entitlements of the Issue Shares reserved for application under the Pink Form Allocation*
2. *Deemed interest by virtue of Section 6A of the Act through his shareholding in KSSB*
3. *Deemed interest by virtue of Section 6A of the Act through his shareholding in IMTSB*
4. *Deemed interest by virtue of Section 6A of the Act through his shareholding in AJFSB*

1. SUMMARY INFORMATION *(Cont'd)*

1.2.3 Directors

The Directors of MMSV and their respective shareholdings after the Public Issue are as follows:

Name	Designation	Nationality	After the Public Issue: Direct: No. of MMSV Shares held	Direct: %	Indirect: No. of MMSV Shares held	Indirect: %
Sia Teik Keat	Managing Director	Malaysian	17,207,204[1]	10.56	17,207,204[2]	10.56
Saw Chong Keat	Executive Director	Malaysian	2,173,242[1]	1.33	-	-
Goh Kim Hock	Non-Independent Non-Executive Director	Malaysian	17,207,204[1]	10.56	17,207,204[3]	10.56
Tan Beng Chuan	Non-Independent Non-Executive Director	Malaysian	17,207,204[1]	10.56	17,207,204[4]	10.56
Tan Hock Hin	Independent Non-Executive Director	Malaysian	500,000[1]	0.31	-	-
Chong Chee Hong	Independent Non-Executive Director	Malaysian	200,000[1]	0.12	-	-

Notes:

1. *Inclusive of their respective entitlements of the Issue Shares reserved for application under the Pink Form Allocation*
2. *Deemed interest by virtue of Section 6A of the Act through his shareholding in KSSB*
3. *Deemed interest by virtue of Section 6A of the Act through his shareholding in IMTSB*
4. *Deemed interest by virtue of Section 6A of the Act through his shareholding in AJFSB*

1.2.4 Key management and key technical personnel

The key management and key technical personnel of the MMSV Group and their respective shareholdings after the Public Issue are as follows:

Name	Designation	After the Public Issue: Direct: No. of MMSV Shares held	Direct: %	Indirect: No. of MMSV Shares held	Indirect: %
Sia Teik Keat	Managing Director	17,207,204[1]	10.56	17,207,204[2]	10.56
Saw Chong Keat	Executive Director	2,173,242[1]	1.33	-	-
Andrei Lau Kar Pan	Marketing Manager	50,000[1]	0.03	-	-
Thomas Ginzel	International Marketing Manager	10,000[1]	Neg.[3]	-	-
Ong Poh Ai	Finance Manager	150,000[1]	0.09	-	-
Cheong Kin Seng	Engineering Manager	485,944[1]	0.30	-	-
Cindy Foo Wei Kuan	Control and Software Manager	185,000[1]	0.11	-	-
Yeoh Keat Chin	R&D Manager	20,000[1]	0.01	-	-
Ng Ban Sin	Quality Assurance Manager	75,000[1]	0.05	-	-
Teoh Soo Kuang	Assembly and Service Manager	6,295,365[1]	3.86	-	-
Sally Gan Boon Guat	Human Resource Manager	40,000[1]	0.02	-	-
Tan Siew Thye	Logistic Manager	75,000[1]	0.05	-	-

Notes:

1. *Includes their respective entitlements of the Issue Shares reserved for application under the Pink Form Allocation*
2. *Deemed interest by virtue of Section 6A of the Act through his shareholding in KSSB*
3. *Negligible*

Further details of the promoters, substantial shareholders, Directors, key management and key technical personnel of the MMSV Group are set out in Section 6 of this Prospectus.

1.3 Financial highlights

1.3.1 Proforma consolidated income statements

The table below sets out a summary of the proforma consolidated income statements of MMSV for the past 5 financial years ended 31 December 2004 and 6-month period ended 30 June 2005 prepared based on the assumption that the current structure of the Group has been in existence throughout the financial years/period under review. The proforma consolidated income statements of MMSV are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes thereto and assumptions as set out in the Accountants' Report set out in Section 11 of this Prospectus.

	<------	------	Financial year ended 31 December	------	------>	6 months ended 30 June 2005
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM	RM
Revenue	3,708,133	5,096,188	7,123,593	11,995,208	21,034,751	15,884,459
Cost of sales	(2,778,189)	(3,370,291)	(4,483,329)	(8,427,461)	(15,086,341)	(11,265,642)
Other operating income	9,026	40,013	57,450	54,059	187,921	87,111
General, administrative and selling expenses	(457,574)	(568,323)	(761,983)	(1,015,319)	(1,451,335)	(1,390,079)
Profit before depreciation, interest and taxation	481,396	1,197,587	1,935,731	2,606,487	4,684,996	3,315,849
Depreciation	(16,267)	(43,480)	(93,708)	(148,650)	(166,934)	(107,392)
Bank charges	(622)	(833)	(1,181)	(2,674)	(5,078)	(3,029)
PBT	464,507	1,153,274	1,840,842	2,455,163	4,512,984	3,205,428
Taxation	(157,600)	(15,380)	(188,878)	(207,264)	(410,238)	(926,275)
PAT	306,907	1,137,894	1,651,964	2,247,899	4,102,746	2,279,153
No. of MMSV Shares assumed in issue [1]	126,392,140	126,392,140	126,392,140	126,392,140	126,392,140	126,392,140
Gross EPS (sen) [2]	0.37	0.91	1.46	1.94	3.57	2.54^
Net EPS (sen) [3]	0.24	0.90	1.31	1.78	3.25	1.80^

Notes:

^ *Annualised gross EPS and net EPS are 5.07 sen and 3.61 sen, respectively*
1. *Number of MMSV Shares assumed in issue after the Acquisitions but before the Public Issue*
2. *Computed based on the proforma consolidated PBT over the number of MMSV Shares assumed to be in issue after the Acquisitions*
3. *Computed based on the proforma consolidated PAT over the number of MMSV Shares assumed to be in issue after the Acquisitions*
4. *There were no extraordinary/exceptional items during the financial years/period under review*
5. *There were no minority interests during the financial years/period under review*
6. *MMSV did not declare any dividends during the financial years/period under review*

1. SUMMARY INFORMATION *(Cont'd)*

Further details of the proforma consolidated income statements of MMSV are set out in Section 11 of this Prospectus.

1.3.2 Proforma consolidated balance sheets

The proforma consolidated balance sheets of MMSV as at 30 June 2005 set out below have been prepared for illustrative purposes to show the effects of the Flotation Scheme on the assumption that the Flotation Scheme was completed on that date. The table below is extracted from the proforma consolidated balance sheets set out in Section 10 of this Prospectus and should be read in conjunction with the accompanying notes thereto.

		Proforma I	Proforma II	Proforma III
	As at 30 June 2005 RM	After Acquisitions RM	After Proforma I and Public Issue RM	After Proforma II and utilisation of proceeds RM
Property Plant and Equipment	-	801,894	801,894	5,801,894
Pre-listing expenditure	635,363	635,363	635,363	-
Current assets				
Inventories	-	3,926,765	3,926,765	3,926,765
Trade debtors	-	13,118,943	13,118,943	13,118,943
Sundry debtors, deposits and prepayments	-	107,917	107,917	107,917
Cash and bank balances	2	626,101	626,101	626,101
Fixed deposits with licensed banks	-	6,274,060	16,158,182	10,293,545
	2	24,053,786	33,937,908	28,073,271
Current liabilities				
Trade creditors	-	7,499,641	7,499,641	7,499,641
Sundry creditors, accruals and prepayments	652,993	1,205,684	1,205,684	1,205,684
Provision for taxation	-	570,564	570,564	570,564
	652,993	9,275,889	9,275,889	9,275,889
Net current assets	(652,991)	14,777,897	24,662,019	18,797,382
	(17,628)	16,215,154	26,099,276	24,599,276
Financed by:				
Share capital	2	12,639,214	16,300,000	16,300,000
Retained profit	(17,630)	3,469,640	3,469,640	3,469,640
Share premium	-	-	6,223,336	4,723,336 ^
Deferred taxation	-	106,300	106,300	106,300
	(17,628)	16,215,154	26,099,276	24,599,276
NTA	(17,628)	16,108,854	25,992,976	24,492,976
NTA per MMSV Share (RM)	(881.40)	0.13	0.16	0.15

Note:

^ *After deducting estimated listing expenses of RM1.5 million*

1.3.3 Auditors' qualification

There was no qualification reported in the audited financial statements of any of the companies within the MMSV Group for the past 5 financial years ended 31 December 2004 and 6-month period ended 30 June 2005.

1.3.4 Exclusion of profit forecast

The Group's future financials are not disclosed in this Prospectus due to its uncertain nature and inherent risks, such as, but not limited to those disclosed in Section 3 of this Prospectus.

1.4 Principal statistics relating to the Public Issue

1.4.1 Share capital

	RM
Authorised: 250,000,000 ordinary shares of RM0.10 each	25,000,000
Existing: 126,392,140 ordinary shares of RM0.10 each	12,639,214
To be issued pursuant to the Public Issue: 36,607,860 new ordinary shares of RM0.10 each	3,660,786
Enlarged issued and paid-up share capital 163,000,000 ordinary shares of RM0.10 each	16,300,000

There is only one class of shares in MMSV, namely ordinary shares of RM0.10 each, all of which rank *pari passu* in all respects with the other existing issued and paid-up share capital of MMSV including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

Further details of the share capital of MMSV are set out in Section 2.4 of this Prospectus.

1.4.2 Issue Price

The issue price in respect of the Public Issue is RM0.27 per Issue Share.

1.4.3 Proforma consolidated NTA

The following proforma consolidated NTA of MMSV is extracted from and should be read in conjunction with the proforma consolidated balance sheets set out in Section 10 of this Prospectus.

	RM
Proforma consolidated NTA as at 30 June 2005 *(After the Public Issue and utilisation of proceeds (after deducting the estimated listing expenses of RM1.5 million))*	24,492,976
Proforma consolidated NTA per MMSV Share as at 30 June 2005 *(Based on the enlarged issued and paid-up share capital of RM16,300,000 comprising 163,000,000 MMSV Shares)*	0.15

1. SUMMARY INFORMATION *(Cont'd)*

1.5 Risk factors

The following are some of the risk factors (which may not be exhaustive) both specific to the MMSV Group and relating to the general business environment, which may impact the operating performance and financial position of the Group as extracted from Section 3 of this Prospectus. Details of the key risks factors are as set out in Section 3 of this Prospectus. Investors should carefully consider the following risk factors in addition to other information contained elsewhere in this Prospectus before applying for the Issue Shares:

(i) Business risks
(ii) Competition
(iii) Operating risks
(iv) Continuing demand for the Group's products and services
(v) Dependence on certain customers and suppliers
(vi) Dependence on key personnel
(vii) Adequacy of insurance coverage
(viii) Risk of production stoppage and system disruptions
(ix) Intellectual property
(x) Economic, political and regulatory risks
(xi) Technological risks
(xii) Fluctuation of global semiconductor industry
(xiii) Foreign exchange risks
(xiv) Market reputation
(xv) Disclosure regarding forward-looking statements
(xvi) Ownership and control by substantial shareholders
(xvii) No prior market for the MMSV Shares
(xviii) Capital market risks
(xix) Failure or delay in the Listing
(xx) Uncertainty of the 5-year business development plan

1.6 Utilisation of proceeds from the Public Issue

The Public Issue will raise gross proceeds amounting to RM9,884,122 which shall accrue entirely to MMSV and shall be utilised as follows:

	RM
Expansion of production facilities	5,000,000
R&D expenses	2,500,000
Defray estimated listing expenses	1,500,000
Working capital	884,122
Total	**9,884,122**

Further details of the utilisation of proceeds arising from the Public Issue are set out in Section 2.8 of this Prospectus.

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1.7 Material litigation, material capital commitments, borrowings and contingent liabilities

1.7.1 Material litigation

As at 15 November 2005, neither MMSV nor any of its subsidiary companies is engaged in any material litigation, claims or arbitration either as plaintiffs or defendants, which has a material effect on the financial position of MMSV or its subsidiary companies, and the Directors of MMSV have no knowledge of any proceedings pending or threatened against the MMSV Group or of any other facts likely to give rise to any proceedings which may materially and adversely affect the position of business of MMSV or its subsidiary companies.

1.7.2 Material capital commitments

As at 15 November 2005, save as disclosed below, the Directors of MMSV are not aware of any material capital commitments incurred or known to be incurred by MMSV or any of its subsidiary companies, which, upon becoming enforceable, may have a material impact on the result or financial position of the Group:

	RM'000
Approved and contracted for	7,799*
Approved but not contracted for	-
Total	**7,799**

Note:

* *The Group plans to expand its production facilities by acquiring a new factory building located at Plot 84-A, Jalan Lintang Bayan Lepas 9, Taman Perindustrian Bayan Lepas, Fasa 4, Pulau Pinang, Malaysia. MMSV had on 23 November 2004 entered into a conditional sale and purchase agreement with MCE to acquire the factory building for a purchase consideration of RM7,799,000, out of which RM5.0 million will be financed via proceeds arising from the Public Issue and the balance RM2.8 million will be financed via internally generated funds. Further details of the expansion of production facilities are as set out in Section 5.4.2 of this Prospectus*

1.7.3 Borrowings

As at 15 November 2005, the Group does not have any outstanding bank borrowings.

1.7.4 Contingent liabilities

As at 15 November 2005, the Directors of MMSV are not aware of any material contingent liabilities which have become enforceable or are likely to be enforceable, which will affect the ability of the Company or any of its subsidiary companies to meet their obligations as and when they fall due.

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2. PARTICULARS OF THE PUBLIC ISSUE

2.1 Introduction

This Prospectus is dated 15 December 2005.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form, have also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Approval has been obtained from the SC (and under the FIC Guidelines) for the Flotation Scheme on 6 July 2005 and 26 October 2005. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue. The SC shall not be liable for any non-disclosure on the part of the Company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Approval has been obtained from the SC on (and under the FIC Guidelines), for the Flotation Scheme on 6 July 2005 and 26 October 2005. The approval-in-principle from Bursa Securities have been obtained on on 28 November 2005 for admission of MMSV to the Official List of the MESDAQ Market and for permission to deal in and quotation for the entire enlarged issued and paid-up share capital of MMSV including the Issue Shares which are the subject of this Prospectus. The Issue Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from the Depository that all CDS accounts of successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the MMSV Group and MMSV Shares.

Bursa Securities shall not be liable for any non-disclosure on the part of the Company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the MMSV Group and MMSV Shares.

Acceptance of applications for the Issue Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of the entire issued and paid-up share capital on the MESDAQ Market of Bursa Securities. Accordingly, monies paid in respect of any application accepted for the Issue Shares will be returned in full without interest if the said permission is not granted.

Pursuant to the MMLR, at least 25%, but not more than 49% of the total number of shares of the Company for which the listing is sought must be held by a minimum number of 200 public shareholders upon completion of the Public Issue and at the point of listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the MESDAQ Market. In the event thereof, monies paid in respect of all applications will be returned without interest.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the securities of MMSV as a prescribed security. In consequence thereof, all MMSV Shares including the Issue Shares will be deposited directly with the Depository and any dealings in these shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of the Depository.

Investors must have a CDS account before making any application for the Issue Shares. For applications using Application Forms, an applicant should state his CDS account number in the space provided in the Application Form if he presently has an account. Where an applicant does not presently have a CDS account, he should open one (1) CDS account by contacting any of the ADAs listed in Section 16 of this Prospectus prior to making an application. For an application by way of Electronic Share Application or Internet Share Application, an applicant must have a CDS account. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application or Internet Share Application. Refer to Section 15 of this Prospectus for further details on the procedure for application.

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

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by MMSV and/or the Adviser. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create an implication that there has been no change in the affairs of MMSV or the Group since the date hereof.

This Prospectus has been prepared in the context of a public offering of securities under the laws of Malaysia. The distribution of this Prospectus and the sale of the Issue Shares in other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for purpose of an offer to sell or an invitation of an offer to buy any Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

The Prospectus can also be viewed or downloaded from Bursa Securities' website at *www.bursamalaysia.com*, or via hyperlink to Bursa Securities' website through the websites of RHB Bank Berhad at *www.rhbbank.com.my* and Malayan Banking Berhad at *www.maybank2u.com* and at the website of CIMB Securities Sdn Bhd at *www.eipocimb.com.*

If you are in any doubt about this Prospectus and/or in considering the investment, you should consult your stockbroker, bank manager, solicitors, accountants or other professional adviser.

2.2 Opening and closing of applications

Application will be accepted from 10.00 a.m. on 15 December 2005 and will close at 5.00 p.m. on 22 December 2005 or such other date and time as the Directors of MMSV and the Underwriter in their absolute discretion mutually decide. Late applications will not be accepted.

2.3 Indicative timetable

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

Event	Tentative date
Opening of application	15 December 2005
Closing of application	22 December 2005*
Tentative balloting date	27 December 2005*
Tentative date of despatch of notice of allotment to successful applicants	5 January 2006*
Tentative listing date	6 January 2006*

Note:

* *The application for Public Issue will close at the date stated above or such later date or dates as the Directors of MMSV together with the Underwriter may in their absolute discretion mutually decide. Should the closing date of the application be extended, then the dates for balloting of the application, the despatch of notice of allotment and listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market will be extended accordingly. Any change to the closing date of the application will be advertised in widely circulated English and Bahasa Malaysia newspapers in Malaysia.*

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

2.4 Share capital

	RM
Authorised:	
250,000,000 ordinary shares of RM0.10 each	25,000,000
Existing:	
126,392,140 ordinary shares of RM0.10 each	12,639,214
To be issued pursuant to the Public Issue:	
36,607,860 new ordinary shares of RM0.10 each	3,660,786
Enlarged issued and paid-up share capital	
163,000,000 ordinary shares of RM0.10 each	16,300,000

The issue price for the Issue Shares of RM0.27 per Issue Share is payable in full on application.

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

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

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each MMSV Share held. A proxy may but need not be a member of the Company.

2.5 Particulars of the Public Issue

The Public Issue is subject to the terms and conditions of this Prospectus and upon acceptance, will be allocated in the following manner:

(i) **Directors and eligible employees of the MMSV Group and persons who have contributed to the success of the MMSV Group**

6,607,860 Issue Shares have been reserved for the Directors and eligible employees of the MMSV Group and persons who have contributed to the success of the MMSV Group. The Issue Shares are allocated as follows:

(a) The Directors of MMSV have been allocated an aggregate of 700,000 Issue Shares as set out below:

Name of Director	No. of Issue Shares
Sia Teik Keat	-
Saw Chong Keat	-
Goh Kim Hock	-
Tan Beng Chuan	-
Tan Hock Hin	200,000
Chong Chee Hong	500,000

(b) The eligible employees of the MMSV Group have been allocated an aggregate of 2,674,000 Issue Shares. The criteria of allocation of the Issue Shares reserved for 53 eligible employees of the Group as at 30 September 2005 have been based on seniority, position, performance and length of service; and

(c) The persons who have contributed to the success of the MMSV Group have been allocated an aggregate of 3,233,860 Issue Shares. The criteria of allocation of the Issue Shares reserved for 70 individuals/corporations have been based on their contribution to the Group.

(ii) **Private placement**

27,000,000 Issue Shares will be placed to identified investors who are deemed public by the Placement Agent; and

(iii) **Malaysian public**

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

The Issue Shares in respect of paragraph (i), paragraph (iii) and 1,920,000 Issue Shares in respect of paragraph (ii) (where irrevocable undertakings have not been obtained from the identified investors to subscribe for the Issue Shares), have been fully underwritten. 25,080,000 Issue Shares in respect of private placement in paragraph (ii) above need not be underwritten as irrevocable undertakings to subscribe for the said Issue Shares have been given by the identified investors.

Any Issue Shares not taken up in respect of paragraph (i) and (ii) shall be made available for application to the Malaysian public under paragraph (iii).

There is no minimum subscription amount to be raised from the Public Issue. All the Issue Shares will either be underwritten by the Underwriter or subscribed by the identified investors under the Private Placement, pursuant to their respective written irrevocable undertakings.

2.6 Purposes of the Public Issue

The purposes of the Public Issue are as follows:

(i) to provide an opportunity for individuals, companies and institutions, Directors and eligible employees of the MMSV Group and persons who have contributed to the success of the MMSV Group to participate in the continuing growth of the Group by way of equity participation;

(ii) to provide MMSV with access to the capital market to raise funds for future expansion and the continuing growth of the MMSV Group;

(iii) to obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of MMSV of RM16,300,000 comprising 163,000,000 MMSV Shares on the MESDAQ Market; and

(iv) to enhance the stature of the Group in marketing its products and services, to retain and attract new skilled employees and to increase the Group's profile in Malaysia and in the international market.

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

2.7 Basis of arriving at the Issue Price

The issue price of RM0.27 per Issue Share was determined and agreed upon between the Company and RHB Sakura as the Adviser, Underwriter and Placement Agent after taking into account of the following:

(i) a premium of RM0.12 or 80.0% over the proforma consolidated NTA per share of MMSV as at 30 June 2005 after the Public Issue and utilisation of proceeds (after deducting the estimated listing expenses of RM1.5 million) of RM0.15;

(ii) the Group's operating and financial history as set out in Sections 5, 9 and 11 of this Prospectus;

(iii) the future plans and prospects of the MMSV Group as set out in Section 5 of this Prospectus; and

(iv) the prevailing equity market conditions.

However, investors should also take note that the market price of MMSV Shares upon and subsequent to the listing of MMSV on the MESDAQ Market are subject to the vagaries of market forces and other uncertainties, which may affect the price of MMSV Shares being traded. **Investors should form their own views on the valuation of the Issue Shares before deciding to invest in the Issue Shares.**

2.8 Proceeds from the Public Issue

The Public Issue will raise gross proceeds amounting to RM9,884,122 which shall accrue entirely to MMSV and shall be utilised for the following purposes:

	Notes	RM	Utilisation period (Financial year ending 31 December)
Expansion of production facilities	1	5,000,000	2006
R&D expenditure	2	2,500,000	2006 to 2009
Defray estimated listing expenses*	3	1,500,000	2006
Working capital*	4	884,122	2006
Total		9,884,122	

Notes:

* *In the event the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes. Conversely, if the actual listing expenses are higher than budgeted, the shortfall will be funded out of the portion allocated for working capital.*

1. ***Expansion of production facilities***

The Group plans to expand its production facilities by acquiring a new factory building located at Plot 84-A, Jalan Lintang Bayan Lepas 9, Taman Perindustrian Bayan Lepas, Fasa 4, Pulau Pinang, Malaysia. MMSV had on 23 November 2004 entered into a conditional sale and purchase agreement with MCE to acquire the factory building for a purchase consideration of RM7,799,000, out of which RM5.0 million will be financed via proceeds arising from the Public Issue and the balance RM2.8 million will be financed via internally generated funds. Further details of the expansion of production facilities are as set out in Section 5.4.2 of this Prospectus.

2. ***R&D expenditure***

The Group intends to allocate RM2.5 million from the proceeds raised towards the continuing R&D efforts of the Group to improve and diversify its existing range of products and software design and development. The Group intends to utilise this allocation for R&D expenditure over the next 4 years commencing from financial year ending 31 December 2006. Details of R&D plans for the Group are as set out in Sections 5.6 and 5.4.10 of this Prospectus.

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

3. ***Defray estimated listing expenses***

All expenses incidental to the listing of MMSV on the MESDAQ Market estimated at RM1.5 million shall be borne by the Company. The breakdown of estimated listing expenses is as follows:

	RM
Estimated professional fees	*750,000*
Authorities fees	*70,500*
Advertisement and printing of Prospectus	*200,000*
Issuing House's fees	*100,000*
Brokerage, underwriting commission and placement fees	*300,000*
Contingencies	*79,500*
Total	***1,500,000***

4. ***Working capital***

An amount of RM884,122 from the proceeds raised will be allocated for the Group's working capital purposes to support its existing business operations such as funding purchases of raw materials, creditors' repayments and operating expenses.

2.9 Brokerage, underwriting commission, placement fee and the salient terms of the Underwriting Agreement

2.9.1 Brokerage

Brokerage relating to the Public Issue will be paid by the Company at the rate of 1.0% of the issue price of RM0.27 per Issue Share in respect of successful applications which bear the stamps of RHB Sakura, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of Association of Merchant Banks in Malaysia or MIH.

2.9.2 Underwriting commission

Pursuant to the underwriting agreement dated 10 November 2005 entered into between the Company and the Underwriter ("Underwriting Agreement"), the Underwriter has agreed to underwrite 11,527,860 Issue Shares (comprising 6,607,860 Issue Shares to Directors and eligible employees of the MMSV Group and persons who have contributed to the success of the MMSV Group, 3,000,000 Issue Shares to the Malaysian public and 1,920,000 Issue Shares to identified investors by way of private placement). Underwriting commission is payable by the Company at the rate of 2.0% of the issue price of RM0.27 per Issue Share.

2.9.3 Placement fee

The Placement Agent's fee for the placement of 27,000,000 Issue Shares is payable by the Company at the rate of 1.25% of the issue price of RM0.27 per Issue Share.

2.9.4 Salient terms of the Underwriting Agreement

The salient terms of the Underwriting Agreement as extracted in the context of this Prospectus are summarised as follows:

(i) Clause 3:Conditions Precedent

3.1 The obligations of the Underwriter under the Underwriting Agreement is conditional upon:

3.1.1 the Company obtaining SC's final approval to the Prospectus;

3.1.2 the delivery to the SC of the Prospectus for registration in accordance with the requirement under section 41 of the SC Act together with copies of all documents required for submission under section 42 of the SC Act;

3.1.3 the lodgement with the ROC of the Prospectus in accordance with Section 43 of the SC Act and section 36A(4) of the Act before the date of issue of the Prospectus;

3.1.4 the Company obtaining Bursa Securities' approval in principle to the listing of and quotation for all the Paid-up Shares on the MESDAQ Market of Bursa Securities;

3.1.5 there not being, on or prior to the date on which the entire issued and paid-up share capital of the Company are listed and quoted on the MESDAQ Market of Bursa Securities ("Closing Date"), any adverse and material change or development reasonably and likely to involve a prospective adverse and material change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that set out in the Prospectus which is material in the context of the Public Issue or any occurrence of any event rendering untrue or incorrect or not complied with to an extent which is material, any of the warranties and representations in Clause 9 of the Underwriting Agreement as though given or made on such date;

3.1.6 the Public Issue in accordance with the provisions of this Agreement is not prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);

3.1.7 the Public Issue has been approved by the SC, MITI and any other relevant authority or authorities and has not been withdrawn, revoked, suspended or terminated on or prior to the Closing Date;

3.1.8 the Public Issue has been approved by the members of the Company at an extraordinary general meeting;

3.1.9 the execution of the placement agreement in respect of the Issue Shares which have been reserved for private placement to prospective investors ("Placement Shares"); and

3.1.10 as at the Closing Date, the Underwriter being reasonably satisfied that the Company can meet the public shareholding spread requirements under the Listing Requirements of Bursa Securities for the MESDAQ Market.

3.2 If any of the conditions in Clauses 3.1.1 to 3.1.10 is not satisfied on or before the Closing Date, the Underwriter is entitled to:

3.2.1 terminate the Underwriting Agreement to the extent of its obligations contained in it; and

3.2.2 cease performance of its obligations under the Underwriting Agreement.

3.3 In the event this Agreement is terminated pursuant to Clause 3.2, the parties to the Underwriting Agreement will be released and discharged from their obligations under the Underwriting Agreement (except for the liability of the Company for payments of costs and expenses as provided in Clause 16.3 of the Underwriting Agreement incurred prior to or in connection with such termination and the obligation to indemnify the Underwriter pursuant to Clause 10.1.11 and 10.1.12 of the Underwriting Agreement).

3.4 The Underwriter may at its discretion waive compliance with any of the provisions of this Clause.

(ii) Clause 13: Rights and Remedies to Continue After Completion

The respective indemnities, agreements, representations, warranties and other statements of the Company, and the Underwriter, as set out in the Underwriting Agreement or made by or on behalf of it respectively, pursuant to the Underwriting Agreement shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Underwriter or the Company and shall survive the subscription, delivery of and payment for the Underwritten Shares and will continue until twelve (12) months after the Listing Date.

(iii) Clause 14: Termination of the Underwriting Agreement

14.1 Notwithstanding the terms of the Underwriting Agreement, the Underwriter may at any time terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares and withdraw remittance of the payments to be made pursuant to Clause 6 of the Underwriting Agreement (as the case may be), by delivering a notice in writing to the Company on occurrence of all or any of the following matters stated in this Clause 14.1 on or before the Closing Date if:-

14.1.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Clauses 9 and 10 or which is contained in any statement or notice provided under or in connection with the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or

14.1.2 there is failure on the part of the Company to perform any of its fundamental obligations under the Underwriting Agreement; or

14.1.3 there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement; or

14.1.4 there have occurred, or happened any material and adverse change in the business or financial condition of the Company or the MMSV Group; or

14.1.5 there occurs any event or the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is and will be material in any of the representations, warranties or undertakings of the Company herein contained; or

14.1.6 the Composite Index of Bursa Securities falls below the benchmark of eight hundred (800) points for three (3) or more consecutive days prior to the Closing Date; or

14.1.7 there have occurred, or happened any of the following circumstances:-

(a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas), or exchange controls, foreign or local, currency exchange rates or the occurrence of any combination of any of the foregoing; or

(b) any change in law, regulation, guideline, directive, policy or ruling in any jurisdiction or any event or series of event beyond the reasonable control of the Underwriter (including without limitation, acts of government, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which in the opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue, or the application, distribution, sale or payment of the Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms, or which would prohibit or impede the obligations of the Underwriter under the Underwriting Agreement, then,:

(a) the Underwriter may terminate the Underwriting Agreement by giving written notice to the Company before 5.00 p.m. on the Closing Date; and

(b) the parties hereto shall thereafter (except for the liability of the Company in the payment of costs and expenses referred to in Clause 16.3 below incurred prior to or in connection with such termination) be released and discharged from their respective obligations under the Underwriting Agreement .

14.2 In the event of default by the Underwriter in any or all of its material obligations under the Underwriting Agreement, then:

(a) the Company is entitled to terminate the Underwriting Agreement by giving written notice to the Underwriter before 5.00 p.m. on the Closing Date; and

(b) the parties hereto shall thereafter (except for the liability of the Company in the payment of costs and expenses referred to in Clause 16.3 of the Underwriting Agreement incurred prior to or in connection with such termination and the obligation to indemnify the Underwriter pursuant to Clause 10.1.11 and 10.1.12 of the Underwriting Agreement for a period of 6 months from the date of such notice) be released and discharged from their respective obligations under the Underwriting Agreement .

14.3 In the event the Closing Date falls after three (3) months from the date of the Underwriting Agreement, the Underwriting Agreement will lapse and the Underwriter will be released and discharged from all of their obligations under the Underwriting Agreement and the Company may enter into a fresh underwriting agreement with the same or different underwriters.

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

14.4 The Company will not be released from its liability to pay all costs, charges and expenses referred to in Clause 16.3 of the Underwriting Agreement which are incurred prior to or in connection to the negotiation, preparation, execution and stamping of the Underwriting Agreement.

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3. RISK FACTORS

THERE ARE A NUMBER OF RISK FACTORS, BOTH SPECIFIC TO THE MMSV GROUP AND RELATING TO THE GENERAL BUSINESS ENVIRONMENT, WHICH MAY HAVE AN IMPACT ON THE OPERATING PERFORMANCE AND FINANCIAL POSITION OF THE MMSV GROUP. INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE MMSV GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE ISSUE SHARES.

3.1 Business risks

Business risks refer to the fundamental issues within the operational environment that create uncertainties. The Group is subject to inherent risks of the machinery and equipment industry such as raw material and skilled labour shortages, increases in operating costs, changes in government legislation as well as changes in general economic, business and credit conditions within Malaysia.

Although no assurance can be given that changes to any of these factors will not have a material effect on the Group's businesses, the Group seeks to limit these risks through, *inter-alia*, increasing the efficiency of its operations, increasing its product range, expanding its market base, developing and maintaining a diversified pool of suppliers and customers, improving its technological competence through R&D and applying conservative management policies.

3.2 Competition

The Group operates in the machinery and equipment industry, particularly the specialised industrial machinery and equipment market, a competitive market that is subject to rapid technological changes, new product development and competition from existing players as well as possible new entrants to the industry. Competition among manufacturers of machinery and equipment are largely based on product quality, manufacturing capabilities and capacities, ability to meet customers' specifications, timely delivery, established track record, market reputation as well as cost competitiveness.

Competition exists in the machinery and equipment industry in both the local and global markets. Within the local market, manufacturers such as the MMSV Group compete against other Malaysian manufacturers as well as imports from countries such as Germany, Japan, Taiwan and China. At the same time, Malaysian manufacturers which export to the global markets are also competing against foreign manufacturers as well as other Malaysian export-oriented manufacturers.

However, the intensity of the competition among the manufacturers focusing on the manufacturing of automation machinery and equipment for the electrical and electronics industry, is moderate. Based on the Vital Factor Report, in 2004, there were approximately 30 companies in the manufacturing of automation machinery and equipment catering to the electrical and electronics industry in Malaysia. This represents a relatively small number of operators in an industry which exported RM257.1 billion worth of electrical and electronics products in 2004. As the group of operators in the automation machinery and equipment industry is relatively small, the intensity of competition among the operators in the industry is reduced. Further, the requirements of the electrical and electronics industry, which is the focus of the Group, are more stringent to cater for specific operating conditions requiring high speed, high precision and high sensitivity machinery and equipment, and clean environment. Hence, there are typically fewer manufacturers who are able to meet such stringent requirements, thereby moderating the intensity of competition within the industry.

Nevertheless, the Group intends to remain competitive by continuously enhancing and expanding its product range and capabilities. At the same time, the Group intends to embark on R&D activities focusing on the areas of software and systems development. Such developments, if successful, will enable the Group to enhance the functions of its Industrial Automation Systems and Machinery, hence differentiating itself from the products offered by other competitors. The MMSV Group also intends to increase its competitiveness by enhancing its customer service and technical support before and after sales, both locally and internationally.

Notwithstanding this, no assurance can be given that the Group will be able to maintain or increase its existing market share in the future.

3.3 Operating risks

The Group's operating results are difficult to forecast and could be adversely affected by many factors. These factors include amongst others, fluctuations in demand for its products and services, changes in the Group's operating expenses, the ability of the Group to develop new products and services and to control costs, general economic conditions, market acceptance of new products or services, and other operating risks common to going concerns.

In order to mitigate such risks, the Group continuously monitors the market acceptance of its existing products and services while its R&D team develops new products and services to meet the changing market demand. At the same time, the Group emphasises on continuous quality control to ensure that the products designed and manufactured meet customers' requirements and are of high quality. Excellent before and after sales service is also provided as a means to build and maintain close relationships with its existing as well as potential customers.

Further, the Group seeks to control its operating costs by continuously improving its productivity and operational efficiency such as through computerising its operating systems, minimising stock levels, outsourcing low value added activities while focusing its efforts on acquiring orders for multiple units, hence allowing mass production planning in order to benefit from economies of scale.

However, there is no assurance that the Group will be profitable in the future, or that it will achieve increasing or consistent levels of profitability.

3.4 Continuing demand for the Group's products and services

The Group's future results will depend on the ability of the Group to generate continuing demand for its products and services which in turn is heavily dependent on the product lifecycles of the customers. The product lifecycles in the electrical and electronics industry, particularly in the consumer electronics market, have shortened considerably over the years due to continuous technological advancement. This may potentially result in disruption or discontinuation of the customers' products which may have a material impact on the continuing demand for the Group's existing products and services.

On the other hand, the consumer electronics markets have also broadened tremendously through the invention of new products. This provides opportunities for the Group to offer new advanced engineering solutions to help its customers capitalise on such technological innovation and making it possible for its customers to produce new products through automated production systems.

Apart from the risk of shortening of product lifecycles, any economic slowdown may also cause the Group's customers to defer or terminate purchases of the Group's products and services or otherwise alter their usage patterns. Uncertainty in the economic environment may also cause some businesses to curtail or eliminate spending on technology. In addition, the Group may experience hesitancy on the part of the existing or potential customers to commit to continuing or new products and services of the Group.

Notwithstanding the continuous efforts undertaken by the Group, no assurance can be given that the Group will be able to generate continuous or new demand for its products and services.

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3.5 Dependence on certain customers and suppliers

For the financial year ended 31 December 2004, approximately 80.7% of the Group's total revenue were contributed by 3 major customers of the Group, namely Agilent (44.3%), ASE (24.7%) and USI (11.7%). The Group recognises the need to expand its customer base and thus seeks to minimise its dependency on certain customers by strengthening its relationship with other existing customers as well as expanding its customer portfolio to include new multinational companies operating in Malaysia and other global corporations.

In this connection, 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. Hence, the financial performance of the Group would be dependent on the ability of the Group to secure new contracts from its existing and/or new customers on a consistent basis. Consequently, the failure of the Group in securing new contracts from its existing and/or new customers in the future may have a material adverse financial impact on the Group.

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.

Meanwhile, on the supply side, the Group is dependent on hardware (pneumatics, motors, electrical components) and services (tooling, machining, sheet metal works and wiring) as a source of raw material for its operations. The Group maintains a stable group of suppliers with its top 10 suppliers mostly having established a relationship with the Group for 5 years or more. 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.

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. This is demonstrated by the pattern of the Group's purchases in the 6 month period ended 30 June 2005, where 45.8% of the Group's purchases were for tester hardware from Elsoft Research Berhad, with whom the Group has a relationship of only 2 years. 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.

Nevertheless, there is no assurance that the Group's operations may not be adversely affected if the Group is unable to obtain adequate supply of raw materials on a timely manner or on viable commercial terms to the Group.

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3.6 Dependence on key personnel

The Group believes that the continued success and future performance of the Group depends to a significant extent upon the abilities and continued efforts of its existing Directors, key management and key technical personnel. The vast experience, knowledge and expertise of the current management and key personnel is an invaluable asset to the Group. Hence, the loss of the services of any of the Group's Directors, key management or key technical personnel may have a material effect on the Group's business, operating results and financial conditions.

The Directors of MMSV recognise the importance of the Group's ability to attract and retain its key personnel and have in place human resource strategies, which include suitable compensation packages and training and personal development programmes. In line with this, the Group has reserved 2,674,000 Issue Shares for subscription by its employees to motivate, retain and reward eligible key personnel and employees who have contributed to the growth and success of the MMSV Group.

Further, 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 its management since the commencement of its operations in 1999. In addition, 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.

Notwithstanding its efforts to create a conducive working environment and providing motivation to the employees, there can be no assurance that the Group will be successful in attracting or retaining highly skilled, technical, R&D, managerial, sales and marketing personnel.

3.7 Adequacy of insurance coverage

The Directors of MMSV are aware of the adverse consequences arising from inadequate insurance coverage that could adversely affect its business operations. The Group has risk insurance coverage for its machinery and equipment, work-in-progress and inventories to indemnify the Group against loss or damage to its assets. Although the Group has taken necessary measures to ensure that all its assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate to compensate for the replacement cost of the assets or any consequential loss arising therefrom.

3.8 Risk of production stoppage and systems disruptions

As the Group's production facilities are located in one area, there is a risk of production stoppage due to the occurrence of unforeseen natural disaster, fire, flood and electricity failure or loss of data due to corruption which will disrupt the manufacturing process of the Group, its operations and delivery schedules that may result in financial losses to the Group. Thus far, the Group has not experienced any major disruptions to its business that had an adverse effect on its operations.

However, the Group has taken reasonable precautionary steps to minimise the occurrence and risk of such events by ensuring quick inventory turnover, thereby minimising storage of products at the production facilities, and maintaining regular backup copies of its database including its drawings, designs and programmes which are stored at separate locations.

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3.9 Intellectual property

The products designed and manufactured by the Group are heavily dependent on the expertise and intelligent technological know-how of its technical personnel and R&D team. At the same time, the Group's success is also dependent on its ability to utilise industry standard third party proprietary technology and to protect its own technological know-how. Currently, the Group has not registered any intellectual property rights for the technological know-how involved in the design and manufacture of its products. This is because the Group's products are not easy to duplicate due to their highly customised nature and the requirement for multi-disciplinary skills to integrate major designs such as mechanical and material properties, circuit design and software source codes, which are well-protected by the Group. Nevertheless, there can be no assurance that the Group will be able to protect its proprietary rights against unauthorised copying or exploitation of its technological know-how in the future, which could have material adverse effect on the Group's business, operating results and financial conditions.

3.10 Economic, political and regulatory risks

Changes in political, economic and regulatory conditions in Malaysia and other countries where the Group's principal markets are located or where the Group may operate could materially and adversely affect the financial and business prospects of the Group. Political and economic uncertainties include (but are not limited to) changes in political leadership, changes in both monetary and fiscal policies, risks of war, expropriation, changes in rates of interest, nationalisation, renegotiation or nullification of existing contracts, financial crises and method of taxation and currency exchange controls.

Accordingly, there is no assurance that any adverse political, economic and regulatory changes will not materially affect the performance of the Group.

3.11 Technological risks

The Group operates in an environment which is subject to inherent risks due to rapid technological changes, evolving industry standards, swift changes in customer requirements, computer operating environments, software and hardware applications, and frequent new product introductions and enhancements. The Group's future depends substantially upon its ability to keep pace with these technological changes to address the increasingly sophisticated needs of its customers.

The Group seeks to minimise these risks by actively and continuously pursuing technology innovation and advancement, industry best practices and strategic business alliances to address the increasingly sophisticated needs of its customers. The Group also provides continuous staff development to align their skills and knowledge with the requirements of the latest technology in the industry. Continuous efforts are also made to increase the efficiency of the R&D team for the development of new products.

Even though the Group is active in R&D of new products and technologies and RM2.5 million of the proceeds from the Public Issue will be dedicated for R&D, there is no assurance that the Group's R&D efforts will lead to the successful introduction of new and improved products. Further, there can be no assurance that these R&D programmes can be successfully completed on time so as to enable the introduction of new or enhanced products on a timely basis *vis-à-vis* market requirements and expectations or such products may not be commercially successful or may exceed budgeted costs. Delays or deficiencies in development, manufacturing, delivery of or demand for new products may adversely affect the Group's business, operating results or financial condition.

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3.12 Fluctuation of global semiconductor industry

The MMSV Group's business activities are mainly focused on the design and manufacture of Industrial Automotive Systems and Machinery. The end-user industries for this sector include the electrical, electronics, semiconductors and communication equipment and applications industries. Generally, the Group's products automate a series of manufacturing tasks to produce end products incorporating semiconductors as a component. As such, MMSV is indirectly exposed to the vagaries of the semiconductor industry.

The performance of the Malaysian electronics industry, including the semiconductor industry is in line with the performance of the global semiconductor cycle. Between 2000 and 2004, the gross exports of electronics recorded a growth of an average annual rate of 3.1%. In 2004, gross export of electronics increased by 12.7% to reach RM188.6 billion. For the first quarter of 2005, the gross export of electronics grew by 8.1% compared to the same period of 2004. According to Bank Negara Malaysia, global demand for electronics is expected to remain favourable in 2005. The growth may be driven from the increased application of chips in consumer electronics due to increasing convergence in computing, digital media and wireless technology.

Notwithstanding the foregoing, the global semiconductor market may be volatile. As the Group's business exposure is primarily in the capital goods relating to the global electronics sector, fluctuation in the global semiconductor industry can cause the capital expenditure in the electronics sector to fluctuate. In addition, the global semiconductor market has from time to time experienced extreme price and volume fluctuations which may adversely affect the demand for the Group's products. Nevertheless, rapid technological advancement and new applications for semiconductors has reduced such extreme market fluctuations.

The demand for the Group's products is also driven by new applications together with technological advancement and convergence relating to the end-products of the Group's industrial customers. As a manufacturing solutions provider, the Group is constantly exposed to these demand drivers in designing and producing customised Industrial Automotive Systems and Machinery for their industrial clients.

The Group seeks to minimise these risks by actively and continuously pursuing technology innovation and advancement, industry best practices and strategic business alliances to enable it to exploit new electronic sub sectors in view of sustaining demand for its products.

3.13 Foreign exchange risks

MMSV Group's products and services are presently sold in overseas market such as the US, China, Thailand, Australia and Taiwan. Sales to the overseas markets are often transacted in foreign currencies, mainly in USD, while the expenditure of the MMSV Group in these markets will be incurred in RM. In such instances, the Group will be exposed to foreign exchange fluctuations.

Fluctuations in the conversion rate of RM against USD and other currencies may have material impact on the Group's financial performance. The risk of foreign exchange fluctuation is mitigated by the managed float mechanism by the Bank Negara Malaysia adopted since 21 July 2005 on the RM-USD conversion rate which may prevent extreme exchange rate fluctuation. No assurance can be given that the managed float mechanism will be maintained in the future and that if the said managed float mechanism is removed or revised, it will not have an adverse material effect on the performance of the Group.

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3.14 Market reputation

The MMSV Group is involved in new product development whereby a significant amount of pre-launch testing is conducted before a new product is officially marketed. However, as the products of the Group are dependent on the functionality of the mechanical and software components, the performance of each product can only be truly assessed when the machinery are being used in the production processes of its customers. As such, there is a risk that the Group's products may encounter various unforeseen problems, resulting in disruption of customers' operations. Such problems, unless immediately rectified, may affect the Group's reputation and business opportunities.

In order to minimise such risk, the Group places great emphasis on stringent quality control and management to ensure that all its products meet customers' requirements and are of high quality. At the same time, the Group also undertakes R&D efforts to continuously improve the quality and performance of its products. Further, excellent technical support and after sales services are also given priority to assist customers in solving any potential problems arising from the usage of the new products. This helps ensure the smooth running of the customers' operations while at the same time provides the opportunity for the Group to build and maintain good reputation and relationship with its customers.

3.15 Disclosure regarding forward-looking statements

Certain statements contained in this Prospectus are based on historical data, which may not be reflective of future results. Other statements which are forward looking in nature are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements. Although the Group believes that, the expectations reflected in such forward looking statements are reasonable at this time, there can be no assurance that such expectations will prove to have been correct. Their inclusion in this Prospectus should not be regarded as a representation or warranty by the Company, the Adviser or any other advisers that the plans and objectives of the Group will be achieved.

3.16 Ownership and control by substantial shareholders

Upon completion of the Public Issue, Sia Teik Keat, Goh Kim Hock, Tan Beng Chuan and their respective related companies as well as Tan Beng Cheong, will collectively hold approximately 71.7% of the Company's enlarged issued and paid up share capital. As a result, these shareholders, if acting together, would be able to influence the outcome of certain matters requiring the votes of shareholders of the Company unless they are required to abstain from voting by law and/or by the relevant authorities.

Nonetheless, MMSV has appointed 2 independent directors which is in compliance with the MMLR to represent the interests of the minority shareholders.

3.17 No prior market for the MMSV Shares

Prior to the listing of MMSV on the MESDAQ Market, there has been no public market for MMSV Shares. There can be no assurance that an active trading market will develop for the MMSV Shares or if developed, that such market will be sustained or that the MMSV Shares will trade in the public market subsequent to the Public Issue at or above the issue price of RM0.27 per Issue Share.

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3.18 Capital market risks

The issue price of RM0.27 per Issue Share was determined after taking into consideration a number of factors, including but not limited to, the Group's operating and financial history, its future plans and prospects and the prospects for the industry in which the Group operates and the prevailing market conditions prior to the despatch of this Prospectus.

The market price of the Issue Shares following the Public Issue may be volatile. Factors such as competition, regulatory changes, operating profit or loss and cash flow, general trends in interest rates, Malaysian and international equity markets and the Malaysian economy, as well as other factors, can cause the market price of the MMSV Shares to fluctuate. In addition, the global stock markets have from time to time experienced extreme price and volume fluctuations which may adversely affect the market price of the MMSV Shares. Such fluctuations may materially or adversely affect the market price of the MMSV Shares following the Public Issue. There can be no assurance that the issue price will correspond to the price at which MMSV Shares will trade on the MESDAQ Market upon or subsequent to its listing.

3.19 Failure or delay in the Listing

The success of the listing of MMSV on the MESDAQ Market is also exposed to the risk that it may fail or be delayed should any of the following events occur:

(i) the Company or the Underwriter fail to honour their obligation under the underwriting agreement;

(ii) the identified investors fail to subscribe to the portion of the Issue Shares allocated to them pursuant to the private placement despite having given irrevocable undertakings to subscribe; or

(iii) MMSV is unable to meet the public shareholding spread requirements i.e. at least 25% but not more than 49% of the issued and paid-up share capital of the Company must be held by a minimum of 200 public shareholders holding not less than 100 shares each at the time of the Company's admission to the Official List of the MESDAQ Market.

Although the Board of Directors of MMSV will endeavour to ensure compliance by MMSV with the applicable regulations for the Listing, including, *inter-alia*, the public spread requirement imposed by Bursa Securities for a successful listing, no assurance can be given that these events will not occur resulting in a delay or termination of the Listing.

3.20 Uncertainty of the 5-year business development plan

The success of the Group's business development plan will be largely dependent upon continuous market acceptance of its products, as well as the Group's ability to successfully market its products, further develop and commercialise new products, maintain a cost efficient structure, availability of raw materials to meet the demand for its products, successful set-up of its new production plant as well as the ability to maintain and employ skilled technical personnel.

In addition, the Group's future plans and prospects will also be dependent upon, amongst others, the ability of the Group to respond to market and technological changes, competitively price its products, establish satisfactory arrangements with suppliers and customers, hire and retain skilled management as well as financial, technical, marketing and other personnel, successfully manage growth (including monitoring operational, financial and other internal systems) and obtain financing as when needed.

There can be no assurance that the Group will be able to successfully implement its business development plan or that unanticipated change in the market forces or financial constraints will not occur which would result in a material deviation from its plans.

4. INDUSTRY OVERVIEW

4.1 The Malaysian economy

Overview of the Malaysian economy

The Malaysian economy expanded by 4.1% in the second quarter of 2005 (1st quarter 2005:5.8%). Private sector activity continued to be the main driver of growth. The services sector provided the main impetus to growth, contributing to 3.1 percentage points to growth, underpinned by strong consumer spending, travel and business activity. Meanwhile, the manufacturing sector expanded at a more moderate pace, sustained by growth in selected resource-based industries as well as improvement in the electronics industry. Performance of the primary commodity sector was mixed, with continued expansion in the agriculture sector, while the mining sector recorded a decline following a contraction in crude oil production.

Domestic demand increased by 5.6% in the second quarter of 2005 underpinned by strong private consumption spending and continued increase in private investment activity. Stable income and employment, amidst high export earnings and savings, as well as competitive credit market conditions, contributed to positive consumer confidence and consumer spending. Indicators of consumption spending such as credit disbursed for consumption purposes and consumer-oriented businesses as well as imports of consumption goods point to robust underlying demand.

On the supply side, growth in the services sector remained firm, expanding by 5.4% in the second quarter of 2005, supported by both intermediate and final services segments, which grew by 5.1% and 5.6% respectively. The wholesale and retail trade, hotels and restaurants; transport, storage and communication; and electricity, gas and water sub-sectors, which account for about one-fourth of the entire GDP continued to expand rapidly in line with the expansion in business activities and strong consumer demand. The hospitality and transport activities were enhanced by continued increase in tourist arrivals, particularly from Korea, India and Singapore. In addition, the telecommunications industry continue to perform strongly, led by the mobile segment, following the introduction of attractive packages which increased subscriber base and usage of new mobile data features. The quarter also saw the launch of the third-generation (3G) mobile phone services in selected areas of western region of Peninsular Malaysia. The 3G technology offer high value-added services such as faster transmission of information via text, digitised voice, video mail and multimedia.

Value added in the manufacturing sector expanded by 3.2% in the second quarter of 2005 (1st quarter 2005:5.7%). Output of the export-oriented industries grew by 4.1% (1st quarter 2005:5.4%) supported by continued expansion of selected resource-based industries, and an improvement in the electrical and electronics products industry (1.1%; 1st quarter 2005:-1.2%). During the quarter, resource-based industries, such as chemical products and off-estate processing industries sustained double-digit growth rates of 10.6% and 18.9% respectively (1st quarter 2005:16% and 24.6% respectively). The expansion in the chemical products industry was led by higher production of plastic products in response to the strong demand from the regional countries. Off-estate processing benefited from the strong output of crude palm oil production during the quarter. Meanwhile, output of rubber products declined marginally by 0.1% (1st quarter 2005:10.9%) due partly to the lower output of tyres arising from difficulty in sourcing components.

Malaysia's trade account recorded a large surplus of RM22.9 billion (1st quarter 2005:RM25 billion). Gross exports and imports continued to expand, albeit at more moderate rates of 10.8% and 8% respectively. Gross exports grew by 10.8% (1st quarter 2005:13.7%) supported mainly by robust growth in mineral exports (31.5%) and reinforced by expansion in manufactured goods (9.2%) and agriculture commodities (5.3%). Exports of manufactured goods expanded by 9.2% (1st quarter 2005:12%), reflecting the increase of 8.7% in electronics and electrical (E&E) products (1st quarter 2005:9.9%). While external demand for semiconductors remained subdued, exports of personal computers and laptops had improved. Of significance, exports of resource-based products continued to be robust, led mainly by exports of petroleum, furniture and rubber products. Overall, the increase in exports of manufactured goods during the quarter was due to increases in both unit value (3%) and volume (6.1%).

The increase in gross imports of 8% reflected expansion in private investment activity and demand for inputs for the production of exports of manufactured goods as well as domestic consumption. Imports of intermediate goods, which were input used for manufactured goods, expanded by 5.8%. The growth in intermediate imports was supported mainly by higher imports of primary materials used by the food and beverages industry, electronics and industrial supplies, particularly metal and chemical products. Consistent with the growth in the motor assembly industry, imports of transport equipment as well as parts and accessories of motor vehicles continued to expand. Higher oil prices also led to growth in imports of fuel and lubricants. Imports of capital goods expanded by 17% in the 2nd quarter 2005. Capital imports excluding lumpy items grew by 5.9%. The increase in imports for capacity expansion and upgrading of technology occurred in the services sector, as evidenced by the strong growth in imports of office equipment and generators, turbines and electric motors. Imports of office equipment strengthened as corporations in the services industry improved their service delivery by upgrading infrastructure in information technology. Strong external demand for commodity exports and fleet expansion to service new markets also led to higher imports of aircraft and ships. Growth in imports of consumption goods of 4.1% reflected mainly growth in imports of processed food and beverages for household consumption and consumer goods.

Gross inflows of foreign direct investment (FDI), on cash basis, increase to RM8.7 billion in the 2nd quarter of 2005 (1st quarter of 2005:RM5 billion), reflecting larger inflows of inter-company loans and equity capital. More than a third of the FDI inflows were channelled into the oil and gas sector, particularly in the form of loans extended by a foreign company to its subsidiary in Malaysia. Meanwhile, FDI inflows into the services sector were channelled mainly into the financing, insurance and business services, as well as restaurants, hotels, wholesale and retail trade sub-sectors. In the manufacturing sector, FDI inflows were received mainly by companies in the petroleum products, photographic and optical products as well as electrical and electronics sub-sectors. After adjustment for outflows due mainly to larger repayment of loans to related companies abroad, net FDI recorded an inflow of RM3 billion.

On 21 July 2005, the ringgit peg to the US dollar was removed and a managed float was introduced, whereby the value of the ringgit would be determined by economic fundamentals. Bank Negara Malaysia now monitors the exchange rate against a basket of currencies. Given that the ringgit has strengthened since the beginning of 2005, much of the undervaluation derived from the US dollar depreciation in 2004 had been reversed. At the time of the unpegging, the ringgit therefore was close to its fair value. Consequently, the exchange rate of the ringgit has not shifted significantly following the adoption of the new regime. Promoting stability of the exchange rate would continue to be a primary objective of policy.

Prospects for the Malaysian economy in the second half-year 2005 remains favourable. Global demand is expected to be sustained in the second half of the year based on the favourable indicators emerging recently from the US, Japan and the Euro area, and further reinforced by the expected improvement in the global electronics sector in the latter part of the year. In the US, consumption spending is expected to remain strong, underpinned by the buoyant housing market. For semiconductor products, industry experts have revised upward their growth forecast for 2005 as a whole. The favourable external environment is therefore expected to support the expansion in domestic demand.

(Source: BNM Quarterly Bulletin, Second Quarter 2005 dated 24 August 2005)

Outlook for the Malaysian economy

The Malaysian economy remains resilient despite moderation in the growth of global economy amidst high oil prices and less accommodative monetary policy, particularly in the United States. Economic fundamentals have further strengthened while domestic demand continued to be resilient amidst firm consumer spending as well as continued uptrend in private investment activities. These factors provided the enabling environment for the Malaysian economy to expand favourably albeit at a slower rate of 4.9% in the first half of 2005, compared with 8.1% during the same period of 2004. Growth is expected to be broad-based with major sectors recording positive growth, backed by recovery in global electronics demand. The continuing build-up in international reserves arising from larger current account surplus and inflows of foreign capital has also strengthened domestic macroeconomc fundamentals.

The Malaysian economy is expected to record a healthy growth with most sectors contributing positively to the overall GDP expansion. The services sector, in particular, with a share of 57.8% to GDP is envisaged to continue to be the key driver of growth. Agriculture sector continues to benefit from the revitalising efforts aimed at modernising and transforming agriculture activities into commercially viable source of economic growth. Nevertheless, the manufacturing sector with a share of 31.5% to GDP remains the second most important source of growth and continues to play a prominent role in the economy. The services sector is estimated to expand at a rate of 5.8% (2004:6.8%) with all sub-sectors recording positive growth, supported by sustained domestic demand activities. Registering a 4.4% growth in the first half of 2005, the manufacturing sector is envisaged to pick up pace in the second half, leading to a 4.8% growth for the year (2004:9.8%), following better prospects in global electronics demand. Value-added of the agriculture sector is anticipated to grow at 4.8% (2004:5%), supported by higher production of palm oil on account of increased matured areas and better productivity. Value-added in the mining sector is, however, expected to experience a slower growth of 1.5% (2004:3.9%), underpinned by higher production of natural gas, which cushioned the lower production of crude oil. The construction sector is envisaged to record a smaller decline of 1.1% (2004:-1.5%), following lower civil engineering activities.

Output of the manufacturing sector grew moderately during the first seven months of 2005 resulting from the slowdown in global economy, led by the softer demand for semiconductors. The downcycle of the semiconductor industry was short-lived and far less severe than the one experienced in 2001, with the industry showing signs of recovery from the second quarter of 2005. Further growth is anticipated in the second half of 2005, mainly due to increasing demand for convergent products, particularly telecommunication appliances, consumer electronics and personal computers, thus pushing manufacturing to a higher value plane.

Overall output of export-oriented industries moderated by 0.1% during the first seven months of 2005. The moderation was due to the global downcycle for electrical and electronic products, in particular semiconductors, since the last quarter of 2004. Consequently, manufacturers made adjustments to their production and inventories. Despite the downcycle, semiconductors' contribution to the manufacturing sector remained high at 34.4%. Capacity utilisation of the industry, which is usually higher than the average of the manufacturing sector, also remained high at above 85% as manufacturers in the industry anticipated stronger demand in the second half of 2005. Vibrant design and development activities in the electronics and information and communications technologies (ICT) industries, particularly software and systems development as well as high-tech knowledge-based manufacturing processes also contributed to the rebound in the electrical and electronics subsector. These industries are also expected to benefit from dynamic changes in consumer electronics, brought about by changes in technologies, innovation and new products in the market. Leading the technology growth are digital convergent products, such as eco-friendly flat-screen panel television sets, digital cameras, digital video disc (DVD) players and camera-phones and entertainment boutique outlets. The industry also benefited from new development in auto-electronics such as systems and sensors for safety (airbags and antilock brakes) and dedicated auto-entertainment and information devices (navigation and entertainment circuits and display control systems). The electrical and electronics industry also attracted new entrants such as electronic manufacturing service (EMS) companies. Some of these EMS companies, which are original design manufacturers (ODM), have developed into contract manufacturers for established companies, manufacturing products at more competitive prices under their own or the latter's brand.

Exports of electrical and electronics sector is expected to improve in 2005 as worldwide sales of semiconductors staged a turnaraound and recorded a 5.8% increase during the first seven months of 2005. In line with the book-to-bill ratio of the North American semiconductor industry, which trended upwards in anticipation of a pick-up in demand for ICT-related products, the Semiconductor Industry Association of the US forecasted a sales growth of 6% for the global semiconductor industry (2004:28%). Hence demand for Malaysia's electrical and electronics exports is also anticipated to improve for the rest of the year. The key drivers of the sector's growth will be personal computers and optoelectronic products (high-end mobile phones and cameras, LCD and plasma digital televisions).

The year 2006 will face greater challenges arising from high oil prices, tightening monetary policies especially in the US, widening global imbalances as well as continued geo-political tensions and security concerns. Nevertheless, given the resilience of major economies, the global economy is expected to expand at 4.3% supported by China and the US. Accordingly, Malaysia's real GDP growth is forecast to expand by 5.5% in 2006 and per capital income envisaged to rise further by 7.1% to RM18,995 (2005:6.8%;RM17,741).

(Source: Economic Report 2005/2006)

4.2 The machinery and equipment industry

MMSV Group's business activities are mainly focused on the design and manufacture of Industrial Automation Systems and Machinery as well as design of precision Die Sets, Jigs and Fixtures. Based on MIDA's classification, the Group's business falls under a component of the machinery and equipment industry, within the category of specialised machinery for specific industries.

The following sections include extracts from the Vital Factor Report, which was prepared for inclusion in this Prospectus. A summary of the Vital Factor Report is set out in Section 12 of this Prospectus.

4.2.1 Industry overview

The development of the Machinery and Equipment Industry in Malaysia began sometime between 1960 and 1970. The industry progressed from the repair and servicing works of machinery and equipment as well as related parts and components for the primary rubber processing and tin mining sectors to the growth of machinery and equipment manufacturing.

Today, the Machinery and Equipment Industry is more diversified, which involves the manufacturing and supplying of machinery and equipment, incorporating more locally manufactured parts and components, to support the growth of various industries including:

- downstream rubber products manufacturing;
- upstream and downstream palm oil processing;
- electrical and electronics;
- telecommunications;
- automotive;
- food and beverage;
- construction; and
- oil and gas industries.

Despite the growth in the industry over the years, as of 2004, Malaysia is still a net importer of machinery and equipment, with a total import value of RM32.9 billion against a total export value of only RM15.6 billion. The Government has identified the machinery and equipment industry as one of the key areas for growth and development. Accordingly, as a measure to promote the industry, the Government has introduced attractive fiscal and non-fiscal incentives for producers and assemblers of all types of machinery and equipment. In 2004, a total of 82 applications were registered with MIDA, with total investments of RM402.3 million received with the machinery and equipment industry.

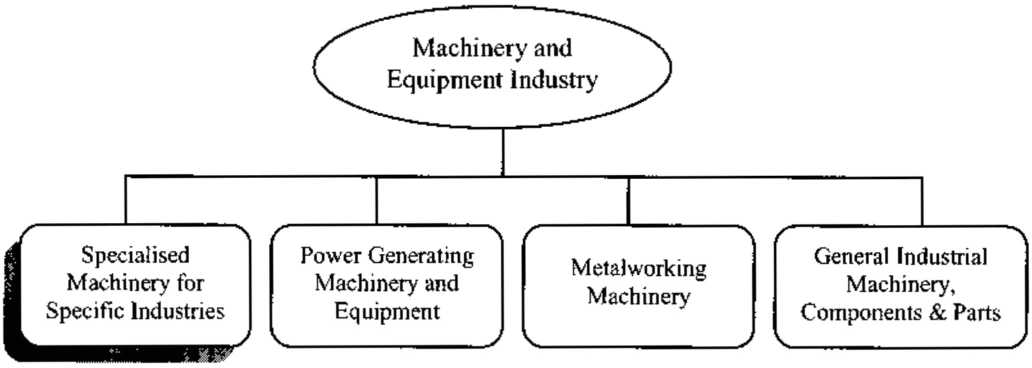
Further, the trade liberalisation under the Asean Free Trade Area ("AFTA") has also offered market potential for the industry. In 2004, Malaysian exports of machinery and equipment to Asean countries such as Singapore, Thailand, Indonesia, Philippines and Brunei amounted to a total of RM6.4 billion.

Apart from its contribution to the nation's earnings, the machinery and equipment industry is expected to have great potential in contributing significantly towards employment generation, value-added creation and income generation for the country.

4.2.2 Characteristics of industry

Industry structure

The machinery and equipment industry can be categorised into 4 broad categories as illustrated below:

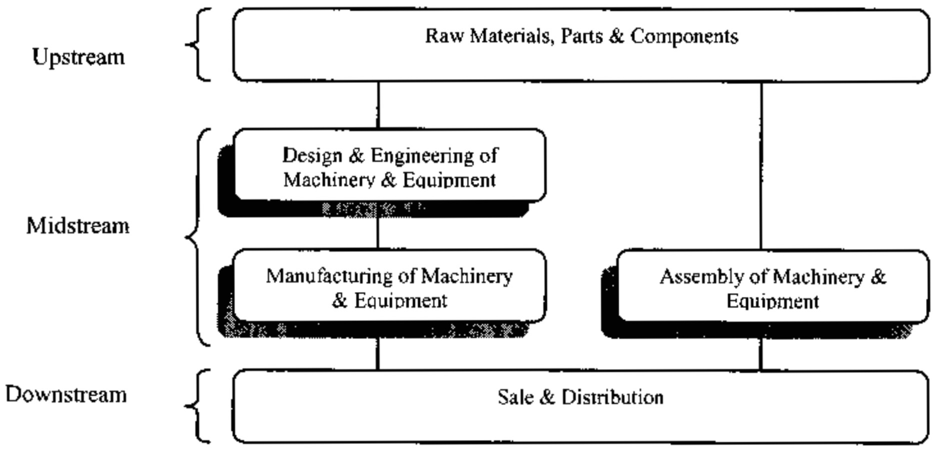


As the MMSV Group falls under the classification of specialised machinery for specific industries sector, the focus of the discussion in the ensuing sections will be concentrated on the machinery and equipment industry and specialised machinery for specific industries sector.

The specialised machinery for specific industries sector manufactures products which caters to the needs of specific manufacturing industries. Therefore, most of the machinery and equipment are customised to meet specific requirements of individual companies. The major machinery and equipment manufactured under this sector include processing machinery for rubber and palm oil industries and automation machinery and equipment for the electrical and electronics industry. In 2004, there were about 20 companies involved in the manufacturing of rubber and palm oil processing machinery and equipment, and 30 companies involved in the manufacturing of automation machinery and equipment catering to the electrical and electronics industry. Amongst the automation machinery and equipment manufactured include, pick and place machine, vision inspection systems, IC test handlers, trim and form machines, laser marking machines and many more, most of which are manufactured by the Group.

In 2004, Malaysia was a net importer of specialised machinery, with imports amounting to RM10.5 billion whilst export value was only RM4.2 billion. Overall for 2004, the total export value of specialised machinery amounted to 27% of the total export value of machinery and equipment of RM15.6 billion.

The manufacturing of machinery and equipment can be further extended vertically to include upstream and downstream activities as follows:

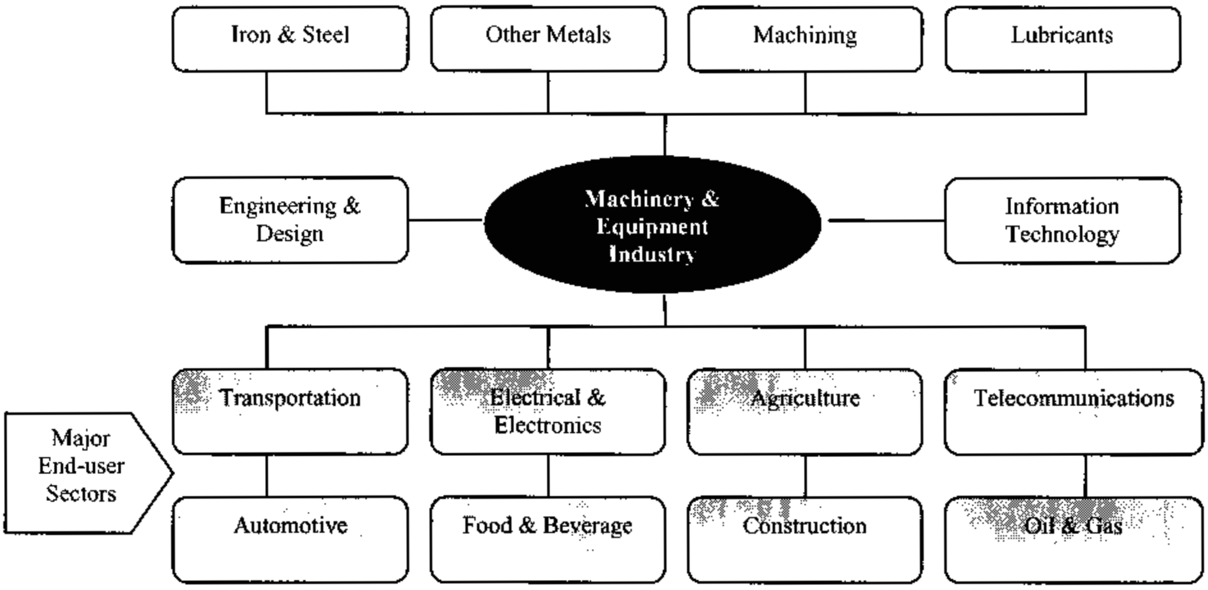


Upstream activities involve primarily the supply of raw materials such as parts and components, metal products and others. Some of the locally manufactured parts and components in support of the machinery and equipment industry include precision machined parts, metal fabricated structures, stamped parts and assemblies.

The mid stream activities, in which the Group operates under, include design of machinery and equipment, design of precision Die Sets, Jigs and Fixtures and manufacturing of machinery and equipment. The machinery and equipment produced are usually catered for niche market applications, low volume or batch production or made to order, reflecting local manufacturers' capabilities in engineering design, innovation and R&D.

Meanwhile downstream activities involve the sales, distribution and exports services.

The machinery and equipment industry is extensively linked to other activities, either upstream, downstream or midstream. The wide linkages of the machinery and equipment industry shown below illustrate its critical role to many other dependent industries.



Industry life cycle

The machinery and equipment industry is in the growth stages of the industry life cycle. This is demonstrated through the continuous growth in the local production within the industry. Based on latest available statistics, in 2002, gross output value of manufacture of special purpose machinery increased by 26.7% to reach approximately RM2.7 billion. The gross output value of the manufacture of other special purpose machinery not elsewhere classified (sub-sector of special purpose machinery) increased by 29.2% to reach RM247.5 million in 2002.

The growth phase of the life cycle of the machinery and equipment industry is expected to continue to be fuelled by the Government's effort in promoting the machinery and equipment industry which has been identified as one of the key areas for growth and development, the continued growth in the exports of machinery and equipment stimulating demand for local manufacture, and the effect of the growth in the performance of the user industry sectors.

Barriers to entry and exit

There are about 20 companies specialising in the manufacturing of rubber and oil palm processing machinery and equipment and 30 companies specialising in the production of automation machinery and equipment for the electronics and electrical industry. Generally, the degree of barriers to entry into the machinery and equipment industry is considered moderate to high due to the following factors:

- *Capital requirements*

  The capital investment required to start up a small sized manufacturing facility is approximately RM0.5 million (excluding land and building). Revenue for such companies would depend on the ability to generate sales. Generally, small sized manufacturing set up could possibly generate revenue of RM2 million to RM4 million per year. As such, barriers to entry are considerably low. However, capital costs required are much higher for larger operations within the industry due to substantial investment on advanced technology and production capacities. The small sized set up will face difficulties competing against larger operations with capital resources and capability to innovate, design, engineer and manufacture various types of machinery and equipment and enjoy economies of scale.

- *Technical experience and skills*

  The requirement for skilled labour in the machinery and equipment industry is relatively high, particularly the specialised machinery sector which is highly technical in nature and requires complex and multi-skills sets. Therefore, access to experienced and skilled technical professionals is critical to sustain competitive advantage. Key personnel required include professional engineers and technical personnel, large pool of semi-skilled and general labour with extensive training and experience, and skilled labour with extensive experience in machinery and equipment manufacturing operations. This poses a barrier to entry for new entrants. In addition, the knowledge and experience in developing machinery and equipment based on end user requirements would provide manufacturers with a competitive edge as they will be more aware of the changing trends and needs of industrial users.

- *Established track record and quality assurance*

  Quality assurance is an important factor in the industry as machinery and equipment are tools for the production of various end users. Manufacturers must be able to comply with quality standards as well as technical specifications, particularly in electronics industry where the tolerance level of accuracy in material handling, processing and testing is very low. As such, manufacturers employing stringent quality assurance programmes including accreditation from ISO and compliance to international standards will be a factor that could influence the choice of the customers. Manufacturers with established strong track record would have a significant advantage over new entrants as it serves as a reference of the reliability of the manufacturers in delivering products. The lack of track record poses a barrier to entry for new players.

On the other hand, the barriers to exit are considerably low as there are large numbers of operators within each sector of the industry. As such, it would not be expensive or difficult for exiting manufacturers to sell their entire production line to other manufacturers within the industry, which could then be converted or modified to suit the different types of applications.

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Labour intensity

Labour intensity in the overall manufacturing industry and the manufacture of specialised industrial machinery and equipment can be measured using the percentage of labour cost to total input cost. Based on the labour and productivity indicators for 2003, the unit labour costs of the manufacture of specialised industrial machinery and equipment is higher than the overall manufacturing industry. However, the labour productivity in the manufacture of specialised industrial machinery and equipment is higher than the overall manufacturing industry. The manufacture of specialised industrial machinery and equipment may not be as labour cost competitive compared to the overall manufacturing industry due to the need for skilled labour which are usually more costly, the productivity of the labour in the manufacture of specialised industrial machinery and equipment is much higher than the overall manufacturing industry.

Capital intensity

The capital intensity in the manufacturing industry and the overall manufacturing industry and the machinery of special purpose machinery can be measured using the fixed assets per employee ("FAPE"). Based on the FAPE measured in 2003, the capital intensity of the overall manufacturing industry was higher compared to the manufacture of special purpose machinery. Between 2001 and 2003, the average annual growth of FAPE for the manufacture of specialised industrial machinery and equipment of 3.6% while the overall manufacturing industry grew at an average annual rate of 5.0% between 2001 and 2003. In 2003, FAPE for the manufacture of special purpose machinery grew by 5.0% over the previous year. The growth may imply the need for substantial capital investment as start up cost to operate in the specialised industrial machinery and equipment industry which requires investments in technology.

Threats and risks

- *Lack of engineering supporting and ancillary activities*

  One of the threats to the operators within the machinery and equipment industry is the lack of engineering supporting and ancillary activities. Such activities including foundries, forging, heavy and precise machining, heat treatment electroplating and moulds and dies making are critical to growth of the machinery and equipment industry. However, the existing engineering supporting and ancillary industry are weak and fragmented, thus potentially shrinking the existing market and deterring any development in the machinery and equipment industry.

  As a measure to mitigate this situation, some major developments have taken place in the engineering supporting and ancillary industry, including the establishment of the Rasah Machinery and Equipment Technology Centre ("RAMET") under SIRIM Berhad in 2003 earmarked to develop human resources within the engineering sector and provide standards testing facilities and promoting cluster development through the grouping of all the activities. At the same time, the Mould and Die Design Centre ("MDDC") approved under the Eighth Malaysian Plan is in its first phase of implementation and is providing computer aided system services to 16 small medium enterprises. These developments are in line with the Government's aim to strengthen the foundation of local engineering supporting and ancillary industry in support of further growth within the machinery and equipment industry.

- *Competitive pressure from overseas players*

  Another threat faced by local operators in the industry is the competitive pressure from overseas players. As Malaysia is still a net importer, majority of the machinery and equipment required to meet the industrial and high technology industries' needs are still imported from Japan, Germany, Taiwan and China. As a measure to minimise the reliance on imported machinery and equipment, the Government has introduced various incentives to high technology companies to promote the growth and development of the machinery and equipment industry.

- *Availability of skilled manpower*

  Currently, there is also a shortage of skilled technical workers in the machinery and equipment industry in Malaysia. The shortage of skilled and experienced labour may potentially hamper the growth of the industry in general. Accordingly, in order to ensure long term and sufficient supply of skilled technical professionals, technical institutions and centres namely RAMET and MDDC are providing technical training and assistance to fortify the engineering base in the country. Further, it is also estimated that 64,516 students will be enrolled in engineering courses by 2005, representing 98.9% of overall technical courses enrolment in local public higher education institutions. As such, the industry is anticipated to have a pool of skilled resources to sustain the growth.

- *Movement of multinational corporations in electrical and electronic industries to China*

  China is becoming a major attraction for Foreign Direct Investment ("FDI") particularly in the electrical and electronics manufacturing industry. Over the years, there has been a movement of multinational corporations into China. According to the Ministry of Commerce in China, FDI into China recorded a growth of 1.4%, which amounted to USD53.5 billion in 2003, out of which the manufacturing sector (including electronics, telecommunications equipment, chemicals and others) contributed 70% of the total FDI. In contrast, FDI in the electrical and electronics industry in Malaysia had declined over the last 5 years. In 2003, FDI in the electrical and electronic industries dropped by 9.4% amounting to RM3.6 billion. Further, between 1999 and 2003, FDI in the electrical and electronic industries decreased at an average annual rate of 11.6%. This increasing movement of multinational corporations to China may have an impact on the manufacturers in the machinery and equipment industry who are servicing this group of customers.

  Nevertheless, according to MIDA, the trade liberalisation under AFTA has opened up new export market opportunities for the industry. In 2004, Malaysia's exports of machinery and equipment to Asean totalled RM6.4 billion, with Singapore, Thailand, Indonesia, Philippines and Brunei being the top five destinations. In addition, operators which are financially stable will be in a stronger position to expand its business operations overseas and continue to service these customers by setting-up their own operations in China.

- *Trade liberalisation under the AFTA*

  Under the AFTA agreement initiated by the Asean countries, a comprehensive programme of regional tariff reduction has been laid out, whereby the Common Effective Preferential Tariff has been proposed for goods traded within the Asean region. Tariffs on such goods which meet a 40% Asean content requirement, will be reduced to between 0% and 5% from 2003 onwards. As at the date of this Prospectus, the imports of Specialised Machinery under Machines and Mechanical Appliances having individual functions, not specified elsewhere are free of import duties. Such tariffs will also be reduced for Vietnam and Myanmar in 2006 and 2008 respectively.

  The implementation of AFTA has meant that intensity of competition from imports has increased for certain types of machinery and equipment due to the reduction in import tariff. However, the gradual reduction of tariffs will also generate opportunities for the export of machinery and equipment and for local operators to create their own niche markets and compete successfully within the Asean region.

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4.3 Supply and demand

Supply

In 2002, gross output value of manufacture of special purpose machinery increased by 26.7% to reach approximately RM2.7 billion. The gross output value of the manufacture of other special purpose machinery not elsewhere classified (sub-sector of special purpose machinery) increased by 29.2% to reach RM247.5 million in 2002. Under the manufacture of specialised industrial machinery and equipment, the operations of the Group can be subcategorised under the manufacturing of lifting and handling equipment and other special purpose machinery not elsewhere classified. In 2002, the gross output value of the manufacture of lifting and handling equipment and other special purpose machinery amounted to RM294.1 million and RM247.5 million respectively.

Comparatively, the import value of machinery specialised for particular industries grew at an annual rate of 7.3% from 1999 to 2004, with an increase of 30.5% to RM10.4 billion in 2004. The major import countries for the various products are Japan (for machines or mechanical appliances having individual functions) and US (for measuring or checking instruments, appliances and machines, and other optical instruments and appliances for semiconductor devices). Other sources of imports include Germany, China and Singapore.

Meanwhile, in terms of the supply for different types of raw materials required for the manufacture of specialised industrial machinery and equipment, Malaysia is a producer of other fabricated metals products, one of the major raw materials. In 2004, the sales value of the manufacture of other fabricated metal products amounted to RM4.2 billion, recording a growth of 17.9% compared to the previous year.

Demand

The demand for machinery and equipment is dependent on demand from both the local market and overseas export market. For the local market, the demand for specialised industrial machinery and equipment is directly linked to the performance of the manufacturing industry and the relevant sub sectors, particularly, the electronics and electrical products. Between 1999 and 2004, the manufacturing industry grew at an average annual growth rate of 6.6%, recording a growth of 9.8% with RM78.3 billion in 2004. For the same period, the production index of the electronics and electrical products, being one of the major end users of the industrial machinery and equipment, grew at an average rate of 10.5%.

Meanwhile, for the export market, the value of exports of machinery specialised for particular industries grew at an average annual rate of 16.3% between 1999 and 2004, recording a growth of 30.3% with RM4.2 billion in 2004.

The continued growth of some of the end user industry sectors is expected to generate continuous demand for machinery and equipment including specialised industrial machinery and equipment. This provides opportunities for manufacturers of automation systems and equipment such as the MMSV Group.

4.4 Substitute Products

Manual systems, in some situations, would be the substitute for machinery and equipment automation. However, machinery and equipment automation has the significant benefit of being more effective and efficient than manual systems, which allows for mass manufacturing to achieve cost-efficiencies.

In addition, some operations cannot do without automation due to the need for the following:

- highly precision processing and handling;
- consistently achieve a high standard of quality;
- minimise contamination;
- handling of hazardous materials or operating under harsh environment.

As businesses compete more aggressively, machinery and equipment automation is seen as one of the necessary business tools to stay ahead of the competition.

4.5 Competition

In 2004, approximately 30 companies registered under MIDA were involved in the manufacturing of automation machinery and equipment catering to the electrical and electronics industry in Malaysia. This represents a relatively small number of operators in the industry with gross exports RM257.1 billion worth of electrical and electronics products in 2004. As the group of operators in the industry is relatively small, the intensity of competition among the operators in the industry is reduced.

Further, the requirements of the electrical and electronics industry are more stringent compared to other industries such as the metalworking machinery sector, due to its requirements for machinery and equipment which meets operating conditions such as high speed, precision, high sensitivity of components and finished products and clean environment. As such, there are typically less manufacturers which are able to meet such stringent requirements, hence moderating the intensity of competition within the industry.

Another factor that reduces the competitiveness in the industry is the need for specialised automation machinery and equipment catered for specific manufacturing environment and requirements. Manufacturers which are able to conform to international quality standards including ISO accreditation and compliance, integrate machinery and systems to achieve functional flexibility, reliability, efficiency and speed and possess the capability to undertake in-house R&D, engineering design and testing, will be able to gain competitive edge against its competitors. As not all manufacturers are able to offer the same sets of specialised skills and capabilities, differentiation is the key towards competitive positioning in the industry.

Nevertheless, as Malaysia is still a net importer of machinery and equipment (in value terms), local manufacturers face significant competition from imported machinery and equipment from countries such as Japan, Germany, Taiwan and China.

On the other end, there are also backyard manufacturers not registered with MIDA which are capable of meeting some of the requirements of the machinery and equipment of the electrical and electronics industry. Such manufacturers focus on meeting low end requirements at relatively lower cost, thus creating pressure for competitive pricing.

4.6 Industry's reliance on and vulnerability to imports

Malaysia is a net importer of Machinery and Equipment including Specialised Machinery. Some examples of Specialised Machinery include automation Machinery and Equipment for the Electrical and Electronics Industry, for example, pick and place machines, vision inspection systems, IC test handlers, tape and reel machines, laser marking machines and die bonders.

In 2004, the import value of Specialised Machinery reached RM10.5 billion whilst export value was RM4.2 billion. The large proportion of imports provides opportunities for import substitution for Malaysian manufacturers of Machinery and Equipment.

The industry is also reliant on imports of various types of electrical parts and components such as motors, programmable and computer controllers, sensors, pneumatic parts and other mechanical parts for the manufacturing of Specialised Machinery. Some of the main reasons for importing these types of materials are as follows:
- specific types of equipment parts or raw materials are not produced locally;
- some of these parts are based on customers' specifications;
- some of the parts, components and modules are the latest technologies, which are still not available locally.

However these types of materials are easily available from imports. Thus far, the management of the Group has not experienced any disruption in the supply of any materials required for the manufacturing of Specialised Machinery.

4.7 Government legislation, policies and incentives

Currently, operators within the machinery and equipment industry such as the MMSV Group are not restricted by any material government laws, regulations and policies, other than the normal requirement for a manufacturing license. Under the Industrial Coordination Act, 1975, it is mandatory for companies with shareholders funds' of RM2.5 million or more or engaging 75 or more full time employees to apply for a manufacturing license. However, there is no restriction on foreign equity participation for companies in the machinery and equipment industry. As such, local and foreign investors may hold up to 100% equity in a local company irrespective of the level of exports.

The Government has introduced various types of incentives for companies in the manufacture of machinery and machinery components under the Promotion of Investments Act, 1986, as a measure to promote growth and developments in the industry. Amongst the incentives provided include pioneer status, investment tax allowance and reinvestment allowance. Various activities and products are promoted by the Government including the development and production of industrial machinery and equipment, material handling equipment and machine tools, hand tools or power tools, which are the core businesses of the MMSV Group.

In addition, incentives are also provided for high technology companies in the automation and flexible manufacturing systems, which refers to companies engaging in promoted activities or production of promoted products in the area of new and emerging technologies. Some of such activities include the development and production of computer process control system/equipment, process instrumentation, robotic equipment and CNC machine tools.

Further, licensed manufacturing warehouse are also entitled to duty exemption of imported raw materials, component parts, machinery and equipment which are required directly in the manufacturing process. Manufacturers that are entitled to the exemption are those with the entire production or not less than 80% meant for export and the raw materials/components are mainly imported. MMSV Group is currently enjoying the licensed manufacturing warehouse facilities.

Apart from the above, manufacturers of certain sub sectors within the machinery and equipment industry are also provided tax-related incentives based on level of value-added input. Other than the regulations imposed by the Government mentioned above, the manufacturing activities are also governed by environmental regulations. The manufacturing of machinery and equipment produces waste oil which is created due to the change of machine lubricating oil and degreaser. The disposal of waste oil is regulated under 'spent oil or grease used for lubricating industrial machines' of scheduled wastes from non specific sources under the Environmental Quality Act 1974 and Environmental Quality (Scheduled Wastes) Regulations 1989.

4.8 Outlook of industry

The outlook of the specialised industrial machinery and equipment industry in Malaysia is expected to be favourable with a forecast annual growth of approximately 5% to 8% for the next 5 years. Such favourable outlook is mainly substantiated by the growth in direct demand in the local and exports markets and import substitution, coupled with development in the performance of the end-users industry such as the electrical and electronics industry. Operators within the industry are expected to benefit from growth and opportunities in the following key areas:

- *Export markets*

  Export markets for the machinery and equipment industry provides significant growth opportunities, particularly for machinery specialised for particular industries which grew at an average rate of 16.3% annually between 1999 and 2004. There are opportunities for Malaysian operators to export machinery and equipment to developing countries, as the machinery and equipment are crucial in the development of the manufacturing sector of these countries.

- *Manufacturing process automation*

  As major manufacturing sectors in Malaysia including electrical and electronics industry shift its reliance on labour intensive processes to high technology applications, the demand for manufacturing process automation will become more pervasive. This creates significant opportunities for operators providing automation machinery and equipment to improve flexibility, increase production output and allow faster cycle times to accommodate the increasing labour costs and shorter product life cycles.

- *Import replacement*

  There are ample opportunities for local operators to replace imports by leveraging on local support, prompt delivery and cost effectiveness provided the functionality and quality of products offered as well as the local operators ability to meet customers needs are assured.

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